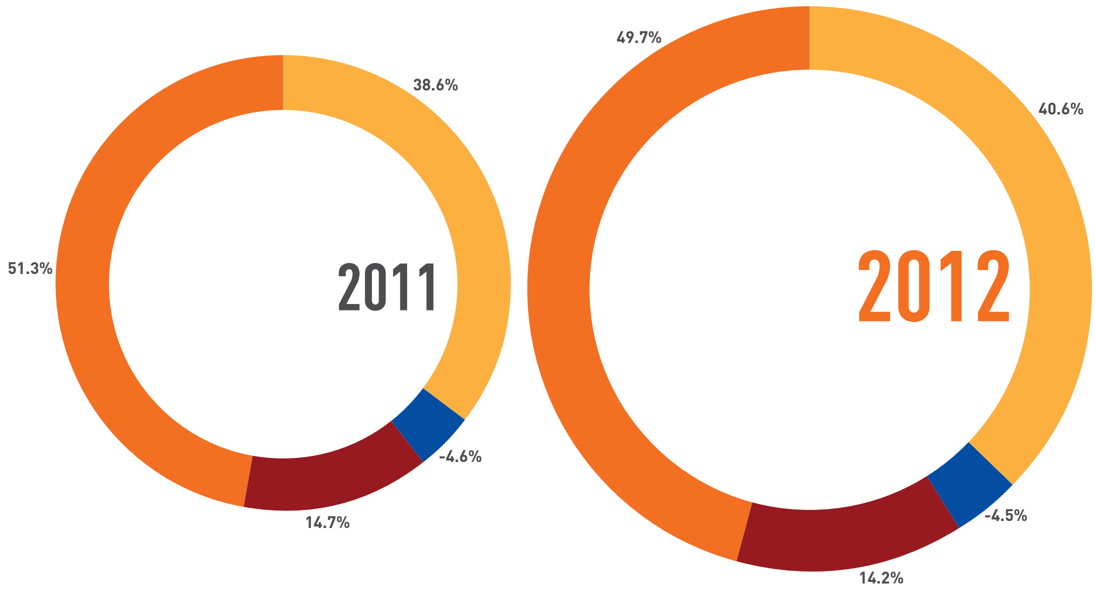
STATEMENT OF VALUE ADDED

Value added is a measure of wealth created. The following statement shows the Group's value added for 2011 and 2012 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.

	2011 RM Million	2012 RM Million
VALUE ADDED		
Revenue	9,150.7	**9,993.5**
Purchase of goods and services	(4,219.2)	**(4,798.2)**
Value added by the Group	4,931.5	**5,195.3**
Other operating income (net)	120.9	**165.4**
Other gains (net)	286.5	**0.3**
Finance income	133.0	**139.6**
Finance cost	(318.2)	**(331.5)**
Foreign exchange (loss)/gain on borrowings	(58.6)	**73.4**
Share of results of associates	0.1	**0.9**
Value added available for distribution	5,095.2	**5,243.4**
DISTRIBUTION		
To Employees		
Employment cost	1,966.0	**2,129.1**
To Government/Approved Agencies		
Taxation and Zakat*	(235.9)	**(236.3)**
To Shareholders		
Dividends	702.1	**701.2**
Non-controlling interests	46.1	**42.2**
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	2,128.0	**2,044.7**
Retained profits	488.9	**562.5**
Total distributed	5,095.2	**5,243.4**

* Includes deferred tax assets recognised on unutilised tax incentives as disclosed in note 19 to the financial statements.

DISTRIBUTION OF VALUE ADDED



2011		2012
RM1,966.0 million	Employees - Employment cost	RM2,129.1 million
-RM235.9 million	Government/Approved Agencies - Taxation and zakat	-RM236.3 million
RM748.2 million	Shareholders - Dividends and non-controlling interests	RM743.4 million
RM2,616.9 million	Retained for reinvestment and future growth - Depreciation, impairment, amortisation and retained profits	RM2,607.2 million

TM GROUP PRODUCTS & SERVICES

RETAIL BUSINESS

VOICE SERVICE ACCESS
- Homeline
- Businessline
- CDMA
- ISDN
- Centrex

VALUE ADDED SERVICES
- Infoblast
- BB Phone
- Voicemail
- TollFree 1300/1800
- 600 Premium Services

PREPAID SERVICES
- iTalk

CONFERENCING SERVICES
- Audio Conferencing
- Video Conferencing
- Audio with Data Conferencing

- **Broadband (Consumer)**
  - UniFi VIP
  - Streamyx
  - TM WiFi
  - Streamyx Wireless (CDMA/EVDO)

- **Broadband (Business)**
  - UniFi Biz
  - Business Broadband
  - Direct
  - In-Building Broadband Service (IBS)

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

DATA SERVICES

MANAGED NETWORK
- IPVPN Premier
- IPVPN Lite
- IPVPN Value

MANAGED CONNECTIVITY
- DLL – Digitaline 1 (DG)
- DLL – Wideband (DQ)
- DLL – Broadband (BLL)
- VSAT Premier
- VSAT Classic
- VSAT Value
- Hyperband
- METRO.Ethernet

GEOMATICS
- AVLS (Automatic Vehicle Location)
- SmartMap
- Navigation System

Application Service
- Webmail

Content Services
- HyppTV
- Hypp.tv
- Hypptunes

WHOLESALE BUSINESS

VOICE SERVICES
- PSTN Minutes
- Interconnect Minutes
- Wholesale VoIP

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

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

INFRA SERVICES
- Tenancy Services
- Infrastructure Sharing

GLOBAL BUSINESS

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

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

GOVERNMENT SEGMENT

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

INFRA SERVICES
- Managed Hosting Services

MANAGED IPVPN

TRUST US.
WE KNOW BROADBAND BEST.

YOUR BROADBAND CHAMPION

trust

Business Review & Functions

focus

We are extremely focused in cultivating a performance driven culture. With the right strategies and processes in place, it is the way we work together and function as one team, with a common understanding of our purpose that unites us in our goals towards future successes.

RETAIL BUSINESS

CONSUMER

FACTS AT A GLANCE

RM2.72 billion
revenue generated by TM Consumer

1.7 million
broadband subscribers (Streamyx and UniFi)

2.8 million
phone subscribers

OVERVIEW

Despite the challenging business environment in 2012, TM Consumer once again grew its revenue, driven by its Broadband offering to Malaysian households. Other than securing new installations and introducing upgrading initiatives, greater emphasis on reducing churn while heightening the customer experience also contributed to its overall achievements.

FINANCIAL PERFORMANCE

In the financial year ended 31 December 2012, TM Consumer recorded net sales of RM2,724 million, marking an increase of 9.5% from its 2011 performance. This was achieved mainly from strong growth in Broadband as well as mitigated decline in Voice. Despite the challenging environment, TM continued to maintain its leadership position in the Broadband segment. The total number of broadband subscribers grew by 9.7% to 1.7 million customers by end 2012. Demand for UniFi, TM's brand of high speed broadband, remained strong with more than 406,009 residential customers by end 2012 contributing RM622.0 million in revenue. This is more than double the 201,842 customers achieved in 2011.

EXCEPTIONAL CUSTOMER EXPERIENCE

UniFi

Thanks to an aggressive roll-out strategy, TM has been able to offer the UniFi service to more than 1.3 million premises nationwide. To meet the fast growing demand for UniFi, TM Consumer practically doubled the number of sales events held, while continuing to enhance customer experience by improving the installation time to within 10 days.

A special SuperSpeedMe promotion was launched in March 2012 to provide a better high speed broadband experience to existing customers. Applicable to both Streamyx and UniFi, subscribers get to double their broadband speed while paying their existing package fee for the first three months.

Streamyx Broadband

Streamyx remains the fixed broadband of choice for the masses, helping TM retain its leadership position in the Malaysian broadband market with close to 1.3 million residential customers nationwide. As of end 2012, 74.0% of Streamyx subscribers were on speeds of 1Mbps and above, and TM is focusing on upgrading its customers to higher speed packages to ensure they get to enjoy a better broadband experience. To further promote Streamyx, TM has made available online registration for the service starting June 2012. Customers can now conduct various self-service activities online, such as managing their accounts, checking the service availability based on their home address, as well as booking installation appointments. Customers who subscribe to Streamyx via online registration also enjoy a one-month waiver on the package subscription fee.

Voice

The number of Voice customers increased during the year, driven mainly by the take-up of UniFi, which is bundled with Voice and TV. At the same time, usage of the fixed line was driven by campaigns targeted at TM Consumer's 2.8 million Voice customers. For example, a majority of Streamyx and all UniFi subscribers can enjoy free calls nationwide to TM fixed lines, as well as a flat rate of 10 sen/min for calls to mobiles. In response to increasing demand for cheaper IDD calls, TM introduced its first ever IDD Call Plan packages offering up to 1,000 minutes of free talk time with following calls from as low as 15 sen/min to eight countries, namely Canada, China, Singapore, South Korea, Hong Kong, Japan, the United Kingdom and the United States of America.

ENRICHING CUSTOMER LOYALTY

To sustain lasting relationships with customers, TM shows its appreciation to loyal customers by 'giving back' to them via TM Rewards. All customers need to do is sign up for the programme for free and gain points for every TM subscription and payment made. The points can be redeemed with attractive gifts such as vouchers and bill rebates. In 2012, TM gave 1,000 points to customers who upgraded their speed during the Super Speed Me promotion and 500 points for Autopay subscription and for every monthly TM bill payment made on time.

EFFECTIVE CUSTOMER ENGAGEMENT

TM strives to go the extra mile in engaging its customers in novel ways. One recent effort was Salam Mesra TM, a programme that saw TM employees reach out to existing customers by going door to door to their homes. The programme covered 50,000 customer homes. During the visits, TM employees listened to the customers' issues and feedback, updated customers' contact details, and assisted them to apply for broadband upgrades as well as to subscribe to Autopay Service. Such engagement not only enhances the customer experience but creates a better bond between TM and its valued customers.

Imri Mokhtar, Executive Vice President TM Consumer flags off during the launch of Salam Mesra TM in September 2012.

PROSPECTS

For the year 2013, TM Consumer aspires to deliver an even more enhanced customer experience. Apart from expanding its broadband offering, more content will be acquired and customised in packages to suit all end users. The aim is to serve customers not only at home, but also beyond the home.

SMALL AND MEDIUM ENTERPRISE

FACTS AT A GLANCE

3.9%
revenue growth

RM1,912.2 million
revenue

75,089
UniFi BIZ subscribers

OVERVIEW

TM's Small & Medium Enterprise (TM SME) business continues to be a key contributor to TM's growth. In 2012, TM SME created waves in the business landscape by offering innovative bundled solutions as well as new ICT and applications-based products aimed at increasing productivity and operational efficiency for its customers.

FINANCIAL PERFOMANCE

TM SME recorded revenue growth of 3.9% year-on-year from RM1,840.6 million to RM1,912.2 million, mainly due to higher revenue from Internet services and other value added telecommunications services which mitigated the decline in voice services. Despite the decline in voice, it remained a key revenue generator, while Internet services progressively been the preferred telecommunications medium within the market.

In 2012, revenue from Internet services was generated mainly by an increase in number of UniFi customers from 34,310 to 75,089. Internet contributed to 13.8% of TM SME's revenue growth despite a decline in Business Broadband customers from 267,907 to 242,644.

KEY INITIATIVES

The priority in 2012 was to further expand services such as UniFi, Business Broadband, Value Added Services (VAS) and cloud computing. TM SME strengthened its position by offering total solutions such as e-marketplace, security solutions and unified communications, positioning itself as the preferred telecommunications partner for SMEs. In 2012, TM SME also increased its collaborative efforts with property developers to install HSBB infrastructure in new commercial and residential projects.

SALES AND MARKETING

A key new sales and marketing initiative launched during the year was SME BizFest™, which aims to showcase innovative ICT solutions for SMEs from TM and its partners. This two-day event was taken to Penang, Johor and Petaling Jaya from April to May 2012, attracting more than 3,000 participants which included TM partners Microsoft, Green Oranges, CIMB, NEF, Panasonic, Intel, Google and eOneNet.com. The event included plenary conferences, technology demonstrations and exhibitions.

TM SME also continued with its SME BizNet™ roadshows to further educate businesses on the benefits and advantages of ICT, focusing on cloud computing in 2012.

OPERATIONS

Recognising that different businesses have different needs, TM SME offers customised solutions to the SME market with a strong focus on creating cost-efficiencies. Information and Communications Technologies (ICT) and VAS are continuously developed to help customers achieve more value at a lower cost. At the same time, these solutions enhance operational efficiencies by allowing SMEs to focus on their core business.

Poised to bring Malaysian SMEs further up the value chain with affordable and enhanced connectivity, TM introduced higher speeds of UniFi and included IPTV as part of its UniFi for Business (UniFi BIZ) package on 26 November 2012. Other than IPTV, BIZ30 and BIZ50 come with a host of complimentary products and services such as free DECT phones, WiFi Business Getaway, TM WiFi ID, 10GB Web Hosting along with 2GB e-mail accounts, Infoblast accounts and VAS options such as web storage, security and an add-on fixed IP address.

Business customers can also enjoy HyppTV for Business, an optional paid service via IPTV delivered on UniFi's high-speed broadband network over Set-Top-Box (STB). It offers exciting infotainment with uninterrupted and crystal-clear transmission, regardless of the weather.

Further strengthening its suite of Internet/Business Broadband services, TM SME on 5 December 2012 launched Office in a Box™ with Microsoft® Office 365. This collaboration between TM and Microsoft combines cloud-powered communication with Microsoft Office 365 productivity tools, allowing SMEs to enjoy TM's business grade broadband connectivity at speeds ranging from 1Mbps to 8Mbps, competitive call rates, value-added services and also Microsoft Office 365. Subscribers benefit from the efficiencies brought about by Microsoft Office e-mail, web conferencing, instant messaging and online versions of Microsoft Office.

Two new voice services were introduced – Biz Voice Primary Rate Interface (PRI) and TM Fax Plan. Biz Voice PRI, launched on 16 July 2012, targets Integrated Services Digital Network (ISDN) PRI customers. ISDN is a system of digital phone connections designed for sending voice, video and data simultaneously over digital or ordinary phone lines, at a much faster speed and higher quality than an analogue system. The Biz Voice PRI service is a bundled call plan, offering free usage and attractive lower call rates to fixed and mobile numbers with PRI lines. Adding to this offering is Infoblast SMS, which allows customers to send between 500 and 1,500 text messages a month.

TM Fax Plan, introduced on 14 December 2012, offers free fax usage, low and attractive fax rates for international and domestic use as well as RM100 vouchers for the purchase of new fax machines. The entire package is offered at an affordable RM78 per month.

Data and VAS solutions were also enhanced with new offerings. On 11 May 2012, BizApp Store was introduced offering cloud-based business applications and solutions. Currently, customers can choose from nine applications offering solutions in Sales & Marketing, Human Resources, Collaboration, Finance & Accounting, and Customer Relationship Management.

SmartBIZ, introduced at BizFest in Penang on 13 April 2012, is a managed secure private network offering that comes with managed Internet. The product is bundled with attractive VAS and business applications to boost productivity. It offers a simple, convenient and cost-effective communications tool suitable for SME businesses which have multiple branches and critical ICT usage. The product also comes with value-added ICT services that include managing the lifecycle of the equipment at no additional cost.

Finally, Marketing Tools, which debuted on 21 May 2012 at the BizFest in Kuala Lumpur, enables businesses to expand their reach using Infoblast, Internet Yellow Pages and other complimentary online services. This solution also allows subscribers to collect feedback from customers, and measure the response to their marketing efforts. Following SME's collaboration with Lelong.my on 17 December 2012, Marketing Tools was enhanced with Lelong.my's Web Store which is offered as a complimentary service.

Signing ceremony of Collaborative Agreement between TeAM, TM and VADS. From left: General Manager, TM SME Mohamad Yusman Ammeron, TeAM Council Member Yusno Yunos; TeAM President Aziz Ismail; VADS Chief Executive Officer Ahmad Azhar Yahya; Azizi A Hadi, Executive Vice President, TM SME and VADS General Manager Faezah Mohd Amin.

PROSPECTS

In 2013, TM SME will continue to focus on sales execution and retention programmes. Innovative products and solutions for the SOHO and Micro markets will be developed and launched to further expand TM's market share in the business sector. TM SME will also reinforce its efforts to educate customers on the benefits of total ICT solutions for business growth.

ENTERPRISE

FACTS AT A GLANCE

RM1.1 billion
revenue

43.0% outage reduction
with Service Improvement Plan

1.0% revenue growth
in data and broadband services

OVERVIEW

The year 2012 was challenging yet exciting for TM Enterprise. As a customer-centric business division, TM Enterprise places much emphasis on customer engagement, consultative selling and systematic account planning. A major achievement towards this end was its sales transformation, which signified a milestone in its strategic roadmap to increase its share of wallet in three target areas of telecommunications, Information and Communications Technology (ICT) and Business Process Outsourcing (BPO) services.

TM Enterprise's sales transformation has improved its overall efficiency, with greater focus on account planning based on best practices supported by effective training programmes for its sales consultants. This translates into better funnel building capabilities and higher sales conversion rates.

In line with the Group's focus on the customer experience, TM Enterprise also intensified its Service Improvement Plan (SIP) to enhance its service level. Of the more significant results achieved, there was a 43.0% reduction in total outage compared to the previous year. In terms of service delivery and billing, internal processes was revisited and order processing and billing automation was leveraged to ensure a high level of service across its end-to-end customer touch points.

With increasing number of Malaysian enterprises venturing beyond our shores, TM Enterprise is ensuring that it is able to capitalise on the growing complexity of their needs. At the same time TM Enterprise is also looking to tap into regional opportunities and has set up a Global Enterprise Team to leverage on initiatives to attract regional investment into the Iskandar Development Region (IDR), Johor, while exploring opportunities for business expansion in Singapore and Indonesia.

FINANCIAL PERFORMANCE

TM Enterprise's financial performance in 2012 served as a good indication that key initiatives carried out during the year were aimed in the right direction. Despite uncertainties within the external environment, which continued to be fragmented and highly competitive, TM Enterprise posted RM1,100.0 million in revenue, marking an increase of 1.1% from the previous year. This was mainly attributed to revenue growth from data and Internet/business broadband.

PRODUCTS & SERVICES

Voice

TM Enterprise maintained a rigorous retention strategy to combat price competition by mobile and Voice-over-Internet Protocol (VoIP) service providers. Taking advantage of customised call plans such as Smart Call and Flexi Destina, the team was able to offer cost-effective service to its customers and as a result, managed to mitigate further decline in voice revenue. This dropped by only 1.2% in 2012, as compared to a projected reduction of 6.0%.

Data & Internet/Business Broadband

TM Enterprise continued to focus on service differentiation to arrest price competition on data and broadband services. By promoting an integrated service for connectivity and ICT/BPO with improved network service quality, it managed to increase its data and broadband revenue by 1.0% amid heavy competition by other end-to-end managed service providers and service integrators.

RECOGNITION

Tenaga Nasional Berhad (TNB) recognised TM as a Preferred Service Provider in 2012, according TM high scores in the following areas: technical capability, project management, pricing and after-sales support. This was based on the following services rendered to TNB:

1. Contact Centre Technology (hardware and software)
   a. Call Management System
   b. Work Force Management
   c. Customer Relationship Management – TNB Outage Management Systems (TOMS)
2. Contact Centre Advisory
3. Integration service between TOMS and TNB systems
4. SMS gateways
5. Toll-Free (15454) and (1300-88-5454)

Malaysia Airlines MH Net Project Handover.

PROSPECTS

TM Enterprise will continue to drive business sustainability of TM Group in the upcoming year. In order to do so, it will continue to capitalise on domestic opportunities and proactively seek specific regional market prospects to accelerate growth with customised products and solutions.

GOVERNMENT

FACTS AT A GLANCE

29.2%
ICT business growth

200,000
government employees to be linked to 1GovUC

30.5%
revenue growth for Data Service (RM782.7 million)

OVERVIEW

In its quest to become the Government of Malaysia's (GoM) trusted ICT partner, TM Government segment secured three major initiatives under the Government ICT infrastructure consolidation programme in 2012. These were: the expansion of government intranet and Internet services (EG*Net), government e-mail and unified communication services (1GovUC) and government call centre (1MOCC) with other ongoing big projects such as PDRM*Net, Sabah*Net, Kastam*Net, SUKMA Pahang and Malaysia Emergency Response Services (MERS) 999 Expansion.

TM Government works very closely with its customers at every stage of a project – from the development of solutions to the implementation and operation. Both parties take on the management of risks to ensure the project's successful implementation and later, its sustainability. With fast-changing technology shortening product lifecycles, TM Government is offering broader ICT solutions beyond network. In line with this, all sales and technical staff continuously undergo comprehensive training beyond their familiar territory to improve the team's competency and readiness to grab ICT business opportunities as these arise.

SUSTAINABILITY

Since 2010, TM Government has acquired the reputation of being a global provider. To maintain this position, it continues to pursue service excellence and push for greater operational efficiencies.

FINANCIAL PERFORMANCE

TM Government's strategy of pushing its team to think beyond network has led to many new business opportunities in ICT. As a result, its ICT business grew by 29.2% in 2012, becoming the second largest business revenue to TM Government, whose total revenue grew by 22.4%.

PRODUCTS AND SERVICES

Voice Service

Despite the popularity of smartphones, fixed telephony remains the preferred voice communication in the government sector. Although Voice revenue dropped by 1.3%, the number of telephone installations remained unchanged. To manage this natural decline, TM Government will continue to offer Flexi Destina and Privilege Plans, and in the long run integrate Voice and IP services to transform the Voice Business to Data Business or ICT Business. With the scheduled full implementation of 1GovUC to 200,000 users in 2013, this is expected to serve as a platform for the transformation.

Data Service

To meet its target of 95.0% online services by 2015, the GoM has to ensure all its offices have high bandwidth acccess. Thus, in the first half of 2012, the Government issued a bulk order for EG*Net to be delivered by year end. Despite the number and geographical spread of government offices nationwide, the bulk orders were fully delivered by year end. With most of the government's network now running on high bandwidth, GoM could easily subcribe to high speed bandwidth infrastructure, boosting Data Service revenue in the long run.

In 2012, Data Service revenue grew by 30.5% to RM782.7 million.

Internet Service

The expansion of EG*Net services to include Internet offers an opportunity for TM to provide ICT services such as security and cloud computing. In the long run, this will contribute positively to TM Government's revenue.

Meanwhile, Internet via Direct Over Metro-E (DOME) continues to be in high demand at public universities. With the number of Gen-Y university students escalating, and their increasing dependence on learning on the Net, demand for higher bandwidth from public universities is expected to grow.

ICT Projects

1MOCC, 1GovUC, Universal Service Provision (USP) and MERS999 were among the major projects that drove ICT revenue in 2012. All these projects form a part of GoM's strategy to boost its operational efficiency and connect with the public more effectively.

1MOCC centralises all calls and operates 24/7 to answer public enquiries and tend to complaints, suggestions and feedback via phone calls, SMS, fax, e-mail and the social media.

The 1GovUC project, under the Business Services NKEA, aims to provide a centralised integrated communications service for the GoM that includes e-mail, calendering, task management, instant messaging, web conferencing and telepresence. It is targeted that 200,000 government employees will be linked by this service in 2013.

1Malaysia One Call Centre (1MOCC) Launch.

PROSPECTS

The GoM's whole-of-government ICT infrastructure consolidation has been beneficial to TM Government and will continue to drive its growth. Further expansion of the EG*Net is expected in 2013 as the GoM strives to meet its 95% online services target, pushing the need for additional bandwidth. Meanwhile, success of the 1MOCC has spurred the GoM to expand this service to more than 700 agencies nationwide and this is expected to contribute positively to TM's business outsourcing revenue while protecting its core business. Similarly, the 1GovUC project, which is currently being deployed to 20.0% of the entire civil service, offers business opportunities that will strengthen growth of the ICT business.

Just as TM Government's involvement in key strategic GoM projects to improve public service intensifies, its contribution to TM's financial performance will grow progressively stronger.

WHOLESALE BUSINESS

FACTS AT A GLANCE

33.0 % revenue growth

from Wholesale Ethernet contribution

27.6 % revenue growth

in IP data

Asia Pacific's Best

Wholesale Ethernet Service Provider 2012

OVERVIEW

The TM Wholesale (TMW) line of business, which include Fiberail Sdn Bhd (Fiberail) and Fibrecomm Network (M) Sdn Bhd (Fibrecomm), is TM's business and marketing arm for telecommunications infrastructure and access services. Strategic collaborations with Keretapi Tanah Melayu Berhad (KTMB), Petrofibre Network Sdn Bhd and Tenaga Nasional Berhad (TNB) enable TMW to access KTMB's and Petronas Gas' corridors, as well as TNB's high voltage and low voltage transmission lines, thus creating unparalleled fibre optics network coverage nationwide.

TMW offers a comprehensive range of wholesale products and services to all domestic network operators including network facilities providers (NFP), network service providers (NSP) and application service providers (ASP) licensed by the Malaysian Communications and Multimedia Commission (MCMC).

Supporting Government Initiatives

Braced with its unique strengths in telecommunications infrastructure coverage and ability to provide total business solutions, TMW positions itself as a neutral infrastructure service provider to domestic licensed network operators. This supports the government's aspiration for telecommunications to contribute to the country's gross domestic product (GDP) by providing ICT accessibility to all. Having embraced the concept of open access, TMW is promoting growth of the industry and allowing operators to offer the nation better and more cost-effective ICT services.

FINANCIAL PERFORMANCE

Wholesale Business recorded consolidated total revenue of RM1,065.8 million in 2012 with a slight decrease by 0.2% from RM1,067.5 million reported in the corresponding period last year. This was affected by lower voice minutes and termination of traditional data services.

Nevertheless, the lower revenue from voice services and traditional data has been cushioned by significant growth of 27.6% in IP data and the recognition of RM4.6 million Broadband for General Population (BBGP) grant revenue. Infra services also recorded growth of 4.7% despite a price revision undertaken in 2012.

Wholesale Business recorded higher operating cost of RM937.3 million this year which is higher by 2.2% as compared to year 2011 of RM917.0 million. This is mainly due to higher internal recharges, higher leased circuit charges incurred by Fiberail and Fibrecomm, higher manpower related costs (in view of inclusion of new SRM unit and salary revision) and higher cost on deployment of WiFi project during 2012.

As a result of lower operating revenue and higher operating cost, Wholesale Business reported lower EBIT performance of RM132.7 million, decreased by 12.4% as compared to year 2011 of RM151.4 million.

OPERATIONS

TM Wholesale's extensive wired network has undergone a massive upgrade, heralding large-scale migration onto a new generation IP-based infrastructure. The fibre-based High Speed Broadband (HSBB) network deployed is acknowledged as one of the fastest and most cost-efficient communication technologies available, offering the capacity, flexibility and speed to cater to growing demand for applications, solutions and content of an integrated and enhanced digital lifestyle.

Since this migration, TMW has launched two major wholesale services – HSBB Transmission and HSBB Access. These enable service providers to offer high speed, highly scalable and future proof backhaul services that include bandwidth flexibility and multiple-class quality of service options in transporting video, data and voice irrespective of distance.

High Speed Broadband Services

TM has strengthened its HSBB services to support the needs of 3G, WiMax, Long Term Evolution (LTE) and Wireless Local Access Network (WLAN) service providers. Demand for high speed IP-based services is increasing as service providers seek scalable networks to accommodate their mobile and broadband customers who are looking for integrated IP-based solutions and bandwidth-hungry applications. In other words, these wholesale services allow network operators to grow their network according to their business expansion plans and enable them to support multiple IP and new generation network applications.

TMW is also creating a level playing field for licensed access seekers to provide IP-based value-add content and applications to customers in HSBB areas nationwide. In March 2012, Redtone Marketing Sdn Bhd signed up for HSBB services, joining three other telcos – Maxis Berhad, Celcom Axiata Berhad and Packet One Networks (Malaysia) Sdn Bhd – which had signed up for the wholesale service in 2011 and 2010.

Wholesale Ethernet

Wholesale Ethernet (WSE) provides Ethernet line connectivity to service providers licensed by the MCMC at transmission speeds ranging from 30Mbps to 10Gbps. Complying with Metro Ethernet Forum (MEF) standards, WSE provides attractive offerings to address ever-growing market demands, driven by the needs of WiMAX service providers, Mobile/Long-Term Evolution (LTE) service providers and wireless LAN service providers.

In 2012, WSE's contribution to TMW's revenue growth increased by 33.0% as compared to 2011. This growth has been supported by increasing demand for high speed IP-based services as service providers seek scalable networks to accommodate their mobile and broadband customers.

TMW's contribution to the local telecommunications industry, in particular the IP and data bandwidth businesses, was recognised when it was presented the Asia Pacific Best Wholesale Ethernet Service 2012 award during the Wholesale Ethernet Forum in Shanghai, China in December 2012. This was the second year TM was being named the best wholesale Ethernet service provider in the Asia-Pacific. Its first award was presented at the Carrier Ethernet Service Provider Awards 2011 in conjunction with the Carrier Ethernet APAC conference 2011 in Singapore. These awards bear testimony to TMW's strength in the industry.

VoIP

Wholesale Voice over Internet Protocol (VoIP) service is offered mostly to application service providers (ASPs) who stand to benefit from the use of TM's extensive network for transportation, origination and/or termination of calls. This allows them to expand their VoIP business quickly and at minimum cost. TM Wholesale is on the verge of upgrading its VoIP IP termination to a new generation network (NGN) to further increase voice quality, even for IP-based calls.

Interconnect Minutes

Interconnect Minutes, be it fixed or mobile, is a service provided by connecting other licensed network operators' (OLNOS') point of interconnect (POI) with TM's POI. The arrangement enables end users from TM's network to communicate with OLNO's end users. On top of normal voice call, TM also offers special services such as the emergency service, operator assisted service and free phone service with competitive rates, as stipulated in the new Mandatory Standard on Access Pricing (MSAP).

This is the second year TM retained its position as Asia Pacific's Best Wholesale Ethernet Service Provider.

PROSPECTS

As the world becomes dominated by increasingly high-tech and sophisticated devices that converge voice, data and video services onto a single screen, there is added pressure on service providers to facilitate seamless connectivity. The year 2013 promises to be exciting as service providers try to outdo each other in meeting customers' demands and capturing new subscribers.

December 2012 marked an important milestone in the Malaysian telecommunications industry when the Malaysian Communications and Multimedia Commission (MCMC) awarded the 4G-LTE spectrum to eight companies. Deployment of the LTE network will see mobile network operators, WiMAX providers as well as wireless LAN providers demand for higher capacity and reliable backhaul access in order to provide quality connectivity for mobile broadband.

In line with the government's aspiration to position Malaysia as an international hub under the Economic Transformation Programme, TM initiated My1Hub, that offers total solutions, including Internet and bandwidth services, to domestic and global service providers, Internet service providers, application service providers as well as enterprise segment and data centre players.

TMW's business is poised to enable this convergence by playing a key role in the Group's aspiration to be the country's information exchange and, ultimately, advancing Malaysia as a communications hub in the Asia region.

GLOBAL BUSINESS

FACTS AT A GLANCE

6.2% increase

in revenue (RM1,146.4 million)

10 submarine cable systems

spanning more than 60,000 fibre-route miles around the globe

RM953.9 million revenue

from voice and data services

OVERVIEW

TM Global seeks to be one of the world's leading communications service providers by becoming a one-stop solutions centre serving the needs of customers in Malaysia and more than 50 countries. TM Global offers wholesale data and voice products and services to the domestic and international carrier segment, including multinational corporations (MNCs), domestic businesses and also national and local government organisations.

With its extensive connectivity, TM Global is poised to position Malaysia as the regional hub of choice and the digital gateway to Southeast Asia. TM Global complements its connectivity with innovation to provide customised solutions in high growth potential markets in the Asia-Pacific region.

2012 began with the launch of the TM Media Delivery Service (TM MDS) in February, created in collaboration with Octoshape, an industry leader in global streaming technologies. TM MDS enables high definition (HD) video streaming through the Internet for millions of users with no intervention, no additional cost and no wasted bandwidth. It is equipped with features such as digital video recording (DVR) for users to reverse or jump forward in time during live streaming with lightning-fast channel switching.

TM Global also entered into a strategic partnership with Inteliquent, a leading provider of global interconnection and interoperability solutions to offer Layer 2 Ethernet over MPLS (Global Ethernet) to locations currently off-net. Through Inteliquent's points of presence (PoP), TM has significantly increased the availability of its Ethernet coverage, especially in Europe and North America. Similarly, through TM's regional coverage, Inteliquent has extended its network reach into Asia-Pacific.

TM Global owns or leases capacity inclusive of Voice & Data with Internet on more than 10 submarine cable systems spanning more than 60,000 fibre-route miles around the globe. During the year, the second phase of its private international submarine cable system Cahaya Malaysia was completed, connecting Malaysia and Japan to the Tseung Kwan O landing station in Hong Kong and was ready for service on 19 February 2013. The first phase of Cahaya Malaysia connecting Malaysia to Japan has been carrying Internet traffic since 20 August 2012. Cahaya Malaysia will form the backbone linking TM's first data centre in Hong Kong, the VADS Data Centre, to Malaysia and Japan.

Besides Cahaya Malaysia, TM is a member of various submarine cable consortiums which connect Malaysia globally. These include the Asia America Gateway (AAG), Asia-Pacific Network 2 (APCN2), South East Asia Middle East-Western Europe Cable System 3 (SMW3), SEA-ME-WE4 (SMW4) and the Dumai-Melaka Cable System (DMCS), which links Indonesia and Malaysia across the Straits of Melaka.

TM Global creates strategic networks with media powerhouses worldwide and participates in international events for brand exposure and enhanced market mindshare. In 2012, it positioned TM in events at the PTC in Hawaii, Capacity Asia in Bangkok, Capacity Europe in Amsterdam, Capacity Middle East in Dubai, ITW in Chicago, APRICOT in India, and CommunicAsia in Singapore.

BUSINESSS OPERATIONS

GLOBAL SALES OFFICE & PRODUCT HOUSE

TM Global is headquartered in Menara TM, Kuala Lumpur, and has four regional offices in Singapore, the UK, US and Hong Kong as well as offshore offices in Prague, Dubai and Taiwan to support the Eastern Europe, Middle East and China markets. It also has dedicated sales agents in Indonesia and Bangladesh.

Account executives of TM Global manage business requirements from North and South Asia, Europe, Oceania, the Americas, Middle East and Africa regions. They have also established relationships with other telecommunications companies in Singapore, the Philippines, Brunei, Indonesia, Thailand, Myanmar, Cambodia, Laos and Vietnam.

GLOBAL PRODUCTS & SERVICES

TM Global offers an extensive range of products managed by the Global Data Marketing and Global Voice Marketing teams, ensuring customised solutions for specific business needs. This is supported by excellent after-sales and technical services.

Voice Services

Bilateral Voice

Via bilateral arrangements with foreign telcos, TM Global is able to provide the local loop and the last mile solutions for fixed line networks in Malaysia. Together with inter-connection via submarine cables, satellites and microwaves links, TM offers the highest quality and clarity when terminating Malaysian traffic.

Wholesale Voice

TM Global provides termination services to more than 200 destinations worldwide across its 105 bilateral partners. This international service is offered via Voice over Internet Protocol and the Public Switched Telephone Network.

i. *Voice over Internet Protocol (VoIP)*
VoIP enables service providers to establish and operate phone-to-phone voice and fax services. In addition to creating value-added applications to grow their IP portfolios. VoIP also enables TM Global to offer a mixed portfolio of national as well as international traffic terminations and enhanced applications.

ii. *Public Switched Telephone Network (PSTN)*
PSTN is the preferred choice for voice calls because of its incomparable connection reliability and audio clarity. This service is available to over 200 international destinations, by enabling terminations via direct and transit arrangements using submarine cables, satellite links and terrestrial connectivity.

International Value Added Services

These are non-core services provided to fulfil a broader range of carrier communications requirements.

i. *Next-Generation Network (NGN) Global*
NGN is the most advanced integrated voice network offering multiple protocols interconnect type, VoIP and Time Division Multiplexing. NGN expands TM Global's coverage throughout several continents with implemented sites in New York, London, Hong Kong and Singapore. Telcos based around these locations enjoy near-end reachability, which reduce operating costs and boost profitability.

ii. *ISDN Hubbing*
ISDN Hubbing allows TM to offer ISDN services on a transit basis, not only for terminations in Malaysia but also for third-world countries ISDN destinations and other destinations worldwide.

iii. *International Freephone Services (IFS) via VoIP*
IFS via VoIP offers customers the option of having an IFS service on TM's reliable and efficient VoIP networks with cheaper pricing structures.

Data Services

Global Ethernet Services (GES)

i. *Global Ethernet Virtual Private Line (EVPL)*
TM's Global Ethernet provides secure point-to-point or point-to-multipoint Ethernet bandwidth connectivity. This service runs over TM Global's private global MPLS-IP network which allows customers to set up secure, private bandwidth connectivity to global business partners/suppliers or the Internet. Customers can buy just the amount of bandwidth needed, and easily add bandwidth as desired.

ii. *International Ethernet Private Line (IEPL)*
This end-to-end Ethernet bandwidth solution provides dedicated point-to-point, cross-border connectivity up to each customer's premises. The service uses a reliable and secure SDH/DWM platform at high speed, with the option of scalable and faster upgrades.

Global VPN Services

A Virtual Private Network (VPN) tunnels through another network, linking remote offices or individual users to an organisation's network. This service is used extensively by businesses to create Wide Area Networks (WANs) across large geographical areas, providing site-on-site connections to branch offices.

The Global IPVPN is a fully managed end-to-end virtual private networking solution to provide highly efficient and reliable connectivity at competitive prices. TM Global has its own nodes in Bahrain, Egypt, Sri Lanka, Indonesia, Singapore, Hong Kong, Taiwan, Japan, South Korea, Los Angeles, New York, Ashburn, Palo Alto, San Jose, Miami, London, Amsterdam, Frankfurt and Malaysia. It also has expanded connectivity to more than 100 countries through global partnerships.

IP Services

Delivered over TM Global's international network infrastructure with Points of Service located worldwide, TM Global's IP Network Capacity (AS4788) stood at more than 1Tbps at the end of 2012.

TM Global's IP Transit is a premium Internet service designed for ISPs, network and content service providers that require high speed and dedicated Internet access. To date, TM Global has 18 PoPs at key locations worldwide that support IPv4 and IPv6 on a dual-stack platform which provides the best interconnections. With a flexible range of offerings on SDH and Ethernet-based platforms from 2Mbps to 10Gbps, customers have the option of bundling with colocation, router leasing and various access media.

The TM Global IP service is equipped with the latest security features such as Black Hole and Clean Pipe to secure its IP network against any unwanted security threats.

Media Delivery Services

TM Media Delivery Services (TM MDS) is featured on Octoshape's InfiniteHD™ Platform leveraging on its patented resiliency and throughput technologies. It is set to deliver the highest HD quality streams without buffering. This technology enables TM to provide solutions for content owners to deliver online video over best-effort public networks to the largest audiences with the highest-quality viewing experience.

Global Hosting Services

Equipped with state-of-the-art facilities, VADS Data Centre in Hong Kong operates with service reliability and infrastructure security of the highest level. It is an innovative hub designed with fluid functionality in mind and built with Tier III+ specifications, hence is capable of meeting the needs of even the most demanding business operations. It serves to enhance key aspects of customers' business, from application performance to employee productivity.

International Bandwidth Services

International Bandwidth Services capitalise on TM Global's extensive terrestrial, submarine fibre optics and satellite international networks to enable connectivity beyond Malaysian shores.

International Private Leased Circuit (IPLC) is a dedicated point-to-point connectivity via international submarine cables, terrestrial links or satellite from both ends terminating outside Malaysia.

Bandwidth Transit is a dedicated end-to-end connectivity originating and terminating in a foreign country but transiting via Malaysia.

TM Chairman, Dato' Sri Dr Halim Shafie officiates the launch of TM's first data centre outside of Malaysia – VADS Data Centre, Hong Kong.

Bandwidth Backhaul is a dedicated capacity between cable landing stations or border stations in Malaysia where the customer has its own capacity in an international submarine cable or terrestrial facilities.

Bandwidth Interconnection links two submarine cable systems owned by a customer or by TM Global itself at TM Global's cable landing stations in Cherating, Mersing, Kuala Muda and Melaka.

Global VSAT refers to the provision of TM Global's Very Small Aperture Terminal (VSAT) services. This service covers the lease and installation of VSAT equipment inclusive of space segments of a customer's premises in Malaysia to a location outside Malaysia. The service uses satellite-based Single Channel Per Carrier technology.

FINANCIAL PERFORMANCE

TM Global reported a consolidated total revenue of RM1,146.4 million in 2012, an increase of 6.2% from RM1,079.0 million in 2011. Voice and data revenue contributed RM527.1 million and RM426.8 million respectively in 2012.

While maintaining data revenue, voice recorded an increase of 10.3% as compared to year 2011. Based on sales, South Asia was the largest revenue contributor (31.7%), followed closely by Oceania and North Asia.

PROSPECTS

TM Global supports the Group's vision of transforming into a regional powerhouse, and will maintain its strong forward momentum by focusing on: 1) dominating the premise; 2) clawing back mobile traffic; and 3) becoming the aggregator of aggregators.

TM Global seeks to collaborate with international partners to extend its coverage to the rest of the world and promote TM as the source for international content, the connectivity hub of choice for the region, and the one-stop shop for smaller regional carriers wanting to go global.

VADS

FACTS AT A GLANCE

>5,000 Contact Centre Seats

in 13 delivery sites in 2 countries

15 Data Centres

14 located strategically nationwide, and 1 in Hong Kong

151 certified professionals

for ICT/BPO and growing

80 countries

connected to VADS Managed TelePresence Services

OVERVIEW

VADS Berhad (VADS) is one of Malaysia's leading managed Information and Communications Technology (ICT) and Business Process Outsourcing (BPO) service providers. Starting as a joint venture between IBM Global Network Services and Telekom Malaysia Berhad (TM) in 1991, today it is a wholly-owned subsidiary of TM serving more than 500 medium to large businesses across industries. VADS brings together people, processes and technologies to enable more effective and dynamic use of ICT and BPO solutions.

It seeks to empower businesses with value-based innovative solutions and services by offering its expertise so that customers can focus on their core business. This ambition is supported by a team of energetic and passionate individuals from diverse backgrounds and cultures that possess the right mix of skills and experience from operations to research, architecture development, solutions and project management.

FINANCIAL PERFORMANCE

As at financial year end of 2012, VADS Group recorded RM805.7 million in revenue of which BPO business brought in RM345.9 million whereas RM274.1 million was from the ICT business. The Group continues to gain momentum in these fields with new revenue streams. For ICT, new products were introduced such as Managed TelePresence and Cloud Services, albeit both are still in its infancy stage. For BPO, a few big projects were secured, especially from the government sector. Moving forward, new initiatives are already lined up to further boost the financial performance of the Group.

SERVICE OFFERINGS

VADS offers holistic and seamless end-to-end solutions cutting across connectivity, ICT and BPO services to fulfill its customers' needs.

ICT Services

The company provides complete end-to-end ICT solutions that are stable yet flexible and scalable to enable businesses to be more agile and react more quickly to changes in the operating environment, bringing together people, processes and technologies. Its services empower organisations to be more efficient and productive.

VADS has 15 data centres, 14 located across Malaysia and one in Hong Kong. These are highly secure, with ISO 27001-certified infrastructure, and Tier III-ready with multi-gigabit connectivity. VADS is confident of accelerated demand for its managed data services, hosting as well as disaster recovery services.

A recognised leader in the managed service industry, VADS has won four consecutive Frost & Sullivan Malaysia Excellence Awards for the Managed Service Provider category. To maintain its leadership position, it constantly enhances its suite of offerings which include Managed Security Services, Managed Unified Communication & Collaboration Services, Managed LAN Services, Managed WAN Accelerator Services and Managed Visibility Services.

To further strengthen its ICT delivery, meanwhile, VADS believes in developing local in-house ICT specialist capabilities. In 2012, it became the first Malaysia-based ICT company to achieve the Cisco Managed Services Master Channel Partner certification after passing a stringent technical and operational audit. This enables VADS to offer Cisco-based managed services globally and testifies to VADS' high level of competency and service delivery comparable to that of global ICT providers. Among its other technology accolades include being a Cisco Gold Certified Partner, a Juniper Elite Partner, Riverbed Services Platform Provider, VMware Service Provider Partner and HP Solutions Silver Partner.

In 2012, VADS signed its first telepresence global collaborative agreement with AT&T, enabling customers to enjoy better quality interaction and collaboration with other companies across multiple locations worldwide, minimising travel cost and time. The AT&T Business Exchange directly supports telepresence in more than 130 companies and organisations and over 50 additional customers with thousands of telepresence managed or customer owned endpoints in 80 countries worldwide.

VADS plans to expand its presence to other countries through further interconnection and collaboration with more carriers and telepresence providers. This is in line with the government's National Key Economic Area focusing on Communications, Content and Infrastructure, which lays emphasis on enhanced communications through telepresence and teleworking. The VADS TelePresence Exchange (VADS-TPX) core infrastructure resides in VADS Data Centre and runs on a highly secure and resilient network catering for both intra and inter-company high definition immersive conferencing from private rooms as well as public room facilities hosted by VADS and its partners.

At the same time, VADS has been enhancing its cloud services in line with TM's roadmap towards becoming a prominent ICT player in Malaysia while supporting the national agenda to be a key enabler for local SMEs, especially local Independent Software Vendors (ISVs).

VADS has launched a full suite of managed cloud services including Infrastructure-as-a-Service (IaaS), Platform-as-a Service (PaaS) and Software-as-a-Service (SaaS). In addition, with Microsoft as its syndication partner in Malaysia, it now offers Microsoft Office 365 as part of its SaaS portfolio.

VADS foresees more partnerships with key industry players, technology partners and ISVs in the coming years to grow its cloud offerings. In 2012, it forged partnerships with the Multimedia Development Corporation (MDeC) and Technoprenuers Asssociation of Malaysia (TeAM) which give it access to more than 500 ISVs who can now leverage on the VADS Cloud Enablement Programme.

BPO Services

VADS BPO gathers best practices from the industry and existing clients and deploys these on a single and unified platform across all its managed contact centres comprising more than 5,000 contact centre seats across 13 delivery centres in Malaysia and Indonesia. Towards this end, it has crafted a set of comprehensive contact centre processes called Vibrant™ (VADS Intelligent Business Process Operational Methodology), which drives client programmes such as telemarketing, customer care and the technical helpdesk, among many others.

Its growth over the years has been the result of building revenue generation, customer management, knowledge process outsourcing, human capital management, back office processing, business suites and facility management, and revenue assurance. As a result, the company continues to strengthen its BPO foothold in the domestic and regional markets.

2012 was a good year for VADS BPO. A key achievement was winning the 1Malaysia One Call Centre (1MOCC) project in the fourth quarter. 1MOCC is one of the National Blue Ocean Strategy (NBOS) projects led by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) under the Prime Minister's Department. The challenge for this project was to recruit, educate and train customer service representatives in less than two months, which VADS BPO managed to accomplish.

People development is given top priority in VADS and continuous training is provided to equip customer service representatives with the right blend of soft and technical skills to serve clients better.

The company's Indonesian operations, PT VADS, began in December 2008, capturing the offshore contact centre business, Its core services are in Contact Centre Service Solutions, Customer Service Learning Centre, Human Capital Management and Data Centre Co-Location. It has two centres, in Jakarta (Puri VADS) and Yogyakarta (Wisma Arcade). PT VADS is consistently looking for ways to grow via sustained performance and excellent service delivery.

The company's efforts to expand its services while placing emphasis on excellent customer delivery have paid off. VADS BPO garnered more than 35 awards while PT VADS took home six awards at domestic, regional and international events in 2012. These included six awards at the Contact Centre World Awards 2012 in Las Vegas and 15 CCAM awards including Best of the Best BPO Outsourcer of the Year 2012 at the Contact Centre Association of Malaysia's Annual Dinner. VADS was also honoured to receive the *Majikan Prihatin Award* for its Step-Up initiative from the Ministry of Women, Family and Community Development.

Award Winning Team: (L-R) Anna Yee, Derrick Yap and Mohd Fauzil with the six Contact Centre World Awards won by VADS.

Management team of VADS and AT&T at the Signing Ceremony to mark the collaboration between the two companies for VADS Managed TelePresence Services.

VADS Managed TelePresence Services. It directly supports telepresence in more than 130 companies and organisations in 80 countries worldwide.

VADS Managed Data Centre Services. The Company has 15 data centres, 14 located across Malaysia and one in Hong Kong.

VADS Business Process Outsourcing (BPO) Services. It focuses on building and growing revenue generation, customer management, knowledge process outsourcing, human capital management, back office processing, business suites & facility management and revenue assurance.

PROSPECTS

VADS aims to continue to add value to its customers through innovative solutions and services based on the industry's most advanced ICT solutions. It further seeks to become a trusted partner of choice by empowering businesses to grow with its ICT/BPO services. Finally, in line with TM, it will continue to focus on the customer experience and provide 'Service with Heart'.

NEW MEDIA

FACTS AT A GLANCE

112 channels

on HyppTV, consisting of 47 premium channels, 24 free channels, 22 VoD and 19 interactive channels

- 27 High-Definition (HD) channels
- 3,000 VoD hours on 22 channels
- Absolute portal has reached 24 million visitors and more than 500,000 members per year

2.5 million

page views monthly by Internet Yellow Pages (IYP) visitors

- Yellow Pages Malaysia is now compatible with IOS, Android, Windows and Blackberry devices

My1Content

has 625 content offerings comprising 55 multi-purpose applications, 126 films and animations, 46 online games and 398 music pieces

OVERVIEW

Incorporated on 15 July 2010, New Media acts as TM's media and online product house offering media and online value added services to the market. Capitalising on Streamyx and UniFi subscribers, New Media is anchored by four strategic pillars to support TM Group's business, namely HyppTV, Value-Added Services, Directory & Advertising and My1Content.

HyppTV Taglined *Primetime, Anytime, Everytime*, HyppTV will continue to forge its identity as a key component of TM's UniFi packages. HyppTV has positioned itself as the local TV subscription service that offers bundled high-quality up-to-date content with premium channels, video-on-demand and interactive services. Since its debut, HyppTV has grown to include up to 112 channels.

E-Commerce and Value Added Services (VAS) This pillar offers services online and via the mobile space with an e-commerce engine. Ultimately, VAS enables business and individual users to access its services more effectively, while TM will be able to support its users more efficiently.

Directory & Advertising Yellow Pages has evolved from the print to the digital domain, and is now debuting in the mobile space. The seamless multimedia offering enables advertisers to extend their reach in a targeted manner, while providing end users with customised listings.

My1Content or Content Service Delivery Platform (CSDP), promotes local content innovation and assists small and medium content providers to market their content and applications. The market place is scaled to allow regional and global communities to take part in the local digital market. My1Content currently provides an integrated platform for videos, music, movies, online games and applications.

KEY INITIATIVES

HyppTV

In 2012, HyppTV continued to further grow its footprint and cement its position as a viable TV subscription entertainment alternative in Malaysian households through the addition of more exclusive and never-before-seen channels and programming. Value packs such as the Platinum Pack, launched in March 2012 offering subscribers 30 premium channels for only RM30, were met with very positive response. Underpinning this demand were the twin propositions of a TV subscription service that is uninterrupted by weather conditions, and a comprehensive on-demand service which allows viewers the flexibility to schedule their own viewing and to watch what they want when they want.

Live Channels

2012 was a watershed year in which HyppTV introduced premium live sports content to its line-up of channels. Fox Football Channel, a new 24/7 football channel, had its Asian premiere on HyppTV with live coverage of Spanish Liga BBVA matches, the Dutch, Russian and Argentinian football leagues, as well as showcasing Chelsea and Manchester City club TV content.

HyppSports HD, HyppTV's flagship sports channel, was also launched in collaboration with ASN (All-Sports Network) focusing on American sports. With HyppSports HD and its complementary channels HyppSports HD 2, Hypp Sports HD 3 and HyppSports 4, HyppTV has the distinction of being the only Malaysian TV provider to simulcast up to four live matches per match night of the UEFA Champions League and UEFA Europa League in full high definition.

Fans who miss the live matches on Fox Football Channel and HyppSports HD can 'catch-up' on them via HyppTV's exclusive on-demand channels, Fox Football Plus and HyppSports HD On-Demand.

Other premium channels launched in 2012 included KidsCo, Discovery Kids, BBC Entertainment, Outdoor Channel HD and France 24 (French news channel). For the Malay audience, HyppTV showcased EC Inspirasi (local urban youth channel) and TV Al-Hijrah (local latest FTA channel in HD). Catering to Chinese viewers, HyppTV partnered with PCCW Hong Kong to offer three new Chinese channels: now International (variety and lifestyle), now Mango (variety and lifestyle content from mainland China) and now Hairun (drama and series content from mainland China). For Indians, a new Hindi movie channel, UTV Stars HD, was launched.

HyppTV channels grew from 48 linear channels in 2011 to 71 linear channels in 2012 of which 47 are premium channels and 24 free channels.

Video-on-demand (VOD)

HyppTV continued to offer the latest movies and TV series on-demand from Hollywood and Asian studios. Subscribers were treated to the Malaysian TV premiere of blockbusters such as Puss In Boots 3, The Bourne Legacy, Madagascar 3, The Amazing Spider-Man, Brave, Men In Black 3 and The Avengers. Catering to sports enthusiasts, two subscription offerings were launched – Hypp Extreme HD and HyppSports Academy. On-demand also caters for children through Hypp Dino and Hypp Animasi plus local and Hollywood series. Total VOD hours increased to 3,000 in 2012.

Interactive

By the end of 2012, Interactive had a total of 19 channels and applications such as Forecast, Facebook and HyppTV for YouTube. Interactive has also been a part of HyppTV's product development and marketing initiatives, and served as a platform for HyppTV Platinum Pack subscription and HyppTV Around the World Contest submission. A new subscription channel was introduced, called B-Smart TV Didik, targeted at pre-schoolers and toddlers.

Advertising Sales

2012 marked the launch of HyppTV's advertising business. As increasingly more consumers view content on smart TVs, tablets and other connected devices, agencies are starting to realise that a consolidated approach to TV advertising and digital advertising would allow them to stretch their marketing funds further in creating brand awareness, call to action and driving sales.

Value Added Services

Two key areas for Value Added Services (VAS) are Lifestyle and Channels. The Lifestyle Portal has been built for the online community and derives revenue via ad sales, subscription and the e-commerce platform. It also serves as an online sales and service channel for users to subscribe to TM's products and pay their TM bills.

The Lifestyle Portal comprises: HyppGames, offering 1,010 popular massive multiplayer online role-playing games, casual and flash games; B-Smart, providing enhanced online learning tools for UPSR, PMR and SPM students; and MUTV Online, featuring news and interviews, Match Highlight Videos for BPL, Carling Cup, UEFA Champions League and Community Shield.

The Absolute Portal is an online marketing tool for TM with updated content for its customers. Via Absolute Portal, TM is able to consolidate all its customer-interfacing portals, using centralised user management with single sign-on capabilities together with online transaction and services. As of end 2012, it had reached up to 24.0 million visitors and more than 500,000 members.

Directory and Advertising

2012 was a defining year for TM Info-Media Sdn Bhd (TMIM), a wholly-owned subsidiary of TM and the premier directory publisher of Yellow Pages. In May 2012, the company launched a new Yellow Pages logo replacing the well-known walking finger, to strengthen its product identity reflecting transformation of the directory business.

As part of the rebranding, the Internet Yellow Pages (IYP) was revamped to feature more enriched content and to provide better value and visibility, especially for advertisers. Many more features are planned, such as a microsite, map capability and coupons, to help businesses reach out to consumers. Since the revamp in May 2012 monthly IYP visits reached the one million mark with 2.5 million page views.

One major achievement for TMIM in 2012 was the introduction of the Yellow Pages Malaysia mobile application that is compatible with IOS, Android, Windows and Blackberry devices. This application, which contains all the business listings, also has map capabilities and in future will have more features to enable businesses to connect with consumers on the go.

Print directories, the mainstay of the company, have also been given much attention. While the Yellow Pages traditionally targeted the Business to Business (B2B) market, the launch of Yellow Pages for Home (YP4H) at end 2011 expanded TM's reach by targeting the Business to Consumers (B2C) sector. Response from advertisers and users has been very encouraging and YP4H editions were extended to Penang, Johor Bahru, Ipoh, Kota Kinabalu and Kuching during the year.

The Malaysia Tourist Pages was renamed Yellow Pages - Destination Malaysia, in support of the government's efforts to promote tourism. Destination Malaysia is rich in content, providing nuggets of information about travel within Malaysia, and is designed to suit the sophisticated traveller.

My1Content

My1Content portal launched its beta in Q1 2011, providing introductory free access to Malaysian contentpreneurs. With four content pillars on offer – Video, Application, Music and Games – contentpreneurs will be able to explore and upload their IP trailers and company information while providing positive feedback for further improvement during various engagement sessions, hence the constant change in the design capabilities and offerings.

New Media conducted briefings and presentations to the Malaysia Technopreneurs Association and participated in content related industry events to attract more contentpreneurs to the initiative. After the first launch, My1Content has a total of 625 content offerings comprising 55 multi-purpose applications, 126 films and animations, 46 online games and 398 music pieces from local artistes and independent groups.

My1 Content has ventured into music and video streaming to take the local music scene to the next level. In collaboration with partners, music videos from My1 Content are aired at commercial centres.

PROSPECTS

New Media is envisioned to support TM Group in the new business era where media is fast converging with access in addressing customers' needs. Like the wave of triple or quadruple play that has been seen in more mature markets, New Media has a big role in creating demand for media-related services that are layered on top of broadband access. Coupled with e-commerce and the digital marketplace, New Media will experience promising growth in the new space.

New Media strives to offer an extensive range of services in any access environment, on any device used by the end user, to suit the needs of the Consumer and SME markets. The aim ultimately is to offer unrivalled service at home and away from home through TM's WiFi network.

SUPPORT BUSINESS

FACTS AT A GLANCE

16.7%

increase of revenue (RM975.2 million)

>13.2 million

visitors to Menara Kuala Lumpur

Tier-5

'Excellent' ranking of Multimedia University for SETARA '11

OVERVIEW

The Support Business operations in TM range from education and hospitality management to property and facility management. Support Business continued to monetise its land banks via the disposal of non-core assets. Meanwhile, improvement initiatives were carried out to upgrade all TM buildings and facilities to support the Group's core business.

FINANCIAL PERFORMANCE

For the year 2012, Support Business increased its revenue to RM975.2 million from RM835.8 million in 2011, mainly as a result of space rentals contributed by Property Management (PM) and higher land revenue contributed by TM Facilities Sdn Bhd (TMF). Accordingly, EBITDA increased 42.6% from its figure in 2011.

Operating costs increased marginally to RM1,040.9 million from RM953.6 million in 2011, due to higher direct land costs from TMF and maintenance costs at PM. These, however, were cushioned by savings from lease land rental.

There was a slight decrease in capital expenditure from RM132.8 million in 2011 to RM127.0 million. Of this, RM70.3 million was channelled to PM for the upgrade of facilities in TM buildings and installation of generator sets, fire fighting equipment and air conditioners; RM26.6 million was allocated to the Central Office to replace ageing vehicles; and RM19.0 million went towards the refurbishment of the Melaka and Cyberjaya campuses of Multimedia University, renovation of Multimedia College as well as to defray its multimedia, laboratory and book costs and to upgrade Menara Kuala Lumpur facilities.

UNIVERSITI TELEKOM SDN BHD/MULTIMEDIA UNIVERSITY

As the first fully-private university in Malaysia, Multimedia University (MMU) is the premier institution in support of the ICT and ICT related industries. It strives to be a world-class academic institution in its chosen fields of engineering, communication, information technology, management and multimedia technology. The year 2012 brought continued success in the university's mission to position itself as a major international research institution. Throughout the year, it engaged with students and institutions in the Asia-Pacific, African and European regions in areas of research, inter-institution cooperation, undergraduate and postgraduate education as well as community service.

MMU's Chancellery Building in Cyberjaya.

MMU graduates, renowned for their quality, consistently achieve high employment rates within the industry. In the year under review, MMU produced a total of 552 Diploma graduates, 2,750 Bachelor's graduates, 241 Master's graduates and 34 PhD graduates. Postgraduate student enrolment totalled 272. MMU registered a total student population of 19,131 in 2012, as compared to 20,179 in the previous year. Of its students, 16,364 were local and 2,767 international, representing 77 countries.

On 24 October, MMU was awarded the prestigious Export Excellence Award 2011 by the Ministry of International Trade and Industry (MITI). The Export Excellence Award forms part of the Industry Excellence Awards, and serves as the government's official recognition of MMU's efforts. On 2 November, the Malaysian Qualifications Agency (MQA), under the Ministry of Higher Education (MOHE), announced its 2011 Malaysian Higher Education System ratings *(Sistem Penarafan Institusi Pengajian Tinggi Malaysia* 2011 – SETARA '11) where MMU was ranked as a Tier-5 'Excellent' university. No other Malaysian university, public or private, occupies a higher tier. In addition, topuniversities.com listed MMU as a top 200 Asian university for the year.

Under its Academic Quality Assurance initiative, MMU continues to focus on the superiority of its academic programmes so that students, parents and the public can rest assured that Malaysia will always have at least one source of premium quality graduates. The Bachelor of Education in Teaching English as a Second Language (Honours) was introduced in 2012, after being approved by the MOHE. This brings the total number of MOHE-approved programmes to 117, while 108 programmes have been accredited by the MQA.

During the year, three programmes in Cyberjaya were audited by the MQA and one by the Engineering Accreditation Council (EAC), while at the Melaka campus, the MQA audited five programmes, and the EAC audited two.

A notable development in MMU is its Cinematic Arts Programme (CAP), which will be offered by the Faculty of Creative Multimedia. CAP has been designed and developed in collaboration with the University of Southern California, and will be delivered at MMU's Cyberjaya campus in June 2013, and at the latest purpose-built campus in Educity Iskandar, Johor, in 2014.

MMU also introduced a new faculty on 28 June, the Graduate School of Management (GSM). Formerly under the Faculty of Management, GSM will focus on developing and delivering postgraduate courses in business, management and administration. The establishment of GSM is expected to contribute to Malaysia's long-term business management and entrepreneurial landscape.

2012 was a challenging yet productive year for Unitele Multimedia Sdn Bhd (MMU Cnergy), MMU's commercialisation arm. During the year, MMU Cnergy signed 12 agreements with Malaysian companies, launched three commercialisation projects, and completed 12 existing projects. Also, 10 notable projects were held throughout 2012, with a clientele including

Ho Chi Minh University (Vietnam), Shell Nigeria, the National University of Changwon (Korea), Kuwait Finance House, Ministry of Foreign Affairs, Basic Human Needs of Japan, and Malaysia Airport Holdings Berhad.

MMU Cnergy secured revenue of RM5.6 million through training, short courses, commercialisation of products and services, consultancy and academic licensing.

MMU continues to grow in terms of R&D capacity and capabilities. When the SETARA `11 results were announced, MOHE also released the results of the Malaysian Research Assessment (MyRA) instrument for 2011, in which MMU was awarded three stars. In addition, MMU received a number of notable grants during the year, including one from Huawei, the leading global information and communications technology (ICT) solutions provider in China. Under this grant, a Huawei University Training Lab will be established on MMU's campus, and Huawei will supply the equipment to be used by staff and students to research and experiment with next-generation ICT technologies such as cloud computing, the LTE communication standards and fixed broadband, among others.

MMU's laboratories aim to prepare students for working life.

Meanwhile, the Malaysian Communications and Multimedia Commission (MCMC) awarded MMU the MCMC Grant for Innovative & Creative Contents & Applications (MaGICCA). Worth RM1 million, this is to be channelled to undergraduate and postgraduate students to develop content with high potential for commercialisation.

MMU students enjoy one of the most conducive learning environment.

Financially, MMU continues to be a self-sustained university, generating internal funds to support its operational and capital expenses.

MMU's subsidiary, Multimedia College Sdn Bhd (MMC), extends TM's academic reach to offer quality education to those with limited qualifications. MMC comprises a main campus in Kuala Lumpur and regional colleges in Perak, Terengganu, Sabah and Sarawak which together have a total student population of 1,806. The college offers eight Diploma programmes accredited by the MQA.

This year, the Terengganu College will offer a new photography course under the Malaysian Skills Certificate in collaboration with the Department of Skills Development. Meanwhile, Sabah College has moved its campus to Alamesra Plaza Permai, Kota Kinabalu. The new campus can accommodate 350 students as compared to 150 at the old campus in Karamunsing.

Hands-on training is a must for MMC's students.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur (MKL), straddling the peak of Bukit Nanas at 421 metres above ground, is the seventh tallest telecommunications tower in the world and the tallest in Southeast Asia. The tower was officially opened to the public in 1996, and is a member of The World Federation of Great Towers (WFGT), comprising 32 distinguished towers. Blending seamlessly with lush tropical greenery in the heart of Kuala Lumpur, MKL is a prominent national icon symbolising Malaysia as a renowned tourist destination as well as a technologically advanced country.

Menara Kuala Lumpur (MKL).

Menara Alor Setar (MAS).

Menara Kuala Lumpur Sdn Bhd (MKLSB) manages the tower as well as Menara Alor Setar (MAS) and Muzium Telekom. The company has shown excellence in marketing the towers and museum and in acquiring the ISO 9001: 2008 certification. As strategic positioning, MKLSB is a member of the Malaysian Association of Tour and Travel Agents (MATTA), Malaysian Association of Hotels (MAH) and other relevant organisations.

It is MKLSB's vision to turn MKL into a leading tourism destination in Southeast Asia. Since its official opening, MKL has attracted more than 13.2 million visitors, mainly from India, China, Australia, Japan, Indonesia and Europe other than Malaysia. MKL offers excitement and adventure with various attractions and facilities including Atmosphere 360°, a revolving restaurant offering a breath-taking view of the Kuala Lumpur skyline. Other attractions include the Megaview Banquet Halls, Observation Deck, souvenir shops, F1 Racing Simulator, Animal Zone, Pony Ride, XD Theatre and the 1Malaysia Cultural Village.

Besides its towering presence, MKL is also known for signature events such as the 1Malaysia Kuala Lumpur Heritage Xplorace, KL Tower International Towerthon Challenge, KL Tower International BASE Jump, Explorasi Warisan and the Pesta Negeri (State Festival).

KL Tower International BASE Jump participants in action.

Over the years, MKL has claimed several awards from prestigious bodies and organisations. Its most recent wins include the Special Award and being a finalist for the Company of The Year at the TM Group Awards 2012; and the Kuala Lumpur Mayor's Award for Outstanding Achievement in Tourist Attraction 2011/2013.

Being nominated as the best subsidiary in the TM Group in 2011 spurred MKLSB to strive even harder in 2012, as a result of which it increased its domestic visitorship by 16.0%. The company's EBITDA inched up from RM12.8 million in 2011 to RM14.7 million, while continuous efforts at efficient cost management paid off with a profit after tax of RM13.5 million, as compared to RM12.0 million in 2011.

MKL is targeting a 3.0% increase in visitors in 2013 through advertising, and branding the tower as a destination for Culture, Adventure and Nature along with an exciting array of new and innovative products and packages. The launch of attractions like the Blue Coral Aquarium in December 2012, the revamp of Muzium Telekom Exhibition Gallery in the first quarter of 2013 and reopening of the Bukit Nanas Jungle Walk in late 2013 are also expected to draw in the crowds. Several new packages have been introduced to further boost visitorship, such as the School Holiday package, Wedding in the Sky package, Up Close & Personal with Celebrities, Corporate Ramadan package, Corporate Aidilfitri package, and

International Cultural Festivals. Continuous support from the Ministry of Tourism, Kuala Lumpur City Hall and key industry players, coupled with the dedication of TM Management and employees, will contribute towards a successful 2013.

MKL is also actively involved in Corporate Responsibility (CR) initiatives which included a 'Bubur Lambuk' competition organised during Ramadan, to which children from several orphanages around the Klang Valley were invited. Meanwhile, a Kuliyyah Fissama series featuring well-known speakers was organised in conjunction with Awal Muharram, and attracted more than 200 participants. Proceeds from ticket sales were donated to charity homes in the Klang Valley. MKL also supported World Diabetes Awareness Day by lighting the tower in blue on the eve of 14 November. In 2013, MKLSB will explore new CR initiatives in collaboration with non-governmental organisations and national welfare bodies.

Muzium Telekom's community outreach programme has to date involved more than 300 schools, while Menara Alor Setar is planning to collaborate with 150 schools in its own outreach programme in 2013.

Menara Alor Setar is the world's 22nd tallest tower at 165.5 metres above sea level. Being a national icon, Menara Alor Setar attracted about 400,000 visitors in 2012 – both local and tourists from Thailand, Indonesia and Singapore. The tower hosted various events which proved popular with the crowds, such as New Year's Eve celebrations, an international Muay Thai competition, Chap Goh Mei Festival, 'Pekan Nat Pandu Puteri' Carnival, 'Ayam Serama' International Competition, international lion dance competition, MARA carnival, 'Jom Pi Menara Alor Setar' carnival, Merdeka Day celebrations and a 'Bazar Rakyat'. It also served as a venue for wedding receptions.

To further enhance its touristic potential, Menara Alor Setar embarked on a major beautification/renovation programme which saw it install a new ticketing counter equipped with electronic ticketing service as well as information boards at the observation deck. It also upgraded the landscape and mini bird park, the lighting (building lamps and tree lamps) and renovated the washrooms and VIP lounge.

TMF AUTOLEASE SDN BHD

TMF Autolease Sdn Bhd (TMFA) manages the fleet of TM Group's vehicles nationwide, ensuring they are roadworthy (in compliance with government regulations), utilised optimally and available at all times for business operations. As at 31 December 2012, the fleet stood at 4,992 vehicles, most of which were utility vehicles such as vans and four-wheel drives (4WDs). Besides its fleet, TMFA manages seven zone offices and 27 service outlets nationwide to serve TM. TMFA's biggest customers over the years have been Network Development and Regional Network Operation which together lease 3,806 vehicles, or 82.7% of the total.

For the financial year ended 31 December 2012, TMFA registered revenue of RM50.4 million with operating costs of RM35.3 million and profit after tax of RM12.3 million. Most of the revenue (77.5%) was derived from the Management and Maintenance Package (MMP) fee for TM vehicles.

As part of TM's Performance Improvement Programme (PIP) 3.0, TMFA in 2012 continued implementing its vehicle right-sizing programme to ensure all Group vehicles are used effectively and efficiently. This led to an additional 11 vehicles being deployed to other users, and the disposal of 349 vehicles that had exceeded their useful lives, generating revenue of RM6.7 million. At the same time, 236 4WDs and vans were refurbished to extend their life spans, saving the Group RM15.0 million in capital outlay for new vehicles for at least two years. The refurbishment helped ease some of the capital expenditure of RM22.6 million which went towards replacing 364 ageing vehicles. Most of the new vehicles (89.3%) have been assigned to support the UniFi programme. TMFA also provided 12 customised mini TM-on-Wheels to TM Consumer at a cost of RM2.1 million.

TMFA managed to carry out service maintenance on 3,037 vehicles at customer premises through its mobile team, saving the Group RM0.8 million. It also obtained a discount amounting to RM1.1 million for the purchase of vehicles during the year.

In 2012, TMFA ran 79 quality programmes for its customers including 30 safe and defensive driving courses *(Pemanduan Berhemah)*, 12 programmes on proper driving with 4WDs, six courses on Goods Driving Licence (GDL) for commercial vehicles as well as 31 technical vehicle clinics. It scored 89.0% in a Customer Satisfaction Index (CSI) based on a survey completed in December 2012.

Internally, TMFA achieved 98.5% vehicle availability for customers, 99.4% vehicle service achievement and 86.4% compliance with TMFA processes and procedures, all bearing testimony to its customer-centric culture.

In 2013, TMFA will continue to support the TM Group aspirations in the PIP 3.0 journey by managing and optimising its operating costs. Stakeholders can rest assured of further improvements in performance and positive growth in shareholder value as TMFA continues to provide better service to the Group.

PROPERTY MANAGEMENT

Property Management (PM) acts as TM's in-house land and property adviser. PM contributes to TM's performance by unlocking its idle land and renting office space to both internal and external tenants. To date, it has unlocked over 3,085.3 acres of land, of which 929.2 acres were disposed of and the rest were under joint development arrangement.

PM is also responsible for the property and land administration of all TM's real assets. Apart from creating value from the idle land bank, PM studies cost-saving options, especially in utilities consumption and property taxes.

For the financial year ended 2012, PM managed to recognise a gain of RM41.4 million, contributed by property commercialisation which included the disposal of non-core land banks and joint land development activities. In addition, it managed to save RM8.5 million of land lease rental over the year. Most of the major projects undertaken by PM in 2012 were on-going from previous years.

TM Convention Centre (TMCC), one of major projects undertaken by PM which was completed in December 2011, was officially launched by the Prime Minister of Malaysia, Dato' Sri Mohd Najib Bin Tun Abdul Razak on 21 June 2012. Among the inaugural events hosted at TMCC in 2012 were the 27th TM Annual General Meeting and TM Entrepreneur Award Night officiated by former Prime Minister of Malaysia, Tun Dr Mahathir Mohamad.

PROPERTY OPERATIONS

The year 2012 saw Property Operations (PO), TM's in-house specialist for the maintenance of network buildings, overcome the challenge of network breakdowns due to power-related issues (PRI). The number of PRI faults reduced by a significant 35.0% from 106 in 2011, resulting in better network reliability and better customer experience. This would not have been possible if not for the Mechanical and Electrical (M&E) Equipment Replacement Programme carried out by PO throughout the year involving the replacement of ageing air-conditioning and fire protection systems, generator sets, batteries and rectifiers. In total, the M&E Equipment Replacement Programme incurred a cost of RM90 million.

Official launching of TM Convention Centre by Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Razak on 21 June 2012.

On routine maintenance, in 2012 PO changed its approach by engaging specialists as its strategic partners both for housekeeping and M&E maintenance. With that, PO managed to achieve MCMC's target of a minimum up-time of 99.9999% for the Alternating Current (AC), Direct Current (DC) and air-conditioning systems. To further ensure competent and quality service, PO sent 30 staff for a Chargeman course while 90 others attended advanced training on M&E maintenance conducted by Institut Kerja Raya Malaysia (IKRAM) and Institut Latihan Sultan Ahmad Shah (ILSAS).

PO also supports TM in its green agenda. Another three buildings were EMS ISO 14001 certified by SIRIM in 2012 besides Menara TM, which received its certification in 2004. They were TM Complex/IDC Cyberjaya, TM Alor Setar Complex/exchange and TM Bukit Timbalan exchange. The environmental aspects monitored were solid and scheduled waste generation, and water and electricity usage, all of which were kept either at a minimum or at least 3.0% lower than the 2011 figures. RM1.5 million in energy savings was derived from adjusting the room temperature at selected cabins and rooms within TM buildings.

In 2012, PO registered an operating revenue and operating cost of RM120.4 million and RM126.6 million respectively. Moving forward, PO is committed to further improving its service to TM through employee competency-building, green initiatives and innovation.

Perfect for events and meetings, TM Convention Centre (TMCC) provides comprehensive facilities.

SECURITY MANAGEMENT

The core business of Security Management (SM) is to provide reliable and effective security services to safeguard TM's assets and personnel and to minimise any disruption or loss to business operations. Its main functions cover the following:

- Provision of a Secured Workplace
- Security of Employees
- Asset Protection
- Loss and Crime Prevention
- Security Consultancy
- TM representation on the National Crisis Management Committee

SM maintained a Customer Satisfaction Index of 87.5% and Security Service Availability Index (SSAI) of 98.2% in 2012. Moving forward, it is expected that with the re-organisation of the unit from a state to regional base, the ability to streamline all operational matters and monitor vendor performance will be further enhanced.

Fully aware of TM's responsibility to protect its assets and in line with the Government's initiative to reduce crime in the country through the National Key Result Area (NKRA) under the Ministry of Home Affairs, TM has taken another step ahead to support this by a consolidation of efforts throughout the country to prevent cable theft. Jeopardising the national security, as well as defying the rights for the Rakyat to benefit from telecommunication facilities, cable theft is a serious crime that might bring severe consequences not to only certain parties, but it could affect the sovereignty of the nation.

A nationwide campaign was launched in the first quarter of 2012 to increase the awareness of preventing cable theft, not only by TM and the enforcement agencies, but also by getting the cooperation from the public as well. TM has produced a set of public service advertisements and announcements as part of the campaign, which complemented the on-ground activities being conducted by the state offices and SM. An official pledge to seriously fight cable theft was forged on 19 October 2012, where TM reiterates its commitment to work together with PDRM and all the enforcement agencies and organisations to shoulder the responsibilities to put a stop to these irresponsible actions in the *'Majlis Penghargaan Pencegahan Kecurian Kabel'* that was held to appreciate those lending a hand in helping TM to realise the collaborations in fighting cable theft.

As a result of the awareness campaign, the numbers speak for themselves when SM reduced the number of cable thefts to 10,209 in 2012 from 11,539 in 2011. Throughout the year, 110 criminals were arrested by Polis Diraja Malaysia (PDRM) for stealing TM cables. SM had established close joint crime prevention operation on the ground with PDRM, Pasukan Sukarelawan Malaysia (RELA), Skim Rondaan Sukarela (SRS) and Jawatankuasa Kemajuan & Keselamatan Kampung (JKKK). The regular coordination meetings were organized by TM and PDRM. The increased awareness of the public on cable thefts by reporting any sighting of suspicious activity on TM cables had contributed to the successful arrests. The utilisation of i-Watch alarms and Response Teams proved to be very effective to detect and arrest the criminals in time.

The public also assisted TM and PDRM by conducting night patrolling at their areas or report immediately on sighting of any suspicious activity. SM also participated in several activities such as TM sales promotion and security awareness campaign organised by PDRM/TM by giving talks and distributing cable theft prevention leaflets. 57 programmes were conducted nationwide throughout the year. SM will continue to seek help from various government enforcement agencies and will come up with new initiatives to further mitigate such thefts.

SM will continue to enhance its efficacy to protect TM's business continuity at all times.

IT&NT POWERING TM'S CUSTOMER EXPERIENCE

FACTS AT A GLANCE

>2.0 million broadband customers

of whom 500,000 are on fibre

>450,000km

fibre cables laid

>1.3 million HSBB premises

passed, surpassing PPP target

OVERVIEW

IT and Network Technology (IT&NT) represents TM's system and technical arms. It is responsible for planning, building, delivering, operating and maintaining telecommunications infrastructure to support the Company's current and future business needs. It provides the infrastructure and systems to manage TM's more than 4.3 million telephony customers and over 2.0 million broadband connections in a country with about 6.5 million households.

Since 2010, IT&NT has been supporting TM's ambitious High Speed Broadband (HSBB) project by developing the necessary infrastructure and migrating the Company's network onto an all-IP Next Generation Network (NGN). With the NGN, TM is better able to serve its customers not only with augmented bandwidth, but has the potential to meet future needs at lower operational costs and enhanced service potential. Based on an IP Multimedia Service (IMS), the NGN delivers an enhanced and integrated digital lifestyle to all Malaysians while opening up possibilities through connection, communication and collaboration.

HSBB has proven to be a vehicle for a nationwide upswing in GDP, lifestyle and workstyle for Malaysians. The green fiberised HSBB is a key national infrastructure initiative that is crucial to helping Malaysia leapfrog into the knowledge economy. Its impact can be seen on three fronts, namely the nation, people and industry. From the time it was launched in March 2010 till January 2013, TM's HSBB service, branded UniFi, has attracted more than 500,000 customers, achieving a take-up rate of 35.0% out of the more than 1.37 million premises passed. UniFi coverage areas had expanded from 78 exchange areas in December 2011 to 96 exchange areas in December 2012.

At the same time, as Streamyx continues to be the mainstream broadband choice, IT&NT has not let up on efforts to enhance the browsing experience of customers on this service.

IT&NT Powering TM's Customer Experience

A challenge facing IT&NT is to maintain quality in the face of demand for offshore content, mainly from the US and China. TM is observing explosive traffic growth, especially from video, and increasing concurrent sessions and traffic. To sustain a positive customer experience, TM has strengthened its position as the strategic regional hub by making available sufficient quality global connectivity, while bringing international content to Malaysia through agreements with content providers such as Google, Yahoo! and Akamai.

PERFORMANCE

Migration to NGN allows TM to consolidate the number of exchanges by more than 20.0%, from 689 sites to about 533 sites. As of end 2012, 32.0% of the exchanges have been migrated to NGN, serving a total of 870,000 customers. With this, TM has seen a reduction in fault rates and better level of spares inventory. Several new services have been introduced via NGN such as Voice-Over-Broadband, IP Centrex and SIP Trunking. To attract new customers and retain existing ones, more services will be introduced on the new platform making it easier to make video calls, multimedia conferencing, convergence conferencing and unified communications (UC).

To power HSBB, IT&NT is supplementing the new NGN core with over 500 Metro Ethernet nodes and almost 100 routers for the domestic IP core. It has also transformed its systems by implementing a brand-new operation support system/business support system (OSS/BSS) suite within nine months. This was accomplished without any major glitches or problems, and existing products are being added onto the system. The OSS/BSS migration was a greenfield approach using a vendor-exclusive solution based on a single platform, and minimised customisation as much as possible. IT&NT looked at the HSBB and high-growth IP products first, ring-fenced them, and started migration for legacy products only when the platform reached stability.

In the process of this transformation, IT&NT has collapsed 700 systems to less than 300, which will eventually be further collapsed to just 70. Broadband Forum and ITU standards have been employed as much as possible to avert major problems, especially on the OSS/BSS side where a multi-vendor environment exists for all platforms. A parallel migration for the access, core and IT system has never been done on this scale before.

The network has received Metro Ethernet Forum (MEF) certification, the second to be awarded to any telco in Southeast Asia. This serves as recognition of the quality of TM's Metro Ethernet infrastructure, which supports all our services. To date, more than a total of 450,000km fibre cables have been laid.

The most satisfying result of this network and IT transformation has been an increase in customer satisfaction. In 2012, TM maintained a score of over 72.0 in the TRI*M index, which is higher than the global average of 68.0. Towards improving the quality of Streamyx, extensive access network rehabilitation works were carried out on the copper and fibre cabinets, overhead cables and drop wires. IT&NT also collaborated with the local community to mitigate cable theft, hence minimising service disruption.

STRATEGY

Despite having a multi-vendor strategy, IT&NT decided to reduce the complexity of its all-IP transformations by anchoring its activities to just a few strategic partners. This has helped manage the complexity of network deployment. The economics of migration were also analysed carefully as some results were quite counterintuitive. For example, IT&NT has decided to continue to use certain legacy platforms due to its low fault rate, high performance and low migration cost.

At the same time, IT&NT has transformed TM's technology base by introducing a new, much simpler architecture based on service delivery platforms such as IMS to enable TM to go to market with new services in a shorter timeframe. Selection of the most appropriate technology to support TM's business needs, the simplified NGN network architecture and operational activities have paved the way towards an efficient and cost-effective handling of bandwidth growth moving forward.

For HSBB deployment, a technology audit by one of the leading fixed-line operators in Europe concluded that "TM's choice of architecture... made it one of the fastest and most CAPEX-efficient HSBB deployments in the world".

To ensure its employees have the right skills and knowledge to manage the new services, TM has placed much emphasis on training on the provisioning, operation and maintenance of the new network.

KEY INITIATIVE: TM'S E-CUBE (E³) INFRA – EFFICIENT, EFFECTIVE, ELASTIC

TM's E^3 infrastructure is the outcome of strategic, careful and optimum network and IT convergence and migration. E^3 is based on the simple principles of open standards and interoperability, simplification of architecture and operational activities, smart network and hardened security. The flow through from fulfillment to assurance and billing is extended from mass market products to IPVPN and enterprise and government products, while carriers' services are enabled with increased visibility of the network and service performance. The system capabilities were upgraded to allow for service bill rating, to support the new business requirements for example billing by event, real time measure of traffic, etc.

As a result, TM's E^3 infrastructure is efficient by being modular and scalable, with lower cost to serve. It is effective by means of being secure, IPv6-compliant, standard-based and green. The infrastructure is elastic as it is modular, optimises usage of cloud technologies, leverages on out-of-the-box solutions and architecturally simple.

The infrastructure is also a full-IP, state-of-the-art network, which supports quality and class of service (QoS/CoS) and improves cost efficiencies. During the roll out of HSBB infrastructure, TM's capex hit a high of 30.0% of revenue. Today, the benefits of this infrastructure are being reflected in a lower capex that is well within the teens, with the cost per line decreasing by about 25.0%.

FUTURE PLANS

Overall, TM is optimistic of the future of the Malaysian telecommunications sector, driven by broadband. IT&NT will continue to support TM in providing optimal technology solutions to meet future business requirements.

The overall migration of PSTN exchanges will continue and is expected to be completed by 2015. For year 2013, TM plans to complete about 60.0% of the migration. Meanwhile, TM's Transmission and Access network is also undergoing migration. Legacy access network elements are being replaced with IP network elements, while transmission links that ride on the legacy network are being migrated to the IP network. With the migration to an all-IP network, customers will have better service experience and quality.

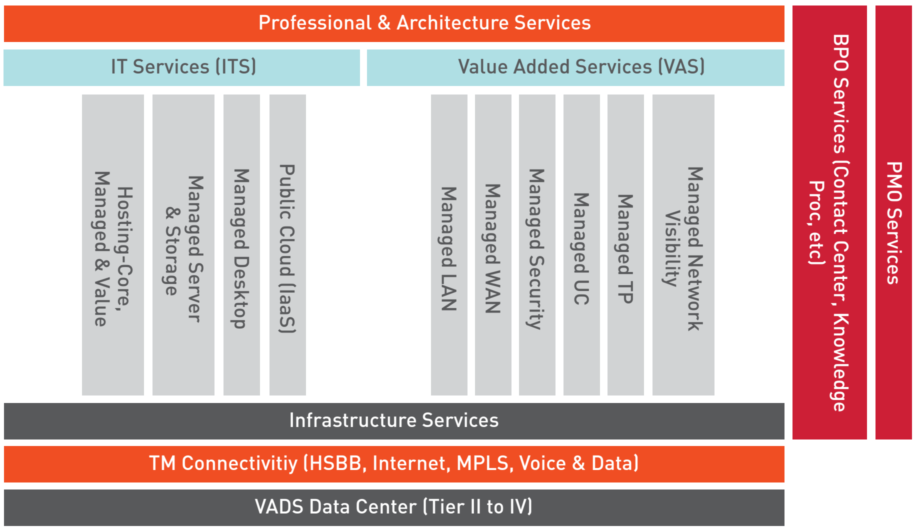
In terms of service delivery, IT&NT has continuously improved and upgraded our systems for products and services to better manage end-to-end fulfillment and assurance processes. The on-going IT transformation has translated into improved business deliverables with the focus of enhancing customer experience. IT&NT will continue to prioritise operational excellence to serve TM's business through the delivery of best in class applications and infrastructure.

TM'S E^3 INFRA: DRIVING ICT ADOPTION FOR RAPID BUSINESS GROWTH

In today's crowded and competitive marketplace, businesses rely heavily on information and communications technologies (ICT) to facilitate their processes and operations. They also depend on IT systems and services to access, share and store data. ICT creates greater efficiencies while lowering costs and generally allowing companies to better connect, communicate and collaborate.

As the country strives to move up the value chain by attaining high-income status, the full development and deployment of ICT is critical. The government's appreciation of the fact led to the ambitious High Speed Broadband (HSBB) project, of which TM is the primary driver under a Public Private Partnership (PPP) agreement. HSBB is essential for the provision of services at the speed required by today's corporations.

In order to enable a fully digitalised environment, TM has been upgrading its network, systems and services. Core to this transformation is migrating its legacy PSTN network into an all-IP New Generation Network (NGN) for more efficient internal connectivity. With the NGN, TM is able to offer a whole suite of services to further serve the needs of its business customers.



Its services are tailored to meet the specific needs of different industries, from retail to manufacturing, and logistics to IT. The services range from connectivity (e.g. leased lines) to managed services (e.g. VPN and Metro-E) encompassing also IT and value based managed services such as ICT and business process outsourcing (BPO). Demand for ICT/BPO, in particular, has increased significantly over the past few years. TM is able to cater to this demand with its E^3 Infra, which supports the Company in the latest phase of its transformation journey.

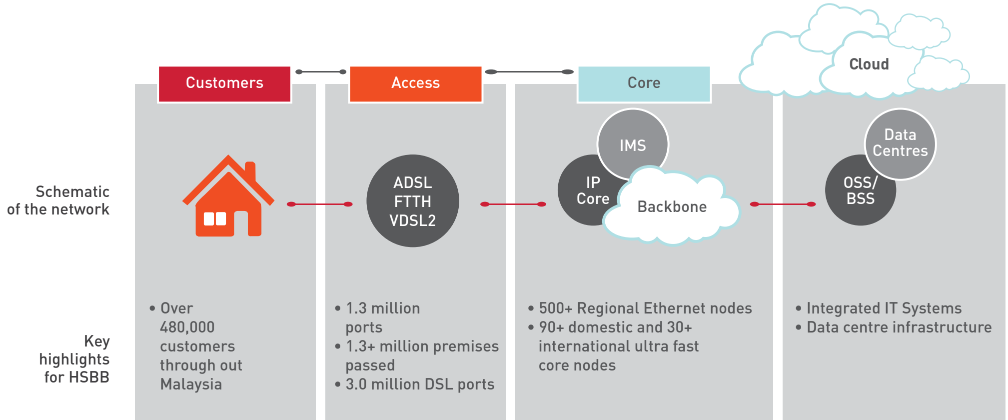
TM'S E³ INFRA – EFFICIENT, EFFECTIVE, ELASTIC

TM's E³ Infra is smart, agile, flexible and secured. It is efficient by being modular, scalable and more cost-effective. It is effective by means of being secured, IPv6-compliant, standard-based and green. Finally, the infrastructure is elastic as it optimises cloud technologies and is architecturally simple, providing increased visibility of the network and its service performance.

E³ Infra supports TM's ambition to be a one-stop centre satisfying all the needs of corporate clients by powering four important levers that contribute to the success of a business: bandwidth, ICT & IP, performance & reliability and cloud computing.

Bandwidth

Network speed and quality are proven drivers of competitiveness, and have been shown to directly impact a country's GDP. The green fiberised HSBB is a key national infrastructure initiative that is crucial to helping Malaysia leapfrog into the knowledge economy. Its impact can be seen on three fronts, namely the nation, people and industry. UniFi VIP 20 is equivalent to the average broadband speed in South Korea. As of 2012, UniFi coverage areas had expanded to 96 exchange areas.



TM also offers wholesale services in the form of High Speed Broadband Access (HSBA), High Speed Broadband Transmission (HSBT) and High Speed Broadband Connection (HSBC) to other service providers.

- HSBB (Transmission) is offered to service providers that have high backhaul capacity and bandwidth requirements to support their video and data transport services.
- HSBB (Access) caters to service providers that offer bandwidth hungry IP-based value added services such as high-speed Internet access, video-on-demand, online gaming, high definition TV, tele-presence, e-Health, IPTV and interactive entertainment.
- HSBB (Connection) enables interconnection between TM's HSBB network and other service providers' IP-based networks. This allows end users to enjoy multimedia connectivity across different IP-based networks.

With the above offerings, service providers and other business entities or broadcasting companies may share or use TM's fixed line high-speed broadband infrastructure without having to build their own.

ICT & IP

Businesses benefit from ICT & IP by having smarter and simplified networks with added capabilities and ease of management which help to reduce operational as well as capital expenditure. ICT & IP further offers the options of pay per use, scalability, Bring-Your-Own-Device (BYOD) operating model, multi-screen and multi-device capabilities and the flexibility to support mobility and new applications. Examples of such services are IP contact centres, remote IP-PBX, unified communications, automatic backup/disaster recovery, integrated collaboration tools, Convergent IP Centrex and SIP Trunking.

Since TM's NGN has been ready in 2011, major government agencies and key enterprise customers have migrated onto the IPv6-ready platform. With an IPv6-ready network, TM is well placed to support future IPv6 requirements in areas such as corporate Internet, broadband services, hosted services and applications. IPv6 transition brings more opportunities beyond business sustainability. With a multitude of machine-to-machine (M2M) applications expected to come in a big way, there will be many more connected devices and applications that could transform not only the Internet experience but also lifestyles. Customers will benefit from the richer services enabled by IPv6, or even a combination of IPv4/IPv6 addresses.

PERFORMANCE & RELIABILITY

Reliability of products and services is key to any businesses. In enabling its business customers to grow, TM assures a high level of its product and service reliability.

TM's time to serve for broadband fulfillment and assurance is in the top 25.0% quartile against the international operational benchmark. Its strong workforce nationwide is able to intervene quickly, ensuring the extensive network is always secured, stable and reliable. The Group's state-of-the-art operations and business support systems allow it to provide professional and efficient customer service. TM, moreover, is constantly improving its product and service reliability as an assurance of ever better customer experience.

CLOUD

Cloud services are offered in collaboration with VADS Berhad (VADS). Cloud computing is a pool of managed, highly scalable infrastructure capable of hosting end customer applications and infrastructure.

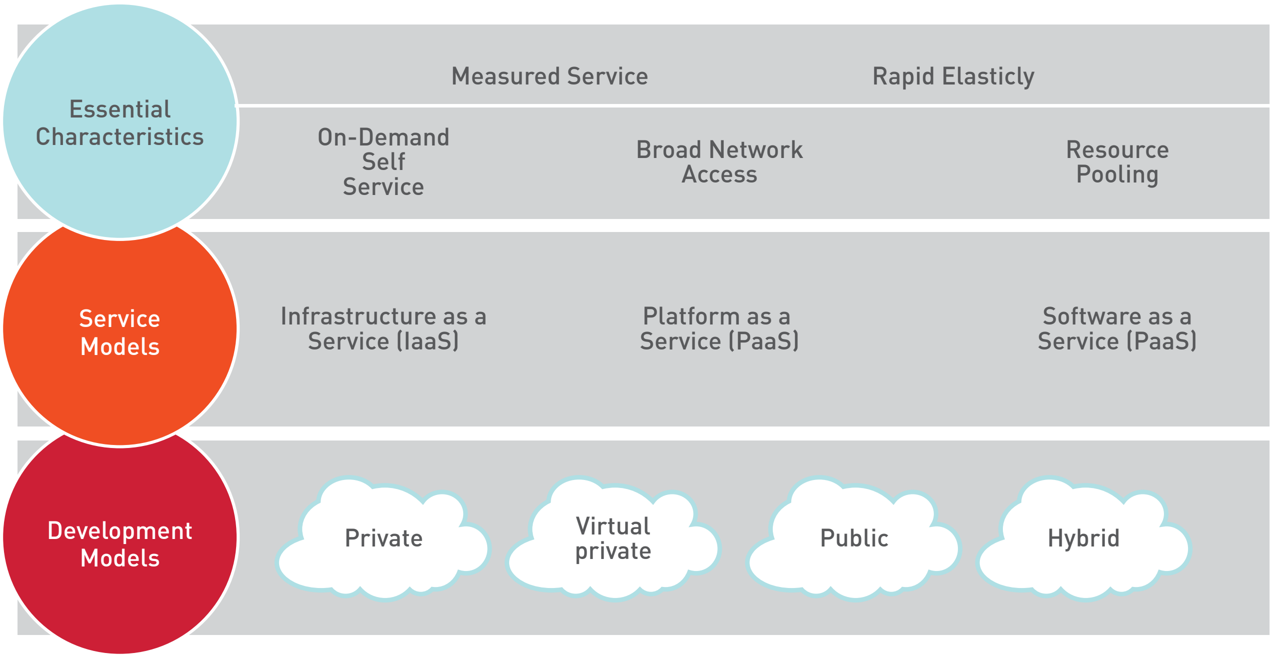
It links businesses, customers and users together via a virtual data centre, offering resources, computing power, network infrastructure, platform, operation and management on a shared virtual platform. Cloud computing is a catalyst to green computing since its architecture has the ability to scale to suit user's demand. Businesses that subscribe to cloud services will therefore not only save on their Capex and Opex but will also contribute to lower CO_2 emissions, no matter what their size, as they would save on space, manpower and energy to run their own servers and cooling systems.

A study done by a world leading consultant found that Small and Medium Enterprises (SMEs) can reduce up to 50.0% of their CPU cost per month using public cloud infrastructure as opposed to their own infrastructure.

With this in mind, last year TM launched the TM BizApp Store, a self-service portal which serves as a Software-as-a-Service (SaaS) marketplace for cloud-based applications and software. TM BizApp Store offers cloud-based business applications and solutions specially catered for SMEs. This adds to TM's existing portfolio of products and services tailored for the SME segment, including UniFi for business, Office in a Box ™, SmartMap, IPVPN, DOME and VSAT.

To ensure that the TM BizApp Store reaches its true potential, VADS has set up the VADS Cloud Enablement Programme enabling local independent software vendors (ISVs) to promote their applications as SaaS and to encourage greater adoption of ICT, especially among SMEs. The VADS Cloud Enablement Programme consists of tools, platforms, best practices, business and technical workshops/training and marketing programmes to assist ISVs to enable their applications as SaaS.

VADS foresees more partnerships with key industry players, technology partners and ISVs in the coming years to grow its cloud offerings.



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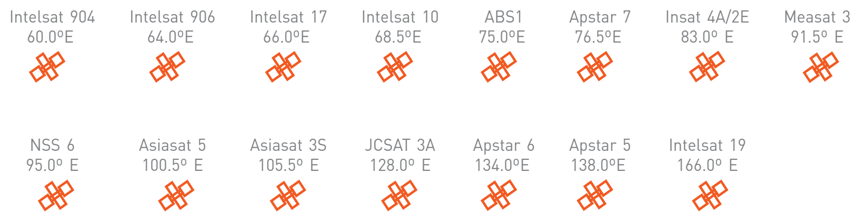
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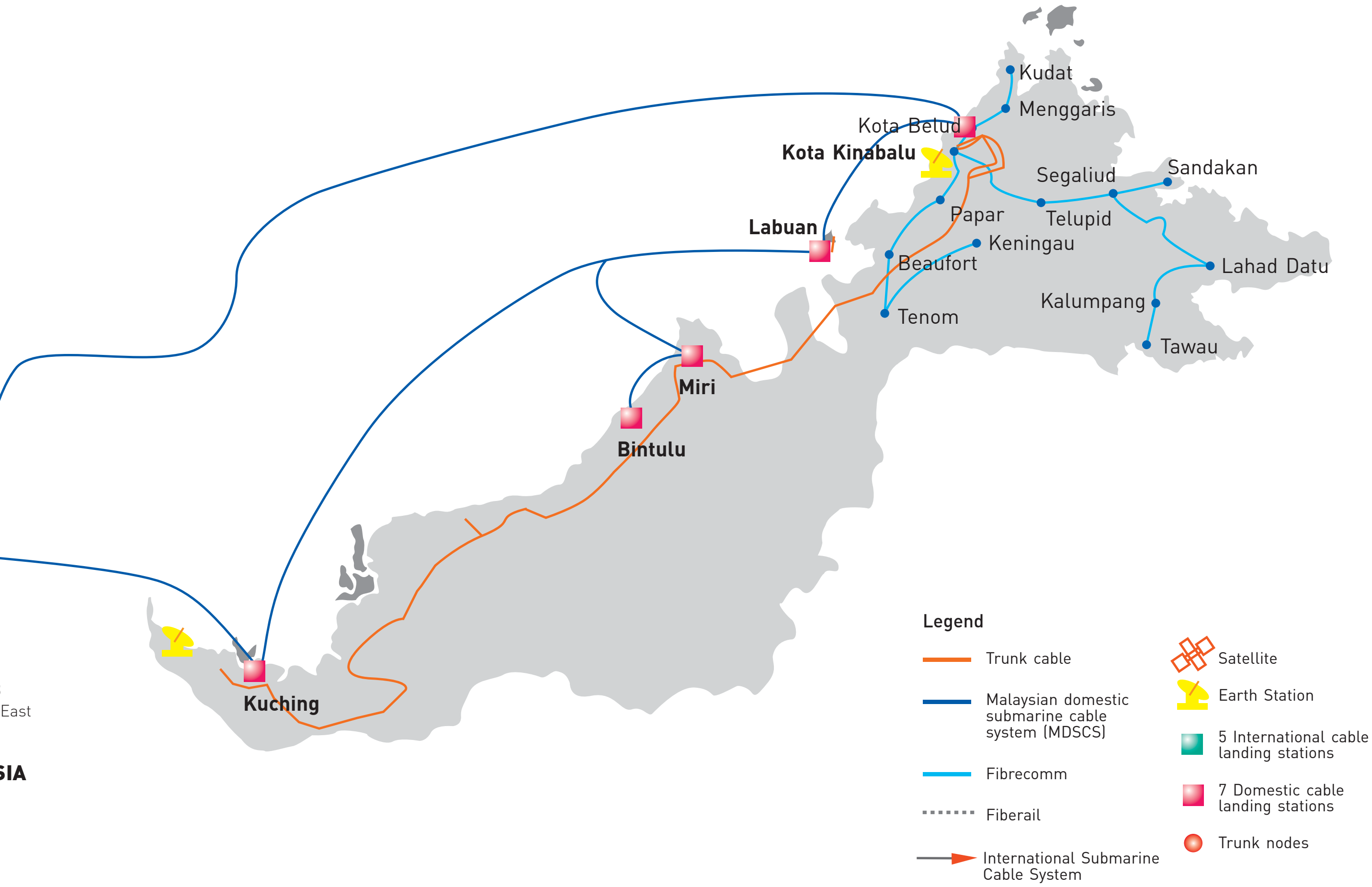
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Malaysian domestic submarine cable system (MDSCS)
Fibrecomm
Fiberail
International Submarine Cable System
Satellite
Earth Station
5 International cable landing stations
7 Domestic cable landing stations
Trunk nodes

TM Worldwide Coverage


TEAM
UNITING OUR

trust

Key Initiatives


Mpoint
TM

generoUs

The heart of our business lies in serving people and we go the extra mile to touch the lives and meet the needs of the communities we operate in.

CUSTOMER EXPERIENCE

FACTS AT A GLANCE

95.3 %

improvement in availability backup service

>1.2 million

TM Rewards members

99.6 %

increase in Service Level Guarantee (SLG) for IPVPN customers

All businesses place emphasis on long-term relationships with customers as a means to establish stability in today's competitive marketplace. At TM, Customer Relationship Management (CRM) Analytics is used as a strategy to solidify our customer relations and at the same time reduce our costs and enhance productivity as well as business profitability. CRM Analytics equips us with valuable knowledge about our customers which, in turn, allows us to customise our interactions with them.

Throughout 2012, TM launched various CRM Analytics-driven marketing strategies to increase the conversion rates of up-sell and cross-sell campaigns, reduce churn and expedite revenue realisation by offering the right products and services at the right time. This was done through direct marketing and tailored communication via SMS, direct mailers (DM) and electronic DM. Better response from our marketing campaigns allowed for a reduction in promotions and a clearer picture of investments.

In addition, CRM Analytics supports our efforts to reward our loyal customers. During the year under review, we engaged our customers in a number of loyalty programmes under the umbrella of TM Rewards. To further add value to TM Rewards, which is a free service, we extended personalised offerings such as birthday greetings to create a sense of belonging to the TM family.

TM Rewards, which entered its second year, continued to attract more customers. As of end 2012, it had about 1.2 million members and the number keeps increasing. Points earned by customers can be redeemed for bill rebates or attractive merchandise from our e-catalogue. Our partners, meanwhile, offer discounts, free gifts and exciting deals such as travel and insurance coverage. TM Rewards also brings to our loyal customers and their family free knowledge enrichment seminars and events catering for children, through whom we are engaging our next generation of customers. For membership, visit www.tm.com.my/tmrewards or call 1-800-88-8887. TM Rewards can also be followed on Facebook and Twitter.

iCARE PRIME

Following the success of iCARE Prime as the platform for all fulfillment and assurance activities for telephony and Streamyx services in 2010, TM launched yet another milestone billing platform on 12 August 2012. This is to be implemented over 16 months in three major deployments, starting on 5 March with telephony and Streamxy services covering the consumer segment. Existing customers were migrated in stages according to the respective billing cycles. By end 2012, a total of 1.28 million consumer accounts had been migrated to the new billing system which offers customers the following benefits:

- consolidated telephone and Streamyx bills
- detailed information on all bill payments and charges
- details on savings from rebates and discounts

The second deployment started on 3 September covering the rest of the customer segments – namely SMEs, Enterprise, Government, Wholesale and Global – together with the remaining Consumer segments.

CONTACT CENTRE

We continued to enhance the customer experience through various initiatives across all customer touch points. Transformation programmes were implemented to elevate overall service excellence, professional customer engagement and first contact resolution (FCR).

VOICE, BROADBAND AND UNIFI CONTACT CENTRE EVOLUTION

During the year, we worked on providing smarter and better service to bring greater benefits to our customers. We tested and then implemented various innovations in service delivery, including more online and self-service options for interaction with the contact centre. These free up frontline staff so they can concentrate on more complex cases. We also improved various processes and enhanced their implementation. We have positioned back-end activities to the front so customers are well-informed when they first contact us; and empowered our agents at the contact centre to waive adjustments. These have improved our FCR and service level (SL) while reducing our abandonment rate (AR).

The UniFi Contact Centre handled approximately 2.2 million calls from customers, compared with 1.2 million calls in 2011. While the number of calls increased 44.0%, partly as the result of UniFi's organic growth, we were able to leverage on our Customer Experience Performance (CEP) lab to further improve our overall customer engagement.

FIRST CONTACT RESOLUTION (FCR)

In 2012, TM initiated and adopted customer-oriented KPIs to improve the customer experience at our contact centres for Voice, Broadband and UniFi services. FCR is used to measure the effectiveness of the call centres' customer service.

CALLS REDUCTION VIA ALTERNATIVE CHANNELS

TM strives to offer quick and hassle-free communication for customers 24/7 via alternative channels that include the TM Portal, SMS, interactive voice recognition (IVR) and e-mail (help@tm.com.my). With these channels, there is no need to queue and customers can contact TM at their convenience. Various self-service features have been incorporated for Voice, Broadband and UniFi such as fault reporting, account alerts, rebate status and billing errors, product inquiries, product promotions, and checking on service availability as well as order status.

SELF-SERVICE VIA SMS

Our SMS service was designed to cater for a complete value chain encompassing fulfillment, assurance, complaints and billing for Voice, Broadband and UniFi. The service comprises two main components: self-service and auto-notification service. The self-service function provides alternative channels for customers to interact with TM related to products and services, reporting faults and billing enquiries. The auto-notification function provides customers with information related to applications, faults and billing status.

This solution is part of TM's initiatives to Keep Customers Informed (KCI) and enable them to get fast response on simple and routine requests such as application status updates, trouble ticket status and billing rebate status. Customers can also receive telephone bill statements, payment reminders, re-connection notification and the latest TM promotions via SMS while being able to lodge fault reports for telephony and Internet using the service. In the year 2012, SMS62100 generated huge traffic of about 1.97 million messages to customers, contributing to a 2.0% call reduction at the 100 Contact Centre.

SELF-SERVICE VIA INTERACTIVE VOICE RECOGNITION (IVR)

IVR Self-Service solutions were developed as an alternative customer interaction channel to reach the Voice, Broadband and UniFi Contact Centre. These self-service solutions improved the customer experience and shortened the queues to reach a contact centre agent. The IVR Self-Service automates routine TM 100 Contact Centre live-agent activities, offering services such as auto technical report creation, billing information and checking on the status of applications. The solution is a key initiative of the Call Avoidance Strategy 2012. IVR Self-Service has reduced inbound calls by an average of 8.0% at the 100 Technical Contact Centre, 22.0% at the 100 Billing Contact Centre and 44.0% at the 100 Product Contact Centre.

STRENGTHENING THE COMPLAINTS FRAMEWORK

As we put our customers at the centre of all our daily operations, we realised the need to strengthen our complaints framework. In mid-2012, therefore, we standardised the complaints definition across all products, ensuring our frontliners are able to categorise complaints accordingly. Then we conducted a complaints root cause analysis, identifying and grouping gaps and strategising on actions to be taken to address the complaints.

We also drove home the message that managing customer's experience is everybody's business – all our employees and partners are responsible for their actions.

DATA CONTACT CENTRE EVOLUTION

Fulfillment for Data Services

TM embarked on two main customer service improvement initiatives to address our data customer fulfillment needs and to have more efficient and faster service delivery. First Time Right promotes sufficient technical information and customer readiness for service delivery, and ensures each order is tracked and pushed for fastest completion. As a result, we improved our data service delivery promise, averaging 98.1% for Internet Protocol Virtual Private Network (IPVPN) (maintaining performance from 2011) and 97.7% (from 93.3% in 2011) for TM Direct.

2012 was a challenging year for fulfillment, especially on the 1Gov*Net Project. A total of 10,830 circuits were delivered, marking an increase of 47.5% from 2011, with delivery period within 20 days and ready-for-service deployment success rate of 95.0%. Our quest for excellence in data services delivery was supported by stringent end-to-end project management supported by project management tool PMCOT, the establishment of delivery war rooms, redeployment and mobilisation of workforce, and improved system functionalities.

Data Services Assurance

TM embarked on a new monitoring system, called Customer Equipment Monitoring (CEM) for managed IPVPN, to hasten the detection of faulty service, so as to provide early notification to customers on pending downtimes. With this system we are able to isolate the fault at the front end, hence shorten the restoration time. Besides monitoring alarms, we also identify preventive maintenance work from the analysis of event logs from customer's routers managed by TM, as a means of ensuring a healthy network. As a result, the Service Level Guarantee (SLG) for IPVPN customers has increased from 99.1% to 99.6%, while the availability of backup service has improved from 91.9% to 95.3%.

Knowledge Management

In 2012, CSM embarked on a Knowledge Management (KM) initiative that enables the single knowledge and information repository to further enhance our frontliners' competencies and capabilities. Integration with TM's Customer Relationship Systems, NOVA and iCP allows frontliners to improve our FCR and overall customer experience. A structured and formalised diagnostics feature further allows frontliners to better trouble-shoot customer issues enabling more resolution upfront. KM will ultimately be a key platform supporting the entire organisation.

Box Article

SOCIAL MEDIA: REDEFINING CUSTOMER EXPERIENCE

THE CHANGING CONSUMER AND SOCIAL MEDIA

As social media has taken the world by storm, businesses are feeling extreme pressure to be where their customers are – namely on popular platforms such as Facebook and Twitter, where new rules of customer engagement are being written, changing the dynamics of how consumers communicate with brands and vice versa.

In response to this trend, corporations are fervently building social media programmes to get their brands closer to customers. But are customers as enthusiastic? Most do not engage with companies via social media simply to feel connected. It turns out, customers need to be convinced their time is well spent.

To leverage on the potential of social media successfully, TM has embarked on designing experiences that deliver tangible value in return for customers' time, attention, endorsement and support. From the manner in which we communicate with our customers to the methods we use to keep them updated on the latest products and services, our customers are at the centre of our decision making process, and thanks to social media, we now understand our customers much better than ever before.

'KNOW ME!' – THE NEW CUSTOMER MANTRA

When utilised optimally, social media offers a company the opportunity to gain access to a wealth of information on customer expectations, preferences and their ever-changing needs. Equally, it allows end users easy access to information on competitor products, enabling them to compare and make informed decisions. Customers also share information and opinions with peers, and are influenced by peer recommendations and reviews.

Taking all of this into consideration, we have approached social media to influence the conversation on the platform and improve our brand sentiment. This is done by placing the TM brand in an advantageous position over our competitors.

TM IN SOCIAL MEDIA

In becoming a truly customer-centric organisation, TM has further strengthened its presence in the social media by adopting international best practices to become a prominent brand online. Our approach has been integrated, meaning we do not focus only on branding and marketing but also on the development of meaningful relationships with our customers.

To achieve this, two key TM Twitter accounts were created:

- ***@TMCorp*** – The official Twitter account for TM providing the latest updates on all our products and services as well as providing communications support for all other TM-related social media accounts.

- ***@TMConnects*** – Serves as the customer service platform for TMVoice, UniFi and Streamyx; and other TM services.

The establishment of @TMConnects creates a new channel for our customers to provide us with their feedback, complementing existing TM customer touch points such as the TM Call Centre, TMpoint outlets and e-mail. This new engagement channel also serves as a complaints management tool, in line with our 'Keep Customer Informed' (KCI) initiatives. @TMConnects allows subscribers to provide feedback, ask questions about our products and services as well as submit complaints and concerns that they may have about TM. On our part, we get to engage with our customers in a more personalised, casual and interactive manner.

Response to these initiatives has been tremendous – as of end 2012 we had 9,595 followers for @TMCorp and 4,997 for @TMConnects. We have also seen significant improvement in brand sentiment in the social media. In other words, TM is truly becoming a brand that is in tune with the changing needs of the consumer not just in the way we provide our products and services but also in the way we engage our customers.

The saying "it's much more profitable to keep an existing customer than go looking for a new one" still holds true in this age of the hyper-connected consumer; and while other brands are still trying to find a footing in the social media space, TM is well-positioned to take advantage of the many benefits it brings. We will leverage on our vantage point by continuing to explore innovative ways to enhance our service delivery to further enrich the customer experience while becoming Malaysia's most prominent social media-enabled organisation.

2012: KEEPING OUR FINGERS ON THE PULSE

In 2012, TM participated in several large-scale social media campaigns and numerous smaller ones through EveryoneConnects and Team Malaysia.

EveryoneConnects *(www.everyoneconnects.com)*

EveryoneConnects (EC) is a social platform created by TM in 2009 with a song and a love story. It eventually marked a historical social media event where 9,000 youths thronged Jalan Bukit Bintang in Kuala Lumpur for the largest ever sing-along. Since then, EC continues to stand out in the local music, gadgets and lifestyle scene, as well as in the social media sphere. EC won an award for the Best Use of Consumer Events/Experiential category at the Urbanscapes 2011.

Throughout 2012, EC celebrated Malaysia's major festivals such as Chinese New Year, Hari Raya and Deepavali with Open House Festive applications that presented games and contests in which an average of 700 players stood a chance to win the latest gadgets. Apart from challenging the players for great prizes, the festive applications promoted goodwill and shared Malaysia's rich cultural heritage in a fun and engaging way.

In advance of the June 2012 premiere of Marvel's The Avengers, EC enticed local youth to participate in a Twitter contest which gave away free tickets to the screening. 500 excited fans thronged the screening event and went back home with wide smiles on their faces.

The Rockaway Festival 2012 in October 2012 was a hit among the local youth and fans of EC. Another ticket give-away contest was organised via EC Twitter account, @every1connects creating a positive buzz for TM as well as adding 5,000 new Facebook fans and more than 600 new @every1connects followers.

Continuous engagement with youths through the platform of their choice, ie social media, is part of our business. Nurturing our future customers today is a must for TM to remain the top-of-mind brand for high speed broadband products and services.

As of end December 2012, the EveryoneConnects Facebook page has 427,451 likes and its Twitter account has 2,791 followers.

Team Malaysia *(www.tm.com.my/teammalaysia)*

Pride, passion and love for the sporting spirit form the essence of Team Malaysia. Team Malaysia is a TM initiative that seeks to inspire our nation's sporting talents, guiding and inspiring Malaysians to become world-class athletes. It also fuels all Malaysians with love and passion for all things sports. That includes appreciation for our national athletes and their achievements and sacrifices, no matter how big or small.

In 2012, Team Malaysia went all out to support the Malaysian Olympics contingent on the ground and online. Team Malaysia's integrated play to excite, engage and mobilise fans was very well received by supporters of all ages and walks of life. Social media played an integral part of the campaign from tweet-ups, daily updates related to the Team Malaysia Fan Run, the Superfan online contest, and real-time reporting of selected Olympics matches by our very own Citizen Journalist.

All of these captured the nation's sentiments throughout the event. Well wishes, words of encouragement and applause were heard loud and clear in the social media space, placing Team Malaysia and TM in a premier space within the consumer's psyche.

Our social media initiatives also supported Team Malaysia's Mencari Ramli Season 1 and the AFF Suzuki Cup through various posts and contests.

The use of social media as a marketing platform is intended to deliver our aspirations to Malaysia's trendy youth. Team Malaysia and EveryoneConnects act as avenues for conversation where opinions, suggestions, recommendations and even complaints are heard and responded to every day. This is the most valuable asset we have – the voice of Malaysia's youth and the ability to engage with them in many aspects of their lives, be it through sports, music, movies or lifestyle. This way, we are able to capture their needs and, in turn, improve the delivery and performance of our products and services.

As of end 2012, the Team Malaysia Facebook page had 318,964 likes and its Twitter account @TeamMsia had 26,968 followers.

TM – THE EMPLOYER OF CHOICE

FACTS AT A GLANCE

20,924

employees trained in HSBB and IP-related programmes

2,106

executives selected for Leadership Assessment

9,287

executives benefited from the Rewards Transformation new Compensation Plan

BUILDING A WORKPLACE OF DIVERSE OPPORTUNITIES

TM is fully aware of the critical role its employees play in maintaining the Company's competitive edge. There is constant emphasis on attracting and retaining the best talent, and creating an internal environment that encourages employees to realise their true potential. This is achieved through a range of initiatives, from structured learning and development programmes to cohesive leadership and career development, systematic coaching and personal enrichment opportunities.

Emphasis on employee development and well-being have earned the Company numerous accolades over the years. In 2012, TM won the Gold award for the Employer of Choice by the Malaysian Institute of Human Resource Management (MIHRM) in recognition of sustained and continuous commitment to the development of its human talent.

As the Company grows, the need for talent increases and, in 2012, TM organised its inaugural Career & Education Fair. It received an overwhelming response from 18,726 attendees, 84.0% of whom were below the age of 28. This strengthened TM's position as the preferred employer among the younger generation, and contributed to TM winning Malaysia's 100 Leading Graduate Employers in the Telecommunications Sector for the first time. The award was based on an independent survey conducted among more than 12,000 university students and fresh graduates.

Opportunities in Learning & Development

Training is an on going activity at TM and begins when new recruits join the Company and are placed in the Onboarding Programme. The programme serves to welcome the new members of TM's family and provides them with a broad perspective of the Company's wide-ranging businesses, its vision, mission and values.

TM – The Employer of Choice

Mohd Khalis Abdul Rahim, Chief Human Capital Officer TM, receiving the award for Malaysia's 100 Leading Graduate Employees – Telecommunications Sector in November 2012.

GHCM Management with NUTE President and committee at the Collective Agreement kick-off 2012.

As employees progress within the Company, they are given increasingly more specialised training, designed to equip them with the knowledge and skills required to perform optimally and to acquire positions of greater responsibility. TM Training College (TMTC) is sensitive to any skills gaps that may exist in TM's lines of business (LOBs), and constantly customises technical, functional, motivational or leadership skills development programmes to meet these requirements.

TMTC comprises three main units – the Technical Academy, Customer Service Academy and Leadership Development Unit. In 2012, TMTC launched the Training Dashboard, enabling Senior Management to monitor training initiatives that have been carried out and select from modules that are available and relevant to further develop employees' capabilities. A total of 76,185 participants were trained in various skills areas under TMTC during the year.

All jubilant at TM Group Awards Night 2012 held at Multimedia University.

Technical Academy

Technical Academy (TA) provides specific technical skills training as required by the LOBs. TA trainees have access to technology-enriched syllabi, taught by highly competent trainers using state-of-the-art equipment to provide quality hands-on experience. TA is responsible for ensuring TM's technical employees are prepared to support the Company as it evolves into an Information Exchange, and about 56.0% of all TM training takes place in TA. In 2012, a total of 20,924 employees were enrolled in high speed broadband (HSBB) and IP-related modules such as NOVA R3, NOVA R3 SOLO, NEPS, CCNP, CCNA, IPV6 and High Speed Broadband Active and Passive Training.

Customer Service Academy

The Customer Service Academy (CSA) was established to develop TM's human capital capabilities in terms of delivering a Wow! Customer Experience. A key programme introduced was Superb and Meaningful Interaction Leading to Excellence (SMILE), which seeks to enhance TM's overall customer service satisfaction by targeting frontliners such as TMpoint Customer Service Representatives (CSR), SAVE Angels, resellers and personnel at Regional Network Operations (RNO) and TM's Contact Centre. SMILE comprises three semesters of training and in 2012, 3,756 participants completed the programme, marking an increase of 188.0% from the initial target.

Leadership Development Unit

Leadership Development Unit (LDU) is in charge of behavioural courses targeting management and potential leaders of TM. It runs the highly successful Teaming With Passion (TWP) programme and Coaching.

TWP started in late 2009 to create corporate excellence via strong leaders who are able to inspire positive change in their followers. In effect, TWP united TM employees as one team in one spirit towards one direction. Phase 2 of TWP kicked off in 2011 to inspire greater customer centricity and a performance-based culture. It has improved day-to-day business operations by igniting a passion to deliver quality service in TM's employees. In 2012, a total of 3,667 employees attended this programme.

Coaching allows for personal transformation and career role transition for both the coach and employee, which helps to boost employee morale. At TM, coaching sessions facilitate more personal and interactive learning, and promote creativity for continuous improvements in line with the organisation's aspirations. Several coaching programmes were successfully implemented for various LOBs in 2012. During the year, the Company also coached 15 new trainers to support the programme.

Innovative Training Delivery

TMTC has recently adopted a Learner-Centric Approach in its training delivery via Self-Learning and Remote Virtual Learning (RVL) modules. Self-Learning allows employees to go through online training modules on their own, at a pace that best suits them. Currently, 17 Self-Learning modules are available at no cost. RVL is a newer technology being deployed under which a trainer and trainees are brought together virtually in an online learning environment, where they can communicate and interact using Internet technologies such as web-conferencing. The system is being developed in three phases. The first phase went live in the third quarter of 2012, and the entire system is scheduled to be available by the second quarter of 2013.

Back To Oxford

Back to Oxford, launched in May 2012, is an English enrichment programme developed mainly for Group Human Capital Management (GHCM) to learn the language in a fun and interactive way. The programme aims to improve the English proficiency of employees and increase their confidence in communicating in English. The first batch of participants of this programme graduated in February 2013.

Career Development

Assessment Centre

In 2012, the Assessment Centre launched a Career Pathing programme that allows for qualified and eligible employees to be recognised. Under the Upgrading and Promotion Exercise for Non-Executives, a total of 1,494 non-executives were upgraded and 348 were promoted effective 1 October 2012.

In order to identify potential leaders, TM also conducts a Leadership Assessment that indicates the readiness of executives for promotion to the next level up the corporate ladder. This Leadership Assessment measures competencies along five areas using defined tools and methodology. To date, a total of 2,106 executives and managers have gone through the Leadership Assessment.

Leadership Development

TM focuses on building the capabilities of its leaders and potential leaders to meet its functional requirements, ensuring they have the right behavioural skills to drive the Company to greater heights. This further ensures a consistent supply of leaders groomed from within the organisation. As of 2012, a total of 727 talents have been identified and are being given the necessary exposure to develop their professional and leadership skills.

Nurturing Leaders

TM implements a structured Fast Track Programme (FTP) to build the potential of identified executives. In 2012, the 24 participants of this programme underwent several job rotations and assignments within the Group to gain invaluable experience and exposure, and to hone their strategic thinking skills within the LOBs. Talent Engagement Programmes are also held to provide younger talents the opportunity to engage with leaders, and be inspired by their success stories.

Reward and Compensation

TM's Rewards Transformation was launched in 2010 to nurture a high-performance culture in which employees are rewarded based on their performance. Beginning with a higher minimum wage for non-executives, the transformation continued with an upgrading exercise to promote the acquisition of additional roles and knowledge. Next came the introduction of the Performance Linked Wage System (PLWS).

In July 2012, a new Compensation Plan tied to performance was introduced for executives to be competitive with the market. A total of 9,287 executives benefited from this new Compensation Plan. The next phase will look at providing flexibility and choices to employees in managing their benefits.

Engagement Opportunities

TM strives to cultivate a climate of diversity and inclusiveness, supported by various employee engagement activities, such as celebrating festivities like Chinese New Year, Hari Raya, Deepavali and Merdeka as 1TM family. This has resulted in a highly engaged workforce aligned with the organisation's goals and values, as shown by the results of the Group-wide Employee Engagement survey.

Employee Engagement Survey (EES)

TM has been conducting the Employee Engagement Survey since 2009. In 2012, the results indicated an employee engagement index of 90.0%, which is 13 percentage points higher than the Malaysian norm, a significant 15 percentage points higher than the Global Telco (GT) norm and five percentage points better than Global High Performing Companies (GHPC) norm. Compared with 2011, the areas in which TM had improved the most were Recognition, Strong Belief in Product and Services Quality, Organisation Change and Supportive Service Environment, indicating better work-life balance among employees.

Union Engagement

TM recognises the Unions as an extension of its human capital arm and engages with them for better communication Group-wide and to ensure all employees share the Group's aspirations. There are four Unions representing TM's non-executives: the National Union of Telecommunication Employees (NUTE), Union of Telecoms Employees Sarawak (UTES), Sabah Union of Telekom Employees (SUTE), and Sabah Union of Telecommunications Employees (SUTEN).

In order to maintain a cordial and harmonious industrial relationship with its Unions, any new Company initiative is discussed with them prior to being implemented. Along with open channels of communication, issues are settled quickly and amicably. In 2012, TM targeted and achieved 'No Industrial Disputes'.

Salam Mesra Customer Engagement Programme

To allow its employees to get closer to customers and understand them better, GHCM initiated a *Salam Mesra* Customer Engagement Programme. This saw about 5,000 employees from headquarters and non-sales units from the states go to the ground and meet customers door-to-door. The programme ran for 10 weeks from October to December 2012.

Participation in this programme proved to be a new positive experience for the employees, who obtained greater insight into ground operations. This programme also proved that TM's employees are open to adapting to a new Mindset and Work Culture Change in line with the approach put forward by Group CEO Dato' Sri Zamzamzairani Mohd Isa focusing on thinking out-of-the-box and working beyond-our-box.

With the right attitude and training and development programmes in place, TM employees are ready to take on bigger challenges to support the Company as it moves forward.

SAFETY COMES FIRST

Occupational Safety, Health and Environment (OSHE)

FACTS AT A GLANCE

40,000

contractors trained

356 employees

nationwide trained in Authorised Entrant and Stand-by Person (AESP) module

1st place

National OSH Excellence Award 2012

Mohd Khalis Abdul Rahim, Chief Human Capital Officer at the launch of Safety and Health Campaign Sarawak in April 2012.

Despite continuous efforts to create safety awareness among TM employees, our overall OSHE performance in 2012 was slightly lower than in the previous year. The number of accidents increased and there were also four fatal accidents involving our contractors' personnel.

SAFETY PERFORMANCE

The year under review saw a total of 98 accidents, 38.1% more than the previous year. This represented roughly 1.15 accidents per 1,000 employees. However, the rate is significantly better than the national average Incident Rate (IR) of 3.4 injuries per 1,000 workers (2009). Most of the accidents were falls from height, ie ladders, poles and roofs.

While TM has achieved zero fatality since 2010, our contractors recorded four fatal accidents among their workers in 2012, marking an increase of one case from 2011.

ACTIVITIES & PROGRAMMES

Compliance

TM complies with Occupational Safety and Health Act (OSHA) 1994 and its regulations in order to promote a safe and healthy work culture.

Steering & State OSHE Committees

In 2012, we restructured the TM Group Occupational Safety, Health and Environment (OSHE) Steering Committee and State OSHE Committees to provide a link from on-site committees to the Steering Committee, allowing for more effective communication. In addition, the Steering and State Committees met on a quarterly basis, and complied with all the other requirements of OSHA 1994 and Occupational Safety & Health (OSH) Committee Regulations 1996. The Steering Committee also visited two TM hill stations at Gunung Jerai and Gunung Ledang in 2012.

OSHE Promotion at Workplace

Continuous efforts are made to recognise OSHE in promoting a safe and healthy working culture.

OSHE Posters

As spelt out in the OSHA, 1994, one of the major responsibilities of an employer is to provide adequate safety and health information to all employees. In 2011, the OSHE Unit developed TM's own safety posters that depict our work environment and provide important information regarding proper conduct during high-risk activities, and use of Personal Protective Equipment (PPE) while introducing the 6S (Sort, Straighten, Sweep, Standardise, Sustain and Safety) procedure.

In 2012, the team followed up with ergonomic workstation posters and incident reporting guidelines.

OSH Campaign

This year, four states – Pahang, Sarawak, Sabah and Perak – organised OSH Campaigns to increase safety and health awareness among state employees and contractors' workers.

MENTOR-MENTEE PROGRAMME WITH STATE DOSH

Three states – Johor, Perak and Kelantan – implemented an OSHE mentor-mentee programme in collaboration with the respective state Departments of Occupational Safety and Health (DOSH).

Contractor Management

Various programmes were held to improve our contractors' safety compliance and awareness, with the aim of achieving zero fatality.

NIOSH-TM Safety Passport (NTMSP)

An estimated 40,000 contractors' personnel have been trained under the joint programme between the National Institute of Occupational Safety and Health (NIOSH) and TM since its inception in late 2006. It is worth noting that TM is the only telecommunications company in Malaysia to enforce this customised OSHE induction programme for contractors' personnel.

Training

Tremendous efforts are made to improve the knowledge, understanding and competency of TM employees with regards to Occupational Safety, Health and Environment. This is to ensure that OSHE becomes an important aspect of the work environment and is embraced as part of the work culture.

Confined Space Training

An important requirement of the Industry Code of Practice (ICOP) for Safe Working in a Confined Space 2010 is for employers to provide related training for all employees and contractors directly involved with working in confined spaces. This is to ensure such personnel have the necessary knowledge, skills and understanding for safe performance.

This Confined Space Training is divided into two phases, namely the Authorised Entrant and Stand-by Person (AESP) Course, followed by the Authorised Gas Tester and Entry Supervisor Course. Once certified, all the four categories of employees [Authorised Entrants, Standby Persons, Entry Supervisors and Authorised Gas Testers] have to undergo a refresher course every two years.

In collaboration with NIOSH, TM developed a customised Authorised Entrant and Stand-by Person (AESP TM) training module in 2011, which has been approved by DOSH. In 2012, NIOSH conducted 23 AESP training sessions nationwide for a total of 356 employees.

TM Confined Space Medical Examination (CSME)

Under the latest ICOP for Confined Space, all personnel working in confined spaces must be declared medically fit. TM's Confined Space Medical Examination (CSME) has been designed to specifically test the eligibility of our workers to enter confined spaces. These medical examinations are carried out by registered Occupational Health Doctors (OHDs) throughout Malaysia, and are valid for two years.

CSME was implemented in January 2012 with the target of having 1,432 personnel examined by December 2012. As of end 2012, 1,311 personnel have undergone the medical examination, of whom 1,090 have been classified as 'Fit', 138 as 'Temporarily Unfit' and 83 as 'Not Fit'.

Personnel who have been classified as Fit are issued with the TM CSME Authorised Entrant certificate while those who are Temporarily Unfit or Not Fit are advised to undergo further assessments or reassessments where applicable.

Other OSHE–Related Training

As in previous years, various other OSHE-related training was conducted either by external or in-house resources. These included Basic Occupational First-Aid (BOFA) Train-the-Trainer, Ergonomics Awareness Training, OSHE Audit, OSHE Appreciation Course and OSHE Laws. TM's OSH Managers were also called upon to give safety and health talks as part of the Supervisory Course and On-Boarding Programme.

Workplace Safety

TM has taken reasonable and practical steps to identify hazards and minimise work-related risks.

Hazard Identification Risk Assessment & Risk Control (HIRARC) Programme

In 2011, Network Delivery developed an OSH Management System (OSH-MS) as a result of the successful implementation of the HIRARC programme 2010. In the same year, the TM Group OSHE Steering Committee made it compulsory for every TM Operating Company to implement the HIRARC programme. Our Property Operations (PO) Unit completed the programme, with the assistance of the OSHE Unit in the third quarter of 2012.

Another positive outcome of HIRARC activities was a review of the existing Safe Work Instructions, which was completed in the first quarter of 2012. Twenty separate Safety Work Instructions were developed as a result of the review, involving experienced and specialised Network Operations employees, focusing on high-risk areas of work, with input from OSHE Unit of Group Human Capital Management (GHCM) and Enterprise Business Management (EBM). The safety guidelines can be accessed at Network Operations' website, and are to be adhered to by all employees and contractors working under Network Operations, effective 1 January 2012.

Ergonomics Training for Ergo Leaders

In 2012, OSHE Unit trained 31 Ergo Leaders among OSHE practitioners from TM headquarters and state branches, and developed Ergonomics guidelines, which will be implemented nationwide in 2013.

Audit Programme With DOSH

The OSH audit programme is one of the most important components of the OSHA 1994 regulations. All state teams conduct audit programmes with DOSH representatives at least once a year to ensure our OSH practices are in line with the regulations.

Subsidiaries' OSHE Programmes

OSHE Unit intends to ensure that all TM subsidiaries are legally compliant with OSHE laws and regulations, which include establishing an OSHE Policy and Committee, and submitting monthly reports to headquarters to keep the Group updated on all OSHE matters. The year 2012 saw the involvement of 11 subsidiaries including TM Fleet Autolease in OSHE programmes and campaigns. Overall, 26 incidents were reported, but there was no fatality.

Safety Performance

Recordable Incidents

As of December 2012, a total of 26 incidents were reported by all subsidiaries. Menara KL had the highest number of incidents (13) followed by VADS (seven), Telekom Sales and Services Sdn Bhd (TSSSB) (five) and TM R&D (one). Most of the incidents fell under Category 3 (Dangerous Occurrences) and Category 5 (First Aid). The incident rate in 2012 was 0.3 per thousand workers and the frequency rate was 0.61 per million hours worked.

Lost Work Days (LWD)

The total lost work days (LWD) for the subsidiaries was 193 days with TSSSB recording the highest LWD of 171 days.

Type of Accidents

Most of the accidents were falls reported by Menara KL and TSSSB, which included falling while on an escalator, falling down stairs and falling in the restroom. Other incidents included being stuck in a lift, small fires and cooking gas leakages.

ACTIVITIES & PROGRAMMES

OSHE Awareness Campaign

TM's OSHE team was invited by the Multimedia University (MMU) OSHE team to set up an exhibition booth during MMU's Safety and Health Week.

Training

As part of efforts to increase OSHE awareness among our subsidiaries, TM OSHE arranged various workshops throughout 2012. These included a gap analysis workshop held at TM R&D, Cyberjaya, to highlight legal requirements and determine the gaps that need to be filled in order to comply with OSHE laws and regulations such as OSHA, Factories and Machinery Act (FMA) and Environmental Quality Act (EQA).

Another workshop, held at TM office in Alor Setar, focused on Notification of Accidents, Dangerous Occurences, Occupational Poisoning and Occupational Disease (NADOPOD). It aimed to teach OSH personnel how to prepare incident reports for DOSH Malaysia according to NADOPOD regulations.

WAY FORWARD

As part of continuous efforts to improve work safety, TM aims to ensure that all employees, contractors and subsidiaries comply fully with all the legal requirements, are aware of the importance of safety and health at the workplace, and practice safety as part of the work culture.

With a less than favourable OSHE performance this year, especially with regard to accident statistics, we are placing greater emphasis on enforcement, worksite inspection, compliance audits and consequence management.

ACHIEVEMENTS

National OSH Excellence Award 2012

For the year under review, Pahang was selected to represent TM to vie for the prestigious National OSH Excellence Award 2012 organised by the National Council For Occupational Safety and Health (NaCOSH), Ministry of Human Resources. The yearly awards are given to companies in various economic sectors, which have shown exemplary safety and health practices. After a rigorous audit by the organiser, Pahang was announced as the winner in the Communications category.

In previous years, Kelantan, Penang, Kedah/Perlis and Sarawak have won this award.

CORPORATE RESPONSIBILITY

FACTS AT A GLANCE

9,595

followers of @TMCorp, a stakeholder engagement tool through social media

17,086

lives benefited from TM's School Adoption Programme to date

90.0%

Employee engagement score from 2012 Employee Engagement Index Survey, 13.0% above national average

3,845

TM Earth Camp participants since 2010

In essence, the journey from Corporate Responsibility (CR) to sustainability at TM is about ensuring a balanced triple bottom line encompassing healthy economic, environmental and social viability in order to deliver real and sustainable value to our stakeholders. We are guided in this by various local and international frameworks that include the Silver Book produced by the Putrajaya Committee on GLC High Performance, Bursa Malaysia's Corporate Social Responsibility (CSR) Framework and the ISO 26000: Guidance on Social Responsibility. Sustainability is driven by the Board of Directors and Top Management to permeate all levels at all divisions across the Group. Our efforts are focused on Education, Nation-building & Community and Environment, and are reported along the four dimensions of the Marketplace, Workplace, Community and Environment.

Details of the Group's CR initiatives and their impact are presented in a stand-alone report published annually, namely the Sustainability Report. Currently in its fifth edition, the Sustainability Report offers a wide view of the many CR activities done by the Group and in-depth perspective of the far reaching positive impact that these initiatives have created. The Sustainability Report conforms to the stringent standards set by the Global Reporting Initiative (GRI) in which the report has achieved the Application Level A+ standard for four consecutive years. In addition, the 2011 Sustainability Report was awarded the Best Sustainability Report for Malaysia by the National Center for Sustainability Reporting (NCSR), an independent organisation comprising corporations and professional individuals committed in implementing and developing sustainable development based in Jakarta, Indonesia.

We embarked on our journey of sustainability a few years ago, beginning with a framework on CR, which saw us implement our community outreach initiatives in a more organised manner. This progressed to a commitment to ensure that all our business actions and activities embrace the principles of CR. Today, in line with global and Malaysian best practices, we are taking our corporate pledge further by focusing on sustainability.

MARKETPLACE

As the leading telecommunications company in the country, TM plays a critical role in setting high standards of corporate citizenry in the industry by upholding the highest principles of corporate governance, ensuring the best products and services for our customers, and maintaining ethical relations with our business partners.

Corporate Governance Towards Sustainable Business

TM has a sound Corporate Governance (CG) structure that ensures the highest level of transparency and integrity. Both TM's Board and Management play key roles to ensure short-term financial performance and long-term sustainability through business ethics, risk management and effective internal controls. At the same time, the roles of the Board and Management are kept separate to maintain a judicious balance of responsibilities and a reliable system to uphold TM's values as the organisation strives to attain its vision of becoming a key and leading regional information exchange.

To achieve this, TM abides by both local and international CG guidelines. In addition, the Group also conforms to the principles and standards recommended by the Malaysian Code on Corporate Governance released in 2012.

Total Commitment to Customers

Customers are central to our business and our sustainability depends on continued customer loyalty. We therefore continually improve our systems to provide customers with an exceptional experience at every opportunity. To further improve customer experience, a Customer Centricity Steering Committee was set up to focus on first contact resolution, tenhancing our alternative customer contact channels (social media, website and emails) and strengthening our Complaints Framework. In addition, a new, more robust Customer Relationship Management (CRM) analytics tool was also launched. This enables TM to better understand the needs of our customers for the development of an enhanced, more personalised and meaningful customer experience.

TM has also fully embraced the social media to further enhance our customer engagement. In order to ensure the efficient use of the social media, two key Twitter accounts were created. @TMCorp is TM's official Twitter account that provides the latest updates, corporate news and announcements. As of December 2012, the account has 9,595 followers. Meanwhile, @TMConnects serves as the customer engagement channel on Twitter, and mainly responds to complaints and queries on our consumer products and services such as TM Voice, UniFi and Streamyx. As of end 2012, @TMConnects has 4,997 followers.

In addition, TM has other social media assets on popular social media platforms like Twitter and Facebook to cater for different and specific market segments including EveryoneConnects for youth engagement, Team Malaysia for engagement with sports enthusiasts, Yellow Pages Malaysia, Menara KL and TM Rewards, to name a few.

Sustainable Procurement

Our procurement policies support protection of the environment, encourage social progress and economic development. Sustainable Procurement ensures that we are able to procure the best goods and services at the best price in an open and transparent manner. To make sure that our procurement policies are properly implemented, an annual online survey is conducted to obtain feedback from suppliers. In the 2012 survey, TM obtained a Transparency Index (TI) score of 7.5 out of 10, a 0.1 increase from 7.4 in 2011.

We also support local suppliers through our Vendor Development Programme (VDP) that was first established in 1993. Currently, there are 496 companies under VDP from various industries including Manufacturing, Engineering Services and ICT. These companies are assessed annually on various parameters based on which they are ranked and the analysis of their training needs analysed. We then provide these companies with holistic development programmes to meet their needs. Companies that complete these development programmes successfully are awarded preferred vendor status.

E^3 Infra: Driving ICT Adoption for Future Growth

As the needs of our customers change, we too evolve to meet these; and currently TM is on a journey to take the role of the nation's broadband champion further by becoming a key and leading regional information exchange. To achieve this goal, we are improving and enhancing our business processes and structures to become more Efficient, Effective and Elastic. This is our E^3 Infra approach.

The E^3 Infra approach is encapsulated in the following: Efficient by being modular, scalable and cost-effective; Effective by means of being secured, IPv6-compliant, standard-based and green; and Elastic in the way the approach optimises cloud technologies and is architecturally simple. E^3 Infra supports

TM's ambition to become a one-stop centre to meet all the needs of corporate clients, providing complete and advanced ICT tools required for a sustainable business environment which in turn supports Malaysia's drive to become a high-income nation.

WORKPLACE

TM strives to be the employer of choice by offering a work environment that is not only engaging, stimulating and rewarding, but that respects the need for work-life balance and the personal well-being of individuals. Because a diversified workforce is a dynamic and productive workforce, TM is an equal opportunity employer. Through diversity, our human capital effectively contributes to providing the best possible service to all stakeholders.

Employee Engagement

TM believes in a rich employee engagement to create a sense of purpose and emotional bond and connection to the Company. Several IT platforms are adopted to reach employees at all levels, including the 1Intra portal, email, video conferencing and weekly snippets of information. In-house publications such as 1Ekspresi and 1Suara communicate the latest updates on policies and programmes to employees. In addition, TM also encourages employees to adopt social media as a means of effective communications. Increasingly, we use social media as a tool to engage with employees at big events and activities.

Festive seasons are also great opportunities for employee engagement. In line with the spirit of 1TM and 1Malaysia, events are organised around festive events so that employees get to celebrate together and understand each other's cultures better. During these events, employees are encouraged to wear related traditional costumes. Examples of this included the TM Raya Merdeka programme which featured traditional performances and a specially created 3D mural based on the Merdeka theme. For Deepavali, employees created a 'kolam', a traditionally-designed Indian art themed 1TM Deepavali at the lobby of Menara TM. In conjunction with the BumiKu initiative, TM employees collected over 1.5 tonnes materials to be recycled as a concerted act of goodwill to celebrate the year end.

To promote and encourage vertical interaction, Teh Tarik sessions are organised where Group Leadership Team (GLT) members share the Company's vision with employees in an informal and personal setting. A total of 33 Teh Tarik sessions were organised in 2012: eight with the Group Chief Executive Officer, three with the Group Chief Financial Officer and 22 with other GLT members. Over 600 employees took part in these sessions and said it helped them better understand the Company's direction and their roles in it. In addition, TM's Group Corporate Communications (GCC) introduced 'Chill Out with GCC' programme as another platform for the Management to engage with employees, and share important corporate messages on a bigger scale.

In 2012, our Employee Engagement Index (EEI) or My1TM Survey score rose to 90.0% based on the annual Employee Engagement Survey. This is 13.0% higher than the national average score. The score is also 15.0% higher than the Global Telco average and 5.0% higher than the Global High Performing Companies average. The categories in which TM improved the most since 2011 were Recognition, Strong Belief in Product and Service Quality, Organisation Change and Support Service Environment. The My1TM Survey sampled 9,526 employees, of whom 7,388 (78.0%) were from 11 central group functions, 10 divisions and 15 locations.

To strengthen our position as the preferred employer among the younger generation, we held our inaugural TM Career and Education Fair from 6 to 8 April 2012 at the TM Convention Centre. The fair received overwhelming response of over 18,726 attendees, 84.0% of whom were below the age of 28 years. During the fair, over 93,726 resumes were received, and over 4,000 interviews were conducted.

Employee Benefits

TM offers a competitive compensation package with a salary scheme tailored to reward high performers who create business value for the Company. We also offer a wide range of benefits to full-time employees that meet their health, wealth, living and career needs. These include comprehensive medical coverage; maternity, paternity, compassionate, pilgrimage, study and examination leave; as well as various allowances and loan facilities. We also provide social and recreational facilities, and professional counselling by a certified counsellor through the Employee Assistance Programme (EAP).

In 2010, TM launched the Rewards Transformation initiative aimed at encouraging a high-performance culture. The first change was to increase the minimum wage for non-executives. This was followed by an upgrading exercise to promote the acquisition of additional roles and knowledge. Finally, a Performance-Linked Wage System (PLWS) was introduced. In July 2012, a new, market-competitive compensation plan tied to performance was introduced for executives, benefitting 9,287 employees. The next step in the Rewards Transformation initiative will be to provide flexibility and choice to employees in managing their benefits.

Collective and Bargaining Agreements

TM enjoys a harmonious relationship with its four Union groups that represent non-executives in the Company, namely the National Union of Telecommunications Employees (NUTE), Union of Telecoms Employees Sarawak (UTES), Sabah Union of Telekom Malaysia Berhad Employees (SUTE) and Sabah Union of Telecommunications Employees (SUTEN). TM is committed to sustain professional relationships with the Unions, allowing the Group to achieve its target of 'Zero Industrial Disputes' in 2012. Both Management and the Unions are driven to resolve all issues amicably via discussion and mediation. As the Collective Bargaining Agreements for the period 2010 to 2012 are coming to their end, TM has initiated a series of Kick-Off Sessions with all the Unions to draft new agreements to come in effect from 2013 to 2015.

Occupational Safety, Health and Environment (OSHE)

TM places the highest priority in maintaining a safe working environment, not only for its employees but also for workers of contractors serving the Group. TM is in full compliance with the Occupational Safety and Health Act (OSHA) 1994 and its regulations. Contractors serving TM must certify their workers under a joint programme with the National Institute of Occupational Safety and Health (NIOSH) namely the NIOSH-TM Safety Passport (NTMSP) programme. Till today, TM is the only telco in Malaysia to enforce this customised OSHE induction programme for contractors. An estimated 40,000 contractors have been trained under this programme.

In 2012, there were 98 accidents, an increase of 38.1% from 2011. At the same time, the incident rate (IR) of about 1.15 accidents per 1,000 employees was still significantly better than the national average IR of 3.4 injuries per 1,000 workers (2009). While TM has maintained its record of zero fatalities since 2010, there were four fatal accidents among contractors in 2012. Most of the accidents were falls from height involving personnel working on ladders, poles and roofs.

To ensure the number of incidences are minimised and eliminated altogether, a restructuring of the TM Group Occupational Safety, Health and Environment (OSHE) Steering Committee and State OSHE Committees was done in 2012. The restructuring created a direct link between site committees with the Steering Committee for more effective communication. The Steering and State Committees meet quarterly and comply with all OSHA 1994 and Occupational Safety & Health (OSH) Committee Regulations 1996 requirements.

Training and Professional Development

In order to maintain a high-performance culture, TM places much emphasis on the continuous training and professional development of its employees. The TM Training Centre (TMTC) is responsible for customising training programmes capable of meeting many specific needs to contribute towards the successful implementation of the Group's strategic direction. TMTC trained a total of 76,185 participants in 2012. On average, TM employees completed 46 training hours per employee in 2012.

TM's unique and motivational Onboarding Programme gives new employees a head-start by aiding their integration into the Group. The programme introduces new hires to the Company's Vision, Mission, values and standards. TM will launch an e-Learning version of the Onboarding Programme in 2013, featuring intensive coaching to further enhance employees' talents and capabilities.

TM's Technical Academy (TA) ensures TM's technical employees are prepared to fully support the Group as it transforms into a key regional Information Exchange. Approximately 56.0% of all training provided to TM employees are done at the Technical Academy. In 2012, 20,924 employees went through high speed broadband (HSBB) and IP-related modules provided by TA.

The Customer Service Academy (CSA) was established in August 2011 to develop TM's human capital capabilities and deliver a Wow! Customer Experience. A key programme introduced was SMILE, which seeks to enhance TM's customer service satisfaction by targeting frontliners. In 2012, 3,756 participants completed the programme, almost triple the number in 2011.

Teaming With Passion (TWP) was introduced in 2009 to create corporate excellence via a strong leadership. TWP Phase 2 commenced in 2011 to inspire greater customer-centricity and a performance-based culture. In 2012, a total of 3,667 employees attended this programme.

The success of TM's training and professional development programmes depend on the effectiveness of the trainers or coaches. In addition, coaching allows for personal transformation and career role transition. At TM, coaching sessions facilitate more personal and interactive learning, which promotes creativity for continuous long-term improvement in line with the organisation's aspirations. In 2012, 15 new coaches were trained to support the programme.

Taking training and development to the next level, TMTC is currently deploying the Remote Virtual Learning (RVL) initiative to complement its Self-Learning approach. Self-Learning enables employees to perform online training modules on their own, at their own time and pace. With RVL, trainer and trainees are brought together in a virtual online learning environment where cutting-edge technologies like high quality web-conferencing are utilised to the fullest. The system is being developed in three phases. The first phase was launched in the third quarter of 2012. The entire system is scheduled to be available by the second quarter of 2013.

Performance reviews and career development

In 2012, our Assessment Centre carried out a Career Path exercise to recognise qualified non-executives who are eligible for better positions. Under this exercise, 1,494 non-executives were upgraded while 348 were promoted. The centre also assesses the competencies of executives and their readiness for promotion. To date, 2,106 executives and managers have taken the Leadership Assessment.

TM introduced an online Behavioural Assessment for executives in 2004, which measures behavioural competencies through a set of questions for each job level. As the need to observe the behavioural competencies increased, the assessment was applied to more staff. Today, the Behavioural Assessment covers all Group employees. In addition, the number of Feedback Givers expanded beyond employees and supervisors to include peers, subordinates and internal customers thus offering a 360° assessment of the employee.

The Competency Index (CI) derived from the assessment is compared to the CI target to indicate the employee's performance gap, which in turn is used to determine the employee's training and career development needs. The CI is also used by Management for an individual's Key Performance Indicators (KPIs). In 2012, the CI target was fixed at 85.0% across the Group.

TM has a structured Fast Track Programme (FTP) to build the leadership skills and potential of identified executives. By the end of 2012, the 24 participants of this programme had undergone several job rotations and assignments within the Group. Talent Engagement Programmes were also delivered to provide young talents the opportunity to engage with leaders.

Promoting Social Awareness & Integrity

TM believes strongly in cultivating an ethos of integrity and heightened social awareness in the workplace. Towards this end, on 20 January 2012 we launched the TM Integrity Pact to further enhance transparency to reduce or eradicate corruption in the workplace. An Integrity Awareness Programme (IAP) was also conducted within the Group nationwide. This includes implementation of the TM Code of Business Ethics (CBE) in the e-Learning platform, signing of the Corporate Integrity Pledge & Anti-Corruption Principles, and becoming a 'Rakan Integriti' of the Malaysian Institute of Integrity (IIM).

As part of our social awareness and integrity efforts, TM allocates resources to the TM Welfare Fund which provides aid to employees in times of need. The TM Welfare Fund is managed by the Group Human Capital Management to respond to requests from various departments, TM clubs and non-profit organisations such as BAKIT, Semboyan Pakar, BERKAT, Kelab TM, Toastmasters and Tiaranita. In 2012, RM9.0 million was allocated to the Welfare Fund.

Since 1 December 2012, employees can apply for welfare aid through the online eClaim System. This function is to help employees in need of assistance due to natural disasters. The fund is also extended to employees working in TM subsidiaries.

Recognising the potential and realising that People with Disablities (PwD) would be more than capable of handling certain tasks especially in call centres, a programme called Step-Up (Strategic Transformation Enablement Programme to Upskill Professional Development) was launched in VADS for PwDs. Receiving the same treatment like their normal counterparts, the PwDs are now able to earn their living by working in the call centres, which were upgraded to be disabled-friendly. This added on to TM's already diversified workforce, addressing the PwDs with Respect and Care for being a part of our big family. As of 2012, 0.05% of TM's 27,642 employees are PwDs, a 0.01% increase from 2011. This initiative was also recognised through the honour of receiving the Silver Award for 'Best Community Programme' by Contact CentreWorld.com

COMMUNITY

Focused on activities revolving around education and nation-building, TM has made its mark in several key community initiatives as part of its CR efforts.

Holistic education initiatives

Multimedia University & Multimedia College

TM has been supporting the national agenda to nurture a knowledge-rich nation through two institutions of higher learning – Multimedia University (MMU) and Multimedia College (MMC). MMU, set up 16 years ago as Malaysia's first private university, creates dynamic and capable talents to meet the needs of the nation's ICT industry. MMU has an active R&D department and markets innovative products developed on campus through its commercial arm, Unitele Multimedia Sdn Bhd (MMU Cnergy). All MMU students are required to take entrepreneurship subjects and are given opportunities to apply their knowledge whenever possible.

MMU has produced 34,378 graduates and currently has 10,458 students in its Melaka campus, 8,310 in its Cyberjaya campus, and another 363 students in other branches. Of its students, 2,767 are students from the overseas from 77 countries. Over the last several years, more than 90.0% of MMU's graduates have secured employment within six months of completing their studies.

MMC acts as a complement to MMU in providing opportunities for those who prefer to develop their vocational skills, mainly relating to Multimedia and IT. Complementing the main campus in Kuala Lumpur, MMC has regional campuses in Perak, Terengganu, Sabah and Sarawak. Together, the five campuses have a total student population of 1,806. The college offers eight Diploma programmes accredited by the Malaysian Qualification Agency (MQA), namely:

1. Diploma in Telecommunications Engineering
2. Diploma in Mobile & Wireless Communications
3. Diploma in Multimedia Technology
4. Diploma in Business Computing
5. Diploma in Marketing with Multimedia
6. Diploma in Management with Multimedia
7. Diploma in Accounting with Multimedia
8. Diploma in Creative New Media

Mobile & Wireless Communication, Creative New Media, Multimedia Technology, Multimedia (Business Computing), Marketing with Multimedia, Management with Multimedia, and Accounting with Multimedia.

MMC held its 16th Convocation on 10 October 2012, during which 492 students graduated. The total number of MMC graduates from 1997 is 6,018.

Yayasan TM

TM's foundation, Yayasan TM (YTM) has been a pillar of TM's educational efforts by providing scholarships and funding under the Scholars Development Programme, in addition to donating to worthy causes and supporting the Group's Corporate Social Responsibility (CSR) Programmes.

Since its establishment in 1994 until December 2012, YTM had disbursed a total of RM435.6 million in scholarship funds and the Scholars Development Programme, benefitting 13,388 students. On 31 May 2012, 84 outstanding students were awarded YTM scholarships, bringing the total number of current YTM scholars to 516.

The Scholars Development Programme develops the students' soft skills. In 2012, nine programmes targeting intellectual development, engagement, EQ/leadership assessment, team building, motivation, counseling and career decisions were held for 719 scholars.

School Adoption Programme

TM is actively involved in enabling underprivileged children to enjoy a meaningful education process via its School Adoption Programme. Working with various parties such as the Ministry of Information, Communications and Culture (KPKK) and PINTAR Foundation, TM has adopted selected schools in rural areas nationwide, engaging with not only the school, but also the surrounding community in supporting the development of the children. Allocating each school RM200,000 for a period of three years, the funds are used for motivational and teambuilding programmes in addition to educational and academic support. Financial support is also given to capability and capacity-building, managing societal issues, and upgrading ICT facilities and resources.

Since the programme started in 2003 until March 2013, TM has 12 adopted schools under its wing. Of these, six schools successfully graduated from the programme. Four additional schools were then adopted in 2011 - 2012, as well as another two in 2013. One of the latest adopted schools, Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran in Sabah is a school for visually impaired students, making TM the first GLC to support a special needs school under PINTAR programme. Another two adopted schools namely Sekolah Menengah Kebangsaan Chenderiang, Perak, and Sekolah Menengah Kebangsaan Orang Kaya Haji Kuala Lipis, Pahang, are with sizeable Orang Asli student populations, in line with our objective to include minority groups and the concept of 'inclusiveness' in our CR endeavours.

Convinced of the need to promote safety awareness among children, TM introduced a special safety programme in 2012 for students at two of its PINTAR schools – Sekolah Menengah Kebangsaan Chenderiang and Sekolah Kebangsaan Tembak, Kuala Ketil, in Kedah. The programme focuses on self-preservation by being conscious of one's surroundings. Parents, meanwhile, were enlightened on risky activities that they should warn their children against. Following positive responses from the participants, TM will be extending the programme to the rest of its PINTAR schools nationwide in 2013.

The school adoption programme ran in collaboration with KPKK which started in 2009 came to an end in 2012. However, the schools involved – Sekolah Kebangsaan Teriang, Sekolah Menengah Kebangsaan Pakan and Sekolah Menengah Rendah Agama Repah – continue to attract public and government attention, as reflected in the provision of better school facilities and the upgrade of their infrastructure.

Nation-Building and other community initiatives

TM has always contributed to nation-building by providing telecommunications services to the people. In recent years, our outreach programmes have extended to include support to marginalised communities as well.

Program Sejahtera

Program Sejahtera was launched in 2009 as a platform for GLCs to contribute collectively, to alleviate poverty and provide a sustainable livelihood for the less fortunate. Under the first phase of this programme, TM adopted three single mothers who were trained to be able to sustain a better quality of life.

In 2012, TM launched into the second phase of Program Sejahtera in collaboration with *Yayasan Sejahtera* to extend their existing outreach initiatives in Kelantan. Three single mothers were selected, namely Hasnah Che Ismail, Noor Rizan Mat Amin and Sharifah Nor Suzana Syed Abdullah, all of them with more than three children and monthly incomes of less than RM500. Two of these single mothers enrolled in the '1Family 1Enterprise' programme under *Yayasan Pendidikan dan Vokasional Wanita Malaysia* (YPVWM) and were given a sewing machine each and taught small business enterprise skills. TM contributed a new freezer to the third single mother who had opened a mini market with a loan from Amanah Ikhtiar. The freezer allowed the single mother to sell frozen food products where previously she could only sell dry goods.

In addition, TM donated a desktop and printer complete with Streamyx broadband connection to each of the single mothers. A son of one of the single mothers scored 8As in his Sijil Pelajaran Malaysia (SPM) examination and was given a full scholarship to MMU. All three single mothers are now earning more income as a result of their new skills and aid from TM and its partners.

In November 2012, another two single mothers were identified to be part of the same programme to extend the benefit to more qualified families. All five single mothers and their families under Program Sejahtera in Kelantan will then continue to be equipped with the necessary aid in improving their quality of living.

Other community initiatives

TM has also contributed to several beneficiaries and causes as part of its comprehensive outreach programme. These organisations include the Society for The Blind Malaysia, National Cancer Society Malaysia, and Malaysian Armed Forces. TM has also channeled RM50,000 to Palestinians in Gaza via the *Tabung Kemanusiaan Palestin* organised by Media Prima with respect to human rights. Meanwhile, TM's Disaster Recovery Call Centre (DRCC) continues to ensure timely and effective delivery of support to affected communities resulting in fast and effective communications for speedy disaster recovery.

Supporting government initiatives

TM is a steadfast supporter of the government's broadband aspirations. Streamyx, TM's broadband offering for the masses, is primarily responsible for the country attaining the National Broadband Initiative (NB1) target of 50.0% household penetration by 2010. In the same year, TM launched country's first high speed broadband (HSSB) service branded UniFi. As of end 2012, TM had achieved its target of 1.377 million premises passed, on schedule.

In addition to being the broadband champion for the nation, we see ourselves as the government's trusted ICT partner. In 2012, TM successfully secured three major initiatives under the Government ICT infrastructure consolidation programme. These are: the expansion of the government intranet and Internet service (EG*Net), the development of the government e-mail and unified communication service (1GovUC) and the government call centre (1MOCC). These projects ultimately serve and benefit the rakyat immensely and we are proud to be a part a key contributor to the positive progress and success of the nation.

We also continue to support the Government's vision of achieving universal access, universal coverage and universal service through a public-private partnership framework. TM has established 284 Community Broadband Centres (CBCs) or comonly known as *Pusat Internet 1Malaysia (PI1M)* and 98 Community Broadband Libraries (CBL) via the Universal Service Provision (USP) fund. Another project utilising the same fund is *Kampung Tanpa Wayar*, where TM is responsible for setting up a total of 1,622 *Kampung Tanpa Wayar* and out of those, 960 were completed.

Cable Theft Prevention Campaign

In supporting Malaysia's initiative to reduce crime under the National Key Results Area (NKRA), TM has stepped forward and launched a nationwide campaign to reduce and ultimately prevent cable theft. Initiatives under the Cable Theft Prevention campaign include forging various collaborations through engagement activities such as briefings to Polis DiRaja Malaysia (PDRM) and reward schemes for the successful capture of cable thieves. Also key to the campaign's successful implementation are relationship building activities with local communities in addition to regular patrols by TM's own security team. Supplementing ground patrols, TM has also successfully installed the i-Watch system. The early alert system provides security personnel a heads-up on illegal cable cuts.

ENVIRONMENT

Over the years, TM has made more concerted efforts to protect the environment and minimise the environmental impact of its operations. In 2012, three buildings – TM Complex/Internet Data Centre (IDC) Cyberjaya, TM Complex/Exchange Alor Setar and TM Bukit Timbalan – were awarded the certification for Environment Management System, namely ISO 14001:2004 (EMS) from SIRIM QAS International Sdn Bhd, following Menara TM that was awarded the same certification in 2008. One of the aspects being monitored is energy consumption in our buildings and through the usage of air-conditioners in our cabins and exchanges. For example, the electricity for the chilled water pumping system at Menara TM has been reduced by 20.5% from 662,849 kWh in 2011 to 526,711 kWh in 2012; while temperature adjustments in 383 selected cabins nationwide recorded an estimated annual savings from electricity of RM 1,378,800.00 for 2012.

Supplementing these conservation efforts, TM also implemented the Carbon Management Plan in 2012 to closely monitor and reduce the Group's carbon footprint.

A positive boost in our green initiatives comes from the fact that technological advances tend to be environment-friendly.

TM's next-generation network (NGN) that will be replacing the legacy Public Switched Telephone Network (PSTN) network, for example, is more energy efficient and utilises less energy while dissipating less heat. These efficiencies contribute to the reduction of CO_2 emissions overall. As of end 2012 after two years into the migration, 10.0% of the PSTN switches within TM Exchanges have been migrated to NGN, reducing our CO_2 emissions by about 6kT.

Beyond this, TM employees are actively encouraged to initiate and participate in environmental conservation at the workplace. A prime example of this is the BumiKu campaign launched in October 2009. In 2012, a BumiKu Camp was organised in collaboration with the Malaysian Nature Society (MNS) at Sedim Rainforest Resort in Kedah from 5 to 7 October. The 120 participants of the camp gained a new appreciation of nature through jungle trekking, bird watching and conducting studies on flora and fauna in the area. A highland ecology talk was also presented at the camp, among other things. Other activities organised under the BumiKu banner included a fun run to raise environmental awareness; *Gotong-royong 1TM* – in which employees across the nation connected with local communities and organised clean-up activities within the community; and the BumiKu Green Week organised from 16 to 24 April where employees were encouraged to plant trees.

FINANCIAL STATEMENTS

Statement of Responsibility by Directors

In respect of the preparation of the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 (Act) to prepare financial statements for each year in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Act and give a true and fair view of the state of affairs of the Group and the Company at the end of the year and of the results and cash flows of the Group and the Company for the year.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards have been followed; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure the financial statements comply with the Act.

The Directors have the overall responsibilities to take such steps as are reasonably open to them to safeguard the assets of the Group and for establishment and implementation of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities.

The Directors have pleasure in submitting their annual report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	The Group RM Million	The Company RM Million
Profit for the financial year attributable to:		
– equity holders of the Company	1,263.7	1,081.1
– non-controlling interests	42.2	–
Profit for the financial year	1,305.9	1,081.1

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, dividends paid, declared or proposed on ordinary shares by the Company were as follows:

	The Company RM Million
(a) In respect of the financial year ended 31 December 2011, a final single-tier dividend of 9.8 sen per share was paid on 8 June 2012	350.6
(b) In respect of the financial year ended 31 December 2012, an interim single-tier dividend of 9.8 sen per share was paid on 28 September 2012	350.6

In respect of the financial year ended 31 December 2012, the Directors now recommend a final single-tier dividend of 12.2 sen per share for the shareholders' approval at the forthcoming Twenty-Eighth Annual General Meeting (28th AGM) of the Company.

SHARE CAPITAL

On 24 February 2012, the Company announced a proposed capital repayment to its shareholders of approximately RM1,073.2 million or RM0.30 for each ordinary share of RM1.00 each in the Company (Capital Repayment).

The proposal was approved by its shareholders at an Extraordinary General Meeting (EGM) held on 8 May 2012. To facilitate the implementation of the Capital Repayment, the Company had, at the EGM, amended the Memorandum and Articles of Association to reflect the reduction in the par value of each ordinary share from RM1.00 to RM0.70 per share.

Consequently, on 13 July 2012 the High Court of Malaya had granted an order confirming the proposed Capital Repayment to be carried out based on the special resolution approved by the shareholders at the EGM. The Capital Repayment was implemented by way of a reduction of the issued and paid-up share capital of the Company under Section 64 of the Companies Act, 1965, whereby on 1 August 2012, the par value of each ordinary share of the Company was reduced from RM1.00 to RM0.70 per share. The total number of ordinary shares of the Company in issue remained unchanged at 3,577.4 million shares.

On 16 July 2012, the Company had announced the Entitlement Date of 31 July 2012 for the Capital Repayment. The capital repayment was completed upon cash payment to eligible shareholders on 15 August 2012.

ISLAMIC COMMERCIAL PAPERS AND MEDIUM TERM NOTES

On 5 April 2011, the Company received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and an Islamic Medium Term Notes (IMTN) programme with a combined limit of up to RM2.0 billion in nominal value. These programmes have respective tenures of 7 and 15 years from the date of first issuance. The ICP shall have tenure of not more than 12 months whilst the IMTN between 1 to 15 years provided that the respective debt securities mature before the expiry of the respective programmes. The proceeds from the issuance of the ICP and/or IMTN were used by the Company to meet its capital expenditure requirement.

Details of the ICP and IMTN issued during the financial year are as follows:

Debt Securities	Date of Issue	Nominal Value	Maturity Date
ICP	13 March 2012	RM150.0 million	15 May 2012
ICP	31 July 2012	RM80.0 million	10 September 2012
ICP	10 September 2012	RM150.0 million	10 October 2012*
ICP	3 October 2012	RM150.0 million	21 November 2012
ICP	19 November 2012	RM100.0 million	19 December 2012
IMTN	15 May 2012	RM250.0 million	13 May 2022
IMTN	19 December 2012	RM300.0 million	19 December 2022

* The ICP was subsequently rolled over to mature on 21 November 2012

All of the ICP have been fully repaid on their maturity dates.

MOVEMENTS ON RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to:

(a) ascertain that actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the Directors are not aware of any circumstances which:

(a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and the Company misleading; and

(b) have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

(a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of any company in the Group which secures the liability of any other person nor has any contingent liability arisen in any company in the Group.

No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company, which would render any amount stated in the financial statements misleading.

SIGNIFICANT SUBSEQUENT EVENT

The significant event subsequent to the end of the financial year is as disclosed in note 49 to the financial statements.

Directors' Report
for the financial year ended 31 December 2012

DIRECTORS

The Directors in office since the date of the last report are as follows:

Directors	Alternate Directors
Dato' Sri Dr Halim Shafie	
Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Mat Noor Nawi	Eshah Meor Suleiman
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil *(Appointed on 29 November 2012)*
Datuk Zalekha Hassan	
Dato' Danapalan T.P. Vinggrasalam	
YB Datuk Nur Jazlan Tan Sri Mohamed	
Dato' Ir Abdul Rahim Abu Bakar	
Quah Poh Keat	
Ibrahim Marsidi	
Davide Giacomo Benello @ David Benello	

Dato' Danapalan T.P. Vinggrasalam who will attain the age of 70 years on 20 March 2013 shall retire at the forthcoming 28th AGM of the Company in accordance with Section 129(2) of the Companies Act, 1965, and being eligible, offer himself for re-appointment as Director of the Company.

In accordance with Article 103 of the Company's Articles of Association, the following Directors shall retire by rotation from the Board at the forthcoming 28th AGM of the Company and being eligible, offer themselves for re-election:

(i) Datuk Bazlan Osman
(ii) Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
(iii) Dato' Ir Abdul Rahim Abu Bakar
(iv) Ibrahim Marsidi

DIRECTORS' INTEREST

In accordance with the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and have interest in shares in the Company are as follows:

	Number of ordinary shares of RM0.70* each			
Interest in the Company	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012
Dato' Sri Dr Halim Shafie	8,000**	-	-	8,000**
Dato' Sri Zamzamzairani Mohd Isa	9,000***	-	-	9,000***
Datuk Bazlan Osman	2,000	-	-	2,000

Note:
* The par value of the ordinary shares of the Company was reduced from RM1.00 to RM0.70 each effective 1 August 2012 pursuant to the capital repayment (note 13(d) to the financial statements).
** Deemed interest in shares of the Company held by spouse
*** Including deemed interest in 4,000 shares held by spouse

In accordance with the Register of Directors' Shareholdings, none of the other Directors who held office at the end of the financial year has any direct or indirect interests in the shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 6(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest and any benefit that may deem to have been received by certain Directors.

Neither during nor at the end of the financial year was the Company or any of its related corporations, a party to any arrangement with the object(s) of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 27 February 2013.

DATO' SRI DR HALIM SHAFIE
Director/Chairman

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

Income Statements

for the financial year ended 31 December 2012

All amounts are in million unless otherwise stated	Note	The Group 2012 RM	The Group 2011 RM	The Company 2012 RM	The Company 2011 RM
OPERATING REVENUE	5	**9,993.5**	9,150.7	**8,845.6**	8,176.5
OPERATING COSTS					
– depreciation, impairment and amortisation	6(a)	**(2,044.7)**	(2,128.0)	**(1,847.1)**	(1,950.8)
– other operating costs	6(b)	**(6,927.3)**	(6,185.2)	**(6,383.5)**	(5,805.3)
OTHER OPERATING INCOME (net)	7	**165.4**	120.9	**292.0**	262.7
OTHER GAINS (net)	8	**0.3**	286.5	**0.3**	3.0
OPERATING PROFIT BEFORE FINANCE COST		**1,187.2**	1,244.9	**907.3**	686.1
FINANCE INCOME		**139.6**	133.0	**132.7**	121.4
FINANCE COST		**(331.5)**	(318.2)	**(340.3)**	(325.0)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS		**73.4**	(58.6)	**73.4**	(58.6)
NET FINANCE COST	9	**(118.5)**	(243.8)	**(134.2)**	(262.2)
ASSOCIATES					
– share of results (net of tax)	26	**0.9**	0.1	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT		**1,069.6**	1,001.2	**773.1**	423.9
TAXATION AND ZAKAT	10	**236.3**	235.9	**308.0**	287.3
PROFIT FOR THE FINANCIAL YEAR		**1,305.9**	1,237.1	**1,081.1**	711.2
ATTRIBUTABLE TO:					
– equity holders of the Company		**1,263.7**	1,191.0	**1,081.1**	711.2
– non-controlling interests		**42.2**	46.1	**–**	–
PROFIT FOR THE FINANCIAL YEAR		**1,305.9**	1,237.1	**1,081.1**	711.2
EARNINGS PER SHARE (sen)					
– basic/diluted	11	**35.3**	33.3		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 251 to 379.

Independent Auditors' Report – Pages 382 to 383.

Statements of Comprehensive Income

for the financial year ended 31 December 2012

All amounts are in million unless otherwise stated	Note	The Group 2012 RM	The Group 2011 RM	The Company 2012 RM	The Company 2011 RM
PROFIT FOR THE FINANCIAL YEAR		**1,305.9**	1,237.1	**1,081.1**	711.2
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to income statement:					
– (decrease)/increase in fair value of available-for-sale investments	27	**(5.3)**	26.8	**(5.3)**	(5.1)
– (decrease)/increase in fair value of available-for-sale receivables	28(a)	**(1.1)**	0.3	**(1.1)**	0.3
– reclassification adjustments relating to available-for-sale investments disposed	8	**(3.3)**	(287.2)	**(3.3)**	(3.7)
– cash flow hedge					
– (decrease)/increase in fair value of cash flow hedge	18	**(34.9)**	35.8	**(34.9)**	35.8
– reclassification to foreign exchange gain/(loss)	9	**29.7**	(3.7)	**29.7**	(3.7)
– currency translation differences – subsidiaries		**(3.6)**	1.1	**–**	–
Other comprehensive (loss)/income for the financial year		**(18.5)**	(226.9)	**(14.9)**	23.6
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,287.4**	1,010.2	**1,066.2**	734.8
ATTRIBUTABLE TO:					
– equity holders of the Company		**1,245.2**	964.1	**1,066.2**	734.8
– non-controlling interests		**42.2**	46.1	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,287.4**	1,010.2	**1,066.2**	734.8

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 251 to 379.

Independent Auditors' Report – Pages 382 to 383.

Statements of Financial Position

as at 31 December 2012

All amounts are in million unless otherwise stated	Note	The Group			The Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
SHARE CAPITAL	13	**2,504.2**	3,577.4	3,568.1	**2,504.2**	3,577.4	3,568.1
SHARE PREMIUM		**43.2**	43.2	1,055.1	**43.2**	43.2	1,055.1
OTHER RESERVES	14	**157.2**	175.7	366.8	**161.1**	176.0	316.8
RETAINED PROFITS	15	**4,190.2**	3,627.7	3,174.6	**3,040.3**	2,660.4	2,173.3
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**6,894.8**	7,424.0	8,164.6	**5,748.8**	6,457.0	7,113.3
NON-CONTROLLING INTERESTS		**165.2**	162.9	150.8	**–**	–	–
TOTAL EQUITY		**7,060.0**	7,586.9	8,315.4	**5,748.8**	6,457.0	7,113.3
Borrowings	16	**5,130.2**	6,402.7	5,506.0	**3,433.1**	4,928.5	4,069.0
Payable to a subsidiary	17	**–**	–	–	**1,697.1**	1,474.2	1,434.0
Derivative financial instruments	18	**51.5**	18.9	28.0	**51.5**	18.9	28.0
Deferred tax liabilities	19	**1,202.6**	1,541.8	1,646.4	**1,076.7**	1,438.8	1,495.6
Deferred income	20	**2,129.4**	2,072.7	1,432.1	**2,129.4**	2,072.7	1,432.1
DEFERRED AND NON-CURRENT LIABILITIES		**8,513.7**	10,036.1	8,612.5	**8,387.8**	9,933.1	8,458.7
		15,573.7	17,623.0	16,927.9	**14,136.6**	16,390.1	15,572.0
Property, plant and equipment	21	**14,637.6**	14,121.7	13,620.8	**12,806.8**	12,475.6	11,985.8
Investment property	22	**5.6**	–	–	**119.1**	121.3	119.6
Intangible assets	23	**322.1**	320.9	312.3	**–**	–	–
Subsidiaries	24	**–**	–	–	**1,265.7**	1,346.7	1,623.4
Loans and advances to subsidiaries	25	**–**	–	–	**260.4**	219.7	236.7
Associates	26	**1.5**	0.6	0.5	**–**	–	–
Available-for-sale investments	27	**98.7**	104.8	114.6	**98.6**	104.7	114.6
Available-for-sale receivables	28(a)	**7.6**	11.1	14.9	**7.6**	11.1	14.9
Other non-current receivables	28(b)	**252.3**	199.5	89.4	**214.2**	199.5	89.4
Derivative financial instruments	18	**43.1**	66.2	3.6	**43.1**	66.2	3.6
Deferred tax assets	19	**18.6**	21.7	86.7	**–**	–	–
NON-CURRENT ASSETS		**15,387.1**	14,846.5	14,242.8	**14,815.5**	14,544.8	14,188.0

All amounts are in million unless otherwise stated	Note	The Group			The Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Inventories	29	**235.3**	325.3	281.4	**126.3**	140.3	103.8
Non-current assets held for sale	30	**8.0**	–	–	**8.0**	–	–
Customer acquisition costs	31	**100.1**	106.1	87.1	**100.1**	106.1	87.1
Trade and other receivables	32	**2,207.0**	2,323.2	2,628.3	**1,853.6**	2,159.0	2,464.0
Derivative financial instruments	18	**2.6**	–	–	**2.6**	–	–
Available-for-sale investments	27	**500.6**	418.1	838.1	**500.6**	418.1	356.2
Financial assets at fair value through profit or loss	33	**16.5**	20.1	21.5	**16.5**	20.1	21.5
Cash and bank balances	34	**3,738.7**	4,213.0	3,488.5	**3,241.6**	3,729.0	3,077.7
CURRENT ASSETS		**6,808.8**	7,405.8	7,344.9	**5,849.3**	6,572.6	6,110.3
Trade and other payables	35	**3,545.5**	3,552.1	3,639.2	**3,476.5**	3,670.5	3,725.4
Customer deposits	36	**518.2**	544.5	580.5	**517.8**	543.8	580.1
Advance rental billings		**423.6**	443.1	370.3	**417.2**	427.3	349.9
Borrowings	16	**2,010.2**	7.7	26.0	**2,007.2**	4.7	4.6
Taxation and zakat		**124.7**	81.9	43.8	**109.5**	81.0	66.3
CURRENT LIABILITIES		**6,622.2**	4,629.3	4,659.8	**6,528.2**	4,727.3	4,726.3
NET CURRENT ASSETS/(LIABILITIES)		**186.6**	2,776.5	2,685.1	**(678.9)**	1,845.3	1,384.0
		15,573.7	17,623.0	16,927.9	**14,136.6**	16,390.1	15,572.0

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 251 to 379.

Independent Auditors' Report – Pages 382 to 383.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2012

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company: Issued and Fully Paid of RM0.70 each (2011: RM1.00 each)** Special Share*/ Ordinary Shares Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2012		3,577.4	43.2	72.3	32.1	71.6	(0.3)	3,627.7	162.9	7,586.9
Profit for the financial year		–	–	–	–	–	–	1,263.7	42.2	1,305.9
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
– decrease in fair value of available-for-sale investments	27	–	–	(5.3)	–	–	–	–	–	(5.3)
– decrease in fair value of available-for-sale receivables	28(a)	–	–	(1.1)	–	–	–	–	–	(1.1)
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(3.3)	–	–	–	–	–	(3.3)
– cash flow hedge										
– decrease in fair value of cash flow hedge	18	–	–	–	(34.9)	–	–	–	–	(34.9)
– reclassification to foreign exchange gain	9	–	–	–	29.7	–	–	–	–	29.7
– currency translation differences – subsidiaries		–	–	–	–	–	(3.6)	–	–	(3.6)
Total comprehensive (loss)/income for the financial year		–	–	(9.7)	(5.2)	–	(3.6)	1,263.7	42.2	1,287.4
Transactions with owners:										
Capital repayment**	13(d)	(1,073.2)	–	–	–	–	–	–	–	(1,073.2)
Capital return to non-controlling interest on winding up of a subsidiary		–	–	–	–	–	–	–	(0.6)	(0.6)
Final dividend paid for the financial year ended 31 December 2011	12	–	–	–	–	–	–	(350.6)	–	(350.6)
Interim dividend paid for the financial year ended 31 December 2012	12	–	–	–	–	–	–	(350.6)	–	(350.6)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(39.3)	(39.3)
Total transactions with owners		(1,073.2)	–	–	–	–	–	(701.2)	(39.9)	(1,814.3)
At 31 December 2012		2,504.2	43.2	62.6	26.9	71.6	(3.9)	4,190.2	165.2	7,060.0

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company: Issued and Fully Paid of RM0.70 each (2011: RM1.00 each)** Special Share*/ Ordinary Shares — Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2011										
As previously reported		3,568.1	1,055.1	332.4	–	35.8	(1.4)	2,719.4	150.8	7,860.2
Adjustments arising from the transition to MFRS	50(a)	–	–	–	–	–	–	508.7	–	508.7
Adjustments to prior years	50(b)(ii)	–	–	–	–	–	–	(53.5)	–	(53.5)
At 1 January 2011, as restated		3,568.1	1,055.1	332.4	–	35.8	(1.4)	3,174.6	150.8	8,315.4
Profit for the financial year		–	–	–	–	–	–	1,191.0	46.1	1,237.1
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
– increase in fair value of available-for-sale investments	27	–	–	26.8	–	–	–	–	–	26.8
– increase in fair value of available-for-sale receivables	28(a)	–	–	0.3	–	–	–	–	–	0.3
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(287.2)	–	–	–	–	–	(287.2)
– cash flow hedge										
– increase in fair value of cash flow hedge	18	–	–	–	35.8	–	–	–	–	35.8
– reclassification to foreign exchange loss	9	–	–	–	(3.7)	–	–	–	–	(3.7)
– currency translation differences – subsidiaries		–	–	–	–	–	1.1	–	–	1.1
Total comprehensive (loss)/income for the financial year		–	–	(260.1)	32.1	–	1.1	1,191.0	46.1	1,010.2
Transactions with owners:										
Shares issued upon disposal of shares attributed to lapsed options	13(e)	9.3	25.5	–	–	–	–	–	–	34.8
Bonus issue of Redeemable Preference Shares (RPS)	13(c)	35.8	(35.8)	–	–	–	–	–	–	–
Redemption of RPS	13(c)	(35.8)	(1,001.6)	–	–	–	–	–	–	(1,037.4)
Creation of capital redemption reserve upon redemption of RPS	13(c)	–	–	–	–	35.8	–	(35.8)	–	–
Final dividend paid for the financial year ended 31 December 2010	12	–	–	–	–	–	–	(351.5)	–	(351.5)
Interim dividend paid for the financial year ended 31 December 2011	12	–	–	–	–	–	–	(350.6)	–	(350.6)
Disposal of equity interest in a former subsidiary		–	–	–	–	–	–	–	(4.3)	(4.3)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(29.7)	(29.7)
Total transactions with owners		9.3	(1,011.9)	–	–	35.8	–	(737.9)	(34.0)	(1,738.7)
At 31 December 2011		3,577.4	43.2	72.3	32.1	71.6	(0.3)	3,627.7	162.9	7,586.9

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

** The par value of the ordinary shares of the Company was reduced from RM1.00 to RM0.70 each effective 1 August 2012 pursuant to the capital repayment (note 13(d) to the financial statements).

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 251 to 379.

Independent Auditors' Report – Pages 382 to 383.

Company Statement of Changes in Equity

for the financial year ended 31 December 2012

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each (2011: RM1.00 each)** Special Share*/ Ordinary Shares	Non-distributable				Distributable	
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2012		3,577.4	43.2	72.3	32.1	71.6	2,660.4	6,457.0
Profit for the financial year		–	–	–	–	–	1,081.1	1,081.1
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– decrease in fair value of available-for-sale investments	27	–	–	(5.3)	–	–	–	(5.3)
– decrease in fair value of available-for-sale receivables	28(a)	–	–	(1.1)	–	–	–	(1.1)
– reclassification adjustments relating to available-for sale investments disposed	8	–	–	(3.3)	–	–	–	(3.3)
– cash flow hedge								
– decrease in fair value of cash flow hedge	18	–	–	–	(34.9)	–	–	(34.9)
– reclassification to foreign exchange gain	9	–	–	–	29.7	–	–	29.7
Total comprehensive (loss)/income for the financial year		–	–	(9.7)	(5.2)	–	1,081.1	1,066.2
Transactions with owners:								
Capital repayment**	13(d)	(1,073.2)	–	–	–	–	–	(1,073.2)
Final dividend paid for the financial year ended 31 December 2011	12	–	–	–	–	–	(350.6)	(350.6)
Interim dividend paid for the financial year ended 31 December 2012	12	–	–	–	–	–	(350.6)	(350.6)
Total transactions with owners		(1,073.2)	–	–	–	–	(701.2)	(1,774.4)
At 31 December 2012		**2,504.2**	**43.2**	**62.6**	**26.9**	**71.6**	**3,040.3**	**5,748.8**

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each (2011: RM1.00 each)** Special Share*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Special ESOS Reserve RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2011									
As previously reported		3,568.1	1,055.1	200.2	80.8	–	35.8	1,996.9	6,936.9
Adjustments arising from the transition to MFRS	50(a)	–	–	–	–	–	–	229.9	229.9
Adjustments to prior years	50(b)(ii)	–	–	–	–	–	–	(53.5)	(53.5)
At 1 January 2011, as restated		3,568.1	1,055.1	200.2	80.8	–	35.8	2,173.3	7,113.3
Profit for the financial year		–	–	–	–	–	–	711.2	711.2
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
– decrease in fair value of available-for-sale investments	27	–	–	–	(5.1)	–	–	–	(5.1)
– increase in fair value of available-for-sale receivables	28(a)	–	–	–	0.3	–	–	–	0.3
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	–	(3.7)	–	–	–	(3.7)
– cash flow hedge									
– increase in fair value of cash flow hedge	18	–	–	–	–	35.8	–	–	35.8
– reclassification to foreign exchange loss	9	–	–	–	–	(3.7)	–	–	(3.7)
Total comprehensive (loss)/income for the financial year		–	–	–	(8.5)	32.1	–	711.2	734.8
Transactions with owners:									
Expired Employees' Share Option Scheme (ESOS)									
- repayment of capital contribution by TM ESOS Management Sdn Bhd (TEM) due to shareholder transaction	13(e) &24(c)	–	–	(513.8)	–	–	–	513.8	–
- reversal of impairment in investment in TEM due to shareholder transaction	13(e) &24(c)	–	–	321.7	–	–	–	–	321.7
Shares issued upon disposal of shares attributed to lapsed options	13(e)	9.3	25.5	–	–	–	–	–	34.8
Transfer of reserve upon disposal of ESOS shares		–	–	(8.1)	–	–	–	–	(8.1)
Bonus issue of Redeemable Preference Shares (RPS)	13(c)	35.8	(35.8)	–	–	–	–	–	–
Redemption of RPS	13(c)	(35.8)	(1,001.6)	–	–	–	–	–	(1,037.4)
Creation of capital redemption reserve upon redemption of RPS	13(c)	–	–	–	–	–	35.8	(35.8)	–
Final dividend paid for the financial year ended 31 December 2010	12	–	–	–	–	–	–	(351.5)	(351.5)
Interim dividend paid for the financial year ended 31 December 2011	12	–	–	–	–	–	–	(350.6)	(350.6)
Total transactions with owners		9.3	(1,011.9)	(200.2)	–	–	35.8	(224.1)	(1,391.1)
At 31 December 2011		3,577.4	43.2	–	72.3	32.1	71.6	2,660.4	6,457.0

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

** The par value of the ordinary shares of the Company was reduced from RM1.00 to RM0.70 each effective 1 August 2012 pursuant to the capital repayment (note 13(d) to the financial statements).

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 251 to 379.

Independent Auditors' Report – Pages 382 to 383.

Statements of Cash Flows

for the financial year ended 31 December 2012

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES	37	**2,723.7**	3,030.7	**2,149.7**	2,559.4
CASH FLOWS USED IN INVESTING ACTIVITIES	38	**(2,227.9)**	(1,338.0)	**(1,710.3)**	(991.9)
CASH FLOWS USED IN FINANCING ACTIVITIES	39	**(970.5)**	(962.5)	**(930.7)**	(911.4)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(474.7)**	730.2	**(491.3)**	656.1
EFFECT OF EXCHANGE RATE CHANGES		**0.4**	(5.6)	**3.9**	(4.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**4,212.6**	3,488.0	**3,729.0**	3,077.7
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	**3,738.3**	4,212.6	**3,241.6**	3,729.0

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 251 to 379.

Independent Auditors' Report – Pages 382 to 383.

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The financial statements of the Group and the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS including MFRS 1 "First-time Adoption of MFRS". Subject to certain transition elections as disclosed in note 50(a) to the financial statements, the Group and the Company have consistently applied the same accounting policies in its opening MFRS Statements of Financial Position at 1 January 2011 (transition date) and throughout all years presented, as if those policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 50(c) discloses the impact of the transition to MFRS on the Group's and Company's reported financial position, financial performance and cash flows.

The financial statements have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Revised standard and amendments to published standard that are effective and applicable for the Group's and the Company's financial year beginning 1 January 2012

In addition to MFRS 1, the revised standard and amendments to published standard that are effective and applicable for the Group's and the Company's financial year beginning 1 January 2012, are as follows:

		Effective date
MFRS 124 (revised)	Related Party Disclosures	1 January 2012
Amendments to MFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	1 January 2012

The revised MFRS 124 "Related Party Disclosures" remove the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:

- the name of the government and the nature of their relationship;
- the nature and amount of each individually significant transactions; and
- the extent of any collectively significant transactions, qualitatively or quantitatively.

There are also additional disclosures required on commitments with related parties. The adoption of the revised MFRS 124 does not have any impact on the financial results and financial position of the Group and the Company for the current and previous financial year but requires additional disclosures of material transactions with the government and all other government-related entities as disclosed in note 41 to the financial statements.

Amendments to MFRS 7 "Financial Instruments: Disclosures – Transfer of Financial Assets" promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment does not have any impact on the financial results and financial position of the Group and the Company but requires additional disclosure which is disclosed in note 28(b) to the financial statements.

(ii) Standard that is not yet effective but has been early adopted by the Group and the Company beginning 1 January 2012

The Group and the Company have early adopted the amendments to MFRS 101 "Presentation of Items of Other Comprehensive Income" which is effective for annual periods beginning on or after 1 July 2012.

Amendments to MFRS 101 require entities to separate items presented in 'other comprehensive income' (OCI) in the Statement of Comprehensive Income into two groups, based on whether or not they may be recycled to income statement in the future. The amendments do not address which items are presented in OCI.

The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation in other comprehensive income which now discloses separately items that may be reclassified subsequently to income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(iii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows:

		Effective date
Amendments to MFRS 1, 101, 116, 132 and 134	Amendments to MFRSs contained in the document titled "Annual Improvements 2009 - 2011 Cycle"	1 January 2013
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(iii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- The amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" clarify that an entity that had applied MFRSs or IFRSs in the past but did not do so in its most recent previous annual financial statements must either apply MFRS 1 or MFRS 108 Accounting Policies, Changes in Estimates and Errors in the period that the entity decides to reapply the MFRS framework. A first-time adopter that capitalised borrowing costs before the date of transition to MFRSs shall carry forward without adjustment the amount previously capitalised at the date of transition.

- Amendments to MFRS 101 "Presentation of Financial Statements" clarify the difference between voluntary and minimum required comparative information and related notes to the financial statements beyond the minimum required comparative period. In addition an entity shall present a third statement of financial position only if a retrospective application, restatement or reclassification has a material effect on the statement of financial position at the beginning of the preceding period.

- Amendments to MFRS 116 "Property, Plant and Equipment" clarify the classification of serving equipment such as spare parts, stand-by equipment and servicing equipment to be recognised as property, plant and equipment when the definition of property, plant and equipment is met.

- Amendments to MFRS 132 "Financial Instruments: Presentation" clarify the tax effect of distribution to holders of equity instrument to be accounted for in accordance with MFRS 112 "Income Taxes".

- Amendments to MFRS 134 "Interim Financial Reporting" aim to obtain consistency with MFRS 8 "Operating Segments" requiring an entity to disclose the total assets and liabilities for a reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements.

- Amendments to MFRS 7 "Financial Instrument: Disclosures" require more extensive disclosures focusing on qualitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

- Amendments to MFRS 10 "Consolidated Financial Statements", MFRS 11 "Joint Arrangements" and MFRS 12 "Disclosure of Interest in Other Entities" clarify the "date of initial application". Date of initial application in MFRS 10 means the beginning of the annual reporting period in which MFRS 10 is applied for the first time. An entity is not required to adjust its previous accounting if the conclusion reached upon application of MFRS 10 is the same as previous accounting or the interest in the investee has been disposed during the comparative period. Consequently, MASB issued MFRS 3_{2004} "Business Combination" and MFRS 127_{2003} "Consolidated and Separate Financial Statements" whereby the entity is allowed to apply these standards for those entities which was not previously consolidated and is now required to be consolidated under MFRS 10.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(iii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- MFRS 10 "Consolidated Financial Statements" changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and Separate Financial Statements" and IC Interpretation 112 "Consolidation – Special Purpose Entities".

- MFRS 11 "Joint Arrangements" requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12 "Disclosure of Interests in Other Entities" sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in Associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial Instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities.

- Amendments to MFRS 119 "Employee Benefits" make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- The revised MFRS 127 "Separate Financial Statements" includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 "Investments in Associates and Joint Ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(iii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 132 "Financial Instruments: Presentation" do not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right to set off' where the right to set off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments have been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (FVTPL). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 9.

MFRS 9 will impact the classification and measurement of financial assets either at fair value or amortised cost. The Group is currently assessing the impact to the Group's accounting policies and financial statements.

There are no other standards, amendments to published standards or IC Interpretations that are not yet effective that would be expected to have a material impact on the Group or the Company.

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

Subsidiaries are consolidated using the acquisition method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Accordingly, business combinations entered into prior to transition date have not been restated.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in the Consolidated Income Statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(f)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

Effective from 1 January 2011, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

Intra-group transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

(ii) Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised within other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

The results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in other comprehensive income, and is recognised in the Consolidated Income Statement.

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Consolidated Income Statement. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the Income Statement.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(p)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal installments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 – 25
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on the nature of the assets. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(iii) Impairment

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

(iv) Gains or Losses on Disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(v) Asset Exchange Transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair values unless,

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately derecognise the assets given up. If the acquired item is not reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vi) Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

(e) Investment Properties

Investment properties, principally comprising land and office buildings, are held for long term rental yields or for capital appreciation or for both, and are not occupied by the Group or the Company.

Investment properties are carried at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

Leasehold land	over the period of the respective leases
Buildings	5 – 40

Freehold land is not depreciated as it has an infinite life.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from the Statement of Financial Position). Gain or loss on disposal is determined by comparing the net disposal proceeds with the carrying amount and are included in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Statement of Financial Position as an intangible asset. Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

As part of the transition to MFRS, the Group elected not to restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous Financial Reporting Standards framework as at the date of transition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

The Group amortises programme rights on a straight-line basis over the license period or estimated useful life if shorter, from the date of first transmission, to match the costs of consumption with the estimated benefits to be received. Amortisation is included in the Income Statement.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of Non-Financial Assets (continued)

The impairment loss is charged to the Income Statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement.

(h) Financial Assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Quoted equity securities (within current assets), determined on an aggregate portfolio basis, are classified as financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the Income Statement.

Changes in the fair values of financial assets at fair value through profit or loss are recognised in the Income Statement in the period in which the changes arise.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current receivables, trade and other receivables and cash and bank balances in the Statement of Financial Position.

Other non-current receivables, are classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Assets (continued)

(iii) Available-for-sale Financial Assets (continued)

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

(i) Assets Carried at Amortised Cost (continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  – adverse changes in the payment status of customers in the portfolio; and

  – national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

Inventories include maintenance spares acquired for the purpose of replacing damaged or faulty plant or spares and supplies used in constructing and maintaining the network. Inventories also include certain items such as land, capacity and network equipments held for resale.

(l) Non-current Assets Held for Sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(m) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(n) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(o) Share Capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share Capital (continued)

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

(p) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within finance cost in the Income Statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases

(i) Finance Leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(r) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement over the financial period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

(s) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income Taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(u) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent Liabilities and Contingent Assets (continued)

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(v) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

(w) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rates prevailing on the date of the transactions); and
- all resulting exchange differences are recognised as a separate component in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 43 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices to enhance performance of certain network assets and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A change in the estimated useful lives of property, plant and equipment would change the recorded depreciation and the carrying amount of property, plant and equipment.

(b) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 23 to the financial statements.

(d) Impairment of Trade Receivables

The Group assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated periodically based on a review of the current status of existing receivables and historical collection trends to reflect the actual and anticipated experience.

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(e) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

During the current financial year, the Company has recognised deferred tax assets arising from unutilised tax incentive as disclosed in note 19 to the financial statements.

(f) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Details of the legal proceedings in which the Group is involved as at 31 December 2012 is disclosed in note 48 to the financial statements.

(g) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of derivatives is the present value of their future cash flows. The Group estimated the fair values at the reporting date, of certain available-for-sale financial assets that are not traded in an active market by using the net tangible assets and the discounted cash flow methods. Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The summary of financial instruments by category is disclosed in note 44 to the financial statements. The valuation of such financial instruments is further discussed in note 45 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

The main risks arising from the Group's financial assets and liabilities are market risk (comprises foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. Hedging strategies are determined in light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used to hedge the underlying commercial exposures and are not held for speculative purposes.

(i) Market Risk

- Foreign Exchange Risk

  The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from trade receivables and payables, deposits and borrowings denominated in foreign currencies, and from retained profits in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

  The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group monitors its foreign currency denominated assets and liabilities and uses various hedging instruments such as forward contracts, Cross Currency Interest Rate Swaps contracts (CCIRS) and option structures as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

  The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar forward contracts, the Group entered into forward contract and CCIRS to hedge selected USD borrowings and Japanese Yen borrowings respectively in order to reduce foreign currency exposures. After hedging of the US Dollar and Japanese Yen borrowings, the foreign currency borrowings composition is reduced to 20.8% (2011: 28.0%) of the Group's total borrowings as at 31 December 2012. There was no repayment of these foreign currency borrowings during the financial year.

  Based on the borrowings position as at 31 December 2012, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar and Japanese Yen with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM130.7 million (before hedging) and RM74.2 million (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

- Price Risk

  The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To reduce its price risk arising from investments in equity securities, the Group continues to wind down its quoted equity securities portfolio during the financial year which has reduced from RM20.1 million at the end of 2011 to RM16.5 million at the end of 2012.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk (continued)

  Based on the quoted equity securities portfolio as at 31 December 2012, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM0.8 million. Post-tax profit for the financial year would increase or decrease as a result of gain/losses on equity securities classified as fair value through profit or loss. Moving forward, the impact will further reduce to commensurate with efforts made towards the total closure of equity portfolio.

  Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

- Interest Rate Risk

  The Group has cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group manages its interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group applies suitable duration and basis point valuation analysis impact to manage its interest rate risk.

  The Group's investments in money market and fixed income securities as at 31 December 2012 were RM3,262.4 million (2011: RM3,577.1 million) and RM500.6 million (2011: RM418.1 million) respectively. For an increase of 25 basis points in the Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the finance income from the money market portfolio would correspondingly move by approximately RM8.2 million while the net asset value of the fixed income portfolio would inversely move by approximately RM4.2 million.

  The Group's debts include revolving credits, borrowings, bonds, notes and debentures. The Group's objective is to manage the interest rate risk to an acceptable level of exposure on the finance cost. The Group reviews its composition of fixed and floating rate debt based on assessment of its existing exposure and desirable interest rate profile acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

  The Group's policy requires all transactions for hedging interest rate risk exposure be executed within the parameters approved by the Board of Directors.

  The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2012, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM2.5 million.

  As at 31 December 2012, the Group's fixed-to-floating interest rate profile, after hedging, was 71:29 (2011: 69:31).

  The interest rate exposure is mitigated, to some extent, by the offsetting effect between assets and liabilities.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk

Financial assets that are primarily exposed to credit risks are receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated according to business segments. The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of stringent credit control assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers to be held as collaterals.

The Group places its cash and cash equivalents with various creditworthy financial institutions. The Group's policy limits the concentration of credit exposure to any single financial institution based on its net tangible asset position and/or credit rating, which is subject to annual review.

The Group has appointed several fixed income and commercial papers fund managers to manage its investment portfolios. In managing the portfolios' credit risks, the investment parameter was established to restrict all fund managers to only invest in securities that carry at least A3/P1 credit ratings or equivalent. This is in accordance with the Group's Treasury Investment Policies and Guidelines. In the current financial year, the Group's investment portfolios were predominantly securities carrying AA/P1 credit ratings or above, as shown in note 27 to the financial statements.

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining adequate headroom on its undrawn committed credit facilities at all times. As at 31 December 2012, the Group held deposits with financial institutions of RM3,262.4 million (2011: RM3,577.1 million) and cash and bank balances of RM476.3 million (2011: RM635.9 million) that are expected to be readily available to meet any payment obligation when it falls due.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(iii) Liquidity Risk (continued)

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has a RM2,000.0 million debt maturing in December 2013 and this obligation will be paid via a combination of internal cash flow and new borrowings. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 47 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide long term return to shareholders and benefits for other stakeholders. The Group's capital management framework comprises of a dividend policy and strives to maintain an optimal capital structure that will improve its capital efficiency.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level). The gearing ratios as at 31 December were as follows:

	The Group	
	2012	2011
Borrowings (RM million) (note 16)	**7,140.4**	6,410.4
Total Shareholders' Equity (RM million)	**6,894.8**	7,424.0
Debt-to-equity Ratio	**1.0**	0.9

The increase in the gearing ratio as at 31 December 2012 is primarily due to additional borrowings drawn down during the financial year.

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2012, the Group's credit rating remained unchanged at AAA by RAM, A– by S&P and A3 by Moody's.

Furthermore, the Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement Practice Note No. 17/2005 to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

5. OPERATING REVENUE

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Voice services	**3,706.0**	3,733.9	**3,687.5**	3,731.8
Data services	**2,204.8**	2,013.3	**1,869.2**	1,755.6
Internet and multimedia services	**2,371.9**	2,001.1	**2,381.9**	2,009.9
Other telecommunications related services	**1,328.7**	1,110.2	**907.0**	679.2
Non-telecommunications related services	**382.1**	292.2	**–**	–
TOTAL OPERATING REVENUE	**9,993.5**	9,150.7	**8,845.6**	8,176.5

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Depreciation of property, plant and equipment (PPE)	**1,997.7**	2,015.5	**1,819.7**	1,853.6
Depreciation of investment property	**0.1**	–	**2.2**	2.1
Impairment of PPE	**0.3**	0.2	**–**	–
Write off/retirement of PPE	**28.4**	97.4	**25.2**	95.1
Amortisation of intangible assets	**18.2**	14.9	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,044.7**	2,128.0	**1,847.1**	1,950.8

6(b) OTHER OPERATING COSTS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Agency commissions and charges	**79.5**	57.0	**136.0**	103.4
Domestic interconnect and international outpayment	**829.7**	757.6	**877.7**	802.4
Impairment of trade and other receivables (net of debt recoveries)	**63.6**	72.8	**66.9**	104.0
Impairment of an investment in a subsidiary	**–**	–	**–**	76.0
Impairment reversal for available-for-sale receivables	**(1.2)**	(1.2)	**(1.2)**	(1.2)
Maintenance	**860.6**	602.1	**897.4**	646.5
Marketing, advertising and promotion	**342.7**	360.0	**368.0**	369.1
Net (gain)/loss on foreign exchange on settlements and placements				
– realised	**(4.7)**	15.0	**(5.8)**	15.7
– unrealised	**7.2**	6.9	**3.5**	9.9
Outsourcing costs	**84.5**	87.2	**325.7**	361.2
Rental – equipment	**76.7**	87.0	**120.2**	109.2
Rental – land and buildings	**160.5**	158.4	**126.8**	133.8
Rental – leased lines	**175.5**	130.8	**–**	–
Rental – others	**22.3**	15.8	**13.0**	12.6
Research and development	**5.1**	5.3	**67.2**	58.6
Staff costs	**2,129.1**	1,966.0	**1,657.6**	1,510.2
Staff costs capitalised into PPE	**(104.6)**	(92.9)	**(104.6)**	(92.9)
Supplies and inventories	**644.6**	603.0	**500.7**	450.9
Transportation and travelling	**73.7**	68.4	**59.2**	54.5
Universal Service Provision contribution	**275.4**	245.6	**258.1**	233.6
Utilities	**324.2**	299.5	**287.2**	264.9
Others	**882.9**	740.9	**729.9**	582.9
TOTAL OTHER OPERATING COSTS	**6,927.3**	6,185.2	**6,383.5**	5,805.3

6(b) OTHER OPERATING COSTS (CONTINUED)

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,743.4**	1,614.4	**1,349.7**	1,232.1
– termination benefit	**–**	5.7	**–**	5.7
– contribution to Employees Provident Fund (EPF)	**253.4**	224.5	**197.8**	175.0
– other staff benefits	**126.0**	115.1	**104.2**	91.3
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**3.1**	4.0	**3.1**	4.0
– contribution to EPF	**0.6**	0.7	**0.6**	0.7
– remuneration of Non-Executive Directors of the Company				
– fees	**2.2**	1.2	**1.9**	1.0
– allowances and bonus	**0.4**	0.3	**0.3**	0.3
– remuneration of former Non-Executive Directors of the Company				
– fees	**–**	0.1	**–**	0.1
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**2.9**	2.4	**1.9**	1.6
– member firms of PricewaterhouseCoopers International Limited	**0.2**	0.2	**–**	–
– audit related fees	**0.8**	0.6	**0.4**	0.4
– tax and other non-audit services	**0.2**	0.9	**0.2**	0.6

Estimated money value of benefits of Directors amounted to RM582,686 (2011: RM686,886) for the Group and the Company.

Notes to the Financial Statements
for the financial year ended 31 December 2012

7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Dividend income from subsidiaries	**–**	–	**116.3**	101.4
Dividend income from equity securities – quoted	**1.2**	11.7	**1.2**	1.5
– unquoted	**0.1**	6.2	**0.1**	6.2
Gain/(Loss) on disposal of a former subsidiary	**–**	0.8	**–**	(0.3)
Income from sales of scraps	**12.7**	10.1	**12.7**	10.1
Income from subsidiaries – interest	**–**	–	**10.8**	11.4
– others	**–**	–	**4.8**	4.9
Insurance claims	**1.0**	2.5	**1.0**	2.4
Loss on disposal of staff loans	**(0.6)**	(1.2)	**(0.6)**	(1.2)
Profit on disposal of PPE	**5.5**	8.6	**5.7**	8.4
Profit on disposal of non-current asset held for sale	**13.6**	–	**13.6**	–
Penalty on breach of contract	**15.8**	8.9	**15.8**	8.4
Rental income from land and buildings	**44.1**	43.6	**63.2**	69.1
Rental income from vehicles	**–**	1.6	**1.2**	3.2
Revenue from training and related activities	**1.5**	1.2	**2.2**	2.1
Others	**70.5**	26.9	**44.0**	35.1
TOTAL OTHER OPERATING INCOME (net)	**165.4**	120.9	**292.0**	262.7

8. OTHER GAINS (net)

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial assets at fair value through profit or loss				
– fair value loss	**(3.0)**	(0.7)	**(3.0)**	(0.7)
Available-for-sale investments				
– reclassification from fair value reserves (sub-note (a))	**3.3**	287.2	**3.3**	3.7
TOTAL OTHER GAINS (net)	**0.3**	286.5	**0.3**	3.0

8. OTHER GAINS (net) (CONTINUED)

(a) Significant disposal of investment in Axiata Group Berhad (Axiata) during the financial year ended 31 December 2011

On 2 December 2010, the Company announced the proposal to undertake the disposal via TM ESOS Management Sdn Bhd (TEM), a wholly owned subsidiary, of up to 191,458,007 Axiata shares (representing approximately 2.27% equity interest in Axiata), being the remaining unexercised share options and excess unallocated shares held by TEM. TEM is the trustee for Special ESOS, an Employees' Share Option Scheme which had expired on 16 September 2010.

The proposed disposal was to be satisfied entirely by cash and undertaken through the following modes:

(i) private placements via a bookbuilding process to eligible third-party institutional/sophisticated investors; and/or
(ii) open market disposals.

On 26 July 2011, the Company, via TEM, completed the bookbuilding exercise for 92.4 million Axiata shares to successful third-party institutional investors at a price of RM5.07 per Axiata share. In addition, there were also disposals of 9.1 million Axiata shares in the open market. The above disposals resulted in a gain of RM283.5 million and a net cash inflow of RM513.8 million.

	The Group 2011 RM
Net proceed	513.8
Carrying amount (note 27)	(513.8)
Reclassification adjustment on fair value gain from reserve to the Income Statement	283.5
Gain on disposal	283.5

Notes to the Financial Statements
for the financial year ended 31 December 2012

9. NET FINANCE (COST)/INCOME

The Group	2012 Foreign RM	2012 Domestic RM	2012 Islamic Principles RM	2012 Total RM	2011 Foreign RM	2011 Domestic RM	2011 Islamic Principles RM	2011 Total RM
Finance income from								
– short term bank deposits	0.6	65.5	66.7	132.8	#	75.9	51.5	127.4
– other deposits	–	0.8	1.5	2.3	–	–	1.4	1.4
– staff loans	–	1.0	1.9	2.9	–	0.4	2.0	2.4
– available-for-sale receivables	–	1.6	–	1.6	–	1.8	–	1.8
TOTAL FINANCE INCOME	0.6	68.9	70.1	139.6	#	78.1	54.9	133.0
Finance cost on								
– borrowings	(147.0)	–	–	(147.0)	(147.8)	(0.8)	–	(148.6)
– TM Islamic Stapled Income Securities (note 16(a))	–	–	(162.3)	(162.3)	–	–	(163.2)	(163.2)
– fair value gain on interest rate swaps - realised (note 16(b))	–	–	7.1	7.1	–	–	8.4	8.4
– Islamic Commercial Papers (note 16(c))	–	–	(1.9)	(1.9)	–	–	(0.7)	(0.7)
– Islamic Medium Term Notes (note 16(c))	–	–	(40.4)	(40.4)	–	–	(10.2)	(10.2)
– accretion of finance cost (note 16(d))	–	(7.7)	–	(7.7)	–	(7.3)	–	(7.3)
– finance lease (note 16(e))	–	(3.5)	–	(3.5)	–	(3.8)	–	(3.8)
– amortisation of interest subsidy on staff loan	–	–	(0.5)	(0.5)	–	(1.7)	(0.5)	(2.2)
Borrowing costs capitalised	–	7.7	17.0	24.7	–	7.3	2.1	9.4
TOTAL FINANCE COST	(147.0)	(3.5)	(181.0)	(331.5)	(147.8)	(6.3)	(164.1)	(318.2)
Foreign exchange gain/(loss) on borrowings								
– unrealised	109.5	–	–	109.5	(66.2)	–	–	(66.2)
– reclassification from hedging reserve	(29.7)	–	–	(29.7)	3.7	–	–	3.7
Fair value (loss)/gain on forward foreign currency contracts								
– unrealised (note 18)	(6.4)	–	–	(6.4)	3.9	–	–	3.9
TOTAL FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	73.4	–	–	73.4	(58.6)	–	–	(58.6)
NET FINANCE (COST)/INCOME	(73.0)	65.4	(110.9)	(118.5)	(206.4)	71.8	(109.2)	(243.8)

Amount less than RM0.1 million

9. NET FINANCE (COST)/INCOME (CONTINUED)

	2012				2011			
The Company	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
Finance income from								
– short term bank deposits	0.1	62.6	63.2	125.9	#	68.8	47.0	115.8
– other deposits	–	0.8	1.5	2.3	–	–	1.4	1.4
– staff loans	–	1.0	1.9	2.9	–	0.4	2.0	2.4
– available-for-sale receivables	–	1.6	–	1.6	–	1.8	–	1.8
TOTAL FINANCE INCOME	**0.1**	**66.0**	**66.6**	**132.7**	#	71.0	50.4	121.4
Finance cost on								
– borrowings	(147.0)	(0.2)	–	(147.2)	(147.8)	(0.2)	–	(148.0)
– TM Islamic Stapled Income Securities (note 16(a))	–	–	(162.3)	(162.3)	–	–	(163.2)	(163.2)
– fair value gain on interest rate swaps - realised (note 16(b))	–	–	7.1	7.1	–	–	8.4	8.4
– Islamic Commercial Papers (note 16(c))	–	–	(1.9)	(1.9)	–	–	(0.7)	(0.7)
– Islamic Medium Term Notes (note 16(c))	–	–	(40.4)	(40.4)	–	–	(10.2)	(10.2)
– accretion of finance cost (note 16(d))	–	(7.7)	–	(7.7)	–	(7.3)	–	(7.3)
– finance lease (note 16(e))	–	(3.5)	–	(3.5)	–	(3.8)	–	(3.8)
– Inter-Company Fund Optimisation (note 41(f))	–	(8.6)	–	(8.6)	–	(7.4)	–	(7.4)
– amortisation of interest subsidy on staff loan	–	–	(0.5)	(0.5)	–	(1.7)	(0.5)	(2.2)
Borrowing costs capitalised	–	7.7	17.0	24.7	–	7.3	2.1	9.4
TOTAL FINANCE COST	**(147.0)**	**(12.3)**	**(181.0)**	**(340.3)**	(147.8)	(13.1)	(164.1)	(325.0)
Foreign exchange gain/(loss) on borrowings								
– unrealised	109.5	–	–	109.5	(66.2)	–	–	(66.2)
– reclassification from hedging reserve	(29.7)	–	–	(29.7)	3.7	–	–	3.7
Fair value (loss)/gain on forward foreign currency contracts								
– unrealised (note 18)	(6.4)	–	–	(6.4)	3.9	–	–	3.9
TOTAL FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	**73.4**	–	–	**73.4**	(58.6)	–	–	(58.6)
NET FINANCE (COST)/INCOME	**(73.5)**	**53.7**	**(114.4)**	**(134.2)**	(206.4)	57.9	(113.7)	(262.2)

Amount less than RM0.1 million

10. TAXATION AND ZAKAT

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**72.8**	44.8	**25.2**	4.0
Prior year	**19.3**	(254.1)	**26.7**	(240.6)
Deferred Tax (net)	**(341.3)**	(39.3)	**(362.1)**	(56.8)
	(249.2)	(248.6)	**(310.2)**	(293.4)
Overseas				
Income Tax				
Current year	**4.8**	5.1	**–**	–
Prior year	**0.3**	1.2	**–**	–
Deferred Tax (net)	**5.5**	(0.1)	**–**	–
	10.6	6.2	**–**	–
TOTAL TAXATION	**(238.6)**	(242.4)	**(310.2)**	(293.4)
Zakat	**2.3**	6.5	**2.2**	6.1
TAXATION AND ZAKAT	**(236.3)**	(235.9)	**(308.0)**	(287.3)
Current taxation				
Current year	**77.6**	49.9	**25.2**	4.0
Under/(Over) accrual in prior years (net)	**19.6**	(252.9)	**26.7**	(240.6)
Deferred taxation				
Origination and reversal of temporary differences	**150.4**	299.8	**119.1**	278.8
Tax incentive (note 19)	**(481.2)**	(335.6)	**(481.2)**	(335.6)
Benefit from previously unrecognised tax losses and deductible temporary differences	**(5.0)**	(3.6)	**–**	–
	(238.6)	(242.4)	**(310.2)**	(293.4)

10. TAXATION AND ZAKAT (CONTINUED)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit Before Taxation and Zakat	**1,069.6**	1,001.2	**773.1**	423.9
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	**267.4**	250.3	**193.3**	106.0
Tax effects of:				
– different taxation rates in other countries	**(0.5)**	(1.8)	**–**	–
– expenses not deductible for taxation purposes	**24.6**	71.0	**14.5**	75.9
– income not subject to taxation	**(56.7)**	(120.3)	**(52.2)**	(25.7)
– expenses allowed for double deduction	**(16.8)**	(14.7)	**(16.8)**	(14.7)
– tax incentive	**(481.2)**	(335.6)	**(481.2)**	(335.6)
– benefit from previously unrecognised tax losses and deductible temporary differences	**(5.0)**	(3.6)	**–**	–
– current year tax losses not recognised	**–**	12.6	**–**	–
– under/(over) accrual of income tax (net)	**19.6**	(252.9)	**26.7**	(240.6)
– adjustment of previously unrecognised temporary differences	**10.0**	152.6	**5.5**	141.3
TOTAL TAXATION	**(238.6)**	(242.4)	**(310.2)**	(293.4)

11. EARNINGS PER SHARE

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year. There is no dilutive potential ordinary shares as at 31 December 2012. Thus, diluted earnings per share equals basic earnings per share.

	The Group	
	2012	2011
Profit attributable to equity holders of the Company (RM million)	**1,263.7**	1,191.0
Weighted average number of ordinary shares (million)	**3,577.4**	3,576.5
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	**35.3**	33.3

12. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

The Company	2012 Gross dividend per share Sen	2012 Amount of single-tier dividend RM	2011 Gross dividend per share Sen	2011 Amount of dividend, net of 25.0% tax RM	2011 Amount of single-tier dividend RM
Final dividends paid in respect of the financial years ended:					
– 31 December 2011	**9.8**	**350.6**	–	–	–
– 31 December 2010	**–**	**–**	13.1	351.5	–
Interim dividends paid in respect of the financial years ended:					
– 31 December 2012	**9.8**	**350.6**	–	–	–
– 31 December 2011	**–**	**–**	9.8	–	350.6
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**19.6**	**701.2**	22.9	351.5	350.6

In respect of the financial year ended 31 December 2012, the Directors now recommend a final single-tier dividend of 12.2 sen per share amounting to RM436.4 million (2011: a final single-tier dividend of 9.8 sen per share amounting to RM350.6 million) for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

13. SHARE CAPITAL

The Group and Company	31.12.2012 Number of shares	31.12.2012 RM	31.12.2011 Number of shares	31.12.2011 RM	1.1.2011 Number of shares	1.1.2011 RM
Authorised:						
Ordinary shares of RM0.70 each (2011: RM1.00 each) (sub-note (d))	**5,000.0**	**3,500.0**	5,000.0	5,000.0	5,000.0	5,000.0
Special Share of RM1.00 (sub-note (a))	**#**	**#**	#	#	#	#
1,000 Class A Redeemable Preference Shares of RM0.01 each*	**–**	**–**	–	–	#	#
1,000 Class B Redeemable Preference Shares of RM0.01 each*	**–**	**–**	–	–	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#	#	#
Class E Redeemable Preference Shares of RM0.01 each*	**–**	**–**	–	–	4,000.0	40.0
Class F Redeemable Preference Shares of RM0.01 each (sub-note (c))	**4,000.0**	**40.0**	4,000.0	40.0	–	–
TOTAL AUTHORISED SHARE CAPITAL	**9,000.0**	**3,540.0**	9,000.0	5,040.0	9,000.0	5,040.0

The Group and Company	2012 Number of shares	2012 RM	2011 Number of shares	2011 RM
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,577.4**	**3,577.4**	3,568.1	3,568.1
Capital repayment (sub-note (d))	**–**	**(1,073.2)**	–	–
Disposal of shares attributed to the lapsed options (sub-note (e)(ii))	**–**	**–**	9.3	9.3
At 31 December	**3,577.4**	**2,504.2**	3,577.4	3,577.4
Class F Redeemable Preference Shares of RM0.01 each				
At 1 January	**–**	**–**	–	–
Bonus issue of Redeemable Preference Shares (sub-note (c))	**–**	**–**	3,577.4	35.8
Redemption of Redeemable Preference Shares (sub-note (c))	**–**	**–**	(3,577.4)	(35.8)
At 31 December	**–**	**–**	–	–
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,577.4**	**2,504.2**	3,577.4	3,577.4

Amount less than RM0.1 million

* During the last financial year, the Company had altered the composition of its authorised share capital which was approved by the shareholders at an Extraordinary General Meeting (EGM) held on 10 May 2011.

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

13. SHARE CAPITAL (CONTINUED)

(a) Special Rights Redeemable Preference Share (Special Share) (continued)

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities.

The details of TM NCRPS C and TM NCRPS D are set out in note 16(a)(I) to the financial statements.

(c) Class F Redeemable Preference Shares (Class F RPS)

On 25 February 2011, the Company announced a proposed capital distribution to its shareholders of approximately RM1,037.4 million or RM0.29 for each ordinary share of RM1.00 each in the Company (Capital Distribution). The proposal was approved by its shareholders at an EGM held on 10 May 2011.

To facilitate the Capital Distribution, the Company had, at the EGM, altered the composition of its authorised share capital by the creation of 4,000.0 million Class F RPS of RM0.01 each. On 7 June 2011 the Company implemented a bonus issue of 3,577.4 million Class F RPS of RM0.01 each to entitled shareholders, on the basis of 1 Class F RPS for each ordinary share of RM1.00 each held. The bonus issue was issued at a par value of RM0.01 for each Class F RPS by way of capitalisation of the Company's share premium account.

Subsequent thereto, the Company had, on the same day redeemed the Class F RPS at a redemption price of RM0.29 for each ordinary share held. The par value of RM0.01 per Class F RPS representing RM35.8 million in total, was redeemed out of the Company's retained profits and resulted in the creation of a capital redemption reserve, whilst, the premium on redemption of RM0.28 for each Class F RPS or RM1,001.6 million was redeemed out of the Company's share premium account resulting in cash payment of RM0.29 for each ordinary share held or RM1,037.4 million to entitled shareholders. The payment was made on 15 June 2011.

13. SHARE CAPITAL (CONTINUED)

(d) Capital Repayment

On 24 February 2012, the Company announced a proposed capital repayment to its shareholders of approximately RM1,073.2 million or RM0.30 for each ordinary share of RM1.00 each in the Company (Capital Repayment).

The proposal was approved by its shareholders at an Extraordinary General Meeting (EGM) held on 8 May 2012. To facilitate the implementation of the Capital Repayment, the Company had, at the EGM, amended the Memorandum and Articles of Association to reflect the reduction in the par value of each ordinary share from RM1.00 to RM0.70 per share.

Consequently, on 13 July 2012 the High Court of Malaya had granted an order confirming the proposed Capital Repayment to be carried out based on the special resolution approved by the shareholder at the EGM. The Capital Repayment was implemented by way of a reduction of the issued and paid-up share capital of the Company under Section 64 of the Companies Act, 1965, whereby on 1 August 2012, the par value of each ordinary share of the Company was reduced from RM1.00 to RM0.70 per share. The total number of ordinary shares of the Company in issue remained unchanged at 3,577.4 million shares.

On 16 July 2012, the Company had announced the Entitlement Date of 31 July 2012 for the Capital Repayment. The capital repayment was completed upon cash payment to eligible shareholders on 15 August 2012.

(e) Special ESOS Shares

(i) On 17 March 2008, the Company issued 137,592,300 shares (Special ESOS Shares) at fair value to TM ESOS Management Sdn Bhd (TEM), a newly incorporated trust company, under an Employees' Share Option Scheme (Special ESOS) in exchange for investment in TEM, thereby making TEM a subsidiary as well as a shareholder of the Company. Adjustments to the investment in TEM is a transaction with the Company's shareholder and is therefore recorded in equity.

In the Company's separate financial statements, this is recorded as 'Special ESOS Reserve' which has been reclassified to paid-up capital and share premium of the Company upon receipt of the consideration for the issuance of shares to employees or other third parties. In the consolidated financial statements, the issuance of Special ESOS Shares to TEM is an intra-group transaction and therefore not recorded until the Special ESOS Shares are issued to employees or other parties outside the Group.

(ii) During the last financial year, 9.3 million ordinary shares of RM1.00 each were issued upon disposals of ordinary shares attributed to lapsed options by TEM. The features of the Special ESOS provide for the disposal of the excess unallocated shares and shares attributable to lapsed options in the open market upon expiration of the Special ESOS at the discretion of the Special ESOS Option Committee.

The above shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

14. OTHER RESERVES

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	**31.12.2012 RM**	31.12.2011 RM	1.1.2011 RM
Special ESOS reserve (note 13(e))	**–**	–	–	**–**	–	200.2
Fair value reserves (note 2(h)(iii))	**62.6**	72.3	332.4	**62.6**	72.3	80.8
Hedging reserve (note 2(j))	**26.9**	32.1	–	**26.9**	32.1	–
Capital redemption reserve (note 13(c))	**71.6**	71.6	35.8	**71.6**	71.6	35.8
Currency translation differences arising from translation of subsidiaries	**(3.9)**	(0.3)	(1.4)	**–**	–	–
TOTAL OTHER RESERVES	**157.2**	175.7	366.8	**161.1**	176.0	316.8

15. RETAINED PROFITS

Pursuant to the Finance Act, 2007, the single-tier system was introduced with effect from the year of assessment 2008. Under the single-tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. With the implementation of the single-tier system, companies with unutilised Section 108 balances are allowed to either elect for the irrevocable option to switch over to the single-tier system or continue utilising the available Section 108 balances as at 31 December 2007 until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

The Company has elected for the irrevocable option to disregard the remaining Section 108 balance of RM0.7 million on 13 September 2011 and thus, had, on the same day, switched over to the single-tier system and allowed to distribute single-tier dividend.

As at 31 December 2012, the Company has tax exempt profits of RM100.5 million (31 December 2011: RM100.5 million; 1 January 2011: RM96.3 million) subject to the agreement by the Inland Revenue Board.

16. BORROWINGS

The Group	31.12.2012 Weighted Average Rate of Finance	31.12.2012 Non-current RM	31.12.2012 Current RM	31.12.2012 Total RM	31.12.2011 Weighted Average Rate of Finance	31.12.2011 Non-current RM	31.12.2011 Current RM	31.12.2011 Total RM	1.1.2011 Weighted Average Rate of Finance	1.1.2011 Non-current RM	1.1.2011 Current RM	1.1.2011 Total RM
DOMESTIC												
Unsecured												
Borrowings from financial institutions	4.19%	–	3.0	3.0	5.53%	–	3.0	3.0	5.70%	3.0	21.4	24.4
Borrowings under Islamic principles												
– TM Islamic Stapled Income Securities (sub-note (a) and (b))	5.57%	925.0	2,000.0	2,925.0	5.57%	2,925.0	–	2,925.0	5.57%	2,925.0	–	2,925.0
– Fair value of hedged risk (sub-note (b))	–	16.0	2.6	18.6	–	30.4	–	30.4	–	(1.6)	–	(1.6)
– Islamic Medium Term Notes (sub-note (c))	4.19%	1,350.0	–	1,350.0	4.31%	800.0	–	800.0	–	–	–	–
Other borrowings (sub-note (d))	4.70%	172.5	0.6	173.1	4.69%	166.0	0.9	166.9	4.69%	160.8	1.0	161.8
Finance lease (sub-note (e))	6.23%	50.7	3.8	54.5	6.23%	54.6	3.6	58.2	6.34%	58.2	3.4	61.6
Total Domestic	5.10%	2,514.2	2,010.0	4,524.2	5.24%	3,976.0	7.5	3,983.5	5.54%	3,145.4	25.8	3,171.2
FOREIGN												
Unsecured												
Borrowings from financial institutions	0.91%	275.0	–	275.0	–	–	–	–	–	–	–	–
Notes and Debentures (sub-note (f))	6.28%	2,337.7	–	2,337.7	6.28%	2,423.2	–	2,423.2	6.28%	2,356.9	–	2,356.9
Other borrowings	–	3.3	0.2	3.5	–	3.5	0.2	3.7	–	3.7	0.2	3.9
Total Foreign	5.71%	2,616.0	0.2	2,616.2	6.27%	2,426.7	0.2	2,426.9	6.27%	2,360.6	0.2	2,360.8
TOTAL BORROWINGS	5.33%	5,130.2	2,010.2	7,140.4	5.63%	6,402.7	7.7	6,410.4	5.85%	5,506.0	26.0	5,532.0

	31.12.2012 Domestic RM	31.12.2012 Foreign RM	31.12.2012 Total RM	31.12.2011 Domestic RM	31.12.2011 Foreign RM	31.12.2011 Total RM	1.1.2011 Domestic RM	1.1.2011 Foreign RM	1.1.2011 Total RM
The Group's non-current borrowings are repayable as follows:									
After one year and up to five years	205.9	1,697.7	1,903.6	2,154.3	1,474.9	3,629.2	2,099.1	1,434.7	3,533.8
After five years and up to ten years	2,305.3	0.8	2,306.1	1,811.8	0.8	1,812.6	1,029.9	0.8	1,030.7
After ten years and up to fifteen years	3.0	916.4	919.4	9.9	949.8	959.7	16.3	923.7	940.0
After fifteen years	–	1.1	1.1	–	1.2	1.2	0.1	1.4	1.5
	2,514.2	2,616.0	5,130.2	3,976.0	2,426.7	6,402.7	3,145.4	2,360.6	5,506.0

16. BORROWINGS (CONTINUED)

The Company	31.12.2012 Weighted Average Rate of Finance	31.12.2012 Non-current RM	31.12.2012 Current RM	31.12.2012 Total RM	31.12.2011 Weighted Average Rate of Finance	31.12.2011 Non-current RM	31.12.2011 Current RM	31.12.2011 Total RM	1.1.2011 Weighted Average Rate of Finance	1.1.2011 Non-current RM	1.1.2011 Current RM	1.1.2011 Total RM
DOMESTIC												
Unsecured												
Borrowings under Islamic principles												
– TM Islamic Stapled Income Securities (sub-note (a) and (b))	5.57%	925.0	2,000.0	2,925.0	5.57%	2,925.0	–	2,925.0	5.57%	2,925.0	–	2,925.0
– Fair value of hedged risk (sub-note (b))	–	16.0	2.6	18.6	–	30.4	–	30.4	–	(1.6)	–	(1.6)
– Islamic Medium Term Notes (sub-note (c))	4.19%	1,350.0	–	1,350.0	4.31%	800.0	–	800.0	–	–	–	–
Other borrowings (sub-note (d))	4.70%	172.5	0.6	173.1	4.69%	166.0	0.9	166.9	4.69%	160.8	1.0	161.8
Finance lease (sub-note (e))	6.23%	50.7	3.8	54.5	6.23%	54.6	3.6	58.2	6.34%	58.2	3.4	61.6
Total Domestic	5.10%	2,514.2	2,007.0	4,521.2	5.24%	3,976.0	4.5	3,980.5	5.54%	3,142.4	4.4	3,146.8
FOREIGN												
Unsecured												
Notes and Debentures (sub-note (f))	7.89%	915.6	–	915.6	7.89%	949.0	–	949.0	7.89%	922.9	–	922.9
Other borrowings	–	3.3	0.2	3.5	–	3.5	0.2	3.7	–	3.7	0.2	3.9
Total Foreign	7.86%	918.9	0.2	919.1	7.86%	952.5	0.2	952.7	7.86%	926.6	0.2	926.8
TOTAL BORROWINGS	5.57%	3,433.1	2,007.2	5,440.3	5.75%	4,928.5	4.7	4,933.2	6.07%	4,069.0	4.6	4,073.6

	31.12.2012 Domestic RM	31.12.2012 Foreign RM	31.12.2012 Total RM	31.12.2011 Domestic RM	31.12.2011 Foreign RM	31.12.2011 Total RM	1.1.2011 Domestic RM	1.1.2011 Foreign RM	1.1.2011 Total RM
The Company's non-current borrowings are repayable as follows:									
After one year and up to five years	205.9	0.6	206.5	2,154.3	0.7	2,155.0	2,096.1	0.7	2,096.8
After five years and up to ten years	2,305.3	0.8	2,306.1	1,811.8	0.8	1,812.6	1,029.9	0.8	1,030.7
After ten years and up to fifteen years	3.0	916.4	919.4	9.9	949.8	959.7	16.3	923.7	940.0
After fifteen years	–	1.1	1.1	–	1.2	1.2	0.1	1.4	1.5
	2,514.2	918.9	3,433.1	3,976.0	952.5	4,928.5	3,142.4	926.6	4,069.0

16. BORROWINGS (CONTINUED)

The currency exposure profile of borrowings is as follows:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	**4,524.2**	3,983.5	3,171.2	**4,521.2**	3,980.5	3,146.8
US Dollar	**2,337.7**	2,423.2	2,356.9	**915.6**	949.0	922.9
Other currencies	**278.5**	3.7	3.9	**3.5**	3.7	3.9
	7,140.4	6,410.4	5,532.0	**5,440.3**	4,933.2	4,073.6

(a) On 20 July 2007, the Company had, through itself and its wholly owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

16. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are: (continued)

(I) TM NCRPS (continued)

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

(i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')

(ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

16. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk will be reset again in December 2013.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

(b) A portion of the security as described in sub-note (a) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.

(c) During the last financial year, the Company established an Islamic Commercial Papers (ICP) programme and an Islamic Medium Term Notes (IMTN) programme with a combined limit of up to RM2.0 billion in nominal value. These programmes have respective tenures of 7 and 15 years from the date of first issuance. The ICP shall have tenure of not more than 12 months whilst the IMTN between 1 to 15 years provided that the respective debt securities mature before the expiry of the respective programmes. The proceeds from the issuance of the ICP and/or IMTN were used by the Company to meet its capital expenditure requirement. The IMTN in issue comprise the following:

	The Group and Company	
	2012 RM	2011 RM
4.50% IMTN due in 2021	**300.0**	300.0
4.20% IMTN due in 2021	**500.0**	500.0
4.00% IMTN due in 2022	**250.0**	–
3.95% IMTN due in 2022	**300.0**	–
	1,350.0	800.0

16. BORROWINGS (CONTINUED)

(d) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

(e) Minimum lease payments at the reporting date are as follows:

	The Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Not later than one year	**7.1**	7.1	7.1
Later than one year and not later than five years	**28.4**	28.4	28.6
Later than five years and not later than ten years	**35.5**	35.5	35.7
Later than ten years and not later than fifteen years	**2.9**	10.0	17.3
	73.9	81.0	88.7
Future finance charges	**(19.4)**	(22.8)	(27.1)
Present value of finance lease liabilities	**54.5**	58.2	61.6
Present value of finance lease liabilities at the reporting date is as follows:			
Not later than one year	**3.8**	3.6	3.4
Later than one year and not later than five years	**18.0**	16.9	15.8
Later than five years and not later than ten years	**29.8**	28.0	26.3
Later than ten years and not later than fifteen years	**2.9**	9.7	16.1
	54.5	58.2	61.6

The finance lease refers to a leasing arrangement for an office building of the Company in Melaka.

(f) Notes and Debentures consist of the following:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
USD465.1 million 5.25% Guaranteed Notes due in 2014	**1,422.1**	1,474.2	1,434.0	**–**	–	–
USD300.0 million 7.875% Debentures due in 2025	**915.6**	949.0	922.9	**915.6**	949.0	922.9
	2,337.7	2,423.2	2,356.9	**915.6**	949.0	922.9

None of the Notes and Debentures was redeemed, purchased or cancelled during the current financial year.

17. PAYABLE TO A SUBSIDIARY

(i) On 22 September 2004, the Company's wholly owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan, under the Offshore Companies Act, 1990, issued a 10-year USD500.0 million Guaranteed Notes due in 2014 (Notes). The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and 22 September in each financial year commencing in March 2005. The Notes will mature on 22 September 2014. Proceeds from the transaction were utilised to refinance the Company's maturing debt and general working capital. The Notes are unconditional and irrevocably guaranteed by the Company.

On 4 December 2009, the Company repurchased USD34.9 million in nominal value of the Notes. None of the remaining Notes was redeemed, purchased or cancelled during the current financial year.

(ii) On 20 November 2012, the Company's wholly owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.

The Notes and term loan are reflected as borrowings of the Group (note 16 to the financial statements).

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group and Company	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
31.12.2012				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– 1 year to 3 years	593.6	0.3	25.6	(6.4)
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– less than 1 year (sub-note (c))	1,500.0	2.6	–	(7.4)
– more than 3 years (sub-note (d))	500.0	16.0	–	(4.4)
	2,000.0	18.6	–	(11.8)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a) & (e))	609.4	26.8	25.9	(34.9)
TOTAL	3,203.0	45.7	51.5	(53.1)

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

The Group and Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
31.12.2011				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– 1 year to 3 years	344.3	–	18.9	3.9
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	1,500.0	10.0	–	15.2
– more than 3 years (sub-note (d))	500.0	20.4	–	16.8
	2,000.0	30.4	–	32.0
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a))	310.5	35.8	–	35.8
TOTAL	2,654.8	66.2	18.9	71.7
1.1.2011				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– more than 3 years	344.3	–	22.8	(19.8)
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	1,500.0	–	5.2	1.5
– more than 3 years (sub-note (d))	500.0	3.6	–	2.0
	2,000.0	3.6	5.2	3.5
TOTAL	2,344.3	3.6	28.0	(16.3)

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 16 to the financial statements.

(ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are as follows:

(a) the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.

(b) semi-annual interest payment and final settlement of the JPY7.8 billion loan due in 2017.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability
USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

The CCIRS contracts effectively convert part of the USD liability into RM liability.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(b) Forward Foreign Currency Contracts

Underlying Liability
USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, TM Global Incorporated issued USD500.0 million 5.25% Guaranteed Notes due in 2014. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

Hedging Instruments

On 10 March 2009, the Company entered into a forward foreign currency contract which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment of RM174.5 million. The objective of this transaction is to effectively convert part of the USD liability into RM principal liability.

On 28 May 2009, the Company entered into another forward foreign currency contract which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment of RM169.8 million. The objective of this transaction is to effectively convert part of the USD liability into RM principal liability.

On 12 September 2012, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment to be determined later. If the exchange rate at maturity date is below the predetermined rate, the Company will buy USD for RM for the notional amount at the minimum rate. If the exchange rate at maturity date is above the predetermined rate, the Company will buy USD for RM for the notional amount based on the exchange rate adjusted for the difference between the predetermined rate and the minimum rate.

On 17 October 2012, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM94.9 million.

(c) Interest Rate Swap (IRS) Contracts

Underlying Liability
RM2,000.0 million 6.20% TM Islamic Stapled Income Securities (TM ISIS) due in 2013

In 2007, the Company issued RM2,000.0 million 6.20% TM ISIS due in 2013.

Hedging Instruments

On 9 July 2009, the Company entered into an IRS agreement with a notional principal of RM1,000.0 million that entitles it to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months Kuala Lumpur Interbank Offer Rate (KLIBOR) plus 2.80% per annum. The swap will mature on 30 December 2013.

On 17 December 2009, the Company entered into another two IRS agreements with a notional principal of RM300.0 million and RM200.0 million respectively. Both structures entitle the Company to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR plus 2.76% per annum. The swaps will mature on 30 December 2013.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(d) Interest Rate Swap (IRS) Contract

Underlying Liability
RM925.0 million 4.193% TM ISIS due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and will be reset again in December 2013.

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. The swap will mature on 30 December 2016.

(e) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability
JPY7.8 billion 0.91375% Loan due in 2017

In 2012, the Company, through its wholly owned subsidiary, TM Global Incorporated, obtained a 5-year JPY7.8 billion loan from a financial institution.

Hedging Instrument

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 20 November 2017. On the maturity date, the Company would receive the JPY notional amount and pay the counterparty an equivalent RM amount of RM298.9 million.

The CCIRS contracts effectively convert the JPY liability into RM liability.

19. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are presented on the Statements of Financial Position:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Subject to income tax:						
Deferred tax assets	**18.6**	21.7	86.7	**–**	–	–
Deferred tax liabilities	**1,202.6**	1,541.8	1,646.4	**1,076.7**	1,438.8	1,495.6
TOTAL DEFERRED TAX	**1,184.0**	1,520.1	1,559.7	**1,076.7**	1,438.8	1,495.6

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January				
As previously reported	**1,520.1**	1,577.5	**1,438.8**	1,513.4
Adjustments to prior years (note 50(b)(ii))	**–**	(17.8)	**–**	(17.8)
At 1 January, as restated	**1,520.1**	1,559.7	**1,438.8**	1,495.6
Current year charged/(credited) to the Income Statement arising from:				
– property, plant and equipment	**191.8**	401.1	**156.0**	387.1
– tax incentive	**(481.2)**	(335.6)	**(481.2)**	(335.6)
– tax losses	**0.5**	(1.1)	**–**	–
– provisions and others	**(46.9)**	(103.8)	**(36.9)**	(108.3)
	(335.8)	(39.4)	**(362.1)**	(56.8)
– currency translation differences	**(0.3)**	(0.2)	**–**	–
At 31 December	**1,184.0**	1,520.1	**1,076.7**	1,438.8

19. DEFERRED TAX (CONTINUED)

Breakdown of cumulative balances by each type of temporary difference:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
(a) Deferred tax assets						
Property, plant and equipment	**53.3**	142.3	370.7	**37.5**	130.2	353.5
Tax incentive	**816.8**	335.6	–	**816.8**	335.6	–
Tax losses	**1.4**	1.9	0.6	**–**	–	–
Provisions and others	**451.0**	407.9	317.3	**433.1**	396.2	308.1
	1,322.5	887.7	688.6	**1,287.4**	862.0	661.6
Offsetting	**(1,303.9)**	(866.0)	(601.9)	**(1,287.4)**	(862.0)	(661.6)
Total deferred tax assets after offsetting	**18.6**	21.7	86.7	**–**	–	–
(b) Deferred tax liabilities						
Property, plant and equipment	**2,480.9**	2,378.4	2,205.7	**2,364.1**	2,300.8	2,137.0
Provisions and others	**25.6**	29.4	42.6	**–**	–	20.2
	2,506.5	2,407.8	2,248.3	**2,364.1**	2,300.8	2,157.2
Offsetting	**(1,303.9)**	(866.0)	(601.9)	**(1,287.4)**	(862.0)	(661.6)
Total deferred tax liabilities after offsetting	**1,202.6**	1,541.8	1,646.4	**1,076.7**	1,438.8	1,495.6

The Company was granted approval under Section 127 of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

(i) 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing 8 September 2007 to 7 September 2012 to be set off against 70% of statutory income for each year of assessment.

(ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against 70% of statutory income for each year of assessment.

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

19. DEFERRED TAX (CONTINUED)

The tax effects of unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unutilised tax losses	**131.7**	143.5	134.3
Unabsorbed capital/other tax allowances	**331.1**	319.6	292.8
	462.8	463.1	427.1

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

20. DEFERRED INCOME

	The Group and Company	
	2012 RM	2011 RM
At 1 January	**2,072.7**	1,432.1
Additions	**249.8**	764.4
Credited to the Income Statement	**(193.1)**	(123.8)
At 31 December	**2,129.4**	2,072.7

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB) and Broadband to the General Population (BBGP) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

21. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (e)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2012	8,711.5	374.5	934.0	876.9	1,934.3	1,290.5	14,121.7
Additions (sub-note (a))	372.6	121.9	11.7	–	9.3	2,047.4	2,562.9
Assetisation	1,714.6	19.5	252.1	–	135.3	(2,121.5)	–
Disposals	(0.5)	(3.3)	–	(1.2)	(0.4)	–	(5.4)
Write off (note 6(a))	(16.9)	(1.3)	(0.3)	–	(9.9)	–	(28.4)
Depreciation (note 6(a))	(1,383.9)	(116.8)	(360.7)	(0.9)	(135.4)	–	(1,997.7)
Impairment (note 6(a))	–	(0.1)	(0.1)	–	(0.1)	–	(0.3)
Currency translation differences	(1.3)	–	–	–	(0.3)	(0.4)	(2.0)
Transfer to non-current assets held for sale (note 30)	–	–	–	(10.3)	(2.9)	–	(13.2)
Reclassification	27.3	1.6	(39.4)	(19.8)	29.9	0.4	–
At 31 December 2012	9,423.4	396.0	797.3	844.7	1,959.8	1,216.4	14,637.6
At 31 December 2012							
Cost (sub-note (b))	37,557.8	2,193.0	4,291.7	859.8	3,846.2	1,216.4	49,964.9
Accumulated depreciation	(27,902.4)	(1,796.1)	(3,488.9)	(12.4)	(1,886.2)	–	(35,086.0)
Accumulated impairment	(232.0)	(0.9)	(5.5)	(2.7)	(0.2)	–	(241.3)
Net Book Value	9,423.4	396.0	797.3	844.7	1,959.8	1,216.4	14,637.6
Net Book Value							
At 1 January 2011							
As previously reported	7,979.1	363.0	830.9	363.2	1,925.8	1,650.1	13,112.1
Adjustments arising from the transition to MFRS (note 50(a))	–	–	–	508.7	–	–	508.7
At 1 January 2011, as restated	7,979.1	363.0	830.9	871.9	1,925.8	1,650.1	13,620.8
Additions (sub-note (a))	257.8	102.8	4.7	0.4	2.1	2,254.6	2,622.4
Assetisation	2,040.1	20.3	394.2	6.9	152.7	(2,614.2)	–
Disposals	(4.1)	(3.4)	–	(1.2)	(0.3)	–	(9.0)
Disposal of a subsidiary	–	(0.1)	(0.1)	–	–	–	(0.2)
Write off (note 6(a))	(84.3)	(1.2)	(2.9)	–	(9.0)	–	(97.4)
Depreciation (note 6(a))	(1,427.9)	(120.5)	(337.6)	(1.0)	(128.5)	–	(2,015.5)
Impairment (note 6(a))	(0.1)	–	–	(0.1)	–	–	(0.2)
Currency translation differences	0.7	0.1	–	–	–	–	0.8
Reclassification	(49.8)	13.5	44.8	–	(8.5)	–	–
At 31 December 2011	8,711.5	374.5	934.0	876.9	1,934.3	1,290.5	14,121.7
At 31 December 2011							
Cost (sub-note (b))	36,156.9	2,175.8	4,187.3	891.5	3,723.8	1,290.5	48,425.8
Accumulated depreciation	(27,211.4)	(1,800.5)	(3,247.9)	(11.9)	(1,789.4)	–	(34,061.1)
Accumulated impairment	(234.0)	(0.8)	(5.4)	(2.7)	(0.1)	–	(243.0)
Net Book Value	8,711.5	374.5	934.0	876.9	1,934.3	1,290.5	14,121.7
At 1 January 2011							
Cost (sub-note (b))	35,031.3	2,099.2	4,080.5	885.4	3,606.3	1,650.1	47,352.8
Accumulated depreciation	(26,803.3)	(1,734.2)	(3,243.2)	(10.9)	(1,680.4)	–	(33,472.0)
Accumulated impairment	(248.9)	(2.0)	(6.4)	(2.6)	(0.1)	–	(260.0)
Net Book Value	7,979.1	363.0	830.9	871.9	1,925.8	1,650.1	13,620.8

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecommunications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (e)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2012	**8,320.8**	**291.3**	**800.5**	**396.1**	**1,402.5**	**1,264.4**	**12,475.6**
Additions (sub-note (a))	**342.1**	**102.9**	**3.6**	**–**	**4.6**	**1,789.7**	**2,242.9**
Assetisation	**1,544.6**	**15.4**	**162.5**	**–**	**124.0**	**(1,846.5)**	**–**
Disposals*	**(0.4)**	**(3.3)**	**–**	**–**	**(49.9)**	**–**	**(53.6)**
Write off (note 6(a))	**(15.0)**	**(0.3)**	**–**	**–**	**(9.9)**	**–**	**(25.2)**
Depreciation (note 6(a))	**(1,297.6)**	**(78.7)**	**(328.4)**	**(0.8)**	**(114.2)**	**–**	**(1,819.7)**
Transfer to non-current assets held for sale (note 30)	**–**	**–**	**–**	**(10.3)**	**(2.9)**	**–**	**(13.2)**
Reclassification	**–**	**(3.7)**	**(4.9)**	**(19.8)**	**28.0**	**0.4**	**–**
At 31 December 2012	**8,894.5**	**323.6**	**633.3**	**365.2**	**1,382.2**	**1,208.0**	**12,806.8**
At 31 December 2012							
Cost (sub-note (b))	**36,353.0**	**1,736.1**	**3,753.8**	**378.1**	**3,050.0**	**1,208.0**	**46,479.0**
Accumulated depreciation	**(27,257.2)**	**(1,412.5)**	**(3,120.5)**	**(10.3)**	**(1,667.8)**	**–**	**(33,468.3)**
Accumulated impairment	**(201.3)**	**–**	**–**	**(2.6)**	**–**	**–**	**(203.9)**
Net Book Value	**8,894.5**	**323.6**	**633.3**	**365.2**	**1,382.2**	**1,208.0**	**12,806.8**
Net Book Value							
At 1 January 2011							
As previously reported	7,549.7	293.4	746.6	187.2	1,381.6	1,624.0	11,782.5
Adjustments arising from the transition to MFRS (note 50(a))	–	–	–	203.3	–	–	203.3
At 1 January 2011, as restated	7,549.7	293.4	746.6	390.5	1,381.6	1,624.0	11,985.8
Additions (sub-note (a))	247.8	68.8	0.6	0.4	2.1	2,126.8	2,446.5
Assetisation	1,962.5	19.6	354.6	6.9	142.8	(2,486.4)	–
Disposals#	(3.8)	(3.4)	–	(0.8)	–	–	(8.0)
Write off (note 6(a))	(84.2)	(1.2)	(0.7)	–	(9.0)	–	(95.1)
Depreciation (note 6(a))	(1,360.4)	(83.4)	(304.2)	(0.9)	(104.7)	–	(1,853.6)
Reclassification	9.2	(2.5)	3.6	–	(10.3)	–	-
At 31 December 2011	8,320.8	291.3	800.5	396.1	1,402.5	1,264.4	12,475.6
At 31 December 2011							
Cost (sub-note (b))	35,179.9	1,720.9	3,690.1	408.6	2,993.9	1,264.4	45,257.8
Accumulated depreciation	(26,655.6)	(1,429.6)	(2,889.6)	(9.9)	(1,591.4)	–	(32,576.1)
Accumulated impairment	(203.5)	–	–	(2.6)	–	–	(206.1)
Net Book Value	8,320.8	291.3	800.5	396.1	1,402.5	1,264.4	12,475.6
At 1 January 2011							
Cost (sub-note (b))	33,948.2	1,702.0	3,707.7	402.1	2,888.1	1,624.0	44,272.1
Accumulated depreciation	(26,187.0)	(1,408.6)	(2,961.1)	(9.0)	(1,506.5)	–	(32,072.2)
Accumulated impairment	(211.5)	–	–	(2.6)	–	–	(214.1)
Net Book Value	7,549.7	293.4	746.6	390.5	1,381.6	1,624.0	11,985.8

* Included RM49.8 million being building disposed to a subsidiary.

Included RM0.1 million being movable plant and equipment disposed to a subsidiary.

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Included in additions of the Group and the Company are borrowing costs of RM24.7 million (31 December 2011: RM9.4 million; 1 January 2011: RM7.0 million) directly attributable to the construction of qualifying assets.

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM21,364.5 million (31 December 2011: RM21,130.4 million; 1 January 2011: RM20,919.9 million) and RM21,207.4 million (31 December 2011: RM21,014.7 million; 1 January 2011: RM20,816.1 million) respectively.

(c) Included in property, plant and equipment of the Group and the Company is an office building with net book value of RM54.9 million (31 December 2011: RM58.0 million; 1 January 2011: RM61.1 million) which is under finance lease arrangement.

(d) The Company performs an annual review to assess the useful lives of its property, plant and equipment. This review takes into consideration changes in technology, latest findings in research and development and updated practices to enhance performance of certain network assets. Arising from this review in the previous financial year, the useful lives of certain network equipments had been shortened from 15 and 7 years to 10 and 5 years whilst the useful lives of certain network assets had been extended from useful lives ranging from 7 to 20 years to a range of 10 to 25 years effective from 1 October 2011. The net impact of this change in estimates was a lower depreciation charge of RM58.6 million in the fourth quarter 2011.

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) Details of land are as follows:

The Group	Freehold RM	Leasehold RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2012	**735.0**	**79.9**	**62.0**	**876.9**
Disposals	**(1.2)**	**–**	**–**	**(1.2)**
Depreciation	**–**	**(0.9)**	**–**	**(0.9)**
Transfer to non-current assets held for sale (note 30)	**(0.3)**	**(10.0)**	**–**	**(10.3)**
Reclassification	**9.9**	**–**	**(29.7)**	**(19.8)**
At 31 December 2012	**743.4**	**69.0**	**32.3**	**844.7**
At 31 December 2012				
Cost	**746.1**	**81.0**	**32.7**	**859.8**
Accumulated depreciation	**–**	**(12.0)**	**(0.4)**	**(12.4)**
Accumulated impairment	**(2.7)**	**–**	**–**	**(2.7)**
Net Book Value	**743.4**	**69.0**	**32.3**	**844.7**
Net Book Value				
At 1 January 2011				
As previously reported	226.3	74.1	62.8	363.2
Adjustments arising from the transition to MFRS (note 50(a))	508.7	–	–	508.7
At 1 January 2011, as restated	735.0	74.1	62.8	871.9
Additions	–	0.4	–	0.4
Assetisation	–	6.9	–	6.9
Disposals	–	(1.2)	–	(1.2)
Depreciation	–	(1.0)	–	(1.0)
Impairment	(0.1)	–	–	(0.1)
Reclassification	0.1	0.7	(0.8)	–
At 31 December 2011	735.0	79.9	62.0	876.9
At 31 December 2011				
Cost	737.7	91.2	62.6	891.5
Accumulated depreciation	–	(11.3)	(0.6)	(11.9)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	735.0	79.9	62.0	876.9
At 1 January 2011				
Cost	737.6	84.4	63.4	885.4
Accumulated depreciation	–	(10.3)	(0.6)	(10.9)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	735.0	74.1	62.8	871.9

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2012	**264.9**	**69.2**	**62.0**	**396.1**
Depreciation	**–**	**(0.8)**	**–**	**(0.8)**
Transfer to non-current assets held for sale (note 30)	**(0.3)**	**(10.0)**	**–**	**(10.3)**
Reclassification	**9.9**	**–**	**(29.7)**	**(19.8)**
At 31 December 2012	**274.5**	**58.4**	**32.3**	**365.2**
At 31 December 2012				
Cost	**277.1**	**68.3**	**32.7**	**378.1**
Accumulated depreciation	**–**	**(9.9)**	**(0.4)**	**(10.3)**
Accumulated impairment	**(2.6)**	**–**	**–**	**(2.6)**
Net Book Value	**274.5**	**58.4**	**32.3**	**365.2**
Net Book Value				
At 1 January 2011				
As previously reported	61.5	62.9	62.8	187.2
Adjustments arising from the transition to MFRS (note 50(a))	203.3	–	–	203.3
At 1 January 2011, as restated	264.8	62.9	62.8	390.5
Additions	–	0.4	–	0.4
Assetisation	–	6.9	–	6.9
Disposals	–	(0.8)	–	(0.8)
Depreciation	–	(0.9)	–	(0.9)
Reclassification	0.1	0.7	(0.8)	–
At 31 December 2011	264.9	69.2	62.0	396.1
At 31 December 2011				
Cost	267.5	78.5	62.6	408.6
Accumulated depreciation	–	(9.3)	(0.6)	(9.9)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	264.9	69.2	62.0	396.1
At 1 January 2011				
Cost	267.4	71.3	63.4	402.1
Accumulated depreciation	–	(8.4)	(0.6)	(9.0)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	264.8	62.9	62.8	390.5

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) Details of land are as follows: (continued)

(i) Leasehold land comprise the followings:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Long term leasehold land	**49.2**	60.1	55.4	**48.2**	58.8	53.9
Short term leasehold land	**19.8**	19.8	18.7	**10.2**	10.4	9.0
Total	**69.0**	79.9	74.1	**58.4**	69.2	62.9

Long term leasehold land has an unexpired lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

The other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

22. INVESTMENT PROPERTY

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net Book Value				
At 1 January				
As previously reported	**–**	–	**121.3**	93.0
Adjustments arising from the transition to MFRS (note 50(a))	**–**	–	**–**	26.6
At 1 January, as restated	**–**	–	**121.3**	119.6
Reclassification from inventories (note 29)	**5.7**	–	**–**	–
Additions	**–**	–	**–**	3.8
Depreciation (note 6(a))	**(0.1)**	–	**(2.2)**	(2.1)
At 31 December	**5.6**	–	**119.1**	121.3
At 31 December				
Cost	**6.9**	–	**128.0**	128.0
Accumulated depreciation	**(0.1)**	–	**(8.9)**	(6.7)
Accumulated impairment	**(1.2)**	–	**–**	–
Net Book Value	**5.6**	–	**119.1**	121.3

22. INVESTMENT PROPERTY (CONTINUED)

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly owned subsidiary. The properties at Group level refer to land of a wholly owned subsidiary which are held for rental purposes.

The fair value of the property of the Group and the Company at 31 December 2012 is RM12.6 million and RM122.0 million (31 December 2011: RM123.2 million; 1 January 2011: RM123.2 million) respectively based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

23. INTANGIBLE ASSETS

The Group	Goodwill RM	Other Intangibles* RM	Total RM
Net Book Value			
At 1 January 2012	**309.6**	**11.3**	**320.9**
Additions	**–**	**19.4**	**19.4**
Amortisation (note 6(a))	**–**	**(18.2)**	**(18.2)**
At 31 December 2012	**309.6**	**12.5**	**322.1**
Net Book Value			
At 1 January 2011	309.6	2.7	312.3
Additions	–	23.5	23.5
Amortisation (note 6(a))	–	(14.9)	(14.9)
At 31 December 2011	309.6	11.3	320.9
At 31 December 2012			
Cost	**314.6**	**49.6**	**364.2**
Accumulated amortisation	**–**	**(37.1)**	**(37.1)**
Accumulated impairment	**(5.0)**	**–**	**(5.0)**
Net Book Value	**309.6**	**12.5**	**322.1**
At 31 December 2011			
Cost	314.6	30.2	344.8
Accumulated amortisation	–	(18.9)	(18.9)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	309.6	11.3	320.9

23. INTANGIBLE ASSETS (CONTINUED)

The Group	Goodwill RM	Other Intangibles* RM	Total RM
At 1 January 2011			
Cost	314.6	6.7	321.3
Accumulated amortisation	–	(4.0)	(4.0)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	309.6	2.7	312.3

* Other intangibles comprise the fair value of sales contracts acquired by a subsidiary in 2007, and software and program rights of other subsidiaries.

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2012 as their recoverable amounts were in excess of their carrying amounts.

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
VADS Berhad	**308.4**	308.4	308.4
Others	**1.2**	1.2	1.2
	309.6	309.6	309.6

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

(i) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS)

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS are extrapolated using estimated terminal growth rate. The rate has been determined with regards to projected growth rate for the market in which the cash-generating unit participates.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

23. INTANGIBLE ASSETS (CONTINUED)

(i) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS) (continued)

The following assumptions have been applied in the value-in-use calculation:

	31.12.2012	31.12.2011	1.1.2011
Pre-tax discount rate	**12.1%**	12.9%	12.4%
Terminal growth rate	**1.5%**	1.5%	1.5%

(ii) Impact of possible change in key assumptions used for VADS

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

If the following pre-tax discount rate is applied to the cash flows forecast and projection of the Group's cash-generating unit, the carrying amount of the cash-generating unit including goodwill will equal the corresponding recoverable value, assuming all other variables remain unchanged.

	31.12.2012	31.12.2011	1.1.2011
Pre-tax discount rate	**33.5%**	34.0%	24.0%

24. SUBSIDIARIES

The Company	31.12.2012 Malaysia RM	31.12.2012 Overseas RM	31.12.2012 Total RM	31.12.2011 Malaysia RM	31.12.2011 Overseas RM	31.12.2011 Total RM	1.1.2011 Malaysia RM	1.1.2011 Overseas RM	1.1.2011 Total RM
Unquoted investments, at cost (sub-note (a))	**1,310.3**	**22.0**	**1,332.3**	1,391.3	22.0	1,413.3	1,391.5	22.0	1,413.5
Accumulated impairment (sub-note (b))	**(77.7)**	**(13.2)**	**(90.9)**	(77.7)	(13.2)	(90.9)	(1.7)	(13.2)	(14.9)
	1,232.6	**8.8**	**1,241.4**	1,313.6	8.8	1,322.4	1,389.8	8.8	1,398.6
Investment in TM ESOS Management Sdn Bhd									
– at cost (sub-note (c))	**1,431.0**	**–**	**1,431.0**	1,431.0	–	1,431.0	1,431.0	–	1,431.0
– exercise of options	**(411.1)**	**–**	**(411.1)**	(411.1)	–	(411.1)	(411.1)	–	(411.1)
– repayment of capital contribution	**(1,008.7)**	**–**	**(1,008.7)**	(1,008.7)	–	(1,008.7)	(494.9)	–	(494.9)
– accumulated impairment	**–**	**–**	**–**	–	–	–	(321.7)	–	(321.7)
– disposal of shares attributed to lapsed options	**(11.2)**	**–**	**(11.2)**	(11.2)	–	(11.2)	(3.1)	–	(3.1)
	–	**–**	**–**	–	–	–	200.2	–	200.2
Options granted to employees of subsidiaries	**24.3**	**–**	**24.3**	24.3	–	24.3	24.6	–	24.6
Unquoted investments, at written down value (sub-note (d))	**–**	**–**	**–**	–	–	–	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	**1,256.9**	**8.8**	**1,265.7**	1,337.9	8.8	1,346.7	1,614.6	8.8	1,623.4

(a) On 28 September 2012, Menara Kuala Lumpur Sdn Bhd, a wholly owned subsidiary, made a capital repayment of RM81.0 million upon approval by the Kuala Lumpur Court on 28 August 2012 pursuant to Section 64 of the Companies Act, 1965.

(b) During the last financial year, consequent to the Company's assessment of the recoverable amount from its investments in subsidiaries, an impairment loss of RM76.0 million was recognised in respect of a wholly owned subsidiary.

(c) This represents the fair value of Special ESOS shares issued to TM ESOS Management Sdn Bhd (TEM) as explained in note 13(e) to the financial statements, thereby making TEM a subsidiary as well as a shareholder of the Company.

During the last financial year, TEM made a repayment of capital contribution of RM513.8 million (1 January 2011: RM446.0 million) being proceeds from the disposal of Axiata shares attributed to the lapsed options under Special ESOS.

Following an assessment of the carrying value of the Company's investment in TEM, an impairment reversal of RM321.7 million was made in the last financial year to equity as it represents a transaction with a shareholder.

(d) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 51 to the financial statements.

25. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM260.4 million (31 December 2011: RM219.7 million; 1 January 2011: RM236.7 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.72% to 4.40% (31 December 2011: 4.43% to 4.44%; 1 January 2011: 4.16% to 5.35%) and will mature between 3 to 5 years.

26. ASSOCIATES

The Group	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Share of net assets of associates			
Unquoted investments	**1.5**	0.6	0.5
TOTAL	**1.5**	0.6	0.5
The Group's share of revenue and profit of associates is as follows:			
Revenue	**9.1**	3.5	3.3
Profit/(Loss) after taxation	**0.9**	0.1	(0.1)
The Group's share of assets and liabilities of associates is as follows:			
Non-current assets	**0.1**	0.1	0.1
Current assets	**2.4**	1.4	1.6
Current liabilities	**(1.0)**	(0.9)	(1.2)
Net assets	**1.5**	0.6	0.5

The Group has not recognised the share of loss after taxation of an associate amounting to RM1.1 million (31 December 2011 & 1 January 2011: RM1.1 million) in respect of the cumulative financial year. There is no additional share of loss not recognised in the current and comparative financial years.

The Group's effective equity interest in the associates, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements.

27. AVAILABLE-FOR-SALE INVESTMENTS

The Group	Investment in Axiata Shares RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2012	#	104.8	418.1	522.9
Additions	–	–	513.0	513.0
Fair value changes transferred to other comprehensive income	#	(6.1)	0.8	(5.3)
Other disposals	(#)	–	(431.3)	(431.3)
At 31 December 2012	–	98.7	500.6	599.3
Current portion	–	–	500.6	500.6
Non-current portion	–	98.7	–	98.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	–	98.7	500.6	599.3
At 1 January 2011				
– Current portion	481.9	–	356.2	838.1
– Non-current portion	–	114.6	–	114.6
Additions	–	0.1	383.5	383.6
Fair value changes transferred to other comprehensive income	31.9	(9.9)	4.8	26.8
Disposal of Axiata shares attributed to lapsed options (sub-note (i) & note 8)	(513.8)	–	–	(513.8)
Other disposals	–	–	(326.4)	(326.4)
At 31 December 2011	#	104.8	418.1	522.9
Current portion	#	–	418.1	418.1
Non-current portion	–	104.8	–	104.8
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	#	104.8	418.1	522.9

\# Amount less than RM0.1 million

(i) Disposal of Axiata shares attributed to lapsed options under the Employees' Share Option Scheme (Special ESOS).

27. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The Company	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2012	**104.7**	**418.1**	**522.8**
Additions	**–**	**513.0**	**513.0**
Fair value changes transferred to other comprehensive income	**(6.1)**	**0.8**	**(5.3)**
Other disposals	**–**	**(431.3)**	**(431.3)**
At 31 December 2012	**98.6**	**500.6**	**599.2**
Current portion	**–**	**500.6**	**500.6**
Non-current portion	**98.6**	**–**	**98.6**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**98.6**	**500.6**	**599.2**
At 1 January 2011			
– Current portion	–	356.2	356.2
– Non-current portion	114.6	–	114.6
Additions	–	383.5	383.5
Fair value changes transferred to other comprehensive income	(9.9)	4.8	(5.1)
Other disposals	–	(326.4)	(326.4)
At 31 December 2011	104.7	418.1	522.8
Current portion	–	418.1	418.1
Non-current portion	104.7	–	104.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	104.7	418.1	522.8

The currency exposure profile of available-for-sale investments is as follows:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	**504.3**	421.9	841.7	**504.2**	421.8	359.8
US Dollar	**45.7**	43.9	60.6	**45.7**	43.9	60.6
Singapore Dollar	**49.3**	57.1	50.4	**49.3**	57.1	50.4
	599.3	522.9	952.7	**599.2**	522.8	470.8

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

27. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The credit quality of investment in fixed income securities is as follows:

	The Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
AAA	**101.2**	100.8	120.1
AA	**322.5**	229.2	187.3
A	**30.9**	50.5	34.6
P1	**29.2**	4.9	–
MARC-1	**9.9**	18.7	–
Malaysian Government Securities	**6.1**	8.3	13.3
BB (sub-note (a))	**0.8**	–	–
BBB (sub-note (a))	**–**	0.7	0.9
P2	**–**	5.0	–
	500.6	418.1	356.2

(a) The credit rating of the issuer was downgraded from AA to BBB and then to BB in the current financial year subsequent to the Company's investment.

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES

(a) Available-for-sale receivables

The Group and Company	2012 RM	2011 RM
At 1 January	**31.1**	36.1
Additions (including interest)	**1.7**	1.9
Repayments	**(5.3)**	(6.6)
Conversion to scholarship	**–**	(0.6)
Fair value changes transferred to other comprehensive income	**(1.1)**	0.3
At 31 December	**26.4**	31.1
Impairment	**(18.8)**	(20.0)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**7.6**	11.1
Movement in the impairment account is as follows:		
At 1 January	**(20.0)**	(21.2)
Impairment reversal (note 6(b))	**1.2**	1.2
At 31 December	**(18.8)**	(20.0)

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(a) Available-for-sale receivables (continued)

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are contractually interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

As of 31 December 2012, all overdue amounts have been impaired.

During the financial year, there is no conversion to scholarships. In the last financial year, RM0.6 million was converted to scholarships and was consequently expensed off to the Income Statement under other operating costs.

The Company does not hold any collateral for security in respect of education loans.

(b) Other non-current receivables

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Staff loans at amortised cost						
– under Islamic principles	**29.8**	31.7	41.3	**29.8**	31.7	41.3
– under conventional principles	**1.8**	3.0	5.5	**1.6**	2.8	5.2
Total staff loans (sub-note (i))	**31.6**	34.7	46.8	**31.4**	34.5	46.5
Other non-current receivables						
– other deposits (sub-note (ii))	**72.4**	53.5	43.8	**72.4**	53.5	43.8
– tax recoverable (sub-note (iii))	**113.8**	113.8	–	**113.8**	113.8	–
– others (sub-note (iv))	**38.0**	–	–	**–**	–	–
	255.8	202.0	90.6	**217.6**	201.8	90.3
Prepaid employee benefits	**1.2**	2.4	5.3	**1.2**	2.4	5.3
	257.0	204.4	95.9	**218.8**	204.2	95.6
Staff loans receivable within twelve months included under other receivables (note 32)	**(4.7)**	(4.9)	(6.5)	**(4.6)**	(4.7)	(6.2)
TOTAL OTHER NON-CURRENT RECEIVABLES	**252.3**	199.5	89.4	**214.2**	199.5	89.4

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables (continued)

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans – 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicles financed

During the current financial year, the Company disposed RM11.9 million (31 December 2011: RM15.6 million; 1 January 2011: RM21.4 million) of its employees housing loans for a total cash consideration of RM11.3 million (31 December 2011: RM14.4 million; 1 January 2011: RM19.3 million) pursuant to the Sale and Purchase (S&P) Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly owned subsidiary of AmBank (M) Berhad (AmBank). In tandem with the S&P Agreement, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. The arrangement reflects the outsourcing of the Company's mortgage servicing operations to AmBank.

The disposal in 2009 included loan portfolio of employees where the repayment terms go beyond the employees' retirement age. This loan portfolio was not derecognised as the credit risk in the event of default after the employees' retirement age, remains with the Company.

The carrying amount of the loan portfolio and its fair value are as follows:

	The Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost	**2.5**	**2.3**	4.0	3.7	6.1	5.7
Other borrowings (note 16)	**(2.5)**	**(2.5)**	(4.0)	(4.1)	(6.1)	(6.2)
Net amount	**–**	**(0.2)**	–	(0.4)	–	(0.5)

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables (continued)

(ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and a long term deposit.

During the last financial year, the Company entered into two Ringgit Malaysia deposit agreements with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date when the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

(iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 19 to the financial statements, to be offset against the tax payables for years of assessment 2014 to 2016.

(iv) Comprise present value of receivables for land disposed by a wholly owned subsidiary due over the remaining contractual period of the joint land development agreement.

29. INVENTORIES

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	**31.12.2012 RM**	31.12.2011 RM	1.1.2011 RM
Cables and wires	**23.9**	31.7	27.3	**23.9**	31.7	27.3
Network materials	**16.4**	21.7	27.0	**16.4**	21.7	25.5
Telecommunications equipment	**40.7**	52.0	34.0	**40.6**	52.1	34.0
Spares and others*	**83.6**	63.2	33.8	**45.4**	34.8	17.0
Land held for property development	**69.7**	108.4	107.4	**–**	–	–
Land held for sale	**1.0**	48.3	51.9	**–**	–	–
TOTAL INVENTORIES	**235.3**	325.3	281.4	**126.3**	140.3	103.8

* Included in spares and others are trading inventories comprising prepaid cards, telephone sets, network equipments, other consumables and capacity for resale purposes.

30. NON-CURRENT ASSETS HELD FOR SALE

During the financial year, the company finalised a series of Sales and Purchase Agreements for the disposal of a number of freehold and leasehold lands as well as buildings for a total consideration of RM57.2 million. Consequently, the carrying value of these lands and buildings have been reclassified as non-current assets held for sale as follows:

The Group and Company	Carrying amount immediately before reclassification RM	Remeasurement RM	Disposal RM	Carrying amount as at 31 December 2012 RM
Transfer from property, plant and equipment (note 21)				
Land				
– Freehold	0.3	–	–	0.3
– Leasehold	10.0	–	(4.3)	5.7
Buildings	2.9	–	(0.9)	2.0
	13.2	–	(5.2)	8.0

The land and buildings are presented as part of the Shared Services/Others segment.

31. CUSTOMER ACQUISITION COSTS

The Group and Company	2012 RM	2011 RM
At 1 January	106.1	87.1
Additions	127.7	101.3
Credited to the Income Statement	(133.7)	(82.3)
At 31 December	**100.1**	106.1

32. TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Receivables from telephone customers	**1,718.2**	1,546.6	1,291.3	**1,431.9**	1,264.5	998.3
Receivables from non-telephone customers	**933.1**	1,285.8	1,653.0	**490.1**	904.6	1,029.7
Receivables from subsidiaries	**–**	–	–	**70.5**	55.3	216.5
	2,651.3	2,832.4	2,944.3	**1,992.5**	2,224.4	2,244.5
Impairment of trade receivables	**(1,387.7)**	(1,384.4)	(1,139.9)	**(975.2)**	(963.3)	(689.2)
	1,263.6	1,448.0	1,804.4	**1,017.3**	1,261.1	1,555.3
Accrued earnings	**477.3**	406.8	291.6	**395.4**	376.3	267.2
Total trade receivables (net)	**1,740.9**	1,854.8	2,096.0	**1,412.7**	1,637.4	1,822.5
Prepayments	**147.1**	120.3	124.3	**91.9**	83.0	88.6
Tax recoverable	**112.1**	101.0	124.3	**75.8**	63.8	123.1
Staff loans (note 28(b))	**4.7**	4.9	6.5	**4.6**	4.7	6.2
Other receivables from subsidiaries	**–**	–	–	**99.2**	131.1	157.8
Other receivables from associates	**1.0**	1.1	1.1	**1.0**	1.1	1.1
Other receivables	**244.1**	301.2	341.6	**205.7**	289.0	321.7
Impairment of other receivables	**(42.9)**	(60.1)	(65.5)	**(37.3)**	(51.1)	(57.0)
Total other receivables (net)	**466.1**	468.4	532.3	**440.9**	521.6	641.5
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,207.0**	2,323.2	2,628.3	**1,853.6**	2,159.0	2,464.0

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(a) Trade receivables				
At 1 January	**1,384.4**	1,139.9	**963.4**	689.2
Impairment	**93.4**	62.8	**97.5**	93.4
Receivables gross up adjustment	**–**	221.0	**–**	221.0
Receivables written off as uncollectible	**(89.7)**	(38.2)	**(85.7)**	(40.3)
Disposal of a former subsidiary	**–**	(1.5)	**–**	–
Foreign exchange difference	**(0.4)**	0.4	**–**	–
At 31 December	**1,387.7**	1,384.4	**975.2**	963.3
(b) Other receivables				
At 1 January	**60.1**	65.5	**51.1**	57.0
Net (reversal)/impairment	**(15.2)**	13.0	**(11.8)**	12.5
Receivables written off as uncollectible	**(2.0)**	(18.4)	**(2.0)**	(18.4)
At 31 December	**42.9**	60.1	**37.3**	51.1

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 6(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables of RM466.6 million (31 December 2011: RM796.5 million; 1 January 2011: RM918.9 million) and RM387.0 million (31 December 2011: RM686.1 million; 1 January 2011: RM910.1 million) for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

The Group	Not past due RM	Past due but not impaired 1 to 3 months RM	4 to 6 months RM	>6 months RM	Total RM
31.12.2012					
Collectively assessed	**384.2**	**109.2**	**25.0**	**17.0**	**535.4**
Individually assessed	**412.8**	**188.3**	**50.7**	**76.4**	**728.2**
	797.0	**297.5**	**75.7**	**93.4**	**1,263.6**
31.12.2011					
Collectively assessed	389.2	56.4	40.3	17.6	503.5
Individually assessed	262.3	304.8	248.1	129.3	944.5
	651.5	361.2	288.4	146.9	1,448.0
1.1.2011					
Collectively assessed	375.0	104.1	56.0	18.8	553.9
Individually assessed	510.5	344.5	262.0	133.5	1,250.5
	885.5	448.6	318.0	152.3	1,804.4

The Company	Not past due RM	Past due but not impaired 1 to 3 months RM	4 to 6 months RM	>6 months RM	Total RM
31.12.2012					
Collectively assessed	**346.3**	**108.0**	**22.9**	**15.6**	**492.8**
Individually assessed	**256.5**	**135.4**	**24.8**	**45.0**	**461.7**
Amount due from subsidiaries	**27.5**	**12.5**	**9.5**	**13.3**	**62.8**
	630.3	**255.9**	**57.2**	**73.9**	**1,017.3**
31.12.2011					
Collectively assessed	364.9	54.6	33.8	12.0	465.3
Individually assessed	195.8	242.9	205.1	111.4	755.2
Amount due from subsidiaries	14.3	10.1	5.3	10.9	40.6
	575.0	307.6	244.2	134.3	1,261.1
1.1.2011					
Collectively assessed	331.7	78.7	49.3	10.5	470.2
Individually assessed	269.7	287.6	192.4	118.9	868.6
Amount due from subsidiaries	43.8	70.6	80.1	22.0	216.5
	645.2	436.9	321.8	151.4	1,555.3

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Global	**90.4**	106.7	71.3	**85.8**	99.3	67.8
Wholesale	**43.8**	39.1	60.3	**8.3**	15.5	35.1
Retail – Consumer	**180.7**	205.5	186.4	**180.3**	203.6	182.7
Retail – SME	**166.0**	161.3	149.0	**166.0**	161.3	149.0
Retail – Enterprise	**42.2**	21.3	57.0	**42.2**	21.3	57.0
Retail – Government	**161.4**	63.6	262.3	**120.2**	59.7	109.8
Amount due from subsidiaries	**–**	–	–	**27.5**	14.3	43.8
Others*	**112.5**	54.0	99.2	**–**	–	–
	797.0	651.5	885.5	**630.3**	575.0	645.2

* Others mainly comprise student debtors and receivables for the provision of managed network services, information technology and system integration services of subsidiaries.

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 36 to the financial statements) and bankers' guarantee obtained from customers amounting to RM18.1 million (31 December 2011: RM12.3 million; 1 January 2011: RM11.4 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Trade receivables that are individually assessed for impairment are those under Global, Wholesale, Retail – Enterprise and Retail – Government lines of business.

Credit terms of trade receivables excluding accrued earnings range from 30 to 90 days (31 December 2011 & 1 January 2011: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	**1,800.4**	1,834.1	2,069.6	**1,475.0**	1,686.4	1,856.4
US Dollar	**382.4**	452.7	534.8	**369.4**	443.2	594.4
Special Drawing Rights	**2.1**	24.5	7.5	**2.1**	24.5	7.5
Other currencies	**22.1**	11.9	16.4	**7.1**	4.9	5.7
	2,207.0	2,323.2	2,628.3	**1,853.6**	2,159.0	2,464.0

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**16.5**	20.1	21.5
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**16.5**	20.1	21.5
Market value of quoted equity securities	**16.5**	20.1	21.5

34. CASH AND BANK BALANCES

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposits with:						
Licensed banks	**525.1**	1,778.4	1,719.2	**488.1**	1,745.2	1,656.8
Other financial institutions	**42.0**	116.6	116.5	**13.3**	88.0	96.3
Deposits under Islamic principles	**2,695.3**	1,682.1	1,215.6	**2,532.6**	1,540.0	1,124.0
Total deposits	**3,262.4**	3,577.1	3,051.3	**3,034.0**	3,373.2	2,877.1
Cash and bank balances	**440.1**	605.3	423.8	**187.7**	355.8	200.6
Cash and bank balances under Islamic principles	**36.2**	30.6	13.4	**19.9**	–	–
TOTAL CASH AND BANK BALANCES	**3,738.7**	4,213.0	3,488.5	**3,241.6**	3,729.0	3,077.7
Less:						
Deposits pledged	**(0.4)**	(0.4)	(0.5)	**–**	–	–
TOTAL CASH AND CASH EQUIVALENTS	**3,738.3**	4,212.6	3,488.0	**3,241.6**	3,729.0	3,077.7

The currency exposure profile of cash and bank balances is as follows:

Ringgit Malaysia	**3,595.2**	4,109.2	3,379.8	**3,200.3**	3,691.5	3,037.1
US Dollar	**117.2**	88.6	99.6	**41.3**	37.5	40.6
Other currencies	**26.3**	15.2	9.1	**–**	–	–
	3,738.7	4,213.0	3,488.5	**3,241.6**	3,729.0	3,077.7

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
AAA	**953.1**	1,343.5	1,294.4	**707.5**	1,050.6	987.9
AA	**1,779.7**	2,247.7	1,243.8	**1,611.9**	2,120.7	1,162.6
A	**705.5**	319.0	832.4	**649.4**	264.2	821.4
NR (sub-note (a))	**300.4**	302.8	117.9	**272.8**	293.5	105.8
	3,738.7	4,213.0	3,488.5	**3,241.6**	3,729.0	3,077.7

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

34. CASH AND BANK BALANCES (CONTINUED)

Deposits have maturities ranging from overnight to 90 days (31 December 2011: from overnight to 92 days; 1 January 2011: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2012 was 3.48% (31 December 2011: 3.48%; 1 January 2011: 3.22%) and 3.51% (31 December 2011: 3.50%; 1 January 2011: 3.22%) for the Group and the Company respectively.

35. TRADE AND OTHER PAYABLES

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade payables and accruals	**2,219.6**	2,302.8	2,403.2	**1,986.5**	2,079.3	2,171.3
Payable for Universal Service Provision	**297.9**	385.0	419.0	**270.0**	344.1	392.5
Deferred revenue	**115.3**	92.3	98.1	**38.6**	25.0	35.8
Finance cost payable	**58.9**	57.8	51.5	**58.9**	57.8	51.4
Duties and other taxes payable	**41.8**	42.4	15.0	**27.9**	32.7	12.0
Deposits and trust monies	**76.0**	64.2	62.7	**43.9**	39.3	36.7
Payables to subsidiaries (sub-note (a))	**–**	–	–	**496.8**	661.6	620.2
Other payables and accruals	**736.0**	607.6	589.7	**553.9**	430.7	405.5
TOTAL TRADE AND OTHER PAYABLES	**3,545.5**	3,552.1	3,639.2	**3,476.5**	3,670.5	3,725.4

The currency exposure profile of trade and other payables is as follows:

Ringgit Malaysia	**3,214.7**	3,180.3	3,191.0	**3,155.3**	3,294.8	3,299.3
US Dollar	**319.8**	354.6	435.7	**309.4**	367.8	419.1
Special Drawing Rights	**–**	6.3	4.0	**–**	6.3	4.0
Other currencies	**11.0**	10.9	8.5	**11.8**	1.6	3.0
	3,545.5	3,552.1	3,639.2	**3,476.5**	3,670.5	3,725.4

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 41(f) to the financial statements.

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (31 December 2011 & 1 January 2011: 30 to 90 days) depending on the terms of the contracts.

36. CUSTOMER DEPOSITS

	The Group			The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Telephone services	**513.8**	542.9	559.3	**513.8**	542.8	559.2
Data services	**4.4**	1.6	21.2	**4.0**	1.0	20.9
TOTAL CUSTOMER DEPOSITS	**518.2**	544.5	580.5	**517.8**	543.8	580.1

Customer deposits for telephone services are subject to rebate at 2.5% per annum effective 1 April 2010 in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

37. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Receipts from customers	**9,817.3**	9,188.3	**8,891.9**	8,257.4
Payments to suppliers and employees	**(6,693.3)**	(5,988.0)	**(6,385.3)**	(5,587.5)
Payments of finance cost	**(331.8)**	(312.6)	**(330.7)**	(311.2)
(Payments)/Refunds of income taxes and zakat (net)	**(68.5)**	143.0	**(26.2)**	200.7
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**2,723.7**	3,030.7	**2,149.7**	2,559.4

38. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Contribution for purchase of property, plant and equipment	**251.9**	772.6	**251.9**	772.6
Disposal of property, plant and equipment	**10.9**	17.6	**59.3**	16.4
Purchase of property, plant and equipment	**(2,547.9)**	(2,735.0)	**(2,232.2)**	(2,582.2)
Disposal of available-for-sale investments	**432.0**	840.2	**432.0**	326.4
Purchase of available-for-sale investments	**(513.0)**	(383.6)	**(513.0)**	(383.5)
Disposal of financial assets at fair value through profit or loss	**0.5**	0.8	**0.5**	0.8
Disposal of non-current assets held for sale	**10.4**	–	**10.4**	–
Disposal of a former subsidiary*	**–**	(2.3)	**–**	–
Long term deposits	**(16.6)**	(8.3)	**(16.6)**	(8.3)
Repayments of capital contribution from subsidiaries	**–**	–	**81.0**	513.8
Repayments from subsidiaries – loans and advances	**–**	–	**72.0**	17.0
– other receivables	**–**	–	**104.8**	125.1
Advances to subsidiaries	**–**	–	**(120.1)**	(67.0)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**–**	–	**(1,009.6)**	(685.8)
Receipts from subsidiaries for ICFO	**–**	–	**928.1**	728.8
Repayments of loans by employees	**12.4**	12.9	**11.9**	12.7
Loans to employees	**(17.5)**	(10.7)	**(17.1)**	(10.6)
Disposal of housing loan	**11.3**	14.4	**11.3**	14.4
Interests received	**136.4**	125.7	**128.9**	118.3
Dividends received	**1.3**	17.7	**106.2**	99.2
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(2,227.9)**	(1,338.0)	**(1,710.3)**	(991.9)

* Net of cash and cash equivalents disposed

39. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Issue of share capital	–	34.8	–	34.8
Redemption of Redeemable Preference Shares (note 13(c))	–	(1,037.4)	–	(1,037.4)
Capital repayment (note13(d))	**(1,073.2)**	–	**(1,073.2)**	–
Capital return to non-controlling interests on winding up of a subsidiary	**(0.6)**	–	–	–
Proceeds from borrowings	**1,479.4**	1,268.3	**1,476.4**	1,268.3
Repayments of borrowings	**(632.0)**	(493.0)	**(629.1)**	(471.6)
Repayments of finance lease	**(3.6)**	(3.4)	**(3.6)**	(3.4)
Dividends paid to shareholders	**(701.2)**	(702.1)	**(701.2)**	(702.1)
Dividends paid to minority interests	**(39.3)**	(29.7)	–	–
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(970.5)**	(962.5)	**(930.7)**	(911.4)

40. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	–	–	**3.2**	18.6
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**78.8**	69.7	**78.8**	69.7

41. SIGNIFICANT RELATED PARTY DISCLOSURES

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.73% (2011: 28.73%) equity interest and is a related party of the Group and the Company. Khazanah is a wholly owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group and the Company.

There were no individually significant transactions and commitments with other Government-related entities other than the sales of telecommunications related services of RM670.9 million (2011: RM328.1 million) and RM320.4 million (2011: RM143.4 million) for the Group and the Company respectively. Receivables from the sales of telecommunications related services as at 31 December 2012 amounted to RM102.3 million (31 December 2011: RM43.3 million; 1 January 2011: RM151.5 million) and RM64.7 million (31 December 2011: RM8.6 million; 1 January 2011: RM11.2 million) for the Group and the Company respectively.

In addition to the above, the Group and the Company have transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

The Company also has significant related party transactions with its subsidiaries, as listed below:

Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances:

	The Company	
	2012 RM	**2011 RM**
(a) Sales of goods and rendering of services to subsidiaries:		
– telecommunications related services	**349.9**	253.5
– lease/rental of buildings and vehicles	**21.9**	29.0
– other income*	**27.5**	23.0
(b) Dividend and interest income from subsidiaries	**127.1**	112.8
(c) Purchases of goods and services from subsidiaries:		
– telecommunications related services	**735.9**	735.8
– lease/rental of buildings	**5.7**	5.5
– maintenance of vehicles and buildings	**48.6**	48.7
– other expenses	**102.1**	93.1
(d) Finance cost paid/payable to a subsidiary	**75.6**	74.3

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances: (continued)

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(e) Key management compensation[@]				
– short term employee benefits				
– fees	**2.2**	1.3	**1.9**	1.1
– salaries, allowances and bonus	**9.8**	9.9	**9.8**	9.9
– contribution to Employees Provident Fund	**1.2**	1.3	**1.2**	1.3
– other staff benefits	**0.2**	0.4	**0.2**	0.4
– estimated money value of benefits	**0.9**	1.1	**0.9**	1.1

[@] Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 6(b) to the financial statements.

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.4 million (2011: RM0.4 million).

	The Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
(f) Year end balances arising from:			
(i) Sales/Purchases of goods/services			
– receivables from subsidiaries	**169.7**	186.4	374.3
– payables to subsidiaries	**305.2**	397.1	419.0
(ii) Other payables			
– subsidiaries	**191.6**	264.5	201.2

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.18% to 3.26% (31 December 2011: 3.02% to 3.36%; 1 January 2011: 2.25% to 3.11%).

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	The Company	
	2012 RM	2011 RM
(g) Loans and advances to subsidiaries		
At 1 January	**219.7**	236.7
Cash advanced	**112.7**	–
Repayments (note 38)	**(72.0)**	(17.0)
Interest charged (note 7)	**10.8**	11.4
Reclassified as other receivables	**(10.8)**	(11.4)
At 31 December (note 25)	**260.4**	219.7

42. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(a) Property, plant and equipment (sub-note (i))				
Commitments in respect of expenditure approved and contracted for	**3,156.7**	2,770.8	**3,084.2**	2,701.0
Commitments in respect of expenditure approved but not contracted for	**1,570.3**	4,570.2	**1,509.7**	4,507.2

(i) Includes expenditure in relation to High Speed Broadband project.

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll out has covered 1.3 million premises in 2012.

42. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

(b) High Speed Broadband (HSBB) Project (continued)

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

		The Group and Company	
		2012 RM	2011 RM
(c)	**Donation to Yayasan Telekom Malaysia**		
	Amount approved and committed	**31.0**	30.2

		The Group and Company	
		2012 RM	2011 RM
(d)	**Future minimum lease payments of non-cancellable operating lease commitments**		
	Not later than one year	**75.2**	65.4
	Later than one year and not later than five years	**300.8**	300.8
	Later than five years	**432.4**	507.6
		808.4	873.8

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

43. SEGMENT REPORTING

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. Retail Business is further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers' needs. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

- Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of telecommunications services delivered over the Group's networks to other licensed network operators namely Network Facilities Providers (NFP), Network Service Providers (NSP) and Application Service Providers (ASP).

- Global Business is responsible for the provision of inbound and outbound services for a wide range of telecommunications services including the fixed network operations of the Group's overseas subsidiaries.

- Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Prior year comparatives have been restated in line with business structure realignment in the current financial year and the changes arising from the transition to MFRS and other changes to comparatives as disclosed in note 50 to the financial statements.

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 6(b) to the financial statements.

43. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Financial year ended 31 December 2012									
Operating revenue									
Total operating revenue	2,724.0	1,912.2	1,100.0	1,754.7	7,490.9	1,065.8	1,146.4	5,794.4	15,497.5
Inter-segment@	(31.7)	(1.7)	(3.7)	(0.1)	(37.2)	(291.5)	(271.3)	(4,904.0)	(5,504.0)
External operating revenue	2,692.3	1,910.5	1,096.3	1,754.6	7,453.7	774.3	875.1	890.4	9,993.5
Results									
Segment profits	22.6	298.9	241.7	509.6	1,072.8	132.7	127.7	73.2	1,406.4
Unallocated income/other gains									47.7
Unallocated costs									(266.9)
Operating profit before finance cost									1,187.2
Finance income									139.6
Finance cost									(331.5)
Foreign exchange gain on borrowings									73.4
Associates									
– share of results (net of tax)									0.9
Profit before taxation and zakat									1,069.6
Taxation and zakat									236.3
Profit for the financial year									1,305.9
At 31 December 2012									
Segment assets	461.7	224.5	88.9	894.7	1,669.8	607.9	465.1	15,276.7	18,019.5
Associates									1.5
Unallocated assets									4,174.9
Total assets									22,195.9
Segment liabilities	338.5	395.7	121.6	538.9	1,394.7	262.3	313.9	4,586.9	6,557.8
Borrowings									7,140.4
Unallocated liabilities									1,437.7
Total liabilities									15,135.9
Financial year ended 31 December 2012									
Other information									
Capital expenditure – additions during the financial year	0.1	0.3	0.6	197.1	198.1	70.2	61.5	2,252.5	2,582.3
Depreciation and amortisation	2.0	0.3	4.6	92.7	99.6	46.4	8.7	1,861.3	2,016.0
Write off of property, plant and equipment	0.1	#	#	0.1	0.2	0.5	#	27.7	28.4
Impairment of property, plant and equipment	–	–	–	–	–	–	–	0.3	0.3
Significant non-cash expenses	79.7	52.6	(13.1)	(0.6)	118.6	(5.5)	16.6	(19.4)	110.3

43. SEGMENT REPORTING (CONTINUED)

	Retail Business								
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2011									
Operating revenue									
Total operating revenue	2,487.8	1,840.6	1,088.0	1,433.9	6,850.3	1,067.5	1,079.0	5,320.0	14,316.8
Inter-segment@	(28.7)	(2.5)	(1.3)	(0.5)	(33.0)	(297.5)	(233.7)	(4,601.9)	(5,166.1)
External operating revenue	2,459.1	1,838.1	1,086.7	1,433.4	6,817.3	770.0	845.3	718.1	9,150.7
Results									
Segment profits/(losses)	31.5	303.9	205.9	347.8	889.1	151.4	167.2	(22.9)	1,184.8
Unallocated income/other gains									307.8
Unallocated costs									(247.7)
Operating profit before finance cost									1,244.9
Finance income									133.0
Finance cost									(318.2)
Foreign exchange loss on borrowings									(58.6)
Associates									
– share of results (net of tax)									0.1
Profit before taxation and zakat									1,001.2
Taxation and zakat									235.9
Profit for the financial year									1,237.1
At 31 December 2011									
Segment assets	518.8	236.4	142.7	922.1	1,820.0	570.7	437.4	14,807.2	17,635.3
Associates									0.6
Unallocated assets									4,616.4
Total assets									22,252.3
Segment liabilities	371.0	342.7	133.7	533.0	1,380.4	219.0	273.4	4,664.0	6,536.8
Borrowings									6,410.4
Unallocated liabilities									1,718.2
Total liabilities									14,665.4
Financial year ended 31 December 2011									
Other information									
Capital expenditure - additions during the financial year	0.2	0.3	12.3	71.0	83.8	62.6	30.1	2,469.4	2,645.9
Depreciation and amortisation	2.4	0.2	4.2	89.7	96.5	46.5	7.4	1,880.0	2,030.4
Write off of property, plant and equipment	0.2	#	#	2.5	2.7	0.6	0.2	93.9	97.4
Impairment of property, plant and equipment	–	–	–	–	–	0.1	–	0.1	0.2
Significant non-cash expenses	42.3	35.2	(3.5)	6.6	80.6	3.8	(0.9)	(7.1)	76.4

43. SEGMENT REPORTING (CONTINUED)

@ Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are entered into in the normal course of business and are subject to periodic review.

Amount less than RM0.1 million

By Geographical Location

The Group operates in a few countries as disclosed in note 51 to the financial statements. Accordingly, the segmentisation of the Group's operations by geographical location is segmentised into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	**9,118.4**	8,305.4	**17,315.9**	17,079.5	**2,329.6**	2,380.0
Other countries	**875.1**	845.3	**705.1**	556.4	**252.7**	265.9
Unallocated assets	**–**	–	**4,174.9**	4,616.4	**–**	–
	9,993.5	9,150.7	**22,195.9**	22,252.3	**2,582.3**	2,645.9

44. FINANCIAL INSTRUMENTS BY CATEGORY

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
31.12.2012						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	0.3	45.4	–	–	45.7
Available-for-sale investments (note 27)	–	–	–	599.3	–	599.3
Available-for-sale receivables (note 28(a))	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	142.0	–	–	–	–	142.0
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	1,943.1	–	–	–	–	1,943.1
Financial assets at fair value through profit or loss (note 33)	–	16.5	–	–	–	16.5
Cash and bank balances (note 34)	3,738.7	–	–	–	–	3,738.7
Total	5,823.8	16.8	45.4	606.9	–	6,492.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	7,085.9	7,085.9
Finance lease liabilities (note 16)	–	–	–	–	54.5	54.5
Derivative financial instruments (note 18)	–	25.6	25.9	–	–	51.5
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,090.5	3,090.5
Customer deposits (note 36)	–	–	–	–	518.2	518.2
Total	–	25.6	25.9	–	10,749.1	10,800.6

44. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
31.12.2011						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	–	66.2	–	–	66.2
Available-for-sale investments (note 27)	–	–	–	522.9	–	522.9
Available-for-sale receivables (note 28(a))	–	–	–	11.1	–	11.1
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	88.2	–	–	–	–	88.2
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	2,097.0	–	–	–	–	2,097.0
Financial assets at fair value through profit or loss (note 33)	–	20.1	–	–	–	20.1
Cash and bank balances (note 34)	4,213.0	–	–	–	–	4,213.0
Total	6,398.2	20.1	66.2	534.0	–	7,018.5
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	6,352.2	6,352.2
Finance lease liabilities (note 16)	–	–	–	–	58.2	58.2
Derivative financial instruments (note 18)	–	18.9	–	–	–	18.9
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,032.4	3,032.4
Customer deposits (note 36)	–	–	–	–	544.5	544.5
Total	–	18.9	–	–	9,987.3	10,006.2
1.1.2011						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	–	3.6	–	–	3.6
Available-for-sale investments (note 27)	–	–	–	952.7	–	952.7
Available-for-sale receivables (note 28(a))	–	–	–	14.9	–	14.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	90.6	–	–	–	–	90.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	2,373.2	–	–	–	–	2,373.2
Financial assets at fair value through profit or loss (note 33)	–	21.5	–	–	–	21.5
Cash and bank balances (note 34)	3,488.5	–	–	–	–	3,488.5
Total	5,952.3	21.5	3.6	967.6	–	6,945.0
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	5,470.4	5,470.4
Finance lease liabilities (note 16)	–	–	–	–	61.6	61.6
Derivative financial instruments (note 18)	–	22.8	5.2	–	–	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,107.1	3,107.1
Customer deposits (note 36)	–	–	–	–	580.5	580.5
Total	–	22.8	5.2	–	9,219.6	9,247.6

44. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
31.12.2012						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	0.3	45.4	–	–	45.7
Loans and advances to subsidiaries (note 25)	260.4	–	–	–	–	260.4
Available-for-sale investments (note 27)	–	–	–	599.2	–	599.2
Available-for-sale receivables (note 28(a))	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	103.8	–	–	–	–	103.8
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	1,681.3	–	–	–	–	1,681.3
Financial assets at fair value through profit or loss (note 33)	–	16.5	–	–	–	16.5
Cash and bank balances (note 34)	3,241.6	–	–	–	–	3,241.6
Total	5,287.1	16.8	45.4	606.8	–	5,956.1
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	5,385.8	5,385.8
Finance lease liabilities (note 16)	–	–	–	–	54.5	54.5
Derivative financial instruments (note 18)	–	25.6	25.9	–	–	51.5
Payable to a subsidiary (note 17)	–	–	–	–	1,697.1	1,697.1
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,140.0	3,140.0
Customer deposits (note 36)	–	–	–	–	517.8	517.8
Total	–	25.6	25.9	–	10,795.2	10,846.7

44. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
31.12.2011						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	–	66.2	–	–	66.2
Loans and advances to subsidiaries (note 25)	219.7	–	–	–	–	219.7
Available-for-sale investments (note 27)	–	–	–	522.8	–	522.8
Available-for-sale receivables (note 28(a))	–	–	–	11.1	–	11.1
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	88.0	–	–	–	–	88.0
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	2,007.5	–	–	–	–	2,007.5
Financial assets at fair value through profit or loss (note 33)	–	20.1	–	–	–	20.1
Cash and bank balances (note 34)	3,729.0	–	–	–	–	3,729.0
Total	6,044.2	20.1	66.2	533.9	–	6,664.4
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	4,875.0	4,875.0
Finance lease liabilities (note 16)	–	–	–	–	58.2	58.2
Derivative financial instruments (note 18)	–	18.9	–	–	–	18.9
Payable to a subsidiary (note 17)	–	–	–	–	1,474.2	1,474.2
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,268.7	3,268.7
Customer deposits (note 36)	–	–	–	–	543.8	543.8
Total	–	18.9	–	–	10,219.9	10,238.8
1.1.2011						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	–	3.6	–	–	3.6
Loans and advances to subsidiaries (note 25)	236.7	–	–	–	–	236.7
Available-for-sale investments (note 27)	–	–	–	470.8	–	470.8
Available-for-sale receivables (note 28(a))	–	–	–	14.9	–	14.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	90.3	–	–	–	–	90.3
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	2,246.1	–	–	–	–	2,246.1
Financial assets at fair value through profit or loss (note 33)	–	21.5	–	–	–	21.5
Cash and bank balances (note 34)	3,077.7	–	–	–	–	3,077.7
Total	5,650.8	21.5	3.6	485.7	–	6,161.6
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	4,012.0	4,012.0
Finance lease liabilities (note 16)	–	–	–	–	61.6	61.6
Derivative financial instruments (note 18)	–	22.8	5.2	–	–	28.0
Payable to a subsidiary (note 17)	–	–	–	–	1,434.0	1,434.0
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,285.1	3,285.1
Customer deposits (note 36)	–	–	–	–	580.1	580.1
Total	–	22.8	5.2	–	9,372.8	9,400.8

45. FAIR VALUES

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December:

	31.12.2012				31.12.2011				1.1.2011			
The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Assets												
Financial assets at fair value through profit or loss												
– quoted securities	16.5	–	–	16.5	20.1	–	–	20.1	21.5	–	–	21.5
Derivatives at fair value through profit or loss	–	0.3	–	0.3	–	–	–	–	–	–	–	–
Derivatives accounted for under hedge accounting	–	45.4	–	45.4	–	66.2	–	66.2	–	3.6	–	3.6
Available-for-sale financial assets												
– investments	–	550.0	49.3	599.3	#	465.8	57.1	522.9	481.9	420.4	50.4	952.7
– receivables	–	7.6	–	7.6	–	11.1	–	11.1	–	14.9	–	14.9
Total	16.5	603.3	49.3	669.1	20.1	543.1	57.1	620.3	503.4	438.9	50.4	992.7
Liabilities												
Derivatives at fair value through profit or loss	–	25.6	–	25.6	–	18.9	–	18.9	–	22.8	–	22.8
Derivatives accounted for under hedge accounting	–	25.9	–	25.9	–	–	–	–	–	5.2	–	5.2
Total	–	51.5	–	51.5	–	18.9	–	18.9	–	28.0	–	28.0

Amount less than RM0.1 million

45. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

The Company	31.12.2012 Level 1 RM	31.12.2012 Level 2 RM	31.12.2012 Level 3 RM	31.12.2012 Total RM	31.12.2011 Level 1 RM	31.12.2011 Level 2 RM	31.12.2011 Level 3 RM	31.12.2011 Total RM	1.1.2011 Level 1 RM	1.1.2011 Level 2 RM	1.1.2011 Level 3 RM	1.1.2011 Total RM
Assets												
Financial assets at fair value through profit or loss												
– quoted securities	16.5	–	–	16.5	20.1	–	–	20.1	21.5	–	–	21.5
Derivatives at fair value through profit or loss	–	0.3	–	0.3	–	–	–	–	–	–	–	–
Derivatives accounted for under hedge accounting	–	45.4	–	45.4	–	66.2	–	66.2	–	3.6	–	3.6
Available-for-sale financial assets												
– investments	–	549.9	49.3	599.2	–	465.7	57.1	522.8	–	420.4	50.4	470.8
– receivables	–	7.6	–	7.6	–	11.1	–	11.1	–	14.9	–	14.9
Total	16.5	603.2	49.3	669.0	20.1	543.0	57.1	620.2	21.5	438.9	50.4	510.8
Liabilities												
Derivatives at fair value through profit or loss	–	25.6	–	25.6	–	18.9	–	18.9	–	22.8	–	22.8
Derivatives accounted for under hedge accounting	–	25.9	–	25.9	–	–	–	–	–	5.2	–	5.2
Total	–	51.5	–	51.5	–	18.9	–	18.9	–	28.0	–	28.0

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occuring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise equity securities quoted on the Bursa Malaysia Securities Berhad classified as fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

45. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security.

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy:

	The Group and Company	
	2012 RM	2011 RM
At 1 January	**57.1**	50.4
Fair value changes transferred to other comprehensive income	**(7.8)**	6.7
At 31 December	**49.3**	57.1

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM1.6 million (2011: RM2.7 million) lower or RM1.9 million (2011: RM3.2 million) higher.

45. FAIR VALUES (CONTINUED)

(b) Financial Instruments Other Than Those Carried at Fair Value

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as set out below:

	The Group						The Company					
	31.12.2012		31.12.2011		1.1.2011		31.12.2012		31.12.2011		1.1.2011	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets												
Loans and advances to subsidiaries	**–**	**–**	–	–	–	–	**–**	**–**	–	–	236.7	204.5
Staff loans	**31.6**	**27.1**	34.7	30.9	46.8	47.1	**31.4**	**27.1**	34.5	30.8	46.5	46.9
Other non-current receivables (excluding tax recoverable)	**110.4**	**100.9**	53.5	53.0	–	–	**72.4**	**62.8**	53.5	53.0	–	–
Liabilities												
Borrowings	**7,140.4**	**7,784.9**	6,410.4	7,089.6	5,532.0	6,075.4	**5,440.3**	**5,976.0**	4,933.2	5,509.7	4,073.6	4,515.3
Payable to a subsidiary	**–**	**–**	–	–	–	–	**1,697.1**	**1,805.9**	1,474.2	1,576.9	1,434.0	1,535.7

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The carrying amount of loans and advances to subsidiaries as at 31 December 2012 reasonably approximate their fair values following the restructuring of a loan into floating interest rate loan in 2011. Prior to the restructuring, the fair value of loans and advances to subsidiaries was estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The fair values of staff loans and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

45. FAIR VALUES (CONTINUED)

(b) Financial Instruments Other Than Those Carried at Fair Value (continued)

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within 1 year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

46. LIQUIDITY RISK

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows:

The Group	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
31.12.2012							
Borrowings	(2,015.4)	(1,481.6)	(447.7)	(3,226.5)	(7,171.2)	30.8	(7,140.4)
Unfavourable forward contracts	–	(26.9)	–	–	(26.9)	1.3	(25.6)
Unfavourable cross currency interest rate swaps	(8.2)	(8.2)	(10.3)	–	(26.7)	0.8	(25.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,090.5)	–	–	–	(3,090.5)	–	(3,090.5)
Customer deposits	(518.2)	–	–	–	(518.2)	–	(518.2)
Total	(5,632.3)	(1,516.7)	(458.0)	(3,226.5)	(10,833.5)	32.9	(10,800.6)
Interest	(371.7)	(228.7)	(516.3)	(821.4)	(1,938.1)		
31.12.2011							
Borrowings	(19.1)	(2,016.2)	(1,648.9)	(2,765.2)	(6,449.4)	39.0	(6,410.4)
Unfavourable forward contracts	–	–	(19.8)	–	(19.8)	0.9	(18.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,032.4)	–	–	–	(3,032.4)	–	(3,032.4)
Customer deposits	(544.5)	–	–	–	(544.5)	–	(544.5)
Total	(3,596.0)	(2,016.2)	(1,668.7)	(2,765.2)	(10,046.1)	39.9	(10,006.2)
Interest	(354.0)	(353.5)	(511.6)	(968.8)	(2,187.9)		
1.1.2011							
Borrowings	(26.2)	(7.8)	(3,543.0)	(1,986.8)	(5,563.8)	31.8	(5,532.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	–	(5.7)	0.5	(5.2)
Unfavourable forward contracts	–	–	(24.7)	–	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,107.1)	–	–	–	(3,107.1)	–	(3,107.1)
Customer deposits	(580.5)	–	–	–	(580.5)	–	(580.5)
Total	(3,703.2)	(9.2)	(3,575.7)	(1,992.1)	(9,280.2)	36.2	(9,244.0)
Interest	(316.4)	(316.9)	(600.7)	(830.8)	(2,064.8)		

46. LIQUIDITY RISK (CONTINUED)

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows: (continued)

The Company	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
31.12.2012							
Borrowings	(2,012.4)	(59.5)	(172.7)	(3,226.5)	(5,471.1)	30.8	(5,440.3)
Payable to a subsidiary	–	(1,422.1)	(275.0)	–	(1,697.1)	–	(1,697.1)
Unfavourable forward contracts	–	(26.9)	–	–	(26.9)	1.3	(25.6)
Unfavourable cross currency interest rate swaps	(8.2)	(8.2)	(10.3)	–	(26.7)	0.8	(25.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,140.0)	–	–	–	(3,140.0)	–	(3,140.0)
Customer deposits	(517.8)	–	–	–	(517.8)	–	(517.8)
Total	(5,678.4)	(1,516.7)	(458.0)	(3,226.5)	(10,879.6)	32.9	(10,846.7)
Interest	(371.7)	(228.7)	(516.3)	(821.4)	(1,938.1)		
31.12.2011							
Borrowings	(16.1)	(2,016.2)	(174.7)	(2,765.2)	(4,972.2)	39.0	(4,933.2)
Payable to a subsidiary	–	–	(1,474.2)	–	(1,474.2)	–	(1,474.2)
Unfavourable forward contracts	–	–	(19.8)	–	(19.8)	0.9	(18.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,268.7)	–	–	–	(3,268.7)	–	(3,268.7)
Customer deposits	(543.8)	–	–	–	(543.8)	–	(543.8)
Total	(3,828.6)	(2,016.2)	(1,668.7)	(2,765.2)	(10,278.7)	39.9	(10,238.8)
Interest	(354.0)	(353.5)	(511.6)	(968.8)	(2,187.9)		
1.1.2011							
Borrowings	(4.8)	(4.8)	(2,109.0)	(1,986.8)	(4,105.4)	31.8	(4,073.6)
Payable to a subsidiary	–	–	(1,434.0)	–	(1,434.0)	–	(1,434.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	–	(5.7)	0.5	(5.2)
Unfavourable forward contracts	–	–	(24.7)	–	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,285.1)	–	–	–	(3,285.1)	–	(3,285.1)
Customer deposits	(580.1)	–	–	–	(580.1)	–	(580.1)
Total	(3,859.4)	(6.2)	(3,575.7)	(1,992.1)	(9,433.4)	36.2	(9,397.2)
Interest	(315.5)	(316.8)	(600.7)	(830.8)	(2,063.8)		

47. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk after taking into account the effects of interest rate swaps. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 46 or the repayment schedules in note 16 to the financial statements. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	WARF*	1 year or less RM	>1-2 years RM	>2-3 years RM	>3-4 years RM	>4-5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
31.12.2012										
Financial assets										
Derivative financial instruments	–	45.7	–	–	–	–	–	45.7	–	45.7
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	98.7	98.7
– fixed interest rate	4.76%	500.6	–	–	–	–	–	500.6	–	500.6
Available-for-sale receivables	7.78%	1.0	0.7	0.9	1.0	0.9	3.1	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.93%	25.9	0.4	0.5	0.3	0.1	0.3	27.5	38.0	65.5
– balances under Islamic principles	4.35%	47.3	1.2	1.6	2.1	2.3	22.0	76.5	–	76.5
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,943.1	1,943.1
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	16.5	16.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	476.3	476.3
– fixed interest rate										
– conventional	3.63%	567.1	–	–	–	–	–	567.1	–	567.1
– balances under Islamic principles	3.45%	2,695.3	–	–	–	–	–	2,695.3	–	2,695.3
Total		3,882.9	2.3	3.0	3.4	3.3	25.4	3,920.3	2,572.6	6,492.9
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.5	3.5
– fixed interest rate										
– conventional	5.66%	3.1	1,467.9	43.8	42.1	315.0	971.4	2,843.3	–	2,843.3
– balances under Islamic principles	5.10%	2,943.6	–	–	–	–	1,350.0	4,293.6	–	4,293.6
Derivative financial instruments	–	51.5	–	–	–	–	–	51.5	–	51.5
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	3,090.5	3,090.5
Customer deposits	–	–	–	–	–	–	–	–	518.2	518.2
Total		2,998.2	1,467.9	43.8	42.1	315.0	2,321.4	7,188.4	3,612.2	10,800.6
Interest sensitivity gap		884.7	(1,465.6)	(40.8)	(38.7)	(311.7)	(2,296.0)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1-2 years RM	>2-3 years RM	>3-4 years RM	>4-5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
31.12.2011										
Financial assets										
Derivative financial instruments	–	66.2	–	–	–	–	–	66.2	–	66.2
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	104.8	104.8
– fixed interest rate	4.66%	418.1	–	–	–	–	–	418.1	–	418.1
Available-for-sale receivables	7.79%	0.4	0.4	0.6	0.8	1.0	7.9	11.1	–	11.1
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	5.38%	8.6	0.6	0.6	0.8	0.3	0.4	11.3	–	11.3
– balances under Islamic principles	4.63%	46.5	1.2	1.7	1.8	2.6	23.1	76.9	–	76.9
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,097.0	2,097.0
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	20.1	20.1
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	635.9	635.9
– fixed interest rate										
– conventional	3.42%	1,895.0	–	–	–	–	–	1,895.0	–	1,895.0
– balances under Islamic principles	3.54%	1,682.1	–	–	–	–	–	1,682.1	–	1,682.1
Total		4,116.9	2.2	2.9	3.4	3.9	31.4	4,160.7	2,857.8	7,018.5
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.7	3.7
– fixed interest rate										
– conventional	6.17%	3.9	0.8	1,518.4	42.0	40.1	1,046.1	2,651.3	–	2,651.3
– balances under Islamic principles	5.25%	30.4	2,925.0	–	–	–	800.0	3,755.4	–	3,755.4
Derivative financial instruments	–	18.9	–	–	–	–	–	18.9	–	18.9
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	3,032.4	3,032.4
Customer deposits	–	–	–	–	–	–	–	–	544.5	544.5
Total		53.2	2,925.8	1,518.4	42.0	40.1	1,846.1	6,425.6	3,580.6	10,006.2
Interest sensitivity gap		4,063.7	(2,923.6)	(1,515.5)	(38.6)	(36.2)	(1,814.7)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1–2 years RM	>2–3 years RM	>3–4 years RM	>4–5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
1.1.2011										
Financial assets										
Derivative financial instruments	–	3.6	–	–	–	–	–	3.6	–	3.6
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	596.5	596.5
– fixed interest rate	4.60%	356.2	–	–	–	–	–	356.2	–	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	–	14.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	7.98%	0.5	0.8	0.1	2.3	0.9	0.9	5.5	–	5.5
– balances under Islamic principles	4.28%	44.5	2.2	2.8	3.4	3.0	29.2	85.1	–	85.1
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,373.2	2,373.2
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	21.5	21.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	437.2	437.2
– fixed interest rate										
– conventional	3.24%	1,835.7	–	–	–	–	–	1,835.7	–	1,835.7
– balances under Islamic principles	3.18%	1,215.6	–	–	–	–	–	1,215.6	–	1,215.6
Total		3,456.2	3.3	3.4	6.6	5.3	41.8	3,516.6	3,428.4	6,945.0
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.9	3.9
– fixed interest rate										
– conventional	6.18%	22.5	3.8	0.1	1,477.8	40.6	1,059.9	2,604.7	–	2,604.7
– balances under Islamic principles	5.57%	(1.6)	–	2,925.0	–	–	–	2,923.4	–	2,923.4
Derivative financial instruments	–	28.0	–	–	–	–	–	28.0	–	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	3,107.1	3,107.1
Customer deposits	–	–	–	–	–	–	–	–	580.5	580.5
Total		48.9	3.8	2,925.1	1,477.8	40.6	1,059.9	5,556.1	3,691.5	9,247.6
Interest sensitivity gap		3,407.3	(0.5)	(2,921.7)	(1,471.2)	(35.3)	(1,018.1)			

* WARF – Weighted Average Rate of Finance as at 31 December

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	31.12.2012		31.12.2011		1.1.2011	
The Group	**USD**	**RM**	**USD**	**RM**	**USD**	**RM**
Financial assets						
Available-for-sale investments	**–**	**4.76%**	–	4.66%	–	4.60%
Available-for-sale receivables	**–**	**7.78%**	–	7.79%	–	7.52%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**4.24%**	–	4.73%	–	4.50%
Cash and bank balances	**0.60%**	**3.53%**	0.09%	3.00%	–	2.90%
Financial liabilities						
Borrowings	**6.28%**	**5.10%**	6.28%	5.24%	6.28%	5.24%

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive	Non-interest sensitive	Total
		1 year or less RM	>1-2 years RM	>2-3 years RM	>3-4 years RM	>4-5 years RM	More than 5 years RM	RM	RM	RM
31.12.2012										
Financial assets										
Derivative financial instruments	–	45.7	–	–	–	–	–	45.7	–	45.7
Loans and advances to subsidiaries (net)										
– floating interest rate	3.80%	30.0	11.5	–	156.2	62.7	–	260.4	–	260.4
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	98.6	98.6
– fixed interest rate	4.76%	500.6	–	–	–	–	–	500.6	–	500.6
Available-for-sale receivables	7.78%	1.0	0.7	0.9	1.0	0.9	3.1	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.93%	25.7	0.4	0.5	0.3	0.1	0.3	27.3	–	27.3
– balances under Islamic principles	4.35%	47.3	1.2	1.6	2.1	2.3	22.0	76.5	–	76.5
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,681.3	1,681.3
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	16.5	16.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	207.6	207.6
– fixed interest rate										
– conventional	3.83%	501.4	–	–	–	–	–	501.4	–	501.4
– balances under Islamic principles	3.45%	2,532.6	–	–	–	–	–	2,532.6	–	2,532.6
Total		3,684.3	13.8	3.0	159.6	66.0	25.4	3,952.1	2,004.0	5,956.1

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1-2 years RM	>2-3 years RM	>3-4 years RM	>4-5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
31.12.2012										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.5	3.5
– fixed interest rate										
– conventional	6.17%	0.1	45.8	43.8	42.1	40.0	971.4	1,143.2	–	1,143.2
– balances under Islamic principles	5.10%	2,943.6	–	–	–	–	1,350.0	4,293.6	–	4,293.6
Payable to a subsidiary										
– fixed interest rate	4.55%	–	1,422.1	–	–	275.0	–	1,697.1	–	1,697.1
Derivative financial instruments	–	51.5	–	–	–	–	–	51.5	–	51.5
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,948.4	2,948.4
– floating interest rate	3.26%	191.6	–	–	–	–	–	191.6	–	191.6
Customer deposits	–	–	–	–	–	–	–	–	517.8	517.8
Total		3,186.8	1,467.9	43.8	42.1	315.0	2,321.4	7,377.0	3,469.7	10,846.7
Interest sensitivity gap		497.5	(1,454.1)	(40.8)	117.5	(249.0)	(2,296.0)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1–2 years RM	>2–3 years RM	>3–4 years RM	>4–5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
31.12.2011										
Financial assets										
Derivative financial instruments	–	66.2	–	–	–	–	–	66.2	–	66.2
Loans and advances to subsidiaries (net)										
– floating interest rate	4.44%	–	–	35.5	–	184.2	–	219.7	–	219.7
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	104.7	104.7
– fixed interest rate	4.66%	418.1	–	–	–	–	–	418.1	–	418.1
Available-for-sale receivables	7.79%	0.4	0.4	0.6	0.8	1.0	7.9	11.1	–	11.1
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	5.38%	8.6	0.6	0.6	0.8	0.3	0.4	11.3	–	11.3
– balances under Islamic principles	4.63%	46.3	1.2	1.7	1.8	2.6	23.1	76.7	–	76.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,007.5	2,007.5
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	20.1	20.1
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	355.8	355.8
– fixed interest rate										
– conventional	3.47%	1,833.2	–	–	–	–	–	1,833.2	–	1,833.2
– balances under Islamic principles	3.54%	1,540.0	–	–	–	–	–	1,540.0	–	1,540.0
Total		3,912.8	2.2	38.4	3.4	188.1	31.4	4,176.3	2,488.1	6,664.4

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1-2 years RM	>2-3 years RM	>3-4 years RM	>4-5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
31.12.2011										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.7	3.7
– fixed interest rate										
– conventional	7.34%	0.9	0.8	44.2	42.0	40.1	1,046.1	1,174.1	–	1,174.1
– balances under Islamic principles	5.25%	30.4	2,925.0	–	–	–	800.0	3,755.4	–	3,755.4
Payable to a subsidiary										
– fixed interest rate	5.25%	–	–	1,474.2	–	–	–	1,474.2	–	1,474.2
Derivative financial instruments	–	18.9	–	–	–	–	–	18.9	–	18.9
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,004.2	3,004.2
– floating interest rate	3.33%	264.5	–	–	–	–	–	264.5	–	264.5
Customer deposits	–	–	–	–	–	–	–	–	543.8	543.8
Total		314.7	2,925.8	1,518.4	42.0	40.1	1,846.1	6,687.1	3,551.7	10,238.8
Interest sensitivity gap		3,598.1	(2,923.6)	(1,480.0)	(38.6)	148.0	(1,814.7)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1–2 years RM	>2–3 years RM	>3–4 years RM	>4–5 years RM	More than 5 years RM			
1.1.2011										
Financial assets										
Derivative financial instruments	–	3.6	–	–	–	–	–	3.6	–	3.6
Loans and advances to subsidiaries (net)										
– floating interest rate	4.16%	–	–	–	52.5	–	–	52.5	–	52.5
– fixed interest rate	5.35%	–	–	–	–	–	184.2	184.2	–	184.2
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	114.6	114.6
– fixed interest rate	4.60%	356.2	–	–	–	–	–	356.2	–	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	–	14.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	7.98%	0.2	0.8	0.1	2.3	0.9	0.9	5.2	–	5.2
– balances under Islamic principles	4.28%	44.5	2.2	2.8	3.4	3.0	29.2	85.1	–	85.1
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,246.1	2,246.1
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	21.5	21.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	200.6	200.6
– fixed interest rate										
– conventional	3.24%	1,753.1	–	–	–	–	–	1,753.1	–	1,753.1
– balances under Islamic principles	3.19%	1,124.0	–	–	–	–	–	1,124.0	–	1,124.0
Total		3,281.7	3.3	3.4	59.1	5.3	226.0	3,578.8	2,582.8	6,161.6

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1-2 years RM	>2-3 years RM	>3-4 years RM	>4-5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
1.1.2011										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.9	3.9
– fixed interest rate										
– conventional	7.34%	1.1	0.8	0.1	43.8	40.6	1,059.9	1,146.3	–	1,146.3
– balances under Islamic principles	5.57%	(1.6)	–	2,925.0	–	–	–	2,923.4	–	2,923.4
Payable to a subsidiary										
– fixed interest rate	5.25%	–	–	–	1,434.0	–	–	1,434.0	–	1,434.0
Derivative financial instruments	–	28.0	–	–	–	–	–	28.0	–	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,083.9	3,083.9
– floating interest rate	3.11%	201.2	–	–	–	–	–	201.2	–	201.2
Customer deposits	–	–	–	–	–	–	–	–	580.1	580.1
Total		228.7	0.8	2,925.1	1,477.8	40.6	1,059.9	5,732.9	3,667.9	9,400.8
Interest sensitivity gap		3,053.0	2.5	(2,921.7)	(1,418.7)	(35.3)	(833.9)			

* WARF – Weighted Average Rate of Finance as at 31 December

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Company	31.12.2012		31.12.2011		1.1.2011	
	USD	RM	USD	RM	USD	RM
Financial assets						
Loans and advances to subsidiaries (net)	**2.72%**	**4.14%**	–	4.44%	–	5.09%
Available-for-sale investments	**–**	**4.76%**	–	4.66%	–	4.60%
Available-for-sale receivables	**–**	**7.78%**	–	7.79%	–	7.52%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**4.24%**	–	4.73%	–	4.50%
Cash and bank balances	**0.38%**	**3.55%**	–	3.21%	–	3.05%
Financial liabilities						
Borrowings	**7.88%**	**5.10%**	7.88%	5.24%	7.88%	5.54%
Payable to a subsidiary	**5.25%**	**–**	5.25%	–	5.25%	–
Trade and other payables (excluding statutory liabilities and deferred revenue)	**–**	**0.20%**	–	0.27%	–	0.19%

48. CONTINGENT LIABILITIES (UNSECURED)

(a) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(a) (v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit (Striking Out Application).

On 20 July 2012, the High Court found in favour of the Company and granted an order in terms of the Striking Out Application.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The Court of Appeal has fixed 28 February 2013, as the hearing date for the appeal.

The Directors, based on legal advice, are of the view that the Company and TESB have a good chance of success in the appeal.

(b) On 11 August 2009, the Company and its wholly owned subsidiary, TM Net Sdn Bhd (TM Net) were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd (NGSB) in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

On 17 September 2009, the Company and TM Net filed the Amended Statement of Defence in Court.

On 13 October 2009, NGSB filed and served an Amended Statement of Claim to TM Net wherein NGSB have quantified their claim for aggravated damages at RM200.0 million and exemplary damages at RM200.0 million. Pursuant thereto, the Company and TM Net filed a re-amended Statement of Defence in Court on 23 October 2009.

On 10 December 2009, the Company and TM Net filed an application to strike out NGSB's claim. On 15 July 2010, the High Court proceeded with the hearing of the striking out application and dismissed the same with cost on 9 August 2010. On 3 September 2010, the Company and TM Net filed an appeal to the Court of Appeal against the abovestated decision of the High Court. On 11 January 2011, the Court of Appeal has dismissed appeal.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim was allowed by the High Court on 12 January 2011. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

(a) a declaration that:

(i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);

(ii) the Company breached the Agreement;

(iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(b) (b) an order that the Company and TM Net pay NGSB the following special damages:

(i) RM150,000 for the services of Fiberail Sdn Bhd;

(ii) RM300,000 for the services of "MYLOCA" and/or the rental space of TM Net;

(iii) RM1.0 million for the cost of the tests conducted;

(iv) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;

(v) RM3.0 million for license fees for the use of software;

(vi) RM3.0 million for license fees for the use of content;

(vii) RM500,000 for legal fees;

(viii) RM4.0 million for overheads; and

(ix) loan of RM7.0 million from Eurofine Sdn Bhd.

(c) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;

(d) an order that the Company and TM Net pay general damages;

(e) an order that the general damages be assessed by the court;

(f) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;

(g) cost; and

(h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd.

The case proceeded for trial on 25, 26 and 27 January 2012 and thereafter on 7 and 8 May 2012. On 2 July 2012, the High Court dismissed NGSB's legal suit with cost.

On 1 August 2012, NGSB filed an appeal to the Court of Appeal against the decision of the High Court above. The Court of Appeal has yet to fix a hearing date for the appeal.

The Directors, based on legal advice, are of the view that the Company has a good chance of success in the appeal.

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(c) On 3 January 2011, the Company was served with a Judgment in Default by AINB Tech (M) Sdn Bhd (AINB) dated 2 December 2010 and based on the Judgment, AINB has been awarded the following reliefs by the High Court:

(i) RM25.0 million being AINB's expenses incurred for the purpose of a project known as "Supply, Delivery, Installation, Testing, Commissioning and Support of One Number Service" entered into between both parties (the Project);

(ii) general damages to be assessed by the Court;

(iii) interest at the rate of 5% per annum calculated from the date of the Judgment until the date of the full settlement;

(iv) legal costs of RM225; and

(v) other relief as deemed fit by the Court.

On 14 January 2011, the Company filed an application in Court to set aside the Judgment in Default and it was fixed for hearing on 21 January 2011. On 21 January 2011, the Court allowed the Company's application for a stay of all execution proceedings against the Company in respect of the Judgment in Default pending the final disposal of the Company's application to set aside the Judgment in Default.

On 23 February 2011, the Court allowed the Company's application to set aside the Judgment in Default with cost. Subsequently on 30 June 2011, the entire legal suit was dismissed with cost.

On 22 March 2012, AINB's appeal to the Court of Appeal against the High Court's decision above was struck out.

The Directors, based on the legal advice, are of the view that the legal suit has ended.

(d) The legal suit was commenced by One Visa Sdn Bhd (OVSB) against the Company on 21 September 2012.

In brief, the legal suit is premised on the allegation that the Company is a trespasser on 5 pieces of land belonging to OVSB known as HS(D) 23474 Lot 3181, HS(D) 23475 Lot 3182, HS(D) 23477 Lot 3183, HS(D) 23478 Lot 3184 and HS(D) 23479 Lot 3185 of Pekan Ulu Temiang, Negeri Sembilan (the Land) due to the existence of the Company's network infrastructures thereon. OVSB further alleges that it was prevented from developing the Land to its full potential as a result of the supply of telecommunication services by the Company to certain illegal occupiers (Squatters) on the Land.

OVSB is claiming the following sums from the Company:

(i) damages amounting to RM23,077,116.00 which is the total rental value of the Land allegedly payable by the Company to OVSB, based on current prevailing market value rate calculated with effect from 22 March 2011 and continuing until cessation of the telecommunication services and the date of removal of the Company's offending infrastructure from the Land;

(ii) damages amounting to RM198,110,908.00 which OVSB alleges as being its loss of opportunity and/or loss of profit by reason of the continued wrongful occupation of the Squatters on the Land which was caused, encouraged or facilitated by the Company in OVSB being prevented from developing the Land to its full potential;

(iii) quit rent and assessment for the Land for the year 2012 amounting to RM234,677.00 and RM49,360.00 respectively; and

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(d) (iv) general damages, aggravated/exemplary damages, interest and costs.

On 28 September 2012, the Company filed its Memorandum of Appearance in the High Court. The Statement of Defence was later filed on 22 October 2012. The trial date is fixed on 21 to 25 October 2013.

The Directors, based on legal advice, are of the view that the Company has a reasonably good arguable defence to dismiss the legal suit.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

49. SIGNIFICANT SUBSEQUENT EVENT

Derivative financial instrument and hedging transactions

On 3 January 2013, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM94.8 million.

On 11 January 2013, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD40.0 million from the counterparty in return for a payment of RM125.6 million.

The objective of these contracts is to effectively convert part of the USD465.1 million 5.25% Guaranteed Notes of the Group, due in 2014, into an RM principal liability.

Save for the above, there is no other material event subsequent to the reporting date that requires disclosure or adjustment to the audited financial statements.

50. IMPACT OF TRANSITION TO MFRS AND CHANGES TO COMPARATIVES

(a) Impact of transition to MFRS

Subsequent to the last financial year end, the Group and the Company have adopted the Malaysian Financial Reporting Standard Framework (MFRS Framework) issued by the MASB with effect from 1 January 2012. The adoption of MFRS Framework enables entities to assert that their financial statements are in full compliance with International Financial Reporting Standards (IFRS) because the MFRS Framework is a fully-IFRS-compliant framework and its standards are equivalent to IFRS.

As disclosed in note 2 to the financial statements, this set of financial statements of the Group and the Company are the first set of financial statements prepared in accordance with MFRSs, including MFRS 1 "First-time Adoption of MFRS". The MFRS is generally required to be applied retrospectively with certain mandatory exceptions and optional exemptions provided by MFRS 1 to facilitate entities transitioning to MFRS. The mandatory exceptions and optional exemptions applied by the Group are set out below.

50. IMPACT OF TRANSITION TO MFRS AND CHANGES TO COMPARATIVES (CONTINUED)

(a) Impact of transition to MFRS (continued)

(i) MFRS 1 mandatory exceptions to the retrospective application of other MFRSs includes the following:

- MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with the previous Financial Reporting Standards (FRS).

- Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 "Financial Instruments: Recognition and Measurement" at that date. Hedging relationships cannot be designated retrospectively.

- Application of the derecognition rules in MFRS 139 "Financial Instruments: Recognition and Measurement" to financial assets and liabilities that have been derecognised, except under certain conditions.

- Application of requirements pertaining to the attribution of earnings and loss to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance, accounting for changes in the parent's ownership interest in a subsidiary company that does not result in a loss of control and accounting for loss of control over a subsidiary company.

(ii) MFRS 1 optional exemptions

1) Exemption for business combinations

MFRS 1 provides the option to apply MFRS 3 "Business Combinations" prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group and the Company elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2011. Business combinations that occurred prior to 1 January 2011 have not been restated. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition. In addition, the Group has also applied MFRS 127 "Consolidated and Separate Financial Statements" from the same date.

50. IMPACT OF TRANSITION TO MFRS AND CHANGES TO COMPARATIVES (CONTINUED)

(a) Impact of transition to MFRS (continued)

(ii) MFRS 1 optional exemptions (continued)

2) Exemption for fair value as deemed cost on property, plant and equipment

In accordance with the exemptions in MFRS 1, the Group and the Company have elected to measure freehold land at fair value as at transition date as their deemed cost as at that date. The aggregate fair value and adjustments to the carrying amount reported under FRS at transition date are as follows:

	The Group		The Company	
	Aggregate fair value RM	Aggregate adjustments to the carrying amount reported under FRS RM	Aggregate fair value RM	Aggregate adjustments to the carrying amount reported under FRS RM
Freehold land				
– included in property, plant and equipment	725.5	508.7	255.3	203.3
– included in investment property	–	–	67.0	26.6
	725.5	508.7	322.3	229.9

3) Designation of previously recognised financial instruments

MFRS 1 permits a previously recognised financial instrument to be designated as available for sale or fair value through profit or loss on the transition date provided the criteria in MFRS 139 "Financial Instruments: Recognition and Measurement" are met. The Group and the Company elected not to designate a previously recognised financial asset and liability as a financial asset or financial liability as at fair value through profit or loss or designate a financial asset as available-for-sale at its transition date.

4) Share-based payment transactions

MFRS 1 provides retrospective relief from applying MFRS 2 "Share-based Payment" to equity instruments granted on or before 7 November 2002 and to equity instruments granted after 7 November 2002 and vested before the transition date. The Group and the Company have applied this exemption to not apply the requirements in MFRS 2 to equity instruments mentioned above.

5) Borrowing costs

The Group and the Company have applied the exemption to apply MFRS 123 "Borrowing Costs" prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the date of transition.

50. IMPACT OF TRANSITION TO MFRS AND CHANGES TO COMPARATIVES (CONTINUED)

(a) Impact of transition to MFRS (continued)

(ii) MFRS 1 optional exemptions (continued)

6) Arrangement with leases

In accordance with the exemptions in MFRS 1, the Group elected to make the determination of whether an arrangement existing at the date of transition to MFRSs contains a lease on the basis of facts and circumstances existing at that date.

7) Fair value measurement of financial assets or financial liabilities at initial recognition

The Group has applied the exemption to apply the requirements pertaining to fair value measurement of no-active market financial instrument at initial recognition prospectively to transactions entered into on or after the date of transition.

(iii) Impact of FRS 201_{2004} "Property Development Activities"

FRS 201 is a locally developed standard with no equivalent standard under IFRS and therefore does not form part of the MFRS framework. With the removal of FRS 201, the Group has reclassified its entire land held for property development as at the transition date to inventories as these are properties which are held for planned development. Under the FRS framework, land held for property development was carried at cost less accumulated impairment loss which is comparable to net realisable value when classified as inventory under MFRS. As such, there is no financial impact to the income statement arising from this reclassification.

(iv) Reconciliation of equity arising upon transition to MFRS

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years. The following table represents the reconciliation from FRS to MFRS for the respective years noted for equity.

	The Group		The Company	
	31.12.2011 RM	1.1.2011 RM	31.12.2011 RM	1.1.2011 RM
Total equity as previously reported under FRS	7,131.7	7,860.2	6,280.6	6,936.9
Add transitioning adjustments:				
Fair value as deemed cost for freehold land				
– included in property, plant and equipment	508.7	508.7	203.3	203.3
– included in investment property	–	–	26.6	26.6
Total equity upon transition to MFRS	7,640.4	8,368.9	6,510.5	7,166.8

The transition from FRS to MFRS has had no effect on the reported total comprehensive income and cash flows generated by the Group and the Company. The reconciliation of relevant items in the Statements of Financial Position is as shown in sub-note (c) below.

50. IMPACT OF TRANSITION TO MFRS AND CHANGES TO COMPARATIVES (CONTINUED)

(b) Changes to comparatives

(i) Other reclassification

The Group and the Company have reclassified advance rental billings from trade and other receivables to current liabilities to better reflect the nature and substance of the transaction and amounts receivable from customers.

(ii) Adjustment to prior years

Rental billings are raised in advance. The Group and the Company recognise advance rental billings as revenue on a straight line basis in accordance with contractual terms.

Rental revenue recognition requires an assessment of services to customers at the point of billing to ascertain the portion of revenue accruing to the Group and the Company and the portion that should be deferred as advance rental. For monthly billings, advance rentals are deferred only to be recognised in the following month.

During the current financial year, and in conjunction with the implementation of a new billing system, the Group and the Company had reviewed the basis applied in calculating monthly advance rental. Based on this review, additional advance Streamyx customer billing revenue should be deferred. The impact of this adjustment is not material to the Income Statements for the financial year ended 31 December 2012 and the corresponding financial year ended 31 December 2011.

Consequently, the Group and the Company have effected this change as an adjustment to retained profits.

50. IMPACT OF TRANSITION TO MFRS AND CHANGES TO COMPARATIVES (CONTINUED)

(c) Financial impacts

The following discloses the impacts of sub-note (a) and (b) above to the Statements of Financial Position of the Group and the Company:

		Transition to MFRS (sub-note (a))			Changes to comparatives (sub-note (b))		
The Group	As previously reported under FRS RM	Adjustment to opening balance (sub-note (a)(ii)) RM	Reclassification (sub-note (a)(iii)) RM	As restated under MFRS RM	Other reclassification (sub-note (b)(i)) RM	Adjustment to prior years (sub-note (b)(ii)) RM	As restated RM
Statement of Financial Position							
At 31 December 2011							
Retained profits	3,172.5	508.7	–	3,681.2	–	(53.5)	3,627.7
Deferred tax liabilities	1,559.6	–	–	1,559.6	–	(17.8)	1,541.8
Non-current Assets							
Property, plant and equipment	13,613.0	508.7	–	14,121.7	–	–	14,121.7
Land held for property development	108.4	–	(108.4)	–	–	–	–
Current Assets							
Inventories	216.9	–	108.4	325.3	–	–	325.3
Trade and other receivables	1,951.4	–	–	1,951.4	371.8	–	2,323.2
Current Liabilities							
Advance rental billings	–	–	–	–	371.8	71.3	443.1
At 1 January 2011							
Retained profits	2,719.4	508.7	–	3,228.1	–	(53.5)	3,174.6
Deferred tax liabilities	1,664.2	–	–	1,664.2	–	(17.8)	1,646.4
Non-current Assets							
Property, plant and equipment	13,112.1	508.7	–	13,620.8	–	–	13,620.8
Land held for property development	107.4	–	(107.4)	–	–	–	–
Current Assets							
Inventories	174.0	–	107.4	281.4	–	–	281.4
Trade and other receivables	2,329.3	–	–	2,329.3	299.0	–	2,628.3
Current Liabilities							
Advance rental billings	–	–	–	–	299.0	71.3	370.3

50. IMPACT OF TRANSITION TO MFRS AND CHANGES TO COMPARATIVES (CONTINUED)

(c) Financial impacts (continued)

The following discloses the impacts of sub-note (a) and (b) above to the Statements of Financial Position of the Group and the Company: (continued)

		Transition to MFRS (sub-note (a))		Changes to comparatives (sub-note (b))		
The Company	As previously reported under FRS RM	Adjustment to opening balance (sub-note (a)(ii)) RM	As restated under MFRS RM	Other reclassifi-cation (sub-note (b)(i)) RM	Adjustment to prior years (sub-note (b)(ii)) RM	As restated RM
Statement of Financial Position						
At 31 December 2011						
Retained profits	2,484.0	229.9	2,713.9	–	(53.5)	2,660.4
Deferred tax liabilities	1,456.6	–	1,456.6	–	(17.8)	1,438.8
Non-current Assets						
Property, plant and equipment	12,272.3	203.3	12,475.6	–	–	12,475.6
Investment property	94.7	26.6	121.3	–	–	121.3
Current Assets						
Trade and other receivables	1,803.0	–	1,803.0	356.0	–	2,159.0
Current Liabilities						
Advance rental billings	–	–	–	356.0	71.3	427.3
At 1 January 2011						
Retained profits	1,996.9	229.9	2,226.8	–	(53.5)	2,173.3
Deferred tax liabilities	1,513.4	–	1,513.4	–	(17.8)	1,495.6
Non-current Assets						
Property, plant and equipment	11,782.5	203.3	11,985.8	–	–	11,985.8
Investment property	93.0	26.6	119.6	–	–	119.6
Current Assets						
Trade and other receivables	2,185.4	–	2,185.4	278.6	–	2,464.0
Current Liabilities						
Advance rental billings	–	–	–	278.6	71.3	349.9

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2012

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2012 %	Group's Effective Interest 2011 %	Paid-up Capital 2012 Million	Paid-up Capital 2011 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Ceased operations
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM10.0**<<	RM91.0	Management and operation of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM260.0**	RM260.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Consultancy Sdn Bhd@	**–**	51	**RM#**	RM#	Dissolved on 20 July 2012
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**GBP#**	GBP#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2012 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2012 %	Group's Effective Interest 2011 %	Paid-up Capital 2012 Million	Paid-up Capital 2011 Million	Principal Activities
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM International (Cayman) Ltd	**100**	100	**USD#**	USD#	Dormant
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
TM SPV Sdn Bhd>	**–**	100	**RM#**	RM#	Dissolved on 29 March 2012
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2012 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2012 %	Group's Effective Interest 2011 %	Paid-up Capital 2012 Million	Paid-up Capital 2011 Million	Principal Activities
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd (in liquidation)[<]	**100**	100	**RM#**	RM#	Investment holding
Rebung Utama Sdn Bhd[~] (in liquidation)	**100**	100	**RM#**	RM#	Special purpose entity
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2012 (CONTINUED)

The subsidiaries are as follows: (continued)

	Group's Effective Interest		Paid-up Capital		
Name of Company	2012 %	2011 %	2012 Million	2011 Million	Principal Activities
VADS Business Process Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of managed information technology services, managed application services and contact centre service
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services in Indonesia

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2012 (CONTINUED)

Amounts less than 0.1 million in their respective currencies

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

@ Dissolved on 20 July 2012 pursuant to Section 239(d) of the Companies Act, 1965.

> Dissolved on 29 March 2012 pursuant to Section 272(5) of the Companies Act, 1965.

<< On 28 September 2012, Menara Kuala Lumpur Sdn Bhd made a capital repayment of RM81.0 million upon approval by the Kuala Lumpur Court on 18 August 2012, pursuant to Section 64 of the Companies Act, 1965.

< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 25 November 2011 including appointment of liquidator.

~ Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 15 December 2011 including appointment of liquidator.

^ VADS Berhad and VADS Business Process Sdn Bhd hold a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2012

The associates are as follows:

Name of Company	Group's Effective Interest 2012 %	Group's Effective Interest 2011 %	Principal Activities
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (in liquidation)	**49**	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the Companies Act, 1965
Mutiara.Com Sdn Bhd	**30**	30	Provision and promotion of Internet-based communications services

All associates are incorporated in Malaysia.
All associates have co-terminous financial year end with the Company.

53. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 27 February 2013.

55. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Retained profits:				
– realised	**2,801.1**	2,827.9	**3,422.2**	3,506.8
– unrealised – in respect of deferred tax recognised in the Income Statements	**(1,184.0)**	(1,520.1)	**(1,076.7)**	(1,438.8)
– in respect of other items of income and expense	**973.2**	874.4	**694.8**	592.4
Share of accumulated losses of associates				
– realised	**–**	(0.9)	**–**	–
	2,590.3	2,181.3	**3,040.3**	2,660.4
Add: consolidation adjustments	**1,599.9**	1,446.4	**–**	–
TOTAL RETAINED PROFITS	**4,190.2**	3,627.7	**3,040.3**	2,660.4

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Sri Dr Halim Shafie and Dato' Sri Zamzamzairani Mohd Isa, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 242 to 379 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The supplementary information set out in note 55 on page 380 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 27 February 2013.

DATO' SRI DR HALIM SHAFIE
Director/Chairman

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

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Datuk Bazlan Osman, the Director primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare the financial statements set out on pages 242 to 379 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared at Kuala Lumpur)
this 27 February 2013.)

DATUK BAZLAN OSMAN

Before me:

Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report
to the Members of Telekom Malaysia Berhad
(Company No. 128740-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Telekom Malaysia Berhad on pages 242 to 250 which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 251 to 379.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965, in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 51 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 55 on page 380 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(AF: 1146)
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/14 (J))
Chartered Accountant

Kuala Lumpur
27 February 2013

Authorised and Issued Share Capital

as at 20 March 2013

At the Extraordinary General Meeting (EGM) of the Company held on 8 May 2012, the shareholders have approved the Proposed Capital Repayment of approximately RM1,073.2 million or RM0.30 cash for each ordinary share of RM1.00 each to shareholders in the Company (Capital Repayment). At the same EGM, the shareholders have also approved the amendments to the Company's Memorandum and Articles of Association (M&A) to reflect the reduction in the par value of each ordinary share from RM1.00 to RM0.70 (Capital Reduction) and other amendments as stated in the Circular to Shareholders dated 12 April 2012.

Subsequently on 13 July 2012, the High Court of Malaya had granted an order confirming the Capital Reduction to be carried out based on the special resolution approved by the shareholders at the EGM. Companies Commission of Malaysia had on 1 August 2012, confirmed the Capital Reduction in accordance with Section 64 of the Companies Act, 1965.

1. AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is RM3,528,003,015.00 divided into 5,040,000,020 ordinary shares of RM0.70 each; one (1) Special Rights Redeemable Preference Share (Special Share) of RM1.00; 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each; and 1,000 Class D NCRPS of RM1.00 each.

The changes in the authorised share capital are as follows:

Date	Type of Share	Par value (RM)	No of shares Created/(Deleted)	Cumulative (RM)
12/10/1984	Ordinary Shares	1.00	1,000,000	1,000,000.00
06/08/1984	Ordinary Shares	1.00	4,999,000,000	5,000,000,000.00
11/09/1990	Special Share	1.00	1	5,000,000,001.00
31/03/2003	Class A Redeemable Preference Share (RPS)	0.01	1,000	5,000,000,011.00
31/03/2003	Class B RPS	0.01	1,000	5,000,000,021.00
08/05/2007	Class C NCRPS	1.00	2,000	5,000,002,021.00
08/05/2007	Class D NCRPS	1.00	1,000	5,000,003,021.00
07/05/2009	Class E RPS	0.01	4,000,000,000	5,040,003,021.00
10/05/2011	Class A RPS	0.01	(1,000)	5,040,003,011.00
	Class B RPS	0.01	(1,000)	5,040,003,001.00
	Class E RPS	0.01	(4,000,000,000)	5,000,003,001.00
	Ordinary Shares	1.00	20	5,000,003,021.00
	Class F RPS	0.01	4,000,000,000	5,040,003,021.00
01/08/2012	Class F RPS	0.01	(4,000,000,000)	5,000,003,021.00
	Ordinary Shares	0.70	4,000,000,000	**3,528,003,015.00**

2. ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital is RM2,504,184,312.00 comprising 3,577,401,980 ordinary shares of RM0.70 each; 1 Special Share of RM1.00; 2,000 Class C NCRPS of RM1.00 each; and 925 Class D NCRPS of RM1.00 each.

Each ordinary share carries 1 vote. The Special Share, NCRPS C and NCRPS D have no voting rights other than those referred to on pages 289 to 290 of the financial statements.

The changes in the issued and paid-up share capital are as follows:

Date	No. of Shares Allotted	Description	Cumulative (RM)
31/12/1984	2	Cash	2.00
31/12/1986	9,999,998	Cash	10,000,000.00
31/12/1987	490,000,000	Bonus issue on the basis of 49 ordinary shares for every 1 existing ordinary share held	500,000,000.00
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary share held	1,500,000,000.00
11/09/1990	1	Special Share	1,500,000,001.00
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001.00
31/12/1992	9,249,000	Cash	1,979,749,001.00
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001.00
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001.00
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001.00
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001.00
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds due 2004	1,999,090,921.00
20/06/1997	999,545,460	Bonus issue on the basis of 1 ordinary share for every 2 existing ordinary shares held	2,998,636,381.00
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881.00
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881.00
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381.00
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381.00
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381.00
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381.00
12/12/2003	1,000	Issuance of Class A RPS of RM0.01 each	3,238,510,391.00
12/12/2003	1,000	Issuance of Class B RPS of RM0.01 each	3,238,510,401.00
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401.00
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401.00
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401.00
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901.00

Authorised and Issued Share Capital
as at 20 March 2013

Date	No. of Shares Allotted	Description	Cumulative (RM)
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901.00
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891.00
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881.00
20/07/2007	2,000	Issuance of Class C NCRPS of RM1.00 each	3,435,263,881.00
20/07/2007	925	Issuance of Class D NCRPS of RM1.00 each	3,435,264,806.00
23/07/2007 – 31/12/2007	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606.00
17/03/2008	137,592,300	Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906.00
02/06/2009	3,577,401,980	Issuance of Class E RPS of RM0.01 each	3,613,178,925.80
02/06/2009	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	3,577,404,906.00
07/06/2011	3,577,401,980	Issuance of Class F RPS of RM0.01 each	3,613,178,925.80
07/06/2011	(3,577,401,980)	Redemption of Class F RPS of RM0.01 each	3,577,404,906.00
01/08/2012	–	Reduction of par value of each ordinary share from RM1.00 to RM0.70 pursuant to completion of the Capital Reduction exercise	**2,504,184,312.00**

Note: Increases in the issued and paid-up share capital pursuant to the ESOS are disclosed on annual basis.

Analysis of Shareholding Statistics
as at 20 March 2013

SUBSTANTIAL SHAREHOLDERS' HOLDINGS OF 5% AND ABOVE
as per Register of Substantial Shareholders

No.	Name	No. of Shares Held		Percentage (%)	
		Direct	Indirect	Direct	Indirect
1.	Khazanah Nasional Berhad	1,027,841,692	–	28.73	–
2.	Employees Provident Fund Board	510,153,800	–	14.26	–
3.	AmanahRaya Trustees Berhad *– Skim Amanah Saham Bumiputera*	439,719,500	–	12.29	–
	TOTAL	**1,977,714,992**	**–**	**55.28**	**–**

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY
as per Register of Directors' Shareholding

Interest in the Company	Number of ordinary shares of RM0.70 each		
	Direct	Deemed Interest	Percentage (%)
Dato' Sri Dr Halim Shafie	–	8,000#	*
Dato' Sri Zamzamzairani Mohd Isa	5,000	4,000#	*
Datuk Bazlan Osman	2,000	–	*

Note:
Deemed interest in TM shares held by spouse.
* Less than 0.01%.

Analysis of Shareholding Statistics
as at 20 March 2013

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
Size of Shareholdings	No	%	No	%	No	%	No	%
Less than 100	896	3.29	6	0.02	6,045	0.00	29	0.00
100 – 1,000	8,964	32.93	118	0.43	7,735,150	0.22	96,616	0.00
1,001 – 10,000	14,321	52.61	293	1.08	52,875,300	1.48	1,296,032	0.04
10,001 – 100,000	1,741	6.40	223	0.82	46,351,106	1.30	8,525,938	0.24
100,001 – 178,870,098 (less than 5% of paid-up capital)	373	1.37	283	1.04	1,127,317,021	31.51	481,452,682	13.46
178,870,099 and above	3	0.01	0	0.00	1,851,746,061	51.76	0	0.00
TOTAL	**26,298**	**96.61**	**923**	**3.39**	**3,086,030,683**	**86.26**	**491,371,297**	**13.74**

DISTRIBUTION OF PREFERENCE SHARES IN ACCORDANCE WITH THEIR RESPECTIVE CLASSES

	Special Share				NCRPS C				NCRPS D			
	Shareholder		Share		Shareholder		Share		Shareholder		Share	
Category	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%
Less than 100	1	100.00	1	100.00	1	33.33	25	1.25	0	0.00	0	0.00
100 – 1,000	0	0.00	0	0.00	1	33.33	400	20.00	2	100.00	925	100.00
1,001 – 10,000	0	0.00	0	0.00	1	33.33	1,575	78.75	0	0.00	0	0.00
TOTAL	**1**	**100.00**	**1**	**100.00**	**3**	**100.00**	**2,000**	**100.00**	**2**	**100.00**	**925**	**100.00**

List of Top 30 Shareholders
as at 20 March 2013

No.	Name	No. of Shares Held	Percentage (%)
1.	Khazanah Nasional Berhad	939,051,961	26.25
2.	Citigroup Nominees (Tempatan) Sdn Bhd *– Employees Provident Fund Board*	472,974,600	13.22
3.	AmanahRaya Trustees Berhad *– Skim Amanah Saham Bumiputera*	439,719,500	12.29
4.	Kumpulan Wang Persaraan (Diperbadankan)	128,660,200	3.60
5.	AmanahRaya Trustees Berhad *– Amanah Saham Wawasan 2020*	91,581,000	2.56
6.	Khazanah Nasional Berhad *– Exempt An*	88,789,731	2.48
7.	Maybank Nominees (Tempatan) Sdn Bhd *– Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)*	61,390,800	1.72

No.	Name	No. of Shares Held	Percentage (%)
8.	AmanahRaya Trustees Berhad *– AS 1Malaysia*	54,932,600	1.54
9.	Valuecap Sdn Bhd	53,850,000	1.50
10.	AmanahRaya Trustees Berhad *– Amanah Saham Malaysia*	52,085,600	1.45
11.	HSBC Nominees (Asing) Sdn Bhd *– Exempt An for the Bank of New York Mellon (Mellon Acct)*	46,048,442	1.29
12.	Cartaban Nominees (Tempatan) Sdn Bhd *– Exempt An for Eastspring Investments Berhad*	36,087,200	1.01
13.	Cartaban Nominees (Asing) Sdn Bhd *– Exempt An for State Street Bank & Trust Company (West CLT OD67)*	35,470,387	0.99
14.	AmanahRaya Trustees Berhad *– Public Islamic Dividend Fund*	31,425,200	0.88
15.	Lembaga Tabung Haji	30,386,600	0.85
16.	Permodalan Nasional Berhad	29,490,800	0.82
17.	AmanahRaya Trustees Berhad *– Amanah Saham Didik*	28,024,500	0.78
18.	Malaysia Nominees (Tempatan) Sendirian Berhad *– Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	27,199,000	0.76
19.	HSBC Nominees (Asing) Sdn Bhd *– BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	25,363,640	0.71
20.	HSBC Nominees (Asing) Sdn Bhd *– Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)*	20,278,200	0.57
21.	HSBC Nominees (Asing) Sdn Bhd *– BBH and Co Boston for Matthews Asian Growth and Income Fund*	20,245,551	0.56
22.	HSBC Nominees (Asing) Sdn Bhd *– BBH and Co Boston for Blackrock Global Allocation Fund, Inc.*	18,755,434	0.52
23.	AmanahRaya Trustees Berhad *– Public Islamic Equity Fund*	17,949,600	0.50
24.	Maybank Nominees (Tempatan) Sdn Bhd *– Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)*	17,827,100	0.50
25.	Citigroup Nominees (Tempatan) Sdn Bhd *– Exempt an for American International Assurance Berhad*	16,392,500	0.46
26.	Citigroup Nominees (Asing) Sdn Bhd *– Citibank International Plc as Trustee for Standard Life Pacific Basin Trust (CBLDN)*	15,967,700	0.45
27.	Amsec Nominees (Tempatan) Sdn Bhd *– AmTrustee Berhad for CIMB Islamic DALI Equity Growth Fund (UT-CIMB-DALI)*	15,789,200	0.44
28.	Citigroup Nominees (Tempatan) Sdn Bhd *– Employees Provident Fund Board (Nomura)*	15,467,400	0.43
29.	AmanahRaya Trustees Berhad *– Public Islamic Select Enterprises Fund*	15,420,400	0.43
30.	AmanahRaya Trustees Berhad *– Public Growth Fund*	14,855,000	0.42
	TOTAL	**2,861,479,846**	**79.99**

Net Book Value of Land & Buildings

as at 31 December 2012

Location	Freehold		Leasehold		Other Land*		Excepted Land**		Net Book Value of Land*** (RM Million)	Net Book Value of Buildings# (RM Million)
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)		
1. Federal Territory										
a. Kuala Lumpur	29	1,543	3	155	2	194	–	–	281.5	1,043.7
b. Labuan	–	–	6	511	–	–	–	–	–	–
c. Putrajaya	–	–	–	–	1	20	–	–	–	–
2. Selangor	10	10,308	23	25,221	3	183	68	6,020	545.4	426.4
3. Perlis	–	–	4	52	–	–	8	572	0.3	0.8
4. Perak	4	17	19	926	5	296	86	5,363	4.2	32.1
5. Pulau Pinang	3	5,015	15	919	–	–	39	6,838	4.8	20.0
6. Kedah	8	487	14	1,492	–	–	45	2,553	10.1	39.3
7. Johor	4	106	29	1,455	10	329	94	7,990	6.8	42.8
8. Melaka	3	15	27	55,682	–	–	23	4,039	15.8	164.6
9. Negeri Sembilan	7	33,244	11	395	5	266	49	2,186	34.2	20.2
10. Terengganu	–	–	16	797	–	–	43	5,082	0.6	22.1
11. Kelantan	–	–	10	552	3	45	35	2,058	0.5	8.0
12. Pahang	3	43	28	2,170	8	532	65	6,256	2.2	22.4
13. Sabah	–	–	14	184	4	162	61	24,269	3.9	27.1
14. Sarawak	5	202	28	1,023	10	400	96	11,203	16.7	42.8
15. Hong Kong	–	–	–	–	–	–	–	–	–	49.5
Total	**76**	**50,980**	**247**	**91,534**	**51**	**2,427**	**712**	**84,429**	**927.0**	**1,961.8**

As explained in note 50(a)(ii) to the financial statements, freehold land has been revalued arising from the Group's transition to MFRS. No revaluation has been made on any of the buildings.

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the lands have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these lands to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

*** Includes land held for property development and land held for sale of a wholly owned subsidiary, and investment property and non-current assets held for sale of the Company.

Includes investment property and non-current assets held for sale of the Company.

Usage of Properties
as at 31 December 2012

Location	Exchanges	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom-munications/ Tourism Tower
1. Federal Territory										
a. Kuala Lumpur	13	2	6	6	–	–	–	–	1	–
b. Labuan	1	–	1	–	–	2	–	–	–	–
2. Selangor	75	8	6	7	3	–	–	4	1	–
3. Perlis	8	1	1	2	1	–	–	1	–	–
4. Perak	85	10	3	12	2	–	–	4	1	–
5. Pulau Pinang	40	1	3	4	2	1	1	4	–	–
6. Kedah	44	7	1	3	1	–	1	4	–	1
7. Johor	90	11	3	3	2	1	–	2	–	–
8. Melaka	30	1	1	1	1	2	–	2	1	–
9. Negeri Sembilan	45	8	3	2	–	–	4	2	–	–
10. Terengganu	44	4	2	3	2	–	–	2	1	–
11. Kelantan	30	2	2	4	2	–	–	–	–	–
12. Pahang	56	14	2	11	2	3	4	–	–	–
13. Sabah	46	18	1	3	2	3	1	4	–	–
14. Sarawak	76	24	2	8	2	3	–	3	1	–

Group Directory

HEAD OFFICE

Level 51, North Wing
Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 9494
: 101 Operator Assisted Calls (Domestic and International)
: 103 Directory Enquiry Services
: 100 for Everything else TM
Fax : 03-2283 2415
Website : www.tm.com.my

RETAIL BUSINESS

Customer Service Management

Level 20, TM Annexe 2
No.1, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel : 03-2240 2001
03-2240 8960
Fax : 03-2241 2155

Network Management Command Centre

Ground Floor
Kompleks TM NOC
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : 1-800-88-9947

GITN Sdn Berhad

Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2245 0000
Fax : 03-2240 0709

Network Operations Centre

Level 13
Annexe 1 TM Berhad
50672 Jalan Pantai Baharu
Kuala Lumpur
Tel : 03-2240 2948
Fax : 03-2241 1424

TM Info-Media Sdn Bhd

9th Floor, Block A
Mines Waterfront Business Park
No. 3, Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor
Tel : 03-8949 8228
Fax : 03-8949 8338

Telekom Applied Business Sdn Bhd

Head Office
Level 16, Menara 2
Faber Tower
Jalan Desa Bahagia
Taman Desa
Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7984 4989
Fax : 03-7980 1605

Cyberjaya Office

Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : 03-8318 1706
Fax : 03-8318 1721

Telekom Research & Development Sdn Bhd

Head Office
TM Innovation Centre
Lingkaran Teknokrat Timur
63000 Cyberjaya
Selangor
Tel : 03-8883 9595
Fax : 03-8883 9596

VADS Berhad

Level 15, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7712 8888
Fax : 03-7728 2584

Telekom Sales & Services Sdn Bhd

Head Office
Level 38
North Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 3000
Fax : 03-2241 3000

STATE	TMPOINT	ADDRESS
KUALA LUMPUR	TMpoint Muzium	Bangunan Muzium TM, Jalan Raja Chulan, 50200 Kuala Lumpur
	TMpoint Jalan TAR	No. 374, Ground Floor, Wisma CS Holiday, Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur
	TMpoint Pandan Indah	L1/02, Ground Floor, Menara Maxisegar, Jalan Pandan Indah 4/2, Pandan Indah, 55100 Kuala Lumpur
	TMpoint Menara	Ground Floor, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur
	TMpoint Bangsar	No. 8 & 10, Ground Floor, Jalan Telawi 5, Bangsar Baru 59100 Kuala Lumpur
	TMpoint @ UTC KL	Lot T3-17, Tingkat 3, UTC KL @ Pudu Sentral, Jalan Pudu 55100 Kuala Lumpur
SELANGOR	TMpoint Setapak	Ibusawat TM Setapak, 44, Persiaran Kuantan, 53200 Kuala Lumpur
	TMpoint Ampang	42, Jalan Mamanda 7, Ampang Point, 68000 Ampang, Selangor
	TMpoint Kepong	No. 67, Jalan Metro Perdana, Barat 1, Taman Usahawan Kepong 52100 Kepong, Kuala Lumpur
	TMpoint Rawang	Lot 21, Jalan Maxwell, 48000 Rawang, Selangor
	TMpoint Kuala Kubu Bahru	Bangunan TM, Jalan Dato' Balai, 44000 Kuala Kubu Bahru, Selangor
	TMpoint Bukit Raja	Jalan Meru, 41050 Kelang, Selangor
	TMpoint Shah Alam	Bangunan TM Shah Alam, Persiaran Damai, Seksyen 11 40000 Shah Alam, Selangor
	TMpoint Banting	No. 1-1-1A, Jalan Suasa 1, 42700 Banting, Selangor
	TMpoint Kuala Selangor	Bangunan TM, Jalan Klinik, 45000 Kuala Selangor, Selangor
	TMpoint Sabak Bernam	27, Jalan Raja Chulan, 45200 Sabak Bernam, Selangor
	TMpoint Port Klang	No. 57 & 59, Jalan Cungah, 42000 Port Klang, Selangor
PETALING JAYA	TMpoint Damansara Utama	No. 91-93, Jalan SS 21/1A, Damansara Utama, 47400 Petaling Jaya Selangor
	TMpoint Petaling Jaya	No. 22 & 24, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor
	TMpoint Kajang	No. 37 & 38, Jalan Tun Abdul Aziz, 43000 Kajang, Selangor
	TMpoint Taman Desa	Ground Floor, Wisma TM Taman Desa, Jalan Desa Utama 58100 Kuala Lumpur
	TMpoint Kelana Jaya	Unit 109B, Ground Floor, Kelana Park View Tower, No. 1, Jalan SS 6/2 47301 Kelana Jaya, Selangor
	TMpoint Sunway Damansara	Unit C-08, Ground Floor & 1st Floor, Jalan PJU 5/17, Dataran Sunway 47810 Kota Damansara, Selangor
MSC	TMpoint Cyberjaya	Ground Floor, TM IT Complex, 3300 Lingkaran Usahawan 1 Timur 60000 Cyberjaya, Selangor
	TMpoint Serdang	No. 36, Jalan Dagang SB 4/2, Taman Sungai Besi Indah 43300 Seri Kembangan, Selangor

STATE	TMPOINT	ADDRESS
	TMpoint Taipan	No. 27 & 29, Jalan USJ 10/1A, 47620 Subang Jaya, Selangor
	TMpoint Puchong	No. 12 & 13, Jalan Kenari 5, Bandar Puchong Jaya 47100 Puchong, Selangor
NEGERI SEMBILAN	TMpoint Seremban	No. 176 & 177, Ground Floor, Jalan Dato' Bandar Tunggal 70000 Seremban, Negeri Sembilan
	TMpoint Port Dickson	No. 25, Jalan Mahajaya, PD Center Point, 71000 Port Dickson Negeri Sembilan
	TMpoint Kuala Pilah	Jalan Bahau, 72000 Kuala Pilah, Negeri Sembilan
	TMpoint Tampin	Jalan Besar, 73000 Tampin, Negeri Sembilan
MELAKA	TMpoint Melaka	527 & 529 A, Plaza Melaka, Jalan Gajah Berang, 75200 Melaka
	TMpoint Alor Gajah	Batu 14½, Jalan Melaka Kendong, 78000 Alor Gajah, Melaka
	TMpoint Menara Pertam	Ground Floor, Menara Pertam, Jalan Batu Berendam BBP 2 Taman Batu Berendam Putra, 75350 Melaka
	TMpoint @ UTC Melaka	Aras 3, Bangunan UTC, Wisma DMDI, Jalan Hang Tuah, 75300 Melaka
JOHOR	TMpoint Johor Bahru	Jalan Abdullah Ibrahim, 80672 Johor Bahru, Johor
	TMpoint Skudai	No. 17 & 19, Jalan Laksamana 1, Taman Ungku Tun Aminah 81300 Skudai, Johor
	TMpoint Pontian	Level 1, Ibusawat TM, Jalan Alsagoff, 82000 Pontian, Johor
	TMpoint Kluang	No. 1 & 2, Jalan Dato Teoh Siew Khor, 86000 Kluang, Johor
	TMpoint Segamat	No. 22, Jalan Sultan, 85000 Segamat, Johor
	TMpoint Batu Pahat	39, Jalan Rahmat, 83000 Batu Pahat, Johor
	TMpoint Muar	No. 5-5 & 5-6, Ground Floor, Jalan Ibrahim, 84000 Muar, Johor
	TMpoint Kota Tinggi	No. 2 & 4, Jalan Indah, Taman Medan Indah, 81900 Kota Tinggi, Johor
	TMpoint Kulai	Lot 435, Jalan Kenanga 29/11, Taman Indah Putra 81100 Kulai, Johor
	TMpoint Pelangi	Wisma TM Pelangi, Jalan Sutera 3, Taman Sentosa 80150 Johor Bahru, Johor
	TMpoint Mersing	Lot 384, Jalan Ismail, 86800 Mersing, Johor
	TMpoint Yong Peng	No. 18, Ground Floor, Jalan Bayan, Taman Semberong 83700 Yong Peng, Johor
	TMpoint Pasir Gudang	No. 23 A, Ground Floor, Jalan Bandar Pusat Perdagangan 81700 Pasir Gudang, Johor
KEDAH/PERLIS	TMpoint Kangar	Jalan Bukit Lagi, Pekan Kangar, 01000 Kangar, Perlis
	TMpoint Alor Setar	Kompleks Kristal, Jalan Kolam Air, 05672 Alor Setar, Kedah
	TMpoint Jitra	19A, Jalan PJ 1, Pekan Jitra 2, 06000 Jitra, Kedah
	TMpoint Langkawi	Jalan Pandak Mayah 6, 07000 Pekan Kuah, Langkawi, Kedah
	TMpoint Sungai Petani	Bangunan TM, Jalan Petani, 08000 Sungai Petani, Kedah
	TMpoint Kulim	No. 4 & 5, Jalan Tunku Asaad, 09000 Kulim, Kedah

STATE	TMPOINT	ADDRESS
PULAU PINANG	TMpoint Bayan Baru	No. 68, Jalan Mahsuri, 11950 Bayan Baru, Pulau Pinang
	TMpoint Jln Burmah	Jalan Burmah, 10050 Georgetown, Pulau Pinang
	TMpoint Butterworth	Wisma TM Butterworth, Ground Floor, Jalan Bagan Luar 12000 Butterworth, Pulau Pinang
	TMpoint Bukit Mertajam	Lot G-33, G-34, G-35, Jalan Perda Selatan, Bandar Perda 14000 Bukit Mertajam, Pulau Pinang
	TMpoint Sungai Bakap	1282, Jalan Besar, 14200 Sungai Bakap, Pulau Pinang
PERAK	TMpoint Ipoh Wisma	Wisma TM, Jalan Sultan Idris Shah, 30672 Ipoh, Perak
	TMpoint Batu Gajah	Bangunan TM, Jalan Dewangsa, 31000 Batu Gajah, Perak
	TMpoint Ipoh Tasek	Jalan Sultan Azlan Shah Utara, 31400 Ipoh, Perak
	TMpoint Kampar	Bangunan TM, Jalan Baru, 31900 Kampar, Perak
	TMpoint Taiping	Bangunan TM, Jalan Berek, 34672 Taiping, Perak
	TMpoint Teluk Intan	Bangunan TM, Jalan Jawa, 36672 Teluk Intan, Perak
	TMpoint Parit Buntar	36, Persiaran Perwira, Pusat Bandar, 34200 Parit Buntar, Perak
	TMpoint Kuala Kangsar	Bangunan TM, Jalan Raja Chulan, 33000 Kuala Kangsar, Perak
	TMpoint Gerik	Wisma Kosek, Jalan Takong Datoh, 33300 Gerik, Perak
	TMpoint Sungai Siput	No. 188, Jalan Besar, 31100 Sungai Siput, Perak
	TMpoint Sitiawan	179 & 180, Taman Sitiawan Maju, 32000 Sitiawan, Perak
	TMpoint Tapah	Bangunan TM, Jalan Stesyen, 35672 Tapah, Perak
	TMpoint Tanjung Malim	No. 27, Jalan Cahaya, Taman Anggerik Desa, 35900 Tanjung Malim, Perak
	TMpoint @ UTC Perak	Lot No. LB-7, Urban Transformation Centre (UTC) Perak (known as Pasar Besar Ipoh), Off Jalan Dato' Onn Jaafar, 30300 Ipoh, Perak
KELANTAN	TMpoint Kota Bharu	Jalan Doktor, 15000 Kota Bharu, Kelantan
	TMpoint Pasir Mas	606, Jalan Masjid Lama, 17000 Pasir Mas, Kelantan
	TMpoint Tanah Merah	4088, Jalan Ismail Petra, 17500 Tanah Merah, Kelantan
	TMpoint Kuala Krai	Lot 1522 , Jalan Tengku Zainal Abidin, 18000 Kuala Krai, Kelantan
	TMpoint Pasir Puteh	258B, Jalan Sekolah Laki-laki, 16800 Pasir Puteh, Kelantan
TERENGGANU	TMpoint Kuala Terengganu	Level 1, Bangunan TM, Jalan Sultan Ismail, 20200 K. Terengganu, Terengganu
	TMpoint Kemaman	Jalan Masjid, Chukai, 24000 Kemaman, Terengganu
	TMpoint Dungun	Jalan Nibong, 23000 Dungun, Terengganu
	TMpoint Jerteh	Ground Floor, Lot 174, Jalan Tuan Hitam, 22000 Jerteh, Terengganu
PAHANG	TMpoint Kuantan	G08 & G09, Ground Floor, Bangunan Mahkota Square, Jalan Mahkota, 25000 Kuantan, Pahang
	TMpoint Pekan	No. 87, Jalan Sultan Abdullah, 26600 Pekan, Pahang

Group Directory

STATE	TMPOINT	ADDRESS
	TMpoint Mentakab	Jalan Tun Razak, 28400 Mentakab, Pahang
	TMpoint Bentong	111, Bgn. Persatuan Bola Sepak, Jalan Ah Peng, 28700 Bentong, Pahang
	TMpoint Kuala Lipis	10, Jalan Bukit Bius, 27200 Kuala Lipis, Pahang
	TMpoint Raub	Jalan Kuala Lipis, 27600 Raub, Pahang
SABAH	TMpoint Sadong Jaya	Lot 68 & 69, Block J, Ground Floor, Sadong Jaya, Karamunsing, 88100 Kota Kinabalu, Sabah
	TMpoint Tanjung Aru	Lot B3, B3A & B5, Ground Floor, Plaza Tg. Aru, Jalan Mat Salleh, Tanjung Aru, 88100 Kota Kinabalu, Sabah
	TMpoint Tawau	TB 307, Blok 35, Kompleks Fajar, Jalan Perbandaran, 91000 Tawau, Sabah
	TMpoint Lahad Datu	Ground Floor, MDLD 3307, Fajar Komplek, Jalan Segama, 91100 Lahad Datu, Sabah
	TMpoint Sandakan	Lot 6 & 7, Ground Floor, Sandakan Commercial Center, Bandar Maju, Batu 1½, Jalan Utara, 90000 Sandakan, Sabah
		Mailing Address:- Locked Bag 44, 90009 Sandakan, Sabah
	TMpoint Keningau	Commercial Centre, Jalan Arusap, Off Jalan Masak, Blok B7, Lot 13 & 14, 89007 Keningau, Sabah
	TMpoint Beaufort	Choong Street, P.O. Box 269, 89807 Beaufort, Sabah
	TMpoint Kudat	Lot No.3, Jaya Shopping Center, Jalan Datu, 89050 Kudat, Sabah
	TMpoint Labuan	Bangunan TM, Jalan Dewan, 87000 Wilayah Persekutuan Labuan
SARAWAK	TMpoint Batu Lintang	Jalan Batu Lintang, 93200 Kuching, Sarawak
	TMpoint Padang Merdeka	Ground Floor, Bangunan Yayasan Sarawak, Lot 2, Section 24, Jalan Barrack/Masjid, 93000 Kuching, Sarawak
	TMpoint Pending	Jalan Gedong, 93450 Pending, Sarawak
	TMpoint Sri Aman	Jalan Club, 95000 Sri Aman, Sarawak
	TMpoint Miri	Jalan Pos, 98000 Miri, Sarawak
	TMpoint Limbang	Jalan Kubu, 98700 Limbang, Sarawak
	TMpoint Lawas	Jalan Punang, 98850 Lawas, Sarawak
	TMpoint Bintulu	No. 7, Medan Sentral Commercial Centre, Jalan Tanjung Kidurong, 9700 Bintulu, Sarawak
	TMpoint Sibu	Persiaran Brooke, 96000 Sibu, Sarawak
	TMpoint Sarikei	Jalan Berek, 96100 Sarikei, Sarawak
	TMpoint Kapit	Jalan Kapit By Pass, 96800 Kapit, Sarawak

TM WHOLESALE

Level 14, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 03-2240 4499
Fax : 03-2240 8590
Website : www.tm.com.my

Fiberail Sdn Bhd

7th Floor, Wisma TM
Jalan Desa Utama
Pusat Bandar Taman Desa
58100 Kuala Lumpur
Tel : 03-7980 9696
Fax : 03-7980 9900
Website : www.fiberail.com.my

Fibrecomm Network (M) Sdn Bhd

Level 37, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : +603 2240 1843
Fax : +603 2240 5001
Website : www.fibrecomm.net.my

TM GLOBAL BUSINESS

Level 53, Sayap Utara
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 5500
03-2240 5501
Fax : 03-7956 0208
Website : www.tm.com.my/global

TM REGIONAL OFFICES (TMRO)

USA

Telekom Malaysia (USA) Inc
8320 Old Courthouse Road
Suite 201
Vienna, VA 22182 USA
Tel : +1 703 467 5962
Fax : +1 703 467 5966

UNITED KINGDOM

Telekom Malaysia (UK) Limited
St. Martin's House
16 St. Martin's Le Grand
London, EC1A 4EN, UK
Tel : +44 (0) 207 397 8579
Fax : +44 (0) 207 397 8400

SINGAPORE OFFICE

Telekom Malaysia (S) Pte Ltd
175a Bencoolen Street
#07-09/10/11/12 Burlington Square
Singapore 189650
Tel : +65 6532 6369
Fax : +65 6532 3742

HONG KONG OFFICE

Telekom Malaysia (Hong Kong) Limited
Suite 1502, 15th Floor
Malaysia Building, 50 Gloucester Road
Wanchai, Hong Kong
SAR-China
Tel : +852 2992 0190
Fax : +852 2992 0570

SUPPORT BUSINESS

Head Office
Level 12, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 4869
Fax : 03-7960 3359

Universiti Telekom Sdn Bhd

Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : 03-8312 5018
03-8312 5000
Fax : 03-8312 5022
Website : www.mmu.edu.my

Menara Kuala Lumpur Sdn Bhd

No. 2, Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax : 03-2072 8409
Website : www.menarakl.com.my

TMF Autolease Sdn Bhd

Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9412
Fax : 03-5510 0286

Property Management

Level 11, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5040
Fax : 03-7983 6390

Property Operations

Mezzanine Floor, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 1001
Fax : 03-7987 6006

Security Management

Level 1, TM Annexe 2
No. 1, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel : 03-2240 5499
Fax : 03-2240 0996

Glossary

3G
Third Generation

A

AC
Alternating Current

AAG
Asia-America Gateway

ABAC
Audit and Business Assurance Committee

ACE
Achieving Customer Excellence

AESP
Authorised Entrant and Stand-by Person

ALD
Access List Determination

APCN2
Asia Pacific Cable Network 2

APG
Asia-Pacific Gateway

AR
Abandonment Rate

ARD
Access Reference Document

ASE
Asia Submarine Express

ASP
Application Service Provider

B

BBGP
Broadband for General Population

BCM
Business Continuity Management

BDM
Batam-Dumai-Melaka

BIG
Brunei International Gateway

BOD
Board of Directors

BOFA
Basic Occupational First-Aid

BPM
Business Performance Management

BPO
Business Process Outsourcing

BRC
Board Risk Committee

BSC
Balance Score Card

BSS
Business Support System

C

CAMS
Credit Assessment and Management Systems

CAP
Cinematic Arts Programme

CAGR
Compound Annual Growth Rate

CAPEX
Capital Expenditure

CBC / *PI1M*
Community Broadband Centre / *Pusat Internet 1Malaysia*

CBE
Code of Business Ethics

CBL
Community Broadband Library

CCI
Communications Content and Infrastructure

CDMA
Code Division Multiple Access

CEP
Customer Experience Programme

CI
Competency Index

CMA
Communications and Multimedia Act

CMS
Credit Management System

CoS
Class of Service

CPEO
Customer Premises Equipment Ownership

CR
Corporate Responsibility

CRM
Customer Relationship Management

CSA
Customer Service Academy

CSAs
Control Self-Assessments

CSDP
Content and Service Delivery Platform

CSME
Confined Space Medical Examination

CSI
Customer Satisfaction Index

CSR
Corporate Social Responsibility

CTI
Computer Telephony Information

CUGs
Closed User Groups

CUSCN
China United States Cable Network

D

DBKL
Kuala Lumpur City Hall

DC
Direct Current

DCS 1 CLICK
Digital Subscriber Line Service Provisioning

DDN
Digital Data Network

DECT
Digital Enhanced Cordless Telecommunications

DEL
Direct Exchange Line

DMCS
Dumai (Sumatera) Melaka Cable System

DOME
Direct Over Metro-E

DOSH
Department of Occupational Safety & Health

DSL
Digital Subscribers Line

DVR
Digital Video Recording

DWDM
Dense Wavelength Division Multiplexing

E

EAC
Engineering Accreditation Council

EAP
Employee Assistance Programme

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

EBM
Enterprise Business Management

EC
Everyone Connects

EEI
Employee Engagement Index

Glossary

EES
Employee Engagement Survey

EMS
Environment Management System

EPPs
Entry Point Projects

ERM
Enterprise Risk Management

ETP
Economic Transformation Programme

EVPL
Ethernet Virtual Private Line

EV-DO
Evolution Data Optimised/ Evolution Data Only

F

FCCAS
Financial Controls and Assurance Statement

FCR
First Contact Resolution

FCS
Full Channel Service

FGTC
Frontliner Goes To Customer

FLC
Federal Land Commissioner

FMA
Factories and Machinery Act

FTP
Fast Track Programme

FTTB
Fibre-to-the Building

FTTH
Fibre-to-the Home

FTTS
Fibre-to-the School

G

GES
Global Ethernet Services

GDL
Goods Driving Licence

GDP
Gross Domestic Product

GEOP
Graduate Employability Outreach Programme

GHCM
Group Human Capital Management

GHG
Greenhouse Gas

GHPC
Global High Performing Companies

GIS
Geographic Information System

GLC
Government-linked Companies

GLT
Group Leadership Team

GoM
Government of Malaysia

GRI
Global Reporting Initiative

GTM
Go-To-Market

GT
Global Telco

GTP
Government Transformation Programme

GVS
Global Voice Solutions

H

HCSSO
Human Capital Shared Services Organisation

HD
High-definition

HEIGIP
High End Industries Graduate Internship Programme

HIRARC
Hazard Identification, Risk Assessment and Risk Control

HSBB
High Speed Broadband

I

IaaS
Infrastructure-as-a-Service

IBS
In-Building Broadband Service

ICI
Internal Control Incident

ICOP
Industry Code of Practice

ICP
iCARE Prime

ICT
Information & Communications Technology

IDD
International Direct Dialling

IDR
Iskandar Development Region

IEPL
International Ethernet Private Line

IFS
International Freephone Services

IIA
Institute of Internal Auditors

IIM
Institute of Integrity Malaysia

INCEIF
International Centre for Education in Islamic Finance

INFORMS
Integrated Fulfillment Order Management System

IMF
International Monetary Fund

IMS
IP Multimedia Service

IP
Internet Protocol

IPLC
International Private Leased Circuit

IPPF
International Professional Practices Framework

IPTV
Internet Protocol Television

IPVPN
Internet Protocol Virtual Private Network

IPVS
International Premium Voice Services

IR
Incident Rate

IRU
Indefeasible Right of Use

ISCS
ICT Security Compliance Scorecard

ISDN
Integrated Services Digital Network

ISMS
Information Security Management System

ISP
Internet Service Provider

ISVs
Independent Software Vendors

ITFS
International TollFree Services

ITG
IT Governance

IT&NT
IT and Network Technology

IVR
Interactive Voice Response

J

JKH
Jadual Kadar Harga

K

KCI
Keep Customers Informed

KPI
Key Performance Indicator

KPKK
Ministry of Information Communications and Culture

KTS
Key Telephone System

L

LAN
Local Area Network

LDU
Leadership Development Unit

LOA
Limit of Authority

LOBs
Lines of Business

LPPKN
National Population and Family Development Board

LTE
Long Term Evolution

LWDs
Lost in Work Days

M

MACC
Malaysian Anti-Corruption Commission

MAMPU
Malaysian Administrative Modernisation and Planning Unit

MC
Management Committee

MCG
Malaysia Corporate Governance

MCI
Market Competitive Incentive

MCMC
Malaysian Communications & Multimedia Commission

MDeC
Multimedia Development Corporation

MEF
Metro Ethernet Forum

MERS
Malaysia Emergency Response Services

MFA
Malaysian Franchise Association

MICC
Ministry of Information Communications and Culture

MIDA
Malaysia Industrial Development Authorities

MII
Malaysian Institute of Integrity

MIER
Malaysian Institute of Economic Resarch

MIHRM
Malaysian Institute of Human Resource Management

MITI
Ministry of International Trade and Industry

MKL
Menara Kuala Lumpur

MMP
Management and Maintenance Package

MMORPGs
Massively Multiplayer Online Role-Playing Games

MNS
Malaysian Nature Society

MoE
Ministry of Education

MOHE
Ministry of Higher Education

MoU
Memorandum of Understanding

MPLS
Multi Protocol Label Switching

MQA
Malaysian Qualification Agency

MSA
Mandatory Standard on Access

MSAP
Mandatory Standard on Access Pricing

MSC
Multimedia Super Corridor

MSS
Managed Security Services

MTCP
Malaysian Technical Cooperation Programme

MTTI
Mean Time to Install

MTTR
Mean Time to Restore

N

NaCOSH
National Council for Occupational Safety and Health

NADOPOD
Notification of Accidents, Dangerous Occurrences, Occupational Poisoning & Occupational Disease

NBI
National Broadband Initiative

NBN
National Broadband Network

NCSM
National Cancer Society Malaysia

NCSR
National Centre for Sustainability Reporting

NFP
Network Facility Provider

NGN
New Generation Network

Glossary

NIOSH
National Institute of Occupational Safety & Health

NIP
National Integrity Plan

NKEA
National Key Economic Area

NKRA
National Key Economic Area

NSC
National Sports Council

NSP
Network Service Provider

NTMSP
NIOSH – TM Safety Passport

NTT Com
NTT Communications Corporation

NUTE
National Union of Telecommunications Employees

O

OCM
Operation Committee Meeting

OHD
Occupational Health Doctor

OIAB
Office in a Box™

OJAs
On-the-Job Assessments

OJT
On the Job Training

OLNOs'
Other Licensed Network Operator

OP/HR
On Pole and High Rise

OSHA
Occupational Safety and Health Act

OSHE
Occupational Safety, Health and Environment

OSH-MS
Occupational Safety Hazard Management System

OSS
Operation Support System

OTT
Over-the-top

P

PaaS
Platform as as Service

PATAMI
Profit After Tax and Minority Interests

PDPA
Personal Data Protection Act

PEMANDU
Performance Management and Delivery Unit

PFN
Petrofibre Network

PIP
Performance Improvement Programme

PLWS
Performance Linked Wage System

PM
Property Management

PO
Property Operations

POD
Point of Delivery

POI
Point of Interconnect

PoP
Point of Presence

PPP
Public-Private Partnership

PRI
Primary Rate Interface

PQM
Productivity & Quality Management

PSTN
Public Switched Telephone Network

PWDs
Person With Disabilities

Q

QMS
Quality Management System

QoS
Quality of Service

R

RFID
Radio Frequency Identification

RFS
Request for Service

RNO
Regional Network Operations

RVL
Remote Virtual Learning

RWO
Recoverable Work Order

S

SaaS
Software-as-a Service

SAFE
South Africa Far East Cable System

SAMS
Streamyx Activation Management System

SAT-3
South Atlantic-3 Cable System

SBU
Strategic Business Unit

SCCP
Signaling Connection Control Part

SCM
Sales Channel Management

SCPC
Single Channel Per Carrier

SEA-ME-WE3 (SMW3)
South East Asia-Middle East-Western Europe Cable System 3

SEA-ME-WE4 (SMW4)
South East Asia-Middle East-Western Europe Cable System 4

SHO
Safety & Health Officers

SI
System Integrator

SIRIM
Standards and Industrial Research Institute of Malaysia

SL1M
Skim Latihan 1Malaysia

SL
Service Level

SLG
Service Level Guarantee

SME
Small & Medium Enterprise

SMILE
Superb and Meaningful Interaction Leading to Excellence

SMS
Short Messaging System

SMU
Security Management Unit

SNI
Single Number Identifier

SO
Supervising Officers

SOC
Service Operation Centre

SOHO
Small Office Home Office

SP
Subsidiaries Policy

SRM
Supplier Relationship Management

SSAI
Security Service Availability Index

SSQS
Smart School Qualification Standards

SUTE
Sabah Union of Telekom Malaysia Berhad Employees

SUTEN
Sabah Union of Telecommunications Employees

T

TA
Technical Academy

TAD
TMpoint Authorised Dealer

TDM
Time-Division Multiplexing

TI
Transparency Index

TMCC
TM Convention Centre

TMFA
TMF Autolease Sdn Bhd

TMOW
TMpoint on Wheels

TMUC
TM UniFi Centre

TM MDS
TM Media Delivery Service

TMTC
TM Training Centre

TOMS
TNB Outage Management System

TOP
Towards Operational Perfection

TPX
TelePresence Exchange

TSCL
Technical Specialist Career Ladder

TSR
Total Return to Shareholders

TWP
Teaming With Passion

U

UC
Unified Communications

USP
Universal Service Provision

USP BBPC
Universal Service Provision Broadband PC

UTES
Union of Telekom Malaysia Berhad Employees Sarawak

V

VAS
Value Added Services

VDP
Vendor Development Programme

VDSL2
Very High Speed Digital Subscriber Line

VOD
Video on Demand

VoIP
Voice over Internet Protocol

VPN
Virtual Private Network

W

WAN
Wide Area Network

WFFC
World Freestyle Football Championships

WiFi
Wireless Fidelity

WSE
Wholesale Ethernet

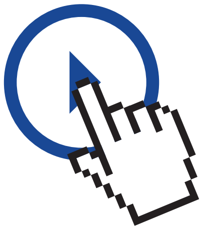
Y

YTM
Yayasan TM

Z

ZBC
Zone Business Council

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth Annual General Meeting (28th AGM) of the Company will be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 7 May 2013 at 10:00 a.m. for the following purposes:

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Note A

2. To declare a final single-tier dividend of 12.2 sen per ordinary share in respect of the financial year ended 31 December 2012. **(Ordinary Resolution 1)**

3. To re-elect Dato' Fauziah Yaacob, who retires pursuant to Article 98(2) of the Company's Articles of Association.
   Please refer to Explanatory Note B **(Ordinary Resolution 2)**

4. To re-elect the following Directors, who retire pursuant to Article 103 of the Company's Articles of Association:
   (i) Datuk Bazlan Osman **(Ordinary Resolution 3)**
   (ii) Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin **(Ordinary Resolution 4)**
   (iii) Dato' Ir Abdul Rahim Abu Bakar **(Ordinary Resolution 5)**
   (iv) Ibrahim Marsidi **(Ordinary Resolution 6)**
   Please refer to Explanatory Note C

5. To re-appoint Dato' Danapalan T.P Vinggrasalam, who retires pursuant to Section 129(2) of the Companies Act, 1965.
   Please refer to Explanatory Note D **(Ordinary Resolution 7)**

6. To re-appoint Messrs PricewaterhouseCoopers (PwC) having consented to act as Auditors of the Company for the financial year ending 31 December 2013 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 8)**
   Please refer to Explanatory Note E

7. To approve the following Directors' Fees:
   (i) Increase in Directors' Fees amounting to RM276,000 per annum for the Non-Executive Chairman, RM180,000 per annum for the Non-Executive Director; and introduction of Senior Independent Director's fee of RM27,000 per annum effective from 1 January 2012. **(Ordinary Resolution 9)**
   (ii) Payment of Directors' Fees amounting to RM1,923,000 for the financial year ended 31 December 2012.
   Please refer to Explanatory Note F **(Ordinary Resolution 10)**

As Special Business

8. To consider and if thought fit, to pass the following Resolution:
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Renewal of Shareholders' Mandate)

"**THAT** in accordance with Paragraph 10.09 of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities), approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Appendix I of the Company's Circular to Shareholders dated 12 April 2013, dispatched together with the Company's 2012 Annual Report, which are necessary for the day-to-day operations **PROVIDED THAT** such transactions are entered into in the ordinary course of business of the Company and/or its subsidiaries, are carried out on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT such approval shall continue to be in full force and effect until:
(i) the conclusion of the next annual general meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;
(ii) the expiration of the period within which the Company's next annual general meeting is required to be held under Section 143(1) of the Companies Act, 1965 (Act) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(iii) revoked or varied by resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier;

AND THAT the Board of Directors of the Company be and is hereby empowered and authorised to do or procure to be done all acts, deeds and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate."
(Ordinary Resolution 11)

9. 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, speak and vote at this 28th 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 26 April 2013. Only a depositor whose name appears on the Register of Members/ROD as at 26 April 2013 shall be entitled to attend the said meeting or appoint proxies to attend, speak and 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 28th AGM to be held on 7 May 2013, a final single-tier dividend of 12.2 sen per ordinary share for the financial year ended 31 December 2012 will be paid on 27 May 2013 to Depositors whose names appear in the ROD on 10 May 2013.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for entitlement to the dividend only in respect of:
(i) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 8 May 2013 (in respect of shares which are exempted from Mandatory Deposit);
(ii) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 10 May 2013 (in respect of Ordinary Transfers); and
(iii) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

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

By Order of the Board

Idrus Ismail (LS0008400)
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
12 April 2013

NOTES:

Proxy and/or Authorised Representatives

1. A Member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A Member may appoint any person to be his/her proxy without restriction to the proxy's qualification and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company.

2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.

   Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy is specified.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, and no notice of revocation has been received". If the proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, and no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.

5. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association (AA).

6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share 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.

7. Explanatory Note A
The Agenda item is meant for discussion only as the provision of Section 169(1) of the Act does not require the audited financial statements to be formally approved by the shareholders. As such, this item is not put forward for voting.

8. Explanatory Notes B and C
Dato' Fauziah Yaacob, Datuk Bazlan Osman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, Dato' Ir Abdul Rahim Abu Bakar and Ibrahim Marsidi are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 28th AGM.

The Board has conducted an assessment on the independence of the independent directors who are seeking re-election and re-appointment at this 28th AGM of the Company and is satisfied that the incumbents have complied with the independence criteria applied by the Company.

Details of the assessment on all the directors standing for re-election and re-appointment are on pages 100 and 101 inclusive, of the Statement on Corporate Governance in the 2012 Annual Report.

9. Explanatory Note D
The re-appointment of Dato' Danapalan T.P Vinggrasalam, who has attained the age of 70 years, as a Director of the Company to hold office until the conclusion of the next annual general meeting, shall take effect if the proposed Ordinary Resolution 7 is passed by a majority of not less than three-fourths of such members as being entitled to vote in person or, where proxies are allowed, by proxy at this 28th AGM of which not less than 21 days' notice has been given.

10. Explanatory Note E
The Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company and collectively agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the Main LR.

11. Explanatory Note F
The proposed Ordinary Resolution 9 is in accordance with Article 99(3) of the Company's AA and if passed, shall be effective from 1 January 2012. The proposed increase in Directors' Fees and introduction of Senior Independent Director's (SID) fee are to reflect the increase in responsibilities of the Non-Executive Chairman, Non-Executive Independent Directors and SID.

EXPLANATORY NOTES ON SPECIAL BUSINESS

12. Proposed Renewal of Shareholders' Mandate
The proposed Ordinary Resolution 11, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on normal commercial terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next annual general meeting unless authority for its renewal is obtained from shareholders of the Company at a general meeting.

Detailed information on the Proposed Renewal of Shareholders' Mandate is set out in Appendix I of the Circular to Shareholders dispatched together with the Company's 2012 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 28TH AGM

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The following are Directors retiring pursuant to Articles 98(2) and 103 of the Company's Articles of Association and Section 129 of the Companies Act, 1965 (Act):

1. Article 98(2): Retirement after appointment to fill casual vacancy
   Dato' Fauziah Yaacob

2. Article 103: Retirement by rotation
   (i) Datuk Bazlan Osman
   (ii) Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
   (iii) Dato' Ir Abdul Rahim Abu Bakar
   (iv) Ibrahim Marsidi

3. Section 129 of the Act: Re-appointment of Director
   Dato' Danapalan T.P Vinggrasalam

The profiles of the respective Directors who are standing for re-election (as per Ordinary Resolutions 2 to 6) and re-appointment (as per Ordinary Resolution 7) as stated in the Notice of 28th AGM are set out in the Profile of the Board of Directors on pages 76 to 80 inclusive, of this Annual Report.

None of the above Directors, save for Datuk Bazlan Osman, has any interest in the securities of the Company. The securities' holdings of Datuk Bazlan Osman are disclosed on page 387 of this Annual Report.

PROXY FORM

(Before completing the form, please refer to the notes overleaf)

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

"A" I/We ______________________________
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________

(PASSPORT NO.) ______________ (COMPANY NO.) ______________

of ______________________________
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) [Company] hereby appoint ______________________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her ______________________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy/proxies to vote for me/us on my/our behalf at the Twenty-Eighth (28th) Annual General Meeting of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 7 May 2013 at 10:00 a.m. and at any adjournment thereof.

"B" If you wish to appoint a second proxy, please complete this section.

I/We ______________________________
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________

(PASSPORT NO.) ______________ (COMPANY NO.) ______________

of ______________________________
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) [Company] hereby appoint ______________________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her ______________________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy/proxies to vote for me/us on my/our behalf at the 28th Annual General Meeting of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 7 May 2013 at 10:00 a.m. and at any adjournment thereof.

For appointment of two proxies, percentage of shareholdings to be represented by the respective proxies must be indicated below:	
	Percentage (%)
Proxy "A"	
Proxy "B"	
Total	**100%**

My/Our proxy/proxies is/are to vote as indicated below:
*(Please indicate with an **"X"** in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion)*

No	Resolutions		Proxy "A"		Proxy "B"	
			For	Against	For	Against
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2012		NA	NA	NA	NA
2.	Declaration of a final single-tier dividend of 12.2 sen per ordinary share	– Ordinary Resolution 1				
3.	Re-election of Dato' Fauziah Yaacob pursuant to Article 98(2)	– Ordinary Resolution 2				
4.	Re-election of Datuk Bazlan Osman pursuant to Article 103	– Ordinary Resolution 3				
5.	Re-election of Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin pursuant to Article 103	– Ordinary Resolution 4				
6.	Re-election of Dato' Ir Abdul Rahim Abu Bakar pursuant to Article 103	– Ordinary Resolution 5				
7.	Re-election of Ibrahim Marsidi pursuant to Article 103	– Ordinary Resolution 6				
8.	Re-appointment of Dato' Danapalan T.P Vinggrasalam pursuant to Section 129 of the Companies Act, 1965	– Ordinary Resolution 7				
9.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and authorisation to Directors to fix their remuneration	– Ordinary Resolution 8				
10.	Approval on Increase in Directors' Fees	– Ordinary Resolution 9				
11.	Approval of Payment of Directors' Fees 2012	– Ordinary Resolution 10				
12.	Special Business: (i) Proposed Renewal of Shareholders' Mandate	– Ordinary Resolution 11				

Signed this __________ day of ________________ 2013.

No. of ordinary shares held	CDS Account No. of the Authorised Nominee*

**Applicable to shares held under nominee account only*

____
Signature(s)/Common Seal of Member(s)

NOTES:

Proxy and/or Authorised Representatives

1. A Member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A Member may appoint any person to be his/her proxy without restriction to the proxy's qualification and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991 (SICDA), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.

   Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy is specified.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, and no notice of revocation has been received". If the proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, and no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

Members entitled to Attend

7. For the purpose of determining a member who shall be entitled to attend the 28th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 34(3) of the Company's Articles of Association and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors (ROD) as at 26 April 2013. Only a depositor whose name appears on the Register of Members/ROD as at 26 April 2013 shall be entitled to attend, speak and vote at the said meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

3. Fold this flap for sealing

AFFIX
STAMP
RM0.80 HERE

THE SHARE REGISTRARS
TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

2. Then fold here

1. Fold here