



GROUP CORPORATE COMMUNICATIONS
TELEKOM MALAYSIA BERHAD
 (128740-P)

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 @tmcorp

2013 ANNUAL REPORT





ABOUT THE COVER

Because we understand the demands of life, TM is committed to helping you balance those demands a little bit better – to connect, communicate and collaborate – through our comprehensive suite of services. The icons on the cover represent the many facets of your everyday needs. As easy as turning over a page, flipping over the transparent sheet of icons will reveal the words 'Life Made Easier', which is symbolic of TM's aspiration to make the lives of our stakeholders easier in everything that we do, big and small.

Be it via Streamyx, UniFi, or any of our complete end-to-end solutions, for homes or businesses, TM is here to make your life easier, and help you open up to life's endless possibilities.



No. **1** broadband provider in Malaysia

more than **2.2** million broadband customers

RM10.63 billion revenue
highest revenue growth in the industry at 6.4%

FACTS AT A GLANCE



222.4%
total return to shareholders (TRS) since demerger

more than **1.49** million
premises passed for high speed
broadband deployment

27,830 employees
TM's most valuable asset

RM933.7 million
total dividend payout

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29th Annual General Meeting

DATE 8 May 2014, Thursday
TIME 10.00 a.m.
VENUE Kristal Hall, TM Convention Centre,
 Menara TM, Jalan Pantai Baharu,
 50672 Kuala Lumpur, Malaysia

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INSIDE THIS REPORT

VISION

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

MISSION

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

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

KRISTAL VALUES



Kristal Song*

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

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



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



Chorus:

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

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

**English translation of original Bahasa Melayu lyrics*

STRATEGY AT A GLANCE

STAYING AHEAD OF THE GAME

The drive to stay ahead forms the basis of our Performance Improvement Programme 3.0. Our PIP 3.0 is a three-year initiative from 2013 to 2015 with a clear roadmap of the desired results. The challenges of competition and the ever constant changing business landscape underscore the importance of continuously staying ahead of the game.

PERFORMANCE IMPROVEMENT PROGRAMME 3.0

CONTINUED GROWTH

Creating a world class growth Information Exchange leveraging but not wholly dependent on traditional connectivity services

FUNDAMENTAL PRODUCTIVITY SHIFT

Fundamental change towards a lean paradigm to sustain high profitability combining the strength of a stable traditional telco with new value-added services in ICT

IMPROVE INSTITUTIONAL HEALTH DRIVERS

Strengthening our Customer experience and building a TM to last. Transform to be more efficient, flexible, focused on customers & ready to take on new business in ICT

UNDERPINNED BY OUR GUIDING VALUES AND PASSION TO DRIVE PERFORMANCE

KRISTAL

- Total commitment to customers
- Uncompromising Integrity
- Respect & Care

COOL

- C – Customer Centricity and Quality Programme
- O – One Company Mindset with Execution Orientation
- O – Operational Excellence and Capital Productivity
- L – Leadership Through Innovation and Commercial Excellence

TEAMING WITH PASSION

At the heart of TM is this dynamic energy that drives change, called Teaming With Passion (TWP)



VISION MADE CLEARER

With everything we do comes a purpose, a clear vision which is to become your Broadband Champion with excellent performance, products and services, ensuring you an exceptional customer experience.



PERSPECTIVE

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CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my distinct pleasure and privilege, on behalf of the Board of Directors, to present the Annual Report for Telekom Malaysia Bhd (TM) for the year ended 31 December 2013.

TM has delivered another commendable performance – a solid testament of our commitment year after year to continuously create and deliver value to all our stakeholders. We made history again, recording a number of firsts since the demerger, with our revenue at RM10.63 billion crossing the RM10 billion mark and our Normalised Net Profit or Profit After Tax And Minority Interest (PATAMI) at RM1.04 billion crossing the RM1 billion mark, indeed the highest thus far. More significantly, our total dividend payout of 26.1 sen per share, or RM933.7 million, is also our highest payout to date. This is on the basis of the Board of Directors proposing for shareholders' approval a final single-tier dividend of 16.3 sen per share, amounting to RM583.1 million; in addition to our interim single-tier dividend of 9.8 sen per share amounting to RM350.6 million paid out to our shareholders earlier in September 2013.

Due credit and recognition must go to our 27,000-strong workforce for these achievements, which have come off the back of their tireless hard work and sheer determination to give the best of themselves, in the services that we proudly render for the nation, and in the role we play as the nation's trusted partner for development.

With a foundation grounded in the highest standards of corporate governance, integrity and responsibility, TM is steady on course, as Malaysia's leading integrated communications service provider, to achieve our vision of becoming an Information and Innovation Exchange, and deliver on our customer experience approach of 'Life Made Easier' – also the theme of our 2013 Annual Report.

ACHIEVEMENTS MADE GREATER: 2013 PERFORMANCE HIGHLIGHTS

For the fourth consecutive year, not only did TM achieve all three of our Headline Key Performance Indicators (KPIs), this year we surpassed them. Earlier in 2013, we had announced to the market our targets of a revenue growth of 6%, Group Normalised Operating Profit (Earnings Before Interest and Tax (EBIT)) growth of 3% and customer satisfaction measure based on the TRI*M index of 72.

With a revenue growth rate of 6.4%, leading industry growth for the second consecutive year, TM recorded a Group revenue of RM10.63 billion for 2013, as compared to RM9.99 billion in 2012.

CHAIRMAN'S STATEMENT

Revenue at

RM10.63 Billion

crossing the RM10 billion mark

RM1.04 Billion

Normalised Net Profit (PATAMI) crossing the RM1 billion mark

RM933.7 Million

Total Dividend Payout – highest to date

Group Normalised Operating Profit or EBIT grew an impressive 18.2% to RM1.36 billion from RM1.15 billion in 2012 attributable to higher revenue against cost. Reported EBIT for FY2013 was RM1.37 billion, also higher by 15.6% against RM1.19 billion in FY2012. Our last Headline KPI result, for the TRI*M index, was more than 72, again well above the global average of 68.

Group Profit Before Tax (PBT) stood at RM1.05 billion compared to RM1.07 billion in FY2012 attributable to a net unrealised foreign exchange loss on translation of borrowings due to the strengthening of the US Dollar against the Ringgit.

It is worth noting that TM recorded its highest Group Normalised Net Profit or Profit After Tax And Minority Interest (PATAMI) thus far at RM1.04 billion, a 17.9% growth from RM881.0 million in FY2012, excluding unrealised foreign exchange loss and tax incentives. Reported PATAMI stood at RM1.01 billion against RM1.26 billion in FY2012 due to foreign exchange loss on translation of borrowings and lower tax incentives.

We maintained our position as the trusted broadband provider for the nation, as evidenced by our substantial customer base. This grew 7.2% from 2.07 million as at end 2012 to 2.21 million customers last year, with continued growth seen both in UniFi and Streamyx. Demand for our high speed broadband (HSBB) service, UniFi, remains strong - growing 31.6% against 2012, with a net add of about 152,000 to close to 635,000 customers on the back of 1.49 million premises passed and 105 exchanges. As at February 2014, we have activated over 650,000 customer subscriptions which translate to a take-up rate of more than 43%. I am also pleased to share that over the last year, 41% or close to 900,000 of our customers were on high speed broadband packages of 4Mbps and above.

To our shareholders, in line with our continued commitment to strong, sustainable shareholder returns, as mentioned, I am also pleased to announce that the TM Board of Directors is recommending for your approval a final single-tier dividend of 16.3 sen per share, amounting to RM583.1 million. Together with the interim single-tier dividend, the total dividend payout is 26.1 sen per share, or RM933.7 million – our highest payout thus far. The final dividend is expected to be paid in June 2014.

Indeed, we have come a long way since the demerger when TM had promised an annual dividend commitment of RM700 million or up to 90% of our normalised PATAMI, whichever is higher. This year, with the loyal support of our shareholders, we are especially proud to have not only kept that promise, but far exceeded it for the first time.

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

COMMITMENT MADE STRONGER: TRUSTED PARTNER IN NATION-BUILDING

Over the long, rich history of Malaysian telecommunications, TM, in our many previous forms, has been at the forefront of every major milestone, right from the very start of the first telegraph line, measuring 42.5km in Perak at Taiping by the Department of Posts and Telegraph in 1874. This signalled the very beginning of a new era.

Since then, TM has been at two key inflexion points in technological telecommunications advancement; first, the transition from analogue to digital, from fixed to mobile; then again from digital to Internet Protocol (IP).

The next leapfrog came with the Government of Malaysia's visionary Economic Transformation Programme (ETP), which aims to propel the nation into high-income status by the year 2020. This emphasised the strategic role that leading-edge Information and Communication Technology (ICT) infrastructure and services, namely broadband and HSBB in particular, would play as a catalyst for growth of many of the industries identified in the National Key Economic Areas (NKEAs). Delving deeper, it was an imperative for the Communications Content and Infrastructure (CCI) sector as part of the NKEA as well as the National Broadband Initiative (NBI).

TM is honoured to have been given the opportunity to prove ourselves as a trusted partner in national development time and again, most recently having delivered with global acclaim on the HSBB Public Private Partnership (PPP), as well as the expansion of Malaysia's regional connectivity via our extensive network of submarine cables and global points of presence. Most recently, TM launched three initiatives – My1Hub, Iskandar International Gateway (IIGW) and our first privately-owned submarine cable system, Cahaya Malaysia Submarine Cable System (Cahaya Malaysia) – to boost Malaysia's position as an international, regional and a neutral hub. We continue to play a key part in realising the Integrated Government Network (1GovNet), helping to bring government services closer to its citizens via online channels, through the concepts of ubiquitous connectivity and inclusion. TM looks forward to fully realising the second phase of the HSBB project, HSBB2, in support of the Government's plan to further expand into areas adjacent to those covered by the first phase.

Malaysia is also fortunate in that its ICT industry thrives on collaboration for the ultimate benefit of Malaysian consumers. In this regard, TM and fellow industry players have partnered on many occasions both in the retail and wholesale space towards a shared goal of providing more advanced and competitive services, smoothly facilitated by our supportive Ministry and regulator.

All of this is indicative of TM's commitment to become an Information Exchange, occupying a central space in the communications grid, with information among users flowing all around us, and inevitably through us. As an Information Exchange, we are able to provide the platforms that are needed by our customers to make their lives easier. These platforms include the Next Generation Network (NGN), Data Centres, Cloud platforms, wireless technology and global connectivity with a choice of speeds and bandwidth. These platforms together form our Information Exchange acting as the medium for us to provide the best customer experience for you. We are now building on this vision to also include an Innovation Exchange, where we will be in the best position to provide the right content and applications for our customers. Already we have our HyppTV, the leading Internet Protocol Television (IPTV) on our UniFi, Streamyx 4Mbps and 8 Mbps, as well as on multiscreens, with HyppTV Everywhere. We continue to work with global content houses to provide the best in news, sports and entertainment. Moreover, through our interactive channels, Content Services Development Platform (CSDP) and upcoming device strategies, we are open to and encourage innovative collaborations with content and application developers and entrepreneurs. TM is even working on its own physical version of our Innovation Exchange, and will make the necessary announcements of this exciting development at a later date. These two important concepts of Information and Innovation Exchange are what will help TM deliver on 'Life Made Easier', our brand promise.

CONNECTIONS MADE SIMPLER: REALISING 'LIFE MADE EASIER' THROUGH CUSTOMER EXPERIENCE

Simply put – we do the things we do for our customers. They are at the heart of all our efforts – customer centricity and enhancing customer experience form the basis of our mission strategy of COOL (Customer Centricity, One Company Mindset, Operational Excellence & Capital Productivity, and Leadership Through Innovation & Commercial Excellence) as well as our core KRISTAL values of Total Commitment to Customers, Uncompromising Integrity and Respect & Care.

CHAIRMAN'S STATEMENT

In 2013, we aimed to manifest this together with our culture of 'Service With Heart' through our campaign 'Life Made Easier' for all Malaysians, as well as 'Business Made Easier' specifically for our Enterprise and Small Medium Enterprise (SME) customers.

This entails our products and services not only making lives easier by enriching the consumer lifestyle and enhancing business productivity, but going beyond connectivity to provide opportunities for communication and collaboration. Taking it one step further, we are focusing our attention on making those connections even simpler – reviewing our customer experience related processes and touch points end-to-end, to make it easier for customers to connect and interact with us in providing our services. We are leveraging on all our available channels to do so: through our frontliner communication, TMpoint outlets, call centre, technicians, online as well as social media.

We are grateful that our customers are also experiencing these changes, although the journey ahead is still long. Our 2013 TRI*M score of more than 72, for the second year running, assures us we are on the right path.

This theme is echoed throughout this annual report, as it is embedded in all our operations, and we hope our readers can further understand our serious efforts to continuously enhance our customer experience.

FOCUS MADE SHARPER: UPHOLDING CORPORATE GOVERNANCE AND INTEGRITY

The global call for greater transparency has put the corporate governance of public listed companies and indeed all corporates under an increased lens of scrutiny, and rightly so. It remains one of our greatest responsibilities to continue instilling confidence and make good on the trust placed upon us by our stakeholders.

TM has long been recognised as one of Malaysia's model corporations, and was again awarded, among numerous other accolades, the Top 5 Overall Corporate Governance (CG) Award at the Minority Shareholders Watchdog Group

(MSWG) ASEAN CG Awards 2013. This recognition is bestowed on companies with the best CG practices based on the ASEAN CG Scorecard assessment as well as with good performance indicators such as the three-year average Return of Equity (ROE) and Total Shareholders Return (TSR).

It bears reiterating the initiatives TM has put in place to date. The same year that the National Integrity Plan (NIP) was launched in 2004, TM produced our Code of Business Ethics (CBE) in the form of a handbook. In 2006, we introduced our Procurement Ethics Policy as well as a Whistle-blowing Channel and Ethics HotLine. In 2010, we became the first GLC to offer the CBE as an e-learning module for easy reference by employees.

In 2011, our efforts intensified with the signing of a Corporate Integrity Pledge. We also signed a Memorandum of Understanding to become a 'Rakan Integrity' of the Institute of Integrity Malaysia (IIM), which commits us to planning, implementing, executing, overseeing and evaluating the principles as contained in the NIP within the Company. Then, in 2012, we launched our Integrity Pact, which is an agreement between TM and our vendors to perform business dealings free of bribery and corrupt practices. We also reinforced awareness of integrity among our staff via a nationwide roadshow as well as regular talks and counsel, led by the Management Team.

The establishment of an Enterprise, Ethics & Integrity Unit (EEIU) under the Group Legal, Compliance and Company Secretarial division in February 2013, was yet another key initiative to ensure in-depth understanding and institutionalising of the ethics and integrity principles, related to all TM policies and processes.

During Ramadhan in 2013, we tightened our No Gifts Policy via an exercise called Project Give Away – to donate all festive gifts and hampers delivered to TM employees, irrespective of their value, to charitable organisations. This initiative is also part of our Reaching Out corporate responsibility effort to spread cheer and joy to the less fortunate.

As recently as January 2014, TM organised our first ever Integrity Day to further inculcate and internalise our KRISTAL core values, and specifically the value of Uncompromising Integrity across our Group of Companies. The event promoted the establishment of a value-based society with a serious effort to make integrity and honesty a way of life and promote an accountable, corrupt-free society in line with the NIP. Integrity Day adds to our National Integrity Month celebration every November since 2004 as well as International Anti-Corruption Day on 9 December annually.

FUTURE MADE BRIGHTER: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

It has been interesting to follow the transition of corporate responsibility (CR) into corporate sustainability in TM over the last decade, in line with global developments in this emerging field. Much of our CR initiatives began as well-meaning contributions to the community, which evolved to incorporate greater elements of accountability over the years. We understood that our unique and strategic role as a trusted partner in national development via building Malaysia's telecommunications infrastructure and delivering holistic communication services to all Malaysians gave us our purpose.

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

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

TM has produced a standalone Sustainability Report since 2008 to showcase our commitment to CR and Sustainability. This year, our Sustainability Report theme of 'Life Made Sustainable' echoes the theme of the main Annual Report, 'Life Made Easier', further demonstrating how closely linked sustainability is to our business operations. The report itself, as well as a separate chapter within this Annual Report, delves into greater detail of key developments in our sustainability journey but I will present an overview of the highlights in this section for your convenience. This report has been assessed by the Global Reporting Initiative (GRI) for how comprehensively we have applied the GRI guidelines, achieving the top Application Level of A+ for the past six consecutive years.

One highlight was our recent achievement in winning the Platinum for Overall Excellence for the Most Outstanding Annual Report of the Year, and the Gold for Best Corporate Social Responsibility Reporting at the National Annual Corporate Report Awards (NACRA) 2013. This was presented in recognition of our accountability and excellence through transparent reporting and effective communication.

At the regional level, we were honoured for the second year running for the Best Sustainability Report in Malaysia for the years 2012 and 2013 by the National Centre for Corporate Responsibility, Indonesia.

In the workplace, we are truly blessed with the united spirit, energy and dedication of our employees or *Warga TM*, who continue to give their all in their daily work towards delivering TM's services to our customers. Our Employee Engagement Index (EEI), known as My1TM Survey, maintained its record high of 90% for the third consecutive year running with 83% staff participation. This score far exceeds that of global high performing companies on the same benchmark scale, bearing testimony to how highly engaged and committed *Warga TM* are to the organisation and our shared purpose. It was also one of our highlights last year that TM made the list of Top 50 Best Companies to Work For in Asia by HR Asia.

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

CHAIRMAN'S STATEMENT

We have long been a staunch supporter for local businesses, and one of the first GLCs to establish and implement a Vendor Development Programme or VDP. The VDP programme focuses on supporting high quality vendors and help make these businesses sustainable. More than 600 vendors have benefited from joining this programme and we are now moving into the next phase of this programme – to look into the sustainability of these vendors.

We also work closely with other government agencies, such as *TERAJU (Unit Peneraju Agenda Bumiputera)* to help drive the Bumiputera Agenda as part of the National Transformation Plan. Events such as the inaugural GLC Explorace™ in July with the Ministry of International Trade and Industry (MITI) and its agencies, help connect local entrepreneurs with vendors under one roof. Our 'Blue Lane' programme with local entrepreneurs, help develop and realise their business ideas so as to have a win-win situation for both TM and these local businesses. These initiatives are some of our efforts to help the development and growth of local businesses which include Bumiputera entrepreneurs.

Under the Education pillar, we are proud to be able to contribute across most levels of the national education system, from our School Adoption Programme which aims to boost academic performance of rural schools in the country through ICT, to providing opportunities for higher education and skills development through Multimedia University (MMU) and Multimedia College (MMC) as well as through Yayasan TM, our foundation which provides bursaries and scholarships.

In 2013, under the fourth phase of our PINTAR adoption programme, we adopted another two schools in Selangor and Pahang, and graduated one in Johor. We also allocated 600 seats in MMU and MMC for outstanding students from our adopted schools, thus ensuring we connect the dots in terms of cross-initiative collaborations.

Under the Community/Nation-building pillar, TM as Malaysia's Broadband Champion, commissioned and collaborated on various initiatives together with our Ministry and regulatory

body. To date, we have deployed 326 Pusat Internet 1Malaysia (PI1M), formerly known as Community Broadband Centres (CBCs), 56 mini CBCs, and 98 Internet-enabled Perpustakaan Jalur Lebar (PJLs), or Community Broadband Libraries (CBLs) in underserved communities nationwide. In addition we have connected 1,637 Kampung Tanpa Wayar (KTW) or Wireless Villages, enabled 286 WiFi 1Malaysia (W1M) hotspots and installed 2,214 payphones across the nation in support of the Government's Universal Service Provision (USP) vision of achieving universal access, universal coverage and universal service, with the ultimate objective of bridging the digital divide.

We also added two more single-mother families under TM Program Sejahtera, continuing our work to help them better their quality of life through training and assistance towards a more sustainable livelihood.

We are particularly proud of the strong spirit of volunteerism in TM, which has long been instilled in the Company through our clubs and associations which have been actively participating in various charity initiatives. 2013 marked the launch of the official name for these often unsung TM volunteers – TM ROVers – an acronym for TM Reaching Out Volunteers, playing on our CR tagline of 'Reaching Out'.

Finally, under the Environment pillar, we continue baselining and tracking our activities and Internet Protocol (IP) and green developments in our network: TM E³ 1nfra (Efficient, Effective, Elastic) in preparation of our Carbon Management Plan. Our flagship BumiKu and TM Earth Camp programmes are now in their fourth successful year. In 2013, we stepped up our Earth Camps with cross-regional participation of our adopted schools as well as with the involvement of our TM ROVers.

We also saw active contributions from our subsidiaries, Menara KL as well as Muzium Telekom in conducting their own educational and environmental activities with emphasis on our history and heritage.

VISION MADE CLEARER: PROSPECTS FOR THE YEAR 2014

TM has successfully undergone our first year of the Performance Improvement Programme (PIP) 3.0, first introduced in November 2012. PIP 3.0, which is built upon three key pillars of continued growth, fundamental productivity shift and strengthening our institutional health drivers, will remain the anchor for our strategies. These have shown positive outcomes in 2013 and are expected to continue doing so in 2014 and beyond.

We have spent a considerable amount of time going down to the ground to share important strategic business objectives and clarify how each and every one of *Warga* TM can play his part in realising our vision of becoming an Information and Innovation Exchange.

On that footing, in the coming year, we will continue to strengthen our position as the Broadband Champion in Malaysia. Evidenced by the numerous new products and services launched in 2013, we will continue to bring more innovative products and services to the market, whilst enhancing our customer experience.

True to our commitment to nation building, we also plan to expand our broadband services both with HSBB2 as well as in underserved areas, complementing our existing suite of fixed broadband services with wireless technology options.

Supporting our Information Exchange aspiration, our managed accounts segments (Enterprise, Government and VADS) will continue to enhance our capabilities and services to be an integrated ICT player, and in general to offer solutions beyond connectivity. This entails providing more end-to-end and value-added ICT/Business Process Outsourcing (BPO) services including Cloud computing data centres and surveillance. We are building further on this aspiration to include being an Innovation Exchange, whereby we plan to be more aggressive in content and applications to cater to the varying needs of our customer segments.

With that, TM is looking forward to a 'Game-Changing' year in terms of fresh approaches to the market and in terms of delivering 'Life Made Easier' and 'Business Made Easier' with TM.

ACKNOWLEDGEMENTS

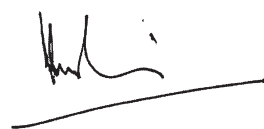
To all our stakeholders, and especially our shareholders and customers, on behalf of the Board of Directors of TM, I humbly say a heartfelt Thank You. You have come along together with us on this incredible journey, with unwavering trust and belief. We sincerely hope you can be proud of our achievements today as we share them with you.

To our fellow collaborators, business, industry and media partners, we are grateful that you stand side-by-side with us as we each have a hand in making a difference... together... towards supporting the development of our nation.

To the Government of Malaysia, our Ministry of Communications and Multimedia Malaysia and our regulator, the Malaysian Communications and Multimedia Commission, we would like to voice our highest appreciation for the shared vision and the policies that facilitate continued economic and industry growth for the betterment of all Malaysians, especially through ICT.

To my esteemed Board members, outgoing and new, your guidance, contribution, lively discussions and active engagement are the stewardship that helps govern TM's transformation in a transparent and driven manner.

To our beloved 27,000-strong 1TM family – the leadership and Management Team as well as all *Warga* TM – each and every one of you deserves to stand proud and tall, for the results speak for themselves. Thank you for your passion, energy and most of all your belief that will keep TM moving forward and upward, to greater heights – building an institution to last.



DATO' SRI DR HALIM SHAFIE

Chairman



The logo for Telekom Malaysia (TTM) is displayed on the red chair. It features the letters 'TTM' in a bold, blue, sans-serif font, with a stylized orange and blue wave graphic above the 'M'.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report on what was yet another incredible year for TM, not only in terms of performance, but more meaningfully in terms of the continued support and commitment we receive from our customers, our people, and indeed all our stakeholders, on our ongoing journey of transformation. It is that which fuels our drive to deliver. In 2013, TM crossed two significant milestones. For the first time, our revenue for the full year ended 31 December 2013 crossed the RM10 billion mark, achieving RM10.63 billion. We also recorded our highest Normalised Net Profit or Profit After Tax And Minority Interest (PATAMI) thus far at RM1.04 billion, a remarkable growth of 17.9% and crossing the RM1 billion mark. For the second year running, TM's revenue growth of 6.4% has outstripped the industry.

With each success we celebrate, we also hold firm to our commitment to grow TM's value creation through sustainable return on capital. To demonstrate this, we had paid out a 9.8 sen per share interim dividend amounting to RM350.6 million to our shareholders in September 2013. The Board of Directors is now proposing for shareholders' approval a final dividend of 16.3 sen per share, amounting to RM583.1 million. Together with our interim dividend, this would amount to a total dividend payout of 26.1 sen per share, or RM933.7 million, our highest payout to date since our demerger in 2008. This is an increase of 18.6% as compared to the previous year.

We remain Malaysia's Broadband Champion, with 2.21 million broadband customers as at end 2013, of whom close to 635,000 were on UniFi. Moreover, together with our higher speed Streamyx packages, the number of customers on high speed broadband (Streamyx 4Mbps and 8Mbps and UniFi) represents 41% or close to 900,000 of our total broadband customers. Clearly, this is in line with the increasing adoption of a digital lifestyle. This is also indicated in our revenue growth which was mainly driven by Internet, multimedia and data, which now collectively represent close to 50% of Group revenue. What makes these achievements even more worthwhile is the fact that our customer satisfaction measure, based on the TRI*M index, was more than 72, yet again above the global average of 68 - strengthening TM's position as Malaysia's trusted brand. This gives us our true purpose and is symbolised by the campaign TM embarked on in 2013, and is thus the theme of our 2013 Annual Report.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Achieved all

3 Headline KPIs

4th consecutive year, exceeded in 2013

6.4% rise

in Group Revenue to RM10.63 billion outstripping industry growth, 2nd consecutive year

18.2% EBIT

growth to RM1.36 billion

'Life Made Easier'. An aspirational pledge that goes beyond our dedication to better customer experience to encompass all that we do, big or small – towards making the lives of our customers, employees, colleagues, partners, communities and indeed all our stakeholders, easier, with our suite of communication services and our philosophy of 'Service With Heart'.

ANOTHER YEAR OF SOLID PERFORMANCE

2013 was nothing short of remarkable amidst an increasingly challenging environment – with volatile markets and intense competition. This time last year, we announced to the market our targets of revenue growth of 6%, EBIT growth of 3% and a customer satisfaction measure based on the TRI*M index of 72 or above. We are pleased to report that the continued achievements seen in 2013 have enabled us to record a good solid performance all around for the year ended 31 December 2013. Not only did we achieve all three of our Headline KPIs for the fourth consecutive year, we in fact exceeded them this year.

TM recorded a 6.4% rise in Group revenue to RM10.63 billion from RM9.99 billion recorded in 2012, outstripping the mobile industry growth. As mentioned, performance was mainly driven by Internet, multimedia and data, which now collectively represent close to 50% of Group revenue.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for FY2013 was 9.2% higher than FY2012 at RM3.53 billion on the back of higher operating revenue.

Group Normalised Operating Profit (Earnings Before Interest and Tax (EBIT)) grew 18.2% to RM1.36 billion from RM1.15 billion in 2012 attributable to higher revenue against cost. EBIT for FY2013 was RM1.37 billion, higher by 15.6% against RM1.19 billion in FY2012.

Group Profit Before Tax (PBT) was RM1.05 billion compared to RM1.07 billion in FY2012 attributable to a net foreign exchange loss on translation of borrowings due to the strengthening of the US Dollar against the Ringgit.

TM recorded our highest Group Normalised Net Profit or PATAMI thus far at RM1.04 billion, a 17.9% growth from RM881.0 million in FY2012, excluding unrealised foreign exchange loss and tax incentives. Reported PATAMI stood at RM1.01 billion against RM1.26 billion in FY2012 due to foreign exchange loss on the translation of borrowings and lower tax incentives.

In 2013, TM embarked on more customer experience improvement initiatives to enhance our levels of service, yielding positive results with our TRI*M index score of more than 72. This will certainly spur us on to further enhance our customer experience.

We also sustained our capital and cost efficiencies, with a capital expenditure (capex)/revenue ratio of 17.5% against 25.5% in FY2012. Cost as a percentage of revenue also improved from 88.3% to 87.2%. Total capex spent in FY2013 was RM1.86 billion, of which RM1.17 billion was for the High Speed Broadband (HSBB) project.

Our strong set of results proves that the Performance Improvement Programme (PIP) 3.0 introduced in the last quarter of 2012, and executed over 2013 has borne fruit. We focused on becoming a more agile and aggressive company that is committed to transformation, execution and customer experience; helping our customers to use our end-to-end product offerings and business solutions effectively to transform their lives and businesses.

This has enabled us to give back to our valued shareholders, who continue to place their trust in TM. For 2013, we are recommending a total dividend payout of 26.1 sen per share,

or RM933.7 million, our highest payout to date since the demerger, and an increase of 18.6% over that in 2012. The payout comprises a proposed final single-tier dividend of 16.3 sen per share, amounting to RM583.1 million, in addition to the 9.8 sen per share interim single-tier dividend amounting to RM350.6 million paid out in September 2013. The payout of the final dividend is expected to be made in end May 2014.

LIFE AND BUSINESS MADE EASIER WITH TM

As Malaysia's Broadband Champion, our customer base grew 7.2% from 2.07 million as at end 2012 to 2.21 million customers last year, with continued growth seen both in UniFi and Streamyx. UniFi demand remains strong, and we ended 2013 with close to 635,000 customers, a net add of about 152,000, or an increase of 31.6% against FY2012. UniFi continues to see healthy growth, with more than 650,000 customers as at end February 2014. With 1.49 million premises passed on the back of 105 exchanges as at end December 2013, this translates to a take-up rate of more than 43%. We are also pleased to note that we are seeing more and more customers taking up our high speed broadband packages of 4Mbps and above for both Streamyx and UniFi. These high speed broadband customers make up 41% or close to 900,000 of our total broadband customers which bodes well for our new HyppTV packages.

TM continues to play a strategic role in expanding broadband reach holistically across urban, sub-urban and rural areas and enhancing our broadband user experience. In January 2013, we expanded the coverage of our HSBB access to non-HSBB (non-UniFi) areas by improving the quality of our copper infrastructure and introducing the new 8Mbps bandwidth for Streamyx and Business Broadband packages. This new bandwidth offering complements our existing broadband packages of 1Mbps, 2Mbps and 4Mbps. Then, in August, the Company further expanded the reach of our HyppTV service to an even greater number of homes and viewers nationwide by making it available on Streamyx 4Mbps and 8Mbps.

For Broadband for General Population (BBGP), especially in underserved areas, we will continue to strengthen our fixed line services while exploring alternative technologies in line with our broadband services delivery strategy for the nation. We look forward to working together with the industry in making this happen.

In terms of our efforts to bridge the digital divide, TM continues to work closely with the Ministry of Communications and Multimedia Malaysia (MCMM) and the Malaysian Communications and Multimedia Commission (MCMC) through the Universal Service Provision (USP) Fund to provide Internet access to local and rural communities, particularly in underserved areas. As of December 2013, there were 326 Pusat Internet 1Malaysia (PI1M), formerly known as Community Broadband Centres (CBCs), 56 mini CBCs, and 98 Internet-enabled Perpustakaan Jalur Lebar (PJLs), or Community Broadband Libraries (CBLs) nationwide; with 1,637 locations of the Kampung Tanpa Wayar (KTW) or Wireless Villages, 286 WiFi 1Malaysia (W1M) and 2,214 payphones in rural Malaysia. These are covered in greater detail in our Chairman's Statement as well as our stand-alone Sustainability Report 2013 with its matching theme, 'Life Made Sustainable'.

In our efforts to expand the high speed broadband service beyond our Public Private Partnership (PPP) with the Government of Malaysia, TM has also embarked on a Smart Partnership programme with local property developers nationwide to deploy and provision our HSBB network infrastructure and services to new residential and commercial developments. To date, we have signed Smart Partnership Agreements with property developers nationwide involving over 18,000 residential and commercial property units where we act as the network infrastructure provider for their new housing developments. TM will continue to collaborate with key industry players, including property development firms, as an initiative to improve our outreach to Small and Medium Enterprise (SME) communities. Such collaborations will help increase the usage of high speed broadband among Malaysians, while the establishment of HSBB-equipped housing cities is expected to boost ICT adoption towards achieving the household broadband penetration target of 75% by end 2015, as outlined in the National Broadband Plan. To date, Malaysia has already achieved 67.1%, in which TM contributes 39.4% of this.

TM supports the Government's decision to expand the High Speed Broadband (HSBB) Project into its second phase (HSBB2). This comes on the back of the successful first phase of the HSBB project which has elevated the nation into having the highest number of high speed broadband subscribers in Southeast Asia and one of the fastest HSBB project roll-outs globally.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Meanwhile, the recent launch of three initiatives – My1Hub, Iskandar International Gateway (IIGW) and our first privately-owned submarine cable system, Cahaya Malaysia Submarine Cable System (Cahaya Malaysia) – has boosted the Company's position as the nation's trusted ICT partner to propel Malaysia into becoming an international, regional and a neutral hub. TM is fast realising its vision of becoming an Information Exchange, and an Aggregator of Aggregators to increase the value of Regional Content Localisation.

TM continues to focus on delivering innovative product offerings with integrated value propositions that will make our customers' lives easier at home and beyond. In 2013, developments in our HyppTV service included a number of new offerings to the market including the UniFi Super Upgrade Deal. This is in addition to 'value for money packages' such as the HyppTV Mega Pack, HyppTV Sports Pack and the new and enhanced HyppTV Platinum Pack. We also further expanded the reach of our HyppTV service to an even greater number of homes and viewers nationwide by making it available on Streamyx 4Mbps and 8Mbps. Adding to greater convenience, we have made HyppTV accessible on multiscreen devices through HyppTV Everywhere. Our tagline 'Primetime, Anytime, Everytime' now includes 'Everywhere'. As the fastest-growing IPTV service in the market, HyppTV now offers even more premium local and international sports content to our increasing number of viewers. It carries two additional sports channels which televise the most sought after LIVE Barclays Premier League (BPL) matches and other sports content. These channels are available in HyppTV's Sports Pack comprising 13 dedicated sports channels. Concurrently, TM also became the presenting sponsor for the Malaysia Super League, Malaysia Premier League, FA Cup and Malaysia Cup.

These new offerings are aimed at providing our customers with more value and enhanced TV viewing experience for their whole family. The newly added content is testament to our continuous efforts to provide the best content and viewing experience to satisfy our customers' growing needs and preferences, be it in entertainment, edutainment or sports content.

For business customers, we launched a comprehensive Hospitality Entertainment Solution offering In-Building Broadband Solution (IBS), HyppTV and a Call Centre Service, catering specifically for the hospitality industry and buildings with high tenancies that require wired/wireless Internet access and uninterrupted TV viewing. We also launched Business Broadband with HyppTV which enable our 8Mbps and 4Mbps Business Broadband subscribers to enjoy our triple-play services – Voice, Internet and IPTV. This further demonstrates our strength as an end-to-end ICT solutions provider with the capability, skills and knowledge to adapt to customers' growing business needs. We hope that the launch of Business Broadband with HyppTV will provide a competitive advantage to our SME customers – including those who operate in non-UniFi areas, to enjoy our HyppTV offerings with the same viewing experience as our UniFi customers.

TM is not only strengthening our domestic sectors, but is also leaving a stronger imprint regionally, via our ICT/ Business Process Outsourcing (BPO) and global connectivity businesses. Currently, TM offers the most holistic and seamless end-to-end solutions in the market, cutting across connectivity, ICT infrastructure (including Cloud Services), Value-Added Services (VAS) and BPO Services. We bring together people, processes and technologies to enable more effective and dynamic use of information technology and communication. The ultimate aim is to empower businesses with value-based innovative solutions and services by offering expertise so that customers can focus on their core business.

We remain committed to continuously enhancing customer experience. Key initiatives in this area include a holistic approach across the customer experience value chain, both in the quality of work and quality of interaction. In 2013, we stepped up the delivery of an enhanced customer experience, making it even easier for customers to get in touch with us and resolve their issues faster, in line with our brand promise of 'Life Made Easier' and 'Business Made Easier' especially for our Enterprise and SME customers.

TM will deliver this through various initiatives at all customer touchpoints, across the different delivery environments, services and interaction channels, paying close attention to our Service Communication and Culture. We are relooking at our processes from an end-to-end view while addressing the 'pain points' in our service delivery as part of our overall service improvement initiatives – right from sales to delivery to installation down to service provisioning, followed by after-sales service.

Central to a good customer experience is the ability of TM as a service provider to truly listen to the voice of our customers, understand their needs and respond in a manner that is warm, credible and reliable.

Social Media has certainly played a critical role in helping TM reach out in real time to our customers, and engage on a more personal level. Now firmly established, we are encouraged by the progress of our social media customer engagement channels @TMCorp, @TMConnects, Team Malaysia and Everyone Connects, among others. Most significantly, we launched our VADS Social Media Hub in December 2013 which saw the expansion of @TMConnects to include what we term as 'Super Agents' capable of handling both UniFi and Streamyx customers for better customer experience. Our branded #FabFridayTM contest also held the hugely successful campaign #whoTheMan, which was the biggest #FabFridayTM has held so far. On 13 December 2013, this resulted in more than 13,000 tweets, with a reach to more than 355,295 followers, and impressions to more 10.1 million twitterati. All the hash tags used, #FabFridayTM #whoTheMan and #TeamMsiaBoleh stayed on the Malaysian trending list for the entire day. We continue to actively maintain our 'Keeping Customers Informed' channels such as website announcements, call centre alerts, TMpoints and direct messages; as well as the announcement hashtags to better alert Twitter followers on important or critical notices and developments through #TMAAlerts, #TMNews and #TMTips.

Across all our dedicated frontliners and touchpoints – our sales teams, call centre, TMpoints, resellers, installation and restoration team, we are instituting that very important listening ability as part of their continuous training and improvement. Coupled with a deepened knowledge of our services and empowerment to serve, we hope to instil a 'Do

Right First Time' with 'Service With Heart' principle in our customer engagement. We are heartened by the improvements seen with First Contact Resolution especially at TM100, as well as our fault rate resolution in general.

Our focus on Customer Experience has once again yielded an encouraging customer satisfaction TRI*M index score of more than 72, surpassing our Headline KPI and the global average. This will only spur us on to further live up to our tagline of 'Life Made Easier'.

1TM: FOCUSING TEAMING WITH PASSION TOWARDS SUCCESS

Whatever success has been accorded to TM has been down to the tireless efforts of our people, for which we, TM's Management, are extremely grateful. With PIP 3.0, we rose to the challenge to embrace change, think outside the box and work beyond our box. The 1TM and Teaming With Passion (TWP) mindset has continuously energised and motivated *Warga* TM to always give their best. At all times, our core KRISTAL values of Total Commitment to Customers, Uncompromising Integrity and Respect and Care have also kept us grounded.

To consistently deliver, we need more than just energy and passion. Our people also need the right skills, and better skills to help achieve our goals and aspirations; to reach the next level of productivity, excellent service and performance. Our leadership team is committed to our employees in this journey together towards realising a world-class customer experience. Thus TM introduced a new framework in 2013 called 'SUCCESS' to define the skills we believe TM needs to realise our vision. The SUCCESS model is relevant for everyone, leaders and contributors alike, and sets the focus and priorities for all employees to understand what it means to lead others and themselves.

SUCCESS was born out of a team effort, and is aligned with TM's strategic direction PIP 3.0 and identified key business drivers and challenges that all *Warga* TM must inculcate in order to achieve our shared goals. Using a validated and well-researched approach, the SUCCESS Leadership Competency Model was developed and finalised, and clarifies the skills and behaviours essential for every TM leader and

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

contributor. These attributes are: Service Excellence, Unity & Teamwork, Cultivates Stakeholder Collaboration, Catalyses Change, Embraces & Nurtures Talent Mindset, Strives For Results, Strategic & Entrepreneurial Mindset.

At TM, the leadership team is fully on board to 'walk the talk'. Regular employee engagement is paramount, and they devote quality time to ensure group messages and directions are cascaded down effectively and consistently, formally and informally, through Town Hall and Teh Tarik sessions, deep dives and so on, placing high emphasis on open dialogue while encouraging employee feedback.

We were extremely honoured when, for the first time, TM was a recipient of the HR Asia Best Companies to Work For in Asia 2013 Award. Almost 200 companies participated in the survey for this award which stretched over a year, among which we were one of 50 outstanding companies in Malaysia to receive the award. Winning companies came from various industries, with TM being the only telco. Indeed this award, among the other accolades we humbly received, further reaffirms the pride *Warga* TM feels to be part of TM and to be working for one of the Best Companies in Asia.

No better acknowledgement can come than from our employees themselves. Our 2013 My1TM Survey or employee engagement index recorded a score of 90%, for the third consecutive year, which is 15 percentage points higher than both the Malaysian and Global Telco (GT) norm and gives us a five percentage point lead over the Global High Performing Companies (GHPC) norm.

We realise we play an important role in transforming the way Malaysians connect, communicate and collaborate towards a better future; in the ways we touch their lives through our products and services. Thus we reaffirm our commitment to helping make life a little bit easier, believing in everything we do at TM, for it is our unique responsibility to all Malaysians.

PIP 3.0 UPDATE: TM – THE GAME CHANGER

For the rest of the year, and indeed beyond 2015, TM will remain focused on the execution of PIP 3.0 with its pillars of continued growth, greater efficiency and productivity as well as institution building. TM's ongoing transformation journey towards becoming an Information and Innovation Exchange stand in good stead and will allow the Group to maintain the momentum of growth that has already been established.

The outlook for the telecommunications industry for 2014 remains positive, with data and broadband continuing to be key drivers of growth. This is supported by the projected Malaysian Institute of Economic Research (MIER) 2014 GDP growth outlook of 5.5%, with expected measures to rein in the budget deficit, tighten monetary conditions and enhance downside risks. 2015 sees GDP growth projected to improve to 5.5%-6.0%, mainly driven by economic efficiency and innovation.

TM also remains committed to our Information Exchange aspiration. For the Managed Accounts segment, the Company will continue to enhance its capabilities and services to be an integrated ICT player, and in general to offer solutions beyond connectivity, focusing on serving industry verticals. This entails providing more end-to-end and value added services including Cloud services.

This year also witnessed the launch of My1Hub, Iskandar International Gateway (IIGW) and TM's first privately-owned submarine cable system, Cahaya Malaysia, connecting Malaysia with Hong Kong and Japan. These initiatives aim to further strengthen TM's position as the nation's Information Exchange, where all communication needs are met, and as the trusted ICT partner to propel Malaysia towards becoming an international and regional hub.

TM will further build on this aspiration to include being an Innovation Exchange by being more aggressive in content and applications, to cater to the varying needs of our customer segments. Consumer demand for bandwidth will

continue to increase as users become more savvy about the value of broadband, encouraged by the proliferation of smart devices as well as increased usage of applications and Over-the-Top (OTT) content.

This combination of Information and Innovation Exchange forms the basis of our 'Game-Changer' approach to market, which is redefined in terms of a more lifestyle driven approach and basically, in simple terms is about making life easier, for all our external and internal customers. In many ways, TM has already changed the game in the past with the advent of the digital and broadband/HSBB age. We now plan to ramp up the change to a higher level.

TM foresees 2014 to be potentially another good year for the Group, despite the higher cost of doing business. We remain steadfast in our commitment to serve as Malaysia's Broadband Champion by continuing to provide holistic broadband services to the nation across all segments and locations. New offerings launched in 2013 such as Streamyx 8Mbps, HyppTV Everywhere, HyppTV Over Broadband and Hospitality Entertainment Solution will continue to encourage broadband take-up. 2014 will also see TM moving into the LTE space as the Group continues with its plan to expand its wireless broadband services, especially in under-served areas and complementing TM's existing suite of fixed broadband services. Providing mobility solutions to TM customers is a natural progression and is in line with the industry evolution towards true convergence, not just from a technology or device perspective, but more importantly from a customer experience point of view, in the delivery of end-to-end broadband and data services.

For the business segment, particularly for SMEs, TM also has in the pipeline new ICT and value-added service offerings, designed to meet their ever growing business requirements more effectively. With all these initiatives in place, TM is well positioned for 2014 to be the year it delivers its brand promise of 'Life and Business Made Easier'.

Barring unforeseen circumstances, the Board of Directors expects TM's growth prospects for 2014 to remain positive.

ACKNOWLEDGEMENTS

As ever, TM would like to express our profound gratitude and highest appreciation to all our stakeholders. It is truly an honour for us to have your continuous support along this journey.

Our heartfelt thanks especially to our customers and shareholders – you are the reason why we endeavour to give our best, to deliver real value in all that we do.

To the collective make-up of 1TM - our beloved Chairman, our esteemed Board of Directors, the Management of TM and indeed all our *Warga TM* – we are forever indebted to you for your leadership and guidance, and for the energy and dedication that drive your hard work. Most of all, we are beholden to your steadfast belief in our shared future, and in the difference we continue to make together.

In this age of collaboration, we give due recognition to our alliance of business partners, suppliers and industry comrades, as well as to our media friends – all of whom have contributed significantly to the vibrant ecosystem that we operate in.

Finally in closing, we would like to especially thank the Government of Malaysia, the Ministry of Communications and Multimedia Malaysia, and the Malaysian Communications and Multimedia Commission for giving TM the opportunity to continue serving the nation and playing a unique role in nation-building, a role that we take on with honour and pride.



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

THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

FACTS AT A GLANCE

67.1%

Household Broadband Penetration Rate in 2013

2.2 million

TM Broadband Subscribers in 2013

1.49 million

HSBB Premises Passed in 2013

REVIEW OF 2013

In 2013, the Malaysian telecommunications market continued to grow due to the increase in data consumption as well as the demand for broadband. Mobile growth rate is slowing down (5% decline YoY) with local telcos offering numerous promotional packages as they continue to fight for wallet share and sustain subscriber growth momentum. Spending on telecoms services was encouraging given the resilient Malaysian economy which grew by 4.7% in 2013 (as compared to 5.6% in 2012), supported by private sector demand and improvement in exports.

Affordable smartphones bundled with attractive voice and data packages, resulted in the proliferation of smartphones in the market, further driving broadband growth while increasing margin pressures to mobile operators. Malaysia's mobile penetration increased to approximately 158.0% in 2013, whilst smartphone penetration reached 38.0%. The industry also evolved with the roll-out of LTE services, which was seen to be a key driving force behind strategic collaborations amongst Malaysian service providers, in areas of spectrum sharing (eg partnerships between Maxis with both REDtone and U Mobile and Celcom's deal with Altel), as well as infrastructure sharing (eg TM's agreement to provide backhaul wholesale bandwidth connectivity with Celcom and DiGi). Competition in the content space has intensified with TM and Astro sharing sports content, including the Barclay Premier League (BPL) matches, and the Astro tie-up with Maxis to bring IPTV services to homes in the Klang Valley. The market also witnessed the entrance of ABNxcess offering high-speed broadband and pay TV services and Over-The-Top (OTT) content offerings such as ESCAPE from Celcom.

On the policy and regulatory front, several initiatives planned for the telecommunications sector were announced at the later part of the year. A total of RM3.4 billion had been allocated for the HSBB Phase 2 project, which aims to expand coverage mainly in urban and suburban areas, to benefit approximately 4.8 million households. The Government also intends to undertake an in-depth study on measures to raise broadband speeds across Malaysia by the year 2020. The best model will be explored to ensure similar speeds are made available to rural areas. In an effort to improve services for customers, MCMC further announced the possible allocation of the 700 MHz spectrum (currently being utilised

by broadcasting services) to telcos by 2018. In 2013, MCMC reported the Malaysian household broadband penetration rate has reached 67.1%, an increase from 66.0% in 2012.

WHAT'S NEW FOR TM IN 2013

True to our commitment to become the nation's Broadband Champion, TM started the year by offering high-speed broadband services beyond UniFi coverage areas with the launch of Streamyx 8Mbps. This was made possible by improving the quality of our copper infrastructure. As at end 2013, TM broadband subscribers reached 2.2 million, driven mainly by UniFi. UniFi grew by 31.5% with close to 635,000 subscribers. TM continued to expand its broadband reach holistically across urban, suburban and rural areas by forming strategic partnerships with housing developers and continuing to deploy High-Speed Broadband (HSBB)

infrastructure. TM has reached 103 exchange areas (2012: 97 exchange areas) and achieved 1.489 million premises passed in 2013 (2012 : 1.377 million premises passed).

TM also focused on improving its HyppTV offering to provide more value and an enhanced viewing experience to our broadband subscribers. New offerings introduced in 2013 include 'value-added' HyppTV packages bundling sports, entertainment and edutainment channels, "HyppTV Everywhere" (viewing of HyppTV via multiple electronic devices such as smart-phones, PC & tablet, for existing UniFi, Streamyx 4Mbps and Streamyx 8Mbps customers) and "HyppTV Over Broadband" (for Streamyx 4Mbps and 8Mbps). For business customers, 'HyppTV for Business' was launched as part of the UniFi Biz package. This was followed by the Hospitality Entertainment Solution, a package targeting hotels, hospitals and any high tenancy buildings.

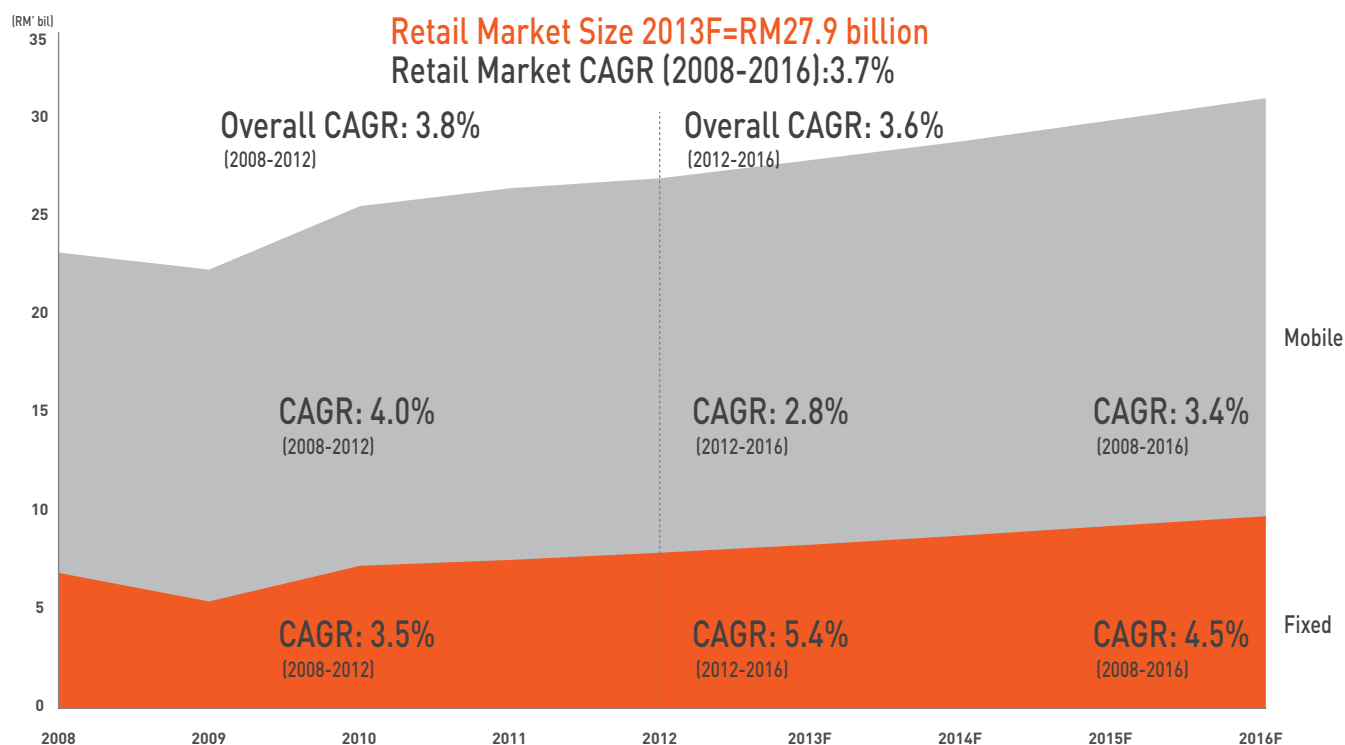
Malaysia: Real GDP Growth

(% change y-o-y)



Source: Malaysian Economic Outlook, 26 November 2013, MIER.

THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK



	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F
Fixed (RM' bil)	6.901	5.445	7.260	7.561	7.931	8.339	8.805	9.300	9.784
Mobile (RM' bil)	16.315	16.897	18.315	18.929	19.070	19.596	20.084	20.673	21.287
Total (RM' bil)	23.217	22.342	25.575	26.491	27.001	27.935	28.888	29.973	31.071

Source: IDC Tracker, Internal Team Analysis

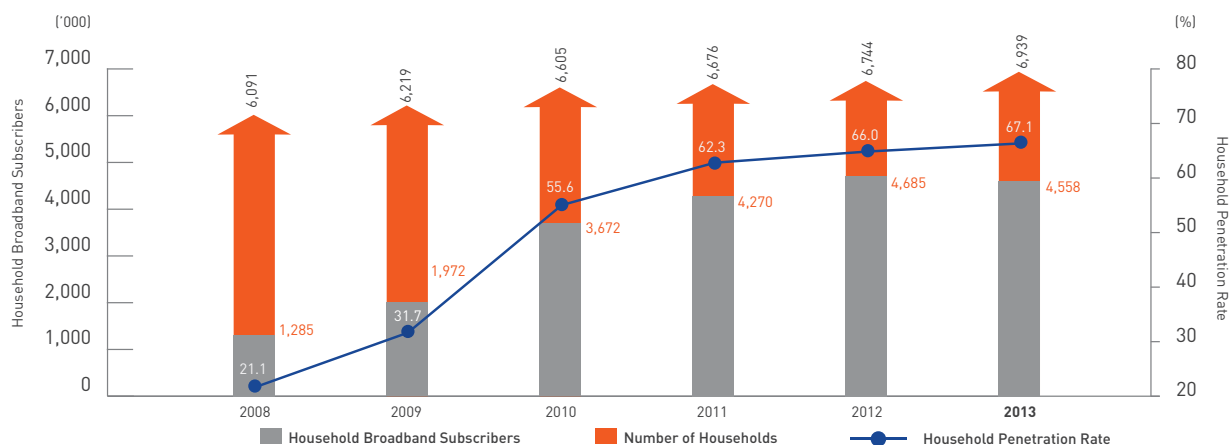
Mobile Penetration Rate and Smartphone Penetration Rate, 2013, Selected APAC Markets



	Smartphone penetration	Mobile penetration
Indonesia	14.5%	129.5%
Malaysia	37.6%	157.6%
Philippines	20.8%	116.2%
Cambodia	16.3%	127.5%
India	5.0%	72.0%
Singapore	74.2%	154.3%
Taiwan	48.0%	130.2%
Thailand	22.0%	137.4%
China	34.3%	91.2%
South Korea	82.4%	118.4%
Australia	63.4%	133.0%
Bangladesh	8.0%	72.4%
Sri Lanka	10.2%	98.3%

Source: Malaysia Telecoms Outlook 2014, Frost & Sullivan APAC

THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK



Category	2008	2009	2010	2011	2012	2013
Household Broadband Subscribers ('000)	1,285	1,972	3,672	4,270	4,685	4,558
Number of Households ('000)	6,091	6,219	6,605	6,676	6,744	6,939
Household Penetration Rate (%)	21.1	31.7	55.6	62.3	66.0	67.1

Ending the year, TM proved its support of the nation's next economic development agenda by ensuring strategic ICT infrastructures are in place, with the launch of three key initiatives namely "My1Hub" (a neutral one-stop hub enabling connectivity from Malaysia to the rest of the world), "Iskandar International Gateway" (which will position Nusajaya as the preferred hub of ICT network reachability and for data center integration in South East Asia) and Cahaya Malaysia (TM's first privately-own submarine cable system). These milestones will elevate the telecommunications efficiency of our country and will further facilitate Malaysia's aspiration of becoming a regional communications hub.

2014 OUTLOOK

With global activity and world trade picking up in the second half of 2013, activity is expected to improve further in 2014-2015, largely on account of recovery in the advanced economies. In many emerging markets and developing economies, stronger external demand in advanced economies will lift growth. In summary, according to the International Monetary Fund (IMF), global growth is projected to increase from 3% in 2013 to 3.7% in 2014 and 3.9% in 2015.

Likewise, growth in the Malaysian economy is expected to improve, with MIER projecting a GDP growth of 5.5% in 2014, as compared to 4.7% in 2013, on account of expected measures to rein in budget deficit, tighter monetary conditions and enhanced downside risk. Growth for 2015 is projected to improve further to 5.5%-6.0% mainly driven by economic efficiency and innovation.

Alongside improved economic conditions, we believe the Malaysian telecommunications industry will remain encouraging in the upcoming year, with data and broadband continuing to be key drivers for industry growth. According to IDC, the retail market for voice, data and broadband services will continue to experience growth with a compounded annual growth rate (CAGR) of 3.6% (2012 to 2016) vs CAGR of 3.1% (2011 to 2015). The market is expected to increase to RM28.9 billion in 2014 from RM27.9 billion in 2013. Compared to a few years ago where growth was driven by the mobile market, the retail telco market growth will be led by the fixed-market segment, contributed mainly by data (12% CAGR) and Internet (11% CAGR).

The industry is evolving with current market trends which are changing the way consumers buy and consume bandwidth. Their demand for bandwidth is increasing as they become more broadband-savvy. This is encouraged by increased smartphone penetration in Malaysia which will drive demand for applications and services such as mobile TV, location based services and social media. Voice services on the other hand would eventually become a feature or an application rather than a service that could drive growth, however sustaining voice revenues remains a major focus for telcos.

Within the business world, local organisations will continue to be receptive towards 'transformational technologies' such as "cloud computing" and "big data", developments which are encouraged by the mobility trend. Both enterprises and SMEs (small and medium enterprises) are also increasingly interested in ICT business applications that can improve their customer relationship management (CRM) to reflect their expanded business coverage into e-commerce, social media and mobility. IDC has projected the Malaysian IT services growth rate for 2014 to increase to 9.6% as compared to 8.0% in 2013.

Industry players are facing key challenges such as an increasingly crowded competitive space, limited growth drivers and slower broadband subscription growth due to market saturation. Service providers are also likely to face more intense margin pressure as competition continues to intensify through competitive pricing, incentives, handset subsidies, high growth in data traffic and rising cost of operations. In addition, mobile service providers in particular are experiencing mobile data surge which result in network congestion issues.

For TM, we welcome healthy competition amongst industry players and we remain steadfast in our commitment as Malaysia's Broadband Champion, continuing to provide holistic broadband services to the nation across all segments and locations. New offerings launched in 2013 such as Streamyx 8Mbps, HyppTV Everywhere and HyppTV Over Broadband will take us through to 2014 to help encourage broadband take-up. Plans are also in place to introduce more new and exciting content on our HyppTV, especially local content. TM is also exploring LTE as a natural migration of our existing CDMA network which is reaching the end of

its life due to technology obsolescence and the uneconomical high cost of maintenance. LTE is the best option given the current state of wireless technology evolution and will ensure more Malaysians will have access to better services including high speed internet access. TM may also explore other possible opportunities to offer nomadic/mobile broadband services to provide better flexibility for access on the go, fulfilling customers' needs, in line with our goal of 'Life Made Easier' for all our customers.

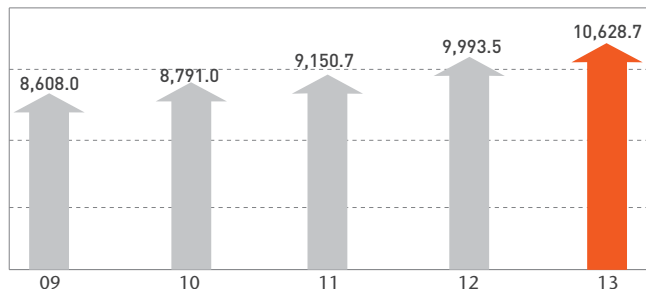
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- 3) *Malaysia's growth intact, GDP boosted by rising exports and investments*, 13 February 2014, Fintan Ng, Business News, The Star Online
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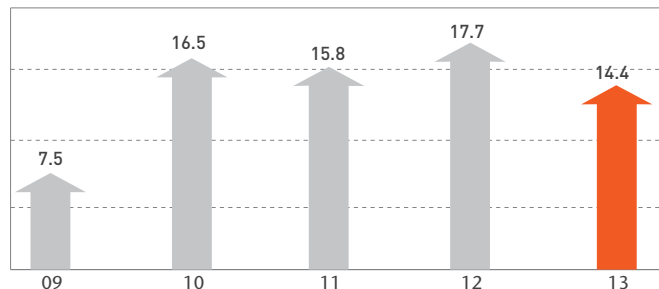
GROUP FINANCIAL HIGHLIGHTS

In RM Million	2009	2010	2011	2012	2013
OPERATING RESULTS					
1. Operating revenue	8,608.0	8,791.0	9,150.7	9,993.5	10,628.7
2. Profit before taxation and zakat	921.6	1,360.2	1,001.2	1,069.6	1,046.0
3. Profit for the financial year	673.3	1,245.0	1,237.1	1,305.9	1,047.8
4. Profit attributable to equity holders of the Company	643.0	1,206.5	1,191.0	1,263.7	1,012.2
KEY DATA OF FINANCIAL POSITION					
1. Total shareholders' equity	6,946.1	7,659.7	7,424.0	6,894.8	7,136.7
2. Total assets	20,237.4	21,079.0	22,252.3	22,195.9	21,146.5
3. Total borrowings	6,713.5	5,532.0	6,410.4	7,140.4	6,455.2
SHARE INFORMATION					
1. Per share					
Earnings (basic)	18.3 sen	33.9 sen	33.3 sen	35.3 sen	28.3 sen
Gross dividend	23.0 sen	26.1 sen	19.6 sen	22.0 sen	26.1 sen
Net assets	196.0 sen	214.7 sen	207.5 sen	192.7 sen	199.5 sen
2. Share price information					
High	RM4.00	RM3.60	RM5.09	RM6.40	RM6.00
Low	RM2.60	RM3.04	RM3.50	RM4.71	RM5.05
FINANCIAL RATIOS					
1. Return on shareholders' equity	7.5%	16.5%	15.8%	17.7%	14.4%
2. Return on total assets	3.3%	5.9%	5.6%	5.9%	5.0%
3. Debt equity ratio	1.0	0.7	0.9	1.0	0.9
4. Dividend cover	0.8	1.3	1.7	1.6	1.1

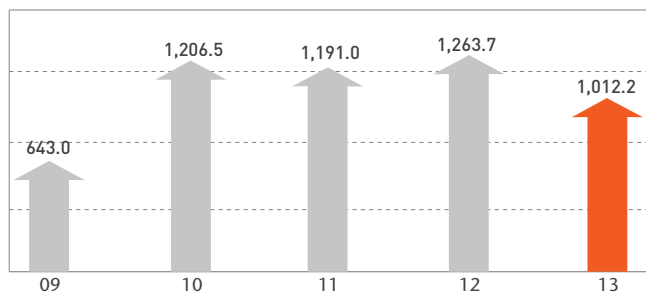
Operating Revenue (RM Million)



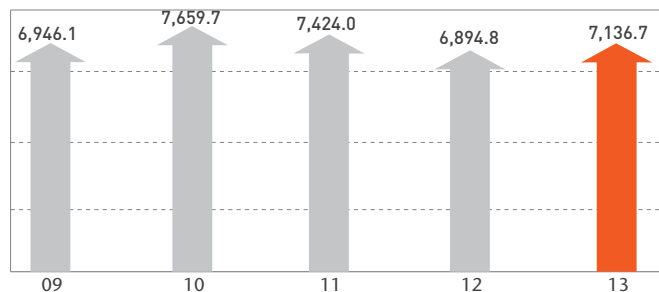
Return on Shareholders' Equity (%)



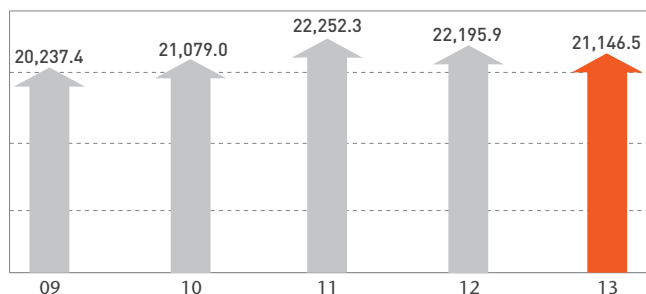
Profit Attributable to Equity Holders of the Company (RM Million)



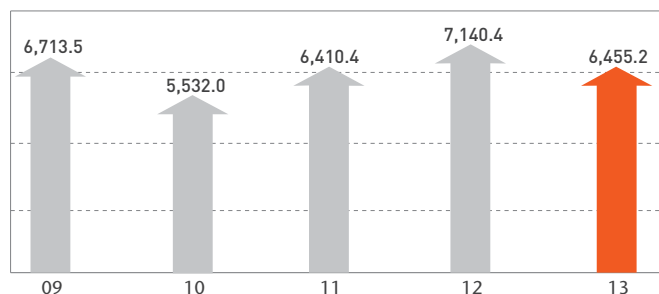
Total Shareholders' Equity (RM Million)



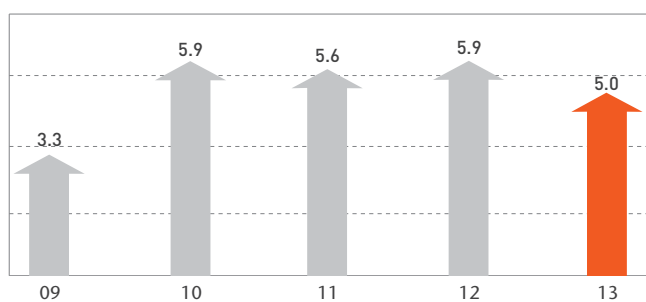
Total Assets (RM Million)



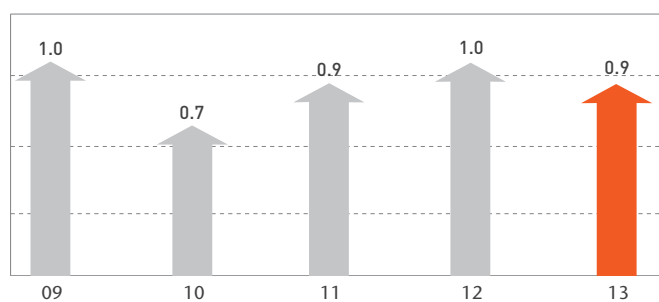
Total Borrowings (RM Million)



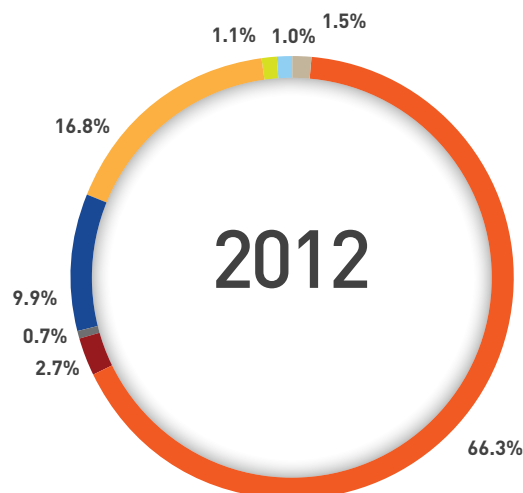
Return on Total Assets (%)



Debt Equity Ratio



SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

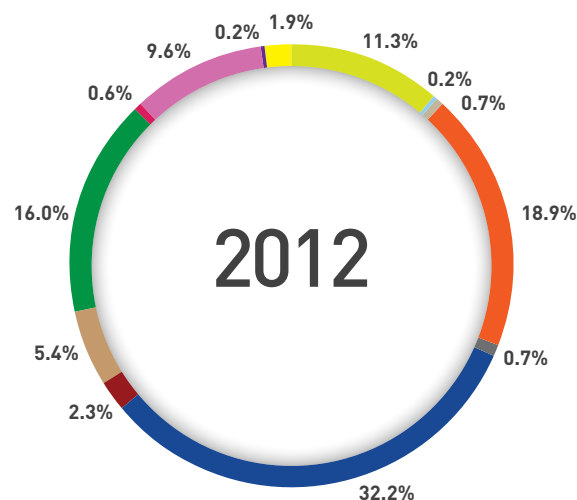
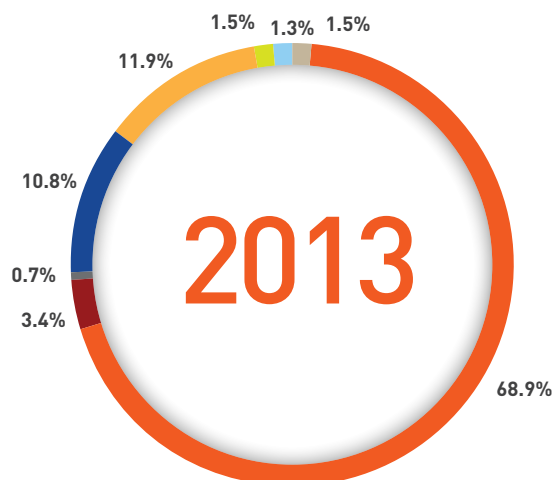


Total Assets

- Intangible assets
- Property, plant and equipment
- Available-for-sale investments

- Inventories
- Trade and other receivables

- Cash and bank balances
- Other non-current receivables
- Other assets



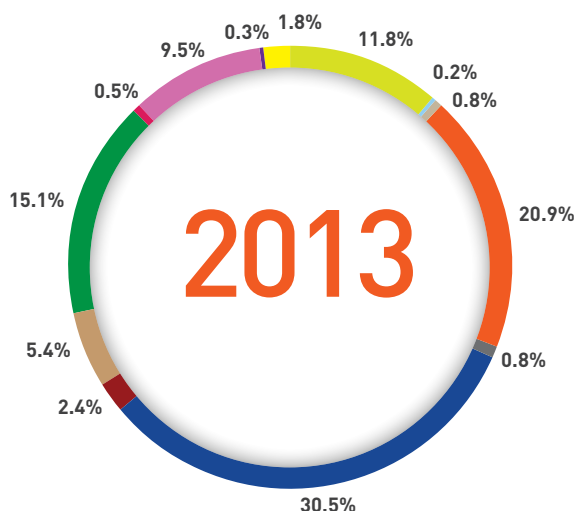
Total Liabilities & Shareholders' Equity

- Share capital
- Share premium
- Other reserves
- Retained profits

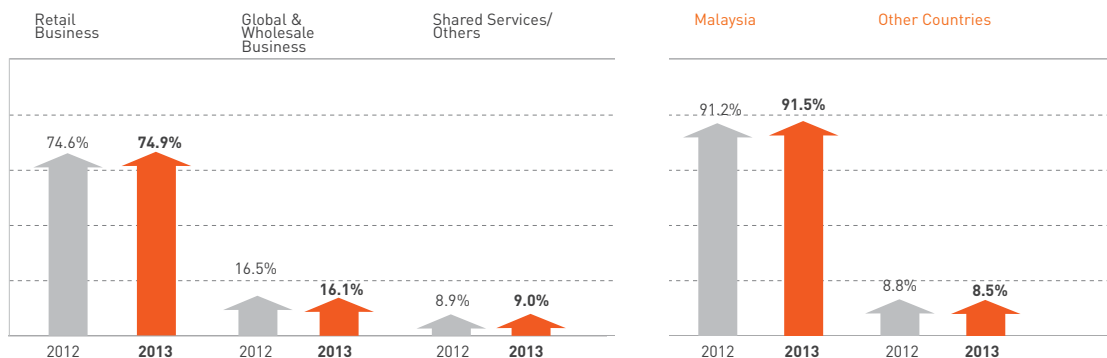
- Non-controlling interests
- Borrowings
- Customer deposits

- Deferred tax liabilities
- Trade and other payables
- Taxation and zakat

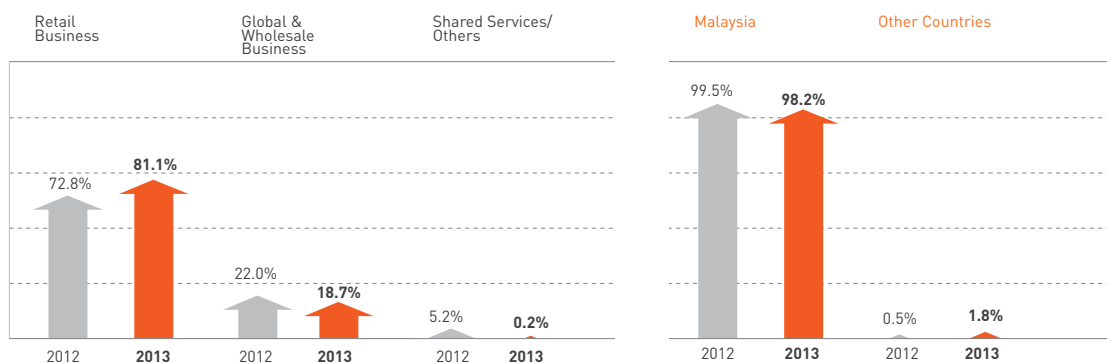
- Deferred income
- Derivative financial instruments
- Advance rental billing



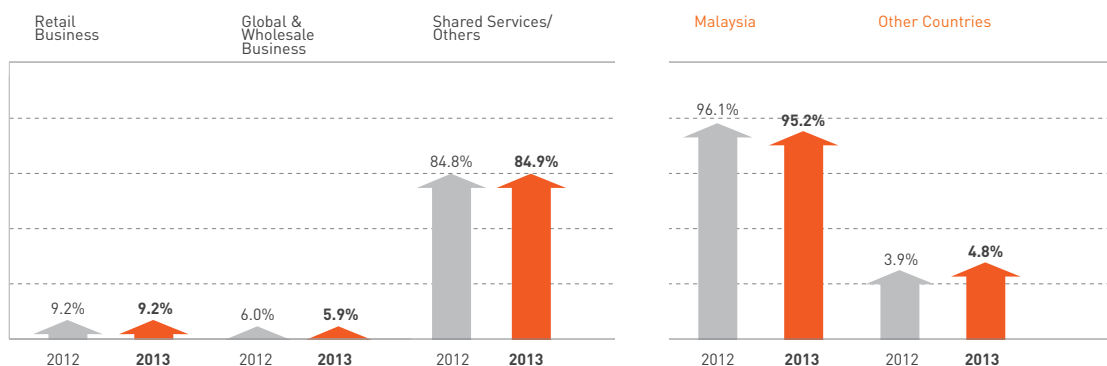
Segment Operating Revenue for the financial year ended 31 December



Segment Results for the financial year ended 31 December



Segment Assets as at 31 December



BY BUSINESS

BY GEOGRAPHICAL LOCATION

GROUP QUARTERLY FINANCIAL PERFORMANCE

2013

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

2012

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

INVESTOR RELATIONS

COMMITMENT TO SHAREHOLDERS

In our pursuit to become Malaysia's leading next-generation communications provider, TM has always focused on creating value for our shareholders. This commitment is evident through our dividend policy to distribute RM700 million or 90.0% of our normalised PATAMI. In the financial year 2013, we once again stayed true to this commitment by declaring a paid and proposed total net dividend payout of RM933.7 million to our shareholders, consisting of:

- An interim dividend of 9.8 sen per share amounting to RM350.6 million, paid on 27 September 2013; and
- A proposed final dividend of 16.3 sen per share amounting to RM583.1 million.

2013 was a challenging year in terms of share price performance and TM was not spared, with our share price being lower by 8.1%. This was due to several factors, including external factors such as expanding bond yields consequent to the US Federal Reserve's tapering of its quantitative easing (QE) programme as well as neutral investor sentiment on the telco sector amid concerns of

competitive headwinds and rich valuations. Nevertheless, our total shareholder return from the date of our demerger (25 April 2008) up to 31 December 2013 remained strong at 222.4%.

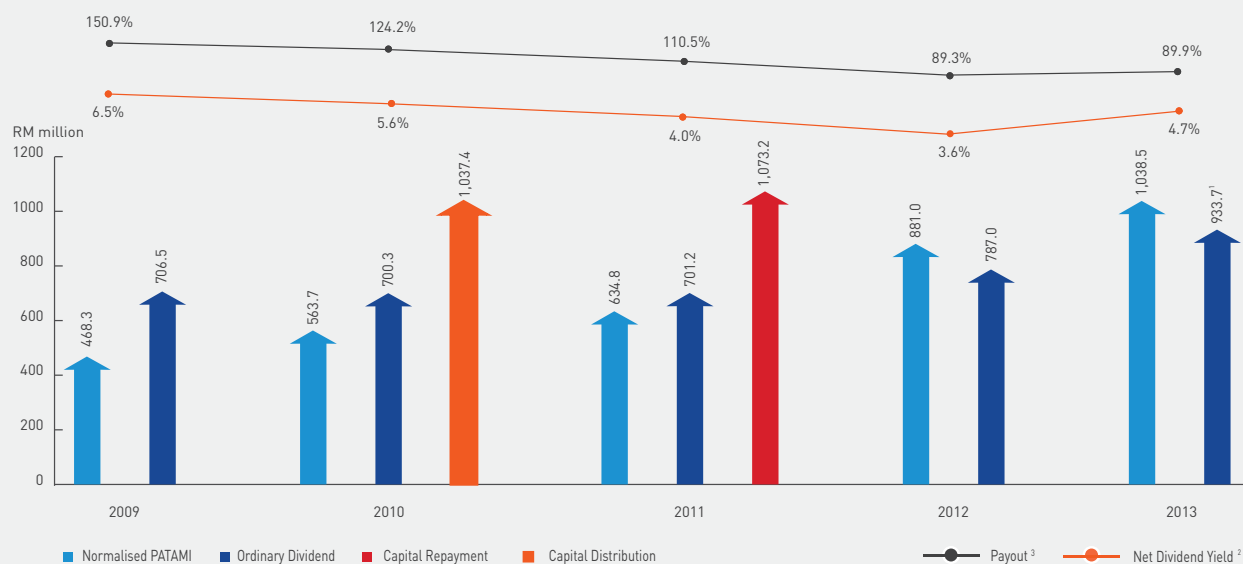
Shareholder Base

Our shareholder base as at 31 January 2014 comprised 26,217 institutional and private/retail shareholders. Among our substantial shareholders are Khazanah Nasional Berhad, the Employees Provident Fund (EPF) and AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera, which together account for 51.5% holding of the Group. Meanwhile, our foreign shareholding as at 31 December 2013 stood at 13.0%.

Transparency

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

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



¹ 2013 interim dividend of 9.8 sen & final dividend of 16.3 sen

² Net Dividend Yield based on closing price at year end

³ Excludes capital distributions/repayments

INVESTOR RELATIONS

As a responsible corporate citizen committed to conserving the environment, we published our sixth Sustainability Report in 2013, which was accorded the Global Reporting Initiative (GRI) rating of A+. In addition, we won the Best Sustainability Award for Malaysia from the National Center for Sustainability Reporting in Jakarta for 2013.

In 2013, we were awarded the Platinum for the Most Outstanding Annual Report of the year at the National Annual Corporate Report Awards (NACRA). We also won the NACRA Gold for Best Corporate Social Responsibility Reporting, Silver for Best Annual Report in Bahasa Malaysia, and Industry Excellence Award for Main Board Companies under the Trade & Service Category.

In addition, TM was recognised at the Alpha Southeast Asia's Institutional Investor Corporate Awards 2013 for the Best Strategic Corporate Social Responsibility (CSR) and Best Annual Report in Malaysia.

DIVIDEND POLICY

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

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

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

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

TM CREDIT RATING

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

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

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

Local Currency Debt

	TMISIS B
Coupon	4.870%
Maturity Date	28 Dec 2018
Principal (RM)	925,000,000

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

	IMTN 001	IMTN 002	IMTN 003	IMTN 004	IMTN 005	IMTN 006	IMTN 007	IMTN 008
Coupon	4.50%	4.20%	4.20%	4.00%	3.95%	3.95%	3.93%	4.30%
Maturity Date	25 Jun 2021	13 Sep 2021	10 Dec 2021	13 May 2022	19 Dec 2022	28 Apr 2023	23 Jun 2023	18 Dec 2020
Principal (RM)	300,000,000	300,000,000	200,000,000	250,000,000	300,000,000	400,000,000	250,000,000	200,000,000

Note:

- ICP is an abbreviation for Islamic Commercial Paper and IMTN is an abbreviation for Islamic Medium Term Note
- IMTN 001 to IMTN 007 were issued under the ICP/IMTN programme of up to RM2.0 billion
- IMTN 008 was issued under ICP/IMTN programme of up to RM3.0 billion

Foreign Currency Debt

	Global Bond	Yankee Bond
Coupon	5.25%	7.875%
Maturity Date	20 Sep 2014	1 Aug 2025
Principal (USD)	465,055,000	300,000,000

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

Note:

- (i) The JPY term loan was swapped to RM exposure with an interest rate of 3.62%
- (ii) The USD term loan was swapped to RM exposure with an average interest rate of 4.01%

INVESTOR RELATIONS

We place great emphasis on maintaining a strong relationship with our investors. To ensure that they are kept abreast of our strategies, performance and key business activities, we continuously engage with our investors through a planned investor relations programme. The key role of the Investor Relations unit is to proactively disseminate relevant and timely information on TM to the investing community.

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

Quarterly Financial Results Announcements and Briefings

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

Financial Results Presentations

In our continuous quest to improve our level of disclosure, emphasis is placed on presentation materials used to disseminate information on TM. Presentation slides of our results are prepared in an investor-friendly manner to aid understanding of the Group's financial results and performance. These are made available promptly on the Company's website following the release of information to Bursa Securities. Copies of the presentation slides are also

distributed by e-mail to analysts and investors who are on the distribution list of our Investor Relations unit.

Investor Engagement

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

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

In 2013, we reached out to a wider investor audience internationally by participating in non-deal roadshows and conferences in the US, London, Edinburgh and Paris, in addition to Singapore.

Locally, TM participated in small group meetings as well as large group presentations organised by local research houses and attended the annual Malaysian investment conference, Invest Malaysia 2013. Throughout the year, more than 300 meetings and conference calls with investors and analysts were conducted.

• Investor Relations Portal

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

• Feedback

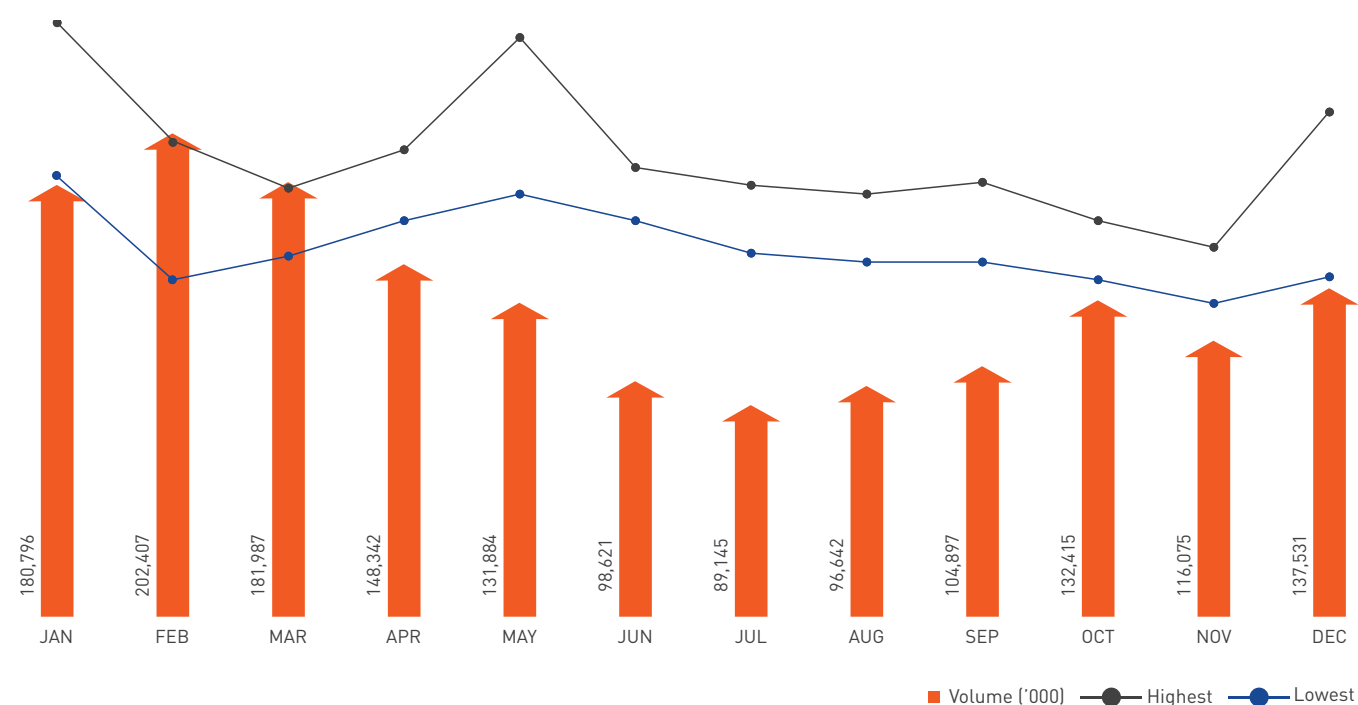
TM recognises and highly values feedback from the investing community. This is to ensure that we constantly meet their requirements while further improving our relationship with this stakeholder group through direct communication. To further enhance our Investor Relations function, we continuously seek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

STOCK PERFORMANCE

We have been listed on Bursa Malaysia since 1990. In 2013, TM shares recorded a total turnover of RM8,721 million with 1,621 million shares traded as compared to a total turnover of RM11,246 million with 2,023 million shares traded in 2012.

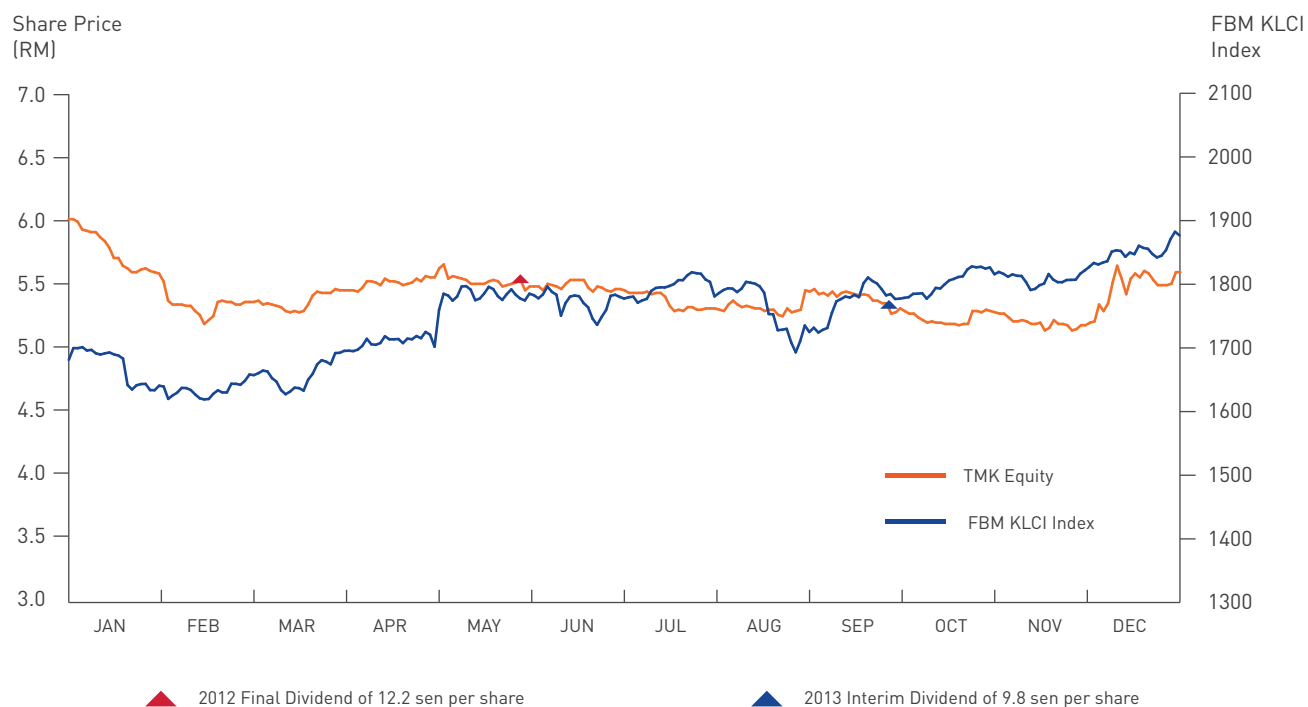
SHARE PRICE & VOLUME TRADED

2013 Monthly Trading Volume & Highest-Lowest Share Price

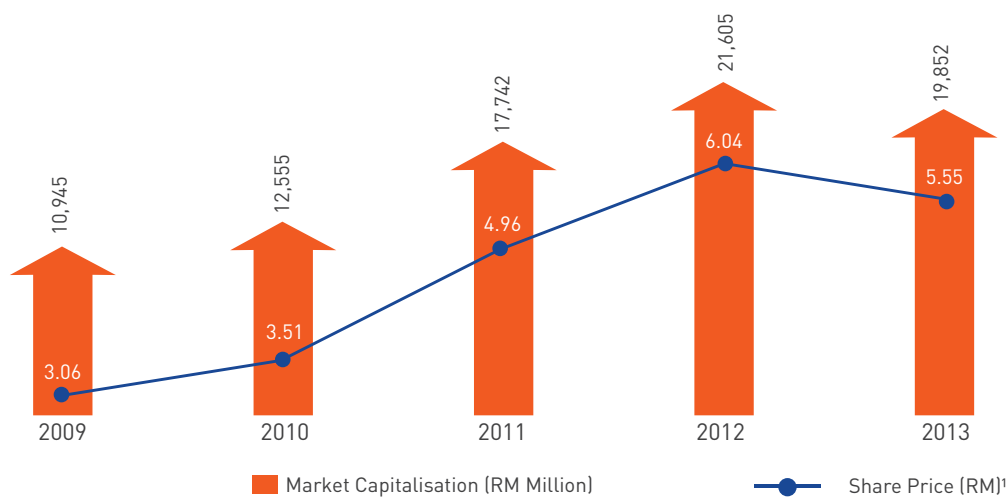


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	180,796	202,407	181,987	148,342	131,884	98,621	89,145	96,642	104,897	132,415	116,075	137,531
Highest (RM)	6.00	5.60	5.44	5.57	5.95	5.51	5.45	5.42	5.46	5.33	5.24	5.70
Lowest (RM)	5.48	5.13	5.21	5.33	5.42	5.33	5.22	5.19	5.19	5.13	5.05	5.14

TM SHARE PRICE PERFORMANCE VS FBM KLCI 2013



MARKET CAPITALISATION/SHARE PRICE



¹Closing share price at year end.

FINANCIAL CALENDAR

27 FEBRUARY
2013

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

10 MAY
2013

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

29 AUGUST
2013

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2013 and declaration of an interim single-tier dividend of 9.8 sen per share for the financial year ended 31 December 2013.

12 APRIL
2013

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

27 MAY
2013

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

12 SEPTEMBER
2013

Date of entitlement to the interim single-tier dividend of 9.8 sen per share for the financial year ended 31 December 2013.

7 MAY
2013

28th AGM of the Company.

30 MAY
2013

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2013.

27 SEPTEMBER
2013

Date of payment of the interim single-tier dividend of 9.8 sen per share for the financial year ended 31 December 2013.

28 NOVEMBER
2013

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2013.

15 APRIL
2014

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

27 FEBRUARY
2014

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

8 MAY
2014

29th AGM of the Company.

27 MARCH
2014

Announcement of the Proposed Dividend Reinvestment Scheme that will provide shareholders of TM with an option to reinvest their cash dividend in new ordinary share(s) of RM0.70 each in the Company.



ACHIEVEMENTS MADE GREATER

We believe in pushing our boundaries with challenges to increase our capabilities, striving for greater heights only to serve you better.



CORPORATE PROFILE

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ABOUT US

TM is Malaysia's leading integrated information and communications solutions provider offering a comprehensive range of cutting-edge communications services and solutions in broadband, data and fixed-line. Over the years, it has become the nation's Broadband Champion, entrenching our market leadership within a highly competitive environment. Driven by stakeholder value creation, TM is committed to delivering an enhanced customer experience via continuous improvements and innovation, while focusing on increased operational efficiency and productivity. Our transformation into a new generation communications provider aspires to make life easier, enabling Malaysians to enjoy an enhanced and integrated digital lifestyle and opening up possibilities through connection, communication and collaboration to elevate the nation into a high-income economy. At the same time, our extensive global connectivity, network infrastructure and collective expertise are propelling Malaysia into an Internet hub and digital gateway for Southeast Asia. TM is well on its way to becoming the 'Information and Innovation Exchange' we envisioned on our continuing journey of transformation.



Established as the Telecommunications Department of Malaya in 1946, TM has continuously developed and improved the country's telecommunications and broadcasting infrastructure. The year 2008 was a turning point for TM, where a strategic demerger was carried out to separate mobile operations from the fixed line business. It was also the year where TM signed a Public Private Partnership (PPP) with the Government of Malaysia to build and deliver high speed broadband or HSBB. Just a year and a half later, UniFi, the nation's first HSBB service was launched, making the project one of the fastest and lowest cost high speed broadband roll-outs in the world.

Through our commitment as Malaysia's Broadband Champion, TM has now provided high speed broadband services beyond the UniFi coverage areas. By upgrading and improving the quality of existing copper infrastructure, Streamyx 8Mbps, in addition to the existing 4Mbps, was deployed to ensure Malaysians are able to enjoy a digital lifestyle where all Malaysians can connect, communicate and collaborate. TM is also actively entering into strategic partnerships with housing developers to provide this digital lifestyle to new housing development areas.

With content being one of TM's key game changers, we are focused on improving our HyppTV contents by offering more channels and packages to suit the lifestyles of our customers. New offerings include value-added packages that bring a multitude of sports, entertainment and edutainment channels for customers to choose from. With the introduction of HyppTV Over Broadband, these exciting channels are no longer limited to UniFi customers, but have been extended to Streamyx 4Mbps and 8Mbps customers as well as to the multi-screen environment via HyppTV Everywhere.

In support of the Government's vision of transforming Malaysia to become a value-based knowledge society, TM has put in place strategic ICT infrastructure to ensure that this vision comes true. My1Hub, Iskandar International Gateway and TM's first privately-owned submarine cable system, Cahaya Malaysia, are three strategic initiatives that aim to further elevate TM's position as the nation's Information Exchange, where all communications needs are met with or through TM and as the trusted ICT partner to propel Malaysia into becoming an international and regional hub.

In an exercise to further improve the services for our domestic and global customers, TM's domestic wholesale (TM Wholesale) and global wholesale (TM Global) were merged into a single entity now known as Global & Wholesale (G&W). This consolidation enables TM to become a one-stop solutions centre serving the needs of our customers domestically and in more than 50 countries. The merger also increases TM's value proposition and improves customers' experience. Now, the Company is aligned into six principal customer segments of Consumer, SME, Enterprise, Government, Global & Wholesale and New Media. This new business model creates greater synergies between the various divisions, and allows TM to better serve the needs of the different customer segments. To further enhance this customer experience, TM focuses on accessibility, simplicity and generally making customers' lives easier via our extensive network of TMpoints and our self-service portal, TM Online.

Along with our rapid transformation into a Information and Innovation Exchange, the focus on training and development of TM's more than 27,000 employees has never been sharper. TM Training Centre has developed a comprehensive range of programmes aimed at enhancing the soft and technical skills of all employees, with specialised modules to meet the needs of technical personnel as well as potential leaders.

In addition, via TM's Education cluster comprising the Multimedia University (MMU) and Multimedia College (MMC), the Company is supporting the Government's vision of nurturing a knowledge-driven society, supplying a steady stream of capable and skilled human capital in various fields of expertise.

As a model corporate citizen committed to good governance and transparency, TM remains true to our pledge to ensure the integrity of our processes, people and reputation as well as the sustainability of our operations. Our Corporate

Responsibility (CR) ethos reinforces responsible behaviour in the four main domains of the marketplace, workplace, the community and the environment. The Group's Reaching Out programmes leverage on our ICT expertise to empower communities, serving as a perfect example of how businesses can contribute to sustainable development.

TM's focus on excellence has led to numerous awards in almost every aspect of our operations including corporate governance and corporate responsibility. Most recently, the Company was honoured with the Platinum Award for the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (NACRA) 2013. This was the third time TM has won the NACRA Platinum, after 2011 and 2006. The company also won the Industry Excellence Award for Main Board Companies under the Trade & Service category for the 17th consecutive year. In addition, TM was awarded the Best Sustainability Report Award in Malaysia for 2012 and 2013 by The National Centre for Sustainability Reporting (NCSR) based in Indonesia. Frost & Sullivan Malaysia has named TM the Telecom Service Provider of the Year for the last three years and the Data Communications Service Provider of the Year for the 10th consecutive year. Regionally, TM was recognised as the Fixed Broadband Provider of the Year at the Frost & Sullivan Asia Pacific ICT Awards in 2012 and 2013. TM also made the list of Top 50 Best Companies To Work For In Asia 2013 by HR Asia.

Such accolades drive the Company to continue exploring and innovating to realise our aspiration of delivering an enhanced and integrated digital lifestyle to Malaysians while fulfilling the nation's communications needs. With many changes in the economic climate domestically and internationally, TM has made our promise to create and deliver cutting-edge solutions for our customers, be it for business or lifestyle. TM will continue to strive to provide these solutions as to make our customers' lives easier!

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

MILESTONES OVER TWO CENTURIES

1800s

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

1900s

- 1900** The first magneto telephone service is introduced in Kudat, Jesselton (Kota Kinabalu) and Sandakan
- 1908** Incorporation of postal and telegraph services
- 1926** Advent of radio communications in the country
- 1946** Establishment of the Telecommunications Department in Malaya
- 1962** Introduction of Subscriber Trunk Dialling (STD) between Kuala Lumpur and Singapore via the first long-distance microwave link
- 1963**
- Expansion of the microwave network throughout Malaysia
 - Launch of television services in Peninsular Malaysia
- 1968** The Telecommunications Department of Sabah and Sarawak merges with Peninsular Malaysia, forming the Telecommunications Department of Malaysia
- 1970** The first international standard satellite earth station is commissioned in Kuantan, marking the advent of live telecasts in Malaysia
- 1975** Establishment of the Automatic Telex Exchange
- 1979** Introduction of International Direct Dial (IDD) facilities
- 1980** Malaysia commissions its own submarine cable linking Kuantan and Kuching
- 1982** Introduction of Telefax and International Maritime Service

- 1983** Introduction of data communications
- 1984** Introduction of packet switch technology, leading to Malaysia's own public data network
- 1985**
- Commissioning of the ATUR service using 450 analog cellular radio technology, a first in Asia
 - Introduction of the Multi Access Radio System, providing rural customers with easier access to telephone services
- 1987** Jabatan Telekom Malaysia (JTM) is corporatised, forming Syarikat Telekom Malaysia Berhad (STMB), the nation's first privatised entity
- 1988** Introduction of digital INTELSAT Business Service
- 1989** Introduction of the 800 toll-free service
- 1990**
- Introduction of international toll-free and prepaid cardphone (Kadfon)
 - Listing of STMB on the Main Board of Bursa Malaysia Securities Berhad and introduction of the new company logo
- 1991**
- The Company is rebranded as Telekom Malaysia
 - Introduction of Malaysia Direct, Home Country Direct
- 1992** Introduction of Video Conferencing and CENTREX
- 1993** Introduction of ISDN services
- 1996** Introduction of 1800 MHz digital TMTouch cellular services
- 1997** Introduction of Corporate Information Superhighway (COINS), Telekom Malaysia's state-of-the-art, high-capacity enterprise solution

2000s

- 2001**
- Launch of BlueHyppo.com, Telekom Malaysia's lifestyle Internet portal, which records more than 290 million searches a year
 - Introduction of broadband services with the launch of Streamyx
 - Telekom Malaysia becomes a major partner in the launch of the state-of-the-art submarine cable Asia Pacific Cable Network 2 (APCN2)
 - Establishment of TM Net as the largest Internet Service Provider in the Southeast Asian region
 - Launch of CDMA fixed wireless telephony service

- 2002** Award of the 3G spectrum to Telekom Malaysia
- 2003** Merger of Celcom and TMTouch, forming Malaysia's largest cellular operator
- 2004** Restructuring of TM TelCo into two Strategic Business Units (SBUs) – TM Wholesale and TM Retail
- 2005**
- Telekom Malaysia undergoes a major rebranding exercise and TM is adopted as the new brand
 - Launch of 3G Services – first in Malaysia
 - Acquisition of 27.3% interest in PT Excelcomindo Pratama Tbk of Indonesia
- 2006**
- TM forges strategic partnership with Vodafone, becoming a Vodafone Partner Network with a global reach of an estimated 179 million mobile customers worldwide
 - TM implements the second phase of its restructuring exercise, organising the Group's business into Malaysia Business, Celcom, TM International and TM Ventures
 - XL, TM's Indonesian subsidiary, secures a 3G licence while Dialog, TM's subsidiary in Sri Lanka, launches South Asia's first 3G service
 - Acquisition of the remaining 49.0% in Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Samart Communications Ltd), Cambodia and 49.0% interest in Spice Communications Private Limited, India
 - TM initiates a consortium to develop an undersea cable system, Asia-America Gateway (AAG), linking Southeast Asia and USA
- 2007**
- TM becomes the first Malaysian company to be named Service Provider of the Year at 2007 Frost & Sullivan Asia Pacific ICT Awards
 - A commemorative book, titled *Transforming a Legacy*, is launched by Dato' Seri Abdullah Hj Ahmad Badawi, Prime Minister of Malaysia
 - Divestment of TM's Payphone business to Pernec Corporation Berhad
 - TM's affiliate in India, Spice Communications Limited, commences trading on the Bombay Stock Exchange and receives the National and International Long Distance licences
- 2008**
- TM Group undertakes a demerger exercise resulting in two distinct entities – TM and TM International (TMI)
 - TM Group is officially demerged in April and TMI listed as a separate entity on Bursa Securities
 - IRDA and TM sign an MOU for TM to be the preferred telecommunications provider for the Iskandar Malaysia region
 - TM privatises VADS as part of its strategic growth plan
 - TM bags three awards at the 2008 Frost & Sullivan Malaysia Telecom Awards including The Alternative Voice Service Provider of The Year for the first time
 - TM signs a Public Private Partnership (PPP) agreement with the Government to roll out the High Speed Broadband (HSBB) project
 - TM grabs five NACRA 2008 awards, including the Gold Award for Overall Excellence, Silver for Corporate Social Responsibility and Best Designed Annual Report
 - TM and Verizon collaborate to develop and improve Local IP capabilities
- 2009**
- TM discloses Indicative Terms & Conditions for HSBB (Wholesale) service
 - TM wins three awards at the 2009 Frost & Sullivan Malaysia Telecom Awards, including Broadband Service Provider of the Year for the fifth year
 - MMU makes the Top 200 Asian Universities in QS.com Asia Universities Rankings 2009
 - TM signs Wi-Net on as its first HSBB (Wholesale) customer
 - TM joins a new submarine cable consortium to develop the Asia Pacific Gateway (APG)
 - TM's core network infrastructure is upgraded to Next-Generation Network (NGN) technology
 - TM commences physical work for HSBB access infrastructure
 - AAG, a new undersea cable linking Southeast Asia to USA, starts commercial traffic
 - TM wins four awards at NACRA 2009, including Gold for Overall Excellence, Corporate Social Responsibility and Best Annual Report in Bahasa Malaysia

MILESTONES OVER TWO CENTURIES

2010

- TMpoint On Wheels (TMOW) is launched for added convenience to customers in under-served areas
- TM signs a pact with Manchester United to be the Official Integrated Telecommunications Partner of the English football club in Malaysia
- 20 content partners join hands with TM to provide a diverse mix of content for TM's IPTV service
- TM delivers its promise of launching the next generation High Speed Broadband (HSBB) service with the brand name UniFi
- The inaugural TM Earth Camp for school children, organised in collaboration with the Malaysian Nature Society (MNS), is held
- TM is conferred the Anugerah Majikan Prihatin from the Ministry of Human Resources for the first time, in conjunction with the 2010 Labour Day celebration
- HyppTV, TM's IPTV service, offers UniFi customers linear, premium and VoD titles
- TM wins the First Runner-Up Overall award at the Malaysian Business – CIMA Enterprise Governance Awards 2010
- TM signs Maxis on as the first service provider to subscribe to TM's HSBB (Access) service
- Deployment of TM's HSBB service, UniFi, reaches more than 750,000 premises passed and 48 coverage areas
- TM wins five awards at NACRA 2010, including Golds for Overall Excellence and Best Design and Platinum for Corporate Social Responsibility

2011

- TM collaborates with NTT to establish a new submarine cable system, Cahaya Malaysia, connecting Malaysia to Hong Kong and Japan
- TM records profit of RM1,206.5 million in 2010, an increase of 87.6% from the previous year and meets all three Headline KPIs
- Menara Kuala Lumpur Sdn Bhd signs a 10-year concession agreement with the Government of Malaysia for the operation, management and maintenance of Menara Kuala Lumpur
- UniFi celebrates its first anniversary
- TM clinches four awards at the 2010 Frost & Sullivan Malaysia Telecoms Awards – Broadband

Service Provider of the Year, Data Communications Service Provider of the Year, Managed Service Provider of the Year and Managed Security Service Provider of the Year

- TM galvanises the nation's sports spirit with the launch of Team Malaysia
- TM offers the first Managed TelePresence services in Malaysia in collaboration with Cisco
- UniFi's 100,000th customer receives a trip of a lifetime to Wembley Stadium, London, to watch Manchester United FC's Champions League match
- As part of its environment conservation activities, TM plants 200 trees at Zoo Negara and adopts two Malayan tapirs
- VADS becomes the country's first cloud provider by partnering with MIMOS to offer cloud computing services
- TM further entrenches its support for national football by becoming the official partner of the national football team
- TM signs a partnership with NAZA TTDI to install HSBB in the first UniFi township project in the Central region
- UniFi reaches Melaka and Kedah, ahead of schedule
- TM partners with Google to offer Google AdWords to SMEs in Malaysia
- TM introduces its geomatic application – TM SmartMap
- TM inks HSBB Wholesale service agreements with Celcom Axiata Berhad and Packet One Networks Sdn Bhd
- TM establishes a strategic partnership with Akamai to host Akamai's NetStorage on TM's network
- Launch of Gemuruh Suara song and music video, as part of Team Malaysia's campaign, ignites the passion of sports fans
- TM launches its point-based loyalty programme, TM Rewards
- TM signs its second HSBB service agreement with Dynasty View Sdn Bhd to install HSBB in a new phase of the Seri Austin residential development in Johor Bahru

- TM takes home top honours at NACRA 2011 with the Overall Excellence Platinum Award for its Annual Report
- TM is honoured as the ICT Organisation of the Year and also wins the ICT Personality of the Year at PIKOM's 25th Anniversary Gala Dinner and ICT Leadership Awards 2011
- TM signs a deal with GJH Avenue Sdn Bhd to install HSBB in Phases 1 and 2 of Taman Paya Rumput Perdana, making these the first UniFi-equipped townships in Melaka
- TM clinches the Best Wholesale Ethernet Service APAC 2011 award by Metro Ethernet Forum (MEF) at the Carrier Ethernet Service Provider Awards APAC 2011 in Singapore
- TM adds Office 365 to its suite of world-class ICT solutions through a partnership with Microsoft
- The Batam-Dumai-Melaka (BDM) submarine cable system goes live, ready to carry commercial data traffic

2012

- UniFi reaches Perak, Terengganu and Pahang
- TM launches its Integrity Pact, strengthening the Company's commitment to total integrity across the Group
- TM turns in a strong full-year performance for the financial year 2011, with revenue of RM9.15 billion and exceeding all three Headline KPIs
- TM inks an HSBB Wholesale service agreement with REDtone
- UniFi turns two
- Capital TV, Malaysia's first local business television channel, is launched and comes on board HyppTV
- TM holds the first TM Career & Education Fair
- TM embarks on a nationwide Cable Theft Prevention campaign
- SK Pendidikan Khas Pekan Tuaran, Sabah becomes the first school for special needs children to be adopted under TM's PINTAR School Adoption Programme

- TM clinches four awards at the 2012 Frost & Sullivan Malaysia Excellence Awards, including the coveted Service Provider of the Year award, which was won for the first time since the 2008 demerger
- Four new HyppTV channels – EC Inspirasi, Outdoor Channel HD, UTV Stars and Kids Co – are added to HyppTV's growing stable
- TM bags the Best Broadband Carrier award at Telecom Asia Awards 2012 in Bangkok
- TM's first data centre outside Malaysia opens in Hong Kong
- TM gears up for IPv6 adoption with an IPv6-ready network
- TM's broadband subscriber base hits the 2 million mark
- My1Content portal, a national repository of local content developed by TM, is launched
- TM organises the Team Malaysia Fan Run 2012 to rally support for Malaysian Olympians
- Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak visits TM Convention Centre and officially launches its facilities
- UniFi surpasses the 400,000 subscriber mark ahead of its year-end target
- TM extends the Program Sejahtera to Kelantan, with the launch of the second phase of the programme
- Cahaya Malaysia, TM's latest submarine cable system, starts carrying traffic to Hong Kong
- HyppTV launches its first dedicated live sports channel – HyppSports HD
- Membership of the TM Rewards loyalty programme hits 1,000,000
- TM introduces UniFi BIZ30 and BIZ50 packages as well as HyppTV for UniFi Biz packages
- TM signs collaborative agreements with relevant parties towards the creation of a Smart and Connected Nusajaya
- VADS extends its TelePresence reach worldwide via collaboration with AT&T

MILESTONES OVER TWO CENTURIES

2013

January

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

February

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

March

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

April

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

May

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

June

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

July

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

August

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

September

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

October

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

November

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

December

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

HyppTV aims to expand premium subscriber base



Zam Zam Zam (second from right) with Communications and Multimedia Minister Datuk Seri Ahmad Shabery Cheek (third from right) at the launch of HyppTV's new offerings. — Bernama

By WONG WEI-SHEN
wshen@theedustar.com.my

KUALA LUMPUR: Telekom Malaysia Bhd (TM) aims to increase its premium subscriber base under its Internet protocol TV (IPTV) service HyppTV, since it has been made available nationwide.

On Aug 1, TM will be making the HyppTV service available to new and existing 4Mbps and 8Mbps Streamyx broadband customers, which will allow it to expand its coverage throughout the wider country.

"HyppTV Everywhere" is TM's first multi-screen offering that will enable both fixed and Streamyx customers to watch HyppTV anywhere and anytime on different devices. Previously, only fixed customers, TM's high-speed broadband service, have access to the HyppTV service.

Group chief executive officer Tan Sri Zam Zam Zam said the 500,000

or so fixed customers it has, only 20% to 30% are premium HyppTV subscribers. He added that a majority of the 3.6 million Streamyx customers were still on the 1Mbps broadband speed.

"We are looking for new Streamyx broadband customers as well as existing customers who currently have less than 4Mbps to upgrade their speed to at least 4Mbps for them to have access to HyppTV," he said after the launch of HyppTV's new service yesterday.

Zam Zam Zam said the 8Mbps broadband speed under Streamyx was only launched early this year.

Under the Public-Private Partnership Agreement, HyppTV via fixed, was only available in key economic and industrial zones in the Klang Valley, Cyberjaya, Putrajaya, Kuala Lumpur and Iskandar Puteri.

"Now that we have spread beyond, there is more opportunity for us to be known by the larger community," he said.

Free surfing

Datuk Seri Mohd Tan Razali

moving at his supporters at the TM headquarters in Kuala Lumpur, where he announced the first half-hour of daily Internet use for the poor will be free. The Prime Minister said the policy would benefit the poor in both urban and rural areas. — Bernama



TM, Celcom and DiGi in pact

TM expects RM400mil to RM600mil revenue over 10 to 15 years from the deal

By CHONG EWE-LEO

chong@theedustar.com.my

Under the agreement, TM will provide its 4G LTE network to Celcom and DiGi for their 4G LTE services.

The agreement will allow Celcom and DiGi to use TM's 4G LTE network for their 4G LTE services.

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TM rolls out 3 initiatives

KUALA LUMPUR: Telekom Malaysia Bhd (TM) yesterday launched three initiatives to cater for the needs of its domestic and international partners.

The three initiatives are MyHubs, the Iskandar International Gateway (IGW) and its first privately-owned submarine cable system, Cayapa Malaysia.

TM chairman Datuk Seri Halim Saifuddin said the launch of the three initiatives will support the nation's economic development agenda by ensuring that strategic information and communications technology infrastructure is in place.

Halim said MyHubs serves as a single point to provide seamless connectivity to domestic and international gateways via the company's cable landing stations and cable system networks, including Cayapa Malaysia.

"This not only provides Internet and bandwidth connectivity locally and globally, but more importantly, also offers a platform for service providers and data centre players," he said after the launch of the initiatives, officiated by Communications and Multimedia Minister Datuk Seri Ahmad Shabery Cheek.

Also present were TM group chief executive officer Tan Sri Zam Zam Zam and Multimedia Communications and Multimedia Commission chairman Datuk Mohamed Shahril Tarmizi.

MyHubs provides a neutral platform for service providers and data centre players to enhance their offerings to end-users by leveraging on TM's extensive infrastructure.

IGW is established in Nusajaya to support foreign direct investments that require faster Internet and telecommunication services.

Cayapa Malaysia is a submarine cable spanning 6,000km built in 2011 in collaboration



TM's Managing Director Masumuriyano (right) and Sri Nur Aishah Mohd Ghazali at the launch of MyHubs and Cayapa Malaysia yesterday. Pic by Salsabil Ibrahim

with Japan's NTT Communications Corporation, the Philippines' Long Distance Telephone Company and Singapore's StarHub.

Zam Zam Zam said initially, MyHubs will cover Peninsular Malaysia. It will be expanded to Sabah and Sarawak in two to three years.

"We will continue to invest to expand data connectivity offerings there," he said, noting that MyHubs has a capacity of 360 gigabytes per second, with plans to increase its capacity to 24 terabytes per second.

On the rollout of the second high-speed broadband initiative, he said the company is negotiating with the government on the terms of implementation.

School gets 'connected'

By CYBER

SMK Mambak Abdullah

in Sabak Bernam, Selangor

to ensure its students can enjoy

broadband Internet access and

Wi-Fi connection.

Through the basic, students

will be able to conduct various

ICT-related activities, all made

possible by Telekom Malaysia

Berhad's (TM) TM Portal School

Adoptive Programme.

In fact, TM had allocated

RM100,000 for a three-year

period until 2016 for the school

to carry out its activities which

would also benefit the surround-

ing communities, said TM chair-

man Datuk Seri Dr Halim Saifuddin

at the programme launch.



TM to upgrade up to 400 exchanges

By CHONG EWE-LEO

chong@theedustar.com.my

TM will upgrade up to 400 exchanges nationwide under the country's 4G LTE phase two high-speed broadband rollout.

TM group chief executive officer

Tan Sri Zam Zam Zam said the

company would implement the

plan in 2015, and the TM

had covered about 100 exchanges

under the first generation network

under the successfully completed

first phase.

The plan will allow TM to

provide its 4G LTE network to

Celcom and DiGi for their 4G LTE

services. The plan will also

allow TM to provide its 4G LTE

network to other service

providers. The plan will also

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REDtone 'widens coverage' by signing wholesale ethernet agreement with TM

KUALA LUMPUR: REDtone International Bhd, which eyes RM80 million in data revenue this year, has teamed up with Telekom Malaysia Bhd (TM) in a wholesale ethernet deal.

In a joint statement yesterday, the companies said the agreement will provide REDtone instant access to all of TM's Metro-E infrastructure nationwide.

"The collaboration is set to widen REDtone's coverage for its data and broadband services and strengthen its grasp in the corporate and small and medium enterprises segment where its data solutions are targeted," it said.

The agreement was stated between REDtone's wholly owned unit, REDtone Telecommunications Sdn Bhd and TM.

REDtone group CEO Lau Bk Soon said the collaboration with

TM will take the company's data and broadband business to a higher level of growth.

"As the largest infrastructure provider in the country, TM's Metro-E landings are extensive with many situated in commercial areas where REDtone's core data customers are."

"This gives us instant access to a new pool of potential corporate customers and will help us to achieve our goal of achieving 200% increase in our data revenue for the current financial year," he said.

TM's global and wholesale executive vice-president Mohamad Rozaimy Abd Rahman said the partnership will further strengthen TM's position as a neutral wholesale service provider.

"TM is enabling REDtone to widen its connectivity to a larger number of end users with its data services," he said. — Bernama



Lau (second from left) shaking hands with Rozaimy while REDtone senior executive director Datuk Ismail Osman (left) and TM global and wholesale carrier sales vice president Rosemaria Omar look on.

TM-Astro deal will boost HyppTV's subscriber base

By PREMALATHA JAYARAMAN

wp@theedustar.com.my

KUALA LUMPUR: Telekom Malaysia Bhd (TM) is confident of increasing the subscriber base of its Internet protocol television (IPTV) service HyppTV, due to its pact with Astro Malaysia Holdings Bhd that gives TM the right to carry two of Astro's sports channels on HyppTV.

Currently, TM's UniFi service has 350,000 subscribers, out of which 30% subscribe to paid channels or contents on HyppTV while Streamyx service has 1.6 million subscribers.

It still lags behind Astro's customer base of over 3.5 million residential customers or 5% penetration of Malaysian television households.

to disclose the value of the deal, though analysts believe that it would be a relatively sizeable increase in content costs for TM. TM spent about RM300 million on content in 2013.

With the two new sports channels, HyppTV now offers HyppTV Sports pack bundling its 13 sports channels namely, Astro SuperSport HD, Astro SuperSport 2 HD, HyppSports HD, HyppSports HDs, HyppSports HDs, HyppSports HDs, Fox Football Channel HD, TRACE Sports HD, MFTV, HyppSports HD, HyppSports On Demand, FOX Football Channel On Demand and HyppSports Academy.

"Through this collaboration with Astro, we are also fostering healthier industry partnership between aggregators which will not only benefit both sides but more

2013 CORPORATE EVENTS



1 24 JANUARY

Maulidur Rasul Ceremony

TM took part in the Maulidur Rasul Ceremony organised by the Jabatan Kemajuan Islam Malaysia (JAKIM) to celebrate the Prophet Muhammad's birthday. The event was graced by the King and Queen of Malaysia.



2 2 FEBRUARY

Federal Territory Day Parade

TM participated in the march-past of the Federal Territory Day parade, organised by Dewan Bandaraya Kuala Lumpur, together with other government-linked companies (GLCs) and government agencies.

3 16 FEBRUARY

Chinese New Year Open House

TM organised a Chinese New Year Open House at the lobby of Menara TM as part of its employee engagement initiatives.



4 12 MARCH

MOU on PINTAR Extension Programme

TM signed an MOU with the PINTAR Foundation to provide financial aid to needy and qualified students from its PINTAR schools to pursue their studies at the Multimedia University and Multimedia College. TM is the first GLC to launch such an initiative.



5 17 MARCH

1Malaysia Komuniti Perwani & 1Million Women Purple Walk 2013

TM was represented by 300 staff at the One Million Women aerobics and walk, organised by the Ministry of Youth and Sports and Ministry of Women, Family and Community Development.

6 19 MARCH

Visit by the Prime Minister

The Prime Minister visited TM in a show of appreciation of TM's many contributions to the development of the telecommunications industry and the country.

7 25 MARCH

TM Earth Camp 2013 Signing Ceremony

TM inked an agreement with the Malaysian Nature Society (MNS) to continue the collaboration between both parties in organising TM's nationwide series of environmental camps for students.

8 13 APRIL

Family Day at TM Club

TM Club, with the support of Group Human Capital Management, organised its annual Family Day themed 'Keluarga Bahagia Warga TM Ceria'.

9 26 APRIL

UniFi Service in Internet-Connected Homes

TM signed an agreement with UEM to provide UniFi services for 4,000 residents in the Nusajaya development in Johor.

10 7 MAY

Annual General Meeting 2013

TM's AGM 2013 was attended by approximately 3,500 shareholders.

11 10 JUNE

Customer Service Transformation - United For Change

About 400 frontliners from Customer Service Management, TMpoint and Regional Network Offices in the Klang Valley, together with CSM staff from headquarters, attended the launch of TM's Customer Service Transformation – United For Change.

12 19 JUNE

TM Cocktail Reception

TM hosted a Cocktail Reception for the participants of CommunicAsia 2013 held at the Marina Bay Sands in Singapore, to create networking opportunities with local and international partners.

13 25 JULY

Iftar with Orphans & Single Mothers

TM, in collaboration with Badan Kebajikan Islam Telekom Malaysia (BAKIT) and its IPTV service HyppTV, hosted orphans and single mothers to an annual breaking of fast event held at Menara TM.



2013 CORPORATE EVENTS



14

14 29 JULY

HyppTV Goes Nationwide

HyppTV Goes Nationwide was launched, making TM's IPTV service, HyppTV, available nationwide to Streamyx 4Mbps and 8Mbps customers everywhere on multiscreen devices.



15

15 30 JULY

Launch of Ops Selamat 3/2013

TM, in collaboration with Polis DiRaja Malaysia, launched the 2013 edition of its annual road safety campaign, Ops Selamat, in conjunction with the upcoming Hari Raya celebration.



18

16 22 AUGUST

Ministry of Communications & Multimedia Open House

TM contributed to the Ministry of Communications and Multimedia's Aidilfitri Open House.

17 24 AUGUST

Aidilfitri Celebration with Customers

Group Business & Customer Management organised its annual Aidilfitri celebration to build stronger relationships with existing and potential TM customers.



19

18 1 SEPTEMBER

Adoption of SMK Munshi Abdullah

TM adopted SMK Munshi Abdullah in Sabak Bernam under its PINTAR programme. Its first initiative at the school was to set up a cyber kiosk to enable the students to enjoy broadband Internet access and WiFi connection for education purposes.



20

19 9 SEPTEMBER

Dinner for Emergency Personnel

TM hosted a dinner and awards presentation ceremony for officers from the Malaysian Emergency Response Services (MERS) 999 and emergency services agencies in recognition of their contributions and outstanding performance.

20 12 SEPTEMBER

Historical Merdeka & Malaysia Day Celebrations

TM held the closing ceremony of its month-long Merdeka Day and Hari Malaysia celebrations themed 'Ceritera Tanah Airku' with historical-themed activities at the lobby of its headquarters, Menara TM.

21 25 OCTOBER

Sports Carnival

TM's Sports Carnival 2013 was held in Terengganu, creating many stories and fond memories for the more than 1,500 organisers and participants, from the colourful opening ceremony to the fierce competition during the games, and the entertaining gala dinner.

22 28 OCTOBER

YTM Forms Partnership with YPPB

Yasyasan TM (YTM) signed a Memorandum of Understanding with Yayasan Peneraju Pendidikan Bumiputera (YPPB) at the Multimedia University, Cyberjaya to develop talented Bumiputera youth and prepare them to be the nation's next generation of leaders.

23 13 NOVEMBER

Launch of Mencari Ramli 3

After the successful outing of the first and second editions of Mencari Ramli, the third season of TM's much awaited reality TV show made its debut. Based on the Company's TV advertisement of a Malaysian football player making it big in the English Premier League, the show was once again made budding Malaysian football players' dreams come true!

24 11 DECEMBER

IPVPN for Casabello

TM signed a Service Agreement with Casabello Consortium for the provisioning of its Internet Protocol Virtual Private Network (IPVPN) service to enhance Casabello's Kiosk Perbankan 1Malaysia Project.

25 13 DECEMBER

Launch of TM Next-Gen Backhaul Service

TM together with two key mobile operators, Celcom and DiGi, marked another major milestone in the nation's telecommunications industry by signing a wholesale bandwidth collaborative deal for TM's Next-Gen Backhaul™ Service.



AWARDS & RECOGNITIONS 2013

13 JAN

Anugerah Juruteknologi Negara

- TM R&D won for Service category

17 FEB

Global HR Excellence Award

- Chief Human Resource Officer of the Year
- HR Leadership Award

19 FEB

Islamic Finance Award for Innovation

- TM received recognition for Innovation category

22 FEB

Malaysia Invention and Innovation Awards (MTE)

- TMR&D won Bronze Awards

20 MARCH

TV Connect Industry Awards

- Best Live Online TV Service or Solution

18 APR

Reader's Digest Trusted Brands

- Phone & Broadband Service Category – Gold

26 APR

Putra Brand Awards

- Communication Network – Bronze medal

9 MAY

Frost & Sullivan Malaysia Excellence Awards

- Telecom Service Provider of the Year
- Data Communication Service Provider of the Year

10 JUNE

The Brand Laureate Country Branding Award – won by Menara KL

20 JUNE

Asia Communication Awards (ACA)

- Innovation Award won by TMR&D

21 JUNE

Kuala Lumpur Mayor's Tourism Award

- Menara KL won Outstanding Achievement in Tourism Attraction Category

26 JUNE

Frost & Sullivan Asia Pacific ICT Award

- Fixed Broadband Service Provider of the Year

2 JULY

Human Resources Excellence Award 2013 "HR Team of the Year"

- Best 50 Companies to Work For in Asia

8 AUG

Global Services 100 Provider

- VADS - Outsourcing Malaysia Excellence Awards 2013 (BPO Project of the Year)





21 NOV

National Annual Corporate Report Awards (NACRA)

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

12 SEPT

Alpha Southeast Asia's Institutional Investor Corporate Awards

- Best Strategic CSR
- Best Annual Report in Malaysia

7 OCT

MSC Asia Pacific ICT Alliance (MSC APITCA)

- Winner and Merit for the Best of Research & Development Award – won by TM R&D
- Merit for the Best of Communications Applications category – won by TM R&D

9 OCT

Computerworld Malaysia Readers Choice Awards 2013

- Managed Connectivity

14 OCT

Contact Centre Association of Malaysia (CCAM) Awards

VADS won for:

- Best Outsourced Outbound Contact Centre (Over 100-seats)
- Best Government Contact Centre
- Best Government Initiative

2 NOV

Contact Centre World Awards

- Best Leader
- Best Operations Manager
- Best Recruitment Campaign
- Best IT Support
- Best Sales Inbound

9 NOV

Persidangan dan Ekspo Ciptaan Institusi Pengajian Tinggi Antarabangsa (PENCIPTA) 2013

Won by MMU for:

- Best of the Best Awards
- Special Awards from the Korean Asia Invention Association

27 NOV

Asia Pacific Information and Communication Technology Alliance (APICTA) Awards 2013

- Merit award for Communication Category

10 DEC

Anugerah Zakat Kebangsaan

- TM received recognition for Government Linked Company category

13 DEC

SMI Association of Malaysia SME Recognition Award

- SME Sahabat Negara Award 2013

16 DEC

Malaysian – ASEAN Corporate Governance Index 2013

- Top Five Overall Corporate Governance
- Best Conduct of AGM
- Best ESG

18 DEC

National Centre for Sustainability Reporting (NCSR) Award

- Winner Best Sustainability Report 2012 in Malaysia

TM PAST AWARDS

2012

THE BRANDLAUREATE TOP TEN MASTERS AWARDS

- The Most Preferred Brand in ICT – Broadband

NEF-AWANI ICT AWARDS 2011

- Favourite Telecommunications Company in People's Choice Category

PC.COM 12TH READERS CHOICE AWARDS 2011

- Best Wired Broadband for UniFi

FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS, KUALA LUMPUR

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

15TH ANNUAL TELECOM AWARD, BANGKOK

- Best Broadband Carrier

PUTRA BRAND AWARDS

- Silver for Communications Network Category

PENYEDIA PERKHIDMATAN INTERNET, KUALA LUMPUR

- Best Brand in ICT

FROST & SULLIVAN ASIA PACIFIC ICT AWARD, SINGAPORE

- Fixed Broadband Service Provider of the Year

URBANSAPES-MARKIES AWARD

- Best Idea – Consumer Events/Experiential TM EveryoneConnects

QS ASIAN UNIVERSITY RANKINGS

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

ASIA COMMUNICATIONS AWARD, SINGAPORE

- Giorgio Migliarina: Chief Technology Officer of the Year

WORLD HRD CONGRESS AND WORLD EDUCATION CONGRESS, MUMBAI, INDIA

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

MALAYSIAN SOFTWARE TESTING BOARD Q-MERIT AWARD

- TM R&D

CONTACT CENTRE WORLD TOP RANKING PERFORMERS AWARD – APAC REGION, SINGAPORE

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

3RD CMO ASIA AWARDS FOR EXCELLENCE IN BRANDING & MARKETING

- Asia's Best Brand Award

GLOBAL SERVICES 100 PROVIDER

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

CONTACT CENTRE ASSOCIATION OF SINGAPORE AWARDS

- Bronze for Best Outsourced Contact Centre (VADS)

ALPHA SOUTHEAST ASIA'S INSTITUTIONAL INVESTOR CORPORATE AWARDS FOR MALAYSIA

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

ASIA GEOSPATIAL FORUM, HANOI, VIETNAM

- Asia Geospatial Excellence Award for MERS 999

COMPUTERWORLD READER'S CHOICE AWARDS

- Managed Connectivity category

11TH COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS

- Gold Award (VADS)

MALAYSIA HR AWARDS

- Employer of Choice Gold Award

CUSTOMER RELATIONSHIP MANAGEMENT AND CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM) AWARDS

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

MINISTRY OF INTERNATIONAL TRADE & INDUSTRY – INDUSTRY EXCELLENCE AWARD

- Multimedia University (MMU)

ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN KEBANGSAAN

- Won by TM Pahang

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

CONTACT CENTRE WORLD AWARDS

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

NATIONAL CENTER FOR SUSTAINABILITY REPORTING (NCSR), JAKARTA

- Best Sustainability Award for Malaysia

SMI ASSOCIATION OF MALAYSIA SME RECOGNITION AWARD

2011

THE BRANDLAUREATE TOP TEN MASTERS AWARDS

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

PC.COM 11TH PRODUCT AWARDS

- Best Fixed Broadband

THE BRANDLAUREATE COUNTRY BRANDING AWARDS 2010-2011

- Won by Menara Kuala Lumpur

NEF-AWANI ICT AWARDS

- Favourite Telecommunications Company 2010

FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS

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

READER'S DIGEST TRUSTED BRANDS AWARDS

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

THE BRANDLAUREATE TOP TEN MASTERS AWARDS

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

MALAYSIA 1000'S INDUSTRY EXCELLENCE AWARD FOR COMPUTER PRODUCTS

- Won by VADS Berhad

ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS

- Reporting on Social Performance

1ST MEF CERTIFIED SERVICE PROVIDER IN MALAYSIA

PIKOM 25TH ANNIVERSARY GALA DINNER & ICT LEADERSHIP AWARDS

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

BEST WHOLESALE ETHERNET SERVICE APAC

MALAYSIAN CORPORATE GOVERNANCE (MCG) INDEX AWARDS

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

TM PAST AWARDS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

2010

ANUGERAH PELANCONGAN KEBANGSAAN MALAYSIA 2008-2009

- Tarikan Pelancongan Terbaik – Tarikan Berinovasi (Buatan Malaysia)

PC.COM AWARD

- Best Fixed Broadband

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

- Grand Prize

STARBUZ-ICR MALAYSIA CORPORATE RESPONSIBILITY (CR) AWARDS 2009

- Community Category

PRIME MINISTER'S CSR AWARDS 2009

- Best Workplace Practices

PUTRA BRAND AWARDS

- Best Communication Network

BRANDLAUREATE TOP 10 MASTERBRAND AWARDS 2009-2010

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

READER'S DIGEST TRUSTED BRAND

- Streamyx – Platinum

LABOUR DAY CELEBRATIONS

- Anugerah Majikan Prihatin

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

INTERNATIONAL INVENTION, INNOVATION AND TECHNOLOGY EXHIBITION (IITEX)

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

MALAYSIAN MEDIA AWARDS

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

ASIA HRD CONGRESS

- Award for Company's Human Capital Development programmes

TOP RANKING PERFORMERS AWARDS APAC REGION FINAL

- Highly Commended Award
- Gold Award
- Silver Award

10TH MALAYSIA HR AWARDS

- HR Excellence – Gold Award

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

- Unified Communications Excellence

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

- 1st Runner-Up Overall

COMPUTERWORLD READER'S CHOICE AWARDS

- Managed Connectivity Services Provider

IT INSPIRATION AWARDS

- CIO of the Year
- CIO of the CIOs

PRIME MINISTER'S CSR AWARDS

- Best Workplace Practices
- Honourable Mention in the Environment Category

MALAM PENGHARGAAN JALUR LEBAR 1MALAYSIA

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

MALAYSIAN CORPORATE GOVERNANCE INDEX AWARDS

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

2009

THE BRANDLAUREATE AWARDS 2008-2009

- Best Brands

HEWITT BEST EMPLOYERS

- 10 Best Employers in Malaysia

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

READER'S DIGEST AWARD

- Trusted Brand – Platinum

MALAYSIAN ASSOCIATION OF RISK AND INSURANCE MANAGEMENT (MARIM) AWARD

- Risk Management Award of Excellence

ABU ASIA-PACIFIC ROBOT CONTEST TOKYO – TOYOTA AWARD

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

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

CONTACTCENTERWORLD.COM AWARD

- Best Contact Center (250+ Agents)

CISCO AWARD

- Managed Services Partner of the Year (Revenue)

INTERNATIONAL BUSINESS REVIEW AWARDS

- Excellence in the Telecommunications Sector

ANUGERAH PELANCONGAN LIBUR

- The Best Monument Award

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

MALAYSIAN CORPORATE GOVERNANCE INDEX AWARDS

- Distinction
- Best AGM Conducted in 2009

STARBIZ-ICRM CR AWARDS

- Community Category

TM PAST AWARDS

2008

STRATEGIC PARTNERSHIP & ENTREPRENEURSHIP DEVELOPMENT FOR ICMIC BUSINESS AWARD

- Fixed Telephone Line Category

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

MSC MALAYSIA 'CYBERCENTRE'

- Menara TM was awarded MSC Malaysia 'Cybercentre' status

MALAM ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN PEKERJAAN 2007

- TM Sarawak – Gold Award – Telecommunications sector

THE BRANDLAUREATE AWARDS 2007-2008

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

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

- Merit Award
- Corporate Social Responsibility Category winner

MALAYSIA 1000 TOP TEN AWARDS

- TM received recognition for its outstanding financial performance

STARBIZ-ICR MALAYSIA CORPORATE RESPONSIBILITY AWARDS

- Workplace category

COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS

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

THE TECHNOLOGY BUSINESS REVIEW ASEAN AWARDS

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA MALAYSIA 2007

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

CORPORATE GOVERNANCE SURVEY 2008 AWARD FROM THE MINORITY SHAREHOLDER WATCHDOG GROUP (MSWG)

- Most Excellent in the Trading/Services Sector
- Third for Overall Excellence

MULTIMEDIA DEVELOPMENT CORPORATION (MDEC)

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

LIBUR MAGAZINE

- Menara KL won The Best Monument Award

2007

THE BRANDLAUREATE AWARD 2006-2007

- Corporate Brand – Telecommunications Industry Category

PC.COM MAGAZINE

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

GSM GLOBAL MOBILE AWARDS

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

LANKA MONTHLY DIGEST

- Dialog won top spot in the Finance Brand Index

STANDARD CHARTERED-FINANCIAL EXPRESS CSR AWARD 2006

- Won by TM International Bangladesh Ltd

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

READER'S DIGEST TRUSTED BRANDS SURVEY

- Trusted Brand in Telecommunications – Platinum Award

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

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

MALAYSIA BRAND EQUITY AWARD

- Celcom won 4th place for Brand Visibility

FROST & SULLIVAN ASIA PACIFIC ICT AWARDS

- Service Provider of the Year

ADASIA

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

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

- Dialog won the Outstanding Achievement in Customer Relationship Excellence

MOST ADMIRED KNOWLEDGE ENTERPRISE (MAKE) AWARD

- Won by PT Excelcomindo Pratama Tbk (XL)

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

DEWAN BAHASA DAN PUSTAKA – ANUGERAH CITRA WANGSA MALAYSIA 2006

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

UNI-APRO OUTSTANDING EMPLOYEE-PARTNER AWARD

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

RED HERRING ASIA TOP 100 TECHNOLOGY COMPANIES AWARD

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

BEST OUTSOURCED SERVICE CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM)

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

Additionally, VADS secured five individual achievements:

- Best Contact Centre Manager – Bronze and Gold Awards
- Best Contact Centre Team Leader – Silver Award
- Best Contact Centre Professional Outsourced – Gold and Bronze Awards

MINISTER OF ENERGY, WATER AND COMMUNICATIONS, MALAYSIA

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

TM PAST AWARDS

SIXTH OSKAR AWARDS 2007 – FILM WORKERS ASSOCIATION OF MALAYSIA

- Best Cinematography for TM Merdeka TVC
- Best TVC for TM Chinese New Year advertisement

MALAYSIA'S MOST VALUABLE BRANDS

- Celcom secured fifth place

CORPORATE GOVERNANCE SURVEY REPORT

- TM was ranked second

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

PIKOM ICT SERVICE PROVIDER OF THE YEAR AWARD

- Won by VADS Berhad

NATIONAL AWARD FOR MANAGEMENT ACCOUNTING (NAFMA) EXCELLENCE AWARD

2006

PC.COM MAGAZINE

TM NET WON:

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

THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

READER'S DIGEST TRUSTED BRANDS AWARD

- Platinum – Telecom Company Category

THE READER'S DIGEST TRUSTED BRANDS AWARD

- Mobile Service Provider Category – Gold Award

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

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

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

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

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

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

MALYSIAN BUSINESS MAGAZINE

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

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

- Won by TMpoint in Alor Star, Kedah

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

THE BRAND LAUREATE AWARDS 2006-2007

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

TELELINK TELECOMMUNICATION AWARD

- Best Mobile Service Provider in Bangladesh, won by AKTEL

JFB PERFORMANCE AWARD

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

GSM GLOBAL MOBILE AWARDS

- Commendation Award won by Dialog Telekom, Sri Lanka

2005

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA

- Anugerah Citra Iklan Radio won by Celcom

GSM ASSOCIATION AWARDS

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

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

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

ASIAMONEY MALAYSIA'S BEST ANNUAL AWARD CEREMONY

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

ACCA MALAYSIA ENVIRONMENTAL AND SOCIAL REPORTING AWARDS 2004

- Commended for Social Corporate Reporting in Annual Report

EUROMONEY MAGAZINE

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

FROST & SULLIVAN AWARD

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

INNOVATIVE LEARNING & DEVELOPMENT AWARD 2004

- Won by TM R&D

MALAYSIAN BOOK OF RECORDS

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

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

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

INTERNATIONAL REAL ESTATE FEDERATION (FIABCI) PRIX D'EXCELLENCE

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

ARTHAKANTA BUSINESS MAGAZINE

- Arthakanta Business Award for Most Outstanding Company won by AKTEL

IBM AWARDS

- IBM Platinum Club Award
- IBM Strategic Win Award

MICROSOFT IMAGINE CUP MALAYSIA – SOFTWARE DESIGN CHALLENGE

- Top 3 prizes won by Multimedia University

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

- New and Existing Building Category – 2nd place

TM PAST AWARDS

BEST INTERNAL AUDIT PRACTICE AWARD (BIAPA)

- Company with Shareholders Equity of more than RM200 million

ASEAN COMMUNICATIONS EXPO AND FORUM

- Best Booth Design Award

CISCO BEST MANAGED SERVICES PARTNER AWARD FOR MALAYSIA

- Won by VADS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

10 AWARDS WON BY TM REGIONAL COMPANY – AKTEL:

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

2004

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

- Largest Paymaster of Service Taxes Award

CHINA PRESS AND THE NANYANG SIANG PAU

- Award for Corporate Chinese New Year Advertisement

READER'S DIGEST

- Superbrands – Gold Award

SUPERBRANDS MALAYSIA MAGAZINE

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

CISCO SYSTEMS

- Silver Certification

THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA (IIA MALAYSIA)

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

COMPUTERWORLD MAGAZINE – CORPORATE BROADBAND SERVICE READERS CHOICE AWARD

- Won by TM Net

2003

INTERNATIONAL ARCH OF EUROPE AWARD

- Platinum Award by Telekom Networks Malawi Limited (TNM)

GSM AWARD FOR BEST USE OF WIRELESS FOR EMERGENCY SITUATIONS

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

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

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

LAUNCH OF THE MALAYSIA 1,000 DIRECTORY

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA IKLAN

- Billboard Advertisement Good 2 Talk

PUSPAKOM (PUSAT PEMERIKSAAN KENDERAAN BERKOMPUTER SDN BHD)

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

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

- Largest Paymaster of Service Taxes Award

ANUGERAH KUALITI MENTERI TENAGA KOMUNIKASI & MULTIMEDIA

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

2002

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

- Highest Service Tax Payer

GSM WORLD AWARDS

- Won by MTN Network

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA

- Most Outstanding Award for the Private Sector Annual Report 2001

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

2001

GSM ASSOCIATION WORLD AWARD

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA LAPORAN TAHUNAN SEKTOR SWASTA

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

2000

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA LAPORAN TAHUNAN SEKTOR SWASTA

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

KLSE CORPORATE SECTOR AWARD

- Main Board Trading and Services Category

BOARD OF DIRECTORS

DATO' SRI DR HALIM SHAFIE

Chairman
Non-Independent Non-Executive Director

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA

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

DATO' FAUZIAH YAACOB

Non-Independent Non-Executive Director

DATUK BAZLAN OSMAN

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

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Non-Independent Non-Executive Director

DATO' DANAPALAN T.P VINGGRASALAM

Senior Independent Non-Executive Director

DATO' IR ABDUL RAHIM ABU BAKAR

Independent Non-Executive Director

DATUK ZALEKHA HASSAN

Independent Non-Executive Director

IBRAHIM MARSIDI

Independent Non-Executive Director

DAVIDE GIACOMO BENELLO @ DAVID BENELLO

Independent Non-Executive Director

GEE SIEW YOONG

Independent Non-Executive Director

DATUK SERI FATEH ISKANDAR TAN SRI

DATO' MOHAMED MANSOR
Independent Non-Executive Director

ESHAH MEOR SULEIMAN

Alternate Director to Dato' Fauziah Yaacob
Non-Independent Non-Executive Alternate Director

NIK RIZAL KAMIL TAN SRI NIK IBRAHIM KAMIL

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

SENIOR INDEPENDENT DIRECTOR

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

COMPANY SECRETARIES

Idrus Ismail
(LS0008400)

Hamizah Abidin
(LS0007096)

Zaiton Ahmad
(MAICSA 7011681)

REGISTERED OFFICE

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

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

HEAD OFFICE

Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

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

STOCK EXCHANGE LISTING

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

SHARE REGISTRARS

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

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

AUDITORS

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

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

PRINCIPAL BANKERS

- CIMB Bank Berhad
- Malayan Banking Berhad

CONTACT US

For any enquiries on TM

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

For any enquiries on UniFi, please call:

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



1

1. CHAIRMAN, CUSTOMER SERVICE WORKING COMMITTEE

Rafaai Samsi

In addition to his current role as the Deputy Chief Technology and Innovation Officer, Rafaai is also the Chairman of Customer Service Working Committee and is responsible for the overall customer service management of TM. Profile as disclosed on page 99 of this annual report.

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



2

2. HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir

Aged 38, Rohaila is the General Manager, Investor Relations and is responsible for investor relations matters, reporting to the Executive Director/Group Chief Financial Officer. Rohaila graduated with a LLB (Hons.) from the University of Malaya in 1999. She spent five years in private legal practice specialising in banking and corporate finance prior to joining Malaysian Airline System Berhad in 2004, where she served as General Counsel until 2008. She then joined MMC Corporation Berhad as Legal Advisor and later moved on to be Senior Manager, Group Managing Director's Office in 2009, where she headed the corporate communications function and handled investor relations for the company.

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



3

3. CHIEF INTERNAL AUDITOR

Hazimi Kassim

Responsible for management of internal control and review of its effectiveness, adequacy and integrity. Profile as disclosed on page 98 of this annual report.

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

4. CHIEF LEGAL, COMPLIANCE AND COMPANY SECRETARY

Idrus Ismail

Responsible for legal, compliance and company secretarial matters. He is also overseeing the overall programmes on corporate ethics and integrity practices in TM. Profile as disclosed on page 98 of this annual report.

Tel : 603-2240 1700

Fax : 603-2240 6791

Email : idrus.ismail@tm.com.my

5. CHIEF CORPORATE & REGULATORY OFFICER

Ahmad Ismail

Responsible for the Group's corporate and regulatory matters. Profile as disclosed on page 99 of this annual report.

Tel : 603-2241 5799

Fax : 603-2241 5769

Email : ahmisa@tm.com.my



4



5

GROUP CORPORATE STRUCTURE

as at 20 March 2014

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



MASS MARKET

CONSUMER

- Telekom Sales & Services Sdn Bhd (100.0%)

SMALL MEDIUM ENTERPRISE (SME)

NEW MEDIA

- TM Net Sdn Bhd (100.0%)
- TM Info-Media Sdn Bhd (100.0%)

MANAGED ACCOUNTS

ENTERPRISE

VADS BERHAD (100%) ⁽¹⁾

- VADS Business Process Sdn Bhd (100.0%)
 - PT VADS Indonesia (100.0%)
(90.0% owned by VADS Business Process Sdn Bhd; and 10.0% owned by VADS Berhad)
- VADS Professional Services Sdn Bhd (100.0%)
- VADS Solutions Sdn Bhd (100.0%)
- VADS e-Services Sdn Bhd (100.0%)
- Meganet Communications Sdn Bhd (100.0%)

GOVERNMENT

- GITN Sdn Berhad (100.0%)

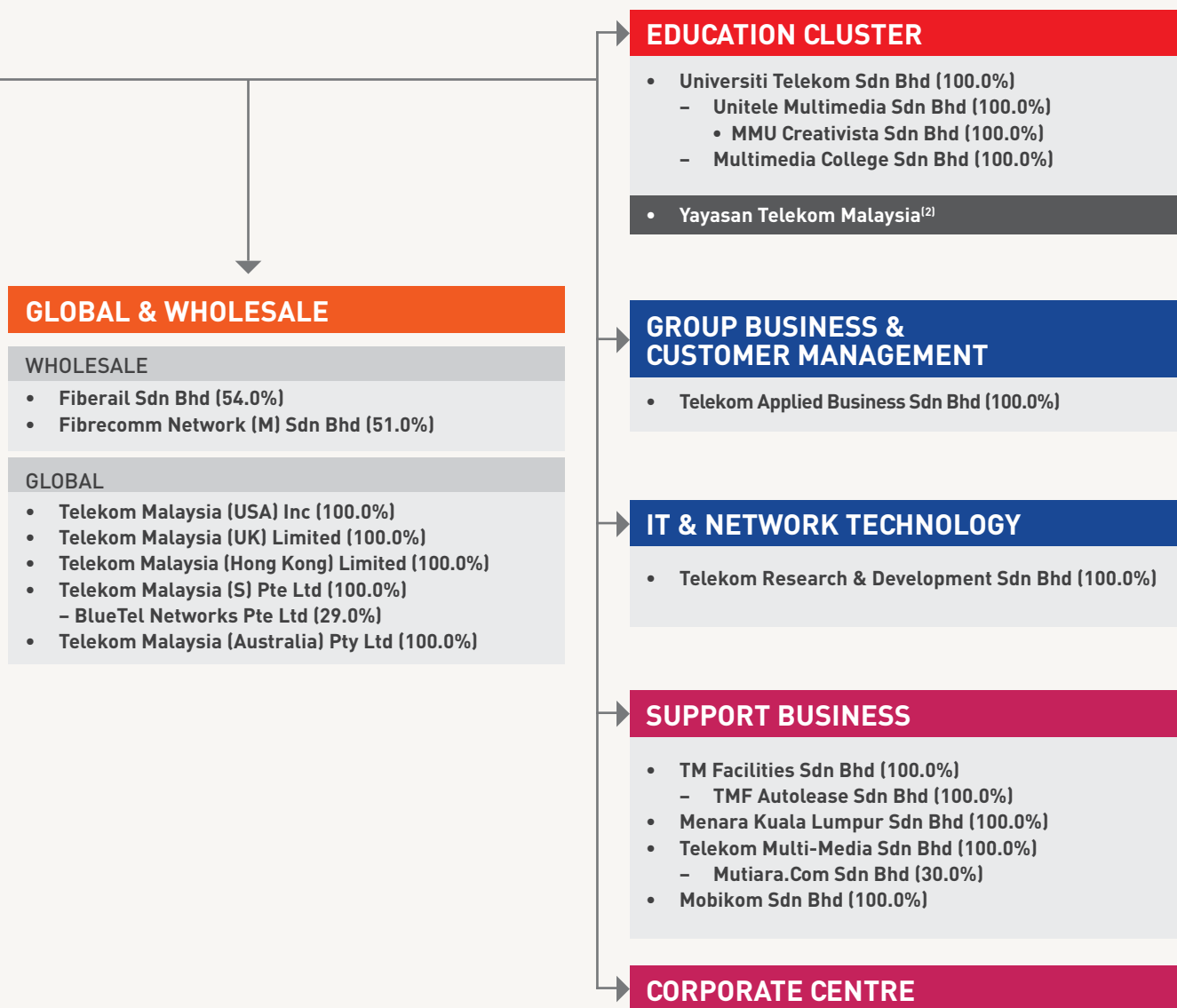
GTC GLOBAL SDN BHD (100.0%) ⁽¹⁾

Legend:

- Market Clusters
- Line of Business
- TM Subsidiary
- Education Cluster
- Foundation
- Business Functions
- Support Business and Corporate Functions

⁽¹⁾ VADS Berhad and GTC Global Sdn Bhd are wholly-owned entities of TM

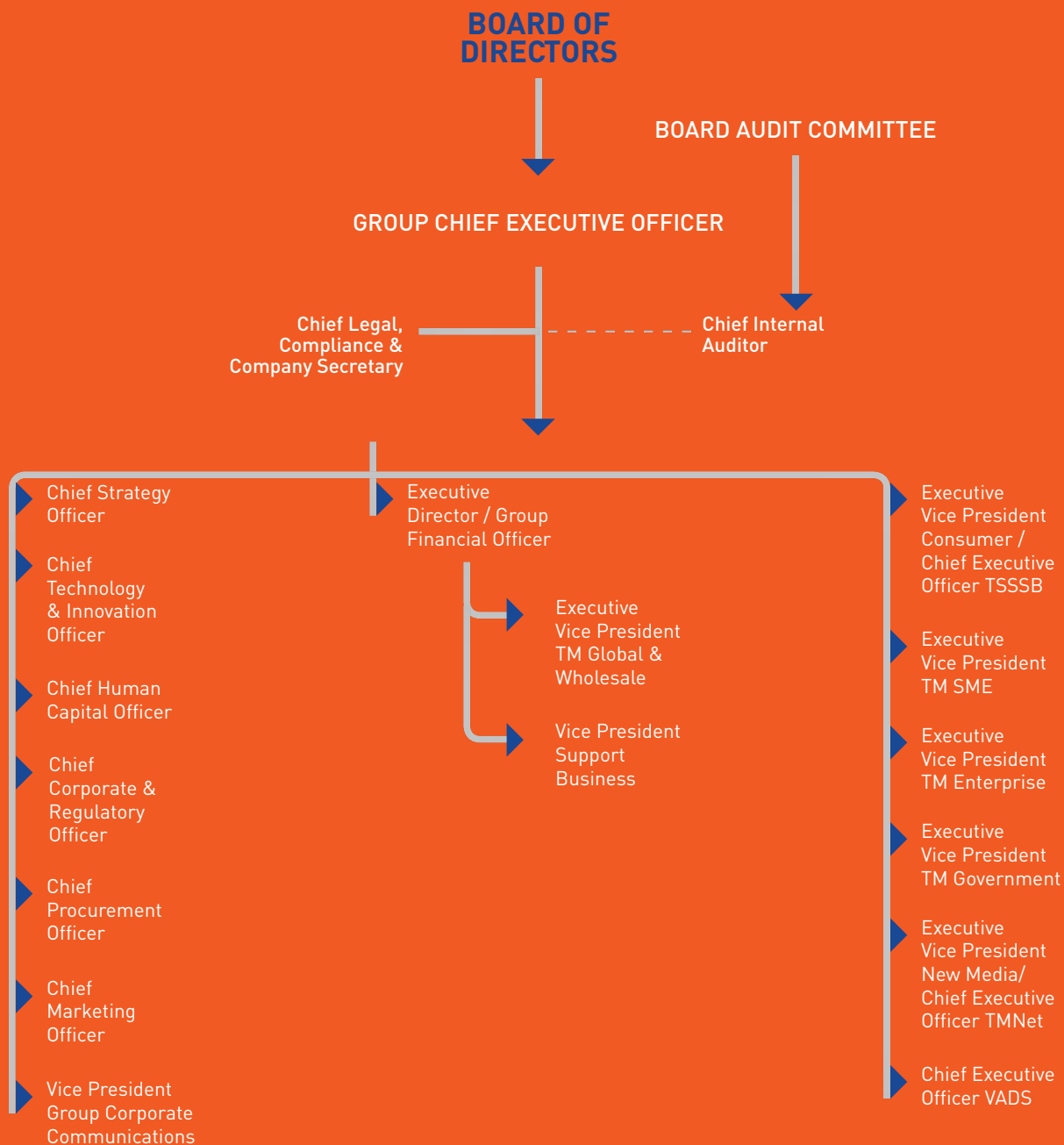
⁽²⁾ Yayasan Telekom Malaysia is a trust established under the provision of Trustees (Incorporation) Act 1952



Note: List of TM Group of Companies are shown on pages 407 to 413 of this annual report

GROUP ORGANISATION STRUCTURE

as at 20 February 2014

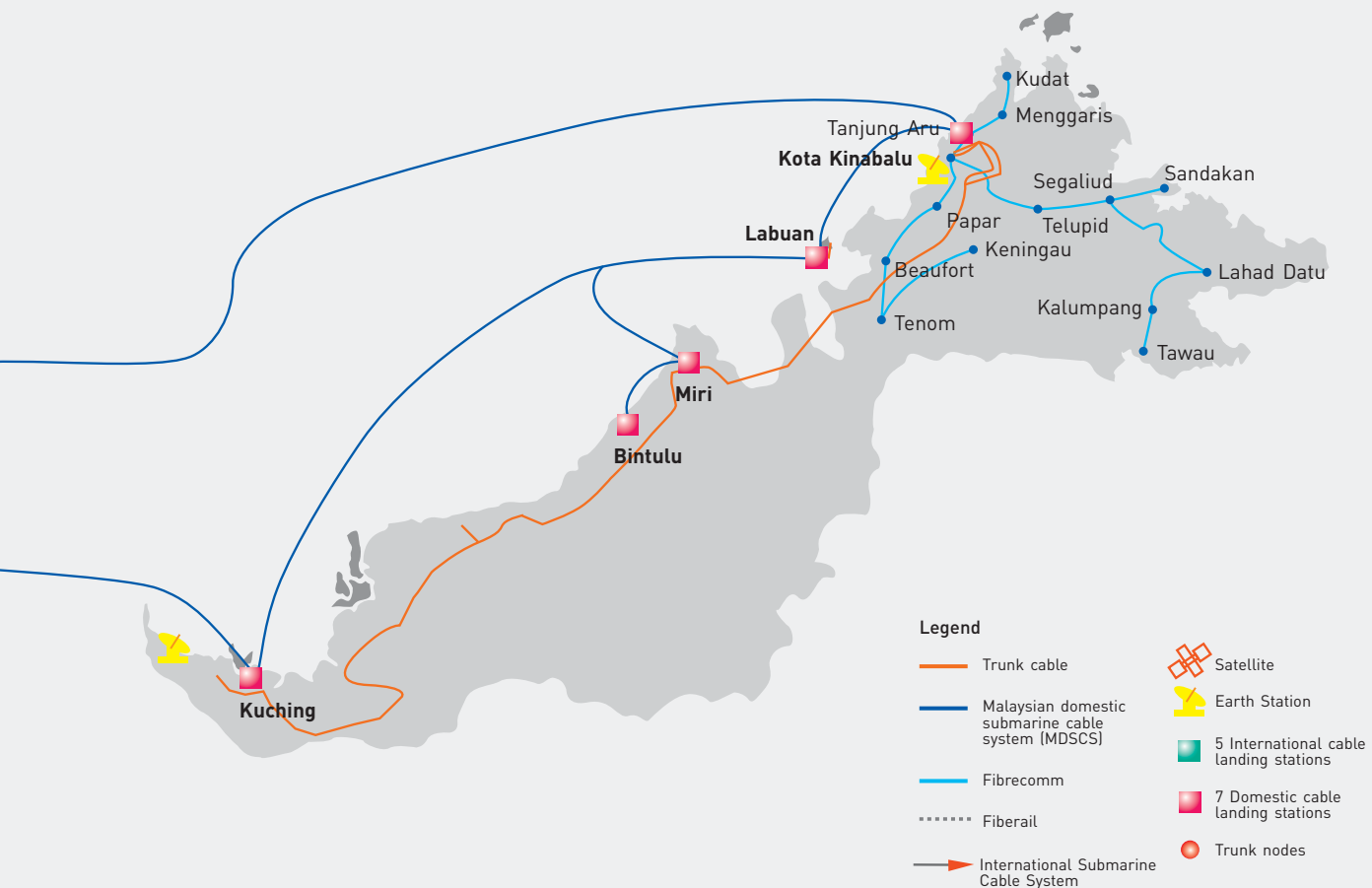




INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK



Intelsat 904 60.0°E	Intelsat 17 66.0°E	Intelsat 10 68.5°E	ABS1 75.0°E	Apstar 7 76.5°E	Insat 4A/2E 83.0°E	Measat 3 91.5°E
NSS 6 95.0°E	Asiasat 5 100.5°E	Asiasat 3S 105.5°E	JCSAT 3A 128.0°E	Apstar 6 134.0°E	Apstar 5 138.0°E	Intelsat 19 166.0°E



TM WORLDWIDE COVERAGE

Intelsat 904
60.0° E

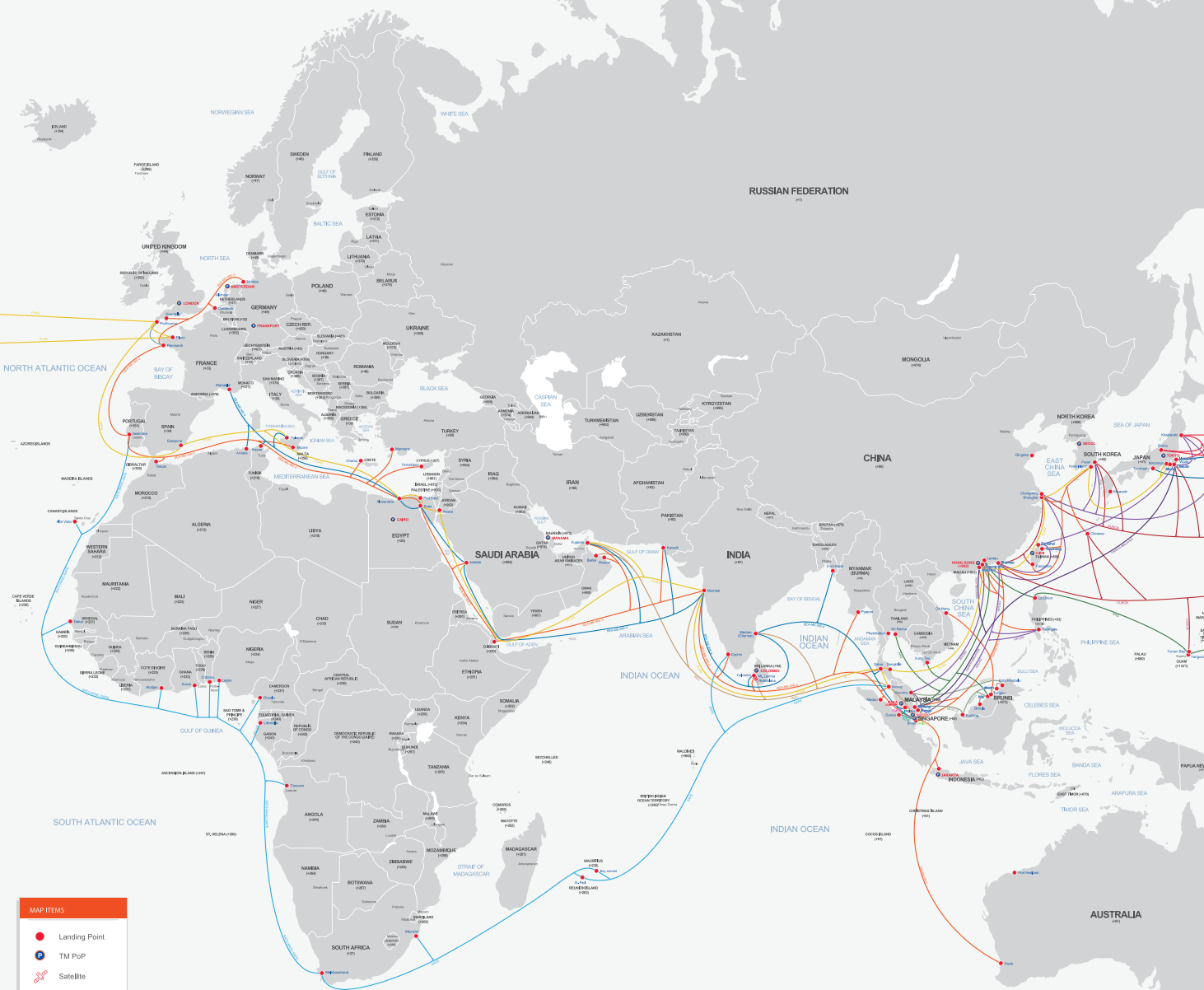
Intelsat 17
66.0° E

Intelsat 10
68.5° E

ABS1
75.0° E

Apsat 7
76.5° E

Insat 4A/2E
83.0° E



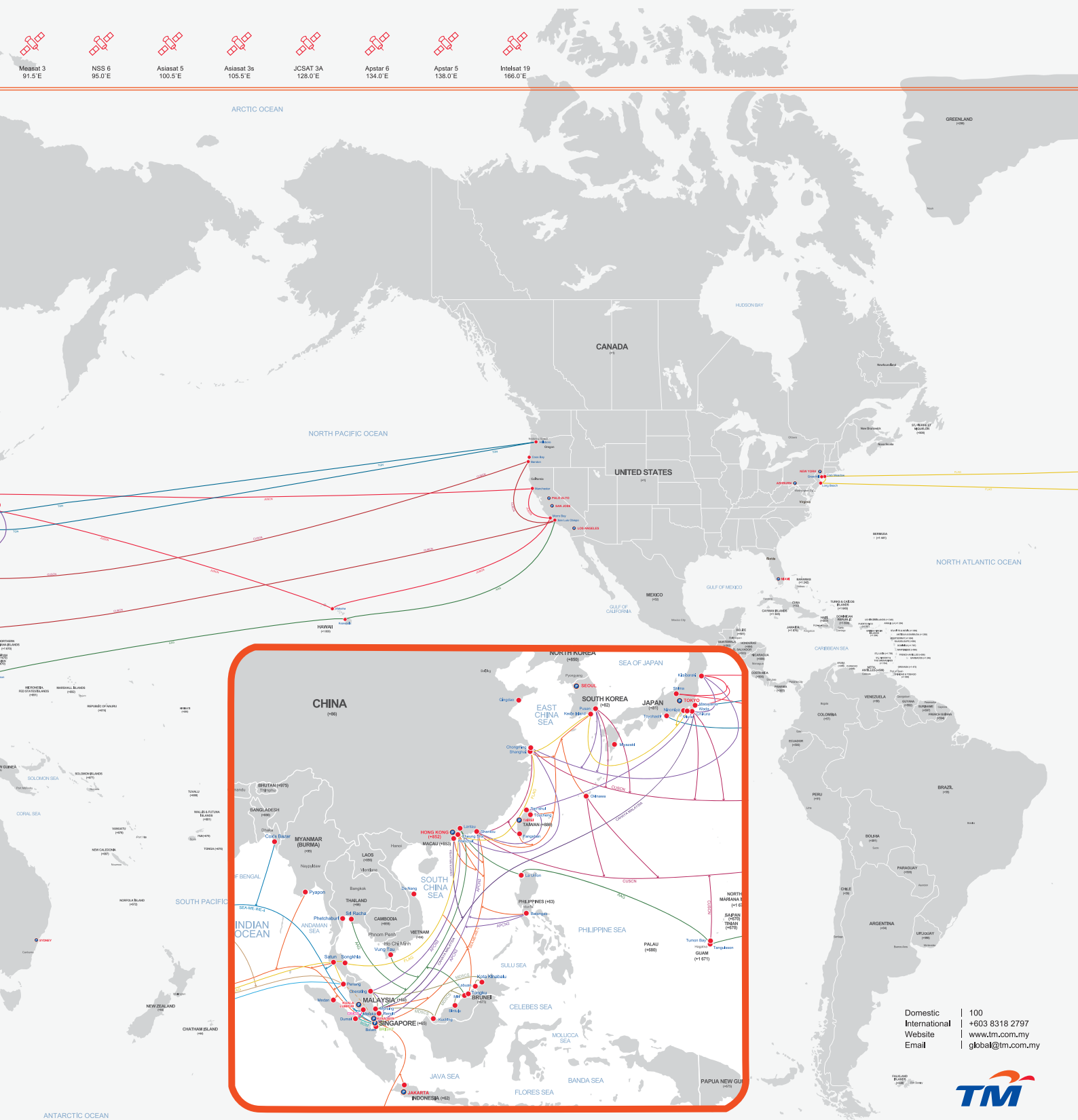
MAP ITEMS

- Landing Point
- TM PoP
- Satellite

REGION

SUBMARINE CABLES SYSTEM

South East Asia	● AAG	● APCN2	● BRIGHT	● MDSCS	● DMCS	● FLAG	● BDM	● SAT3-WASC-SAFE	● SEA-ME-WE-3	● SEA-ME-WE-4	● CAHAYA MALAYSIA	● BBG-RFS Q4 2014
Asia Pacific	● AAG	● APCN2	● CUSCN	● FLAG	● JUSCN	● SEA-ME-WE-3	● TGN	● CAHAYA MALAYSIA				
Europe	● FLAG	● SAT3-WASC-SAFE	● SEA-ME-WE-3	● SEA-ME-WE-4								
North America	● FLAG	● AAG	● JUSCN	● CUSCN	● TGN							
Indian Sub Continent	● FLAG	● SAT3-WASC-SAFE	● SEA-ME-WE-3	● SEA-ME-WE-4	● BBG-RFS Q4 2014							
Middle Eastern	● FLAG	● SEA-ME-WE-3	● SEA-ME-WE-4	● BBG-RFS Q4 2014								
Africa	● FLAG	● SAT3-WASC-SAFE	● SEA-ME-WE-3	● SEA-ME-WE-4								
Oceania	● SEA-ME-WE-3											





COMMITMENT MADE STRONGER

Our leadership is committed to the principles of excellence and ethics. In every aspect, we uphold integrity as our priority for the good of our customers, people, stakeholders and the nation while ensuring the best results.



LEADERSHIP & ACCOUNTABILITY

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BOARD OF DIRECTORS



From right to left

**TAN SRI DATO' SRI ZAMZAMZAIRANI
MOHD ISA**

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

**DATUK SERI FATEH ISKANDAR
TAN SRI DATO' MOHAMED MANSOR**

Independent Non-Executive Director

IBRAHIM MARSIDI

Independent Non-Executive Director

GEE SIEW YOONG

Independent Non-Executive Director

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

Non-Independent Non-Executive Alternate
Director

ESHAH MEOR SULEIMAN

Non-Independent Non-Executive Alternate
Director

IDRUS ISMAIL

Company Secretary

HAMIZAH ABIDIN

Joint Secretary



From left to right

DATO' SRI DR HALIM SHAFIE

Chairman
Non-Independent Non-Executive Director

DAVIDE GIACOMO BENELLO

@ **DAVID BENELLO**
Independent Non-Executive Director

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

Senior Independent Non-Executive Director

DATUK BAZLAN OSMAN

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

DATO' FAUZIAH YAACOB

Non-Independent Non-Executive Director

**TUNKU DATO' MAHMOOD FAWZY
TUNKU MUHIYIDDIN**

Non-Independent Non-Executive Director

DATO' IR. ABDUL RAHIM ABU BAKAR

Independent Non-Executive Director

DATUK ZALEKHA HASSAN

Independent Non-Executive Director

ZAITON AHMAD

Joint Secretary

PROFILE OF DIRECTORS

Dato' Sri Dr Halim, aged 65, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 31 July 2009. His academic qualifications include a Bachelor of Economics (Hons), University of Malaya (1972), Masters in Economic Development, University of Pittsburgh (1980) and Ph.D in Information Transfer, Syracuse University (1988). He also completed professional courses in Systems Analysis and Design at the National Institute of Public Administration (INTAN) (1976), Management Education Programme, Indian Institute of Management, Ahmedabad, India (1977) and Advanced Management Programme, Harvard Business School (2000).

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

Over the last 17 years, Dato' Sri Dr Halim has served on many Boards, including Tenaga Nasional Berhad, Pos Malaysia Berhad and Multimedia Development Corporation Sdn Bhd. He is currently the Chairman of Universiti Telekom Sdn Bhd and GITN Sdn Bhd, wholly-owned subsidiaries of TM, as well as Chairman of Yayasan Telekom Malaysia and a member of the Board of Trustees of Yayasan Universiti Multimedia. He is also a Board member of Malaysian Electronic Clearing Corporation Sdn Bhd (a subsidiary of Bank Negara Malaysia) and Malaysian Industry-Government Group for High Technology (MIGHT). Dato' Sri Dr Halim also holds office as an Adjunct Professor of Universiti Utara Malaysia and Advisory Board Chairman of the National Library. He was recently appointed a member of the Board of Advisors University-Industry Universiti Teknologi Mara (MPUI-UiTM) in January 2014.

Dato' Sri Dr Halim complies with Paragraph 15.06 of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad on the restriction on number of directorships in listed issuers with one directorship in a listed issuer, ie TM.

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



DATO' SRI DR HALIM SHAFIE

Chairman/Non-Independent Non-Executive Director



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

Tan Sri Dato' Sri Zamzamzairani, aged 53, a Malaysian, was appointed Non-Independent Executive Director and Managing Director/Group Chief Executive Officer, TM on 25 April 2008. He holds a Bachelor of Science in Communications Engineering from Plymouth Polytechnic, United Kingdom (UK) and has completed the Corporate Finance, Strategies for Creating Shareholder Value Programme at Kellogg School of Management, Northwestern University, USA. He also attended the Strategic Leadership Programme at the University of Oxford's Saïd Business School and the IMD CEO Roundtable Session at Lausanne, Switzerland in 2013.

His vast experience in the telecommunications industry spans more than 29 years. Tan Sri Dato' Sri Zamzamzairani's career started in TM where he served for 13 years, before assuming key positions in several multinationals, such as Global One Communications and then at Lucent Technologies (Malaysia) Sdn Bhd as its Chief Executive Officer. In 2005, he returned to TM as Senior Vice President, Group Strategy and Technology and thereafter as Chief Executive Officer, Malaysia Business, before being appointed to his current office.

Tan Sri Dato' Sri Zamzamzairani is also a Director of a number of TM subsidiaries including as Chairman of VADS Berhad and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd. Under his leadership, TM has successfully rolled out and launched the high speed broadband service in 2010, in a historic collaboration with the Government of Malaysia. He was recently appointed as Adjunct Professor of Multimedia University on 1 March 2014.

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

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

PROFILE OF DIRECTORS

Datuk Bazlan, aged 50, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008. He is also the Group Chief Financial Officer (CFO) of TM, a position he assumed on 1 May 2005. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He was a member of the Issues Committee of the Malaysian Accounting Standards Board from 2006 until 2010. He has attended the IMD Programme for Senior Executives in 2008 and the Strategic Leadership Programme at the University of Oxford's Saïd Business School in 2013.

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

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

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

Dato' Fauziah, aged 58, a Malaysian, was appointed Non-Independent Non-Executive Director on 4 March 2013. She graduated with a Bachelor of Arts (Hons) in 1978 and Diploma in Education in 1980, both from the University of Malaya. She obtained a Diploma in Public Administration from INTAN in 1981 and later a Diploma in Administrative Studies and a Masters in Public Administration, both from the University of Liverpool, UK in 1988 and 1989 respectively.

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

Dato' Fauziah is a Director of several companies and agencies related to the Government, namely Intellectual Property Corporation of Malaysia (MyIPO), Aman Sukuk Berhad (a subsidiary of Pembinaan BLT Sdn Bhd), Pyrotechnical Managers Holdings Sdn Bhd, Lembaga Tabung Angkatan Tentera, Iskandar Regional Development Authority (IRDA) and Malaysian Global Innovations and Creativity Centre Berhad.

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

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



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



DATO' FAUZIAH YAACOB
Non-Independent Non-Executive Director



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



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

Tunku Dato' Mahmood Fawzy, aged 55, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London (now Westminster University), a Masters in Business Administration from Warwick University, UK, and a Diploma in Marketing from the Chartered Institute of Marketing. He is a member of the Institute of Public Accountants Australia, the Malaysian Institute of Management (MIM) and the Malaysian Institute of Corporate Governance. He is also an Associate Fellow of Universiti Kebangsaan Malaysia – Graduate School of Business.

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

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

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

Dato' Danapalan, aged 71, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008 and was made Senior Independent Director on 21 May 2009. He holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Public Administration from Penn State University, USA.

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

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

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

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

PROFILE OF DIRECTORS

Datuk Zalekha, aged 60, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 9 January 2008 and subsequently re-designated as TM's Independent Non-Executive Director on 1 June 2011, following her retirement from the Ministry Of Finance (MOF). She graduated with a Bachelor of Arts (Hons) from the University of Malaya.

Datuk Zalekha began her career in the civil service in 1977, as an Assistant Director in the Training and Career Development Division of the Public Service Department. She continued to serve the Government in numerous ministries including the Ministry of Health, Ministry of Social Welfare and the Ministry of National Unity and Social Development. She later joined the MOF in 1997 as its Senior Assistant Director of the Budget Division and continued to serve in various capacities including with the Government Procurement Division. She was the MOF's Deputy Secretary-General (Management) until her retirement in May 2011. Datuk Zalekha also sits on the Board of Menara Kuala Lumpur Sdn Bhd, a wholly-owned subsidiary of TM. She is also a Director of Malaysia Airports Holdings Berhad.

Datuk Zalekha complies with Paragraph 15.06 of the Main LR as she holds two directorships in listed issuers, including TM.

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

Dato' Ir Abdul Rahim, aged 68, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He obtained a Bachelor of Science (Honours) Degree in Electrical Engineering from Brighton College of Technology, UK in 1969. He is a Professional Engineer registered with the Board of Engineers Malaysia and holds the Electrical Engineer Certificate of Competency Grade 1.

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

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

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

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



DATUK ZALEKHA HASSAN
Independent Non-Executive Director



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



IBRAHIM MARSIDI
Independent Non-Executive Director



DAVIDE GIACOMO BENELLO
@ DAVID BENELLO
Independent Non-Executive Director

Ibrahim, aged 61, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Economics (Analytical) (Hons) from the University of Malaya.

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

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

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

David, aged 60, an Italian, was appointed Independent Non-Executive Director of TM on 21 November 2011. He graduated with a Bachelor in Mathematics and obtained a Masters in Mathematics from the University of Oxford in 1976 and Masters in Business Administration from Harvard University in 1982.

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

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

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

PROFILE OF DIRECTORS

Datuk Seri Fateh Iskandar, aged 46, a Malaysian, was appointed Independent Non-Executive Director of TM on 7 October 2013. He holds a Bachelor of Law (Hons) and Masters in Business Administration from the University of Queensland, Australia.

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

Datuk Seri Fateh Iskandar is currently Deputy President of The Real Estate & Housing Developer's Association (REHDA) Malaysia and Immediate Past Chairman of REHDA Selangor Branch. He is a Founding Director of Malaysia Property Incorporated, a body that promotes property investments among foreigners in Malaysia, Deputy Chairman of the Malaysian Australian Business Council, Chairman of Gagasan Badan Ekonomi Melayu (GABEM), Selangor Branch, Co-Chairmen of the Special Taskforce to Facilitate Business Group (PEMUDAH) on Legal and Services.

He was awarded the Malaysian Business Award in Property 2012 by the Malay Chamber of Commerce and Outstanding Entrepreneurship Award at the 2013 Asia Pacific Entrepreneurship Awards.

Datuk Seri Fateh Iskandar also sits on the Boards of Axis Reit Managers Berhad, Media Prima Berhad and The New Straits Times Press (Malaysia) Berhad. He complies with Paragraph 15.06 of the Main LR as he holds four directorships in listed issuers including TM.

Datuk Seri Fateh Iskandar is currently a member of TM's BIC and BRC. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Gee Siew Yoong, aged 64, a Malaysian, was appointed Independent Non-Executive Director of TM on 13 March 2014. She is a member of the Malaysian Institute of Certified Public Accountants and the MIA. She had attended the International Banking Summer School (IBSS) Cambridge, Massachusetts, USA.

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

Gee was then appointed by Bank Negara Malaysia as the Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of the Central Bank until the successful completion of the reorganisation in 1991. She later joined Land & General Berhad as Group Divisional Chief, Management Development Services in 1993 before joining Multi-Purpose Capital Holdings Berhad as Executive Assistant to the Chief Executive in 1997 until 1999. During this period, she also served as a Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

She currently sits on the Board of Sapura Resources Berhad and SapuraKencana Petroleum Berhad as an Independent Non-Executive Director. She complies with Paragraph 15.06 of the Main LR as she holds three directorships in listed issuers including TM.

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



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



GEE SIEW YOONG
Independent Non-Executive Director



ESHAH MEOR SULEIMAN
Non-Independent Non-Executive
Alternate Director



NIK RIZAL KAMIL
TAN SRI NIK IBRAHIM KAMIL
Non-Independent Non-Executive
Alternate Director

Eshah, aged 59, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Fauziah Yaacob on 4 March 2013. She has been the Alternate Director to several non-executive Directors nominated by the MoF Inc. on the Board of TM. She graduated with a Bachelor of Economics (Hons) from the University of Malaya in 1980 and obtained a Diploma in Public Administration from INTAN in 1981. She later obtained a Masters in Business Administration (MBA) in Finance from the Oklahoma City University, USA, in 1994.

Eshah began her career in the civil service in 1981 as an Assistant Director, Macro Economic Section in the Economic Planning Unit of the Prime Minister's Department, and in 1991, she was appointed Assistant Secretary in the Government Procurement Management Division, MOF. Since then, she has held various positions in MOF, including as Principal Deputy Assistant Secretary, Deputy Under Secretary and Under Secretary, Investment, MoF Inc. and Privatisation Division. She is now the Under Secretary, Statutory Bodies Strategic Management Division of MOF.

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

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

Nik Rizal Kamil, aged 41, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 29 November 2012. He holds a Masters in Science (Finance) from London Business School and a Bachelor of Science (Hons) in Economics & Accounting from the University of Bristol, UK. He is also a Fellow Chartered Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW).

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

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

Nik Rizal is currently a member of TM's BTC and BIC. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

GROUP LEADERSHIP TEAM



Seated from right to left

**Tan Sri Dato' Sri Zamzamzairani Mohd Isa*,
Nor Akmar Md Yunus, Ghazali Omar***

Standing from left to right

**Moharmustaqeem Mohammed, Dr Farid Mohamed Sani*,
Jeremy Kung*, Nooreha Shaarani, Michael Parker,
Dato' Mohd Rais Azhar, Hazimi Kassim*, Idrus Ismail*,
Dato' Zuraidah Mohd Said*, Nizam Arshad, Izlyn Ramli*,
Imri Mokhtar***

* Management Team

The profiles of the Management Team are set out on pages 96 to 101 inclusive, of this annual report.



Seated from left to right

Datuk Bazlan Osman*, Dato' Kairul Annuar Mohamed Zamzam*, Komathi Balakrishnan

Standing from left to right

Badrul Hisham Ahmad, Dato' Rozalila Abdul Rahman*, Giorgio Migliarina*, Datuk Gazali Harun*, Mohamad Mohd Zain, Azizi A Hadi*, Rafeai Samsi*, Dato' Mohd Khalis Abdul Rahim*, Asmawati Yusof, Shazurawati Abd Karim, Ahmad Ismail*, Mohamad Rozaimy Abd Rahman*, Ahmad Azhar Yahya*

PROFILE OF MANAGEMENT TEAM

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA

Managing Director/
Group Chief Executive Officer

Tan Sri Dato' Sri Zamzamzairani, 53, holds a Bachelor of Science in Communications Engineering from United Kingdom (UK) and has completed the Corporate Finance, Strategies for Creating Shareholder Value programme at Kellogg School of Management, Northwestern University, USA. He has also attended the Strategic Leadership Programme at the University of Oxford's Saïd Business School and the IMD CEO Roundtable at Lausanne, Switzerland in 2013. He was appointed TM's Managing Director/Group Chief Executive Officer on 25 April 2008 and recently appointed as an Adjunct Professor at Multimedia University on 1 March 2014. His vast experience in the telecommunications industry spans more than 29 years. Tan Sri Dato' Sri Zamzamzairani's career started in TM where he served for 13 years before assuming key positions in several multinationals, such as Global One Communications and then at Lucent Technologies (Malaysia) as its Chief Executive Officer (CEO). In 2005, he returned to TM as Senior Vice President (SVP), Group Strategy and Technology and thereafter as CEO, Malaysia Business, before being appointed to his current office. Under his leadership, TM has successfully rolled out and launched the high speed broadband service in 2010, in a historic collaboration with the Government of Malaysia.

DATUK BAZLAN OSMAN

Executive Director/
Group Chief Financial Officer

Datuk Bazlan, 50, is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He was a member of Issues Committee of the Malaysian Accounting Standards Board from 2006 until 2010. He has attended the IMD Programme for Senior Executives in 2008 and the Strategic Leadership Programme at the University of Oxford's Saïd Business School in 2013. He began his career as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed SVP, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the SVP, Corporate Finance and Treasury and was subsequently appointed the Chief Financial Officer (CFO) in 2002 prior to his appointment as TM Group CFO in 2005. He was appointed Executive Director of TM on 25 April 2008. Datuk Bazlan also oversees the operations of Global & Wholesale, Support Business and Multimedia University.

DR FARID MOHAMED SANI

Chief Strategy Officer

Dr Farid, aged 38, holds a PhD in Chemical Engineering, a Masters in Engineering and a Bachelor of Arts with first class honours specialising in Chemical Engineering, all from the University of Cambridge, UK. He was appointed TM's Chief Strategy Officer effective 1 January 2012. Prior to joining TM, he was with Khazanah Nasional Berhad (Khazanah) holding the position of Director, Investments, specialising in the telecommunications sector. He has served in Khazanah's Transformation Management Office and as SVP, Managing Director's Office. Dr Farid was a consultant at McKinsey & Company for two years before joining Khazanah in 2004.

GIORGIO MIGLIARINA

Chief Technology and Innovation Officer/
Chairman Managed Accounts

Giorgio, 45, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and an MBA from INSEAD, France. He was previously a Partner at McKinsey & Company based in London and Beijing. There he served some of the world's leading operators and high tech companies. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator, where he held positions in network planning and corporate development. Before Infostrada, he worked with Olivetti SpA. Giorgio was appointed TM's Chief Technology and Innovation Officer (CTIO) on 1 May 2009, responsible for Network, IT, R&D and overall technical operations. In addition to the CTIO role, Giorgio was recently entrusted to oversee the transformation of the Managed Accounts cluster in TM, which comprises TM Enterprise, TM Government and the ICT&BPO businesses. He was named CTO of the Year 2012 in Asia by Asia Communication Award.

DATO' ROZALILA ABDUL RAHMAN

Chief Marketing Officer

Dato' Rozalila, 52, holds a Bachelor in Food Science and Technology and a Diploma in Science with Education from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). She also holds a Certificate of Merit from Sophia University, Tokyo, Japan on Japan Airlines Scholarship Programme. She is also an Adjunct Professor at the Faculty of Management, Universiti Putra Malaysia since August 2013. She has 25 years of marketing, sales and technical experience in multinational companies, beginning January 1989 as a management trainee with Lever Brothers (M) Sdn Bhd (now known as Unilever Malaysia (Holdings) Sdn Bhd). After 10 years, she moved to Kellogg Asia Marketing as Marketing Manager, Innovations for South East Asia. In 2001, she joined Reckitt Benckiser as Marketing Manager (Malaysia/Singapore) before moving to Bank Simpanan Nasional as Director of Sales and Marketing. In 2006, Dato' Rozalila joined Maxis Communications Berhad as General Manager (GM), Media, Research and Events in the Consumer Business Division and in 2008 headed the Segment Marketing team for the Malay market, East Coast, East Malaysia and Migrant segment. She joined TM as Chief Marketing Officer on 17 February 2010 and is responsible for Group Marketing, Retail Product and Customer Service Management.

DATO' MOHD KHALIS ABDUL RAHIM

Chief Human Capital Officer

Dato' Khalis, 50, holds a Masters in Human Resource Management from the University of Canberra, Australia and a Bachelor of Science with Honours in Applied Psychology from Coventry University, UK. He is also a Certified Advanced Human Resource Professional (CAHRP) from the Malaysian Institute of Human Resource Management. He has extensive exposure in human capital management, having served in several multinational companies over 20 years in the field of human resource management across different industries. Dato' Khalis has been involved in various disciplines of the profession from organisational development and change management to performance management, industrial relations, HR reengineering as well as talent development. He was the Human Resources Director of Colgate Palmolive Malaysia from June 2000 until October 2006 before moving to Freescale Semiconductor as Human Resources Director responsible for Malaysia, Singapore and Asia Supply Chain. He joined TM as its Chief Human Capital Officer on 17 August 2009. Dato' Khalis was awarded the Chief Human Resource Officer of the Year and HR Leadership Award at the 21st Global HR Excellence Awards in February 2013.

PROFILE OF MANAGEMENT TEAM

IDRUS ISMAIL

Chief Legal, Compliance and
Company Secretary

Idrus, 60, holds a Bachelor in Economics from the University of Malaya and a Bachelor of Law from the National University of Singapore. He has a Certificate in Translation from the National Translation Institute of Malaysia, an Executive Masters in Islamic Banking and Finance from Asia e University and is currently pursuing an online Chartered Islamic Finance Programme at the International Centre for Islamic Finance (INCEIF). He was called to the Malaysian Bar in 1988. Idrus started his career as a management trainee with Petroliaam Nasional Berhad (Petronas) and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to Minister of Finance, Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice. He joined TM as Chief Legal and Compliance on 1 December 2009 and assumed the position of Company Secretary on 18 January 2010. He is also responsible for implementing programmes to inculcate overall ethics and integrity practices in TM as contained in TM's Code of Business Ethics. He is a Certified Integrity Officer (CeIO) certified by the Malaysian Anti-Corruption Commission.

DATUK GAZALI HARUN

Chief Procurement Officer

Datuk Gazali, 55, holds a Bachelor of Science in Finance from the Northern Illinois University, USA and in 1984 obtained his MBA from the Governors State University, USA. He is also a Chartered Accountant of the MIA. He gained vast experience in corporate banking and corporate finance while serving at a local merchant bank prior to joining TM in 1990. At TM, Datuk Gazali has been involved in treasury management, fund raising activities, mergers and acquisitions, investor relations and overseeing the Enterprise Risk Management Programme for the Group. He was the Vice President, Finance of TM Wholesale before assuming his current position as Chief Procurement Officer on 1 June 2005.

HAZIMI KASSIM

Chief Internal Auditor

Hazimi, 49, holds a Bachelor of Arts in Accounting from the University of Canberra, Australia. He also attended the Wharton Advanced Management Program at the University of Pennsylvania, USA in 2006. He is a Certified Practicing Accountant (CPA) of the Australian Society of Certified Practicing Accountants (ASCPA), a Chartered Member of the MIA and the Institute of Internal Auditors Malaysia (IIAM). He has vast experience in external and internal audit, financial and management accounting, corporate finance as well as strategic planning, business development and investor relations. His wide-ranging career to date has spanned across audit and consulting services to securities, insurance, banking and telecommunications companies. He was the Chief Audit Executive in the Internal Audit Division of Malayan Banking Berhad and later Head of Corporate and Strategic Planning before joining TM as the Chief Internal Auditor on 1 November 2011.

AHMAD ISMAIL

Chief Corporate and Regulatory Officer

Ahmad, 54, holds a Bachelor of Science (Hons) in Electrical & Electronic Engineering from the University of Aston in Birmingham, UK and an MBA from the Multimedia University, Cyberjaya. He joined TM in 1983 as an Assistant Controller of Telecom and held various engineering positions before engaging in more managerial responsibilities. During his more than 30 years with the Group, he has been Managing Director of TM International Bangladesh Limited (now known as Robi Axiata Limited), GM Business Strategy, TM Retail and Chief Strategy Officer of Telco Strategy Division, the CEO of Telekom Sales and Services Sdn Bhd as well as State GM for Penang and Melaka. He then assumed the position of Vice President (VP), Customer Service Management in 2008 and was later appointed VP, Programme and Performance Management Office in July 2010. Ahmad was appointed Chief Corporate and Regulatory Officer on 1 October 2010.

RAFAAI SAMSI

Deputy Chief Technology & Innovation Officer

Rafaai, 56, obtained a Masters in Communications Management from the University of Strathclyde, UK in 2005 and a Bachelor of Science (Hons) in Electronic Engineering from Brighton University, UK in 1986. His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978, following which he assumed roles of increasing responsibility covering broad technical and telecommunication fields within the TM Group. He was appointed CEO of TM-NTT Communications Corporation joint venture company, in July 1997 before returning to TM mainstream in July 2001, where he was assigned as GM of a number of divisions including State Business Operations, Market Development and Domestic Carrier Business Division. He was appointed VP, Marketing and Sales for the Wholesale segment in October 2006 and subsequently promoted to lead the Wholesale Line of Business on 1 July 2008. Rafaai was assigned as Deputy Chief Technology & Innovation Officer (Deputy CTIO) to run the day-to-day operations and turn-around initiatives of the IT and Network Technology Division since January 2013. In addition to his current role as Deputy CTIO, he is also the Chairman of Customer Service Working Committee and is responsible for TM's overall customer service management.

IMRI MOKHTAR

Executive Vice President, Consumer

Imri, 40, holds First Class Honours in Electronics Engineering and Management Studies (BEng) from the University College of London, in 1996 on a TM scholarship. He started his career in TM's Asean joint-venture company, Acasia Communications Sdn Bhd, before joining the Kuala Lumpur office of McKinsey & Company. He later joined Astro, a pay-TV operator, to establish and head its interactive TV business before re-joining TM in August 2005 as GM of Strategy Development. He was made GM, Programme Management Office in 2006 and later VP, Programme and Performance Management Office in June 2008. Imri was promoted to his current position as Executive Vice President (EVP), Consumer on 15 July 2010 and is responsible for managing the Consumer business of TM Group. Imri was the CEO of Telekom Sales & Services Sdn Bhd from January 2012 until February 2014.

PROFILE OF MANAGEMENT TEAM

AZIZI A HADI

Executive Vice President, SME

Azizi, 49, holds an MBA from Universiti Putra Malaysia and a Bachelor of Science in Electrical Engineering from Wichita State University, USA. He has more than 20 years of experience in the telecommunications industry, which includes engineering, operations, sales, product development and management. Azizi started his career with the Malaysian Army as an Engineering Officer in the Royal Signals Regiment from 1987 to 1996, where his main responsibilities were in planning tactical radio networks, evaluating new equipment and training. He was also the Country Business Development Manager of Global One Communications, an international telecommunications service provider where he was entrusted with the country's MNC sales in 1999. Prior to joining TM in 2006 as GM, Technology and Innovation, he was with Maxis Communications Berhad as the Head of Broadband Business Unit and in Network Engineering and Operations. Azizi was the VP, Retail Product of TM before assuming his current position as EVP, SME in June 2011.

GHAZALI OMAR

Executive Vice President, Enterprise

Ghazali, 56, holds a Bachelor (Hons) in Electrical and Electronic Engineering from the University of Leeds, UK and an MBA from the Multimedia University, Cyberjaya. He has more than 33 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as Planning and Development Engineer

specialising in Data Communications. He was later appointed GM, Marketing and Sales, TM Net Sdn Bhd in 2002 and VP of Enterprise and Government Sales, TM Retail in 2007. Ghazali was the CEO of VADS Berhad, a wholly-owned subsidiary of TM, before assuming his current position as EVP, Enterprise on 1 February 2009.

DATO' KAIRUL ANNUAR MOHAMED ZAMZAM

Executive Vice President, Government

Dato' Kairul Annuar, 50, holds a Bachelor in Engineering Science from the University of Western Ontario, Canada and an MBA from the Multimedia University, Cyberjaya and attended the Advanced Management Training programme at INSEAD in 2003. He has over 20 years of experience in the telecommunications industry, beginning with the then Jabatan Telekom Malaysia in 1985 as a Human Resource Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed GM of the Terengganu Operations Area in 1998 and then the Personal Assistant to the Group Chief Executive in 2002. He was appointed GM of Corporate Affairs and later VP, Consumer & Business Sales Division in TM Retail in 2004. Prior to assuming his current position as EVP, Government in 2009, he was the CEO of Telekom Sales & Services Sdn Bhd.

MOHAMAD ROZAIMY ABD RAHMAN

Executive Vice President, Global & Wholesale

Rozaimy, 42, obtained a Bachelor in Distributed Computing from the University of East London, and a Masters of Science in Technology Management from Staffordshire University, UK. He attended technical and telecommunications training programmes at the AT&T School of Business and Technology and AT&T Bell Labs in New Jersey, USA. He also attended the Advanced Leadership Management Programme at the Madinah Institute of Leadership and Entrepreneurship, Saudi Arabia. Rozaimy has more than 17 years' experience in the telecommunications industry. He served AT&T as its Sales Director before joining TM in 2006 as the GM of Product Marketing. He was then appointed the EVP of TM Global on 1 July 2009, responsible for managing TM's global business and TM regional offices in the UK, USA, Hong Kong, Singapore and Australia. Following the re-alignment of the Company's market segments in January 2013, Rozaimy is now spearheading the TM Global & Wholesale cluster, overseeing the global & wholesale business operations.

JEREMY KUNG ENG CHUANG

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

Jeremy, 50, holds an Honours Degree in Computer Science from the University of Ottawa, Canada. He has more than 20 years' experience in technical and managerial roles in IT

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

AHMAD AZHAR YAHYA

CEO, VADS Berhad

Ahmad Azhar, 49, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University, USA. He began his career in 1987 as an engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consultants, Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. In 2008, Ahmad was appointed TM's Programme Director of

the High Speed Broadband (HSBB) Programme and contributed to the successful launch of UniFi in March 2010. He was the Chief Strategy Officer of TM prior to his appointment as CEO of VADS Berhad on 1 January 2012.

DATO' ZURAIDAH MOHD SAID

Vice President, Support Business

Dato' Zuraidah, 52, holds a Bachelor (Hons) in Computer Science from Ohio University, USA and a Masters (Science) in Management Information Systems with CEO award graduate from University of Leeds, UK. She has over 28 years' experience in IT and the telecommunications industry, where her career began in 1985 with Malaysia Institute of Microelectronic Systems (MIMOS). She joined TM's Information Technology Division in late 1988 and was later assigned to TM Product Marketing Group from 1996 until 2001. She was subsequently transferred to Major Business and Government Sales Division before moving to Business Sales, TM Retail as GM, handling the SME sector with revenue of RM2.1 billion in 2004. She was later appointed GM, Enterprise Sales in 2009, handling high-end corporate customers with excellent sales and cost performance before being appointed as CEO of Menara Kuala Lumpur Sdn Bhd (MKLSB) in August 2010. Dato' Zuraidah is also a member of the World Federation of Great Towers, an international association that links 35 leading telecommunications towers globally. Dato' Zuraidah was appointed VP, Support Business on 1 September 2013 and remains as CEO/Executive Director of MKLSB.

IZLYN RAMLI

Vice President, Group Corporate Communications

Izlyn, 43, holds a Masters in Business Administration (Distinction) from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business and a Bachelor of Science (Hons) in Economics from University College London. She started her career in 1992 at PricewaterhouseCoopers before moving to BzW Capital as an investment analyst. Izlyn joined TM in 1998 and served 10 years in Group Strategy and Planning. From 2006 until 2008, she was also appointed Special Assistant to the TM Group Chairman, as key policy liaison officer for national and international fora and organisations, including APEC, APEC Business Advisory Council and United Nations Global Alliance, focused on ICT Development and ICT for Development. Following the TM demerger in 2008, Izlyn moved to Axiata Group Berhad and was promoted to head the Corporate Communications Division. She was a key member of the Axiata rebranding team, and was also key in crafting Axiata's Corporate Responsibility Strategy. Izlyn returned to TM as VP, Group Corporate Communications on 1 October 2010.

STATEMENT ON CORPORATE GOVERNANCE

The Board and Management of Telekom Malaysia Berhad (TM) appreciate TM's position in the country's economy, and recognise that in order to continue to prosper, the Company must exhibit vital attributes such as integrity and trust throughout the entire organisation. TM's commitment to good governance is deeply ingrained in its insistence on ethical practices throughout the entire value chain, from dealing with vendors and regulators, to employees, customers and shareholders, and all other stakeholders.

Corporate governance underlines every aspect of the organisation. Reinforcing the importance of corporate governance, the Board strives to instil an effective corporate governance structure at the core of the Company's pursuit to realise its vision of becoming Malaysia's leading new generation communications provider.

The governance structure concentrates on creating and enhancing shareholder value by striking a balance between short-term financial performance and long-term sustainability through sound governance that upholds corporate ethics, risk management and effective internal controls.

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

TESTIMONY TO CORPORATE GOVERNANCE

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

- Malaysian Code on Corporate Governance (MCCG 2012);
- Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities);
- Corporate Governance Guide: Towards Boardroom Excellence (CG Guide) by Bursa Securities (2nd Edition);
- Corporate Disclosure Guide by Bursa Securities;
- Green Book on Enhancing Board Effectiveness by the Putrajaya Committee on Government Linked Companies (GLCs) High Performance (PCG); and
- International best practices and standards on corporate governance.

Other than the above requirements and guidelines, TM benchmarks its application of corporate governance against the ASEAN Corporate Governance Scorecard (ASEAN CG).

TM's continuing commitment to ensuring transparency, accountability, disclosure and equality in its governance and stakeholder management is acknowledged by the industry. The Company won multiple awards at the 2013 National Annual Corporate Report Awards (NACRA) on 21 November 2013, including its third Platinum Award in the Overall Excellence for the Most Outstanding Annual Report of the year; its 17th consecutive Industry Excellence Award (Trading and Services category) for Main Board Companies;

Gold Award for Best Corporate Social Responsibility; and Silver Award for Best Annual Report in Bahasa Malaysia.

TM also fared remarkably well as compared to 50 other local companies that adhered to the ASEAN CG scorecard. The Minority Shareholder Watchdog Group (MWSG) honoured TM with the awards for Top 5 Overall Corporate Governance, Best Conduct of Annual General Meeting and Best Environmental, Social and Governance (ESG) for Malaysian-ASEAN CG Scorecard Index on 16 December 2013.

Details of other local and international awards received by TM Group in 2013 are provided on pages 58 to 59 inclusive, of this annual report.

The Board is pleased to elaborate on TM's application of the principles and recommendations of MCCG 2012 and the extent of the Company's compliance during the financial year ended 31 December 2013, throughout this statement.

BOARD OF DIRECTORS

TM continues to be led and controlled by an active, engaged and experienced Board. It maintains a healthy mix of Directors with backgrounds in multiple business principles from financial to technical and regulatory, private and public sectors, and experience in the telecommunications industry both locally and abroad. Three Directors, the foreign Director and two local Directors, are experienced in the telecommunications industry from the perspectives of consultants and regulators.

During the year, the Board of Directors continued to effectively steer the Company with well-planned strategies and action plans via active engagement with the Management.

Board Charter

TM's Board Charter (Board Charter), encompassing the Company's governance practices, board policies and guidelines subsisting throughout the Company, serves the primary purpose of providing clear guidance to all stakeholders, and was first adopted by the Company in January 2013.

To serve as a guide on good corporate governance, the Board Charter was based on the principles outlined in MCCG 2012 and also the principles, recommendations and guidelines established from the earlier codes on corporate governance that are, in the Board's opinion, best practices which are aligned to the regulated rules and requirements.

The Board Charter provides references for Directors in relation to the Board's role, powers, duties and functions. It reflects current best practices and the applicable rules and regulations, and outlines processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently.

As recommended by the MCCG 2012, the Board Charter is reviewed annually incorporating updates and enhancements, and continues to be relevant to the existing rules and regulations as well as international standards of corporate governance. Effort is also made to improve any deficiency in the processes and procedures to ensure comprehensiveness of the document.

The reviews also form part of the annual exercise carried out under the Board Performance Improvement Programme (BPIP), which includes assessment of the Board Charter's provisions involving the Board's objectives, roles and responsibilities in ensuring it is consistent with the practices and adheres to the relevant rules, regulations and governance.

The Board Charter is accessible to the public through the Company's official website at www.tm.com.my.

Roles and Responsibilities of the Board

The roles and responsibilities of the Board and that of Management are demarcated in the Board Charter. Though separated, their respective functions remain mutually interdependent enabling efficient and effective execution of their respective duties and responsibilities.

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

STATEMENT ON CORPORATE GOVERNANCE

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

- Review and approve a strategic business plan for the Group.

The Board allocates sufficient time to thoroughly review and deliberate the Group's strategic and annual operating plan for three years for short-term and long-term perspectives and projection. It provides guidance, input and views in developing the Group's business strategies and development to ensure that Management has undertaken sufficient and thorough thought processes in formulating the strategies. These include challenging their own findings in considering all relevant aspects that will support and affect the Group's current and future business direction.

A Board strategic retreat meeting was held during the second quarter to thoroughly peruse and review the Company's current position and its future strategic direction. Lines of Business (LOBs) and selected Divisions presented their respective strategic plans towards realising the Group's strategic direction. A Board retreat was also held in the fourth quarter specifically to deliberate on the annual operating plan and financial targets for the Group.

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

Based on the 2013 Board Effectiveness Evaluation (BEE) result, the Board agreed that the process undertaken by Management in coming up with the strategic plan and annual operating plan is commendable. The challenges to the process by the Board have also been robust and effective.

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

Since 2012, the LOBs and selected divisions have presented their respective performances, business priorities and key focus areas for the year with the aim

of having focused and closer engagement with the Board. The Company's performance and balanced scorecards were reviewed on a monthly basis by the Executive Directors (EDs) at management committee meetings together with heads of LOBs and divisions and reported to the Board at every Board meeting. Their performances are measured and tracked against approved Key Performance Indicators (KPIs). The approved targets were announced during the first quarter of the year and the achievements made public during the fourth quarter announcement in February.

- Identify and manage principal risks.

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

- Monitor succession planning.

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

During the year, two experienced and dedicated Directors, namely YB Datuk Nur Jazlan Tan Sri Mohamed and Quah Poh Keat, left the Company in April and September respectively. NRC has undertaken a vigorous process of selecting suitable candidates to replace them and fill in the experience and skills gaps left by the former Directors.

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

The Board appreciates that a sound IR programme is vital in managing investors' interest and perception of the Company. Continuous engagement is maintained with the investing community through a planned IR activities

schedule managed by the IR Unit. These include non-deal roadshows, and investors' conferences after every quarterly results announcement. The Board Charter also outlines the Company's policy on communication with stakeholders based on pre-existing Internal Communication Policy guidelines.

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

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

In addition, the external auditor's review of the controls is conducted annually and reported to the BAC.

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

Separation of Power between the Board and Management

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

The Chairman

The roles and responsibilities of Dato' Sri Dr Halim Shafie, TM's Non-Independent Non-Executive (NINE) Chairman, and the Managing Director/Group Chief Executive Officer (MD/Group CEO), Tan Sri Dato' Sri Zamzamzairani Mohd Isa, are clearly separated in line with best governance practices that ensure appropriate supervision of the Company's management, appropriate balance of power and increased accountability.

Such separation accords a balance of power and authority in the Board. Furthermore, Dato' Sri Dr Halim has never held the position of CEO of the Company nor has he ever been a part of TM's Management.

The Chairman ensures the effectiveness of the relationship between the Non-Executive and Executive Directors, which Dato' Sri Dr Halim handled with ease with his vast experience in various government sectors and agencies. He is instrumental in generating an open and effective Board discussion, and with his past experience as a former Chairman of the Malaysian Communications and Multimedia Commission, he is able to provide the constructive engagement the Company needs. Coupled with his five-and-a-half-year tenure as TM Chairman, Dato' Sri Dr Halim is well equipped to interact with global industry leaders, build relationships with stakeholders and actively participate in various institutions.

Based on the 2013 BEE result, the Chairman has been rated as a highly effective Board Chairman in leading Boardroom discussions.

Executive Directors (EDs)

The EDs, Group CEO and Group Chief Financial Officer (CFO) each have their own functions in ensuring the smooth running of the Company. Their primary areas of responsibility are captured in their respective KPIs which are evaluated, reviewed and approved by the Board annually.

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

Senior Independent Non-Executive Director (SID)

In accordance with best practice in corporate governance, Dato' Danapalan T.P Vinggrasalam was appointed as TM's SID on 21 May 2009. He is the main channel between the Independent Directors and the Chairman on matters that may be deemed sensitive and provides an alternative communication avenue for shareholders and stakeholders to convey their concerns and raise issues so that these can be brought to the attention of the relevant parties. The role of the SID is included in the Board Charter which is accessible on the Company's website.

All queries relating to the Group can be channelled to the SID's email address, sid@tm.com.my, or directed to the following address:

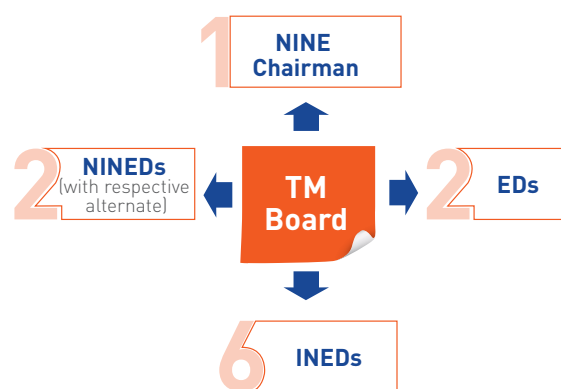
Senior Independent Non-Executive Director
Level 51, North Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur

Board Composition and Balance

Article 96 of TM's Articles of Association provides that there should not be more than 12 members of the Board. As at 31 December 2013, the diverse and varied Board membership stands at 11 members comprising a NINE Chairman, two

EDs designated as the MD/Group CEO and the ED/Group CFO, two Non-Independent Non-Executive Directors (NINEDs), each with their respective alternate directors designated as NINE Alternate Directors, and six Independent Non-Executive Directors (INEDs), inclusive of one foreign Director. The current Board members have the pre-requisite skills sets and experience to guide TM's strategic plans and future aspirations.

Chart 1: TM Board Composition



With a NINE Chairman, the six INEDs formed the majority on the Board of 11 Directors, ensuring effective checks and balances in the functioning of the Board.

During the year, two long-serving INEDs, namely YB Datuk Nur Jazlan Tan Sri Mohamed and Quah Poh Keat, resigned on 16 April and 30 September 2013 respectively for other opportunities. Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor joined TM Board as an INED on 7 October 2013. With the existing 11 members, TM Board continues to comply with Paragraph 15.02 of the Main LR whereby currently 55% of its Board members are Independent Directors.

By virtue of their roles and responsibilities, the six INEDs represent the Company's minority shareholders' interests. They are not former employees of the Company, independent of Management and free from any undue influences from interested parties which could materially interfere with the exercise of their independent judgment. The INEDs have been judicious and vocal in discharging their responsibilities during each Board and Committee meeting.

They are impartial in their views, with the intent of upholding the Company's and stakeholders' best interests and actively participate in Board deliberations and decision-making. This also serves to stimulate and challenge the Management to perform in a more objective manner. This is particularly so as the INEDs chair TM's main Board Committees namely the BAC, Board Tender Committee, Board Investment Committee and Board Risk Committee.

Independence

TM determines the independence of its Directors in accordance with the criteria stipulated in Paragraph 1.01 of the Main LR, whereby a director needs to be independent from Management and uninhibited from any business or other relationship which could interfere with his independent judgement or ability to act in the best interests of the Company. The six INEDs satisfy the criteria of independence as defined under the Main LR.

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

In addition, at every Board meeting all Directors are required to disclose their interest or any possible conflicts on any matter put forth in the meeting. When required, the interested Director shall excuse himself/herself and abstain from deliberation to allow unbiased and free discussion and decision-making.

A degree of camaraderie between the Board members does exist. However, this does not deter them from articulating their dissenting views or even contrary opinions during discussions. Instead, it encourages more open, frank and thorough discussion to reach decisions. With the respective INEDs' backgrounds, experience, strong personalities and understanding of good governance practice, they are able to exercise objective judgement, are not easily influenced by non-related factors, able to act in the best interests of the Company and safeguard TM's stakeholders' interests.

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

Fostering Commitment of the Board

TM Board's meeting schedule was formulated early in October and shared with the Directors before the year began to ensure the Directors' time commitment.

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

A strategic retreat meeting was held in June 2013 for the Company's strategic discussions and growth plans, while a Board retreat was held in the fourth quarter on the Group's annual operating plan and financial targets. Besides the Board meetings, urgent decisions were approved via five Directors' Circular Resolutions during the year.

All the Directors have complied with the Main LR's minimum attendance requirement of at least 50% of Board meetings held in the financial period. The Board has also agreed to adopt the 50% minimum attendance requirement for the main Board Committees.

Details of attendance of each Director on the Board and respective main Board Committees and the 28th Annual General Meeting (AGM) for the financial year ended 31 December 2013 are as follows:

Chart 2 : TM Board Attendances at 2013 Meetings

No	Directors	TM Board		BAC		NRC		BTC		BRC		BIC		28 th AGM Attended
		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		
		Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	
Director														
1.	Dato’ Sri Dr Halim Shafie <i>(Chairman)</i>	10/10	100.0	-	-	-	-	-	-	-	-	-	-	✓
2.	Tan Sri Dato’ Sri Zamzamzairani Mohd Isa <i>(MD/Group CEO)</i>	10/10	100.0	-	-	-	-	8/9	89.0	-	-	-	-	✓
3.	Datuk Bazlan Osman <i>(ED/Group CFO)</i>	10/10	100.0	-	-	-	-	8/9	89.0	3/4	75.0	3/3	100.0	✓
4.	Dato’ Fauziah Yaacob <i>(appointed on 4 March 2013)</i>	7/8	87.5	-	-	-	-	6/7	89.0	-	-	3/3	100.0	✓
5.	Tunku Dato’ Mahmood Fawzy Tunku Muhiyiddin	10/10	100.0	9/9	100.0	9/9	100.0	8/8	100.0	3/4	75.0	2/2	100.0	✓
6.	Dato’ Danapalan T.P Vinggrasalam	10/10	100.0	9/9	100.0	9/9	100.0	-	-	4/4	100.0	1/1	100.0	✓
7.	Datuk Zalekha Hassan	10/10	100.0	1/1	100.0	4/4	100.0	9/9	100.0	-	-	-	-	✓
8.	Dato’ Ir Abdul Rahim Abu Bakar	9/10	90.0	-	-	7/9	78.0	-	-	3/4	75.0	3/3	100.0	✓
9.	Ibrahim Marsidi	10/10	100.0	9/9	100.0	9/9	100.0	6/6	100.0	4/4	100.0	-	-	✓

No	Directors	TM Board		BAC		NRC		BTC		BRC		BIC		28 th AGM Attended
		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		
		Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	
10.	Davide Giacomo Benello @ David Benello	9/10	90.0	-	-	-	-	-	-	-	-	-	-	✓
11.	Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor <i>(appointed on 7 October 2013)</i>	2/3	67.0	-	-	-	-	-	-	1/1	100.0	0/1	0	-
Alternate Director														
1.	Eshah Meor Suleiman [Alternate to Dato' Fauziah Yaacob]	1/8	-	-	-	-	-	1/7	-	-	-	-	-	-
2.	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil <i>[Alternate to Tunku Dato' Mahmood Fawzy Tunku Muhijiddin]</i>	8/10	-	-	-	-	-	1/1	100.0	-	-	1/1	100.0	✓
Directors who have resigned during the year														
1.	Quah Poh Keat <i>(resigned on 30 September 2013)</i>	7/7	100.0	7/7	100.0	-	-	-	-	-	-	2/2	100.0	✓
2	YB Datuk Nur Jazlan Tan Sri Mohamed <i>(resigned on 16 April 2013)</i>	3/3	100.0	-	-	-	-	3/3	100.0	-	-	-	-	-
3.	Dato' Mat Noor Nawi <i>(resigned on 28 February 2013)</i>	1/2	50.0	-	-	-	-	1/2	50.0	-	-	-	-	-

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

(2) Attendances at a Board Sub-Committee were not included. Details of attendance is as per page 116 of this annual report.

Alternate member to principal director. During the year, Directors with alternates, in either the main board or committees have endeavoured to ensure that each meeting was represented by them or their respective alternates. In a meeting where Dato' Fauziah Yaacob was unavoidably absent, her alternate Puan Eshah Meor Suleiman attended the meeting on her behalf.

As principal member of committee.

In maintaining and monitoring the limitation on directorship as required by the Main LR, the Directors upon appointment and following thereafter will notify the Company Secretary of their directorship in other companies for disclosure to the Board at Board Meetings. The Board is of the opinion that the provisions of the CA 1965 and Main LR are sufficient to ensure adequate commitment given by the Directors to perform their duties

and each Director is able to discern sufficient time commitment for the Company without it being formally regulated. Such is evidenced by the attendance of the Directors at Board and Committee Meetings as shown above.

Further to the above, all TM Directors comply with the Main LR's restriction of five directorships in listed issuers.

STATEMENT ON CORPORATE GOVERNANCE

Board Effectiveness Evaluation (BEE)

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

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

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

BEE 2013 findings were generated based on Directors' feedback and interviews held with the Chairmen of the Board and NRC for in-depth analysis of the BEE results. A summarised report was presented to the Board in February with a comparative analysis of the previous year's evaluation results to enable the Board to identify areas for improvement in line with the BPIP.

Results revealed that the Board had performed demonstrably well, with most of the areas being rated as 'Good' or 'Outstanding'. The overall average ratings for Board Responsibilities, Board Administration and Processes, Board Conduct, Board Composition, Board Interaction and Communication with Management and Stakeholders had either improved or remained the same as in 2012, indicating the Directors' satisfaction with the Board's overall performance.

The Board has continued to perform commendably in 2013. A number of issues highlighted in 2012 received appropriate Board focus and attention, leading to satisfactory resolution of these issues.

Chart 3: 2013 Focus Areas for Continuous Improvement

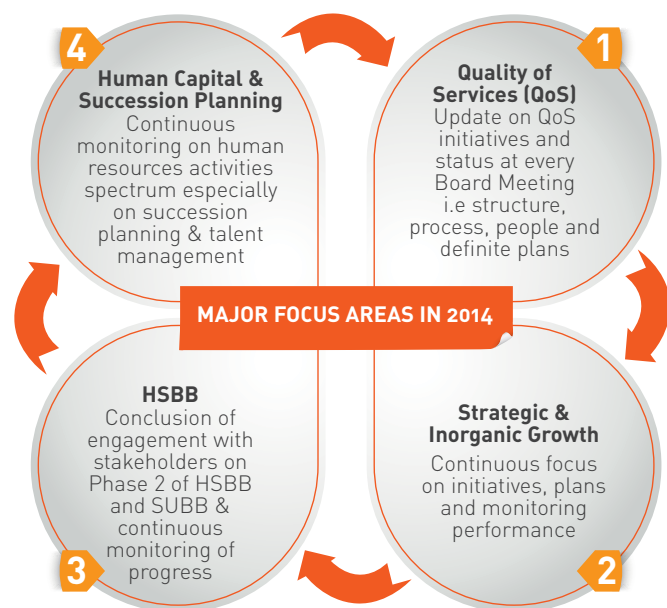


Ratings for the Board Committees also improved remarkably as compared to 2012. All Board Committees were rated 'Good' to 'Outstanding', indicating that Committee members have performed effectively as a group.

The objective of the Self and Peer Evaluation is to assess each Director's attributes, personality and quality. Hence, each Director is provided with the results of the self-evaluation marked against peer evaluation for comparisons and remedial action. Directors' Peer evaluation results continued to be high in 2013, indicating healthy Board dynamics and a collectively strong Board.

To maintain TM's competitive edge, the Board remains objective to focus on the following strategic areas in 2014:

Chart 4: 2014 Strategic Focus Areas



Directors' Remuneration

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

The remuneration package for EDs is balanced between fixed and performance-linked elements. As EDs, the Group CEO and Group CFO are paid salaries, allowances, bonuses and other customary benefits as appropriate to Top Management.

A significant portion of the EDs' compensation package has been made variable in nature depending on the Company's performance during the financial year, which is determined based on the individual targets, and aligned to TM Group's Balanced Scorecard. They are not paid Director's fees or meeting allowances for Board and Board Committee meetings that they attend and are members of.

The respective performances of the EDs (as well as the Pivotal Positions and the Company Secretary) are also reviewed annually by the NRC, and recommendations submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year. The Group CEO and Management Team members are rewarded according to a combination of how well they have achieved their targets and their 360-Degree ratings. These payments are competitive, in line with the Group's corporate objectives, culture and strategy. The EDs recused themselves from Board meetings during deliberations on their performance rewards and remuneration review.

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

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

STATEMENT ON CORPORATE GOVERNANCE

Details of the total remuneration of each Director of the Company, categorised into appropriate components for the financial year ended 31 December 2013, are as follows:

Chart 5: 2013 Directors' Remuneration

NO.	NAME OF DIRECTORS	SALARY (RM)	BONUS (RM)	FEE (RM)		ALLOWANCE (RM)		TOTAL AMOUNT (RM)
				TM#	SUBSIDIARY	TM	SUBSIDIARY	
NON-INDEPENDENT AND EXECUTIVE DIRECTORS (NIED)								
1.	Tan Sri Dato’ Sri Zamzamairani Mohd Isa	1,725,500.00 ^a	1,659,171.00 ^b	–	–	290,212.00 ^c	–	3,674,883.00
2.	Datuk Bazlan Osman	1,012,119.80 ^a	967,850.00 ^b	–	–	131,669.67 ^c	–	2,111,639.47
NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS (NINED)								
3.	Dato’ Sri Dr Halim Shafie	–	–	276,000.00	216,000.00	128,730.82	14,206.00	634,936.82
4.	Tunku Dato’ Mahmood Fawzy Tunku Muhiyiddin	–	–	180,000.00	75,000.00	177,750.00 ^d	4,000.00	436,750.00
5.	Dato’ Fauziah Yaacob <i>(Appointed on 4 March 2013)</i>	–	–	149,000.00	–	102,250.00	–	251,250.00
6.	Dato’ Mat Noor Nawi <i>(Resigned on 28 February 2013)</i>	–	–	30,000.00	–	56,250.00	–	86,250.00
ALTERNATE DIRECTORS (NINED)								
7.	Eshah Meor Suleiman <i>(Alternate to Dato’ Fauziah Yaacob)</i> <i>(Appointed on 4 March 2013)</i> Eshah Meor Suleiman <i>(Alternate to Dato’ Mat Noor Nawi)</i> <i>(Ceased on 28 February 2013)</i>	–	–	–	–	55,250.00	–	55,250.00
8.	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil <i>(Alternate to Tunku Dato’ Mahmood Fawzy Tunku Muhiyiddin)</i>	–	–	–	–	–	–	–
INDEPENDENT AND NON-EXECUTIVE DIRECTORS (INED)								
9.	Datuk Zalekha Hassan	–	–	180,000.00	45,000.00	125,250.00	2,000.00	352,250.00
10.	Dato’ Ir Abdul Rahim Abu Bakar	–	–	180,000.00	–	118,750.00	–	298,750.00
11.	Dato’ Danapalan T.P Vinggrasalam	–	–	207,000.00	75,000.00	146,750.00	10,600.00	439,350.00
12.	Ibrahim Marsidi	–	–	180,000.00	45,000.00	155,250.00	4,000.00	384,250.00
13.	Davide Giacomo Benello @ David Benello	–	–	180,000.00	–	218,000.00 ^e	–	398,000.00
14.	Datuk Seri Fateh Iskandar Tan Sri Dato’ Mohamed Mansor <i>(Appointed on 7 October 2013)</i>	–	–	42,096.75	–	11,000.00	–	53,096.75

NO.	NAME OF DIRECTORS	SALARY (RM)	BONUS (RM)	FEE (RM)		ALLOWANCE (RM)		TOTAL AMOUNT (RM)
				TM [#]	SUBSIDIARY	TM	SUBSIDIARY	
15.	YB Datuk Nur Jazlan Tan Sri Mohamed (Resigned on 16 April 2013)	-	-	52,500.00	-	66,250.00	-	118,750.00
16.	Quah Poh Keat (Resigned on 30 September 2013)	-	-	135,000.00	-	86,148.00	-	221,148.00
TOTAL AMOUNT		2,737,619.80	2,627,021.00	1,791,596.75	456,000.00	1,869,510.49	34,806.00	9,516,554.04

Note:

[#] NEDs' fee entitlement for the financial year ended 31 December 2013.

^a Inclusive of Company's contribution to provident fund.

^b Bonus, Deferred Bonus and Merit, inclusive of Company's contribution to provident fund payable in 2014.

^c Inclusive of car allowance in lieu of provision of company car.

^d Inclusive of chairmanship of BSC.

^e Inclusive of per diem allowance for foreign director amounting to RM170,000.

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

At the 28th AGM held on 7 May 2013, the shareholders approved the review of the Directors' fees effective from 1 January 2012 to reflect the increase in responsibilities of the Chairman and NEDs, as well as the SID. The shareholders at the said general meeting approved the following revision:

Description	Prior to Revision	After Revision
Board		
- NINE Chairman	RM156,000.00 per annum	RM276,000.00 per annum
- NED	RM120,000.00 per annum	RM180,000.00 per annum
SID	Nil	RM27,000.00 per annum

Directors' Indemnity

TM maintained the Directors' and Officers' Liability Insurance for coverage throughout the financial year. Directors and

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

BOARD COMMITTEES

In accordance with Article 118 of the Company's Articles of Association, the Board may at its discretion delegate its powers to its Committees.

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

TM has established five main Board Committees which are entrusted to carry out the Board's delegated tasks. During the year, the Board decided on the disbandment of the Dispute Resolution Committee in favour of the establishment of an ad-hoc committee known as a Board Sub-Committee (BSC) to be created as and when required based on the specialisation required and nature of the issue/case raised.

STATEMENT ON CORPORATE GOVERNANCE

The existing Board Committees in TM are as follows:

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

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

Board Audit Committee (BAC)

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

Membership

- Dato' Danapalan T.P Vinggrasalam (*Chairman/INED/SID*)
[Appointed as Chairman on 30 September 2013]
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Member/NINED*)
- Datuk Zalekha Hassan (*Member/INED*)
[Appointed on 31 October 2013]
- Ibrahim Marsidi (*Member/INED*)
- Quah Poh Keat [*Resigned as TM INED and BAC Chairman on 30 September 2013*]

The BAC report detailing its membership, number and attendance of each member at the BAC meetings, summary of its key functions and principal activities, as well as training during the financial year 2013 is set out on pages 146 to 149 inclusive, of this annual report. In addition, the Statement on Internal Audit is set out on pages 150 to 153 inclusive, of this annual report.

Board Nomination and Remuneration Committee (NRC)

TM has a combined Nomination Committee and Remuneration Committee for the purpose of expediency, as the same

members are entrusted with the functions for both the Nomination and Remuneration Committees. Members of the NRC are mindful of their dual roles, which are clearly reflected and demarcated in the agendas of each meeting.

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Chairman/NINED*)
- Dato' Danapalan T.P Vinggrasalam (*Member/INED/SID*)
- Dato' Ir Abdul Rahim Abu Bakar (*Member/INED*)
- Datuk Zalekha Hassan (*Member/INED*)
[Appointed on 27 June 2013]
- Ibrahim Marsidi (*Member/INED*)

The NRC report detailing its membership, number and attendance of each member at the NRC meetings, summary of its key functions and principal activities during the financial year 2013 is set out on pages 138 to 144 inclusive, of this annual report.

Board Tender Committee (BTC)

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

Membership

- Datuk Zalekha Hassan (*Chairperson/INED*)
- Tan Sri Dato' Sri Zamzamzairani Mohd Isa (*Member/NIED*)
- Datuk Bazlan Osman (*Member/NIED*)
- Dato' Fauziah Yaacob (*Member/NINED*)
[Appointed on 4 March 2013]
- Ibrahim Marsidi (*Member/INED*)
[Appointed on 24 April 2013]
- Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil (*Member/NINE Alternate Director*)
[Appointed on 31 October 2013]
- Eshah Meor Suleiman (*Alternate Member/NINE Alternate Director*)
- Dato' Mat Noor Nawi [*Resigned as TM NINED and BTC member on 28 February 2013*]
- YB Datuk Nur Jazlan Tan Sri Mohamed [*Resigned as TM INED and BTC member on 16 April 2013*]
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin [*Resigned as BTC member on 31 October 2013*]

During the year, the membership of BTC was reviewed following the resignation of Dato' Mat Noor Nawawi and YB Datuk Nur Jazlan Tan Sri Mohamed as Directors of TM and BTC members. Dato' Fauziah Yaacob and Ibrahim Marsidi were appointed as new BTC members in their place. Further, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin relinquished his membership in BTC in favour of his alternate Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil, to enable him to focus on other Board committees, as well as ensuring rotation in committee membership.

Meetings of BTC

BTC held nine meetings during the financial year 2013. TM's Chief Procurement Officer (CPO) attended the BTC meetings as a permanent invitee while the Chief Technology and Innovation Officer (CTIO) was invited as and when required to provide additional input on technical requirements. The Management Evaluation Committee members were also invited to brief the BTC on specific issues as and when required.

Main Activities in 2013

During the year, the BTC deliberated on, *inter alia*, the procurement status summary, procurement plan and performance year-to-date as well as procurement proposals within the authority limits of BTC. Significant matters reserved for Board's approval and procurement proposals within the authority limits of TM Board were tabled at Board meetings. During the year, the limit of authority matrix was reviewed twice, strengthening the procurement limits, procedure and process of approval.

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

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

Board Risk Committee (BRC)

BRC was established to support improvements in the management and monitoring of the Group's risk profile. This

resulted in a more integrated and structured approach in managing risks inherent in various aspects of its business.

Membership

- Ibrahim Marsidi (*Chairman/INED*)
[Appointed as Chairman on 31 October 2013]
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Member/NINED*) *[Resigned as BRC Chairman on 31 October 2013 but remained as Member]*
- Dato' Danapalan T.P Vinggrasalam (*Member/INED/SID*)
- Dato' Ir Abdul Rahim Abu Bakar (*Member/INED*)
- Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor (*Member/INED*) *[Appointed on 31 October 2013]*
- Datuk Bazlan Osman (*Member/NIED*)

A detailed BRC report detailing its membership, ToR, attendance of each member at the BRC meetings held in 2013 together with the Risk Management Report of the Group, is set out on pages 154 to 159 inclusive, of this annual report.

Board Investment Committee (BIC)

BIC was established to provide guidance to Management in considering and evaluating investment and/or divestment related proposals of TM Group for recommendation to the Board.

Membership

- Dato' Ir Abdul Rahim Abu Bakar (*Chairman/INED*)
- Datuk Bazlan Osman (*Member/NIED*)
- Dato' Fauziah Yaacob (*Member/NINED*)
- Dato' Danapalan T.P Vinggrasalam (*Member/INED/SID*)
[Appointed on 31 October 2013]
- Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor (*Member/INED*) *[Appointed on 31 October 2013]*
- Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil (*Member/NINE Alternate Director*) *[Appointed on 31 October 2013]*
- Eshah Meor Suleiman (*Alternate Member/NINE Alternate Director*)
- Quah Poh Keat *[Resigned as TM INED and BIC Member on 30 September 2013]*
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *[Resigned as BIC Member on 31 October 2013]*

STATEMENT ON CORPORATE GOVERNANCE

During the year, BIC's composition was reviewed following the resignation of Quah Poh Keat on 30 September 2013 and relinquishing of membership by Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 31 October 2013. Dato' Danapalan T.P Vinggrasalam, Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor and Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil were appointed as new members of BIC effective from 31 October 2013 in order to provide additional insights and input on strategic investment proposals.

Meetings of BIC

Three BIC meetings were held during the year. Decisions and recommendations of the meetings were reported and deliberated by the Board.

Main Activities in 2013

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

Board Sub Committee (BSC)

During the year, the Board Dispute Resolution Committee (BDRC), tasked to deliberate on major and material litigation cases, was disbanded. Instead, TM Board provided that a BSC shall be formed as and when required, depending on the nature of cases.

On 27 June 2013, a BSC was formed to deliberate on the findings of investigations on the alleged breach of conduct of TM's employees. The BSC comprised independent and non-interested representatives from TM's Board and Management.

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Chairman/NINED*)
- Datuk Bazlan Osman (*Member/NIED*)
- Giorgio Migliarina (*Member/Chief Technology and Innovation Officer*)
- Izlyn Ramli (*Member/Vice President, Group Corporate Communication*)
- Saiful Ezral Ariffin (*Member/General Manager, Special Affairs Unit*)

Meetings of BSC

Two BSC meetings were held during the year, following which the decisions and recommendations made were reported to the Board for deliberation.

The attendance of BSC members at the meetings was as follows:

No.	Member	No. of Meetings	
		Attended/ Held	%
1.	Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	2/2	100
2.	Datuk Bazlan Osman	2/2	100
3.	Giorgio Migliarina	2/2	100
4.	Izlyn Ramli	2/2	100
5.	Saiful Ezral Ariffin	2/2	100

Main Activities in 2013

Apart from the two meetings, BSC held frequent discussions and engagements to deliberate on the findings of the investigation carried out on TM's employees who were allegedly in breach of their employment terms and conditions. BSC also considered the required mitigating actions and pertinent recommendations that were necessary to manage potential damage to the Company's integrity and reputation.

BSC was disbanded on 29 August 2013 upon conclusion of the case.

MANAGEMENT COMMITTEES AND SUB-MANAGEMENT COMMITTEES

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

Management Committee (MC)

The salient ToR of the MC are as follows:

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

Group Leadership Team (GLT)

GLT is tasked, among others, to:

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

Sub-Management Committees

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

Business Continuity Management Steering Committee (BCMSC)

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

Customer Centricity Steering Committee (CCSC)

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

Group Technical Investment Committee (GTIC)

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

Finance Committee (FC)

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

Group Product Committee (GPC)

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

Management Procurement Committees (MPC)

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

Group Property Committee (Property-Comm)

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

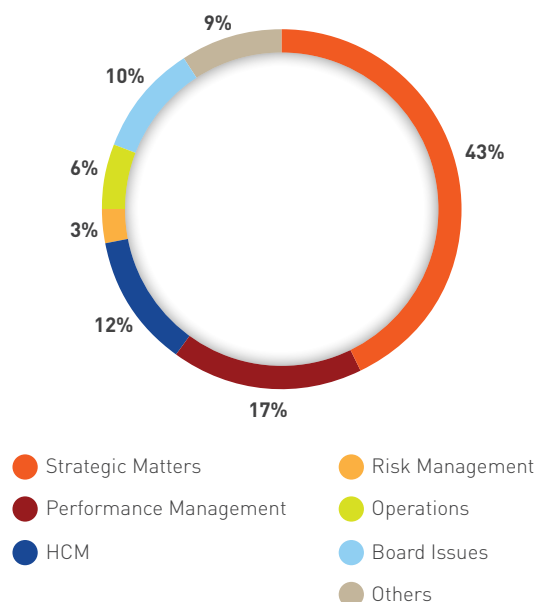
STATEMENT ON CORPORATE GOVERNANCE

BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

Since its completion in January 2008, the BPIP Governance work stream has undergone a number of enhancements to improve the Board's functions and structure, and ensure the Board's priorities are aligned with the Group CEO's mandate. Various initiatives were introduced as the Board Operating Mode (BOM) deliverables to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually. The Management formulates a whole-year plan for TM Board Meeting Priorities and Agenda for the Board's approval based on the Board's feedback in February.

In 2013, the Board's main focus was on strategy issues and performance management, in line with the Board's core responsibilities. The distribution of time spent on deliberation on various broad agenda topics at Board Meetings in 2013 is illustrated as follows:

Chart 6 - 2013 Board Time Spent



BOARD TRAINING AND KNOWLEDGE ACQUISITION

To date, all TM Directors, including newly appointed Directors, have successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities. Induction briefings, which include information on the corporate profile and activities of the Group, as well as business targets and group performance, were organised for the newly appointed Directors. Apart from the MAP, the Directors also attended other relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies.

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

Board Training Programme (BTP)

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

The training structure for the Board is continuously reviewed to be relevant to changing business needs. As a result of close monitoring of the BTP by the NRC and in line with the BEE results, the Directors' training structure for 2013 was aligned to their training needs focusing on Industry, Strategy/Risk, Corporate Governance and Investor Relations.

In 2013, the Directors attended various seminars, conferences and international conventions to gain insight into the industry and latest regulatory and technological developments which are relevant to the Group's business.

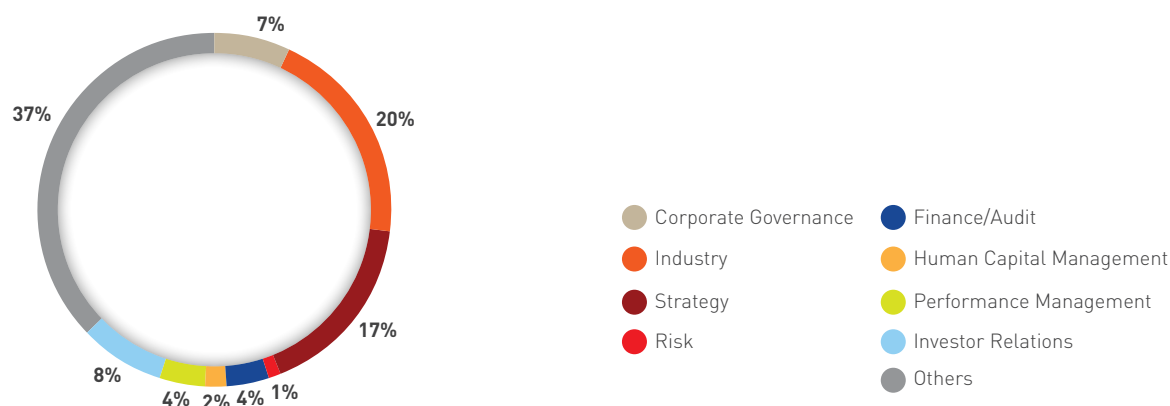
Based on the analysis conducted pursuant to the BPIP, the distribution of time spent by the Directors on training in 2013 covered key areas that meet the gap on Industry knowledge and Strategy. 60% of the Board's total training hours are on strategic matters and performance management. The Directors also actively participated in Corporate Governance training in view of numerous new laws and requirements implemented in 2013. Investor Relations is another area that was given high attention.

TM has also continuously organised in-house training for Directors' development initiatives. During the Strategic Retreat in June 2013, external speakers were invited to discuss with the Board the latest industrial and technological developments.

In September 2013, an industrial visit to Seoul, Korea was organised for the Board that encompassed a knowledge sharing session on ICT growth, development and experiences in South Korea's telecommunications technology.

Based on the BTP records, all Directors completed the minimum requirement of 36 training hours for the year. The Directors also concurred that they have devoted sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning in order to sustain their active participation in Board deliberations. The Directors' training structure in 2013 is depicted in the chart below:

Chart 7 – 2013 Directors' Training Structure



In 2013, the Board revised the BTP Guidelines by abolishing the provision on carrying forward a maximum of 12 training hours from the excess of 36 training hours of the year to the ensuing year effective from 1 January 2014. This discontinuation is to encourage the Board members' continuous learning and acquisition of relevant skills and knowledge.

The following are conferences, seminars and training programmes attended by the Directors in 2013 to enhance their business expertise and professionalism:

Training Focus	Conferences/Seminars & Training Programmes
CORPORATE GOVERNANCE	- Asian Roundtable on Corporate Governance - Corporate Governance Symposium 2013: <i>Corporate Governance In Vogue</i> - Corporate Governance, Reporting and Technical Accounting Update - Governance in Groups Programme - Special Dialogue and Presentation Session on Asean CG Scorecard 2013 - Companies Commission of Malaysia National Conference 2013: Panelists for Session 1: Corporate Governance: The New Global Language for Business 4th Singapore Corporate Governance Week : Global Corporate Governance Conference - Corporate Governance, Reporting and Technical Accounting Update

STATEMENT ON CORPORATE GOVERNANCE

Training Focus	Conferences/Seminars & Training Programmes
STRATEGY/RISK	• A Price Worth Paying? Presentation by Dechert LLP on Risk for NEDs • Fraud Risk Management Awareness • The Boston Consulting Group (BCG) Leadership Forum • British Malaysian Chamber of Commerce (BMCC) Exclusive Luncheon with the Lord Mayor of London • Breakfast Talk: Best of Corporate Malaysia Transformation • Harvard Business School (HBS) Alumni of London Angels Pitch Event • IMD CEO Roundtable Session: The New Age of Engagement for CEOs • Invitation to a Leadership Program 'Making a Statement in a Global Digital World': TM Partnership with IMD • McKinsey Global Institute World Economy Update • Business Transformation • Global Economic Prospects and Implications for UK Business • Restoring Trust in Business • Getting Value from Social Media • Risk Management in the Supply Chain • Oxford Strategic Leadership Programme • Retail Strategies and Marketing Roll-out Plan Forum • Shape of Change • Strategic Collaboration Meeting with Manchester United's Management Team • Treasury Transformation Programme (TTP) Leadership Retreat • World Marketing Summit Malaysia 2013
INDUSTRY	• Board Visit: Korea • Broadband Asia 2013 • Government by Design: How Technology Can Drive More Effective Government • CommunicAsia 2013: Bridging Communication Borders, Optimising Business Opportunities • Khazanah Megatrends Forum 2013 • Mobile World Congress 2013 • Digital Opportunities for Growth Including Big Data and Social Media • Technical Update Programme • Visit to Discovery Channel Broadcasting Centre, Chiswick, UK
PERFORMANCE MANAGEMENT	• Breakfast Event: Board Agenda Series • Advanced Senior Management Programme • MINDA-Building High Performance Directors (BHPD) 2013 • Spencer Stuart's Directors' Forum
INVESTOR RELATIONS	• CHF Financing Plan Roadshow • Non-Deal Investment Roadshow

Training Focus	Conferences/Seminars & Training Programmes
FINANCE/AUDIT	• Forensic Accounting • Audit Committee Conference 2013: Powering for Effectiveness • A Practical Approach to Forensic Accounting & Digital Forensics • Ethical Investing: Future Outlook & Opportunities • Executive Remuneration • Mergers & Acquisitions • Remuneration Issues Seminar • Navigating Today's Financial Markets
HUMAN CAPITAL MANAGEMENT	• Boot Camp: Managing Talent • Managing Talent Board and Management • Professionalism of Safety Department Officer
PROCUREMENT	• Benchmarking and Knowledge Sharing Visit under TTP • 16th and 17th Meeting Negotiation of Trans-Pacific Partnership Agreement (TPPA)
OTHERS	• 16th Asli National Housing & Property Summit: What are the Key Challenges, Main Issues & Strategic Opportunities • Business Times Insight Series: Affordable Housing • CLSA Access Day 2013 • Invest Malaysia 2013 • Malaysian Annual Real Estate Convention (MAREC) – Affordable Housing: Reality or Myth? • Real Estate CEO Forum: Investment Outlook for Real Estate in Singapore & Malaysia • Updates on the Trend of Investment in Real Estate Sector

BOARD ACCESS TO INFORMATION

Access to Management

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

In 2013, relevant and material information was provided to the Board on average five days prior to the Board and Committee meetings to enable the Board to have sufficient time to assess the proposals and information. Further information and clarification from the Management were also made available to arrive at informed decisions.

Company Secretary

Company Secretaries are at all times accessible to the Directors for advice and services. The Chief Legal Compliance and Company Secretary supported by the Joint Secretaries are responsible to provide support and appropriate guidance

to the Board on policies and procedures, rules and regulations and relevant laws as well as best practices on governance.

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

Access to External Experts

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

During the year, independent external auditors and panel lawyers were appointed to provide legal opinions on governance issues to BAC and NRC. A media expert was also engaged to assist the BSC to formulate crisis management and communication plans.

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Industry Information Packs (Info-packs)

The Board is also updated on information relating to the telecommunications industry and developments thereof with the issuance of the Quarterly Info-packs, a compilation of summary of analysts' views on TM, local and global trends, events, competitive intelligence, industry reports, periodicals and local and overseas regulatory updates. As at December 2013, 31 Board Info-packs had been issued.

COMMUNICATION AND INTERACTION

Board and Management

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

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

The Board's adoption of a rating process for papers and presentations by Management helps to provide constructive feedback to the Management and improve the quality of papers presented to the Board. During the year, the overall average of Board ratings on the quality of Management papers and presentations was maintained at above 4.30 points out of 5.00 points.

Management was also given the opportunity to rate the Board's performance in terms of the focus, constructiveness and support given by the Board during deliberations and whether clear decisions based on relevant facts were derived from the discussion. In the year under review, the Management's average rating of the Board increased to 4.21 points out of 5.00 points as compared to 4.05 points in 2012.

Shareholders and Investors

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

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

In its continuous efforts to enhance greater transparency to the public, TM also announced its Headline KPIs for 2014 to 2016 in February 2014. These targets were set and agreed by the Board and Management as part of the broader KPI framework that TM has in place, as prescribed under the GLC Transformation Programme.

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

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

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

Details of TM's Investor Relations initiatives and activities during the year are set out on pages 35 to 39 inclusive, of this annual report.

Independent Directors' Discussion

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

During the year, SID chaired a meeting of INEDs to discuss their observation and performances throughout the year.

Relationship with the External and Internal Auditors

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

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

The external and internal auditors are obliged to highlight to BAC and the Board any matter that requires their attention. A full report outlining the BAC's role and relationship with the external and internal auditors is set out on pages 147 to 148 inclusive, of this annual report.

Annual Report and Annual General Meetings (AGM)

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

A summary of the annual report is published in printed form and posted to shareholders together with a CD ROM. In compliance with the requirement of the Main LR that an electronic version of the full annual report be made available to shareholders, TM has made available its annual reports on the Company's corporate website for download. Commencing 2013, TM also produced its 2012 Annual Report in an e-book version, available as a download on both Apple and Android.

The complete printed versions of the annual reports both in English and Bahasa Melayu are provided to shareholders' upon request. Details on how shareholders may direct the request for the printed copy are provided in the summary of the annual report together with the request form. TM's Share Registrars will ensure that the printed copy reaches the shareholders within four days of request received.

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

In line with MCCG 2012's recommendation to encourage shareholders' participation in general meetings, notice for the forthcoming 29th AGM has been further enhanced to include all relevant information with regard to shareholders' rights at the said general meeting.

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

The Board encourages active participation by the shareholders and investors during the AGM. Attendance at the Company's AGM continues to be high as evidenced by the presence of 2,291 shareholders at the 28th AGM of the Company held on 7 May 2013.

At the beginning of the general meeting, the Chairman will inform the meeting of the rules including voting procedures that will govern the meeting. The Company also engages independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders. The Chairman will identify and remind the interested parties should the proposal warrant them to abstain, prior to the voting on the proposal. The result of the voting for each resolution is promptly announced to the general meeting after each voting process. A summary of voting results for all

STATEMENT ON CORPORATE GOVERNANCE

resolutions is also presented for the shareholders' information. Thereafter, the results of the resolutions are uploaded on Bursa Malaysia's website. Minutes of the general meetings are also accessible on the Company's website.

Shareholders take the opportunity to raise questions on the agenda items at the general meetings, and appropriate answers and/or clarifications are provided by the Board members, Committee Chairmen or Senior Management members of TM. A press conference is also held immediately after the AGM at which the Chairman, Group CEO, Group CFO and relevant Senior Management members are present to clarify and explain issues raised by the media.

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

Internal Corporate Disclosure Policy

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

BOARD CONDUCT

Conflict of Interest and Related Party Transactions (RPT)

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

The Directors further acknowledge that they are also required to abstain from deliberation and voting on relevant resolutions in which they have conflict of interest at the Board or any general meeting convened and recuse themselves from the meeting. In the event a corporate proposal is required to be

approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in TM and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

Trading on Insider Information

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

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

Corporate Integrity

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

An Integrity Pact, made by employees and Board members involved in all levels of procurement activities, was launched in 2012 to enhance transparency among TM Directors, employees and suppliers against corrupt practices. This declaration not only signifies to all involved in procurement activities but also provides assurance to the public, that the Group is unfaltering in upholding Anti-Corruption Principles for Corporations in Malaysia while working towards creating a business environment that is free from corruption in the conduct of its business and in its interactions with business partners and the Government.

Members of BTC are to execute a declaration prior to every meeting, confirming that they have no conflict of interest in the proposals tabled at the meeting. Confidentiality of information is also maintained throughout the procurement exercise.

Both the CBE and Integrity Pact emphasise the Company's intolerance of corrupt practices and discourage undesirable behaviour in the Group.

The Whistle-blower Policy is an initiative undertaken under TM's CBE, allowing TM Group employees to report concerns on alleged unethical behaviour, actual or suspected fraud within the Group. Increased awareness of the policy among stakeholders was noted during the year, evidenced by an increase in number of reports and improved quality of information resulting in positive actions taken against wrongdoers.

Details of the Corporate Integrity initiatives are stated on pages 167 to 169 of this annual report.

PROMOTING SUSTAINABILITY

TM continues to responsibly manage the economic, social and environmental aspects of its operations to ensure long-term viability of the Company's business. TM's sustainability objective focuses on organic growth by building business models that create enduring consumer and employee values.

TM's Annual Sustainability Report elaborates the Company's endeavours towards these aspects and also its Corporate Responsibility (CR) initiatives. The annual report highlights the financial aspects of the business and together with the Sustainability Report, provide a clear, comprehensive and transparent representation of the Company's performance annually.

The Sustainability Report is available to the public through the Company's official website.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Directors' Responsibility Statement

The Directors have also provided assurance that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year as required by the CA 1965.

The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 268 of this annual report. Details of the Company and the Group financial statements for the financial year ended 31 December 2013 are set out on pages 269 to 417 of this annual report.

Internal Controls

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

The Directors' Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is enumerated on pages 126 to 135 inclusive, of this annual report.

COMPLIANCE STATEMENT

Pursuant to Paragraph 15.25 of the Main LR, the Board is pleased to report that this Statement on Corporate Governance together with the Directors' Statement on Risk Management and Internal Control, BAC, NRC and BRC Reports provide the corporate governance practices of the Company with reference to the MCCG 2012. TM has fully applied the broad principles set out in the Code. The Board however continues to reserve several of MCCG 2012's Recommendations and Commentaries as it believes that these departures are justified and the statement above has rationalised the reasoning behind them. TM nevertheless will continue to strengthen its governance practices to safeguard the interests of all its stakeholders.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 27 February 2014.



DATO' SRI DR HALIM SHAFIE
Chairman

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

This Statement is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) which requires the Board of Directors of listed companies to include in their annual report, a "statement about the state of internal control of the listed issuer as a group". The revised Malaysian Code on Corporate Governance (2012) requires the Board to establish a sound risk management framework and internal control system. The Board of Directors is pleased to provide the following statement that has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Securities which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review.

RESPONSIBILITY AND ACCOUNTABILITY

The Board acknowledges its overall responsibility in the establishment and overseeing of the Group's risk management framework and internal control systems. The risk management framework and internal control systems are designed to manage the Group's risks within an acceptable risk appetite set by the Board and Management, rather than eliminate totally the risks of failure, to achieve goals and objectives of the Group. The Board also reviews from time to time the effectiveness, adequacy and integrity of the framework and systems. The Management is responsible for implementing the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal control to mitigate and control these risks.

The framework and systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can provide only reasonable and not absolute assurance against material financial misstatement or loss. There are two committees at the Board level that have primary risk management and internal control oversight responsibilities:

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

RISK MANAGEMENT FRAMEWORK

TM Group has in place an Enterprise Risk Management framework and processes for identifying, evaluating and managing significant risks faced by the Group based on MS ISO31000 standards. The responsibilities of the Board for the governance of risk and controls include:

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

In 2013, TM refined further its approach and methodology, continuously identifying assessing and mitigating the risks across the horizontal and vertical operation of the Group. Guided by documents and technical papers issued by TM Forum, TM has embedded the Telco Risk Universe consisting of a set of risks grouped into categories reflecting the common business operations of a communications company. With this approach, all strategic and operational risks in TM are consolidated and being proactively monitored and managed. Strong management of operational risk enhances operational effectiveness and culminates in the reduction of overall corporate risks.

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

- Financial management procedures and guidelines are clearly documented;
- Senior Management collectively reviews the Group's key risks and creates a Group risk register describing the risks, the residual risk rating, and the owners to execute and manage the risk mitigation strategies. This is reviewed by the Management Committee and subsequently

- by the Board Risk Committee before being reviewed and approved by the Board;
- The Group's Internal Auditors carry out continuing assessments on the quality of risk management and control, report to the Management and the Board Audit Committee on the status of specific areas identified for improvements; and
 - The Board Risk Committee, on behalf of the Board, considers the effectiveness of the risk management process in the Group during the financial year.

Further information on Risk Management is provided on pages 156 to 161 of the annual report.

INTERNAL CONTROL FRAMEWORK

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

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

THE BOARD

In evaluating the effectiveness of the risk oversight and internal controls of TM Group, the Board considers the business risks that have impacted or are likely to impact the Group's achievement of its objectives and strategies. The

Board also assesses the effectiveness of the risk management and internal control system in managing those risks that are in place through the BRC and BAC.

Board Risk Committee

The main role of the BRC is to assist the Board in ensuring a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance TM Group's ability to achieve its strategic objectives. The BRC will perform all the functions as necessary to fulfil its role as aforementioned including the following:

- Review the processes for establishing TM Group's long and short-term objectives and strategies, and appropriate considerations to risks have been given;
- Review the processes for determining and communicating the Company's risk appetite;
- Consider the significant risks faced by TM Group and assess how they have been identified, evaluated and managed;
- Review Management's processes for identifying, analysing, evaluating, and treating risks including communication of risk and control information across the business;
- Oversee the dissemination of the risk management plan throughout the Company and its integration into the day-to-day activities of the Company.
- Review the Management's reporting of risk to provide the Board sufficient visibility of risks across the organisation and assess the effectiveness of the systems of internal control in managing significant risks;
- Liaise closely with the BAC to exchange information relevant to risk; and
- Express to the Board its formal opinion on the effectiveness of the system and the process of risk management.

Board Audit Committee

The main role and responsibility of the BAC is to assess the adequacy and effectiveness of the Internal Control Framework and its implementation within TM Group which includes ensuring policy implementation and the adequacy of controls, and reviewing the integrity of internal control systems and management information systems. At the same time, BAC oversees the financial reporting of TM Group to ensure that it presents a true and fair view of the TM Group's financial position and performance and is in compliance with applicable

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

financial reporting standards and regulatory requirements. Other activities include :

- Review the processes implemented by the Management for monitoring risk management and internal control to provide reasonable assurance that they continue to operate as intended and are modified as business conditions or risks change;
- Assess whether the Management has taken the necessary actions promptly to remedy any significant failure or weaknesses, and whether the findings indicate the need for more extensive monitoring of the system of risk management and internal control;
- Consider whether early warning indicators are in place to alert Management on potential risk events and whether these indicators have been effectively communicated throughout TM Group; and
- Evaluate the probability of emerging risks and the need for appropriate controls.

During the annual assessment, the Board considered all issues that have been dealt with in all reports reviewed by the Board during the year together with any additional information necessary to ensure that it has taken into account all significant aspects of risks and internal control of TM Group for the year under review and up to the date of approval of the statement for inclusion in the annual report. The review steps that have been undertaken by the Board include whether:

- the changes in the nature and extent of significant risks since the last assessment and how TM Group has responded to changes in its business and the external environment;
- the effectiveness of TM Group's risk management and internal control system;
- the work of its internal audit and risk management units and other assurance providers, which include the external auditors;
- the extent and the adequacy of the frequency of the communication of the results of the monitoring to the Board;
- the incidence of significant control failure or weaknesses identified at any time during the period and their impact on TM's performance or financial, business or operational conditions.

The Board recognises that neither risk management nor internal control processes provide absolute assurance. The Board is of the view that the processes implemented and executed by the Management provide reasonable assurance that significant risks which impact TM's strategies and objectives for the year ended 31 December 2013 are within levels appropriate to TM Group's business and approved by the Board.

In making the statement above, assurance statements in writing were obtained from the Chief Executive Officer and the Chief Financial Officer certifying that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework and policies adopted by TM Group.

THE MANAGEMENT

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

The Management has implemented the necessary processes to:

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

INTERNAL AUDIT

TM has established an in-house independent internal audit function reporting to the BAC with the objective to provide an independent, objective assurance and consulting activity designed to add value and improve TM Group's operations. It helps TM Group to accomplish its objectives by bringing a

systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the financial year, the internal audit function provides continuous assessments that risks, which may hinder TM's ability from achieving its objectives, are being adequately evaluated, managed, monitored and mitigated. It further evaluates the effectiveness of the governance, risk management and internal control framework and facilitates enhancement. Where applicable, they provide recommendations to improve on the effectiveness of risk management, control and governance processes. Management will follow through and review the status of actions on recommendations made by the internal and external auditors. Audit reviews are carried out on units that are identified premised on a risk-based approach, in line with the Group's objectives and policies in the context of its evolving business and regulatory environment, taking into consideration input of the senior management and the Board.

Further information on the Internal Audit Function is provided on pages 152 to 153 of the annual report.

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

A. CONTROL ENVIRONMENT

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

Organisation Structure

- TM Group has a formal organisation structure with clearly defined lines of responsibility and authorities to facilitate quick response in the evolving business environment, effective supervision of day-to-day business

conduct and accountability for operation performance.

- The roles of Central Functions (Corporate Centres) have been strengthened to provide guidance related to specific core function strategies and governance related matters to the Lines of Business.

Assignment of Authority and Responsibility

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

Board and Audit Committees

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

Core Values

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

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Code of Business Ethics

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

Integrity Pledge

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

Procurement Ethics

- TM's Procurement Ethics was formally introduced in 2006, outlining the principles and specific requirements related to the procurement process. It supports the Procurement Red Book introduced by the Government and complements the TM Code of Business Ethics, which provides guidelines on dealing with employees, customers, business partners, competitors and other parties.

Integrity Pact

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

Strategic Themes and Objectives

- The Management continues to execute the Performance Improvements Programme (PIP3.0) which focuses on four strategic thrusts to support the achievement of the Group's key business objectives. They are:
 - Customer centricity and quality improvements;
 - One company mindset with execution orientation;
 - Operational excellence and capital productivity; and
 - Leadership through innovation and commercial excellence.

Management Control Policy Statement

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

Human Resources Policies and Procedures

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

Competency-Based Development Framework

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

B. RISK ASSESSMENT

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

Enterprise Risk Management (ERM)

- Risk management is firmly embedded in the Group's system of internal controls as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and, therefore, is integrated into the Group's governance, business processes and operations. It is an interactive process consisting of steps which, undertaken in sequence, enable continual improvement in decision-making. Employees' commitment to ERM is continuously emphasised and reinforced.

Control Self-Assessments (CSAs)

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

C. CONTROL ACTIVITIES

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

Business Policy & Governance (BPG)

- The Business Policy & Governance (BPG) was revised in 2013, replacing the Manual Process Perniagaan (MPP) that had been used from 1996 to 2013. BPG is a set of documents that outlines policies and governance in TM.
- BPG provides an overview of the Company's key business policies and governance across key functions in the organisation. It also identifies the key process owners of these functions and indicates the relevant processes and procedures that support the policies and governance.
- The Policy is applicable to all TM employees involved in the respective business processes and must be complied with in discharging responsibilities. The Policy shall be the initial point of reference by TM employees.

Procurement Policy

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

Credit Management Policy

- The Group continues to strengthen the execution and implementation of key controls as stipulated in the new Credit Management Policy that includes assignment of credit rating, collateral management, management of customer payment behaviour rating and tainting of customer with persistent bad payment trend. For Mass Market, the Group started to impose a credit limit per customer account for UniFi customers, to be followed for other telephony and broadband services.
- Strengthening of the Group's credit management policy provides the assurance that high-risk customers are duly identified and appropriate credit controls are executed to minimise credit and payment risk to the Group.

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Subsidiaries Policy

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

TM Corporate Security Policy

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

IT Governance Policy

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

Data Governance Policy and Framework

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

Annual Business Plans

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

Business Performance Management (BPM) Policy and Guidelines

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

TM Tender Evaluation Center (TMTEC)

- As part of the Group's continuous efforts to mitigate the risk of sensitive information leakage during tender evaluation exercise, TMTEC was established at Menara TM to centralise the evaluation and meeting room involving procurement activities. The location was equipped with enhanced physical and IT security system to detect and provide integrated audit trail for movement of tender documents and information within the centre.

Insurance and Physical Safeguards

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

Customer Service Transformation (CSX)

- Customer Service Transformation (CSX) is a three-year initiative (2013 – 2015) that comprises six key areas namely Contact Centre Transformation, Customer Service Management, Customer Service Governance, Collection Improvement, Driving Profit Efficiency and Transformational Enablers.
- In 2013, under the theme of 'Laying The Foundation', Contact Centre area focused on strengthening the foundation via improvements on TM100 and 1060's operating performance, Customer Service Governance emphasis on the establishment of baseline Customer Vendor Agreement (CVA) and Performance Consequence Management (PCM) ensure better customer service governance.

- In addition, Customer Service Management area is focused to enhance complaint operating model (via PULSE) with execution of enhancing the end state of Complaint Management Framework (CMF), improving State Operational Efficiency (SOE) and implementing service crisis communication. Initiatives embarked under Credit Management Improvement area will be to strengthen the process via development of credit management best practice and collection process standardisation.

TOP+: The Next Wave of Lean Transformation

- IT&NT launched the second wave of the lean transformation in 2013, aptly named TOP+. The second wave is aimed to build on the success of the first lean transformation wave. TOP+ will be implemented in phases from 2013-2015 to further drive Workforce Effectiveness & Efficiency, as well as deliver exceptional Customer Experience on both Mass Market & Managed Service delivery.
- Among the initial achievements of TOP+ are improvement of 'First Fix Right' for Mass Market Assurance between 4-13%, improvement in Installation Cycle Time between 6-20% and 15-20% productivity uplift in the value streams that have been transformed in 2013. Key achievements include improvement on the customer satisfaction index on Service Fulfillment and Assurance for premium broadband SME customers by one and seven index points respectively.

Business Continuity Management (BCM) Programme

- TM Group continues to enhance the Business Continuity Management Programme in ensuring that we are able to continue providing communication services following unplanned or man-made crises or disasters. The Management has given commitment to enhance the service reliability and resilience via improved coverage of the Network & IT Operation BCM, reviewing the BCM programme for all TM Call Centres and establishing BCM programme for the corporate office.

Corporate Responsibility (CR)

- The Group has adopted the guidelines for government-linked companies (GLCs) as contained in the Silver Book – Achieving Value Through Social Responsibility in

formulating its CR strategy, which focuses on sustainability – sustaining customer retention; sustaining a high level of productivity and motivation among employees; sustaining shareholder confidence and sustaining its reputation in the marketplace.

- It also adopts Bursa Malaysia's CSR Framework for Private Limited Companies (PLCs) and Global Reporting Initiative (GRI-G3) framework as additional guidelines for giving a concise and comprehensive view of TM's performance in managing its CR activities and initiatives.

D. INFORMATION AND COMMUNICATION

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

Communication Policy

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

Recording to Reporting Framework (R2R)

- The Recording & Framework Programme is a non-compliance reporting framework adopted by Group Finance to instill and enforce behavioural change across the organisation to enhance the quality and integrity of the recording to reporting process.
- The objective of this framework is to have a mechanism for identifying and capturing non-compliance incidents that have an impact on the recording and reporting quality and at the same time promote awareness of compliance and increase Senior Management's accountability. Reporting of non-compliance incidents is crucial to alert TM's Management to root causes of

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

weaknesses, to prevent recurrences and to enable the Management to present quality and timely reports for faster and more accurate decision support.

Best Practice Committee

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

Internal Control Incident (ICI) Reporting

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

Whistle-Blowing Policy

- The Board of Directors has established a process which enables employees to anonymously report violations in accounting, reporting or internal controls, as well as compliance with the TM Group's Code of Business Ethics, called 'Talian Etika'.
- TM Group's whistle-blowing channels are based on a user-friendly dedicated confidential telephone line and email account or directly to any of the identified Senior Management including the Group CEO, TM Group continuously conducts a series of actions to educate and increase the awareness to employees to use this channel for reporting any wrong doing and incidences.

E. MONITORING

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

Management Committees

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

Audit and Business Assurance Committee

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

Performance Management Framework

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

Periodic Self-Assessments

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

Headline Key Performance Indicators (KPIs)

- These Headline KPIs are a subset of broader performance indicators approved by the Board. The Board agreed in year 2013 on three KPIs taken from TM Group's Corporate Scorecard to be reported as Headline KPIs, ie revenue growth, EBIT growth and the TRI*M Index.

Group Internal Audit

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

Special Affairs Unit

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

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurance from the Group Chief Executive Officer and Group Chief Finance Officer, that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review. Taking into consideration the assurance from the Management Team and input from the relevant assurance providers, the Board is of the view that the system of risk management and internal control is satisfactory and is adequate to safeguard shareholders' investments, customers' interest and Group assets and has not resulted in any material loss, contingency or uncertainty.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. This was performed in accordance with Recommended Practice Guide [RPG] 5 (Revised) issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the risk management and internal control of the Group. RPG 5 does not require the external auditors to, and they did not, consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

NOMINATION & REMUNERATION COMMITTEE REPORT



MEMBERSHIP

Clockwise from left:

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Chairman

Non-Independent Non-Executive Director

DATO' DANAPALAN T.P VINGGRASALAM

Member

Senior Independent Non-Executive Director

DATO' IR ABDUL RAHIM ABU BAKAR

Member

Independent Non-Executive Director

DATUK ZALEKHA HASSAN

Member

Independent Non-Executive Director

[Appointed on 27 June 2013]

IBRAHIM MARSIDI

Member

Independent Non-Executive Director

TM's Nomination Committee and Remuneration Committee are combined for the purpose of expediency, as the same members are entrusted with the functions for both the Nomination and Remuneration Committees. Members of the NRC are mindful of their dual roles, which are clearly reflected and demarcated in the agendas of each meeting. The duties and responsibilities of the respective nomination and remuneration functions are also comprehensively defined in TM's Board Charter (Board Charter).

The NRC comprises exclusively Non-Executive Directors (NEDs), with 80% of its members being independent. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin continues to helm the NRC as, based on the Board Effectiveness Evaluation (BEE), the Board acknowledged that the NRC has performed effectively under his chairmanship. His dynamic personality, strong views, as well as forthright delivery before the committee, coupled with the support of his fellow committee members, have contributed to the effectiveness of the NRC.

- Ensure Directors appointed to the Board adhere to all relevant rules and regulations inclusive of the Companies Act, 1965 (CA 1965) and Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities).
- Assist the Board to review annually the appropriate balance and size of the NEDs and their participation; and to establish procedures for an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.
- When a vacancy exists or when it is considered that the Board would benefit from the services of a new Executive Director (ED) or NED with particular skills, the NRC may select candidates with the appropriate expertise and experience as new ED or NEDs. The NRC may use the services of a professional recruitment firm and make its recommendations on the candidates to the Board for approval.
- The same applies to potential candidates identified by the Special Shareholder.
- Ensure the Board takes into account the need for openness and transparency in developing Board appointment procedures and making its recommendations to the Board.
- Annually assess the Independent Directors, going beyond their background, economic and family relationships to determine whether they can continue to bring independent and objective judgment to the Board.

(ii) Principal Duties and Responsibilities

- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness.
- Review annually the Board's required mix of skills and experience and other qualities, including core competencies which NEDs should bring to the Board and disclose the same in the annual report.

- Recommend and review suitable orientation, induction, educational and training programmes to continuously train and equip existing and new Directors.
- Review, consider and approve the appointment, upgrade and promotion of the EDs with power to re-appoint, remove or dismiss based on the terms and conditions of the employment contract.
- Recommend to the Board candidates for directorship in the Company and Group.
- Review the Board structure and balance of appointments between EDs and NEDs and recommend to the Board any changes thereto.
- Review the adequacy of the structure, size and composition of Board Committees and recommend to the Board any changes thereto.
- Ensure periodic reviews of the ToRs of all Board Committees.
- Review and consider the recommendations of the Group CEO in the appointment, upgrade and promotion of pivotal positions, as well as the Company Secretary.

b) Remuneration:

(i) Key functions

- Set the policy framework and make recommendations to the Board on all elements of the remuneration package including terms of employment, reward structure and benefits for EDs and pivotal positions with the aim of attracting, retaining and motivating individuals of the highest quality.
- Recommend the remuneration and entitlements of the NEDs including the Non-Executive Chairman, for the decision of the Board as a whole.

NOMINATION & REMUNERATION COMMITTEE REPORT

NRC Chairman was selected based on agreed processes taking into consideration the skills and experiences required. Being a nominee representing a Government Linked Investment Company on the Committee, he is able to ensure alignment in the evaluation of existing Directors and selection of new Directors with the Company's requirements. As the Board is also required to endorse the final decisions of the NRC, proper checks and balances in the decision-making process are in place.

During the year, NRC membership was increased to five with the appointment of Datuk Zalekha Hassan. NRC opined that her years of experience in various government departments equipped her to deal with human capital matters and be able to impart invaluable opinions that would further enrich the Committee's perspective and discussion.

MEETINGS AND ATTENDANCE

NRC convened nine meetings during the financial year 2013. Matters that sought NRC's urgent decisions were circulated to the members via Circular Resolutions together with the proposals containing relevant information for NRC's consideration. Four NRC Circular Resolutions were circulated and approved during the year.

Details of the members' attendance are as follows:

NRC Member	Number of NRC Meetings	
	Attended/ Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	9/9	100.0
Dato' Danapalan T.P Vinggrasalam	9/9	100.0
Dato' Ir Abdul Rahim Abu Bakar	7/9	77.80
Ibrahim Marsidi	9/9	100.0
Datuk Zalekha Hassan	4/4	100.0
<i>[Appointed on 27 June 2013]</i>		

SUMMARY OF THE TERMS OF REFERENCE (ToR) OF NRC

The NRC is governed by its own ToR. In 2013, the ToR underwent its first review as per the recommendations stipulated in the Malaysian Code on Corporate Governance (MCCG 2012). In tandem with the introduction of the Board Charter, NRC's ToR was incorporated therein.

NRC's ToR was further reviewed and updated in January 2014 to ensure operational efficiency and consistency across all TM Board Committees and to reflect relevant changes in regulations and internal policies. The revised ToR has been integrated in the Board Charter and is accessible on the Company's official website at www.tm.com.my.

In carrying out its duties and responsibilities, NRC has the following authority:

- Full, free and unrestricted access to TM's records, properties and personnel
- Report its recommendations to the Board for consideration and approval
- Acquire the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary
- Seek the advice of external consultants on the appropriateness of remuneration packages and other employment conditions, if required

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

- Nomination:
 - Key functions
 - Ensure that Directors bring characteristics to the Board which meet the required mix of responsibilities, skills and experience.
 - Support the Board in promoting boardroom diversity, in terms of experience, skills, competencies, race, gender, culture and nationality to enable the Company to maximise business and governance performance.

(ii) Principal Duties and Responsibilities

- Set, review, recommend and advise on the policy framework on all elements of the remuneration such as the reward structure, fringe benefits and other terms of employment of EDs, and pivotal positions having regard to the overall Group policy guidelines and framework, aligned with the business strategy and long-term objectives of the Company.
- Advise the Board on the performance of the EDs and assess their entitlement to performance-related pay, and advise the Group CEO on the remuneration and terms and conditions of employment of the Senior Management.
- Represent the public interest and avoid any inappropriate use of public funds when considering severance payments for senior staff. NRC should also exercise care to avoid determining a severance package that the public might deem to be excessive.
- Review the proposals for the remuneration package of each of the Company's Board Committees.
- Establish and recommend a formal and transparent procedure to develop a policy on the remuneration of the Non-Executive Chairman, NEDs and Board Committees, which recommendation shall be decided by the Board of Directors as a whole.

Board Diversity

Bringing together a diverse range of skills and experience is an important aspect of good governance and a pre-requisite for a constructive and challenging Board.

In respect of gender diversity, the Board acknowledges the need to further enhance its diversity as it is critical to the efficient functioning of the Board. Diversity is not limited only to gender, but encompasses ethnicity/race, nationality, religious beliefs, cultural or socio-economic backgrounds,

and age. The Board believes the existing appointment process of new members is already guided by the skills-set, experience, competency and knowledge of the individual candidate with gender diversity forming a vital consideration in the selection of potential candidates.

In support of the Government's initiatives to achieve 30% women participation at the Board level in the country, TM has selected four women in Senior Management to undergo training with the NAM Institute of Women Empowerment (NIEW) under the Ministry of Women, Family and Community Development. They are already serving as Directors on Boards of TM's subsidiaries, hence proving the Company's commitment to increasing women participation on the Board of TM Group.

As at 31 December 2013, there were three women Directors on the Board of TM, namely a Non-Independent Non-Executive (NINE) Director, an Independent Non-Executive Director (INED) and a NINE Alternate Director.

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

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

- (i) recruit from a diverse pool of candidates for the position of Director;
- (ii) review succession plans to ensure an appropriate focus on diversity;
- (iii) identify specific factors to be considered in the recruitment and selection processes to encourage diversity; and
- (iv) develop programmes for a broader pool of skilled and experienced Board candidates.

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

NOMINATION & REMUNERATION COMMITTEE REPORT

Board Appointment Process

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

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

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

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

During the year, upon the evaluation and recommendation by NRC, the Board approved the appointments of Dato' Fauziah Yaacob and Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor as Directors of the Company on 4 March and 7 October, respectively.

Directors' Retirement, Re-Appointment and Re-Election

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

The Directors recommended to be re-appointed or re-elected at the AGM are subject to prior assessment by the NRC and the affected Directors are required to give their consent on their re-appointment and re-election prior to TM Board meeting. In assessing the candidates, NRC takes into consideration the attributes, competencies, commitment,

personality and quality, contribution and performance of the Directors based on the BEE. Assessment is made on the Board's structure and balance as well as the concerned Directors' independence. NRC's recommendations are thereafter submitted to the Board and shareholders for approval.

Pursuant to Section 129(6) of the CA 1965, Dato' Danapalan T.P Vinggrasalam, TM's Senior Independent Non-Executive Director (SID), who will attain the age of 71 years in March 2014, shall retire at the forthcoming 29th AGM and his re-appointment is subject to the approval of not less than three-fourths of the shareholders attending the AGM. If appointed, Dato' Danapalan shall hold office until the next AGM of the Company and henceforth his re-appointment shall be decided at every AGM. He continues to be committed to TM and has provided invaluable contributions and insightful views at the Board and respective Board committees. Since his re-appointment as Director at the 28th AGM, Dato' Danapalan has been appointed the Chairman of BAC, filling the vacancy by the former BAC Chairman who resigned as Director of TM. He was also recently appointed a member of the Board Investment Committee (BIC). These appointments demonstrate his fellow members' regard for his contributions and leadership. Together with his proven track record in leadership and management skills from his years in the Government as well as a former regulator, Dato' Danapalan is recommended by NRC and Board for re-appointment as a Director of the Company. He is also committed to his responsibility as a SID, a channel for stakeholders to air their concerns to the Company.

Datuk Seri Fateh Iskandar, who was newly appointed as an INED, shall retire pursuant to Article 98(2) of the Company's AA. During his short stint, Datuk Seri Fateh Iskandar has demonstrated his business acumen, astuteness, knowledge, experience and good judgement. Coming from a different business discipline, he is able to provide different views and fresh business perspective for the Board allowing the NRC to rely on its justifications in selecting and nominating Datuk Seri Fateh Iskandar in October 2013. The NRC and the Board have recommended that he be re-elected as a Director of the Company.

Pursuant to Article 103 of AA, three Directors who have been longest in the office since their last re-election are to retire at the forthcoming 29th AGM and they have provided their consent to be re-elected for the ensuing year.

Dato' Sri Dr Halim Shafie, the Chairman of TM, is recommended for re-election by the NRC and Board. With his extensive experience gained from his years in the Government sector, he is well versed in dealings with regulators and government officials. Dato' Sri Dr Halim is inquisitive, intuitive, familiar with all facets of the telecommunications industry and his knowledge and insights into the business are highly respected. He conducts himself well as Chairman of the Company both during the Board and general meetings. He is able to provide astute inputs, effectively encourages participation and opinions from Management and other Board members and summarises the deliberations for ease of understanding. Dato' Sri Dr Halim is also conscientious about the Company's good governance practices, especially on ethics and integrity, and thoroughly supports the Company's sustainability initiatives. He is highly regarded by the Board, Management, employees and stakeholders alike.

Tan Sri Dato' Sri Zamzamzairani Mohd Isa, the MD/Group CEO, is highly recommended for re-election by the NRC and Board. His business acumen, strategic thinking, tireless efforts and exemplary dedication are key ingredients to TM's achievements so far. Under his leadership, TM has performed exceptionally well with revenue growth exceeding 9% in 2013, which is the highest amongst telcos, consistently high returns to shareholders and continuous improvements in the customer satisfaction index. He was also instrumental in the success of the roll-out of the High Speed Broadband (HSBB) in 2010. His vision, continued guidance and outstanding leadership are critical as TM moves towards its aspiration of being the leading new generation communications provider and an Innovation Exchange.

David Benello's contributions provide the Board with alternative views and global perspectives on the business. His experience in consulting for the telecommunications, technology and media industries in Europe, US and Asia are highly in tune with the Company's direction and strategy. He is observant, progressive and his ideas and views are respected by his peers. His background and international

experiences have also added depth to the Company's aim for diversity in Board members. The Board and NRC also acknowledge David's commitment and his invaluable contributions to the Company and recommend his re-election.

The five abovenamed Directors who are due for re-appointment and re-election at the forthcoming AGM, as evaluated by the NRC and approved by the Board, have met the Board's expectations and continued to perform in an exemplary manner as demonstrated by their contributions to the Board's deliberations. Hence, the Board has recommended them for re-appointment and re-election. The Directors have also consented to their proposed re-appointment and re-election.

Particulars of Directors standing for re-appointment and re-election are stated in the Statement Accompanying the Notice of TM's 29th AGM.

SUMMARY OF PRINCIPAL ACTIVITIES OF THE NRC IN THE FINANCIAL YEAR

NRC members have undertaken their responsibilities diligently and efficiently. During the year, the NRC performed a number of key activities, as listed below:

a) Nomination Function

Considered and made recommendations to the Board on the following matters:

- Re-appointment and re-election of Directors at the 28th AGM
- Changes to the MoF Inc's nominee Director and Alternate Director
- Nomination of a new INED on TM Board
- Appointment of Directors and Alternate Directors on the Board of major operating companies
- Assessment and review of composition of all TM Board Committees
- Assessment of independence status of the INEDs
- Establishment of a Board Sub-Committee to facilitate investigation of TM's employees who had allegedly breached their employment terms and conditions, and disbandment upon conclusion of the issue

NOMINATION & REMUNERATION COMMITTEE REPORT

- Assessment of the impact of the Minimum Retirement Age Act 2012 (MRA 2012) on the Senior and Top Management on Fixed-Term Contract and the required action plans

b) Remuneration Function

Considered and made recommendations to the Board on the following matters:

- Proposed increase in fees for NEDs and introduction of a new fee for SID effective from the financial year 2012
- Review and enhance TM Board's Remuneration and Benefits Policy, including inter alia, implementation of per diem allowance for foreign director
- Review TM's Subsidiaries Board Remuneration Framework
- 2012 performance evaluation of the EDs, Senior Management in pivotal positions as well as the Company Secretary against pre-set targets
- Board Merit Award 2012 for Group CEO
- Implementation of the Long-Term Incentive Plan for EDs and Senior Management members

The Company's remuneration and benefits policy has been periodically revised to ensure its competitiveness with the market. The Directors' fees were last reviewed, after a gap of five years, and approved by the shareholders at the 28th AGM in 2013. These revisions are essential to compensate the NEDs for their expertise and contributions in view of the complexity of the industry and increased responsibilities. NRC also ensures that the remuneration package is reviewed annually in order to attract competent and talented Directors to the Board.

c) Board Matters

- Considered and made recommendations to the Board on the implementation and scope of the BEE assessment for 2012
- Monitored closely the status of Directors' training at each NRC meeting

- Monitored closely observance of the minimum attendance requirement at Board and committee meetings held during the financial year
- Established the Board Charter and implemented annual review and updates

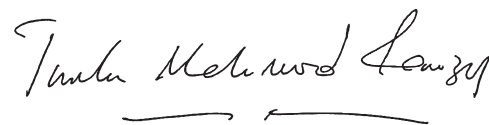
NRC has evaluated and confirmed that the minimum 50% attendance requirement at Board meetings imposed by the Main LR has been met. It was also noted that all TM Directors had complied with the minimum 50% attendance requirement at committee meetings per the Board Charter, save for Datuk Seri Fateh Iskandar. NRC noted that his absence was inevitable due to urgent requirements which coincided with prior commitments and agreed that, based on his strong commitment and contributions to TM Board and the Management since his appointment as TM Director in October 2013, he is to continue as a member of BIC.

TRAINING

During the year, NRC members attended various conferences, seminars and training programmes to enable them to efficiently discharge their duties as Directors of the Company and further improve their technical competencies in their respective fields of expertise. Details of the training that they attended are included in the Statement on Corporate Governance on pages 119 to 121 inclusive, of this annual report.

Results of the 2013 BEE reveal that NRC members were able to maintain a high level of technical competencies.

This NRC Report has been made in accordance with the resolution of the Board of Directors duly passed on 27 February 2014.



TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN
Chairman of NRC

AUDIT COMMITTEE REPORT



MEMBERSHIP

Clockwise from top left:

DATO' DANAPALAN T.P VINGGRASALAM

Chairman

*Senior Independent Non-Executive Director
[Appointed as Chairman on 30 September 2013]*

IBRAHIM MARSIDI

Member

Independent Non-Executive Director

DATUK ZALEKHA HASSAN

Member

*Independent Non-Executive Director
[Appointed on 31 October 2013]*

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Member

Non-Independent Non-Executive Director

Quah Poh Keat

*[Resigned as Independent Non-Executive Director and
BAC Chairman on 30 September 2013]*

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

During the year, the membership of BAC underwent a few changes and announcements on the same were made to Bursa Securities accordingly.

AUDIT COMMITTEE REPORT

Quah Poh Keat, who was the Chairman of BAC since 25 April 2008, resigned as Director of TM on 30 September 2013 to assume a full-time key executive position in another organisation. He concurrently ceased to act as TM BAC Chairman on the same date. BAC and TM Board agreed to appoint Dato' Danapalan T.P Vinggrasalam, a current member and TM's Senior Independent Non-Executive Director (SID), as the new BAC Chairman with effect from 30 September 2013.

In view of the changes in TM Board, the Nomination and Remuneration Committee (NRC) and TM Board agreed to review the composition of all TM Board Committees, including BAC, taking into account their performance. The Board on 31 October 2013 approved the appointment of Datuk Zalekha Hassan, one of TM's INEDs, as the fourth BAC member. Datuk Zalekha was previously a TM BAC member from 31 January 2008 to 6 May 2008 and has the required experience, is of sound judgement and objectivity, and is financially literate.

BAC previously had two members fulfilling the requisite qualifications under Paragraph 15.09(1)(c) of the Main LR of Bursa Securities. Quah Poh Keat, the former BAC Chairman, was a member of the Malaysian Institute of Accountants (MIA) and fulfilled the requirement of paragraph 15.09(1)(c)(i) whilst Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is a member of the Institute of Public Accountants, Australia and fulfilled the requirement of Paragraphs 15.09(1)(c)(iii) and 7.1(a)(ii) of Practice Note 13 of the Main LR. With the resignation of Quah Poh Keat, Tunku Dato' Mahmood Fawzy continues to satisfy the Main LR's requirement.

The annual review of BAC's composition and performance, including members' tenure, performance and effectiveness as well as their accountability and responsibilities were duly assessed via the Board Effectiveness Evaluation (BEE).

Based on BEE 2013 findings, TM Board agreed that BAC has consistently achieved strong performance over the years and the four BAC members, as indicated in their profiles illustrated on pages 89 to 91 inclusive of this annual report, have sound judgement, objectivity, independent attitude, management experience, professionalism, integrity, knowledge of the industry and are financially literate. They

have discharged their duties and responsibilities with excellence and hence thereto, TM Board agreed to maintain the existing composition of BAC.

MEETINGS AND ATTENDANCE

BAC held nine meetings during the financial year 2013, four to discuss the quarterly results and the remaining five meetings were held for other management related matters including internal and external audit matters.

Other than special meetings held to deliberate urgent and unplanned matters, BAC meetings for the whole financial year 2013 were pre-arranged in October 2012 and communicated to the members early to ensure their time commitment.

Details of the members' attendance are as follows:

BAC Member	Number of BAC Meetings	
	Attended/ Held	%
Dato' Danapalan T.P Vinggrasalam	9/9	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	9/9	100.0
Datuk Zalekha Hassan (Appointed on 31 October 2013)	1/1	100.0
Ibrahim Marsidi	9/9	100.0
Quah Poh Keat (Resigned on 30 September 2013)	7/7	100.0

During the financial year 2013, all BAC meetings were conducted with attendance of the requisite quorum as stipulated in BAC ToR where a majority of the members were Independent Directors.

The Company Secretaries act as BAC Secretary in all BAC meetings. BAC meetings were also attended by the Group CEO, Group CFO, Chief Internal Auditor (CIA) together with other members of the Senior Management and the external auditors, upon invitation, to brief BAC on pertinent issues.

BAC also had two private sessions with the external auditors without the Management's presence.

Minutes of BAC meetings were circulated to all members and extracts of the decisions made by BAC were escalated to relevant process owners for action. Significant matters reserved for the Board's approval were tabled at TM Board meetings. The Chairman of BAC provided a report, highlighting significant points of the decisions and recommendations made by BAC to TM Board.

SUMMARY OF THE TERMS OF REFERENCE (ToR) OF BAC

The ToR of BAC continues to remain aligned with the Main LR, recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and relevant best practices. It has also been reviewed against best practices identified in the new Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition), issued by Bursa Securities on 2 October 2013.

The ToR of BAC incorporates recommendations introduced in MCCG 2012, primarily the policies and procedure on assessment of the suitability and independence of the external auditors. BAC has formalised the requirement for written assurance from the external auditors confirming their independence and set guidelines on engagement of the external auditors for non-audit work.

The ToR establishing the powers, duties and responsibilities of BAC has been incorporated in the Board Charter which is accessible on the Company's official website at www.tm.com.my. The Board Charter is reviewed to ensure enhancement of processes and procedures and alignment to any new requirements and regulations.

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

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

AUDIT COMMITTEE REPORT

SUMMARY OF PRINCIPAL ACTIVITIES OF BAC IN THE FINANCIAL YEAR

BAC meetings were segregated for discussion and consideration of quarterly results and other matters of internal and external audit issues. This segregation ensured organised planning that allowed members to have sufficient time allocated to thoroughly deliberate on each audit issue.

Throughout the year 2013, BAC also executed various strategies and actions to effectively discharge its duties and responsibilities. Summary of the principal activities performed during the financial year is as follows:

1. Internal Control

- a) Reviewed the Directors' Statement on Risk Management and Internal Control (DSRMIC), which was reviewed by the external auditor in February 2013 for inclusion in the 2012 Annual Report. The DSRMIC was supported by the 2012 Special Review on TM Internal Control Health Check for 2012, Internal Control Incident for 2012 and Group CEO and Group CFO Assurance Statement on Effectiveness of Risk Management and Internal Control. Based on these, BAC concluded that the DSRMIC presented a true and fair view of the Company's state of internal control.
- b) Reviewed the quarterly reports on the adequacy, effectiveness and reliability of internal control systems based on controlled self-assessments performed annually by Management of the Lines of Business and subsidiaries. These issues were discussed at length to secure satisfactory conclusions on actions moving forward.
- c) Reviewed major policy updates and revision on the Limits of Authority Matrix and enhancements to the procurement process in the Business Process Manual as recommended by the Management to ascertain that the improvements made were aligned with business best practices and effective internal control processes. These were then recommended for TM Board's approval.

- d) Deliberated on the quarterly reports from the Audit and Business Assurance Committee (ABAC), a sub-management committee headed by the Group CFO, on actions taken by Management to resolve significant internal control and accounting issues highlighted by the internal and external auditors.
- e) Deliberated on the following reports from the Best Practices Committee (BPC):
 - Updates and developments of Corporate Governance and best business practices, statutory and regulatory requirements, compliance with accounting standards and other business guidelines.
 - Updates on any material litigations and their financial impact.
 - Review on any RPTs or recurrent related party transactions (RRPT) during each quarter.

2. Financial Reporting

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

- a) Quarterly Audited and Unaudited Financial Statements of TM Group in compliance with Malaysian Financial Reporting Standards (MFRS) 134 and the Main LR.
 - BAC deliberated on the Company's quarterly financial statements on 22 February, 23 May, 26 August and 22 November 2013 for the financial quarters of 4Q2012, 1Q2013, 2Q2013 and 3Q2013 respectively and concluded that the reports presented a true and fair view of the Company's financial performance.
 - Internal audit review to assure compliance on MFRS 134 was conducted on a quarterly basis.
 - BAC also reviewed the draft announcements of the Audited and Unaudited Financial Statements to Bursa Securities, to ensure compliance with regulatory requirements.

- Impact due to changes in accounting policies involving the new MFRS was discussed at length by BAC.
 - Review was also conducted on the impact of MFRS 10, 11 and 12 for the financial year 2013.
- b) Audited Financial Statements of TM Group for the financial year ended 31 December 2012 in compliance with regulatory requirements.
- BAC reviewed the Audited Financial Statements in February 2013 and concluded that the financial reports presented a true and fair view of the Company's financial performance for the year.
- c) Proposed Dividend Payment for the financial year.

3. External Audit

- a) Reviewed the external auditor's report on final audit report for the financial year ended 31 December 2012 and DSRMIC in February 2013 before recommending to TM Board for approval.
- b) Reviewed the Internal Control Memorandum, together with Management's response to the findings of the external auditor before recommending to TM Board for approval. The interim findings were presented in November 2012 while the 2012 Internal Control Memorandum was tabled in April 2013.
- c) Reviewed the 2013 external auditors' audit plan for TM Group, encompassing the proposed audit year's work blueprint, nature and scope of the audit and engagement strategy in August 2013 prior to its implementation. The review also included an audit on the IT systems that directly implicate the information in the financial statements.
- d) Reviewed the terms of engagement of the external auditor for the 2013 statutory audit and DSRMIC, upon confirmation of its independence and objectivity, in August 2013, prior to tabling for TM Board's approval. Most of the external auditor's engagements for TM Group audits were supervised

and processed under the Group's umbrella to streamline the terms of engagement for TM Group.

During the year, BAC also reviewed the terms of engagement for the extended audit scope recommended by the MIA.

- e) Reviewed the overall performance of the external auditor and, upon satisfactory assessment, recommended the fee payable in respect of the scope of work performed for TM Board's approval.
- f) Reviewed the assessment and analysis of the effectiveness of the external auditor as auditors of TM Group. Assessments were conducted by relevant Management members and BAC on the experience and opinions of the firm, lead audit engagement partner, audit team and engagement quality reviewer.
- g) Reviewed the 2013 Interim Audit Committee Report in November 2013.
- h) Reviewed and approved the non-audit services provided by the external auditor while ensuring there was no impairment of independence or objectivity. This included monitoring the fee of the total non-audit work carried out by the external auditor so as not to jeopardise the external auditor's independent status.

In the financial year 2013, the Company engaged the external auditor on several occasions for non-audit work. These engagements underwent the relevant procurement processes and procedures and were reviewed thoroughly by BAC. Approvals were only given upon satisfaction of Management's justification for the engagement and BAC's assurance on the continuous independence of the external auditor.

- i) BAC also diligently exercised its right to hold the biannual meetings with the external auditor without the Management's presence on two separate occasions, on 22 February and 26 August 2013. These sessions were held to ensure the external

AUDIT COMMITTEE REPORT

auditor was not restricted in its scope of audit and to enable matters to be discussed openly without the Management's presence.

- j) BAC's Chairman, the CIA and external auditor also held several private sessions without the Management's presence prior to BAC meetings.

These private sessions, while enabling BAC to gain better clarification on issues relating to audit, also helped to reinforce independence of the internal and external audit functions of the Company.

4. Internal Audit

- a) Reviewed and approved the GIA's Annual Audit Plan to ensure adequate scope and comprehensive coverage of activities of the Group and any review thereof. Internal audit plan was presented and discussed at BAC in November 2012 and a review was made in July 2013.
- b) Reviewed the Key Performance Indicators (KPIs), competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties. The Statement on Internal Audit is set out in pages 150 to 153 of this annual report.
- c) Informed on the organisation structure of GIA and ToR.
- d) Reviewed the 2012 KPIs and performance of GIA and CIA in 1Q2013.
- e) Deliberated on the internal audit reports, audit recommendations and Management's response to these recommendations. Where appropriate, BAC instructed Management to rectify and improve control procedures based on GIA's recommendations and suggestions for improvement. The detailed reports and findings of the GIA were provided to BAC members as and when the audit was completed and analysis made. Summaries of major findings were presented and deliberated at BAC's interval meetings.

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

5. RPTs and Conflicts of Interest

- a) Reviewed reports of RPT and possible conflict of interest transactions in ensuring they were in the best interest of TM, fair and reasonable, on normal commercial terms and free of conflict. BAC deliberated on the nature of the transactions and that proper disclosures were made in accordance with the Main LR prior to its recommendation to the Board. Announcements were made based on the findings after the review from BAC.
- b) Periodically reviewed the RRPT to ensure they were at arm's length and duly tracked against their mandated amount.
- c) Reviewed the estimated RRPT Mandate for the ensuing year and recommended TM Board to seek the shareholders' mandate at the general meeting of the Company.

6. Integrity and Ethical Matters

- a) Deliberated on reports in relation to Internal Control Incident, Investigations and Domestic Inquiries conducted. BAC provided input and/or directives on the next course of action on the issues highlighted and was updated on the progress of the cases from time to time by the Special Affairs Unit until the issues were concluded.
- b) Deliberated on major cases of internal and external misconduct that breach the Group's Code of Business Ethics, Integrity Pact and whistle-blower programme.

7. Annual Reporting

Reviewed disclosures on Statements on Corporate Governance, Risk Management and Internal Control, Internal Audit, Investor Relations, Additional Compliance, and reports on the Audit Committee and Corporate Integrity for the financial year ended 31 December 2012 for inclusion in the Annual Report 2012 and recommended for their adoption by the Board.

8. Others

- a) Updated selected project review reports and ensured their progress as per agreed timelines.
- b) Updated annually on TM Group procurement performance.

TRAINING

During the year, BAC members attended various conferences, seminars and training programmes to enhance their knowledge in order to efficiently discharge their duties as Directors of the Company as well as to improve their technical competencies in their respective fields of expertise. Details of training sessions attended are included in the Statement on Corporate Governance on pages 119 to 121 inclusive, of this annual report.

The 2013 BEE showed that BAC members were able to maintain a high level of technical competencies and generally keep themselves abreast with changes and updates in technical knowledge.

This BAC Report is made in accordance with the resolution of the Board of Directors duly passed on 27 February 2014.



DATO' DANAPALAN T.P VINGGRASALAM

Chairman of BAC

STATEMENT ON INTERNAL AUDIT

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

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

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

PRACTICES AND FRAMEWORK

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

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

INDEPENDENCE AND OBJECTIVITY

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

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

SCOPE AND COVERAGE

Group Internal Audit practises adaptive auditing and a robust audit planning which provides the flexibility needed to address emerging current risks as well as potential future risks. This enhances the ability of GIA to focus its resources and skills in ensuring alignment with business strategy and goals, thus maintaining relevance and driving continuous improvements within the Group. The scope of audit engagements is also aligned with the primary risks of the organisation and its key strategic initiatives. Identified key audit areas in 2013, in line with COSO broad objectives are as follows:

1. Effectiveness and Efficiency of Operations

a) Procurement

- Review of the Effectiveness of Procurement Process under SRM Environment
- Review of Tender Process
- Review of 1Gov*Net Project Management
- Review of Subsidiary Companies Procurement Process

b) Sales and Marketing

- Review of End-to- End Customer Experience at TM Point
- Review of TM SME Retention and Loyalty Management
- Review of Sales Process and Account Management
- Review of VADS Business Process Outsourcing (BPO)
- Review of Global Product Development
- Review of Product Life Cycle Management
- Review of Customer Complaint Management

c) Financial Management

- Review of End-to-End Capital Expenditure (CAPEX) Management

- Review of Revenue Assurance
- Review of Subsidiaries Business and Operations
- Review of Credit Management
- Review of Treasury Management
- Review of Credit Limit Implementation

d) Network

- Review of Network Exchange Facility at Selected States
- Review of Contract Management for Network Operation Centre (NOC)
- Review of Service Configuration/Fulfilment Management
- Review of UniFi Installation Contractor Claim Process
- Review of Outside Line Plant Maintenance and Restoration
- Post Implementation Review of Internet Protocol Service Controller (IPSC) Implementation
- Post Implementation Review of Regional Network Operation (RNO) Internet Protocol (IP) Readiness
- Post Implementation Review of Copper Cable Management

e) Information Technology

- Review of New Payment Collection System
- Review of Meter Management
- Review of Major IT Projects
- Review of TM Intranet (Corporate Network)
- Review of GEMS-Human Capital Management (HCM) Module Authorisation
- Review of Supplier Relationship Management (SRM) System Controls, IT Processes & Functionalities

f) Human Capital Management

- Review of Staff Entitlement Claim Process
- Review of Yayasan Telekom Malaysia Sponsorship
- Review of Leasing Staff Management

STATEMENT ON INTERNAL AUDIT

2. Reliability of Financial Reporting
 - a) Financial Reporting Reviews
 - b) Quarterly Interim Financial Reviews
3. Compliance with Applicable Laws and Regulations
 - a) Related Party Transactions
 - b) Review of MCMC Regulatory Compliance

GIA has also been requested by the Management to review and evaluate the risk exposure of TM's major projects, as well as to advise on the adequacy of controls to mitigate the identified risks. GIA also complied with requests from the BAC and/or Management to conduct special reviews in addition to those planned for the year. Follow-up reviews were performed on the implementation of audit recommendations on a quarterly basis and the status of these were reported to the BAC accordingly.

RESOURCES

A total of RM7.2 million was spent on internal audit activities in 2013. A summary of the internal audit cost, based on key categories, is as follows:

Category	RM (million)	% of total cost
Manpower	5.3	74%
Incidentals (incl. Travelling)	0.6	8%
Internal Recharges (incl. Space Rental, IT charges, Training Costs etc.)	1.3	18%
Total	7.2	100%

A summary of the number of internal auditors, based on their respective competencies as at 31 December 2013, is as follows:

Discipline	Number of Internal Auditors	Percentage
Accounting and Finance	12	35%
Information Technology	4	12%
Engineering/Network	10	29%
Marketing	5	15%
Procurement/Human Resource	3	9%
Total	34	100%

CO-SOURCING ACTIVITY

There was no co-sourcing of internal audit activities in 2013. All the Internal Audit activities were performed in-house.

COMMITMENT TO COMPETENCE

In view of the ever-increasing number of new technologies, process risks and changes to the business environment, it is critical that the Internal Auditors are well trained and equipped with the requisite skills and knowledge. In 2013, the Group invested heavily in developing training plans to meet its business requirements and to enable the Internal Auditors to perform duties in various areas. Key seminars and workshop attended by Group Internal Audit in 2013 were as follows:

- a) Auditing and Governance
 - National Conference on Internal Auditing
 - Financial Statement Fraud
 - ACCA Malaysia Annual Conference
 - Technology Governance for Auditor
 - Procurement Fraud Prevention & Internal Controls
 - Project Auditing for Risk Assurance
 - Beginning Auditor Tools & Techniques
 - Auditor – In Charge Tools & Techniques
 - IT Audit & Control – From Theory to Practice
 - Essential Skills for Experienced Internal Auditor

b) Functional And Product Knowledge

- Accounting for MFRS – Simplifying the Approach
- UniFi Fulfillment Process Awareness Session
- Personal Data Protection Act (PDPA) & Data Leakage Prevention (DLP)
- TM Billing System
- Awareness on TM Litigation Process
- HSBB Awareness Session
- Basic Network Planning
- Audit Report Writing Training
- MFRS and Budget 2014 Overview
- Basic of IIA Standard (in-house training)
- Overview of Network Inventory System
- Correcting the Course of Capital projects
- Communic Asia 2013 Summit

c) Management and Leadership

- Effective Presentation Skills
- Leadership Skills for Auditors
- Conference for Aspiring Women Leaders
- TM Business Leadership Program – Connecting The Dots
- Team Building – Leadership Programmes

In addition, GIA has developed and conducted an in-house training module for all Internal Auditors using a case study approach based on real-life business environment. Apart from the above, GIA also embarked on an extensive GIA-Management Training Collaboration Programme. These comprised knowledge-sharing sessions by subject matter experts involving key Management to speed up auditors' acquisition of knowledge on the Company's business and operations. The sessions enable the auditors to obtain first-hand knowledge from experts supporting key processes within TM.

INTERNAL AUDIT QUALITY

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

GIA has an advanced peer reviewer mechanism to ensure a consistently high quality output of every audit engagement. Peer reviewers with relevant expertise among Senior Auditors or the Management team are selected to provide professional advice and ensure that all risks areas are adequately covered before communicating the final engagement results to the appropriate parties.

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

Further, GIA also organises an external quality assessment by a qualified independent reviewer of the entire spectrum of audit work performed by the internal auditors once every five years. The assessment includes areas such as compliance to IIA's IPPF and Group Internal Audit Manuals, contribution to governance, risk assessment and control processes and performance management.



HAZIMI KASSIM

Group Chief Internal Auditor



DATO' DANAPALAN T.P VINGGARASALAM

Chairman Audit Committee

RISK COMMITTEE REPORT



MEMBERSHIP

Clockwise from top left:

IBRAHIM MARSIDI

Chairman

Independent Non-Executive Director

[Appointed as Chairman on 31 October 2013]

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Member

Non-Independent Non-Executive Director

[Re-designated on 31 October 2013]

DATO' DANAPALAN T.P VINGGRASALAM

Member

Senior Independent Non-Executive Director

DATO' IR ABDUL RAHIM ABU BAKAR

Member

Independent Non-Executive Director

DATUK SERI FATEH ISKANDAR TAN SRI DATO' MOHAMED MANSOR

Member

Independent Non-Executive Director

[Appointed on 31 October 2013]

DATUK BAZLAN OSMAN

Member

Non-Independent Executive Director/

Group Chief Financial Officer

TM's Board Risk Committee (BRC) consists of six members – four Independent Non-Executive Directors, one Non-Independent Non-Executive Director and one Non-Independent Executive Director. The majority of members are Independent Directors.

The Board may appoint any of its members or their Alternates to be members of the BRC, which must be composed of no fewer than three members including the Chairman, with a majority of Non-Executive Directors (at least one of whom shall preferably have relevant experience in risk management). Members of the BRC shall possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry.

The composition and performances of all Board Committees, including BRC, are reviewed annually by the Board Nomination and Remuneration Committee (NRC) and TM Board. BRC members' tenure, performance and the effectiveness of the BRC's structure and processes as well as accountability and responsibilities were assessed via the Board Effectiveness Evaluation (BEE).

Following a review of the BRC's composition during the year, the following changes were made:

- a) Re-designation of Ibrahim Marsidi as Chairman in place of Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin;
- b) Re-designation of Tunku Dato' Mahmood Fawzy as a member;
- c) Appointment of Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor as an additional member; and
- d) Appointment of Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil, alternate director to Tunku Dato' Mahmood Fawzy, as an invitee.

Tunku Dato' Mahmood Fawzy vacated his position as Chairman of BRC to allow rotation on chairmanship of the committee to other members.

From the BEE 2013 findings, TM Board agreed that the BRC has improved tremendously over the years; and based on their distinguished profiles as illustrated on pages 88 to 92 inclusive, of this annual report, its members have successfully and fairly discharged their duties and responsibilities. BRC oversees the development and annual review of TM's risk management policy and plan, and reviews the effectiveness of the risk management organisation structure, responsibilities and accountabilities. It also ensures that the risk management

framework is implemented to increase the possibility of anticipating unpredictable risks.

BRC has also been proactive in deliberating on current issues that may have a risk impact on TM Group's business, such as the Trans-Pacific Partnership Agreement (TPPA), leakage of confidential information and documents, political risks in countries where TM has business dealings and impact of social media. BRC has adequate support from the Board in carrying out its duties and reports its deliberations and decisions at every TM Board Meeting.

MEETINGS AND ATTENDANCE

BRC held four meetings during the financial year 2013. Besides the said meetings, an urgent decision was approved via a BRC Circular Resolution during the year.

Details of the members' attendance are as follows:

BRC Member	Number of Meetings	
	Attended/ Held	%
Ibrahim Marsidi	4/4	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	3/4	75.0
Dato' Danapalan T.P Vinggrasalam	4/4	100.0
Dato' Ir Abdul Rahim Abu Bakar	3/4	75.0
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor <i>[Appointed on 31 October 2013]</i>	1/1	100.0
Datuk Bazlan Osman	3/4	75.0

RISK COMMITTEE REPORT

Nik Rizal Kamil, the Alternate Director to Tunku Dato' Mahmood Fawzy and the Vice President of Group Business Assurance (GBA), who also acts in the capacity as Head of Risk Management Unit, attended the BRC meetings as permanent invitees. Other attendees, external or internal, were invited to attend all or part of meetings as and when appropriate and with the consent of the Chairman, to facilitate BRC business.

The Company Secretary is the BRC Secretary, while the GBA serves as Secretariat of the BRC meetings.

TERMS OF REFERENCE (ToR)

The ToR establishing the powers, duties and responsibilities of the BRC has been incorporated in the Board Charter which is accessible to the public on the Company's official website at www.tm.com.my.

RISK MANAGEMENT REPORT

Effective risk management is fundamental to support the business activities of TM. A holistic system of risk management is vital to enable TM to operate effectively and to implement good corporate governance diligently with regard to transparency and accountability to all its stakeholders.

Enterprise Risk Management (ERM) forms an integral part of corporate governance through a unified framework and structure, and is further supported by a strong and sustained commitment from the Board, Top Management and business leaders that help to improve and strengthen the risk management culture within the Group. Robust ERM implementation across the Group provides TM with a mechanism to proactively identify and enhance business opportunities while mitigating potential risks and pitfalls.

In its journey to embrace a holistic and enterprise approach in managing business risks, TM continues to give ERM high priority. TM makes every effort to elevate its risk maturity level by performing dynamic multifaceted activities. ERM engagement, communication and tools, continuous training programmes and awareness-building, consultations and workshops are initiated with the aim of enriching ERM knowledge and inculcate risk awareness among TM staff across the organisation. Aligning risk to strategy by identifying strategic risk and embedding ERM principles into operational process has enabled TM to manage risks that have an

impact on the Group's operations and performance. At the heart of its operations, TM has instituted risk assessment activities in all stages of product and project assessment. This ERM discipline has evolved and will continue to mature over time. The project and product risk assessment process has been further refined in 2013 to ensure the effectiveness of the risk management process. Our adherence to the ISO 31000 ERM standard and discipline ensures that risk assessments become an ongoing process, in which business objectives, risks and controls are regularly re-evaluated.

Additionally, the implementation of ERM controls is strengthened and further facilitated by inculcation of business process improvement discipline for better effectiveness and efficiency. Coupled with strong process ownership at all levels within the organisation together with an in-house process management system and standardisation, these assist in addressing the identified business risks and allowing the organisation to work in a constructive end-to-end collaborative fashion.

On top of that, TM has moved forward to improve its approach and methodology to continuously identify, assess and mitigate risks across the horizontal and vertical operations of the Group. Guided by documents and technical papers issued by TM Forum, the Telco Risk Universe has been embedded, consisting of the set of risks common to the business operations of a communications company. With this approach, all strategic and operational risks in TM are consolidated and proactively monitored and managed. Strong management of operational risk enhances operational effectiveness and eventually reduces overall corporate risks.

In ensuring smooth ERM practice, TM has further strengthened its risk implementation at the divisional level. In 2013, TM created a risk and control library that makes available an organised collection of risk information resources to ERM Resource Persons. This library will speed up the process of risk identification, assessment and execution of standardised risk prevention and mitigation processes across the Group.

In the course of assessing and monitoring risks, it is important for TM to measure the potential cost of risks within reasonable limits. Quantifying risks assists TM to measure its risk exposure and capture the potential loss of the business due to adverse conditions over a specific period. Coupled with a defined risk appetite and tolerance, it provides a basis for determining risk response.

TM Risk Universe

	Strategic Risk Category
	Compliance Risk Category
	System Risk Category
	Operations Risk Category
	Financial Risk Category

Mergers Acquisitions & Divesture	Governance	Business Planning & Resource Allocation	Legal
Regulatory/Compliance	Information Technology	Physical & Information Security	Market
Code of Ethics	Accounting & Reporting	Fraud	Supply Chain
Physical Assets	Network Operations	Communications & Investor Relations	Hazards
People	Sales, Marketing & Customer Service	Market Dynamics & Commercial	Project/Major Initiatives
Product	Geopolitical	Cost	Revenue Leakage
Capital Structure	Liquidity & Credit	Tax	

MANAGING OPERATIONAL RISKS

Given the challenging landscape in a competitive, technology-based industry, TM is exposed to a multitude of risks originating either from internal sources or the external environment. Continuous and effective risk management are therefore vital to achieving TM's business targets with marginal surprises. The following are a number of significant risks which TM has consistently reviewed and managed under the ERM programme.

1. Strengthening Business Continuity Management

TM continues to strengthen its Business Continuity Management (BCM) programme across the organisation as part of an ERM tool to ensure business resiliency and to address the risk of major service outage in the event of disasters. As BCM is of paramount importance to the Company, TM has put in place a comprehensive programme which enhances its service assurance readiness in Network, IT, Call Centres and Menara TM. BCM-structured methodology guided by ISO 22301 ensures TM's operational backbone and centralised critical business functions able to resume operations in the event of major disruptions. The establishment of a BCM Steering Committee, Corporate Crisis Management Team and BCM Project Management Office has further accelerated the development and execution of TM's BCM programme.

2. Managing Competition and Revenue Erosion

TM encountered stiff competition from cellular players entering the high speed broadband market that leads to erosion of revenue. In mitigating the impact, TM has executed various strategies and initiatives to spur growth and capture new revenue, and swiftly manage market competition. Additional efforts have been made to design new competitive and value-added packages, and innovative products and services. TM has also implemented various controls to arrest customer churn by maintaining high network quality and ensuring excellent customer service. Key controls implemented include improving its customer service execution, and enhancing its loyalty programmes, predictive churn programmes and customer save programmes. These have resulted in an increase in TM's broadband subscriber market share and improved customer experience as compared to other players.

3. Improving Credit Risk

TM is exposed to credit risk as a large percentage of its business is dealt on a postpaid basis. Reasonable efforts have been taken to strengthen the Group's credit management policy and procedures covering both customer credit risk assessment and profiling as well as improving collection management and treatment of delinquent accounts. Among its key controls to mitigate credit risk are the establishment of enhanced Credit Management Policy (CMP) supported by the Credit

RISK COMMITTEE REPORT

Assessment Management System (CAMS), aggressive Collection programme and introduction of Credit Limits for mass market products. The implementation of the above controls and other key initiatives such as collection of final accounts and reduction of credit cycle treatment has resulted in favourable performance in 2013, enabling TM to meet its collection targets and reduce total bad debts.

4. Managing Security Threat

TM is persistently exposed to physical and logical security threats such as theft, robbery, information leakage, cyber attacks, spamming, hacking and intrusion.

Aggravated by an increase in copper price, cable theft has become a major problem for telecommunications providers like TM. Such incidents disrupt TM's services with severe implications as they affect customer experience and impact the national broadband agenda and the country's onward economic journey. In mitigating this risk, TM continued to enhance its physical security control by installing i-Watch security alarm systems and conducting security patrols in high prone theft areas. Other ongoing initiatives include replacing copper cables with fibre optic cables or migrating the affected customers to wireless services, burying overhead cables, increasing the height of the overhead cables, pole greasing to prevent climbing as well as increasing the protection of manholes to safeguard underground cables. TM has embarked on a nationwide cable theft prevention campaign and taken proactive measures to replace the stolen cables. The campaign aims at raising awareness at a national level of the severity of cable theft and instilling a sense of shared responsibility among local communities to safeguard telecommunications infrastructure.

In safeguarding data and sensitive information, TM has established a Data Governance Policy to oversee and govern all functions concerning data confidentiality, integrity and availability, and provide adequate security protection and tools in all network infrastructure and facilities. The implementation of Corporate Security Management inclusive of Guidelines for TM Physical and Logical Security Plan, security assessment and Data Leakage Protection solutions ensures that security

threats are minimised. Investment in an enhanced security posture, based on improved risk assessments, is likely to considerably reduce the impact of any breach in security.

Overall key controls that are in place have minimised the frequency of incidents as seen in a reduction in the number of cases in 2013. Security incidents at Network and IT due to service abuse and security related fraud are also decreasing as a result of continuous improvements in security controls.

5. Managing Reputation Risk

Reputational risk results from damage to TM's image among stakeholders and the market at large, which may impair its ability to retain and generate business. Such damage may arise from exposure of unethical practices due to criminal related offences, non-compliance to deliver minimum standards of service to customers and regulatory obligations, or poor financial performance. TM is committed to maintaining its trustworthiness by consistently monitoring activities that could potentially derail its brand and reputation. Various initiatives have been implemented to ensure employees are customer-focused, and committed to quality, ethics and integrity to create a positive culture of compliance with laws and regulations. Among the key initiatives taken to improve the culture of ethics and integrity across the Group are the establishment of the Enterprise Ethics and Integrity Unit serviced by certified Integrity Officers; strengthening TM's Procurement Ethics via an Integrity Pack; and enhancing the Talian Etika – the Company's internal whistle-blowing platform. Beginning 2013, a consolidated dashboard on the status of compliance is reported to Senior Management to highlight compliance and enhance Senior Management's awareness of their roles and responsibilities with regard to emerging legislative and regulatory requirements. TM's reputation risk is under control since there has been no destructive or negative media report against the Group.

6. Managing Fraud Risk

The rapid evolution of technology and increase in organised crime have been contributing to fraud. TM has always been concerned about the high incidence of telecommunications fraud committed by third parties,

customers, resellers and internal staff, and counters this with a fraud surveillance system which immediately detects irregularities or suspected fraud. TM has also put in place various operational controls and collaborated with process and product owners to review fraud control elements in upstream processes and procedures namely product assessment, authority limits, segregation of duties, and transaction level procedures. In terms of non-telecommunications fraud, TM is raising the level of integrity among employees and creating greater awareness of their accountability in upholding ethics. Strong governance and monitoring ensure those charged with oversight accountability meet their obligations and fiduciary responsibilities to stakeholders.

7. Managing Occupational Health, Safety & Environment (OSHE) Risk

The effective management of occupational safety, health and environment risk is a key driver of TM's continued success. TM affords OSHE as one of the highest corporate priorities in its commitment to continuously enhancing its employee and vendor safety and improving the work environment. In its quest to achieve zero accidents, injuries or harm to the environment, TM ensures a safe workplace for its employees by constantly reinforcing safety principles and practices. The Daily Tool Box Talk is held regularly at each operational unit while TM enforces the NIOSH TM Safety Passport on all contractors' workers. In compliance with OSH requirements, TM has also in place an OSH Plan and regularly conducts audits and random site inspections. TM is also reviewing and improving its existing Safe Work Instruction by focusing on high-risk activities such as working in excavation areas, high voltage power lines, working at height, working in confined spaces and working near or on public roads. Employees who are appointed as members of TM's safety and health committees are trained in the areas of maintenance, roles and responsibilities, Hazard Implementation, Risk Assessment and Risk Control (HIRARC) implementation and preparedness for emergency. OSHE awareness and education programmes are conducted for TM staff and contractors to equip them with basic knowledge of HIRARC with the ultimate objective of minimising risks and reducing the number of accidents.

8. Managing Project Risk

All projects have inherent risks that may hamper the achievement of their objectives. Risks related to project timeline, cost and quality, supply chain vulnerability, customer demand, staff skills set, regulatory compliance system, network readiness and customer satisfaction have to be mitigated and built into project deliverables. Such proactive risk management has driven TM to be well prepared with an effective mitigation plan. Project risk management has been implemented in TM covering the stages of project strategic planning, development and implementation review. Key implementation includes rolling out the Government's ambitious High Speed Broadband (HSBB) project by deploying end-to-end HSBB infrastructure in Malaysia. Risk management has also been executed in TM's 1Gov*Net project, where TM provides the networking solution with domestic, global intranet and Internet connectivity for government agencies. Consequent to the successful identification, assessment and control of risks, TM has managed to turn projects potentially heading towards failure into resounding success stories. In the process, it has provided the Government a sustainable solution with an increase in the level of service, stable bandwidth and control at the most competitive cost.

CONCLUSION

TM seeks to achieve an appropriate balance between risk and reward in its business, and continues to build and enhance the risk management capabilities that assist in delivering its growth plans in a controlled environment. An effective ERM yields forward-looking insight providing TM greater clarity around the risks. Armed with this insight, TM is better positioned to take the right risks, while executing the appropriate controls. TM will continuously review the effectiveness of its overall ERM programme and capitalise on its ERM strength to achieve its objectives.

This BRC Report has been prepared in accordance with the resolution of the Board of Directors duly passed on 27 February 2014.



IBRAHIM MARSIDI
Chairman of BRC

BUSINESS CONTINUITY MANAGEMENT

At TM, we continuously seek greater assurance of our ability to operate at all times, even in the event of a major disaster. This has motivated us to establish a strategic Business Continuity Management (BCM) plan that enables us to respond effectively to disasters, hence protect our business interests and continue to serve our customers.

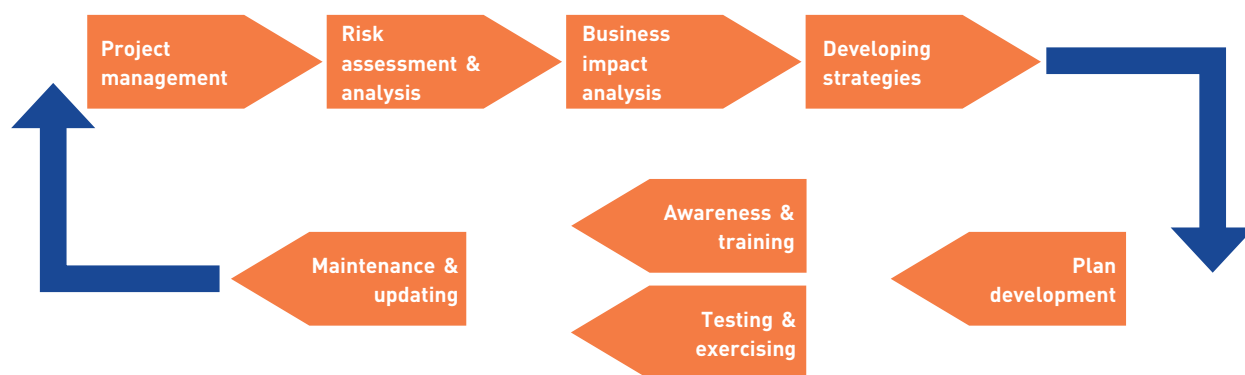
We have in place a Company-wide business continuity roadmap in line with ISO22301 requirements and which has reference to best practices. These include identifying our critical business functions, preparing a Crisis Management Plan, defining a severity matrix and disaster recovery, building an alternative site for back-up service, and mitigating high-risk ratings related to business continuity. We also promote business continuity awareness among all employees Company-wide, with an emphasis on capacity building to form an effective Operation Response Team and Crisis Management Team.

Our BCM plan provides shareholders and regulators with evidence that the Board and Senior Management are fully aware of the importance of enterprise risk management, and that such awareness is cascaded down to all employees. The objective is for everyone in the organisation to internalise the importance of BCM and uphold its overall goals of protecting TM's investments and service rendered to the nation.

The BCM is guided by a BCM Steering Committee comprising the Group CEO as chairman and certain members of our key Management. The committee reviews, approves and resolves any challenges arising from the development and execution of BCM programmes. In the event of a disaster, the recovery process would be supervised by the Corporate Crisis Management Team (CCMT), chaired by the Recovery Director.

BUSINESS CONTINUITY PROCESS

A structured Business Continuity Process has been adopted to assess TM's risks, identify our critical business functions prioritising levels of urgency, define a business continuity solution, design an implementation plan, test the solution and update the Business Continuity Plan accordingly.



Business Continuity Process

Throughout 2013, TM rolled out critical business continuity initiatives based on the Risk Assessment and Business Impact Analysis related to Network, Information Technology, our Contact Centres and Corporate Office. Numerous tests and table-top exercises on the Business Continuity Plan were conducted with strong participation from the operations team and senior Management. The exercises served as a litmus test on the plan's robustness and feasibility while ensuring the Operation Recovery Team and Corporate Crisis Management Team are familiar with the processes.

The enterprise-wide BCM Programme is coordinated by the BCM Programme Management Office (BCM PMO) and clustered into value streams for greater focus and accountability on the business continuity capability delivery. Four value streams have been identified, namely Network, Information Technology (IT), the Call Centres and Corporate Office. Progress made in terms of business continuity initiatives are detailed in reports which are subsequently presented to the BCM Programme Management Office every month and to the BCM Steering Committee every quarter.

BUSINESS CONTINUITY PLAN DEVELOPMENT

In 2013, we implemented the Disaster Recovery Equipment (DRE) that had been purchased the previous year for our Next Generation Network (NGN), High Speed Broadband (HSBB), IP Core and IP Broadband. The rollout is progressing as planned and has been reported to the BCM Steering Committee. In addition, TM is drafting an IPVPN DRE plan and NOC support system backup plan while revisiting BCM strategies using structured testing and business impact analysis (BIA) exercises.

The process has resulted in greater confidence in how we would mitigate the impact of low-likelihood but potentially catastrophic risks. Finally, in addition to desktop testing, our plan has been tested by real-life events, and has proven to be robust.

As to Information Technology, we are spreading our business continuity plan to cover our HSBB infrastructure, Customer Relationship Management and the Payment Gateway System. Apart from regular IT Disaster Recovery simulations, we are also reviewing our business continuity strategy on critical IT applications.

Building from the experience of having BCP for mass market Contact Centres, TM is embarking on a similar capability for managed accounts. After a high-level assessment conducted in 2012, we are strengthening our Business Continuity Strategy for the 1060 and 1090 Managed Account Contact Centres. The Business Continuity Plan is scheduled for implementation in the year 2014.

TM has also identified an alternative site that critical business functions can occupy in the event of a disaster at Menara TM. In 2013, we established a Disaster Recovery Plan for Menara TM that covers the Severity Matrix, Recovery Structure as well as recovery processes to prepare for emergencies of any kind.

MOVING FORWARD

In ensuring our Business Continuity capability is effectively embedded and implemented across the Company, TM is considering the implementation of a thorough change management programme.

Integrating BCM into business planning contributes to the reduction of potential loss in the event of a disaster while helping to save lives and important infrastructure. Ultimately, we believe that our commitment to disaster risk reduction will contribute on a larger scale to a sustainable nation by stimulating public demand for technological solutions to build and manage resilient communities.

ADDITIONAL COMPLIANCE INFORMATION

Additional Compliance Information in accordance with Appendix 9C of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities)

The following information is provided in compliance with the Main LR of Bursa Securities:

1.0 UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

In 2013, the Company issued several Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN) as part of the ICP/IMTN programmes approved in 2011. A summary of the transactions and utilisation of the proceeds is tabled below:

Issuance Date	Type	Nominal Value (RM million)	Maturity	Proceeds Utilisation
20 February 2013	ICP	200	30 April 2013	For capital expenditure requirements
15 April 2013	ICP	50	30 April 2013	For capital expenditure requirements
30 April 2013	IMTN	250	28 April 2023	For full repayment of the previous ICPs
24 June 2013	IMTN	250	23 June 2023	For capital expenditure requirements

On 30 August 2013, the Company established a new ICP programme and IMTN programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of seven years and 20 years from the date of first issuance. Pursuant to the approval, the programme was transacted as follows:

Issuance Date	Type	Nominal Value (RM million)	Maturity	Proceeds Utilisation
18 December 2013	IMTN	200	18 December 2020	For capital expenditure and business operating requirements

In addition to the ICP/IMTN programmes, TM through its wholly owned subsidiary, TM Global Incorporated, obtained a seven-year floating rate foreign currency loan and concurrently entered into Cross Currency Interest Rate Swap agreements which effectively converted the loan into an RM liability equivalent to about RM316.8 million on 12 November 2013. Proceeds from the loan are to be utilised to meet the Company's capital expenditure and business operating requirements.

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

2.0 SHARE BUY-BACK

The Company did not propose any share buy-back during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 14 and Appendix 12D of paragraph 12.23 of the Main LR]

3.0 OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during the financial year.

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

4.0 DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

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

5.0 IMPOSITION OF SANCTIONS/PENALTIES

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

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

6.0 NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group by the external auditors, PricewaterhouseCoopers' (PwC) network of affiliated companies during the financial year is as follows:

	RM
PricewaterhouseCoopers Taxation Services Sdn Bhd	384,000
PricewaterhouseCoopers Advisory Services Sdn Bhd	837,000
Total	1,221,000

Services rendered by PwC are not prohibited by regulatory or other professional requirements, and are based on globally practised guidelines on auditor independence. PwC was engaged for these services based on their expertise and experience in undertaking work for TM. It is also the Group's policy to use the auditors in cases where due to their knowledge of the Group, it would not be efficient or cost-effective to engage the services of another firm of accountants.

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

7.0 VARIATION IN RESULTS

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

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

8.0 PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year.

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

ADDITIONAL COMPLIANCE INFORMATION

9.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts or any contracts in relation to loans entered into by the Company and/or its subsidiaries involving interests of Directors or major shareholders either subsisting as at 31 December 2013 or entered into since the end of the previous financial year ended 31 December 2012.

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

10.0 LISTING OF PROPERTIES

On 3 May 2002, the Company obtained a waiver from Bursa Securities from having to disclose detailed particulars of its properties for the Company's 2001 Annual Report and subsequent annual reports. The waiver is still subsisting to date.

The net book value of land and buildings and usage of properties for the financial year ended 31 December 2013 is disclosed on pages 424 to 425 of this annual report.

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

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

At the 28th Annual General Meeting (AGM) held on 7 May 2013, the Company had obtained a general mandate from its shareholders on the RRPT entered into by the Company and/or its subsidiaries (RRPT Mandate). This RRPT Mandate is valid until the conclusion of the forthcoming 29th AGM of the Company to be held on 8 May 2014.

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main LR, details of the RRPT entered into during the financial year ended 31 December 2013 pursuant to the said RRPT Mandate are as follows:

Transacting companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of relationship	Nature of RRPT	Value of Transactions RM'000
Our Company and/or our subsidiaries	Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group)	Minister of Finance Incorporated (MoF Inc.), Khazanah Nasional Berhad (Khazanah), Dato' Fauziah Yaacob, Eshah Meor Suleiman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil	In addition to their shareholdings in our Company, MoF Inc. and Khazanah are Major Shareholders of Axiata. Dato' Fauziah Yaacob is a representative of MoF Inc. on our Board. Eshah Meor Suleiman is her Alternate Director on our Board. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is a representative of Khazanah on our Board. Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil is his Alternate Director on our Board.	Revenue - Interconnect revenue from Axiata Group. 39,837 - Provision of Voice Over Internet Protocol (VOIP) related services to Axiata Group. 72,310 - Provision of leased-line services to Axiata Group. 32,717 - Provision of data and bandwidth related services to Axiata Group. 38,526 - Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom Axiata Berhad (Celcom). 38,573 - Provision of Internet access and broadband services to Celcom. 61 - Commission on registration and collection by Telekom Sales and Services Sdn Bhd from Celcom. 835 - Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group. 91,070 - Provision of fibre optic core and bandwidth services by Fiberail Sdn Bhd to Celcom. 8,536 - Provision of dark fibre, bandwidth, space and facility by Fibrecomm Network (M) Sdn Bhd (Fibrecomm) to Celcom. 17,726 - Rental of office premises to Axiata Group. 14,661	

ADDITIONAL COMPLIANCE INFORMATION

Transacting companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of relationship	Nature of RRPT	Value of Transactions RM'000
				Cost - Interconnect charges by Axiata Group. 50,651 - Leased-line charges by Axiata Group. 917 - Dark fibre and leased-line charges by Celcom to Fibrecomm. 1,192 - VOIP related services charges by Axiata Group. 74,957 - Core rental and mobile services from Celcom to TM Group. 1,412	
				TOTAL	483,981
Our Company and/or our subsidiaries	KUB Malaysia Berhad (KUB) and its subsidiaries (KUB Group)	Ministry of Finance, Malaysia (MOF)	In addition to its direct and/or indirect shareholdings in our Company, MOF holds a 22.55% interest in KUB.	Purchase and/or utilisation of telecommunications equipment, systems and related services by our Group from KUB Group.	14,865

CORPORATE INTEGRITY

The establishment of Enterprise, Ethics & Integrity Unit (EEIU) in February 2013 has further boosted TM's efforts to enhance and strengthen our corporate governance and business ethics, as well as inculcating ethical behaviour among the workforce and representatives of the Company. This is in line with the Government of Malaysia's call through its Committee on Integrity Governance (JKTU) on 8 July 2013, for Government Linked Companies to form an Integrity or Compliance Unit to intensify and strengthen integrity and corporate governance practices in GLCs.

The key responsibilities of EEIU, among others, are as follows:

- a) To ensure that the demographics of the ethics & integrity practices in TM is being managed and monitored effectively;
- b) To strengthen and improvise the current principles, policies and processes relating to ethics and integrity;
- c) To ensure adequate and effective dissemination of knowledge and understanding pertaining to ethics and integrity practices among TM employees, suppliers and other related stakeholders;
- d) To promote whistle-blowing as a deterrent; and
- d) To ensure in-depth understanding of the ethics and integrity principles, related to policies and processes.

EEIU's activity is closely guided by the Ethics & Integrity Management Committee (EIMC) whose members consist of six Senior Management of TM headed by the Chief Legal, Compliance & Company Secretary. Associate members (upon invitation) will also be identified within the critical segments eg Chief Marketing Officer and Chief Technology & Information Officer, as and when necessary.

TM'S INTEGRITY FRAMEWORK FOR 2013

From the date of its establishment ie 1 February 2013, TM through EEIU has not turned back and has put in place programmes and initiatives in line with its mission and commitment to inculcate high standards of ethics and integrity in TM. Programmes and initiatives that have been successfully completed and communicated are as follows:

TM HOLDS ITS FIRST EVER TM INTEGRITY WEEK

TM organised its first Integrity Week from 13 to 16 January 2014. This event demonstrated TM's commitment to observing the highest standards of integrity in the conduct of TM's business among all employees, suppliers, contractors, agents and business partners. It also marked one of many initiatives to inculcate the Company's core values, specifically Uncompromising Integrity across TM. The inculcation of integrity from employees to the Top Management is also in line with the National Integrity Plan (NIP) introduced in 2004 demonstrating a holistic approach with a top-down and a bottom-up approach.

CORPORATE INTEGRITY



TM Integrity Day Forum "Uncompromising Integrity" at Kristal Hall TMCC.

The highlights of the event was the TM Integrity Forum – 'Uncompromising Integrity' held on 16 January 2014 featuring a strong line-up which included Tan Sri Zamzamzairani Mohd Isa, Group Chief Executive Officer, TM; Tan Sri Haji Abu Kassim Mohamed, Chief Commissioner, Malaysian Anti Corruption Commission; and Alan Kirupakaran, Governance Officer from the Office of Senator Datuk Paul Low, Minister in the Prime Minister's Department as panelists; while Mohd Nizam Mohd Ali, Director of Private Sector, Malaysian Institute of Integrity acted as the Moderator. The discussion focused on how Uncompromising Integrity was being interpreted from the perspective of corporates, regulator and the enforcement. Also discussed were how gifts should be managed to reduce the possibility of obligations arising from the giving and receiving of gifts.

A total of 600 guests attended the forum, including Senior Management of TM, presidents of TM's employee unions, senior officers from Malaysia Anti-Corruption Commission (MACC), representatives from the Malaysian Telecommunication Contractors Association, suppliers, contractors, agents and also Certified Integrity Officers (CeIOs) of other Government Linked Companies (GLCs).

Various activities organised which saw encouraging response from TM's employees and also TM's children were: photo and essay writing competitions – both themed 'Integrity, A Way of Life', broadcast of Code of Business Ethics 'Do's and Don't's' snippets and integrity related video in all lift cabins at Menara TM. The Management and employees also took the opportunity to express their thoughts on integrity on the Pen Your Integrity Thoughts Wall located at Menara TM's lobby and TM Convention Centre.

LEADERS SET THE TONE – MANAGEMENT MESSAGES

The tone at the top is a visible willingness by Senior Management to prioritise value-driven decisions above other factors. In line with this, various messages from members of EIMC have been disseminated via email to all employees on the importance of building and maintaining a highly ethical culture at the workplace.

Leaders and employees throughout the organisation need to hear the messages consistently. TM believes that it is important for the leaders to talk about the company's values and to live up to these. Ongoing messages on ethics and integrity were also cascaded via the Group Chief Executive Officer's Employee Engagement sessions, Festive Messages and Jom Bersama programme. These messages are intended to underline the importance of all employees to engaging in their day-to-day business operations ethically and with integrity.

UP CLOSE & PERSONAL WITH DATO' SRI DR HALIM SHAFIE, CHAIRMAN OF TM

An exclusive session was organised by EEIU on 25 June 2013, where all TM Management had the opportunity to personally have a face-to-face session with the Chairman of TM, Dato' Sri Dr Halim Shafie. He shared his years of experience and journey during his tenure in the Government and Corporate Sector, with multiple challenges in upholding the values Uncompromising Integrity. This session witnessed a very high turn-up by TM's Management Team.

COMMUNICATE, COMMUNICATE, COMMUNICATE

Repetition is important. Therefore, constant communication and reminders have been shared across all levels of employees using TM's internal communication channels. These include snippets and knowledge sharing for employees and suppliers from time to time. The communication incorporates scenarios, dialogues, guidelines, latest news and updates, to enhance awareness on acceptable and unacceptable ways of conducting business in TM.

WHISTLE-BLOWING CHANNEL SURVEY

A survey was conducted among TM's employees and suppliers to gauge the level of awareness of the existence of the whistle-blowing platform in TM, TM Ethics Line. This survey indirectly created awareness of the existence of TM Ethics Line via audio telephone call, e-mail, fax and post. The findings of the survey were taken into consideration as a basis to further improve and strengthen effectiveness mainly in the areas of communication (awareness and feedback), confidentiality, trust and process of the reporting channels.

REACHING OUT PROGRAMME

Success in instilling the virtues of integrity requires effective communication so that these values are embraced, upheld and practised. Thus, it is imperative that an ethical organisation trains its employees to internalise company values and correctly apply their ethical standards. Throughout the year of 2013, EEIU conducted more than 51 sessions covering 2,913 employees in critical business segments in TM with the main objective of strengthening and emphasising the importance of highly ethical and integrity standards and behaviour.

PROJECT GIVEAWAY

TM has initiated an exercise to donate festive hampers or gifts delivered to TM employees to deserving charitable organisations. A meaningful gesture that saw 30 charity organisations receive hampers from this 'TM Cares' initiative. The same initiative was implemented nationwide with TM NGOs at the state level such as the handing over of contributions to various charitable organisations.

The main objective of Project Giveaway is to discourage giving and accepting of gifts by TM's employees in whatsoever form. Booths were set up at every TM main building nationwide and all gifts received were placed at the respective booth before being sent to charitable homes, orphanages and religious schools.

KNOWLEDGE SHARING

TM is establishing better cooperation and strengthening networking among Government Linked Companies and Government Owned Companies (Amanah Raya Berhad, MIMOS, Employees Provident Fund, UEM Berhad, Petronas and Syarikat Prasarana) on information sharing pertaining to matters on integrity, as well as various initiatives.

DECLARATION OF ASSETS AND INTERESTS

In ensuring transparency and integrity in our daily business dealings and to prevent conflict of interest, all Management and employees of TM are required to declare their assets and interests including their family business(es) annually to the Chief Human Capital Officer of Group Human Capital Management. The declaration is to be undertaken via the Online Declaration of Assets and Interest System that resides on TM Sharepoint Portal known as DOA. This requirement to declare is in accordance with Clause 12.12 of TM Code of Business Ethics.



FOCUS MADE SHARPER

Here at TM, what really counts to us is getting results. Always with an eye on the mark, making calculated, moves based on insightful strategies and sustainable business practices, we focus on what really matters, to serve you better.



PERFORMANCE REVIEW

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GROUP FINANCIAL REVIEW

OPERATING REVENUE

For the financial year ended 31 December 2013, Group revenue surpassed RM10.0 billion, recording a 6.4% rise to RM10,628.7 million from RM9,993.5 million recorded in 2012, outstripping mobile industry growth. The revenue growth was driven primarily by Internet, multimedia and data services which collectively represented close to 50.0% of Group revenue.

Internet and multimedia services

UniFi continued to drive growth in broadband customers, recording a healthy 31.6% rise in customer base to close to 635,000 customers at the end of the current financial year. Total broadband customer base increased by 7.2% from 2.07 million to 2.21 million broadband customers at the end of 2013, maintaining the Group's leadership position in the broadband segment, despite the increasingly challenging business environment. 2013 also saw a higher take-up of high speed broadband packages of 4Mbps and above for both Streamyx and UniFi. In line with the larger customer base, up-selling as well as increase in the number of buys for Premium Channels and Video On Demand (VOD) on UniFi, Internet and multimedia revenue increased by 12.8% to RM2,676.4 million from RM2,371.9 million in 2012.

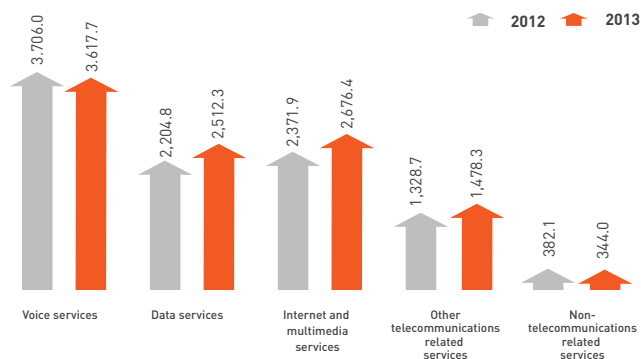
Internet and multimedia services contributed 25.2% to the Group's operating revenue for the current financial year, higher than 23.7% in 2012, in line with the increased revenue.

Data services

Data services which mainly comprise leased services, IPVPN and IP services rose by 13.9% in the current financial year to RM2,512.3 million from RM2,204.8 million in 2012. Growth in data services was primarily driven by demand for higher bandwidth, additional installation of circuits for customers and higher subscription for high speed broadband access ports.

In line with the revenue growth, the contribution from data services to the Group's operating revenue was higher at 23.7% than 22.1% in 2012.

Operating Revenue (RM Million)



Other telecommunications related services

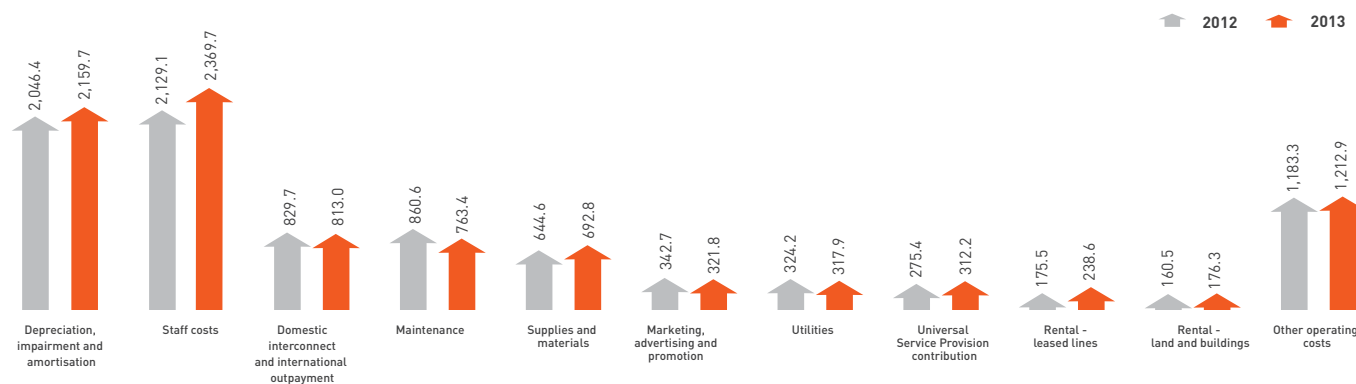
Revenue from other telecommunications related services primarily include customer projects, maintenance, broadcasting, restoration of submarine cables, managed Information and Communications Technology (ICT), business process outsourcing and enhanced value-added telecommunications services. Revenue from this group of services grew by 11.3% to RM1,478.3 million from RM1,328.7 million in 2012 mainly due to higher revenue from customer projects, ICT and business process outsourcing services.

Other telecommunications related services contributed 13.9% to the Group's operating revenue in 2013, higher than the 13.3% in 2012, consistent with revenue growth.

Non-telecommunications related services

Non-telecommunications related services which comprise services of subsidiaries with core businesses in education, printing and publication of directories, property development and trading in customers premise equipment, reduced by 10.0% to RM344.0 million from RM382.1 million registered in 2012. The reduction was due to lower revenue from disposal of land by a wholly owned subsidiary, TM Facilities Sdn Bhd, in line with fewer completed sales in the current financial year as part of its land monetisation activities. Better performance by subsidiaries such as Menara Kuala Lumpur Sdn Bhd due to higher sales of its exciting array of innovative products and packages and Universiti Telekom Sdn Bhd following higher student intake partially countered the above reduction.

Operating Costs (RM Million)



This segment of services contributed 3.2% to the Group's operating revenue, lower than the 3.8% contribution in 2012.

Voice services

Voice services comprise revenue from business telephony (including ISDN, interconnect, international inpayment) and residential telephony. This suite of services recorded a reduction of 2.4% to RM3,617.7 million from RM3,706.0 million in 2012 due to a drop in both wholesale domestic and international voice usage minutes and retail voice services in line with the global trend of migration to alternative communication technologies.

Consequent from the lower revenue, voice services' contribution to the Group's operating revenue also reduced to 34.0% as compared to 37.1% in 2012.

OPERATING COSTS

In 2013, the Group's operating costs increased by 4.5% to RM9,378.3 million from RM8,972.0 million recorded in 2012 mainly due to higher staff costs, supplies and materials and depreciation and amortisation costs.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation charges comprise depreciation, impairment and write-off of property, plant and equipment (PPE) as well as amortisation of intangible assets. For the financial year ended 31 December 2013, this group

of expenditure rose by 5.5% to RM2,159.7 million, accounting for 23.0% of the Group's operating costs, a marginal increase by 0.2 p.p. from 22.8% in the last financial year. The increase was contributed by higher depreciation charge despite lower write-off/retirement of assets. The depreciation charge was higher by 6.8% to RM2,134.4 million due to accelerated depreciation charges for certain network assets and a general increase in asset base throughout the Group.

Staff costs

Staff costs increased by 11.3% to RM2,369.7 million as compared to RM2,129.1 million in the previous financial year, primarily due to higher salaries and allowances following the full-year impact of reward transformation carried out by the Group effective July 2012 as part of continuous efforts to improve Group stakeholders returns, in addition to annual increments for the financial year. The Group's staff costs accounted for 25.3% of the Group's total operating costs.

Supplies and materials

Supplies and materials cost grew by 7.5% to RM692.8 million primarily due to higher cost incurred for customer projects and various ICT projects in line with higher revenue. Lower customer acquisition costs due to the expiry of contract period of certain Streamyx packages during the financial year partially offset the increase.

GROUP FINANCIAL REVIEW

OTHER OPERATING INCOME

Other operating income dropped by 26.5% to RM121.5 million in 2013 primarily due to absence of tax refund related to a previous Ringgit Malaysia bond realised in 2012. Lower income from penalties for breach of contract also contributed to the reduction, partially offset by dividend income from international investments of RM11.4 million.

NET FINANCE COST

The Group's net finance cost increased by RM213.0 million to RM331.5 million in 2013 primarily due to unrealised foreign exchange loss on translation of borrowings as explained below.

Finance Cost

In 2013, finance cost was higher by 12.0% to RM371.2 million in line with higher borrowings following the issuance of Islamic Medium Term Notes of RM850.0 million in nominal value and term loans drawn down during the financial year and towards the end of the last financial year. Higher interest for US Dollar denominated bonds in line with the appreciation of the US Dollar against Ringgit Malaysia also contributed to the increase in finance cost.

Finance Income

Finance income increased by 3.8% to RM144.9 million in 2013 contributed by higher income from deposits in line with higher funds available for placement and higher yield. The increase was also contributed by accretion for non-current receivables carried at fair value amounting to RM3.0 million.

Foreign Exchange on Translation of Borrowings

In tandem with the appreciation of the US Dollar against Ringgit Malaysia, the Group recorded a foreign exchange loss of RM146.6 million in 2013 on translation of US Dollar denominated borrowings as compared to a gain of RM79.8 million in 2012.

Fair value gain/(loss) on forward foreign currency contracts entered to hedge foreign currency denominated borrowings is presented within foreign exchange on translation of borrowings. Consistent with the US Dollar movement against Ringgit

Malaysia, 2013 recorded a fair value gain of RM41.4 million as compared to a loss of RM6.4 million in 2012.

Consequent from the above, current financial year recorded a net foreign exchange loss of RM105.2 million as compared to a net gain of RM73.4 million in the preceding financial year.

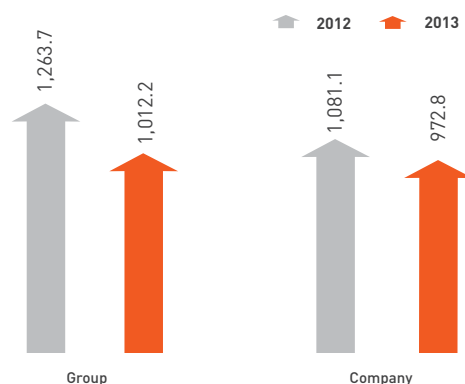
TAXATION EXPENSE

In 2013, the Group recorded a net tax income of RM6.1 million, much lower than the RM238.6 million in 2012 following lower deferred tax asset recognised on unutilised tax incentives mitigated by the impact of the change in tax rate in Year of Assessment 2016 which reduced the net deferred tax liability that will be settled by RM35.0 million.

PROFITABILITY

Despite recording higher operating profit before finance cost in 2013, the Group's profit before taxation of RM1,046.0 million was lower by 2.2% from RM1,069.6 million recorded in 2012 due to the impact of unrealised foreign exchange loss on translation of borrowings during the financial year. The Group's profit attributable to equity holders for the financial year was also lower by 19.9% to RM1,012.2 million from RM1,263.7 million in 2012 following lower net tax income as explained above.

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



TOTAL ASSETS

The Group's total assets decreased by 4.7% to RM21,146.5 million from RM22,195.9 million at the end of last financial year primarily attributed to lower cash and bank balances, property, plant and equipment (PPE) partially offset by higher available-for-sale investments which rose by 20.8% to RM724.0 million in 2013. The increase was mainly due to higher additional purchases of investments as compared to disposal during the current financial year.

Cash and bank balances

Cash and bank balances of the Group reduced by 32.7% to RM2,514.9 million from RM3,738.7 million at end of 2012 due to higher cash outflows for the payment of final and interim dividends with combined payout of RM787.0 million, purchase of PPE, net settlement of borrowings, particularly the RM2,000.0 million TM Islamic Stapled Income Securities in December 2013 as compared to total net cash inflow from operating activities.

Property, plant and equipment (PPE)

The Group's PPE declined by 1.0% to RM14,572.0 million from RM14,721.7 million at the preceding financial year end due to higher depreciation inclusive of accelerated depreciation charge as compared to capital expenditure incurred during the financial year. 2013 saw generally lower capital expenditure incurred for High Speed Broadband as compared to 2012 following focus on increasing the utilisation of the existing infrastructure assets.

TOTAL LIABILITIES

The Group's total liabilities dropped by 8.5% to RM13,847.2 million at end of 2013 primarily due to lower borrowings and trade and other payables. Trade and other payables reduced by 10.5% to RM3,172.8 million in 2013 mainly due to higher payment for business operations requirement.

Borrowings

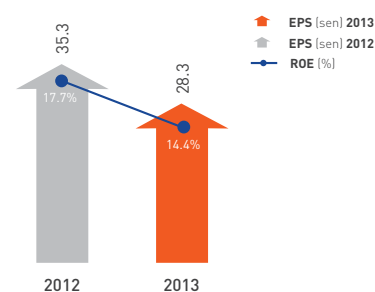
Borrowings reduced by 9.6% to RM6,455.2 million from RM7,140.4 million recorded at the end of the preceding financial year due to redemption of the RM2,000.0 million TM Islamic Stapled Income Securities on its maturity on 30 December 2013. The reduction was mitigated by the issuance

of additional Islamic Medium Term Notes of RM850.0 million, a new term loan of USD100.0 million from a financial institution and unrealised foreign exchange loss of RM146.6 million in 2013.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity grew by 3.5% to RM7,136.7 million from RM6,894.8 million at the end of the previous financial year. The increase was contributed by the current financial year profit attributable to equity holders of the Company of RM1,012.2 million and fair value gain on cash flow hedge which was greater than the appropriation of 2012 final and 2013 interim dividends amounting to a total of RM787.0 million.

EPS and ROE



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

Consequent from the lower profit attributable to the equity holders of the Company for 2013, the basic EPS decreased to 28.3 sen from 35.3 sen in 2012. Correspondingly, ROE also declined to 14.4% in 2013 from 17.7% in 2012.

Dividends

For the current financial year, an interim single-tier dividend of 9.8 sen per share was paid on 27 September 2013 to shareholders whose names appeared in the Register of Members and Record of Depositors on 12 September 2013. Subsequent to the financial year end, on 27 February 2014, the Board of Directors recommended a final single-tier dividend of 16.3 sen per share, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. Together with the interim dividend, the total dividend payout is RM933.7 million, an increase of 18.6% as compared to the previous year.

STATEMENT OF VALUE ADDED

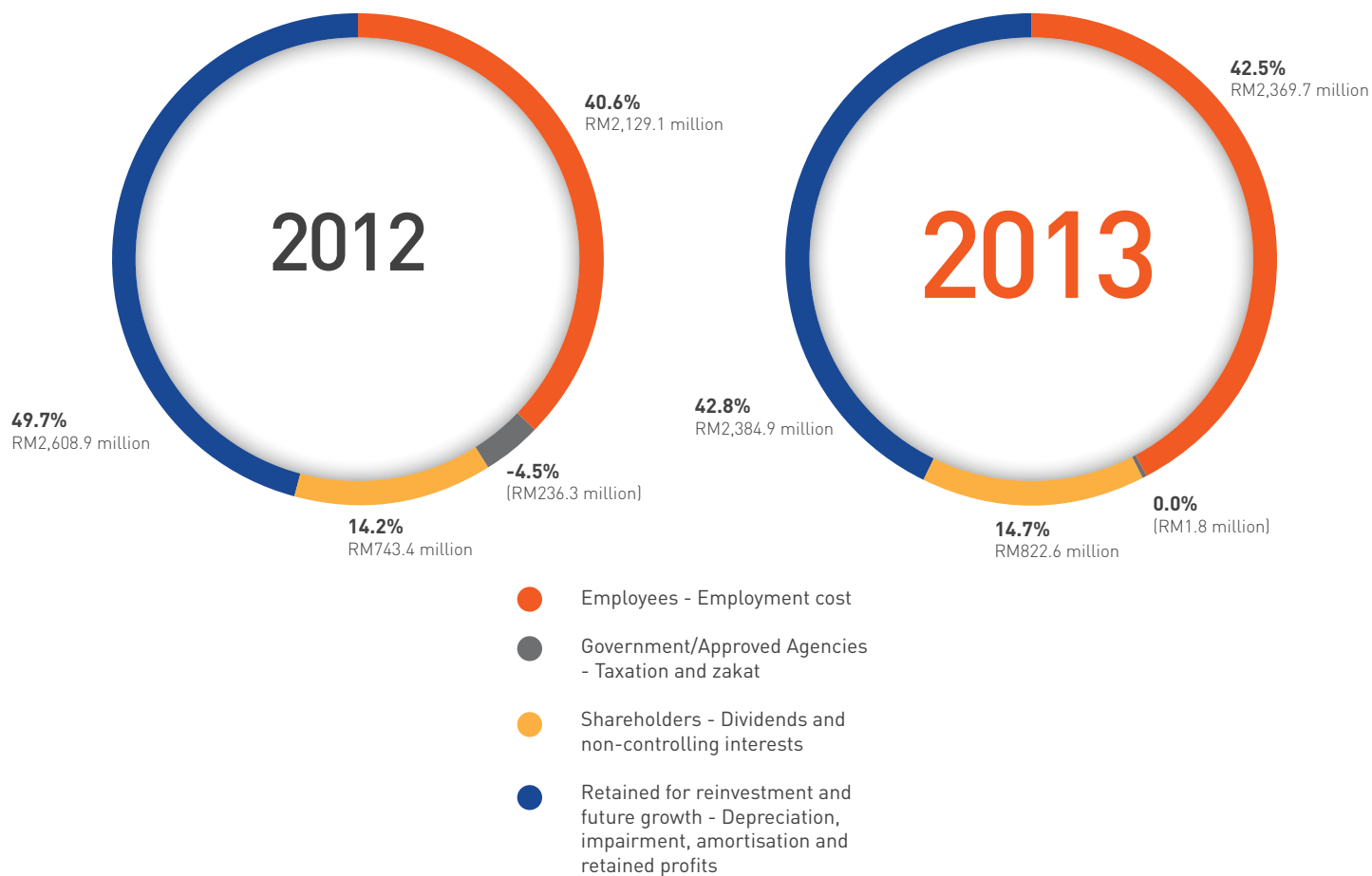
Value added is a measure of wealth created. The following statement shows the Group's value added for 2012 and 2013 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

	2012 [#] RM Million	2013 RM Million
VALUE ADDED		
Revenue	9,993.5	10,628.7
Purchase of goods and services	(4,796.5)	(4,848.9)
Value added by the Group	5,197.0	5,779.8
Other operating income (net)	165.4	121.5
Other gains (net)	0.3	1.7
Finance income	139.6	144.9
Finance cost	(331.5)	(371.2)
Foreign exchange gain/(loss) on borrowings	73.4	(105.2)
Share of results of associates	0.9	3.9
Value added available for distribution	5,245.1	5,575.4
DISTRIBUTION		
To Employees		
Employment cost	2,129.1	2,369.7
To Government/Approved Agencies		
Taxation and Zakat*	(236.3)	(1.8)
To Shareholders		
Dividends	701.2	787.0
Non-controlling interests	42.2	35.6
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	2,046.4	2,159.7
Retained profits	562.5	225.2
Total distributed	5,245.1	5,575.4

[#] Restated due to retrospective application of amendments to MFRS 116.

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

DISTRIBUTION OF VALUE ADDED



TM GROUP PRODUCTS & SERVICES

MASS MARKET

Voice Service Access

- Homeline
- Businessline
- CDMA
- ISDN
- Centrex

Value-Added Services

- Infoblast
- Marketing Tools
- Voicemail
- TollFree 1300/1800
- BizApps Store

Prepaid Service

- iTalk
- **Broadband (Consumer)**
 - UniFi VIP
 - Streamyx
 - TM WiFi
 - Streamyx Wireless (CDMA/EVDO)
- **Broadband (Business)**
 - UniFi Biz
 - Business Broadband
 - TM WiFi
 - Direct
 - In-Building Broadband Service (IBS)

Geomatics

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

MANAGED ACCOUNT

Internet Services

- Direct
- Direct V
- In-Building Broadband Solution (IBS)
- Hospitality Entertainment Solutions
- Hotzone

Internet VAS

- BOD & Burstable (Direct)
- Border Gateway Protocol (BGP)
- CPEPV (Direct)
- Expedite Request
- IPv4 for Direct
- IPv6 for Direct
- Service Level Guarantee (SLG)
- XDSL backup for Direct

Voice Services

- Access Multi-Line SIP
- ISDN
- ISDN Minutes Plan
- TMCentrex
- Hotline Package

Voice VAS

- Tollfree
- Tollfree Analytics
- TollFree Solutions for BPO
- Infoblast
- Infoblast Flat Rate Plan
- TollFree Disaster Recovery Manager
- Businessline SMS
- Infoblast Open API
- Call Plan
- Flexi Smart PIN
- Flexi Smart Call
- Flexi Destina
- Flexi Destina Value
- Smart Call/Smart Biz
- Flexi Destina Plus
- Privilege Plan
- SmartPIN
- Flexi Destina for Toll Free (TF)
- Data Services Managed Connectivity
- Services VSAT Ku-Band
- VSAT Starnet (C-Band)
- VSAT StarNet MESH
- Hyperband
- Domestic Leased Line - Wideband
- Domestic Leased Line - Digitaline I
- Domestic Leased Line - Broadband
- Managed Network Services
- IPVPN Backup 3G & IPLite 3G
- IPVPN Value
- Metro Ethernet
- IPVPN Premier
- IPVPN Lite
- IPVPN Wireless Off Premise ATM
- SmartBiz
- IPVPN Value EVO
- School Broadband

Integrated ICT Services

- Managed Data Centre & Cloud Services
 - Managed Data Centre Services
 - Managed Cloud Services
- Managed Communication & Collaboration Services

- Managed Unified Communications
- Managed TelePresence Services
- Managed Network & Network Integration Services
 - Managed Local Area Network (MLAN)
 - Managed Wide Area Network (MWAN)
 - Managed Network Visibility Services (MNVS)
- Managed Security Services
 - Managed Web Application Firewall (WAF)
 - Managed Unified Threat Management (MUTM)
 - Cloud Based Web Security Service (CBWS)
- End User Computing Services
 - Managed Desktop Services
 - Managed Service Desk

Integrated BPO Services

- Customer Experience Management
 - Customer Service
 - Technical Support
 - Service Desk
- Revenue Generation & Protection
 - Tele Sales
 - Inside Sales
 - Inbound Sales
 - Tele Collection
 - Tele Reminder
 - Tele Save-A-Customer
 - Telemarketing
- Knowledge Process Outsourcing
 - Business Insights
 - Dashboard Reporting
 - Social Media Analytics
- Business Suites/Facilities Management
 - Facility Management
 - Disaster Recovery

NEW MEDIA

Content Services

- HyppTV
- HyppGames
- B-Smart
- My1Content
- TM Shop
- E-browse

Value-Add Services

- E-storage

Advertising services

- Yellow Pages Publications (YP Big Book, YP4Home, Destination Malaysia & Halal Pages)
- Digital Yellow Pages (Internet & Mobile)
- TV Advertising via HyppTV

GLOBAL & WHOLESALE

Voice Services

- Bilateral Voice Services
- Wholesale Voice Services
 - Voice over Internet Protocol (VoIP)
 - Time-Division Multiplexing (TDM)
- International Value Added Services
 - Global Voice Solutions
 - Global SMS Hub

Voice & Multimedia Services

- Voice over Internet Protocol (VoIP)
- Interconnect Minutes

Data Services

- Global Ethernet Services (GES)
 - Global Ethernet Virtual Private Line (EVPL)
 - International Ethernet Private Line (IEPL)
- Global Virtual Private Network (VPN) Services
- Media Delivery Services (MDS)
- IP Services
- Global Hosting Services
- International Bandwidth Services
 - International Private Leased Circuit (IPLC)
 - Bandwidth Transit
 - Bandwidth Backhaul
 - Bandwidth Interconnection
 - Global VSAT

Backhaul Services

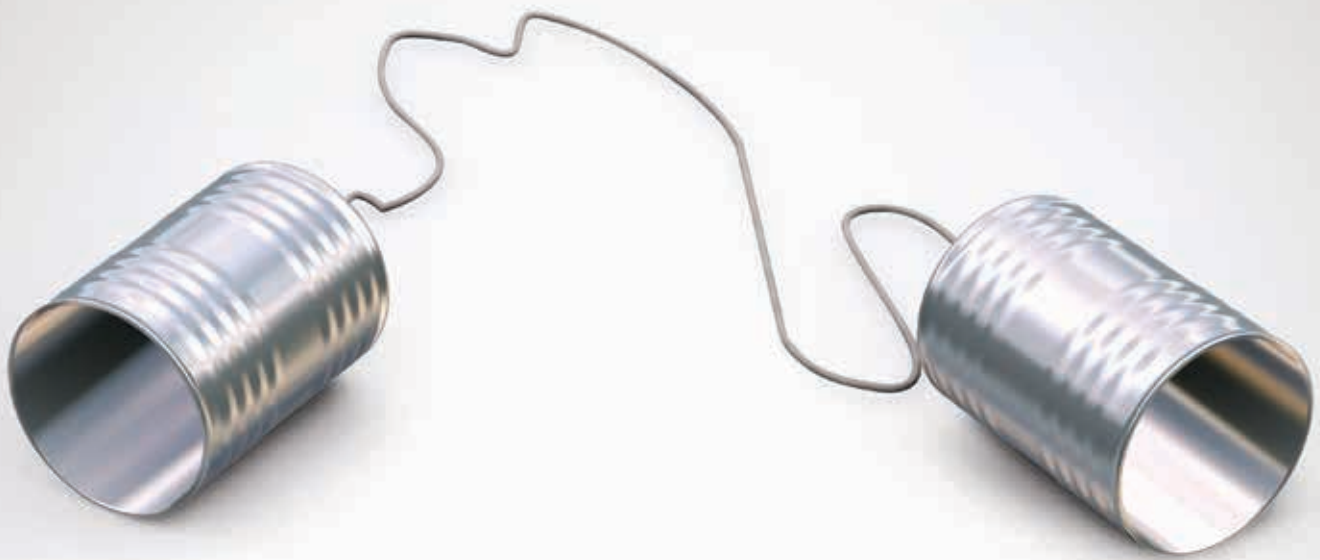
- High Speed Broadband (HSBB) Service
- Wholesale Ethernet Service
- Next-Gen Backhaul™ (NGBH) Services

Solutions

- My1Hub



Life
Made EasierTM
Hidup Lebih Mudah



CONNECTIONS MADE SIMPLER

We strive to become the leading broadband and end-to-end solutions provider for you.

Be it at home or at work, we hope we make your life a little bit easier by offering the best of what we have to offer.



BUSINESS REVIEW & FUNCTIONS

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CONSUMER

FACTS AT A GLANCE

RM2,966.1 million

revenue generated by TM Consumer

2.3 million

phone customers

1.8 million

broadband customers (Streamyx and UniFi)

OVERVIEW

UniFi and Streamyx once again were the main growth drivers for TM Consumer in 2013, while voice service remained a consistent contributor to revenue. Key initiatives were put in place to continue to attract new customers while retaining existing ones.

FINANCIAL PERFORMANCE

In the financial year ended 31 December 2013, TM Consumer recorded revenue of RM2,966.1 million, an improvement of 8.9% over its 2012 performance. The increase in revenue was achieved mainly due to strong growth in broadband as well as mitigated decline in voice. Despite the challenging environment, the total number of broadband customers grew 6.8% to 1.8 million by end 2013. UniFi was taken up by 530,314 customers by year end, contributing RM702.8 million in revenue. Moving forward, broadband will continue to drive Consumer's growth.

STRATEGIC & KEY INITIATIVES

The demand and needs of customers are fast changing with the proliferation of smart devices and ever increasing content and applications. High speed broadband in itself is no longer sufficient as there is an ever growing demand and interest in value-added services (VAS). In this area, HyppTV becomes more crucial in differentiating and value adding to TM's existing products and services. With the philosophy of 'Life Made Easier', TM is striving towards uplifting the value proposition for its mass market offerings. Throughout 2013, many campaigns were launched to cater to customers' ever-changing lifestyle. These targeted the enrichment of service offerings from speed upgrades to HyppTV content, multi-device accessibility and other value-added services. It's really Life Made Easier with TM!

Connectivity

As part of TM's continuous efforts to meet customers' demand for higher speed, Consumer launched a new 8Mbps Streamyx Broadband package. This new broadband option complements the existing Streamyx offerings at non-UniFi areas for customers to enjoy faster connectivity and better Internet experience.

CONSUMER

TM is committed to enabling customers to experience greater speed together with exciting content offerings. As part of this commitment, two campaigns were introduced, namely the Super Upgrade Deal as well as The Best Ever Hypp-normous Deal. In the Super Upgrade Deal campaign, Streamyx and UniFi customers who upgraded to higher speed received a free HyppTV package of their choice for 24 months. UniFi customers who subscribed to HyppTV packages during the Best Ever Hypp-normous Deal campaign, meanwhile, received a free speed upgrade for 24 months. With these campaigns, customers enjoyed more value with the higher broadband speeds and greater TV content.

ENTERTAINMENT

TM took a significant step forward by introducing the HyppTV service to new and existing Streamyx 4Mbps and 8Mbps customers. With this, customers can enjoy HyppTV even if they are outside of UniFi coverage, thus expanding the reach of HyppTV service to a greater number of viewers nationwide. At the same time, TM introduced HyppTV Everywhere, a multi-screen offering by enabling customers to watch HyppTV on various devices such as tablets, smartphones or PCs. This is part of TM's aspiration to deliver an integrated digital lifestyle to Malaysians nationwide, making HyppTV not just Primetime, Anytime, Everytime as per its tagline, but is available Everywhere as well.

Giving more value to TV customers, TM introduced four new packages, namely HyppTV Ruby Pack, HyppTV New Platinum Pack, HyppTV Mega Pack and HyppTV Sports Pack. With the 'family' theme in mind, these packages bundle various HyppTV channels from Sports, Entertainment, Lifestyle and News, making them complete packs for the household.





TM's Senior Management (from left) Jeremy Kung, Executive Vice President, NewMedia; Imri Mokhtar, Executive Vice President, Consumer; and Azizi A Hadi, Executive Vice President, SME.

2013 also saw a historic milestone collaboration between TM and Astro. Through this collaboration, sports content from Astro SuperSport HD and Astro Supersport 2 HD channels are now available on HyppTV, bringing English football to its many fans in Malaysia.

To date, HyppTV offers a total of 113 channels consisting of 50 premium channels, 27 free live TV channels including eight radio channels, 20 interactive channels and 16 video-on-demand (VOD) channels with more than 3,000 hours of Hollywood, Asian and local content. TM remains steadfast in its commitment to providing customers with more value and an enhanced TV viewing experience.

PROSPECTS

The Consumer marketplace will continue to be challenging in the years to come. To maintain its broadband leadership position in Malaysia, TM Consumer will continue to innovate its products and services. With Life Made Easier as the main theme moving forward, TM Consumer is committed to continuously enriching its value proposition to customers to ensure business growth and sustainability.

SMALL AND MEDIUM ENTERPRISE

FACTS AT A GLANCE

RM1,933.0 million

SME revenue

345,597 Total

SME Broadband customers

10 Hotels

secured under Hospitality Entertainment Solution

OVERVIEW

TM's Small and Medium Enterprise (TM SME) business continues to contribute to TM's overall growth by strengthening the Company's position in the SME market. In 2013, TM SME launched an aggressive onslaught on the growing SoHo and micro segments, making headlines with various innovative products. These included bundled solutions and enhanced ICT applications aimed at increasing customers' profitability, productivity and operational efficiency.

FINANCIAL PERFORMANCE

In the financial year 2013, TM SME recorded revenue of RM1,933.0 million. Internet services showed the highest growth in revenue contribution, mainly from UniFi services. In 2013, the customer base for UniFi grew by 34.9% from 75,089 to 101,301, contributed by attractive value for money offerings of speeds from 5Mbps to 100Mbps.

Voice revenue continued to be the key revenue generator for TM SME, although its contribution reduced from 59.9% in 2012 to 57.4% in 2013. This was due to 156 TM SME customers upgrading to TM Enterprise segment in 2013, bringing along with them an estimated RM22.9 million worth of voice revenue. An estimated total of RM33.5 million worth of revenue from all services were affected due to this migration of segments. TM SME is glad to have been of service throughout their business journey and is proud to see their business flourish.

Hospitality Entertainment Solution signing with Shangri-La Putrajaya. Norliza Hj Jaafar, State General Manager, TM MSC (third from right), exchanging the agreement documents with Atiq Rehman, General Manager, Putrajaya Shangri-La (fourth from left), witnessed by (from left) Rodziah Salleh Reduan, Director of Sales and Marketing, Putrajaya Shangri-La; Tracy Tang, Financial Controller, Putrajaya Shangri-La; Suresh Ragavan, Chief Engineer, Putrajaya Shangri-La; Azizi A. Hadi, Executive Vice President, SME, TM; Jeremy Kung Executive Vice President, New Media TM; and Azman Yusof, General Manager.





STRATEGIC AND KEY INITIATIVES

TM SME aspires to be the preferred ICT partner to SMEs offering total communications and ICT services from voice/telephony, connectivity services to advanced ICT solutions. Its tagline 'Business Made Easier' is supported by in-office solutions such as business broadband solutions and value-added services (VAS); and out-of-office solutions including Marketing Tools, TM WiFi and BizApp Store.

To best understand and serve the market, TM SME has formed relationships with organisations that represent SMEs such as SME Corporation Malaysia (SME Corp) and SME Association of Malaysia. In 2013, it strengthened its partnership with these bodies as well as with Microsoft (to offer cloud-based Office 365 services) and systems integrators.

On-ground marketing and sales efforts were intensified, along with a comprehensive seeding programme to create greater awareness of the importance of ICT among SMEs. TM SME also created more sales channels to reach its target market and achieve higher sales conversion. Continued focus on consultative sales among the medium business market led to new customers for Direct services and data services. TM SME also launched a new solution for the hospitality industry.

CUSTOMER RETENTION

TM SME has five programmes under its Churn or Retention Management, namely Churn Mitigation, Proactive Customer

Azizi A. Hadi, Executive Vice President SME, TM bringing YB. Datuk Amar Abang Haji Abdul Rahman Zohari bin Tun Datuk Abang Haji Openg, Minister of Housing and Minister of Tourism Sarawak, on tour the Exhibition Booth during the BizFest Sarawak in June 2013.

Engagement, Proactive Retention, Predictive Churn and Save Programme. Churn Mitigation and Proactive Retention improve customer offerings via contract renewal and up-selling which extends customers contracts, Predictive Churn involves addressing the problems faced by potential churners. In terms of Proactive Customer Engagement, TM SME has in place loyalty and customer engagement programmes. The Save Programme addresses business challenges in managing their cost and quality issues. These Save efforts averted revenue loss of approximately RM39.0 million from termination.

Moving forward, steps will be in place at each customer stage, from acquisition onwards, to ensure and improve SME churn performance.

DIFFERENTIATED SERVICE FOR SME CUSTOMERS

TM SME continued to strengthen its differentiated customer service in 2013 with strategic initiatives at key touch points.

At 32 high-traffic TMpoint outlets, business customers benefit from priority lanes, where their waiting time is less than 15 minutes on average. In addition, 18 SME consultants and 14 SME experts have been appointed at strategic TMpoint outlets to provide personal service and advice. To enhance its call response time, in January a dedicated queue line was

SMALL AND MEDIUM ENTERPRISE

introduced for business customers at TM's call centre. Currently covering customers in the Klang Valley, the service will be rolled out nationwide in 2014. For UniFi, business customers enjoy priority installation within five days.

Finally, a trial run on the Work Force Management System (WFMS), which aims to reduce the restoration time for Business Broadband Service to 12 hours, was held in Johor and Kuala Lumpur. Following its success, a nationwide rollout is expected to be launched in early 2014.

SALES AND MARKETING

TM SME BizFest™ 2013 was held to showcase the range of ICT products tailored for SMEs with a focus on micro and small SMEs including those operating from home. The event was taken to Johor, Petaling Jaya and Sarawak from May to June 2013, with official endorsement by SME Corp. Participating TM partners included NAZA, RSH Malaysia, KTM Bikes Malaysia, Microsoft, Lelong.my and MSME.

TM SME also continued with its TM SME BizNet™ roadshows and Vertical Market Seminars for the medium business segment. BizBrigade 2.0 was also held while the TM Biz Fiesta was held at selected TMpoints nationwide, intended for the mass business segment.

NEW SERVICE OFFERINGS

The year started with the launch of an affordable Biz Starter Pack in January, offering business start-ups unlimited broadband at 1Mbps, fixed phone line service (with free monthly rental), free WiFi modem and a free RM35 phone voucher.

This was followed by the introduction of the Multi-Line Session Initiation Protocol (SIP) on 15 April. Operating through a dedicated physical line, it can handle a desired number of voice calls for a determined number of employees

in an organisation, ensuring cost-effective yet superior voice quality. The service comes with Calling Line Identification Presentation (CLIP), Calling Line Identification Restriction (CLIR) and Call Forwarding, Unconditional.

On 15 May, the Hospitality Entertainment Solution was unveiled specifically for hotels and even hospitals. The premium bundle provides high speed Internet access offering guests quality entertainment on HyppTV with more than 10 foreign language channels and access to high speed WiFi. It is supported by a Call Centre available 24/7.

Towards end June, TM SME enhanced its web-based Geographical Information System SmartMap™ with the SmartMap™ Daily Package, boasting business intelligence features that enable customers to make more informed decisions.

The exciting Microsoft Office 365 (MSO365) was made available to UniFi BIZ customers on 23 October, comprising MSO Web Apps (Word, Excel, PowerPoint and Outlook), MS Exchange Online, MS SharePoint Online and MS Lync Online. Customers can share files, edit documents, video conference, send instant messages, and manage their emails and calendar online, accessing their working files on the go with multiple devices. MSO365 was launched close on the heels of UniFi BIZ 100, launched on 8 October, which increases the range of UniFi BIZ speeds up to 100 Mbps from 30 Mbps and 50 Mbps previously.

Finally, addressing the needs of business customers in non-UniFi areas, TM SME introduced Business Broadband with HyppTV as a value-added service in Kelantan on 23 November 2013, following the launch of HyppTV for Business in 2012. This offering, suitable for food and beverage outlets, will be rolled out regionally in 2014.

PROSPECTS

In 2014, TM SME will continue to accelerate the adoption of ICT solutions by SMEs with an increasing number of customised and vertical solutions based on industry needs. Focusing on the SoHo and micro SME segments, it will reinforce its efforts to educate customers on the benefits of total ICT solutions and value-added services through various sales and event initiatives.

NEW MEDIA

FACTS AT A GLANCE

113 channels

in total for HyppTV

30 channels

in High Definition (HD)

27 live TV channels

including radio channels

OVERVIEW

New Media aims to be the hub for all Content, Applications and Directory Services (CADS) in Malaysia as well as the preferred provider for all media, applications and e-commerce solutions by delivering seamless world-class offerings on multi-screen devices to the mass market. In its pursuit to enhance customers' lifestyle and work-style, New Media strengthens TM Group's positioning and business growth locally and regionally.

Capitalising on the large base of Streamyx and UniFi subscribers, New Media offers an extensive range of products and services anchored by three strategic pillars to support TM Group's business, namely Directory Advertising, Online Products and Services, and HyppTV. The first two of these pillars will be addressed in this write-up, while for more information on HyppTV, please refer to the boxed article on page 192 of this annual report.

Under Directory Advertising, Yellow Pages has evolved beyond the traditional directory advertising business by entering the digital domain, and is now moving into a wider media spectrum where digital is rapidly growing as the main source of communication.

For online products and services, New Media serves as a hub for content, applications and solutions targeted at TM's existing business and consumer segments by providing excellent customer value and unique selling points with cost-effective business propositions to suit today's lifestyle and work-style.

KEY INITIATIVES

Directory Advertising

Following a rebranding exercise in 2012, the focus at TM Info-Media Sdn Bhd (TMIM) throughout 2013 was on further strengthening its brand and product visibility. In line with its tagline 'The local information provider', a good number of activities organised by TMIM concentrated on building closer rapport with the communities it served.

Among TMIM's key customer engagement activities were the Yellow on Wheels (YOW) Roadshow and Yellow Pages Coffee Talk (YPCT), which were held at commercial areas with high traffic in major cities nationwide including Kuching and Kota Kinabalu in East Malaysia. In the peninsula, YOW travelled south from Penang all the way to Johor Bharu, covering smaller towns in between, painting each location yellow with the big Yellow Pages (YP) truck distributing publications and promoting the Internet Yellow Pages and Mobile Apps to the public. During the two-week campaign, apart from direct distributions to the public, there was heavy use of social media to engage people with various activities including a contest for Yellow Pages Facebook fans.

Seven YPCT sessions were held in 2013, receiving very good feedback from both attendees and the media, especially as the focus was mainly on casual yet effective networking. The sessions also served as a platform for New Media to get to know its advertisers, partners and potential clients to understand their needs better.

NEW MEDIA

Destination Malaysia, a new travel product serving multiple platforms including print and online, was introduced in 2013. Its handy format and quality finish, combined with a newly established *Destination Malaysia* website and social media platforms, plus an upcoming mobile app in 2014, stand this product apart from other tourism publications. New Media's participation at the Oil & Gas Asia Exhibition (OGA) 2013 was a major boost to the *Destination Malaysia* brand, as more than 5,000 copies of the publication were distributed to delegates from about 1,500 companies, from over 50 countries.



Destination Malaysia booth during Oil and Gas Asia Exhibition (OGA) 2013.

Apart from strengthening the contents of our products and services, the distribution of printed copies was given due emphasis in 2013. Concerted efforts were made to ensure visibility of all New Media's publications (Yellow Pages Business Directory, Yellow Pages for Home, *Destination Malaysia*, Halal Pages) via door-to-door distribution, placement at strategic public locations including trade events, shopping complexes and malls, as well as collaborations with partners. The use of social media and the digital portal to communicate and stay in touch with the Yellow Pages community also contributed to Yellow Pages remaining at the forefront of the directory business.

Online Products and Services

HyppMe

Connectivity is no longer a luxury, but a necessity in today's dynamic world where it is essential to stay in touch. Be it sending instant messages to loved ones or telling your buddies where you are; sending holiday photos or videos on the fly... HyppMe is the solution.

HyppMe is a smart mobile application offering voice, instant messaging and SMS over Internet protocol (IP), with call through functionality utilising TM WiFi infrastructure with secondary premise over current mobile data on 3G and future LTE coverage. Among other over the top (OTT) products, HyppMe is differentiated by its offering of seamless Voice/SMS at a very competitive flat rate across all service providers and functionalities with a twist of local flavour.

Since the HyppMe Beta was launched on 2 August, it has been downloaded by more than 2,000 active users. Approaching 2014, HyppMe will be made available as a free downloadable mobile app from the Apple App Stores and Google's Play Store to enable users to enjoy instant On-Net calls (HyppMe to HyppMe) and instant messaging (IM) service. In addition, HyppMe will also offer a prepaid subscription package with low-rate Off Net calls (HyppMe to other service operator numbers) and SMS, as well as free calls to TM home-line numbers inclusive of Streamyx and UniFi customer support lines.

My1Content

The first quarter of 2011 marked the dawn of a new era for the Malaysian content industry. Anchoring on four content segments – Video, Application, Music and Games – New Media created a platform for contentpreneurs to showcase their products by uploading their IP trailers and individual/company information onto My1Content – Malaysia's most prominent content portal. Engagement sessions were held to receive feedback, and to explore various dynamic offerings and design capabilities. In addition, New Media conducted briefings and presentations to the Malaysian Technopreneurs Association and other content-related organisations.

As a result of marketing efforts, My1Content currently hosts more than 900 items comprising 800 works of music from local artistes, 160 online games, more than 30 videos (including animations) and five multi-purpose applications.

The portal's latest capability is to provide live feed for both music and video streaming, aimed at promoting new and upcoming artistes by airing them at various commercial centres.

TM World

TM World is a mobile application that provides TM information on the go. Initially led by Group Information Technology (GIT) to stamp TM's footprint in the mobile segment, TM World is currently driven by New Media to further enhance its offerings.

TM World serves as a mobile alternative to New Media's online portal, offering direct and simple-to-use functions. To date, it showcases TM promotions and the latest HyppTV trailers, while allowing users to check UniFi coverage/availability and get in touch with TM's customer service. Future enhancements will include TM rewards voucher redemption, access to the latest HyppTV programme guide as well as billing information and payment.

Since being made available in the Apple App Stores and Google's Play Store as of August 2013, TM World has been downloaded more than 9,000 times.

SMART AP

In line with the tagline 'Life Made Easier', TM's absolute portal has been revamped to suit its customers and visitors. The portal's new look and feel focuses on customer-centric essentials. Under the skin, the Smart AP now elevates the user experience by providing:

- simplified registration
- consolidated login process
- customisable/personalised content
- online order processing
- social media integration
- bill presentation and payment

These key points are vital to ensure the fulfilment of today's demanding consumer.



Behind the scenes, a smart profiling engine capable of offering personalised content based on customer behaviour is being developed, collecting data that will assist future online businesses to capture market opportunities. This would further enhance the Smart AP, making it more dynamic to provide an enriched and engaging customer experience, and most importantly ensuring sustainable revenue.

PROSPECTS

New Media plays a broad role in crafting a fresh and innovative digital lifestyle, supporting TM Group's direction in monetising the new business era by creating demand for media-related services layered on top of broadband access. Coupled with e-commerce and the digital marketplace, New Media will experience promising growth in the years to come. The aim ultimately is to offer unrivalled service at home and beyond through TM's WiFi network.

HYPPTV – ENTERTAINMENT MADE EASIER

New Media is envisioned to support TM Group in the new business era where media is fast converging with access in addressing customers' needs. As with the wave of triple or quadruple play that has been seen in more mature markets, its primary role is to create demand for media-related services. Towards this end, New Media is constantly expanding both its content and the ability of users – from the Consumer and SME markets – to access its services on any device, to suit their needs.

One of the three strategic pillars of TM's New Media is the increasingly popular HyppTV, a local pay TV service that offers high-quality up-to-date content, and which forms a key component of the triple play UniFi VIP packages. Having established its footprint as the TV of choice for flexibility in content and viewing options, HyppTV is fast evolving to offer even more premium channels, video-on-demand and interactive services.

HyppTV Facts

- HyppTV is now available to residential customers nationwide on both UniFi and Streamyx as well as *HyppTV Everywhere*.
- On UniFi, HyppTV is available as part of the triple play service with VIP offerings of 5Mbps, 10Mbps and 20 Mbps, with a dedicated 8Mbps pipeline for the IPTV service.
- For Streamyx, HyppTV is available with the 4Mbps and 8Mbps packages as part of the triple play that includes 17 free channels. Streamyx 4Mbps subscribers are offered HyppTV as an add-on service in the HyppTV Pack for a minimum of RM30 a month.
- HyppTV's first multiscreen offering, *HyppTV Everywhere*, enables viewers to watch their favourite programmes on smartphones, tablets or PC.
- HyppTV channels are priced from as low as RM3 for a la carte, or via packs such as HyppTV MegaPack, HyppTV Sports Pack, HyppTV Platinum Pack and HyppTV Ruby Pack.

- As of December 2013, HyppTV offers customers a total of 113 channels with 30 channels in High Definition (HD) – consisting of 50 premium channels, 27 free live TV channels including eight radio channels, 16 video-on-demand (VOD) genres and 20 interactive channels.



HyppTV channels listing as of 2013.

HyppTV – Primetime, Anytime, Everywhere

HyppTV is Malaysia's fastest growing IPTV service. From its debut in 2010, it now offers up to 113 channels and up to 3,000 VOD hours. Its growth has been underpinned by its key differentiator of enabling flexibility in content choice and viewing options.

Dedicated Pipeline for HyppTV (8Mbps) – provides high definition (HD) quality with clearer and sharper imagery for HyppTV channels that does not affect viewers' High Speed Internet (HSI) service experience (dedicated bandwidth applies only for UniFi VIP5, VIP10 and VIP20 subscribers)

Time Shift TV (TSTV) – enables playback of programmes up to two hours after broadcast

Catch Up TV – allows subscribers to see missed series or programmes up to seven days after their broadcast

With nine new channels in 2013, HyppTV continues to offer a range of unique and exclusive channels, never-seen-before programmes in Malaysia including award-winning and critically acclaimed series.



Presents the best in reality TV and critically acclaimed series from world-class studios in the US such as CBS and RTL.



Backed by Sony Pictures Television International, Sony Max provides viewers with the biggest and best of Hindi movies and special events, making it India's No. 1 movie channel.



Contains sports-related content 24 hours a day with Live Barclays Premiere League matches, tennis, French Ligue 1 and many more.



Polimer is a Tamil language channel offering a variety of serials, reality shows, travel shows, game shows, films and more.



Showcases first-run Hong Kong blockbusters and premier Asian movies.



Catering to the busy individual, TV Direct is a dedicated 24-hour shopping channel.



Presents minute-by-minute live coverage of proceedings at the Malaysian Houses of Parliament.



A trend-setting music and lifestyle channel featuring original programmes, the latest chart-topping music videos, exclusive interviews, concerts and many more.

HYPPTV – ENTERTAINMENT MADE EASIER

To accommodate Consumer lifestyles and demands, and following positive response to the Platinum Pack that was launched in 2012, HyppTV has introduced four new value packages of more exclusive content and programming. Offering a bouquet of Sports, Entertainment, Asian and Edutainment channels, the new packages add more value to the HyppTV proposition. HyppTV Ruby Pack got the year rolling with its launch in January 2013, followed by the launch of HyppTV Mega Pack, HyppTV Sports Pack and HyppTV New Platinum Pack in April.

HyppTV Ruby Pack



- Offers 11 Chinese channels at only RM30 per month, including exclusive channels such as International HD, Screen RED, Channel (V) Taiwan and SCM Legend.

HyppTV Mega Pack



- Offers 49 wide-ranging channels at RM50 per month to suit the needs of the whole family, from Entertainment (Warner TV) and Lifestyle (Nat Geo Adventure HD), to Edutainment (BBC Knowledge), News (Al Jazeera) and many more.



HyppTV Sports Pack

- This is the first HyppTV package to bring sports programmes as well as live sporting events in one offering of 13 sports channels at RM50 per month. Highlights include showcasing live American sporting events on HyppSports HD, a 24-hour non-stop football action programme (FOX Football Channels) and live UEFA matches, catering especially to die-hard football fans.



HyppTV New Platinum Pack

- This package is the revised line-up of the existing HyppTV Platinum Pack. Bundled with 33 channels for RM30 per month, the package is more focused on entertainment and edutainment, and is perfect for the young family.

HyppTV's VOD brings the latest blockbusters in Malaysia, well before its competitors, which includes 3,000 hours of Hollywood and Asian blockbuster movies and TV series. As with conventional videos, subscribers can play, pause and forward their favourite movies on VOD whenever they want, to suit their convenience.



HyppTV – Come Rain or Shine

HyppTV offers the best picture quality including HD in all weather conditions, allowing subscribers to enjoy uninterrupted viewing. This presents subscribers with the flexibility of scheduling their own viewing.

HyppTV is also available for Business customers as an add-on service in the UniFi BIZ packages enabling them to enrich their business with exciting infotainment. HyppTV for BIZ affords a competitive edge to SMEs, especially those that operate in non-UniFi areas, allowing them to enjoy HyppTV offerings with the same viewing experience as UniFi customers.

The Hospitality Entertainment Solution (HOTES) comprises In-Building Broadband Solution, HyppTV and a Call Centre service. Subscribers can pick from 60 channels comprising seven free-to-air channels (TV1, TV2, TV3, ntv7, 8TV and TV9) and 53 premium channels including Channel NewsAsia, FOX Football Channel, Universal Channel HD and Discovery Kids, among others.

As of August 2013, die-hard football fans can enjoy live, primetime matches from Barclays Premier League (BPL) on HyppTV. This was made possible following an agreement signed between TM and Astro Berhad for TM to be the presenting sponsor of the Astro Malaysia Super League, Astro Malaysia Premier League, FA Cup and Malaysia Cup. As a result of this milestone collaboration, HyppTV subscribers can watch content from Astro Super Sports HD and Astro Supersports 2 HD such as French Ligue games, ATP Tennis and IAAF Athletics.

HyppTV goes Nationwide & Everywhere!

HyppTV Everywhere, TM's first multi-screen offering in the form of an add-on application, enables UniFi and Streamyx (4Mbps and 8Mbps) customers to enjoy HyppTV on devices such as tablets, smart phones and PCs. The HyppTV Everywhere app can be downloaded from Google Play Store



Launch of HyppTV Goes Nationwide and Everywhere - (L-R): Deputy Secretary General, Ministry of Communications and Multimedia, Datuk Che Azemi Haron, TM Chairman, Dato' Sri Halim Shafie, Minister of Communications and Multimedia, Dato' Sri Ahmad Shabery Cheek, TM Group Chief Executive Officer, Tan Sri Dato' Sri Zamzamzairani Mohd Isa and Chairman of Malaysian Communications and Multimedia Commission, Dato' Sharil Tarmizi.

or Apple's App Store, and comes in two plans – RM5 per month for two devices or RM10 per month for five devices. The service underlines TM's commitment to delivering an enhanced integrated digital lifestyle to Malaysians nationwide.

ACHIEVEMENTS

In April 2013, HyppTV was awarded the Best Online TV Service or Solution at the prestigious TV Connect Industry Awards 2013 (previously known as IP&TV Industry Awards) in London. It was a historic moment as HyppTV is the first Malaysian IPTV company ever to win an award at the event which recognises, rewards and celebrates innovation, excellence and achievement in the connected entertainment industry. At the IP&TV Industry Awards 2012, HyppTV was second best in the Best Service Growth Achievement category, ahead of companies such as AT&T U-Verse TV, BT Vision and ZTE Corporation's Jiangsu Telecom ITV. This time around, HyppTV won against the likes of Oman Telecommunications Company Omantel TV service and Slovenia's TS Media.



ENTERPRISE

FACTS AT A GLANCE

6.7% growth

in revenue

31.6% growth

in ICT/BPO sales

23.0%

further reduction in outages through Service Improvement Plan

OVERVIEW

The enterprise market continues to be fragmented with the entry of global players, IT providers and system integrators who have started to provide integrated solutions, putting pressure on cost and quality of services. Despite the challenging market landscape, 2013 proved to be a fulfilling year for TM Enterprise as it continued to make business easier for enterprises. Growing further as a customer-centric business division, TM Enterprise further strengthened its sales operations in 2013 with the completion of the sales transformation programme. High emphasis on customer engagement, consultative-selling and systematic account planning resulted in an improved sales conversion rate and better funnel building capabilities.

FINANCIAL PERFORMANCE

TM Enterprise had a successful financial year in 2013, posting RM1,173.3 million in revenue, which marked a growth of 6.7% from the previous year. It continues to lead in data and Internet with a growth of 4.8% and 11.0% respectively. ICT/BPO continued to grow 31.6% year-on-year, in line with TM's aspiration to become an integrated telecommunications and ICT/BPO service provider.

KEY INITIATIVES

Leveraging on its positioning as a technology partner to enterprise customers, TM Enterprise capitalised on regional opportunities by responding proactively to the global requirements of Malaysian enterprises that are expanding beyond Malaysian shores. At the same time, TM Enterprise continued to support the development of the Iskandar Development Region through active efforts to attract regional investments into Nusajaya, Johor.

TM Enterprise continued to enhance the customer experience through an intensive Service Improvement Plan (SIP) which produced significant results, with total outage registering a further reduction by 23.0% compared to the previous year. Coupled with emphasis on Performance Management at all levels that included regular monitoring and coaching, service delivery efficiency increased. Improvements in internal processes and migration to online order processing and billing automation ensured high levels of service across end-to-end customer touch points from order processing, service delivery, billing to service management.

MANAGED ACCOUNTS

ENTERPRISE



Ghazali Omar, Executive Vice President TM Enterprise at TM's booth at the Oil and Gas Asia Exhibition (OGA 2013).

PRODUCTS & SERVICES

Voice

TM Enterprise had initiated a 'win-back' and 'win-over' programme in 2013, as a continuation of a rigorous retention strategy to combat price competition by mobile and Voice Over Internet Protocol (VOIP) service providers. Variable and customised call plans such as Smart Call and Flexi Destina continued to support customer needs in the challenging cost optimisation market space.

As a result, TM Enterprise managed to grow voice revenue by 1.5% compared to the de-growth experienced in previous years.

DATA & INTERNET/BUSINESS BROADBAND

Connectivity services such as Internet and Business Broadband continue to be commoditised. This is further compounded by an overwhelming number of players with different focus and strengths in the market. Despite the continuous threat in the market, TM Enterprise continues to leverage on value-added services as a differentiation factor. Its main focus is to arrest price competition on data and broadband services. By promoting value-added services for

connectivity and ICT/BPO with improved network service quality, data and broadband revenue increased by 4.8% and 11.0% respectively amid intense competition with other end to end managed service providers and system integrators.

ICT/BPO

TM Enterprise had reinforced consultative selling as part of its strategy to offer seamless and integrated solutions. These include detailed account planning and funnel management to promote various ICT/BPO solutions and integrate them with existing connectivity as a total solution that strategically fits into enterprise customers' business requirements. For 2013, we posted a significant growth of 31.6% from the previous year.

PROSPECTS

The enterprise landscape is expected to continue to be fragmented and competitive in the year ahead. TM Enterprise will continue to drive sustainable growth for the TM Group as it refines further its horizontal services and vertical solutions on a journey to be an integrated ICT player to meet the increasingly sophisticated needs of enterprises domestically and regionally.

GOVERNMENT

FACTS AT A GLANCE

10.4% overall

revenue growth

21.1% revenue

growth for Data Service

>12,000

Government Agency sites connected

OVERVIEW

TM Government provides the key network and ICT infrastructure required for the Government of Malaysia's (GoM's) whole-of-government approach. This seeks to enhance its public facing delivery channels, provide a common architecture standard for information sharing as well as enhance collaboration by identifying common, shareable and reusable information.

All the projects for GoM are progressing well. GITN Sdn Bhd, a fully-owned subsidiary of TM, is providing 1Gov*Net services, a wide area network that connects more than 12,000 agency offices. Under the GoM Unified Communications Service (1GovUC), the infrastructure for 200,000 user accounts for e-mail and unified communication services has been delivered as of end December 2013. Meanwhile, 1Malaysia One Call Centre (1MOCC) is being further developed and the emergency response service MERS999 is being extended nationwide.

While these key projects have driven TM Government's performance in the year under review, several other major projects also contributed significantly to its business growth. These include the IPVPN Expansion for Federal and State Agencies, installation of 1Gbps Internet for Institutes of Higher Learning (IPTAs), ICT for Malaysia Investment Development Authority (MIDA), IPVPN & ICT Expansion for PERKESO – Pintar Project and establishing a data centre for the Ministry of Education.

FINANCIAL PERFORMANCE

Sustained performance driven by the strength of its strategy and effective execution led to strong financial results for TM Government in 2013. Revenue increased by 10.4% from the previous year with Data driving most of the growth. Data and Internet revenue grew by 21.1% and 5.1% respectively, while Voice revenue slightly declined in line with the increase in alternative communication technologies. Revenue from customer projects, meanwhile, increased by 3.4% mainly due to projects involving GoM's shift to the whole-of-government approach.

PRODUCTS AND SERVICES

Voice Service

The Flexi Destina and Privilege Plans helped to decelerate the decline in Voice revenue to 2.8% despite the strong trend towards mobility, IP telephony and new communication tools such as WhatsApp and WeChat. TM Government continues to offer IP voice and bundle SIP to protect its core business services. Meanwhile, with the delivery of infrastructure for 200,000 users under the 1GovUC, TM Government is in a strategic position to take advantage of new communications technologies that unify voice, e-mail, social communication and telepresence to transform GoM's communication channels.

MANAGED ACCOUNTS

GOVERNMENT

DATA SERVICE

Through 1Gov*Net Services agreement, GoM's aspiration to consolidate its network and offer 95.0% of its services online by 2015 is well supported. With this agreement, all EG*Net services have been converted to the secured 1Gov*Net services, and during the year, GoM ordered an additional 1,006 sites for various agencies.

1Gov*Net Services contributed to strong growth in the Data business, which increased by 21.2%, making up 48.9% of TM Government's revenue. Other customers that contributed significantly to revenue growth included the Inland Revenue Board, SUK Terengganu, the Employees Provident Fund and PERKESO.

INTERNET SERVICE

In 2013, Internet revenue inched up only marginally to RM105.4 million, mainly from usage by public colleges and universities. During the year, six public universities – inclusive of IPTAs under the Malaysian Research and Education Network (Myren) – subscribed to 1Gbps Internet Service. TM

Government expects more universities to join Myren as the student population grows, methods of learning delivery change, and the campus lifestyle demands increased Internet bandwidth.

ICT/BPO PROJECTS

1MOCC, 1GovUC, Universal Service Provision (USP) and MERS999 continued to drive ICT/BPO revenue, contributing to 51.6% of the total Customer Project and ICT/BPO revenue. There are now a total of 24 ministries under the 1MOCC service, which is undergoing Phase 2 of its implementation. For 1GovUC, the infrastructure for 200,000 users has been delivered and more than 120,000 users are now on-board.

Other notable projects include the Inland Revenue Board IPVPN & ICT Upgrade, Department of Aviation ATS, MARA Smart Education, PERKESO – Pintar Project, and Suruhanjaya Syarikat Malaysia.

PROSPECTS

TM Government stands to benefit from new business opportunities as GoM continues to execute its whole-of-government approach using ICT as the key enabler to provide integrated public services. Currently TM Government is developing a Managed Accounts structure focussing on the vertical offerings for Education, Healthcare, Public Safety and Finance sectors, and will offer Cloud services among its new product offerings. A new business model is being developed to support the vertical business, while the sales and technical teams have been trained to focus more on ICT/BPO business opportunities that support the 11th Malaysia Plan.

From its current position as the major provider of GoM's network and ICT infrastructure, TM is confident of immense potential for future business growth.

Ministry of Communications and Multimedia collaborates with TM to provide 'SaveME999' service.



VADS

FACTS AT A GLANCE

15 Data Centres

14 located nationwide & 1 in Hong Kong

>5,000

Contact Centre Seats

13 delivery sites in 2 countries

>10,000

Public Rooms

for TelePresence globally

OVERVIEW

VADS Berhad (VADS) is Malaysia's leading Integrated Managed Information and Communications Technology (ICT)/ Business Process Outsourcing (BPO) service provider. Established as a joint venture between IBM Global Network Services and TM in 1991, today it is a wholly-owned subsidiary of TM.

VADS brings together people, processes and technologies to enable more effective and dynamic use of information technology and communication. Its team of energetic and passionate individuals come from diverse backgrounds and cultures, possessing the right mix of skills and experience from operations to research, architecture development, solutions and project management. The team is committed to empowering businesses by offering its expertise as well as value-based innovative solutions and services so that customers can focus on their core business.

FINANCIAL PERFORMANCE

For financial year 2014, VADS Group recorded RM883.7 million in revenue of which BPO brought in RM369.0 million, ICT brought in RM350.0 million and the remaining RM164.2 million was from Manage GSP and others. Five new ICT products were introduced during the year – Managed Unified Threat Management, Managed Web Application Firewall, Managed Web Based Cloud Security, Managed TelePresence Public Room and Managed Service Desk. Moving forward, the Group plans to align its products and offerings to more integrated services while focusing on vertical solutions to further boost its financial performance.

SERVICE OFFERINGS

Integrated ICT Services

VADS 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 changing conditions, bringing together people, processes and technology. Its services empower organisations to be more efficient and productive.

MANAGED ACCOUNTS

VADS

The company has 15 data centres, 14 located nationwide and one in Hong Kong. These centres are highly secure, certified with ISO27001 and are Tier-III ready with multi-gigabit connectivity connecting to TM's My1Hub nodes. My1Hub nodes are pre-wired domestically to the cable landing stations at a high capacity bandwidth which in turn leads to shorter service delivery. Customers residing at any My1Hub node will also be able to link to all of TM's submarine cable systems and thus enjoy seamless connectivity, domestically and internationally.

The VADS Cloud sits in TM's telco-neutral data centres, offering a full suite of Cloud services such as Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS). It also offers Public, Private and Hybrid Cloud Solutions for businesses. In May 2013, VADS' Cloud Services received the ISO 27001 certification from SIRIM, making VADS the first Malaysian Cloud service provider to achieve the certification. This certification, coupled with certification for VADS' data centres, effectively guarantee a safe and secure Public Cloud Services platform through VADS' existing data centre facilities.

VADS had also signed a partnership agreement with the world's leading multinational computer storage and data management entity, NetApp. As NetApp's Service Provider Platinum Partner, VADS leveraged on the former's Cloud storage services to further enhance its IaaS offerings while providing better value to customers. Apart from adding value to existing offerings and allowing for market expansion, the collaboration enabled both parties to work together as strategic partners especially in Cloud marketing initiatives. Following the formalisation of the NetApp service provider partnership framework, VADS hopes to be able to create new Cloud offerings for the market such as Backup-as-a-Service (BaaS), Disaster Recovery-as-a-Service (DRaaS) and Online Enterprise Storage.

In 2013, VADS launched a Cloud-based web security solution enabling organisations to protect their network against

malicious malware. The solution protects users accessing the Internet from any location, on any device, ensuring a safe and trusted Internet experience.

Two other web security products were also launched – VADS Managed Unified Threat Management and VADS Managed Web Application Firewall – adding to the VADS Managed Security Services portfolio that anchors on defence in depth best practises to achieve information assurance in today's highly-networked environment. This is accomplished through a balanced focus on three primary elements: people, processes and technology, which represent the core building blocks of VADS' Security Operations Centre (SOC).

Together with TM SME and Microsoft, VADS continues to do its part to encourage the development of local SMEs and Independent Software Vendors (ISVs). Collaborating with Microsoft Malaysia as its syndication partner, VADS introduced Office 365 to the Malaysian SME segment, and through TM SME, the services are now made available in a bundled offering - Office in a Box and UniFi. With the support of the Multimedia Development Corporation (MDeC), further, VADS is encouraging local ISVs and SMEs to adopt Cloud services via the VADS Cloud Enablement Programme and MDeC's Funding Grant Facility.

VADS also launched the TelePresence Public Room in partnership with InterCall, which has more than 10,000 VC/TP Public Rooms globally, thus completing the suite of services offered under the TelePresence product umbrella (TP Private Room and TP Event-Based Solution). With TP Public Room, businesses and organisations can access and utilise VADS' TelePresence facilities to reach clients remotely, and conduct meetings seamlessly without the hassle of travelling.

VADS TP Public Rooms are strategically located in central areas with easy access, namely Plaza VADS in Taman Tun Dr Ismail, Kuala Lumpur; and Puri VADS in central Jakarta, Indonesia. In total, there are five rooms available for bookings, and more will be added to the current list in all major cities in Malaysia in 2014, including one at the TM Convention Centre. The extension of VADS' TP service brings TM one step closer towards realising its aspiration of becoming an Information Exchange.



OM EXCELLENCE AWARD 2013 WINNERS: Saravanan Belusami (second from left), GM BPO Operations, Fauzil Wahab (second from right), GM BPO Sales and Datin Mohana Mohariff (right), VP BPO Services with representatives from Outsourcing Malaysia after winning the BPO Project of the Year Award.

Integrated BPO Services

VADS Business Process Sdn Bhd's (VADS BPO) main focus is to grow its contact centre operations via five main key pillars, namely Revenue Generation, Customer Management, Knowledge Process Outsourcing, Human Capital Management and Back Office Processing. This has enabled the company to strengthen its foothold in the domestic market while expanding its presence regionally.

With more than 5,000 contact centre seats across 13 delivery centres in Malaysia and Indonesia, VADS manages over 80 million customer interactions on behalf of its clients every year. Its goal is to leverage on its comprehensive contact centre processes called Vibrant™ to gather best practices from the industry and deploy them on a single unified platform across all its Managed Contact Centres.

Meanwhile, people development remains a key priority and continuous training is provided to equip its Customer Service Professionals (CSP) with the right blend of technical and soft skills to serve clients better.

In 2013, VADS celebrated the opening of nine new contact centres for domestic customers from the broadcasting, retail, government and telecommunication sectors as well as Singaporean customers from the broadcasting sector.

Concerted efforts to improve its services have been recognised. In 2013, VADS BPO was ranked 75th in the Global Outsourcing Top 100 Companies, and was included in the Global Services 100 Provider list. It won the BPO Project of the Year at the Outsourcing Malaysia Excellence Awards 2013; and three awards at the Contact Centre Association of Malaysia Annual Awards 2013 – Best Outsourced Outbound Contact Centre (Over 100 Seats), Best Government Contact Centre and Best Government Initiative.



PUBLIC ROOM FOR ALL: The Management Team of VADS and InterCall at the launch of VADS Managed TelePresence Public Room.

One of its inbound Contact Centres received the ISO 9001:2008 certification from SIRIM, becoming the third contact centre managed by VADS to receive the certification.

VADS BPO's subsidiary, PT VADS, began operations in 2008, capturing the offshore contact centre business while serving TM's customers directly from Indonesia. Its core services are Contact Centre Service Solutions, Customer Service Learning Centre, Human Capital Management and Data Centre Co-location. It has two operations centres, namely Puri VADS, Jakarta and Puri VADS, Yogyakarta. PT VADS is constantly looking at ways to grow via sustained performance and excellent service delivery.

Its high performance level has led to PT VADS and its partners winning 18 corporate and individual awards during the year. These included five Gold medals at the Contact Centre World Awards held in June 2013, for Best Leader, Best Operations Manager, Best Recruitment Campaign, Best IT Support and Best Sales Inbound. These awards bear testimony to PT VADS' dedication to ensuring that its partners receive only the best standards that the industry has to offer.

PROSPECTS

VADS aims to continue to add value to its customers through innovative solutions and services. With the formation of the Managed Account Product Management (MAPM), the company aims to support the Managed Account cluster as well as the Mass Market Cluster to plan, develop and manage the Connectivity, ICT and BPO Services. MAPM's approach is to move towards developing integrated solutions anchoring on VADS' standard products with an end-goal to provide cross-industry and vertical-industry solutions. VADS will continue to position itself as a trusted partner of choice by empowering businesses to grow with its Integrated Managed ICT/BPO Services.



GLOBAL & WHOLESALE

FACTS AT A GLANCE

200.0% revenue

growth for High Speed Broadband (HSBB)

25.0% revenue

growth for Wholesale Ethernet services

18 Points-of-Presence

(POP) throughout the globe

OVERVIEW OF GLOBAL & WHOLESALE (G&W)

1 January 2013 marked a milestone for TM as TM Wholesale and TM Global merged into a single Line of Business (LOB), Global and Wholesale (G&W). Prior to this, TM Wholesale, which includes Fiberail Sdn Bhd and Fibrecomm Network, served as TM's business and marketing arm focusing on domestic wholesale business offerings; voice, infrastructure and connectivity services. TM Global, meanwhile, offers international wholesale data and voice services including satellite, terrestrial and submarine network connectivity to international carriers, multinational corporations, domestic businesses and government organisations globally within its presence.

Together these two LOBs enabled TM to be one of the world's leading communications service providers by becoming a one-stop solutions centre serving the needs of its customers domestically and in more than 50 countries; a combined role which is now being assumed by G&W. The merger increases TM's value proposition and capability covering both domestic and international requirements to offer a variety of product solutions as well as to improve its

customer experience. Leveraging on this new strength, G&W aspires to be the partner of choice in fulfilling end-to-end connectivity and ICT requirements domestically and regionally.

G&W is also suited to support the Government's Entry Point Projects (EPPs) under the Economic Transformation Programme geared towards establishing Malaysia as a global and preferred hub for the development of the ICT industry. Currently G&W is contributing to four EPPs: Connecting 1Malaysia, Ensuring Broadband for All, Extending Reach and Extending the Regional Network.

FINANCIAL PERFORMANCE

G&W surpassed the RM2.0 billion mark in 2013 with a consolidated total revenue of RM2,013.2 million or 0.8% growth from RM1,997.5 million reported in the corresponding period last year. This is mainly contributed by data and infra services particularly from High Speed Broadband Access (HSBA), International Capacity, Bay of Bengal (BBG) products/project, despite a drop in both domestic and international minutes of usage for voice services.

The operating cost of RM1,708.9 million is slightly higher by 1.0% in 2013 as compared to RM1,692.1 million in 2012 due to higher cost on deployment of WiFi services and higher leased circuit charges incurred by its subsidiaries (namely Fiberail, Fibrecomm and TM Hong Kong) as well as Global Homebase.

As a result of the higher operating cost, G&W recorded an EBIT performance of RM305.7 million in 2013, marking a slight reduction of 1.4% from RM310.0 million recorded in 2012.

BUSINESS OPERATIONS

G&W's Sales Office & Product House

G&W is headquartered in Menara TM, Kuala Lumpur and has five regional offices in Singapore, Hong Kong, the United Kingdom (UK), United States (US) and Australia. Telekom Malaysia (Australia) Pty Ltd (TMA) is the latest regional office, a new wholly-owned TM subsidiary which was incorporated on 18 December 2013. The establishment of this regional office is to support sales requirements coming from Australia, New Zealand, the Philippines and the Pacific Islands.

GLOBAL & WHOLESALE



TM together with Celcom Axiata Berhad (Celcom) and DiGi Telecommunications Sdn Bhd (DiGi) inked a wholesale bandwidth collaborative deal for TM Next-Gen Backhaul™ Services.

There are also representative offices in Prague, Dubai and Taiwan that support the emerging markets in Eastern Europe, the Middle East and Greater China.

PRODUCTS

Business Made Easier with G&W's Products and Services

As one of the fastest growing international telecommunications players in Asia-Pacific, TM will continue to offer extensive global connectivity, world-class infrastructure and proven expertise to the region. G&W's comprehensive suite of products and services has been designed to create business possibilities and increase the ease of doing business while optimising costs.

VOICE SERVICES

Bilateral Voice

G&W provides the highest quality and clarity for all terminations of Malaysia-bound voice traffic from international carriers through migration to the next generation network (NGN) and inter-carrier arrangements with all domestic carriers. As G&W has over 110 direct voice interconnects to 64 countries, it is also able to provide voice termination service with premium quality to the rest of the world.

Wholesale Voice

G&W provides termination services to international voice service providers, covering more than 1,000 destinations around the world that may or may not be directly connected to its 110 bilateral partners. This service is offered on Voice over Internet Protocol and the Public Switched Telephone Network.

Voice over Internet Protocol (VoIP)

VoIP allows service providers to establish and operate phone-to-phone voice and fax services, as well as create value-added applications to grow their IP portfolios. Through this service, G&W offers national and international traffic terminations and enhanced applications.

Time-Division Multiplexing (TDM)

TDM offers the best communications quality, audio clarity and high connection reliability. International termination in more than 1,000 destinations worldwide is made possible via direct and transit arrangements utilising submarine cables, satellite links and terrestrial connectivity.

International Value-Added Services (VAS)

VAS are non-core services that broaden subscribers' options in fulfilling their communication requirements.

Global Voice Solutions

This service allows carriers around the world to connect to TM's network via either VoIP or TDM. It has been implemented in TM's regional offices in Singapore, Hong Kong, United Kingdom and the United States. Carriers based in these regions can enjoy the benefits of near-end reachability at a lower cost.

Global SMS Hub

Global SMS Hub enables users to access hundreds of mobile networks around the world using just one connection and one contract. G&W is able to handle all the technical and commercial aspects of the operation and minimise the resources required at the customer end to deal with international termination.

VOICE & MULTIMEDIA SERVICES

Voice over Internet Protocol (VoIP)

Wholesale 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.

The VoIP platform was successfully migrated to TM's Next-Generation Network (NGN) in 2013, which enhances the VoIP product offering such as the capability to offer traffic swapping among ASPs.

Interconnect Minutes

Interconnect Minutes, be it fixed or mobile, is a service provided through the connectivity between Other Licensed Network Operators' (OLNOS') Point of Interconnect (POI) and TM's POI. The arrangement enables end users from TM's network to communicate with OLNOS' end users. On top of the normal voice call, TM also offers special services such as the emergency service, operator assisted service and free phone service with a competitive rate, as stipulated in Mandatory Standard on Access Pricing (MSAP).

This migration of POI for mobile OLNO to the Next-Generation Network (NGN) was successfully completed in 2013. 2014 shall mark the continuous implementation for NGN migration for fixed OLNO POI.

DATA SERVICES

Global Ethernet Services (GES)

Global Ethernet Virtual Private Line (EVPL)

TM's Global Ethernet provides secure point-to-point or multiple point-to-point Ethernet bandwidth connectivity developed over TM's private global MPLS-IP network. It allows customers to set up secure, private bandwidth connectivity to global business partners/suppliers or the Internet. The service is more flexible and cost-effective than WAN solutions such as private lines, ATM or frame relay – at higher, scalable speeds. With Global Ethernet, customers can buy just the amount of bandwidth needed, and easily add bandwidth as desired.

International Ethernet Private Line (IEPL)

IEPL is an end-to-end Ethernet bandwidth solution that provides dedicated, point-to-point, cross-border connectivity up to customer premises. The service uses a reliable and secured Synchronous Digital Hierarchy (SDH)/Dense Wavelength Division Multiplexing (DWDM) platform at scalable high speeds from 2Mbps to 10Gbps.

Global Virtual Private Network (VPN) Services

A VPN tunnels through another network, linking remote offices or individual users to an organisation's network. It is widely used by businesses to create Wide Area Networks (WANs) across large geographical areas, providing site-on-site connections to branch offices. A VPN provides the same capabilities as an extensive system of owned or leased lines that can be used by only one organisation, but at a much lower cost.

Global IPVPN is a fully-managed end-to-end virtual private networking solution that is simple, secure and scalable. It offers four service classes which enable customers to integrate video, voice, data and other business applications via single extensive any-to-any private network connectivity. TM has 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 has also expanded its connectivity to more than 100 countries through global partners.

Media Delivery Services (MDS)

TM MDS is featured on Octoshape's patented resiliency and throughput technologies to deliver the highest HD quality streams without buffering. This technology eliminates Internet congestion thus providing smooth live Internet streaming to millions of concurrent users in more than 200 countries.

IP Services

TM offers extensive connectivity with other Tier 1 providers and regional carriers to ensure optimum service performance. Its Global IP Services are delivered over an extensive international network infrastructure with Point-of-Presence (PoP) located worldwide. TM's IP Network Capacity (AS4788) already stands at more than 1Tbps.



Signing ceremony for High Speed Broadband and Wholesale service agreement between TM and Formis Development Sdn Bhd.

Global Hosting Services

Equipped with state-of-the-art facilities, the centre operates with the highest level of service reliability and infrastructure security. Built with Tier III+ specifications, it has the capability to meet the needs of even the most demanding business operations.

International Bandwidth Services

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

International Private Leased Circuit (IPLC)

IPLC is a dedicated point-to-point connectivity via international submarine cables, terrestrial links or satellite between any two sites in the world.

Bandwidth Transit

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

Bandwidth Backhaul

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

Bandwidth Interconnection

Bandwidth Interconnection links two submarine cable systems owned by a customer or TM itself at TM's cable landing station.

Global VSAT

Global VSAT is a one-stop satellite solution that offers secured, global connectivity for high-speed Internet access, voice and data. It provides a reliable and dedicated two-way communication link anywhere and everywhere across land, sea and air.

BACKHAUL SERVICES

High Speed Broadband (HSBB) Service

HSBB service enables service providers to accommodate the growing demands of mobile and broadband customers for integrated IP-based solutions and bandwidth-hungry applications.

In 2013, HSBB Service saw revenue growth of 200.0% compared to 2012. In November 2013, Formis Development Sdn Bhd (Formis) signed up for HSBB Services, joining the bandwagon of existing TM customers such as Maxis Berhad, Celcom Axiata Berhad, Packet One Networks (Malaysia) Sdn Bhd and REDtone Marketing Sdn Bhd (REDtone). The collaboration will enable Formis to extend its fibre-based service offering, Ohana, to over 1.48 million premises covered by the HSBB service which include the Small and Medium Enterprise (SME) segment.

Wholesale Ethernet (WSE) Service

WSE is a cost-effective, robust, scalable and seamless connectivity solution for service providers licensed by the Malaysian Communications and Multimedia Commission (MCMC). With most access seekers now running on high bandwidth, they can retain the use of the same interface and upgrade to a higher bandwidth, boosting WSE revenue in the long run.

As the overall trend for site connections is Ethernet, WSE has seen its revenue grow 25.0% in 2013. This has been supported by migration to Ethernet of non-packet based circuits, which are to be phased out, and increasing demand for high speed IP-based solutions in the Wholesale market.

Next-Gen Backhaul™ (NGBH) Services

Bandwidth demand from Mobile Network Operators (MNOs) keeps increasing and with deployment of the Long Term Evolution (LTE) network, MNOs will need to monitor their network capacity to cater to an even greater surge in bandwidth demands. Leasing bandwidth from wholesale backhaul providers is an effective strategy to quickly increase coverage and ramp up capacity. The Next Generation Backhaul™ (NGBH) service has been developed to fulfil backhaul requirements from existing 2G/3G/LTE operators as well as new MNOs wanting to connect their Cell Sites to their Regional Main Sites. It offers a comprehensive mobile backhaul solution over Ethernet to MNOs, providing more bandwidth and Quality of Service (QoS) granularity than legacy Time-Division Multiplexing (TDM) services, with higher degrees of flexibility and better scalability.

SOLUTIONS

My1Hub

My1Hub is TM's first ever solution-based service. It is Malaysia's first neutral hub to provide competitive Internet, bandwidth and hosting services in the region. It aims to provide comprehensive ICT solutions to MNOs, telcos and Data Centre players. Through My1Hub, TM provides a neutral and open ICT platform catering for domestic and international players through Data Centres in Cyberjaya, Kuala Lumpur, Penang and Johor Bahru.

My1Hub ensures seamless and reliable connectivity to TM's Metro-E networks, IP Core networks and Cable Landing Stations, enabling efficient connectivity to its international networks. It positions Malaysia as a gateway to Asia and the rest of the world as well as promoting a one-stop centre concept and a more cost-effective solution.

GLOBAL REACH AND PRESENCE

TM has 18 POPs throughout the globe, with the Company owning or leasing capacity of more than 10 submarine cable systems spanning more than 60,000 fibre-route miles around the world.

TM is also a member of various submarine cable consortiums in the region, including the Asia America Gateway (AAG) submarine cable network, South East Asia-Middle East-

Western Europe Cable System 3 or SEA-ME-WE-3 (SMW3), SEA-ME-WE-4 (SMW4), Asia Pacific Cable Network 2 (APCN2) and Batam-Dumai-Melaka (BDM), Batam-Rengit Cable System (BRIGHT) and TM's wholly-owned Cahaya Malaysia.

2013 also saw the completion of Cahaya Malaysia's Hong Kong branch. Cahaya Malaysia enables ultra-low latency connection between Malaysia to Japan and Hong Kong. It is also connected directly to TM's international data centre in Hong Kong, VADS Hong Kong Data Centre (HKDC).

In addition, in April 2013, TM together with five other regional telcos – Vodafone Group, UAE's Etisalat, Sri Lanka's Dialog Axiata, India's Reliance Jio Infocomm Limited and Omantel of Oman – signed a collaboration to develop the Bay of Bengal Gateway (BBG). This latest cable system will link Malaysia and Singapore to the Middle East with branches to India and Sri Lanka.

PROSPECTS

Along with the emergence of the LTE network, service providers are seeking greater bandwidth, which augurs well for TM. The year ended with a wholesale bandwidth collaborative deal in December 2013 for TM's NGBH™ Services with Celcom Axiata Berhad and DiGi Telecommunications Sdn Bhd, through which G&W will provide extensive nationwide network coverage to both players. This marks the start of greater collaboration within the industry, which will go a long way towards creating a healthy ecosystem.

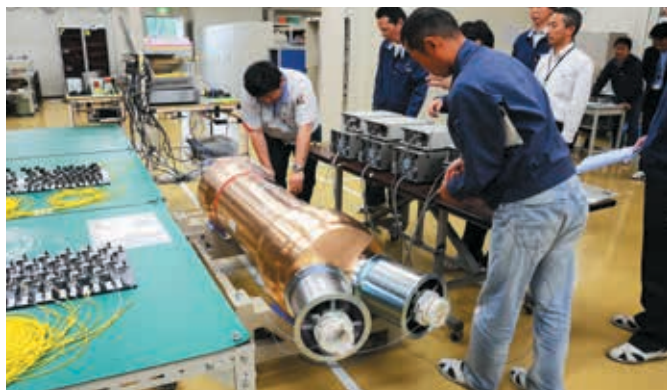
At the same time, TM is supporting the Government's agenda to provide broadband for all, and to position Malaysia as a World Class Data Centre in Asia-Pacific with the launch of the My1Hub.

On the international scene, G&W will continue to extend its reach via global partnerships. Besides the establishment of TM's fifth regional office in Australia, Telekom Malaysia (Singapore) Pte Ltd (TMS) has also entered into Subscription and Shareholders' Agreements with Bluetel Networks Pte Ltd (BTN), a service provider for telecommunications and network solutions in Singapore. These expansions serve to promote TM as the preferred regional hub.

CONNECTING YOUR BUSINESS BEYOND BOUNDARIES



Activities on board during the Batam-Dumai-Melaka (BDM) submarine cable project.



Factory testing in Japan of an underwater branching unit for Cahaya Malaysia (CM) submarine cable.

As the nation's leading telecommunications provider, TM plays an integral role in fulfilling several of the Government's aspirations under the Economic Transformation Programme (ETP), one of which is Extending the Regional Network. This is done via its highly dependable international submarine cable network comprising more than 12 systems spanning over 60,000 fibre-route miles around the globe which includes several routes that carry traffic between the Asia-Pacific region and North America.

TM is proud to be the only telco provider in the country to have its own international private submarine cables system, Cahaya Malaysia. It is also a member of various International submarine cable system consortiums, including the Asia America Gateway (AAG), Asia Pacific Cable Network 2 (APCN-2), Bay of Bengal Gateway (BBG), Batam-Rengit Cable System (BRIGHT), China-US Cable Network (CUSCN), Dumai Melaka Cable System (DMCS), Batam-Dumai-Melaka Cable System (BDM), Japan-US Submarine Cable Network (JUSCN), SAT3-WASC-SAFE, South East Asia-Middle East-Western Europe Cable System 3 (SEA-ME-WE-3) and South East Asia-Middle East-Western Europe Cable System 4 (SEA-ME-WE-4).

SUBMARINE CABLES – BACKBONE OF INTERNATIONAL TELECOMMUNICATIONS

Submarine cables form the backbone of the international telecommunications network, carrying almost 100% of transoceanic Internet traffic. There are times when such traffic is halted due to cable disruption or breakdowns, especially in the Asia-Pacific area which is prone to seismic activity. This disrupts users' daily Internet-related activities such as online banking, bookings and shopping. In extreme cases, this disruption may interrupt more general banking activity, education and even health services.

To minimise such occurrences, the relevant parties are taking proactive measures to protect their submarine cable networks. TM itself is constantly developing diversified routes for its IP communications by investing in new submarine cable projects. It also continues to enhance experience of Internet users by boosting the reliability and capacity of its network and strengthening its ability to provide Malaysia with seamless interconnections for extensive regional reach.



Beach works of the newly-landed Cahaya Malaysia (CM) submarine cable towards TM Mersing cable landing station.



Arrival of Batam-Dumai-Melaka (BDM) cable in Port Klang.

By investing in submarine cable projects, TM is entitled to scheduled upgrades that enable the Company to multiply its bandwidth capacity at a much lower cost, and pass on the cost savings to its customers. These encompass not only TM's Global customers, but also the Company's own Lines of Business (LOBs) such as Mass Market Marketing Operations (MMMO), Retail and Product Innovation, Enterprise, Government and IT&NT.

Most of the cable systems within TM's network are owned by consortiums of operators of which TM is a member. Members are responsible for the operation and maintenance of each cable system. Recognising TM's expertise and high standard of service, TM has been chosen as the Network Operation Centre (NOC) for AAG and DMCS as well as the Central Billing Party (CBP) for SEA-ME-WE-4 and DMCS.

BUSINESS MADE EASIER WITH G&W

Cable Systems Highlights

Asia-America Gateway (AAG)

The Asia-America Gateway (AAG), constructed in 2007, is the first ever submarine cable system to link Southeast Asia with the US. Its development was initiated to meet strong bandwidth demand to the US, due to healthy growth of data and broadband Internet business in Malaysia and Southeast Asia. AAG connects 10 locations in eight countries, namely Malaysia, Singapore, Thailand, Brunei, Hong Kong, the Philippines, Vietnam, Guam, Hawaii and California in the US.

CONNECTING YOUR BUSINESS BEYOND BOUNDARIES

For added reliability, the cable system avoids earthquake prone areas in North Asia, specifically around Chinese and Taiwanese waters, which are traversed by most conventional cable routes. In addition, the high-quality network is robust and cost-competitive due to its low Round Trip Delay (latency), and the technology used in the network design.

This 20,000km network, the first Terabit submarine cable system directly connecting Southeast Asia and the US west coast, was named the Most Innovative Project under the International Fixed Network Infrastructure category by a London-based publication in 2007. Meanwhile, Global Telecoms Business, a magazine for communications service providers worldwide, cited AAG for its innovative solution in meeting the need for large bandwidth from Southeast Asia to the US/North America.

TM spearheaded the planning, design and construction of AAG with the support of the Government of Brunei and 19 major telcos including AT&T (US), Airtel-Bharti (India), CAT (Thailand), PLDT (the Philippines), TELIN (Indonesia), Telstra (Australia), StarHub (Singapore) and VNPT (Vietnam) to name a few.

Cahaya Malaysia

Cahaya Malaysia is TM's first wholly owned two-fibre-pair system within the six-fibre-pair Asia Submarine-cable Express (ASE) system linking Malaysia to Japan and Hong Kong. It was built in collaboration with Japan's NTT Communications Corporation (NTT Com), Philippine Long Distance Telephone Company (PLDT) and Singapore's StarHub. Construction of this over 7,800km cable system began in January 2011 and proceeded with a meticulous eye on detail to ensure maximum reliability and optimum routing, reducing latency by 25.0% to enable Internet users to experience improved performance.

Cahaya Malaysia provides an alternative route to existing cable systems in the region, avoiding areas prone to seismic activities, while offering seamless interconnection to existing trans-Pacific cable systems linking Asia-Pacific to North America such as UNITY, Trans Pacific Express (TPE), Tata Global Network (TGN), PC-1 and the Japan-US Cable Network (JUSCN).

Utilising state-of-the-art 40Gbps and 100Gbps wave technologies, Cahaya Malaysia also provides the infrastructure required for seamless international connectivity to support the nation's high speed broadband (HSBB) and IP services such as UniFi, Streamyx, My1Hub and the Hong Kong Data Centre. Being wholly-owned by TM, moreover, means faster provisioning and upgrading to meet the country's growth in bandwidth demand.

Bay Of Bengal Gateway (BBG)

The BBG cable system was initiated and spearheaded by TM and Vodafone (UK) Group Limited, to link Malaysia (through Penang) and Singapore to the Middle East (Oman and United Arab Emirates) with a connection reaching out to India (Mumbai and Chennai) and Sri Lanka. The link between Penang and Singapore will be via a terrestrial network jointly developed by TM and Vodafone.

BBG will provide connectivity between Southeast Asia, South Asia and the Middle East, and onwards to Europe and Africa through interconnections with other existing and newly built cable systems landing in India and the Middle East. Construction of this cable system is a clear indication of growing demand for bandwidth from participating countries, which is expected to continue to increase as more and more people are getting connected. By supporting current and future requirements for high-capacity, next-generation Internet applications it will also boost business opportunities and growth in the region.



Installing the last stretch of cable for Batam-Dumai-Melaka (BDM) submarine cable system.

Spanning across 8,000km, BBG will provide an alternative route to Europe for traffic that is now mostly dependent on US-bound cables. Cable diversity is required to avoid over-dependence on cable systems passing through seismic prone areas.

The BBG cable system is designed to provide upgradable transmission facilities by adopting state-of-the-art 100Gbps technology. Its establishment underscores yet again TM's commitment to providing faster and more resilient Internet connection, hence a better surfing experience for Internet users.



Cable joint qualification tests for Batam-Dumai-Melaka (BDM) cable system in the United Kingdom.

MOVING FORWARD

TM will continue to look out for new systems to expand its reachability and capacity in line with growth of the country's bandwidth requirements. Concurrently, TM will continue to enhance its current inventories through participation in cable systems' upgrades. In the near future, the Company plans to focus on regional growth while expanding its connectivity with Europe.



FACTS AT A GLANCE

>13.9 million

visitors to Menara Kuala Lumpur

7

campuses/colleges

located nationwide under MMU & MCSB

368 events

held at Kristal Hall, TM Convention Centre

OVERVIEW

Support Business' operations range from education and property to hospitality and facility management. Among its key activities are monetisation of TM's land bank via the disposal of non-core assets and enhancements to upgrade all TM buildings and their facilities to support the Group's core business.

FINANCIAL PERFORMANCE

Support Business' revenue depends largely on land monetisation, which remained significant in 2013 as in 2012, at RM948.0 million as compared to RM975.2 million in 2012. Prudent cost management led to only a minimal increase in operating cost to RM1,074.4 million from RM1,040.9 million in 2012.

Capital expenditure was reduced to RM100.0 million from RM127.0 million in 2012. Of this, RM49.9 million was channelled towards the upgrade of facilities in TM's buildings (including the installation of generator sets, firefighting equipment and air conditioners); RM22.4 million was allocated to the Central Office to replace ageing vehicles; RM20.9 million went towards ongoing refurbishment at Multimedia University (both the Melaka and Cyberjaya campuses, together with costs of its multimedia laboratory and books) while RM6.8 million was allocated for upgrading facilities at Menara Kuala Lumpur.



Main Campus Multimedia University at Cyberjaya.



MULTIMEDIA UNIVERSITY (UNIVERSITI TELEKOM SDN BHD)

Multimedia University (MMU), set up through Universiti Telekom Sdn Bhd (UTSB) as the first wholly-private university to be established in Malaysia, strives to be a world-class academic institution in its chosen fields of engineering, information technology, management and multimedia technology. In 2013, it continued to position itself as a major international research institution, engaging students and other institutions within the Asia-Pacific, African and European regions in research, inter-institution cooperation, undergraduate and postgraduate education as well as community service.

MMU is to Cyberjaya – home to local and multinational IT companies – what Stanford University is to the Silicon Valley. It provides a steady pipeline of well-trained and knowledgeable IT graduates to fill in positions in the hotbed of multimedia and ICT creativity. Given the university's reputation, its graduates consistently achieve a high employment rate within the industry. In its March 2013 report, MSC Malaysia Expat Centre described MMU as the top supplier of foreign students who graduated in Malaysia to MSC-status companies, many of which set up booths in MMU's campus to recruit talented employees. This supports the findings of

a survey conducted by MMU and the Ministry of Higher Education (MOHE) which noted that more than 90% of MMU graduates secure employment within six months of completing their studies.

Since its inception 17 years ago, MMU has produced 38,244 graduates. It currently has 19,164 students in its Melaka campus, 7,598 in its Cyberjaya campus and another 256 students in other branches.

In the year under review, MMU produced a total of 779 diploma graduates, 2,617 Bachelor's graduates, 319 Master's graduates and 33 PhD and Doctorate graduates. Postgraduate student enrolment totalled 262, adding to the total student body of 18,410, as compared to 19,131 in the previous year. Of this population, 16,302 students were local and 2,014 were international, from 85 countries.

Catering to an ever-expanding body of students, MMU is building a new campus in Edutity, Iskandar, Johor. Unique to this campus will be the Cinematic Arts Programme (CAP), which has been developed with the University of Southern California. A first batch of students, enrolled in 2013, is currently pursuing the programme at the Cyberjaya campus, but will shift to Edutity in July 2014.



Multimedia College's main Campus on Jalan Semarak, Kuala Lumpur.

MMU encourages its researchers to undertake R&D and to collaborate with other institutes of higher learning as well as industry. Particular emphasis is placed on the development of marketable innovations which can be commercialised by the university's own commercialisation arm, MMU Cnergy.

As a measure of their calibre, MMU researchers won 18 medals and awards at the Persidangan dan Ekspo Ciptaan Institusi Pengajian Tinggi Antarabangsa (PECIPTA) 2013. Among these were the Best of the Best Award, two Special Awards from the Korean Asia Invention Association, as well as three gold awards. Among numerous other local and international awards won during the year were the 24th International Invention, Innovation & Technology Exhibition (ITEX), Robocon 2013, the Rajiv Gandhi Excellence in Education 2013 Award, as well as the 8th Lawasia International Moot Competition. In terms of ranking, the independent website topuniversities.com places MMU at the top of all private universities in Malaysia. As an added honour, one of MMU's lecturers from the Faculty of Creative Multimedia, Mr. Che Ahmad Azhar bin Che Fadzil, was praised by Prime Minister Dato' Sri Najib Tun Razak for being featured in the *New York Times*' photography blog, Lens.

While maintaining the highest quality, MMU continues to expand the range of qualifications offered and in 2013, six new programmes were approved by the Ministry of Education (MOE):

- Master of Electrical and Electronics Engineering
- Bachelor of Cinematic Arts (Honours)
- Executive Master of Business Administration
- Bachelor of Multimedia with Education (Honours)
- Master of Science in Engineering Business Management
- Master of Science in Sustainable System Management



Multimedia University 14th Convocation.

SUPPORT BUSINESS

In total, MMU has 120 programmes approved by the MOE, with 108 accredited by the Malaysian Qualifications Agency (MQA).

All students are required to take entrepreneurship subjects regardless of their chosen programme, and are guided to apply their knowledge whenever possible.

In terms of research and development, 2013 was a significant year for MMU. A total of 88 research grants were secured, worth close to RM15 million. Of these, 62 came from the MOE, 14 from TM R&D, four from the Malaysian Communications and Multimedia Commission, two each from the Collaborative Research in Engineering, Science and Technology Centre (CREST) and Ministry of Science, Technology and Innovation, and one each from the Ministry of Communications and Multimedia, Multimedia University Foundation, Telkom Bandung Indonesia, INTI International University, and the Japan International Cooperation Agency.

MMU also signed MoUs with Smart Network Marketing, Asia Talent Sdn Bhd and Krubong Recovery Sdn Bhd. In addition, it was involved in the AMD Ambassador Programme, the CREST and Talent Corp Industry Boot Camps at TNB ILSAS Bandar Baru Bangi, and Western Digital's Graduate Induction Programme (GRIP).

MMU Cnergy

2013 was a productive year for MMU Cnergy, MMU's commercialisation arm. During the year, Cnergy contributed to more than RM4.0 million in revenue from training, short courses and other projects, products, services and consultations. 17 clients were served during the period, 14 of which were from Malaysia with the remaining three from Somalia, Sudan and Japan. A total of 222 individuals were trained through TM's ICT Programme. Cnergy also signed a Memorandum of Agreement with the International College of Automotive (ICAM) on an Academic Licensing Programme.

Multimedia College (MMC)

Multimedia College (MMC) is the premier provider of telecommunications training in Malaysia. Founded in 1948, the college was initially responsible for training employees in TM's Telecommunications Department. In 1997, the Education wing was formed to provide tertiary education to TM employees and the public. On 10 November 2008, TM's Board of Directors decided that MMC will be a subsidiary of MMU to strengthen and synchronise the education business. On 8 May 2009, MMC was registered as Multimedia College Sdn Bhd (MCSB) under the Suruhanjaya Syarikat Malaysia (SSM).

MMC's main campus in Kuala Lumpur is supported by four regional colleges in Taiping, Kuala Terengganu, Sabah and Sarawak. The college has a total student population of 1,806 and currently offers six Diploma programmes:

- Diploma in Management with Multimedia (DMG)
- Diploma in Accounting (DIA)
- Diploma in Creative New Media (DNM)
- Diploma in Software Engineering (DSE)
- Diploma in Telecommunications Engineering (DTE)
- Sijil Kemahiran Malaysia (Multimedia Artist Visual – Level 2)





Dato' Zuraidah Mohd Said, Chief Executive Officer Menara KL (right), receiving the trophy for Malaysia Tourism Award – Best Tourist Attraction 2012/2013.

Two of these programmes, the DSE and Sijil Kemahiran Malaysia, commenced in 2013.

Extensive cosmetic changes have been made to several MMC buildings and facilities throughout 2013 in order to improve the general environment for academic delivery. At the main campus in Kuala Lumpur, almost all the buildings have been upgraded and new facilities include the Student One Stop Centre, Drawing Studio, Creative Gallery and Counselling Room.

Regionally, MMC has invested RM2.5 million in relocating the Sabah campus to the newly developed Alamesra Plaza Permai in Kota Kinabalu. The campus in Terengganu, meanwhile, has been given a new office, classrooms, computer labs and multimedia equipment to run the new 'Sijil Kemahiran Malaysia' programme.

On 25 August 2013, about 335 MMC students graduated at the university's 17th Convocation, adding to a total of 6,353 graduates since 1997.

MMC and MMU aim to provide students with an exceptional learning environment coupled with experiential learning within the TM Group. MMC plans to be more competitive as a private institution of higher learning by expanding its offerings of industry-driven certification programmes and collaborating strategically with other institutes of higher learning.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur (MKL) or KL Tower, is the seventh tallest telecommunications tower in the world and the tallest in Southeast Asia. Located at the peak of Bukit Nanas at 421 metres above ground, the tower was officially opened to the public in 1996, and is a member of The World Federation of Great Towers (WFGT). Blending seamlessly with lush tropical greenery in the heart of Kuala Lumpur, it has the added distinction of being perhaps the only tower in the world to be built in a forest reserve. MKL is a prominent national icon symbolising Malaysia as a renowned tourist destination as well as a technologically advanced country.

SUPPORT BUSINESS

Menara Kuala Lumpur Sdn Bhd (MKLSB) manages MKL as well as Menara Alor Setar (MAS) and Muzium Telekom. The ISO 9001: 2008 certified company is a member of the Malaysian Association of Tour and Travel Agents (MATTA) and Malaysian Association of Hotels (MAH), among others.

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 13.9 million visitors, who come mainly from India, Australia, China, Japan, Saudi Arabia and Indonesia other than Malaysia. Other than breathtaking views from its observation deck, MKL offers the Atmosphere 360° revolving restaurant, Mega View Banquet Hall and 1Malaysia Cultural Village. It is also home to the most advanced F1 Simulator Game, an XD Theatre, Blue Coral Aquarium, KL Tower Pony Ride and KL Tower Animal Zone.

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 festivals).

MKLSB has won numerous awards including the Best Subsidiary for 2012, at TM Group's Award Night. It garnered the Top 2 Landmark in Malaysia by Tripadvisor.com Traveller's Choice Attractions Awards in 2013. In 2013 it also won the Environment Award from the WFGT. At the same time it holds a string of accolades that includes the Kuala Lumpur Mayor's Tourism Award, The Brand Laureate Country Branding Award, National Tourism Award by Tourism Malaysia and Malaysia Tourism Award 2012/2013 for Best Tourist Attraction (Man-Made Attraction).

Not resting on its laurels, MKLSB strives continuously to draw more visitors to the tower through an exciting array of innovative products and packages, and in 2013 managed to increase its domestic visitorship by 12.2%. This contributed to a higher EBITDA of RM21.2 million, up from RM14.8 million in 2012, while cost management efforts paid off with a profit after tax of RM14.6 million, as compared to RM13.6 million in 2012.

Its newly renovated Open Deck has garnered a lot of interest from international tourists, earning about RM4.0 million in new revenue in 2013. The newly launched Blue Coral Aquarium, launched in December 2012, attracts visitors who love colourful fish and coral, while MKL's Weddings in the Sky & *Perkahwinan di Kayangan* continue to be a hit among couples who want to experience weddings in the highest banquet hall in Malaysia. Other packages introduced to boost visitorship are the School Holiday packages, Secretaries Week event, Ramadhan Buffet at Megaview Banquet Hall and State Festivals.

MKL is actively involved in Corporate Social Responsibility (CSR) initiatives which include a *Bubur Lambuk* competition organised to celebrate the month of Ramadhan whereby children from several orphanages around the Klang Valley were invited. A *Kuliyah Fissama* series featuring well-known religious speakers was also organised throughout 2013, attracting more than 250 participants at each session. Proceeds from ticket sales were donated to charity homes. MKL also supported World Diabetes Awareness Day by lighting the tower in blue on the eve of 14 November.

Support from the Ministry of Tourism, Kuala Lumpur City Hall and key industry players, coupled with the dedication of TM Management and staff, contributed towards a successful 2013.

MUZIUM TELEKOM

Muzium Telekom houses an extensive collection of early telecommunications devices, and showcases the development of telecommunications in the country. In January 2013, it was upgraded to be more modern in outlook while maintaining the feel of a museum. The museum is also involved in community projects and outreach programmes which to date have involved more than 300 schools. MT also partners with MKL in promoting local agro tourism such as the *Durian Party* and heritage tourism such as *Explorasi Warisan* and 1Malaysia KL Heritage Explorace.

MENARA ALOR SETAR

At 165.5 metres, Menara Alor Setar or MAS, is the world's 22nd tallest telecommunications tower. This tourist attraction in the north drew around 400,000 visitors in 2013, aided by events such as New Year's Eve celebrations, *Chap Goh Mei* Festival, *Ayam Serama International Competition*, Merdeka Day Celebration, *Bazar Rakyat* and wedding receptions. Most of the visitors were locals and tourists from Thailand, Indonesia and Singapore.

In order to increase the number of visitors, MAS has embarked on a major beautification programme that includes enhancing the landscaping and mini birds park, upgrading the lighting (building and tree lamps), and some renovation. It is also targeting Thai tourists with a *Saiburi Package* that traces some of Thailand's heritage and culture to Kedah, while collaborating with the Kedah Domestic Aviation Air Force to develop programmes for schools and universities.

TMF AUTOLEASE SDN BHD

TMF Autolease Sdn Bhd (TMFA) manages TM Group's fleet of vehicles nationwide, ensuring they are used optimally, roadworthy (in compliance with Government regulations) and reliable for business operations. As at 31 December 2013, the fleet stood at 5,006 vehicles, most of which were utility vehicles such as vans and four-wheel drives (4WDs). Besides its fleet, TMFA manages seven regional offices and 27 service outlets nationwide with 172 staff to support TM's operation. TMFA's biggest customer over the years has been Network Development and Regional Network Operation which together lease some 3,790 vehicles, or 75.7% of the total.

In 2013, TMFA registered revenue of RM50.4 million with operating costs of RM38.0 million and profit after tax of RM9.3 million. Most of the revenue (76.9%) was derived from Management and Maintenance Package (MMP) fees for the vehicles.

TMFA continued with its vehicle right-sizing programme, which led to 12 vehicles being deployed to other users, eight vehicles being pooled and 36 vehicles being disposed. At the same time, 485 4WDs, vans and other vehicles were refurbished to prolong their life spans, thus deferring capital outlay of RM32.8 million for new vehicles for at least two

years. The refurbishment of 313 ageing vehicles that were up for replacement deferred TM's capital expenditure by RM22.4 million. Most of the new vehicles (77.0%) have been assigned to IT&NT. In addition, 388 ageing vehicles have been disposed through public auctions with a capital recovery of RM5.24 million.

TMFA managed to carry out a total of 3,216 service maintenance on vehicles at the customers' premises through its mobile team, saving the Group RM0.8 million. It also obtained RM1.0 million in discounts for the purchase of vehicles during the year.

During the year, TMFA conducted 115 quality programmes for its customers including 43 safe and defensive driving courses, 16 programmes on 4WD vehicle handling, 13 courses on Goods Driving Licence (GDL) for commercial vehicles as well as 43 technical vehicle clinics.

Internally, TMFA achieved 99.1% vehicle availability for customers, 99.6% vehicle service achievement, 87.5% compliance with TMFA processes and procedures and 89.7% in the Customer Satisfaction Index (CSI), all bearing testimony to its customer-centric culture.

In 2014, TMFA will continue to support TM Group to optimise its operating costs through cost saving initiatives without compromising on maintenance quality or vehicle safety. Stakeholders can rest assured of further improvements in performance and positive growth in shareholder value as TMFA enhances its service to the Group.

PROPERTY MANAGEMENT

Property Management (PM) acts as TM's in-house land and property adviser, and contributes to TM's performance by unlocking idle land and renting office space to both internal and external tenants. PM is also responsible for the property and land administration of all TM's real assets. Apart from creating value from the idle land bank, PM studies cost-saving options, especially in utilities consumption and property taxes.

For the financial year ended 2013, PM managed to recognise a gain of RM15.7 million, contributed by property commercialisation which included the disposal of non-core

SUPPORT BUSINESS

land banks and joint land development activities. In addition, it managed to save RM2.3 million of land lease rental over the year.

Most of the major projects undertaken by PM in 2013 were ongoing from previous years. One of these, the construction of a pedestrian bridge connecting TM Annexe Complex and Menara TM, was completed in March 2013.

TM Convention Centre

Operated since 2012 and located next to Kerinchi LRT (Light Rapid Transit) Station, TMCC is in high demand as an event venue both by TM itself and external customers. It is a perfect venue for exhibitions, product launches, conferences, corporate events, meetings, seminars and even wedding receptions. TMCC facilities include the Kristal Hall (capacity up to 1,000 pax), the Mini Auditorium (140 pax), training and meeting rooms, business centre, VIP holding room and VIP lounge.

In 2013, more than 2,000 events were held at TMCC which recorded a revenue of RM3.8 million. In line with its marketing strategies, TMCC has established its own packages for seminars, weddings, and collaborations with other agencies in order to entice customers to utilise its magnificent utilities. With a myriad of conveniences, ranging from ample parking space to being located next to an LRT station, TMCC is poised to become the preferred events venue in the near future.



Kristal Hall at TM Convention Centre in Kuala Lumpur.

PROPERTY OPERATIONS

Property Operations (PO) is certified under MS ISO 9001:2008 Quality Management System and MS ISO 14001:2004 Environmental Management System for facility management and operational project implementation. In setting a new standard of service delivery, PO has gone through a transformation journey to be more focused on business functionally, to deliver customer centricity and to impart positive change in the organisation.

During the year, planned preventive maintenance for housekeeping, air conditioning, firefighting and electrical systems was carried out by engaging specialist contractors as business partners. A total of 29 new air conditioning contracts, 22 firefighting contracts and six electrical high-tension contracts were awarded to assist PO achieve its business objectives.

PO also reviewed TM's Mechanical & Electrical (M&E) equipment profile, namely the air conditioning and fire protection systems, generator sets, batteries and rectifiers, and strategically redeployed and replaced equipment according to business requirements, minimising costs without comprising on quality or service assurance. In total, the M&E Equipment Replacement programme cost RM62.0 million, less than the RM90.0 million in 2012, while the number of power-related issue (PRI) faults reduced by 10.0% from 40.0% in 2012.

Year 2013 also saw PO get actively involved in the Green Initiative and Energy Saving Programme. This entailed four key actions in all PO regions, namely: 1) adjusting the temperature in all cabins and the Rectifier, Battery, MDF and Control Rooms in exchange buildings; 2) improving the cooling system efficiency at suitable equipment rooms; 3) replacing air conditioners with inverter types; and 4) optimising the used of chilled water in buildings with centralised air conditioning systems. These initiatives have resulted in cost savings and cost avoidance totalling RM6.1 million in TM's electricity bills.

Meanwhile, staff were sent for various courses conducted by IKRAM, ILSAS, SIRIM and specialist vendors as part of their continuous learning programme. In compliance with the

Energy Commission's requirement, PO collaborated with Pusat Latihan Teknologi Tinggi (ADTEC) Shah Alam to train its chargemen in the maintenance of electrical and generator sets. For the first time, a Preventive Maintenance Competency Assessment was also carried out to gauge the staff's strengths and areas in need of improvement.

Operating on cost efficiency awareness, PO registered operating revenue and operating cost of RM123.0 million and RM126.0 million respectively in 2013.

Moving forward, PO is committed to providing high quality service to TM and optimising all resources towards the achievement of TM's vision and mission.

SECURITY MANAGEMENT

Security Management Unit's (SM) core business is to provide reliable and effective security services to safeguard TM's assets and personnel and minimise any disruption or loss to business operations. It ensures a safe workplace for employees, prevents the incidence of crime, provides security consultancy, and represents TM on the National Crisis Management Committee.

In 2013, SM maintained a Customer Satisfaction Index (CSI) of 9.7% and Security Service Availability Index (SSAI) of 99.6%. Re-organisation of the state-based unit to a regional structure is expected to further streamline operational matters and enhance performance.

The number of cable theft activities increased to 10,489 in 2013 compared with 10,209 in 2012. SM will continue to collaborate with various government agencies and come up with new initiatives to further curb these incidences. One focus area is to increase public awareness and rally public support in conducting night patrols as well as reporting immediately any suspicious activity.

43 criminals were arrested by TM Auxiliary Police via joint operation with 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). Coordination meetings between these parties were held regularly by TM and PDRM. The increased awareness of the public about cable thefts by reporting any sighting of suspicious activity contributed to the successful arrests. The utilisation of I-Watch alarms and Response Teams proved to be very effective to detect and arrest cable thieves.

One of the initiatives to mitigate cable thefts is to increase public awareness. The public can assist TM and PDRM by conducting night patrols or by reporting immediately sightings of any suspicious activities. SM will participate at any TM sales promotion activities, security awareness campaign organised by PDRM, TM cable Theft campaign, meeting with JKKK, RELA and SRS by giving talks and distributing cable thefts prevention leaflets. 62 programmes were conducted nationwide throughout the year.

Moving forward, SM will continue to ensure every effort is made to safeguard TM's business continuity.

For more information on the Cable Theft Prevention Campaign, please read the boxed article on pages 262 to 265.

THE QUEST FOR INNOVATION IN EDUCATION

TM is uniquely positioned to contribute towards achieving the Government's vision of a knowledge-driven society by year 2020 as the Group has within its fold two subsidiaries directly involved in education: Multimedia University (MMU) and Multimedia College (MMC). Via these institutions of higher learning, the Group plays a direct role in shaping the country's future, and particularly in supplying a stream of capable and skilled human capital in fields that fuel the nation's economic machinery, namely ICT, engineering and technology, creative content, management, law, business and finance. These fields are not only relevant to TM's business, but also to present-day industry and commerce.

MMU in particular has played a critical role in the nation's development, being the first private university and serving as a model for other private institutions of higher education to emulate. Building on its first-player status, it has grown from strength to strength and is consistently rated as the top private university in Malaysia. Located at the heart of the Multimedia Super Corridor (MSC), moreover, MMU also serves as a catalyst in the development of the local high-tech ICT industry.

The i-University: Changing the DNA of Higher Education from Inside Out

While the higher education sector has the capability to strengthen and support Malaysia's knowledge-based economy, the unprecedented boom in the number of universities and university students has made it necessary for any university of repute to stand out from the rest. Towards this end, MMU has made the strategic decision to excel in its niche areas of innovation and entrepreneurship.

Embracing the concept of the i-University, MMU strives to create a comprehensive ecosystem to stimulate new ideas and innovation between MMU and the industry. This initiative, will create avenues for creative exploration and the pursuit of non-academic business opportunities. It hopes to see a

drastic change in the delivery of education over the next five years, which will surpass changes seen over the last 30 years.

Driven by a mission 'To bring together talent for Inquiry, Inspiration and Innovation [I³]', MMU has created a framework to provide an effective and efficient support mechanism for testing research ideas and/or initial efforts to prove the viability of new concepts. Its objective is to challenge the status quo of intellectual boundaries and support exploratory studies and instrumentation, product development, laboratory test field observations and model advancement.

Central to a culture of innovation is an environment in which students share ideas freely and are inspired to enhance their learning. In addition, MMU intends to promote the spirit of innovation across the institution so that innovative ideas can be identified, assessed, acknowledged and showcased. This will be aided by leveraging on the latest technological applications or knowledge.

Given the importance of innovation in the corporate world, MMU will work hand-in-hand with industry in terms of providing and unlocking new opportunities of innovation transfer. Ultimately, the university hopes to be able to churn out products with commercial potential thus simultaneously promoting the spirit of entrepreneurship.

Ecosystem for i-University

MMU is fortunate in that it can expect much support in this endeavour from TM, which itself is a keen advocate of knowledge creation and sharing. TM recognises the essential role MMU plays in nurturing the skills required by the industry and which support TM's own ecosystem of innovation as well as that of the nation. To ensure this multi-dimensional ecosystem is sustainable, there will be close collaboration among TM, its research and development unit TM R&D, MMU and other partners such as providers of venture capital.

Innovation Exchange – The Creation of an Ecosystem to Stimulate New Ideas and Innovation within TM and the Industry

Unlocking New Opportunities

Market Potential
Innovation Transfer

Realising Inherent Human Potential

Market Exposure
Knowledge Transfer

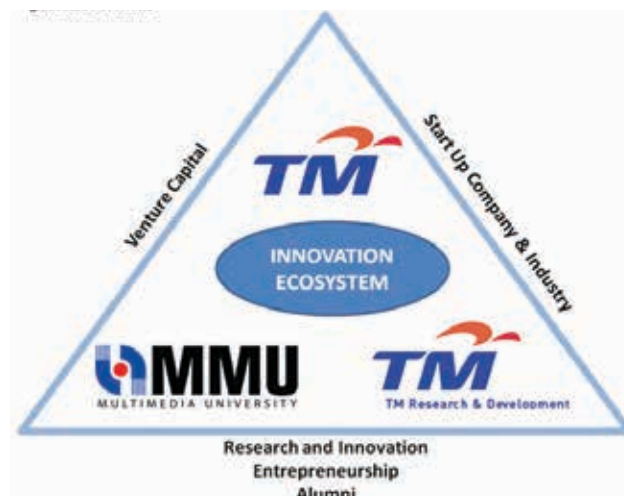
Maximising Technology Assets

Delivery Platform
Storage & Channel

Tap on Ideation to Generate Innovation

Catalyst to Build & Grow Local Innovation

TM and other industry can leverage on Innovation at TM R&D and MMU to support the business. At the same time, this initiative can improve MMU's brand image and showcase the 'entrepreneurs' who have graduated from MMU



This innovation ecosystem will eventually be supported by important pillars such as quality and innovative research, creative entrepreneurship, strong alumni, aggressive interaction with industry, state-of-the-art facilities and a highly innovative culture.

Dealing with the Next Generation: Understand Market Demand

For any educational initiative to be successful, including the i-University concept, it is imperative to recognise the importance and impact of generational shifts. Times have

changed as a result of the new generation, their expectations and perspectives; and these will necessarily influence the future.

The current new generation values their lifestyle over upward mobility. They fully embrace the perks of technology which enable them to work anytime and anywhere; and expect to be evaluated on work productivity and quality, not how, when or where they get their work done. They prefer technology-driven environments that enhance diversity, informality and fun. They learn offline and online, in experiential environments – specifically through internships and mentoring.

THE QUEST FOR INNOVATION IN EDUCATION

MMU recognises the culture and lifestyle of this generation and embraces it. The university will, for example, open up the world of global collaboration to its students, who will be expected to connect and work with colleagues globally and not just within small networks of contacts confined to specific areas. By partnering with industry, the students will also get direct and instant access to the management, and can expect more direct and frequent communication with managers/supervisors. They will also have greater control over their work and be able to personalise their schedules to suit their routines.

How MMU and MMC Advocate Innovation and Entrepreneurship

MMU graduates are among the most sought-after by Malaysian employers. More than 90.0% of MMU graduates are able to secure employment within six months of completing their studies. Visitors to MMU's annual Career Fair will find big name employers alongside numerous other employers who return year after year to secure quality human capital for their organisations.

These employers commonly point out that MMU graduates do not just have the technical skills, but also the communication and leadership attributes required for corporate life. MMU graduates stand out above their peers on these soft skills, which comes as no surprise since the development of interpersonal skills has been one of MMU's main objectives since day one, and is supported by MMU's close relationship with the industry.

Innovation skills, meanwhile, are being reinforced by improved access methods and tighter industrial integration.

Start Small, Grow Big, It's All Here

In terms of business, innovation is the generation of fresh ideas, the ongoing development of products, services and processes and their commercial application. Creativity is critical; it initiates the process by generating new ideas while the process of innovation involves making those ideas a reality. Creativity is wasted if there is no process in place to take ideas and turn them into products or services with market potential.

Innovation is strongly associated with growth. New business is created by new ideas, by the process of creating competitive advantage in what the industry can offer. Economists generally agree that innovation accounts for a sizeable proportion of economic growth. The innovative mindset enables students to create new ways to exploit their ideas within industry, and leads them into an entrepreneurial culture. Future economic and social prosperity depends highly upon a healthy innovation-based economy. The entrepreneur is commonly seen as a business leader and innovator of new ideas and business processes, who has the capacity and willingness to develop, organise and commercialise these while weighing the risks in order to make a profit.

By engaging entrepreneurs and subject matter experts, and having them share their knowledge and experience with its students, MMU aims to inculcate an entrepreneurial mindset in them. MMU believes in the inherent human potential for entrepreneurship, which can be elicited, or catalysed, with the right exposure to the right people.



In becoming the first Malaysian private university 17 years ago and paving the way for the liberalisation of higher education in the country, MMU had then broken new grounds. With its current i-University focus, and the support of TM, it is once again set to take a pioneering lead in uncharted waters, this time by marrying innovation and entrepreneurship with university education.





IT&NT – TM'S E³ INFRA: THE HEART OF OUR INFORMATION EXCHANGE

FACTS AT A GLANCE

>70.0% households
have potential access to high speed broadband

IPv6 ready
Infrastructure

close to **900k** high speed
broadband subscribers (UniFi and Streamyx)

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 and services to support the Company's current and future business needs. With an IPv6-compliant all-IP Next Generation Network (NGN) based on an IP Multimedia Service (IMS), IT&NT delivers an enhanced and integrated digital service with augmented bandwidth, while opening up possibilities through connection, communication and collaboration.

PERFORMANCE

TM has fully implemented the NOVA Solo Project, a single platform, end-to-end service delivery for its Internet Protocol-Virtual Private Network (IPVPN), leading to fully automated design and assign service processes. This, complemented by the lean process to make ready the infrastructure efficiently and effectively, has enabled IT&NT to improve its service delivery timeframe to customers by more than 100.0%. It has also enhanced its operational productivity and further accelerated its revenue realisation, indirectly contributing to significant growth of IPVPN revenue.

IT&NT continues to tailor its services to meet the specific needs of different industries. To facilitate the expansion of bandwidth, IPVPN and TM Direct services allow for flexible remote bandwidth upgrades without the need for customers to change any equipment. This service upgrade can be done almost instantly, at the convenience of all parties. To support the need of large enterprises to continuously review their IT security standards to guard against unwanted intrusion, IT&NT delivers services such as distributed denial of services attack (Anti DDoS) and IP Transit Clean Pipe.

IT&NT – TM'S E³ INFRA: THE HEART OF OUR INFORMATION EXCHANGE

From a broader consumer perspective, and in line with the National Broadband Plan, IT&NT has expanded access to the high speed broadband (HSBB) infrastructure to high-impact economic areas, capital states, major industrial areas, development regions and the larger suburbs. By end 2013, more than 70.0% of households potentially have access to HSBB with speeds of 4Mbps or higher as compared to less than 10.0% in 2009. With more than 3 million kilometres of domestic fibre core and trunk junctions and over 1.49 million premises passed nationwide, TM's HSBB has notched an astounding compound annual growth rate (CAGR) from 2010-2013 of over 120.0%.

Driven by the increased use of smart connected devices, IT&NT has re-engineered its infrastructure, service and system design to make available quality triple play services of voice, Internet and TV for all its HSBB customers, irrespective of whether they use fibre or copper-based access technology. Via simplified processes, customers can upgrade to HSBB services by remote configuration management and self-installation.

IT&NT has also integrated the back-end systems of its main portal, www.tm.com.my, empowering consumers with rich online self-service experiences from product and service enquiries to ordering and provisioning of services. Various remote system diagnostic tools are deployed to provide zero-touch or remote diagnostics, optimisation and rectification of service issues. An analysis shows that up to 60.0% of reported cases could be resolved remotely without the need for TM to dispatch its technicians, thus greatly enhancing customer convenience while ensuring greater efficiency of TM's workforce.

According to a leading global telecommunications vendor, average traffic per device is expected to increase rapidly in the next five years with mobile video growing at a CAGR of 75.0%. It is also forecasted that mobile network connection speeds will increase seven-fold to about 6.5Mbps. TM is already experiencing an explosion of data traffic, and to sustain quality Internet experience, IT&NT is collaborating with key content and cloud platform providers to host their applications within TM's data centre. As of 2013, new content from Limelight and Facebook are being hosted locally in TM,

while IT&NT is expanding TM's capacity for Google, Akamai and Yahoo! content. The IP backbone carrying all TM services such as UniFi, Streamyx, voice, wholesale and VPN services has also been upgraded from a single to a multi-chassis platform that can support future domestic and international growth up to almost 5 Terabits per second (Tbps).

The phenomenal adoption of end user applications increases cellular operators' need for optimised bandwidth management and infrastructure monetisation. For this, IT&NT has developed a Next Generation Backhaul (NGBH) Service, that provides a Carrier-Ethernet grade mobile backhaul infrastructure that has the speed and flexibility to accommodate all 2G, 3G and LTE traffic. The offering enables cellular operators to provide high speed data convergence on TM's infrastructure, while strengthening TM's position as the country's leading infrastructure provider.

Operationally, TM has rolled out a work force management system (WFMS) nationwide to enhance efficiency, standardisation and control of daily operations across many levels. For technicians, the WFMS provides directions to job locations, matches job orders with skills and capacity, and enables them to accept and close job orders on tablets. Supervisors and managers benefit from multi-dimensional productivity reports and dynamic tracking of job orders. Over 2,000 WFMS tablets have been deployed, leading to a 34% improvement in the time to restore faults as well as a 10% reduction in repeated faults. The WFMS platform contributed to TM being a finalist in the Best Network Operation Initiative category at the World Communications Award 2013. It was developed in partnership with TM Research and Development (TM R&D).



STRATEGY: TM'S E³ INFRASTRUCTURE – EFFICIENT, EFFECTIVE, ELASTIC

Smart, agile, flexible, modular, scalable, secured and cost-effective, TM's E³ Infrastructure (TM's E³ Infra) supports the Company's ambition to become a one-stop centre satisfying all the needs of corporate clients. TM's E³ Infra powers four important levers that contribute to the success of a business: bandwidth, ICT and IP, performance and reliability, and cloud computing.

TM's E³ Infra is an IPv6-ready full-IP, state-of-the-art infrastructure which supports quality and class of service (QoS/CoS) and improves cost efficiencies. With an IPv6-ready infrastructure, TM is well placed to support future IPv6 requirements in areas such as corporate Internet, broadband services, hosted services and applications. With the emergence of the Internet of Things (IoT) and a multitude of machine-to-machine (M2M) applications, 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. IPv6-ready broadband services, for example, are made possible by the dual stack platform offering both IPv4 and IPv6 connectivity to user devices, providing seamless adoption of IPv6 connectivity while retaining the applications supported by IPv4.

Businesses benefit from having smarter and simplified communications infrastructure with added capabilities and ease of management which help to reduce operational as well as capital expenditure. With this in mind, TM's E³ Infra launched the Iskandar International Gateway (IIGW) in August 2013 with scaled-up connectivity and improved latency. The IIGW in Nusajaya supports foreign direct investments (FDIs) that require faster Internet and telecommunications services, enabling global and domestic customers to enjoy extensive and faster access to worldwide destinations.

To architect TM's E³ Infra towards efficient full fixed-mobile convergence (FMC) services that TM could offer, IT&NT has embarked on a Long Term Evolution (LTE) project that would

bring 4G technology over the Band 5 spectrum. Following the completion of 10 site trial runs, LTE is well on its way of being implemented at sites allocated by the Government. TM's LTE services aim to provide wireless broadband voice and data services using dongles, fixed wireless terminals (FWT), tablets and smart phones.

For added effectiveness, IT&NT strives to deploy Green infrastructure elements which are energy-efficient, made from hazardous-free materials and manufactured using environment-friendly processes. Towards this end, it has developed a Green policy and reference documents. Among the operations and design best practices implemented are equipment layout remodelling, infrastructure platforms consolidation and optimal temperature management.

R&D AND INNOVATION INITIATIVES

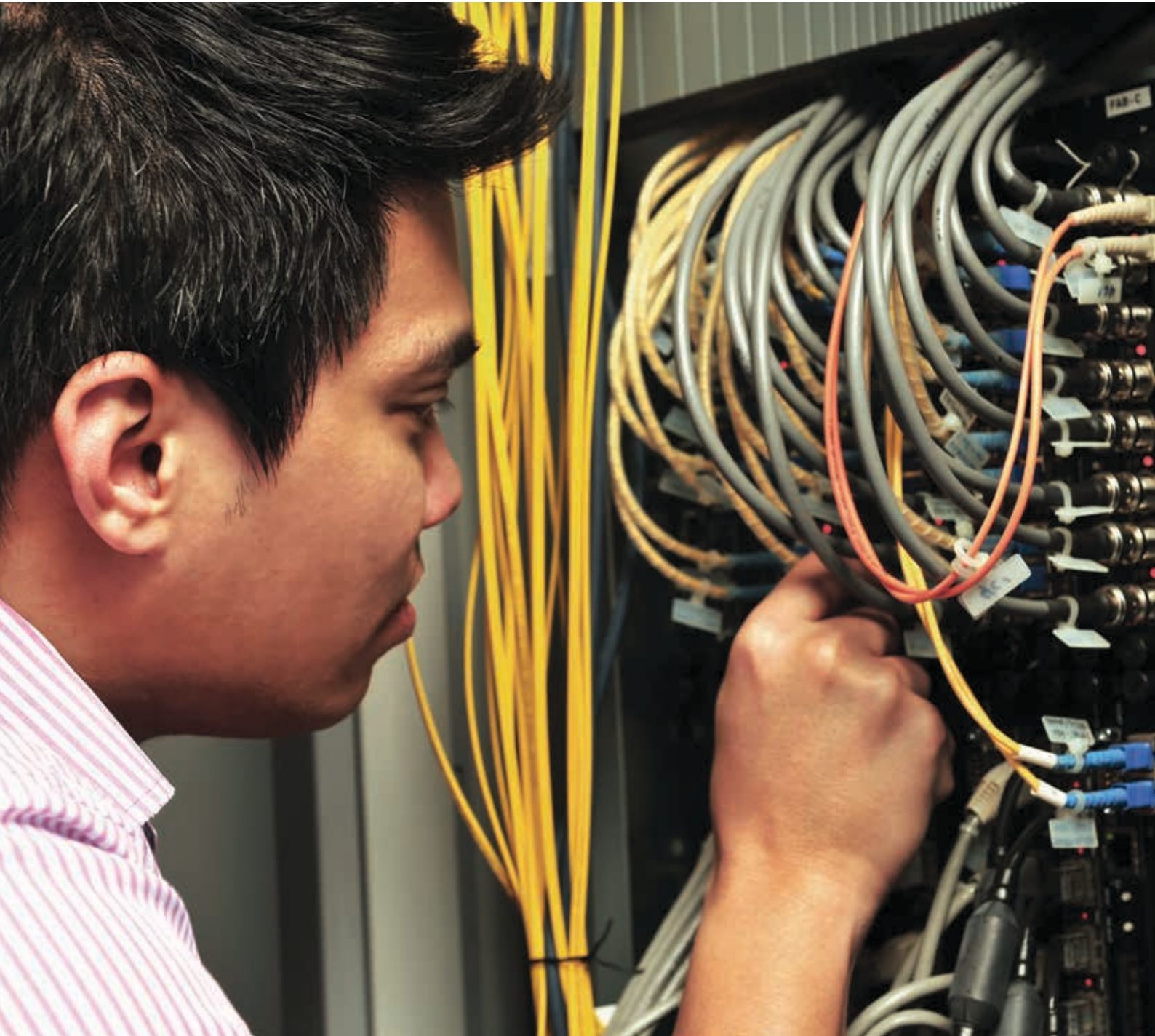
Research has shown that a country's innovation competitiveness could directly impact its GDP and the same goes for the performance of any company. Acknowledging this, IT&NT focuses on four distinct levers of: innovation for the benefit of the business, operations and customers; processes, products and technology; business model; and research and development (R&D). As a result, in 2013, TM R&D bagged several key awards for three notable projects, namely:

Advance Internet Lighting Application (AILA)

AILA uses visible light as an alternative and complementary medium to existing wireless communications to provide HSBB Internet. Employing light emitting diode (LED) technology, the AILA application is an energy-efficient last mile connectivity solution with both illumination and communication capabilities. AILA won the following awards in 2013:

1. Asia Communication Awards – innovation award
2. MSC APICTA 2013 – winner
3. Malaysia International Technology Expo 2013 – innovation medal

IT&NT – TM'S E³ INFRA: THE HEART OF OUR INFORMATION EXCHANGE



Ultra Long Reach Repeaterless Terrestrial Transmission System

The Ultra Long Reach Repeaterless Terrestrial Transmission System enables transmission of high speed data signals over at least 300km without repeater stations in between transmitting and receiving stations, hence expediting broadband infrastructure deployment particularly in rural areas. This system won TM R&D merit awards from MSC APICTA and Hong Kong APICTA 2013 in the Best Communications Applications category.

Green Fibre Wireless (G-FiWi)

G-FiWi, a Radio over Fibre (ROF) technology, is an alternative access network technology with potential to support speedy infrastructure deployment at lower cost, especially in challenging geographical environments. TM R&D has successfully completed the proof of concept in transmitting triple play content at a minimum speed of 500Mbps, and 17 patents were successfully filed for this technology. G-FiWi bagged a merit award for Best Research & Development at the MSC APICTA 2013, and led to TM R&D being presented with an Order of Merit in material engineering by the High Commission of the 2013 World Inventor Award Festival Joint Organising Committee.

FUTURE PLANS

Subsequent to the application of the lean concept for operations, IT&NT has also adopted the lean approach for network architecture. The expansion and transformation of TM's infrastructure is inevitable to support business growth, elasticity and efficiency. IP Core Optimisation involving the re-distribution of traffic flow and simplification of the network architecture by removing multi-layered redundancy mitigate the costs of exponential traffic growth. IT&NT is also exploring various equipment and element function unifications and virtualisation as appropriate in line with evolving service requirements.

At the same time, it seeks to venture into Network as a Service (NaaS), and to formalise network application programming interfaces (APIs) for faster and more creative product development. The key objective is to foster richer partner ecosystems that could mediate a proliferation of content by leveraging on existing networks and customer premises equipment (CPEs). Among the first steps taken is the development of a Communication as a Service (CaaS) suite that will open network capabilities and facilitate integration with third-party innovation. It will promote TM as an enabler of the Communications Content Infrastructure (CCI) ecosystem and accelerate growth of its ICT Services portfolio. IT&NT can leverage on its IP multimedia system (IMS) capabilities to enable cross domain development and growth.

Overall, TM and IT&NT are very excited about emerging trends and the opportunities they present, and IT&NT is developing the infrastructure to meet the demands of its customer base. With TM's E³ Infra that is effective, efficient and elastic, combined with the innovation of R&D and focus on quality, IT&NT is confident of presenting a winning formula for a smart customer experience.



FUTURE MADE BRIGHTER

We believe we are more than just a broadband champion. With the resources, capabilities and heart that we have, we believe we can make a difference and enrich the lives of the communities we serve.



KEY INITIATIVES

- 236 Customer Experience
- 238 Building Future Leaders at TM
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- 250 Corporate Responsibility
- 262 Box Article: Cable Theft Prevention

CUSTOMER EXPERIENCE

A Journey Towards Making Life & Business Easier

FACTS AT A GLANCE

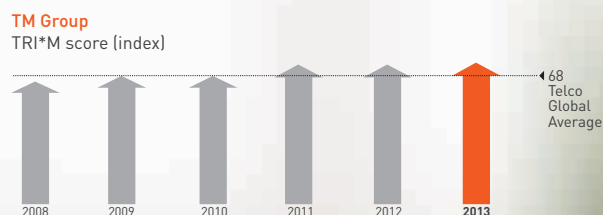
>72 TRI*M Index
improvement y-o-y

12 Million
Customer Service Interactions a year

65.0% customer
issues resolved at the first point of contact

At TM, we understand that achieving customer experience excellence is a continuous process of improvement and innovation. This is due to the dynamic nature of the market we operate in. Since 2008, we have implemented a customer service measurement tool, TRI*M, to measure the satisfaction level of our customers.

Our TRI*M index from 2008 to 2013 has steadily increased, as illustrated in the diagram below:



The uptrend of our TRI*M index reflects widespread initiatives aimed at improving the customer experience at all TM touchpoints which have been enabled, in turn, by improvements to our Service and Process Governance. We are proud of our achievements to date, and in particular of attaining a customer satisfaction index higher than the telco global average, as this strengthens our market positioning as Malaysia's Broadband Champion.

However, our journey to improve the customer experience does not end here; rather it will continue to be enhanced as we are guided by our service mantra, 'Service With Heart'.

INCREASING EFFICIENCY OF CUSTOMER SERVICE PROCESS

Increasing efficiencies in our customer service processes entails further simplifying the interaction between our customers and TM, thus living up to our brand promise of 'Life & Business Made Easier'. Towards this end, our Customer Service Management (CSM) unit has embarked on a three-year transformation initiative focusing on the following three important drivers:

1. Streamlining customer handling processes
2. Improving touchpoint communication, both internally and externally
3. Obtaining deeper understanding of customer feedback

Within the first year of the transformation programme itself, we have witnessed improvements in our contact centre, utilisation of alternative communication channels and the handling of customer complaints.

TM experiences more than 12 million customer interactions a year, approximately 70.0% of which are handled by our contact centre, which represents a significant customer interface. Focusing on clearer up-front communication at our

contact centre, we managed to resolve 65.0% of our customers' issues at the first point of contact. Our personnel further reported being able to better manage our customers' expectations, in both the mass market and managed accounts segments.

In addition to improvements in our contact centre, we have strengthened our customer engagement via our twitter service, @TMConnects, by integrating the twitter service with our back-end systems. Another key development has been the launch of VADS Social Media System.

On the ground level, a pilot project called PULSE was set up in Melaka and our headquarters to reduce the inconvenience faced by customers when making calls on their complaints. As a result, the complaint resolution rate improved by 33.0%. Based on this achievement, we will roll out Project PULSE nationwide in 2014.

We expect to see further improvements in our communication with customers through the implementation of a single number for product queries, service requests and complaints.

STRENGTHENING OUR CUSTOMER EXPERIENCE GOVERNANCE

TM embarked on a three-pronged approach to strengthen our customer experience governance as part of our continuous efforts to institutionalise a customer-focused culture and mindset. This comprises:

- The formation of two Customer Experience & Service Management Executive Committees to provide focus and to drive Strategic and Operational execution.
- The implementation of a new Customer Service Dashboard to monitor the voice of customers and further improve our customer experience.
- Continued investment in customer service improvements at all key touchpoints.



BUILDING FUTURE LEADERS AT TM

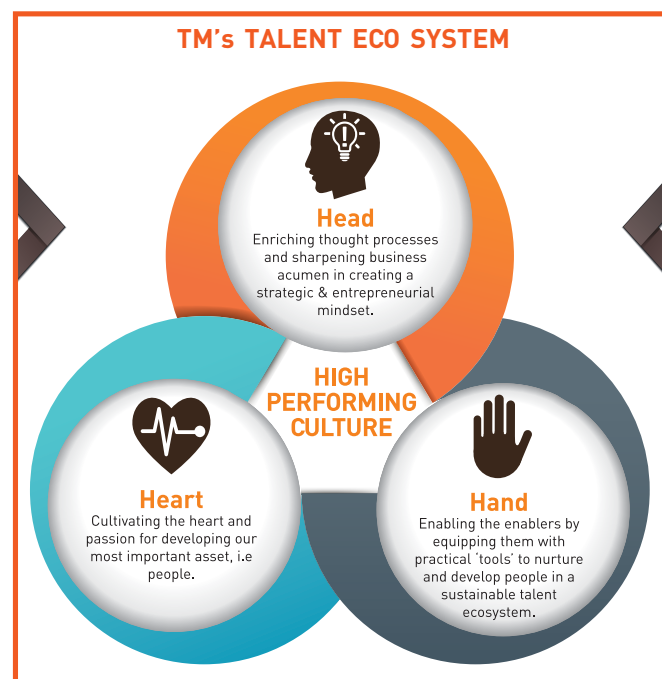
FACTS AT A GLANCE

Top **50** best companies
to work for in Asia 2013

200 senior management
attended leadership development programmes

>6,000 employees
enjoyed various incentive schemes

TM believes that a strong leadership is critical for us to achieve the Group's vision and goals, hence we are dedicated to creating an inspiring workplace that attracts and retains highly skilled individuals. Being in the Top 50 HR Asia's Best Companies To Work For in Asia 2013 list, we strive to develop the potential of talents within our team. The Group's Talent Eco System aims to build a high-performance culture by building the capabilities of leaders and potential leaders embracing a holistic approach that addresses the 'Head, Heart & Hand'.



This involves a range of initiatives, from structured learning and development programmes to cohesive leadership and career development, systematic coaching, mentoring, cross assignments and job rotations.

In order to strengthen TM's leadership pipeline, our talents participated in various development programmes based on their development needs in order to further build their leadership capabilities. In 2013, talent engagement sessions were held nationwide where TM's leaders had the opportunity to connect and share their aspiration with the talents. The sessions form part of an initiative for talents to be familiarised on what their roles are as TM's future leaders.

BUILDING FUTURE LEADERS AT TM

For our high-achieving young executives, TM has implemented a structured Fast Track Programme (FTP) to unravel their leadership potential. In 2013, 24 participants of this programme continued to undergo several job rotations and assignments within the Group to broaden their experience and exposure to the business and hone their leadership capabilities.

SUCCESS LEADERSHIP COMPETENCY MODEL & THE PHILOSOPHY OF LEADERSHIP

TM stands guided by the philosophy of 'Identifying, Building & Sustaining Leaders at All Levels', which entails nurturing leaders from the entry level itself all the way up to the top Management. In the belief that every individual has the

potential to be a leader, we have developed a SUCCESS Leadership Competency Model to instil behaviours essential for leadership in all our employees.

The SUCCESS Leadership Competency Model consists of seven components that underline what it means to lead others and one's self, as listed below:

To support the SUCCESS framework, customised leadership development programmes have been developed that build leadership capabilities, a talent mindset and behavioural competencies. During the year, 235 members of Senior Management attended various development programmes aimed at bringing out their developing talents.

Rewards & Compensation

TM is conscious of the need to constantly inspire a high-performance culture in the organisation through strategic reward plans that have been carefully designed to address the organisation's pay and compensation needs.

TM's bonus philosophy and structure take into account the Group's performance as well as the performance of smaller divisions and, of course, individuals. We believe the performance management system represents a fair compensation system which leads to trust and commitment by employees.

Efforts are ongoing to align the performance of individual sales personnel and to further motivate employees. TM recognises the efforts of each employee and rewards exemplary performance with attractive sales incentives under the Sales Commission Plan. The plan ties to the percentage of revenue brought into the Company.

Collaboration and teamwork are key attributes within TM's high-performance culture, and are cultivated by the 1TM concept. To drive such behaviour and internalise it among employees, TM has introduced a ground team-based reward for Zone Business Council (ZBC) at the state level to nurture creativity, innovation and dedication among team members to drive high-performance culture and excellent service delivery.



TM LEADERSHIP COMPETENCIES

- S** ▶ Service Excellence
- U** ▶ Unity & Teamwork
- C** ▶ Cultivates Stakeholder Collaboration
- C** ▶ Catalyzes Change
- E** ▶ Embraces and Nurtures Talent Mindset
- S** ▶ Strives for Results
- S** ▶ Strategic & Entrepreneurial Mindset

WAY OF WORKING (WOW)

Initiative to Drive Productivity

WOW is a new programme introduced to enhance productivity and efficiency across the organisation. Standing for 'Way of Working', it focuses on engaging and empowering employees to perform their work differently, driven by a conscious desire to enhance the customer experience with quality operations, and to manage risk reduction as the Group aims for greater process efficiency and innovation.

Innovation forms the cornerstone of WOW, promoting new values and approaches in our way of working. The methodology is driven by five perspectives of: 1) Process Efficiency, 2) Performance Management, 3) Organisation & Skills, 4) Mindsets & Behaviours and 5) Customer Focus.



WOW: The methodology

Based on the Performance Improvement Programme (PIP) 3.0 theme of Fundamental Productivity Shift, WOW is anchored on a lean management methodology with emphasis on customisation and flexibility to support the nature and needs of the different divisions and units. WOW provides a holistic approach in building competencies and capabilities within the organisation as well as driving the right behaviours towards achieving a high-performance culture.

Engagement Opportunities

TM believes engaged employees will drive a culture of high performance. Towards this end, we nurture an environment of inclusiveness in which all employees feel equally significant and valued in driving the business forward. In addition to recognising the contributions of individuals and their participation in teamwork, TM respects the diversity of our employees in a true spirit of 1TM by celebrating all festivities with equal fervour. This is manifested in the manner in which we come together to celebrate Hari Raya, Chinese New Year, Merdeka, Deepavali, the New Year, Pesta Kaamatan in Sabah and Gawai in Sarawak, among others.

In sustaining the synergies of engagement, we have also established strong partnership with NGOs within the organisation such as Kelab TM, Badan Kebajikan Islam TM (BAKIT), Tiaranita and Pakar Semboyan. Working with these organisations, we have been able to reinforce passion of patriotism among the younger generation via our Merdeka Celebration-Ceritera Tanah Airku; and contributed to a deeper public understanding of Islamic civilisation and its penetration into the Malay archipelago via Karnival Islam 2013. In both celebrations, there was a definite bridging of employees across religions and races.

Finally, we believe in recognising our employees for their commitment to the Company, and hold several programmes throughout the year towards this end, with highlights being the Kristal Awards, TM Group Awards Night and Jasamu Di Kenang.

My1TM (TM Group Employees Engagement) Survey

In 2013, My1TM indicated an employee engagement index of 90.0%, which is 12 percentage points higher than the Malaysian norm, as well as the Global Telco (GT) norm, and five percentage points better than the Global High Performing Companies (GHPC) norm. Compared with 2012, the area in which TM had improved the most was in Performance Management and Goal Clarity.

BUILDING FUTURE LEADERS AT TM

Union Engagement

TM is committed to sustained industrial harmony in the organisation with strong support from our unions. Our non-executives are represented by four unions, namely 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).

2013 witnessed the signing of new collective agreements (CAs) with all four unions, which have enhanced staff compensation, benefits and welfare. The negotiations were conducted in a harmonious atmosphere as the unions had been consulted beforehand on all material changes. In 2013, TM targeted and achieved 'No Industrial Disputes'.



Signing Ceremony of new collective agreements (CAs) with NUTE, UTES, SUTE and SUTEN.

Opportunities in Learning & Development

One of the most valuable assets of any organisation is its people. Subscribing whole-heartedly to this belief, TM invests significantly in the training and development of our employees, ensuring they are given the best opportunity to realise their inherent potential. Our training programmes are carried out principally by the Customer Service Academy and Technical

Academy, which focus on soft and technical skills respectively. Yayasan Telekom Malaysia supplements our overall human capital development framework with a structured programme for TM's scholars.

Customer Service Academy (CSA)

Customer-centricity is key to enhancing an organisation's sustainability and its ability to leave an indelible footprint in an increasingly competitive market. Acknowledging this, we believe all employees in every division should be inspired to provide the best to our customers – even employees whose functions are not directly focused on customer relationships. Towards this end, we have established the Customer Service Academy (CSA) with the mandate to inculcate a customer-centric mindset throughout the organisation.

Targeting frontliners, who represent TM's public 'face', CSA has developed a core matrix of competency skills instilling the right values to guide customer-centric behaviour as they carry out their functions. In 2013, these competency skills were packaged with TM Leadership Competencies based on the SUCCESS framework to offer a more structured and efficient programme.

CSA also enhanced its Superb and Meaningful Interaction Leading to Excellence (SMILE) programme aimed at creating a 'Wow Customer Experience'. Apart from classroom training, frontliners are required to role-play in simulated real-life scenarios so as to experience customer pain points and understand customers' needs. In 2013, a total of 1,700 frontliners at 16 TMpoints nationwide were trained and upscaled under this programme.

Technical Academy

Technical Academy (TA) trained 20,000 employees and contractors in 2013, in the areas of high speed broadband (HSBB) and TM's application systems. Focusing on building our human capital, TA has assumed an aggressive approach in enriching its training content and embarking on new training delivery platforms including Remote Virtual Learning (RVL) and Self-Learning. Trainees at TA are offered technology-enriched syllabi delivered by highly competent trainers using state-of-the-art equipment with quality hands-on experience. To upskill the competencies and capabilities of employees on the ground, TA works closely with Network



One of the employee engagement initiatives by GHCM: Merdeka Celebration: Ceritera Tanahairku.

Management Operations to provide technical programmes for Zone Field Team Fulfilment (ZFT) and Assurance teams. These have been enriched with customer-oriented modules to facilitate a customer-centric mindset in line with TM's COOL initiative. Supporting employees' upward mobility, TA also offers Office Automation training for non-executives as a prerequisite for promotion assessments.

YAYASAN TELEKOM MALAYSIA (YTM)

Developing a Leadership Pipeline for the Next Generation Workforce

Yayasan Telekom Malaysia (YTM) plays a critical role in shaping TM's top talents, from even before they are employed in the Company and throughout their career progression in the organisation. Apart from its key role of providing financial assistance for further education, YTM is committed to crafting a holistic human capital development programme for TM's scholars. Numerous platforms have been established to nurture our scholars with the necessary knowledge, skills and experience while instilling them with TM's core values, to prepare them to become our next-generation leaders.

Since its inception in 1994, YTM has secured RM450 million of tax-exempted funds – mainly through scholarships and financial assistance – benefitting 13,408 students. In support of nation building, YTM offers selective scholarships for study at the secondary and tertiary levels both locally and abroad. In addition, it manages the financial assistance scheme for TM employees to obtain higher-level qualifications from local universities in support of lifelong education and capability-building. In 2013, YTM disbursed RM12.9 million in scholarships and the scholars' development programme covering 650 active scholars.

Key Initiatives to Nurture and Develop Scholars

Broadband Brigade

YTM provides an avenue for current and former TM scholars to contribute to the community via its volunteer group, the Broadband Brigade. Members of the Broadband Brigade get together during term breaks to carry out various voluntary activities. Stationed at TM-managed Pusat Internet 1 Malaysia (PI1M), they gain a deeper understanding of broadband and its applications, while promoting broadband technologies among rural communities. They also participate as TM ROvers supporting various TM Corporate Responsibility (CR) initiatives.

Partnership & Collaboration

Throughout the year, a number of activities were conducted to support YTM's objectives and activities, including collaboration with strategic partners such as Yayasan Peneraju Pendidikan Bumiputra (YPPB), PINTAR Foundation, Yayasan Universiti Multimedia (YUM) and Yayasan Sofa. These partnerships enhance our scholars' development and unlock possibilities from forged synergies.



SAFETY COMES FIRST

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

FACTS AT A GLANCE

1st place National

OSH Excellence Award 2013 (Communication Industry Category)

53.0% decrease

in no. of accidents

0 fatalities

OVERVIEW

TM's overall Occupational Safety and Health (OSH) performance in 2013 was a marked improvement from 2012, based on the number and severity of occupational accidents recorded, total lost time due to injuries, and degree of compliance with the Occupational Safety and Health Act (OSHA) 1994. Accordingly, we also managed to enhance our risk rating from 'Extreme' in 2012 to 'High' in 2013.

SAFETY PERFORMANCE

The year under review saw a total of 32 accidents related to OSH, 53.0% less than the previous year. This represented 0.57 accidents per 1,000 employees including contractors better than the previous year's rate of 1.15 per 1,000 employees. Most of the accidents involved workers falling from staircases, ladders, poles and roofs. At the same time, the severity of accidents measured in terms of Lost Time Injury (LTI) reduced by a significant 54.0% from 794 days in 2012 to 360 days in 2013.

For 2013, TM maintained the zero fatality record we have attained since 2010; while our contractors marked a safety milestone this year by achieving zero fatality among their workers for the first time.

ACTIVITIES AND PROGRAMMES

Compliance

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

Steering and State OSHE Committees

In 2013, TM continued to strengthen our Occupational Safety, Health and Environment (OSHE) Steering Committee, all State OSHE Committees and Building/Premises OSHE Committees to provide a link from on-site committees to the Steering Committee, allowing for more effective communication. The Steering, State and Building/Premises Committees met on a quarterly basis and complied with all the requirements of OSHA 1994 and Occupational Safety & Health (OSH) Committee Regulations 1996. The Steering Committee also visited three TM stations: Gunung Serapi Station, Kuala Muda Submarine Cable Station and Sri Gombak Exchange.

SAFETY COMES FIRST

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

OSHE Management System (OSHE MS) Review

Based on OHSAS 18000 and EMS 14001 standard requirements, TM launched into a project to develop the OSHE MS in 2004. The project, led by Performance Quality Management (PQM) with SIRIM as a consultant and OSHE unit as the Subject Matter Expert, was successfully completed in 2006.

In 2013, TM's OSHE Unit obtained the approval of TM Group OSHE Steering Committee to review the Group's entire OSHE MS and realign it towards OSH MS 1722 standard requirements. This review was completed, based on MS 1722:2011 and OHSAS 18001:2007 as planned. The reviewed OSH MS and Policy were subsequently approved by TM Group OSHE Steering Committee for implementation nationwide.

OSHE Promotion at the Workplace

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

OSH Campaign

Various OSHE activities have been implemented by the OSHE team and committees to mitigate OSHE-related risks. These include continuous OSH inspections, the organisation of OSHE Week, OSHE online Portal, OSHE Committee Meetings, OSH Plans, OSHE Alerts, OSH Legal Register, OSH Compliance Audit and OSH Management System Review. Together, these activities ensure the commitment of all levels at TM, from Management to employees, as well as our subsidiaries and contractors, towards maintaining a safe workplace.

In the year 2013, a total of 10 TM state offices organised OSHE Week campaigns to increase safety and health awareness among employees and contractors. These were: Menara TM and our offices in Terengganu, Melaka, Sarawak, Perak, Kedah & Perlis, Negeri Sembilan, Cyberjaya, Penang and Pahang. For an added element of fun, Safety Competitions and Hazard Hunts were introduced for the first time.

Mentor – Mentee Programme with State DOSH

Four states – Negeri Sembilan, Johor, Perak and Kelantan – continued to implement their OSHE mentor-mentee programmes 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 maintaining our long standing zero fatality record.

NIOSH-TM Safety Passport (INTMSP)

Approximately 43,000 contractors 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. TM is the first telecommunications company in Malaysia to enforce this customised OSHE induction programme for contractors' personnel.

OSH Plan

All contractors and suppliers have been trained and guided to provide an OSH Plan to ensure they comply with OSH requirements and to prevent any injury at work or during the delivery of services or goods. TM is the only telecommunications company in Malaysia to enforce the OSH Plan requirement on all contractors and suppliers.

Training

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



Dato' Sri Halim Shafie, Chairman of TM at the launch of Stretch and Flex for Safety and Health 2013.

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 four categories of employees (Authorised Entrants, Standby Persons, Entry Supervisors and Authorised Gas Testers) must undergo a refresher course once 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. Until end 2013, NIOSH has conducted AESP training nationwide for a total of 1,336 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 specifically to 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.

Out of 1,431 personnel who have undergone the medical examination, which was implemented in January 2012, 1,194 have been classified as 'Fit', 149 as 'Temporarily Unfit' and 88 as 'Not Fit'. Personnel classified as Fit were issued with the TM CSME Authorised Entrant Certificates while those who were Temporarily Unfit or Not Fit were advised to undergo further assessments or reassessments where applicable.

SAFETY COMES FIRST

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)



National OSH Excellence Award 2013.

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), Ergonomics Awareness, Industrial Ergonomics, OSH Management System, OSH MS Lead Auditor 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

As of end 2013, Network Delivery, Network Management Operation and Property Operations had successfully completed the HIRARC programme. TM's Network Operation Centre, meanwhile, is in the midst of carrying out the programme which is scheduled to be completed in 2014. The programme will be extended to all Building/Premises OSHE Committees for implementation to ensure all possible hazards are identified and risks eliminated as far as practicable for safety and health at the workplace.

Ergonomics Training for Ergo Leaders

TM's OSHE Unit released the Office Ergonomic Guidelines on 5 March 2013 during TM's OSHE Week organised at Menara TM. Meanwhile, the training of Ergo Leaders and Ergo Contacts is ongoing.

Audit Programme with DOSH

The OSH audit is one of the most important components of OSHA 1994 regulations. Accordingly, all state DOSH teams have collaborated with Building/Premises OSHE Committees to conduct the audit at identified workplaces to ensure our OSH practices are in line with the regulations.



Stretch and Flex for Safety and Health 2013 Campaign at Menara TM.

Subsidiaries' OSHE Programmes

TM OSHE Unit intends to ensure that all subsidiaries comply 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. During the year, all Safety and Health Officers from TM subsidiaries attended quarterly meetings with OSHE headquarters. The year saw 11 subsidiaries carry out OSHE programmes and campaigns. Overall, 26 incidents were reported, but fortunately there was no fatality.

Subsidiaries' Safety Performance

Throughout the year, a total of 12 accidents were reported by our subsidiaries, 54.0% less than the previous year. A total of 48 days in Lost Time Injury was recorded, 75.0% less than the previous year's 193 days. This is a significant improvement in Safety and Health performance of our subsidiaries.

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 OSHE requirements, are aware of the importance of safety and health at the workplace, and practise safety as part of the work culture.

TM will continue to place emphasis on the implementation of OSH MS, HIRARC, internal audits, enforcement, worksite inspections, compliance audits and consequence management.

ACHIEVEMENTS

National OSH Excellence Award 2013

For the year under review, TM MSC [Cyberjaya] represented TM to vie for the prestigious National OSH Excellence Award 2013 organised by the National Council For Occupational Safety and Health (NaCOSH), Ministry of Human Resources. The yearly awards are given to companies with exemplary safety and health practices in the different economic sectors.

After a rigorous audit by the organiser, TM MSC [Cyberjaya] was announced as the winner in the Communications category.

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



CORPORATE RESPONSIBILITY

FACTS AT A GLANCE

>12,000 TMRovers
nationwide

19,526 lives
benefited from TM's School Adoption Programme
to date

5,278 participated
in TM Earth Camp since 2010



Our Corporate Responsibility (CR) ethos reinforces responsible behaviour in the four main domains of the marketplace, workplace, the community and the environment. With a focus on ICT, the Group further promotes three major platforms i.e. education, community/nation-building and environment, through our Reaching Out programmes. As a model corporate citizen committed to good governance and transparency, TM continues its pledge to ensure the integrity of our processes, people and reputation as well as the sustainability of our operations.

Details of the Group's CR activities and their impacts are presented in a stand-alone Sustainability Report published annually. Now in its sixth edition, our Sustainability Report offers a wide view of the Group's initiatives and detailed perspectives of these initiatives. Themed 'Life Made Sustainable' this year, our Sustainability Report conforms to the stringent standards set by the Global Reporting Initiative (GRI) in which it has achieved the Application Level A+ standard for six years in a row. Our 2012 Sustainability Report was awarded the Best Sustainability Report for Malaysia by the National Center for Sustainability Reporting (NCSR) in Jakarta, Indonesia, for the second consecutive year.

Our business fulfils a fundamental need in society – to connect, communicate and collaborate – and we ensure we meet this basic need by delivering our services to as many Malaysians as possible to the best of our ability. More than carry out our business functions, however, TM has integrated ourselves into the very fabric of the communities in which we operate by extending a helping hand to the marginalised; creating a vibrant work space for our employees; nurturing a dynamic ICT ecosystem; and playing our part in protecting the environment.

CORPORATE RESPONSIBILITY

These efforts, which fall under our Corporate Responsibility (CR) framework, simultaneously contribute to the sustainability of our organisation and the communities we serve. We believe that our long-term sustainability rests on how well we integrate our business into the world around us; and, more importantly, on the positive impact that we create both within and outside our core functions.

Many of our initiatives share a common thread of making our stakeholders' lives easier – be it in relation to streamlining our supply chain or developing innovative environmental activities; helping to grow new business markets or creating professional development opportunities for our employees. Enhancing lives and creating better dynamics in everything we do – form increasingly important aspects of what it means to be a responsible corporate citizen, as well as to bolster corporate performance.

Both CR and our sustainability practices are ongoing endeavours which have been strengthened in TM over the years. A noticeable development in these programmes has been growing interrelatedness of various initiatives. For example, in 2013 our long standing employee volunteerism group, the TM ROvers, was formally launched, often taking part in community efforts such as 'gotong-royong', flood relief and also other environmental preservation activities. They therefore provide a link from our Workplace to the Community, the Environment and even the Marketplace, where their activities create a positive image of TM, reinforcing our passion for sustainability.

In 2013, we achieved a number of notable successes in existing programmes while embarking on new initiatives. While a summary of these achievements are highlighted in the following pages, a fuller account of our sustainability efforts is presented in our stand-alone Sustainability Report, which is also accessible to all our stakeholders.

MARKETPLACE

We entrench our leadership in the marketplace by delighting our customers with the highest quality products and services, adopting ethical procurement practices, keeping communication channels open at all times with our stakeholders and protecting the continuity of our service by curbing activities that could disrupt our business.

Corporate Governance Towards Sustainable Business

TM has a solid Corporate Governance (CG) structure that ensures the highest level of transparency and integrity. Both TM's Board and Management are guided by clear terms of reference and operating procedures. The governance structure concentrates on creating and enhancing shareholder value by striking a balance between short-term financial performance and long-term sustainability through sound corporate ethics, risk management and effective internal controls. To maintain a judicious balance between responsibilities, the roles of the Board and Management are kept separate. This ensures a reliable system that helps uphold TM's values as the organisation moves forward to achieve its vision of becoming a leading regional Information and Innovation Exchange.

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

Embedding Sustainability Into the Supply Chain

TM integrates responsible practices into our procurement policies and practices to improve the effective management of our supply chain and reduce risks to business continuity. Clear expectations are set through our Supplier Code of Conduct and key suppliers are held accountable through our business scorecard. Suppliers with a strong performance record are rewarded with opportunities for further business with TM, while suppliers that consistently fail to comply with our Code of Conduct have their contracts terminated.

Priority is given to educating our suppliers about the Code so they understand our requirements. We personally assist smaller suppliers that have yet to establish strong sustainability programmes by engaging with them directly to provide the requisite training.

TM as a Driver of the Vendor Development Programme

TM has long been a driver of the Vendor Development Programme (VDP); we are one of the first Government Linked Companies to establish and implement this programme which focuses on supporting high quality, value-added and sustainable development of TM vendors. After 20 years of its implementation, the programme has benefited

more than 600 vendors. The next phase in the transformation of the VDP is to look into the sustainability of our vendors' businesses, by exploring business opportunities with other GLCs and at the same time reducing dependencies between both incumbents and their related vendors. Towards this end, we are working closely with the Ministry of International Trade and Industry (MITI) together with other government agencies, such as TERAJU (*Unit Peneraju Agenda Bumiputera*) to lead, coordinate and drive the Bumiputera Agenda as part of the National Transformation Plan to provide a boost in terms of their capacity and capability building for local entrepreneurs and vendors.

In July 2013, with the tagline 'Winning Networking Opportunities', TM with MITI co-organised the inaugural GLC Explorace™ 2013, which congregated local entrepreneurs and vendors together with MITI's agencies as well as GLCs under one roof – providing them with a platform to convene

and acquire the latest information on entrepreneurship, as well as explore broader horizons for business opportunities.

Digital Malaysia Corporate Accelerator Programme

TM collaborates with the Multimedia Development Corporation (MDeC) and StartupMalaysia.org (SUM) to organise the Digital Malaysia Corporate Accelerator Programme (DM CAP) which aims to help Malaysians fully leverage on the Internet for revenue generation and to create acceleration platforms and programmes for nurturing and developing netizens to become producers-consumers and achieve a significant projected economic contribution. DM CAP is also under the aegis of TM's Blue Lane Programme (BLP), an ICT technopreneur programme for local small and medium ICT players, which aims to nurture and harness home-grown digital entrepreneurs and encourage the development of the Malaysian ICT ecosystem by providing market access via TM's platform to become the company's business partners.



CORPORATE RESPONSIBILITY

DM CAP is inviting local startups with ventures that are able to complement TM's product offerings including UniFi, HyppTV, Cloud and others. DM CAP has already invited five entrepreneurs from 117 applicants into its intense three-month accelerator programme. By combining TM's industry and market demand knowledge, StartupMalaysia.org's local and global mentoring networks and MDeC's acceleration platforms for startups, the pioneer batch of DM CAP graduates have accelerated their growth trajectory in a short period of time and collectively achieved revenue of RM2.6 million by closing deals with 54 customers.

Expanding Our Reach

TM is committed to re-capturing some of the regional data traffic that has been lost neighbouring countries as well as to new international players in Malaysia. Towards this end, we have set up My1Hub, the country's first neutral hub providing competitive and comprehensive Internet, bandwidth and hosting services which we believe will appeal to mobile network operators, other telcos and data centre players.

At the same time, we are strengthening our presence regionally. Leveraging on our extensive network in and outside of Malaysia as a hubbing or transiting destination, we are opening more regional offices (ROs) in locations with high potential and possible access to other promising markets. We are currently evaluating different sites and markets for this purpose.

TM's E³ Infra: The Heart of Our Information Exchange

TM's E³ Infra (Efficient, Effective, Elastic), is an IPv6-ready full-IP, state-of-the-art infrastructure which supports quality and class of service (QoS/CoS) and improves cost efficiencies. It is smart, agile, flexible, modular, scalable, secured and cost-effective, and supports TM's ambition to be a one-stop centre satisfying all the needs of corporate clients. It powers the four important levers that contribute to the success of a business: bandwidth, ICT & IP, performance & reliability and cloud computing.

Further enhancing TM's E³ Infra, the Company strives to deploy Green network elements and infra which are energy efficient, made from hazardous-free materials and manufactured in environment-friendly methods. Towards this end, we have already developed the policy, green specifications

and energy-efficient reference document to be adopted by the technical community. Among the operational and design best practices implemented are equipment layout remodelling, network platform consolidation and optimal temperature management.

Safe Use of Our Products and Services

Our Quality Management Systems involve a gated process which governs the entire product lifecycle from its conceptualisation to its marketing and installation in customers' premises. Customer Premise Equipment (CPE) such as modems, phones, Set Top Boxes and other network equipment undergo a Product Development Process to ensure they conform with quality and safety standards. For example, our HyppTV Set-up Boxes (STB) were assessed by SIRIM and TM R&D for quality performance, including environmental parameters. This guards against field failure that would result in low customer satisfaction and warranty claims.

At the same time, all contents offered by TM are certified by regulatory bodies such as Perbadanan Kemajuan Filem Nasional Malaysia (FINAS) as being suitable for public consumption.

Customer Satisfaction

Since 2008, TM has been measuring our Customer Satisfaction Index (CSI) using the globally recognised TRI*M (Measure, Manage and Monitor) methodology. In 2013, two waves of CSI studies were completed. The first 'dipstick' study, from June to August 2013, involved 8,430 customers from Mass Market and Managed Accounts. The second study was commissioned from October to December involving 13,500 customers across Mass Market, Managed Accounts, Wholesale & Global and VADS. Based on these studies, we managed to achieve our CSI score to more than 72, for the second consecutive year.

Keeping Our Stakeholders Informed

We employ many direct and indirect channels to engage with customers and update our stakeholders, for example through brochures, our website, Take Out e-newsletter, electronic direct mailers, Facebook and Twitter. We also print marketing collaterals on our products and other services, which are made available at high-traffic TMpoint outlets.

Our communication channels are differentiated according to our customer segments. Targeting SMEs, we publish a fortnightly SME Buzz e-newsletter on the latest products catering to their needs. We also position experienced SME consultants at strategic business points; and communicate our messages in print advertisements, magazines and on television. In addition, we organise the annual TM SME BizFest™, which reinforces our reputation as the nation's trusted and reliable end-to-end ICT solutions provider.

In 2013, as part of our 'Life Made Easier' campaign, we embarked on road shows nationwide to create greater awareness of our products and services.

Meanwhile, the public can communicate with us by calling our Customer Service Call Centre, or approaching TM ambassadors at our Customer Support Centre at 100 or 1-300-88-1221. They can also interact with us on our @TMCorp and @TMConnects Twitter accounts.

WORKPLACE

We recognise that our people are our most valuable asset, hence are committed to creating a work environment that attracts the best talent and inspires them to realise their true potential. We also nurture a spirit of 1TM to encourage teamwork and create a true sense of belonging to the organisation.

Competitive Benefits

TM's remuneration and benefits packages are very competitive. In addition to complying with all applicable laws, agreements and industry standards on working hours and compensation as well as other customary benefits, we offer attractive salaries and variable remuneration based on performance. Compared to other companies in the industry, we top the list in certain benefits offered to employees.

Employee Volunteerism

TM has long had a culture of employee volunteerism, and especially activities that complement the Company's own CSR agenda. We believe that a responsible corporate organisation should not be concerned solely with profit, but must give back to the communities it serves to engender greater business and social sustainability.

In September 2013, TM officially launched its volunteers' movement under the banner of TM ROvers, which stands for TM Reaching Out Volunteers, a play on our CR tagline of 'Reaching Out'. TM ROvers is not only open to passionate TM employees, but comprise of TM clubs and societies' members, namely Badan Kebajikan Islam Telekom (BAKIT), Women and Wives of Telekom Malaysia (TIARANITA), *Kelab TM*, *Rejimen Semboyan Diraja Pakar Telekom* (Semboyan Pakar), TM Bikers, Multimedia University (MMU), Multimedia College (MMC) and *Yayasan TM*, amongst others. With TM ROvers, TM is able to better streamline its CR activities and present a more united front in our external profiling of our CR in general.

TM ROvers

To date, TM has over 12,000 TM ROvers nationwide. The voluntary programmes are open to all TM's employees, with the objectives to:

- Build closer ties between fellow TM ROvers and strengthen the spirit of 1TM in everyday work situations
- Meet the needs of the communities in which TM operates, focusing especially on the underprivileged
- Provide opportunities for employees to contribute to society according to their interests and areas of expertise

TM ROvers are encouraged to suggest and undertake their own community outreach and environmental activities, in addition to participating in TM-organised programmes. In 2013, they were involved in the following:



CORPORATE RESPONSIBILITY

- Gotong-royong 1TM Nationwide – Approximately 1,500 TM ROvers were involved across Malaysia.
- BumiKu ECO Camp 2013 – The ROvers worked with local community members of Kg Kubang Badak to produce artificial reefs. They also conducted an ecotourism study on the Langkawi Geopark, which they submitted to the Langkawi Development Authority (LADA) to contribute to LADA's conservation efforts.
- Helping the victims of the floods in Pahang, Terengganu, Kelantan and Johor in December by cleaning their homes, schools, mosques and surrounding areas.

By joining in various community and environmental programmes TM ROvers are creating a circle of influence that mark the beginnings of greater unity in TM's CR initiatives.

Employee Engagement

Employee engagement is key to TM's vision of operating as a single, integrated company. Over the past few years, we have significantly bolstered our efforts to engage with our employees. In 2013, more than 47 employee engagement sessions were conducted via various platforms such as the Teh Tarik and Turun Padang sessions, Leaders' Dialogues, Jom Bersama and Chill Out with Group Corporate Communications' Vice President. TM also keeps our employees informed of company news and messages via internal communication channels such as 1Suara, 1Perspektif and 1Intra; this year further enhanced with video productions.

Career Development

We believe career progression is essential to job satisfaction as it ensures employees are continually challenged to acquire roles of greater responsibility, accompanied by more attractive remuneration which contributes to a sense of personal achievement. We therefore encourage our employees to set career goals and help them plan to meet these.

Our career development framework involves a holistic 360° performance assessment which draws input from the employee being assessed, their subordinates, peers, supervisors and internal customers. Used initially as a tool to identify employees' development strengths and areas for improvement, the system has evolved and is now linked to performance. It also helps in succession planning and career development strategies.



Training and Development Opportunities

TM's success hinges on our people's ability to create, innovate and develop solutions to challenges faced by our business. We are therefore committed to providing our employees with opportunities to realise their full potential via a variety of programmes and training courses for management, technical, professional and career development. As they acquire new knowledge and hone their skills, they are also increasingly empowered to build the careers they want and deserve.

Freedom of Association and Collective Bargaining Agreement

TM's non-executive employees enjoy freedom of association and are able to join and leave our unions as they see fit. Our unions are empowered to take collective action to pursue the interests of employees, within the boundaries of Malaysian Employment Law.

During the year, TM concluded Collective Agreements (CAs) with the National Union of Telecommunication Employees (NUTE) on 19 July; the Union of Telecoms Employees Sarawak (UTES) on 23 July; and with Sabah Union of Telekom Employees (SUTE) on 24 July. These agreements outline benefits for a total of 13,276 TM non-executives in accordance with Section 17 of the Industrial Relations Act 1967.

Employee Diversity and Equal Opportunities

TM provides equal employment opportunities for all applicants regardless of race, colour, religion, national origin, gender or disability. We nurture an environment that respects the diversity of our employees and encourages unity in working together

towards a shared vision. Directors and employees are forbidden from any act, activity or conduct which can cause disharmony, disunity or feelings of enmity, hatred, ill-will or prejudice. This includes written, spoken or any other form of behaviour that could prejudice the maintenance of harmony and unity within the organisation.

Privacy and Data Protection

As data networks and web-based information systems become increasingly ubiquitous, we understand the need for assurance that personal data, information and communication are secure. We are continuously looking to improve our systems and processes to protect customers' and employees' data while raising awareness of the importance of privacy and data protection.

COMMUNITY

Our community initiatives are designed to create a more equitable and progressive nation in support of the Government's agenda. Accordingly, our projects focus on education, which enables youth to break out of the poverty cycle; and empowering the underprivileged with other means to uplift their lives and the lives of their communities. In many instances, we have been able to create links between different community programmes in order to create synergies for more efficient use of our resources and hence more sustainable outcomes.

Holistic Education Initiatives

MMU as the i-University

As the first private university in Malaysia, Multimedia University not only pioneered the model with which a private university could successfully establish itself in the country, it also helped the liberalisation of the country's tertiary education sector. The university is a significant contributor of talent for the industry, which, over the years, has come to show a strong preference for MMU's graduates. According to a tracer study compiled in 2013 by the MMU Alumni Office using MMU's data together with that of the (then) Ministry of Higher Education, more than 90.0% of MMU graduates secured employment within six months of graduation. MMU plans to install more OKU-friendly facilities in 2014, namely a ramp at the new Law library in Melaka, a new OKU washroom at the Melaka campus Surau, an upgraded hostel room for OKU in the Cyberjaya campus, as well as new

ramps and a covered pathway to the Faculty of Computing and Informatics (FCI) theatre, at the Cyberjaya campus. The University continued to deliver programmes that cater to current demand in the education industry, and six new courses were approved by the Ministry of Higher Education in 2013. MMU is still pursuing the MMU 2.0 transformation programme that was launched in March 2012, under which it seeks to become a Top 100 University in Asia with Global Recognition by 2022.

Multimedia College

Multimedia College (MMC), a subsidiary of MMU, specialises in telecommunications and creative multimedia programmes, offering students an exceptional experience by coupling superior academic programmes with experiential learning within the TM environment. It is driven to be Malaysia's leading Information and Communications Technology (ICT) & Multimedia education provider nurturing holistic human capital through education excellence and value enhancement. Reflecting industry needs, MMC's academic offerings continuously evolve, with new programmes replacing those that are less in demand, such as the Sijil Kemahiran Malaysia (SKM).



CORPORATE RESPONSIBILITY

MMC has five regional colleges and a total of 2,176 students as at 31 December 2013. Project Sungai Bonus, organised by the Nature Society Club and Student Affairs of MMC in collaboration with the Dewan Bandaraya and 1 Malaysia For Youth (1M4U) on 12 January 2013, saw a total of 60 volunteers comprising students, MMC employees and DBKL employees clean up Sungai Bonus adjacent to the college. Bumiku Kampusku, held on 24 May 2013, focused on creating a green campus environment for students within KL city.

Yayasan Telekom Malaysia (YTM)

YTM collaborates with strategic partners including Yayasan Peneraju Pendidikan Bumiputera (YPPB), PINTAR Foundation, Yayasan Universiti Multimedia (YUM) and Yayasan Sofa to enhance education levels in the country. In 2013, it joined forces with YPPB to train talented Bumiputera youth for leadership roles in the nation, and to give a second chance to those who have not been presented with sufficient opportunities to succeed. YPPB's flagship programme, Peneraju Tunas Potensi, provides scholarships to SPM/STPM leavers from underprivileged backgrounds. This complements YTM's own flagship scholarship scheme which to date, has seen 12,979 outstanding students pursue their tertiary education at the best universities locally and overseas.

TM PINTAR School Adoption Programme

In 2013, we expanded our education initiatives by embarking on the fourth phase of our PINTAR programme, and adding Sekolah Menengah Kebangsaan Orang Kaya Haji, Kuala Lipis, Pahang and Sekolah Menengah Kebangsaan Munshi Abdullah, Sabak Bernam, Selangor to our list of adopted schools.

TM has previously adopted six schools under the first three phases of our PINTAR programme:

1. Sekolah Kebangsaan Bukit Indera Muda and Sekolah Kebangsaan Seri Penanti in Bukit Mertajam, Penang from 2007 until 2009 under Phase 1
2. Sekolah Kebangsaan Tembak, Kedah and Sekolah Kebangsaan Seri Bandan, Johor from 2010 under Phase 2
3. Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran, Tuaran, Sabah and Sekolah Menengah Kebangsaan Chenderiang, Temoh, Perak from 2011 until 2014 under Phase 3.

After the three-year adoption period, all schools have shown notable improvement in their academic results. Some have been named best schools in their districts and nominated as among the best schools at the national level.

To date, our PINTAR programme has touched the lives of 19,526 students, teachers, parents and community members from areas surrounding the adopted schools. In 2013, we ensured greater continuity of our educational efforts by setting aside seats at our Multimedia University and Multimedia College for promising students from our PINTAR secondary schools.

Nation-Building and Other Community Initiatives

Program Sejahtera

Program Sejahtera empowers single mothers to be financially independent and improve the lives of their families. The women are provided with basic skills training and attend entrepreneurship workshops where they are exposed to networking and business opportunities. TM also provides them with small grants to help them establish or enhance their businesses. Where applicable, we use our business expertise to provide ICT training to the families, donate computers to the families and set these up with Streamyx subscription. In addition, a son of one of the single mothers was enrolled into Multimedia College (MMC) in Diploma in Management with Multimedia.

In 2013, TM introduced phase two of the programme in Kelantan with five single mothers, who have been furnished with equipment such as a freezer, bread mixer and sewing machine to improve their business operations as well as to enhance their



quality of living. In March, we also organised a *Majlis Permuafakatan Program Sejahtera*, a community activity in Kampung Tawang, Bachok at which about 100 TM volunteers, members of the YTM Broadband Brigade and villagers got together to repair a grocery shop owned by one of our single mothers, Noor Rizan Mat Amin. The single mothers and families were also invited to a *Majlis Berbuka Puasa Bersama Pelanggan TM Kelantan*, where they received Raya contributions.

Supporting Government Initiatives

In 2008, TM entered into a Public Private Partnership with the Government to roll out high speed broadband (HSBB) infrastructure and services in the country. Under the agreement, we are to enable eligible service providers to deliver bandwidth-hungry applications such as IP-based Convergence Services (voice, video and data), IP-based Network Services and IP-based Enterprise Application to end users via TM's network.

The infrastructure is built on a New Generation Network (NGN) platform, engineered to provide a new and enriched experience to service providers as well as end users. Under phase one of the HSBB programme, TM had converted 103 exchanges into the NGN. We are now upgrading up to 400 exchanges nationwide over a three-year period under phase two (HSBB2), at a cost of RM3.4 billion.

Bridging the Digital Divide

TM deploys telecommunications infrastructure and access to products and services in remote and low population density areas via projects under the Universal Service Provision (USP) Fund, managed by the Malaysian Communications and Multimedia Commission (MCMC). To date, we have deployed 326 Pusat Internet 1Malaysia (PI1M), formerly known as Community Broadband Centres (CBCs), 56 mini CBCs, and 98 Internet-enabled Perpustakaan Jalur Lebar (PJLs), or Community Broadband Libraries (CBLs). As these centres are staffed by local hires, they also serve to provide job opportunities.

In addition, we have connected 1,637 Kampung Tanpa Wayar (KTW) or Wireless Villages, created 286 WiFi 1Malaysia (W1M) hotspots and installed 2,214 payphones to improve the living standards of local communities. We have also introduced an affordable internet access package, Pakej Jimat Hebat, at RM38/384kbps to enable low-income families (earning less than RM1,500 a month) in rural areas to get 'connected'.

Other Community Initiatives

TM provides philanthropic contributions that improve the lives of people in our communities through financial contributions and in-kind donations. Our beneficiaries include NGOs, foundations, schools, government bodies, media and associations in general such as *Tabung Thalassaemia Malaysia*, *Pusat Kanak-kanak Down Syndrom*, National Kidney Foundation of Malaysia, National Cancer Society Malaysia, The Blind Malaysia, and Malaysian Armed Forces.

ENVIRONMENT

Over the years, TM has steadily intensified our efforts to preserve the environment by reducing our carbon footprint while nurturing future generations of environment-conscious leaders who will maintain efforts to protect and enhance the country's natural resources. Internally, we have our own environmental campaign, BumiKu, which focuses on the five vital elements of the environment – air, energy, water, earth and humans.

Energy Management

Electricity consumption has been on the rise in TM from increased use of office machines and equipment; heating, ventilation and air conditioning (HVAC) systems; and lighting. To counter this, a number of energy saving initiatives have been introduced, complemented by an annual environmental awareness programme conducted for employees, tenants and contractors. In addition, energy conservation is considered when renovating or retrofitting equipment, and thermostats are used to automatically adjust the office temperature.

TM is also managing our ozone depletion substances via migrating our air-conditioning system to a greener version at TM buildings nationwide and replacing the media used in our fire-fighting system with a more environment-friendly new generation gas, Novec.

A significant milestone in 2013 was achieving about RM5.3 million in electricity savings from our commercial buildings, exchanges and cabins nationwide, as a result of green initiatives implemented by Property Operations.

CORPORATE RESPONSIBILITY

Waste Management

TM has introduced a programme to reduce the large quantities of solid waste generated in Menara TM daily. This includes paper, tissue papers, old newspapers, used boxes and food waste.

At Bukit Timbalan, we targeted to reduce office waste by 2.0% compared to the 2012 baseline of 7,400.8kg and managed to reduce our solid waste to 4,098kg, which represents a 44.6% reduction. Given its success, this programme is being introduced in other regions. Since 1 January 2012, all TM's housekeeping contractors in Malaysia have been required to use biodegradable cleaning chemicals to sustain a workable and liveable environment. Besides Menara TM, the scheduled waste was monitored at other Commercial Building Central (CBC) buildings such as TM Complex (IDC), Cyberjaya; Bukit Timbalan Exchange, Johor Bahru and Kompleks TM Alor Setar, Alor Star. The volume of scheduled waste increased by 90.8% from 1,102kg in 2012 to 2,103kg in 2013. Meanwhile, solid waste generated reduced by 43.5% from 1,597,742kg in 2012 to 716,397kg in 2013.

Water Management

TM is committed to reducing, reusing and recycling this valuable commodity. In 2013, an environmental awareness programme was delivered to educate TM employees and contractors on reducing water consumption, with each employee receiving a useful information pack. Various initiatives were also implemented to manage water use. These included a water control and monitor programme, and the installation of dual flow water tap flow rate controllers. TM continued with our Recycling Irrigation project to recycle water for watering the plants surrounding Menara TM. This decreases the diversion of water from sensitive ecosystems. A monthly average of 157.3m³ was recycled, which was much higher than targeted.

Noise Management

In 2013, seven standby generator sets were replaced nationwide. This initiative ensured the reliability of backup power supply and sustainability of the environment. The new generator sets were tested and found to comply with DOSH guidelines. They also conform to the EQA 1974 and Regulations on dark smoke, air impurities, clean air, noise limit and control.

Climate Change and GHG Emissions

In 2013, we continued with our carbon management, measurement and reporting efforts as part of our Carbon Management Plan. This is the third year we are reporting our greenhouse gas (GHG) emissions.

TM has adopted the internationally-recognised GHG Protocol established by the World Business Council for Sustainable Development (WBCSD) and World Research Institute (WRI). Our emissions accounting is based on the GHG Protocol classification of direct and indirect emissions. Under Scope 1, TM reports GHG emissions from all company-owned vehicles. We managed to reduce CO₂ emissions from petrol and diesel consumption by 6.6% in 2013 from 2012, and by 7.6% against the benchmark set in 2011. For Scope 2, TM's emissions from electricity consumption at CBC buildings increased by 57.7% from 39,251.3 MT in 2012 to 61,688.2 MT. We are taking all possible steps to keep our electricity usage to a minimum. Scope 3 emissions produced from air travel decreased by 46.7% from 548.2 MT in 2012 to 292.2 MT in 2013.

Environmental Awareness Programmes

BumiKu Eco Camp

The BumiKu Eco Camp 2013 – Saving our Legendary Wonders for Tomorrow, held in Langkawi from 15-17 November, attracted the participation of 143 employees. Over the three days, the participants got to appreciate the island's natural heritage, including rock formations that are over 4.5 billion years old and one of the richest mangrove ecosystems in Malaysia. They also cleaned up a riverine area and visited Andaman Bay, which has a stunning 10 million-year-old verdant rainforest as its backdrop. A brief ecotourism study by the participants was submitted to the Langkawi Development Authority (LADA), to contribute to conservation efforts in Langkawi Geopark. The programme achieved a 100.0% satisfaction rate in the post-camp survey.

Gotong-Royong 1TM

This year, the Gotong Royong 1TM organised by BumiKu involved approximately 1,500 employees across Malaysia. The 'epicentre' of the programme was Kampung Seberang Takir, Kuala Terengganu, where about 100 employees and 200 members of the community worked together to repair a jetty, paint a mosque and clean up the beach. In addition, 50 orphans from the village received school items. During this programme, TM ROvers was also launched.

Other BumiKu activities held in the year included TM's Earth Day, Fun Run and BumiKu Green Week, as well as our annual participation in the global Earth Hour movement. BumiKu also continued with the Share-A-Ride programme, which is a car-pooling initiative for employees.

TM Earth Camp

TM's collaboration with the Malaysian Nature Society (MNS) to create awareness of environmental issues among school students nationwide entered its sixth year. The three-day TM Earth Camps were held at six zones covering Peninsular Malaysia and Sabah and Sarawak involving a total of 560 students, 90 teachers, 55 TM volunteers and their children, and 600 members of the local communities. Children from Program Sejahtera and our PINTAR schools are also encouraged to join TM Earth Camp. Numerous environmental activities were conducted with the involvement of the local communities. A total of 5,278 individuals have participated in TM Earth Camps since 2010.

Each camp features a prominent theme highlighting the unique characteristics of the respective location. In 2013, the Cross-Zone approach was introduced giving participants the opportunity to learn about a new geographic area. This inspired further appreciation of the rich diversity of Malaysia's nature and ecology. It also exposed the students to differences in cultures and community practices found in Malaysia, particularly in environmental preservation.

2013 saw TM connecting the activities of these various programmes to create a better and more holistic CR approach. We brought our TM Earth Camp activities to our TM PINTAR schools in SMK Munshi Abdullah, Selangor and SK Pendidikan Khas Pekan Tuaran, Sabah, effectively joining these two programmes together for greater reach.

TM-MMU Mudball Project

TM-MMU Mudball Project 2013 was a collaboration between TM's Group Corporate Communications (GCC) Division and MMU. The initiative, which was held at MMY Cyber Lake, was participated by close to 100 TM and MMU employees and students.

Through the event, we encouraged open communication between the Management, employees and communities. It forms another platform for TM's Management to reach out to and meet up with employees from various units at the state level.

We believe we have made our CR efforts more sustainable by connecting the various CR programmes that we have. We will continue to create more synergies between our programmes by creating links for shared knowledge and resources for better outcomes. This would further serve our purpose of making lives easier in a more effective and sustainable manner.



CABLE THEFT PREVENTION

TM'S CABLE THEFT PREVENTION CAMPAIGN 2013

TM continued to roll out its extensive Cable Theft Prevention Campaign in 2013 to ensure Malaysians get to enjoy the best service without any interruption. Among the initiatives implemented were:

- i) the formation of Cable Theft Prevention Taskforces at the national, state and district levels in collaboration with Polis Diraja Malaysia (PDRM), Pasukan Sukarelawan Malaysia (RELA), National Unity & Integration Department and NGOs
- ii) the introduction of a new Cable Theft Prevention Execution Framework, comprising four key focal components: Technologies, Enforcement, Engagement and Internal Process.

One key initiative of the Cable Theft Prevention Execution Framework is a through-the-line communication campaign aimed at raising public consciousness, spearheaded by an in-depth documentary exploring the subject of cable theft. Made to high production quality and featuring dynamic, information-rich content, the film is geared specifically towards five target audiences:

- i) the general public (in particular TM customers)
- ii) principal enforcement agencies and authorities at the national, state and district levels, including PDRM
- iii) the culprits, namely cable thieves and unscrupulous scrap metal dealers
- iv) TM's employees nationwide
- v) other telecommunications and utility organisations affected by cable theft



Appreciation ceremony with Ibu Pejabat Polis Daerah (IPD) Serdang with Tan Sri Dato' Sri Zamzamzairani.

With the cooperation of various stakeholder organisations and following exhaustive research and preparation, the two-part, 30-minute documentary went into production with six clear-cut objectives:

- i) to jolt the public into sharp awareness of how pervasive cable theft is, and its disruptive impact on individual consumers, businesses and entire communities, and the harm it inflicts on the nation's development
- ii) to build a sense of shared responsibility to protect Malaysia's telecommunications infrastructure for the sake of all stakeholders and future generations
- iii) to illustrate the ways in which enforcement agencies, residential communities and corporations can strengthen their collaboration in fighting cable theft



Collaboration with Pasukan Keselamatan Sukarela, Penang (NGO).



Jalan Angkat Program for cable theft prevention at TM Melaka.

- iv) to deliver a stern warning to parties directly or indirectly involved in cable theft, that they are not regarded as 'petty crooks' but 'serious criminals' whose deeds are punishable by stiff penalties; and that with the help of new technologies, efficient enforcement and an alert public, their incarceration is a matter of 'when', not 'if'
- v) to highlight, through anecdotes and hard facts, the successes already achieved in the ongoing blitz on cable theft, thus reassuring the public that TM's campaign is paying off
- vi) to expose the modus operandi of cable theft practitioners and their cohorts, thus creating an informed and alert public, keen to report suspected criminal activity via channels highlighted in the documentary

Positioning of the documentary as the core of TM's through-the-line communications campaign was based on the following reasons:

- i) Cable theft may be a challenge for the layperson to appreciate but through the medium of video, TM could capture and sustain the attention of target audiences. In the tradition of 'live' crime watch series, popular reality programmes and hard-hitting journalist exposés, TM produced a fast-paced documentary featuring dramatic enactments, behind-the-scenes glimpses and raw surveillance footage full of tension and riveting scenarios. The TV crew was led by a charismatic celebrity host, and each segment featured a cliff hanger, thus keeping the viewer hooked. While engaging viewers via sensationalistic elements, the documentary imparts its sober and important message on cable theft, and creates the desired impact of awareness-raising.

CABLE THEFT PREVENTION



Cable Theft Prevention Programme with Polis Diraja Malaysia (PDRM) in Melaka.

- ii) Beyond being televised across the nation, a high-octane documentary could continue live online, specifically in video-sharing platforms and through social networks, where viewership of reality TV clips tends to go viral.
- iii) Pre-production research had revealed that similar documentaries on related topics created a strong impression on the viewing public in other countries.
- iv) A gritty reality TV-themed documentary creates the impression of authenticity, frankness and a first-hand account of its subject matter, thus creating a sense of personal concern and connection in the viewer over the problem of cable theft.

In tandem with the wide dissemination and exposure of TM's cable theft documentary, the four key factors of the Cable Theft Prevention Execution Framework were also put into operation across the country.

In the area of Technologies, TM expedited the innovation and introduction of new, state-of-the-art theft-prevention solutions which underwent rigorous lab analysis to measure their long-term efficacy. This was complemented by increased usage or redeployment of existing technologies and solutions in locations identified as cable theft hotspots.

In the sphere of Enforcement, TM expanded and enhanced its collaboration and partnership with principal enforcement agencies and authorities at the national, state and district levels. By further strengthening ties with PDRM, RELA, Skim

Rondaan Sukarela (SRS), Jabatan Kemajuan & Keselamatan Kampung (JKKK), the Malaysian Communications and Multimedia Commission (MCMC), state excos, community leaders, NGOs and fellow telecommunications and utility organisations nationwide, TM helped to build a formidable network dedicated to eradicating cable theft.

On the Engagement front, TM continued building and intensifying its already-strong rapport with the Malaysian public at all demographic levels, both in urban and rural locations. Through regular, on-the-ground community outreach activities and sweeping, multimedia communication campaigns, public awareness of the scourge of cable theft was raised – most importantly, on how the crime can affect individuals and their community, and the power they have to help put a stop to it.

Internal Process, the fourth component of the Cable Theft Prevention Execution Framework, helped boost TM's efforts to fully engage its most prized resource – its 27,000 staff. By raising awareness of the basics of cable theft among its workers and creating a sense of shared responsibility towards defeating it, TM managed to recruit a large army dedicated to ensuring the success of its campaign. Via its Internal Process, TM also spearheaded a thorough re-examination of standard operating procedures and kick-started internal initiatives to minimise the possibility of cable theft occurring as a result of oversight or malfeasance.





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STATEMENT OF RESPONSIBILITY BY DIRECTORS

In respect of the preparation of the Annual Audited Financial Statements

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

In preparing the financial statements, the Directors have:

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

The Directors have the responsibility to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure the financial statements comply with the CA 1965.

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

DIRECTORS' REPORT

for the financial year ended 31 December 2013

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 2013.

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	1,012.2	972.8
– non-controlling interests	35.6	–
Profit for the financial year	1,047.8	972.8

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 2012, a final single-tier dividend of 12.2 sen per share was paid on 27 May 2013	436.4
(b) In respect of the financial year ended 31 December 2013, an interim single-tier dividend of 9.8 sen per share was paid on 27 September 2013	350.6

In respect of the financial year ended 31 December 2013, the Directors now recommend a final single-tier dividend of 16.3 sen per share for the shareholders' approval at the forthcoming Twenty-Ninth Annual General Meeting (29th AGM) of the Company.

DIRECTORS' REPORT

for the financial year ended 31 December 2013

ISLAMIC COMMERCIAL PAPERS AND MEDIUM TERM NOTES

On 30 August 2013, the Company received approval from the Securities Commission Malaysia for the establishment of a new Islamic Commercial Papers (ICP) programme and Islamic Medium Term Notes (IMTN) programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective programmes.

On 18 December 2013, the Company made the first issuance of IMTN under this programme with details as follows:

Debt Securities	Date of Issue	Nominal Value	Maturity Date
IMTN	18 December 2013	RM200.0 million	18 December 2020

During the financial year, the Company also issued the following ICP and IMTN under the previous ICP programme and IMTN programme with a combined limit of up to RM2.0 billion in nominal value, approved by the Securities Commission Malaysia on 5 April 2011.

Debt Securities	Date of Issue	Nominal Value	Maturity Date
ICP	20 February 2013	RM200.0 million	30 April 2013
ICP	15 April 2013	RM50.0 million	30 April 2013
IMTN	30 April 2013	RM400.0 million	28 April 2023
IMTN	24 June 2013	RM250.0 million	23 June 2023

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

With the issuance of IMTN in June 2013, the Company has, cumulatively a total of RM2.0 billion IMTN in issue under the previous programme.

The proceeds from the issuance of the ICP and/or IMTN are used by the Company to meet its capital expenditure and business operating requirements.

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 2013

DIRECTORS

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

Directors	Alternate Directors
Dato' Sri Dr Halim Shafie	
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Fauziah Yaacob	Eshah Meor Suleiman
<i>(Appointed on 4 March 2013)</i>	<i>(Appointed on 4 March 2013)</i>
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil
Datuk Zalekha Hassan	
Dato' Danapalan T.P. Vinggrasalam	
Dato' Ir Abdul Rahim Abu Bakar	
Ibrahim Marsidi	
Davide Giacomo Benello @ David Benello	
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	
<i>(Appointed on 7 October 2013)</i>	
Dato' Mat Noor Nawi	Eshah Meor Suleiman
<i>(Resigned on 28 February 2013)</i>	<i>(Ceased to act on 28 February 2013)</i>
YB Datuk Nur Jazlan Tan Sri Mohamed	
<i>(Resigned on 16 April 2013)</i>	
Quah Poh Keat	
<i>(Resigned on 30 September 2013)</i>	

Pursuant to Article 98(2) of the Company's Articles of Association, Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor who was appointed Director of the Company during the financial year, shall retire at the forthcoming 29th AGM of the Company and being eligible, offers himself for re-election.

In accordance with Article 103 of the Company's Articles of Association, the following Directors shall retire by rotation from the Board at the forthcoming 29th AGM of the Company and being eligible, offer themselves for re-election:

- (i) Dato' Sri Dr Halim Shafie
- (ii) Tan Sri Dato' Sri Zamzamzairani Mohd Isa
- (iii) Davide Giacomo Benello @ David Benello

Dato' Danapalan T.P. Vinggrasalam, aged 70, shall retire pursuant to Section 129(2) of the Companies Act, 1965, at the forthcoming 29th AGM and being eligible, offers himself for re-appointment as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' INTEREST

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

Interest in the Company	Number of ordinary shares of RM0.70 each			
	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
Dato' Sri Dr Halim Shafie	8,000*	–	–	8,000*
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	9,000**	–	–	9,000**
Datuk Bazlan Osman	2,000	–	–	2,000

Note:

* Deemed interest in shares of the Company held by spouse

** Including deemed interest in 4,000 shares held by spouse

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

DIRECTORS' BENEFITS

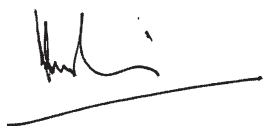
Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 6(b) to the financial statements) by reason of a contract made by the Company or a related 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.

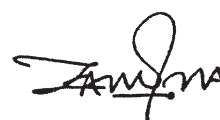
AUDITORS

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

In accordance with a resolution of the Board of Directors dated 27 February 2014.



DATO' SRI DR HALIM SHAFIE
Director/Chairman



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

INCOME STATEMENTS

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
OPERATING REVENUE	5	10,628.7	9,993.5	9,485.5	8,845.6
OPERATING COSTS					
– depreciation, impairment and amortisation	6(a)	(2,159.7)	(2,046.4)	(1,923.2)	(1,848.8)
– other operating costs	6(b)	(7,218.6)	(6,925.6)	(6,546.5)	(6,381.8)
OTHER OPERATING INCOME (net)	7	121.5	165.4	280.8	292.0
OTHER GAINS (net)	8	1.7	0.3	1.7	0.3
OPERATING PROFIT BEFORE FINANCE COST		1,373.6	1,187.2	1,298.3	907.3
FINANCE INCOME		144.9	139.6	135.6	132.7
FINANCE COST		(371.2)	(331.5)	(378.6)	(340.3)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS		(105.2)	73.4	(105.2)	73.4
NET FINANCE COST	9	(331.5)	(118.5)	(348.2)	(134.2)
ASSOCIATES					
– share of results (net of tax)	26	3.9	0.9	–	–
PROFIT BEFORE TAXATION AND ZAKAT		1,046.0	1,069.6	950.1	773.1
TAXATION AND ZAKAT	10	1.8	236.3	22.7	308.0
PROFIT FOR THE FINANCIAL YEAR		1,047.8	1,305.9	972.8	1,081.1
ATTRIBUTABLE TO:					
– equity holders of the Company		1,012.2	1,263.7	972.8	1,081.1
– non-controlling interests		35.6	42.2	–	–
PROFIT FOR THE FINANCIAL YEAR		1,047.8	1,305.9	972.8	1,081.1
EARNINGS PER SHARE (sen)					
– basic/diluted	11	28.3	35.3		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

Independent Auditors' Report – Pages 416 to 417.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
PROFIT FOR THE FINANCIAL YEAR		1,047.8	1,305.9	972.8	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	(6.5)	(5.3)	(6.5)	(5.3)
- increase/(decrease) in fair value of available-for-sale receivables	28(a)	0.4	(1.1)	0.4	(1.1)
- reclassification adjustments relating to available-for-sale investments disposed	8	(0.2)	(3.3)	(0.2)	(3.3)
- cash flow hedge					
- increase/(decrease) in fair value of cash flow hedge	18	20.5	(34.9)	20.5	(34.9)
- reclassification to foreign exchange (loss)/gain	9	(0.9)	29.7	(0.9)	29.7
- currency translation differences					
- subsidiaries		3.1	(3.6)	-	-
- associate		0.3	-	-	-
Other comprehensive income/(loss) for the financial year		16.7	(18.5)	13.3	(14.9)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,064.5	1,287.4	986.1	1,066.2
ATTRIBUTABLE TO:					
- equity holders of the Company		1,028.9	1,245.2	986.1	1,066.2
- non-controlling interests		35.6	42.2	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,064.5	1,287.4	986.1	1,066.2

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

Independent Auditors' Report – Pages 416 to 417.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group			The Company		
		31.12.2013 RM	31.12.2012 RM	1.1.2012 RM	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM
SHARE CAPITAL	13	2,504.2	2,504.2	3,577.4	2,504.2	2,504.2	3,577.4
SHARE PREMIUM		43.2	43.2	43.2	43.2	43.2	43.2
OTHER RESERVES	14	173.9	157.2	175.7	174.4	161.1	176.0
RETAINED PROFITS	15	4,415.4	4,190.2	3,627.7	3,226.1	3,040.3	2,660.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		7,136.7	6,894.8	7,424.0	5,947.9	5,748.8	6,457.0
NON-CONTROLLING INTERESTS		162.6	165.2	162.9	–	–	–
TOTAL EQUITY		7,299.3	7,060.0	7,586.9	5,947.9	5,748.8	6,457.0
Borrowings	16	4,865.0	5,130.2	6,402.7	4,296.3	3,433.1	4,928.5
Payable to a subsidiary	17(a)	–	–	–	568.7	1,697.1	1,474.2
Derivative financial instruments	18	51.4	51.5	18.9	51.4	51.5	18.9
Deferred tax liabilities	19	1,151.0	1,202.6	1,541.8	1,030.9	1,076.7	1,438.8
Deferred income	20	1,999.5	2,129.4	2,072.7	1,999.5	2,129.4	2,072.7
Other payables	35	9.8	–	–	9.8	–	–
DEFERRED AND NON-CURRENT LIABILITIES		8,076.7	8,513.7	10,036.1	7,956.6	8,387.8	9,933.1
		15,376.0	15,573.7	17,623.0	13,904.5	14,136.6	16,390.1
Property, plant and equipment	21	14,572.0	14,721.7	14,226.7	12,830.0	12,890.4	12,580.0
Investment property	22	–	5.6	–	116.9	119.1	121.3
Intangible assets	23	319.8	322.1	320.9	–	–	–
Subsidiaries	24	–	–	–	1,265.7	1,265.7	1,346.7
Loans and advances to subsidiaries	25	–	–	–	166.9	260.4	219.7
Associates	26	10.7	1.5	0.6	–	–	–
Available-for-sale investments	27	99.7	98.7	104.8	99.6	98.6	104.7
Available-for-sale receivables	28(a)	7.6	7.6	11.1	7.6	7.6	11.1
Other non-current receivables	28(b)	314.9	252.3	199.5	242.2	214.2	199.5
Derivative financial instruments	18	80.3	43.1	66.2	80.3	43.1	66.2
Deferred tax assets	19	19.3	18.6	21.7	–	–	–
NON-CURRENT ASSETS		15,424.3	15,471.2	14,951.5	14,809.2	14,899.1	14,649.2

All amounts are in million unless otherwise stated	Note	The Group			The Company		
		31.12.2013 RM	31.12.2012 RM	1.1.2012 RM	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM
Inventories	29	154.0	151.2	220.3	45.1	42.7	35.9
Non-current assets held for sale	30	22.3	8.0	–	22.3	8.0	–
Customer acquisition costs	31	73.8	100.1	106.1	73.8	100.1	106.1
Trade and other receivables	32	2,288.6	2,207.0	2,323.2	2,073.4	1,853.6	2,159.0
Derivative financial instruments	18	27.1	2.6	–	27.1	2.6	–
Available-for-sale investments	27	624.3	500.6	418.1	624.3	500.6	418.1
Financial assets at fair value through profit or loss	33	17.2	16.5	20.1	17.2	16.5	20.1
Cash and bank balances	34	2,514.9	3,738.7	4,213.0	2,092.9	3,241.6	3,729.0
CURRENT ASSETS		5,722.2	6,724.7	7,300.8	4,976.1	5,765.7	6,468.2
Trade and other payables	35	3,172.8	3,545.5	3,552.1	3,327.2	3,476.5	3,670.5
Customer deposits	36	502.1	518.2	544.5	500.3	517.8	543.8
Advance rental billings		380.8	423.6	443.1	359.0	417.2	427.3
Derivative financial instruments	18	11.0	–	–	11.0	–	–
Borrowings	16	1,590.2	2,010.2	7.7	52.5	2,007.2	4.7
Payable to a subsidiary	17(b)	–	–	–	1,524.7	–	–
Taxation and zakat		113.6	124.7	81.9	106.1	109.5	81.0
CURRENT LIABILITIES		5,770.5	6,622.2	4,629.3	5,880.8	6,528.2	4,727.3
NET CURRENT (LIABILITIES)/ ASSETS		(48.3)	102.5	2,671.5	(904.7)	(762.5)	1,740.9
		15,376.0	15,573.7	17,623.0	13,904.5	14,136.6	16,390.1

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

Independent Auditors' Report – Pages 416 to 417.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Attributable to equity holders of the Company									
	Issued and Fully Paid of RM0.70 each** Special Share*/ Ordinary Shares									
	Note	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 2013		2,504.2	43.2	62.6	26.9	71.6	(3.9)	4,190.2	165.2	7,060.0
Profit for the financial year		-	-	-	-	-	-	1,012.2	35.6	1,047.8
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
- decrease in fair value of available-for-sale investments	27	-	-	(6.5)	-	-	-	-	-	(6.5)
- increase in fair value of available-for-sale receivables	28(a)	-	-	0.4	-	-	-	-	-	0.4
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(0.2)	-	-	-	-	-	(0.2)
- cash flow hedge										
- increase in fair value of cash flow hedge	18	-	-	-	20.5	-	-	-	-	20.5
- reclassification to foreign exchange loss	9	-	-	-	(0.9)	-	-	-	-	(0.9)
- currency translation differences										
- subsidiaries		-	-	-	-	-	3.1	-	-	3.1
- associate		-	-	-	-	-	0.3	-	-	0.3
Total comprehensive (loss)/income for the financial year		-	-	(6.3)	19.6	-	3.4	1,012.2	35.6	1,064.5
Transactions with owners:										
Final dividend paid for the financial year ended 31 December 2012	12	-	-	-	-	-	-	(436.4)	-	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	12	-	-	-	-	-	-	(350.6)	-	(350.6)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(38.2)	(38.2)
Total transactions with owners		-	-	-	-	-	-	(787.0)	(38.2)	(825.2)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	(0.5)	4,415.4	162.6	7,299.3

All amounts are in million unless otherwise stated	Attributable to equity holders of the Company									
	Issued and Fully Paid of RM0.70 each** Special Share*/ Ordinary Shares									
	Note	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(c)	(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

* 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(c) 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 283 to 413.

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COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Issued and Fully Paid of RM0.70 each** Special Share*/Ordinary Shares Non-distributable Distributable							
	Note	Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2013		2,504.2	43.2	62.6	26.9	71.6	3,040.3	5,748.8
Profit for the financial year		-	-	-	-	-	972.8	972.8
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
- decrease in fair value of available-for-sale investments	27	-	-	(6.5)	-	-	-	(6.5)
- increase in fair value of available-for-sale receivables	28(a)	-	-	0.4	-	-	-	0.4
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(0.2)	-	-	-	(0.2)
- cash flow hedge								
- increase in fair value of cash flow hedge	18	-	-	-	20.5	-	-	20.5
- reclassification to foreign exchange loss	9	-	-	-	(0.9)	-	-	(0.9)
Total comprehensive (loss)/income for the financial year		-	-	(6.3)	19.6	-	972.8	986.1
Transactions with owners:								
Final dividend paid for the financial year ended 31 December 2012	12	-	-	-	-	-	(436.4)	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	12	-	-	-	-	-	(350.6)	(350.6)
Total transactions with owners		-	-	-	-	-	(787.0)	(787.0)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	3,226.1	5,947.9

All amounts are in million unless otherwise stated	Issued and Fully Paid of RM0.70 each**							
	Non-distributable						Distributable	
	Note	Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 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(c)	(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

* 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(c) 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 283 to 413.

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STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES	37	2,795.7	2,847.9	2,222.4	2,273.0
CASH FLOWS USED IN INVESTING ACTIVITIES	38	(2,362.4)	(2,352.1)	(1,737.5)	(1,833.6)
CASH FLOWS USED IN FINANCING ACTIVITIES	39	(1,655.0)	(970.5)	(1,626.8)	(930.7)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,221.7)	(474.7)	(1,141.9)	(491.3)
EFFECT OF EXCHANGE RATE CHANGES		(2.1)	0.4	(6.8)	3.9
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,738.3	4,212.6	3,241.6	3,729.0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	2,514.5	3,738.3	2,092.9	3,241.6

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards and amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2013

The new standards and amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2013, are as follows:

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

- 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 servicing equipment such as spare parts, stand-by equipment and servicing equipment to be recognised as property, plant and equipment (PPE) when the definition of property, plant and equipment is met. With the amendments to MFRS 116, servicing items that are used for more than 1 period are reclassified and disclosed as PPE. The impact of the reclassification which has been applied retrospectively is as disclosed in note 50 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards and amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2013 (continued)

The new standards and amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2013, are as follows: (continued)

- Amendments to MFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities" 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. The adoption of this amendment has no financial impact to the financial results and financial position of the Group and the Company but requires disclosures of information on offsetting financial assets and financial liabilities which are disclosed in notes 32 and 35 to the financial statements.
- 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". The adoption of MFRS 10 has called for the reassessment of the Company's involvement with its investees, which led to the consolidation of an additional entity, Yayasan Telekom Malaysia from its inception. The impact of this change on the Group's reported financial position, financial performance and cash flows is not material.
- MFRS 12 "Disclosure of Interests in Other Entities" sets out the required disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and structured entities. The adoption of this standard does not have any impact on the financial results and financial position of the Group and the Company but requires additional disclosures as disclosed in notes 24 and 26 to the financial statements.

Other than the amendments to MFRS 116 which impact has been disclosed in note 50 to the financial statements, the adoption of the above applicable standards and amendments to published standards has not given rise to any material impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company

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

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 12 and 127	Investment Entities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Amendments to MFRS 2, 3, 8, 13, 116, 124 and 138	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010 – 2012 Cycles"
Amendments to MFRS 1, 3, 13 and 140	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011 – 2013 Cycles"

Effective for annual periods to be announced by MASB

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments (Hedge Accounting and Amendments to MFRS 7, 9, and 139)

- 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.
- Amendments to MFRS 10 "Consolidated Financial Statements", MFRS 12 "Disclosure of Interests in Other Entities" and MFRS 127 "Separate Financial Statements" introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of their investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. Changes have also been made to MFRS 12 and MFRS 127 to introduce disclosures for investment entities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, amendments to published standards and IC Interpretation 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 136 “Impairment of Assets” clarify that disclosure of the recoverable amount of an asset is required only when an impairment loss has been recognised or reversed. When the recoverable amount is based on fair value less costs of disposal, new disclosure requirements about fair value measurement is required.
- Amendments to MFRS 139 “Financial Instruments: Recognition and Measurement” provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to affect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.
- IC Interpretation 21 is an interpretation of MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets” in relation to the accounting of a liability to pay a levy. MFRS 137 sets out the criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Amendment to MFRS 1 “First-time Adoption of Malaysian Financial Reporting Standards” relates to the standard’s Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.
- Amendments to MFRS 2 “Share-based Payment” clarify the definition of vesting conditions by separately defining ‘performance condition’ and ‘service condition’ to ensure consistent classification of conditions attached to a share-based payment.
- Amendments to MFRS 3 “Business Combinations” clarify that when contingent consideration in a business combination meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. Contingent consideration that is classified as asset or liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss. Another amendment clarifies that MFRS 3 excludes from its scope, the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 “Joint Arrangements”) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, amendments to published standards and IC Interpretation 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 8 "Operating Segments" require the disclosure of judgements made in applying the aggregation criteria to operating segments which includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. Reconciliation of the total reportable segments' assets to the entity's assets is also required if that amount is regularly provided to the chief operating decision maker.
- Amendments to MFRS 13 "Fair Value Measurement" clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9 "Financial Instruments", regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.
- Amendments to MFRS 116 and MFRS 138 "Intangible Assets" clarify the accounting for accumulated depreciation or amortisation when an asset is revalued. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation or amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.
- Amendments to MFRS 119 "Employee Benefits" clarify the accounting for contribution from employees or third parties to defined benefit plans. If the amount of contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).
- Amendments to MFRS 124 "Related Party Disclosures" extend the definition of 'related party' to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.
- Amendments to MFRS 140 "Investment Property" clarify that the determination of whether an acquisition of an investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company (continued)

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

- MFRS 9 “Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities” replaces the multiple classification and measurement models for financial assets in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The determination is made at initial recognition. 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 derecognising 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.

With the amendments to MFRS 9, entities are allowed to change the accounting for liabilities elected to be measured at fair value without applying any of the other MFRS 9 requirements. Hence, gains caused by a worsening in the entity’s own credit risk on such liabilities are no longer recognised in profit or loss. The amendments also remove the mandatory effective date of MFRS 9 but earlier application of MFRS 9 is allowed.

A new hedge accounting model is introduced with corresponding disclosures requirements on risk management activities which enables entities to better reflect their risk management activities and effect of hedge accounting in their financial statements particularly those that hedge non-financial risk.

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

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

The adoption of the above applicable standards, amendments to published standards and IC Interpretation are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 9 and IC Interpretation 21.

The Group has yet to assess the full impact of MFRS 9 and IC Interpretation 21. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by MASB.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the entity),
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over that entity, including:

- The contractual arrangement with the other vote holders of the entity
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Previously, control exists when the Group has a majority or more than one half of the voting rights and has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Additionally, the existence and effects of potential voting rights that are currently exercisable or convertible are previously considered when assessing control. Presently, such rights are considered only if the rights are substantive.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

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

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

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

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

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

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

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

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

(iv) Changes in Ownership Interests

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

(c) Investments in Subsidiaries and Associates

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

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

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Certain freehold land are carried at fair value, being their deemed cost in accordance with the exemption provided by MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" as at 1 January 2011, the date of transition to MFRS.

(i) Cost

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(ii) Depreciation

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

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

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

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

(iii) Impairment

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

(iv) Gains or Losses on Disposal

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

(v) Asset Exchange Transaction

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets (continued)

(i) Goodwill (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Loans and receivables are measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

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

(iii) Available-for-sale Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

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)

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income Taxes (continued)

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

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

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign Currencies (continued)

(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 off or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(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.

(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.

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(e) Taxation (continued)

(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 2013 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

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

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

(i) Market Risk

- Foreign Exchange Risk

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

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

The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar and Japanese Yen forward and CCIRS contracts, the Group entered into additional forward and CCIRS contracts to hedge selected USD borrowings 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 19.5% (2012: 20.8%) of the Group's total borrowings as at 31 December 2013. There was no repayment of these foreign currency borrowings during the financial year.

Based on the borrowings position as at 31 December 2013, 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 RM153.9 million (before hedging) and RM63.1 million (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. Despite some disposals, the quoted equity securities portfolio has increased to RM17.2 million as at 31 December 2013 from RM16.5 million at the end of 2012 due to fair value gain recorded on the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2013, 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 RM1.1 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 2013 were RM1,759.5 million (2012: RM3,262.4 million) and RM624.3 million (2012: RM500.6 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 RM4.5 million while the net asset value of the fixed income portfolio would inversely move by approximately RM5.2 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Interest Rate Risk (continued)

The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2013, 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 2013, the Group's fixed-to-floating interest rate profile, after hedging, was 92:8 (2012: 71:29).

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

(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.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(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 2013, the Group held deposits with financial institutions of RM1,759.5 million (2012: RM3,262.4 million) and cash and bank balances of RM755.4 million (2012: RM476.3 million) that are expected to be readily available to meet any payment obligation when it falls due.

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has a USD465.1 million Guaranteed Notes maturing in September 2014. This obligation will be paid via a combination of internal cash flow and new borrowings. The Group has available funding with the establishment of the new Islamic Commercial Papers programme and Islamic Medium Term Notes programme with remaining combined limit of up to RM2.8 billion in nominal value to meet capital expenditure and business operating requirements. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Capital Risk Management

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

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

	The Group	
	2013	2012
Borrowings (RM million) (note 16)	6,455.2	7,140.4
Total Shareholders' Equity (RM million)	7,136.7	6,894.8
Debt-to-equity Ratio	0.9	1.0

The decrease in the gearing ratio as at 31 December 2013 is primarily due to debt repayment 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 2013, 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Voice services	3,617.7	3,706.0	3,607.6	3,687.5
Data services	2,512.3	2,204.8	2,203.3	1,869.2
Internet and multimedia services	2,676.4	2,371.9	2,680.9	2,381.9
Other telecommunications related services	1,478.3	1,328.7	993.7	907.0
Non-telecommunications related services	344.0	382.1	–	–
TOTAL OPERATING REVENUE	10,628.7	9,993.5	9,485.5	8,845.6

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Depreciation of property, plant and equipment (PPE)	2,134.4	1,997.7	1,913.4	1,819.7
Depreciation of investment property	–	0.1	2.2	2.2
Impairment of PPE	–	0.3	–	–
Write-off/retirement of PPE	9.3	30.1	7.6	26.9
Amortisation of intangible assets	16.0	18.2	–	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	2,159.7	2,046.4	1,923.2	1,848.8

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

6(b) OTHER OPERATING COSTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Agency commissions and charges	72.3	79.5	108.3	136.0
Domestic interconnect and international outpayment	813.0	829.7	868.4	877.7
Impairment of trade and other receivables (net of debt recoveries)	89.9	63.6	96.6	66.9
Impairment reversal for available-for-sale receivables	–	(1.2)	–	(1.2)
Maintenance	763.4	860.6	795.9	897.4
Marketing, advertising and promotion	321.8	342.7	358.9	368.0
Net loss/(gain) on foreign exchange on settlements and placements				
– realised	2.7	(4.7)	0.8	(5.8)
– unrealised	(16.0)	7.2	(12.7)	3.5
Outsourcing costs	81.0	84.5	295.6	325.7
Rental – equipment	65.5	76.7	111.7	120.2
Rental – land and buildings	176.3	160.5	145.8	126.8
Rental – leased lines	238.6	175.5	–	–
Rental – others	27.9	22.3	12.0	13.0
Research and development	7.6	5.1	57.8	67.2
Staff costs	2,369.7	2,129.1	1,796.6	1,657.6
Staff costs capitalised into PPE	(109.4)	(104.6)	(109.4)	(104.6)
Supplies and materials	692.8	644.6	497.3	500.7
Transportation and travelling	69.0	73.7	53.0	59.2
Universal Service Provision contribution	312.2	275.4	295.4	258.1
Utilities	317.9	324.2	279.3	287.2
Others	922.4	881.2	895.2	728.2
TOTAL OTHER OPERATING COSTS	7,218.6	6,925.6	6,546.5	6,381.8

6(b) OTHER OPERATING COSTS (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Staff costs include:				
– salaries, allowances, overtime and bonus	1,935.5	1,743.4	1,457.5	1,349.7
– contribution to Employees Provident Fund (EPF)	283.0	253.4	217.0	197.8
– termination benefit	0.7	–	0.7	–
– other staff benefits	141.9	126.0	113.2	104.2
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	4.6	3.1	4.6	3.1
– contribution to EPF	0.9	0.6	0.9	0.6
– remuneration of Non-Executive Directors of the Company				
– fees	2.0	2.2	1.6	1.9
– allowances and bonus	0.8	0.4	0.8	0.3
– remuneration of former Non-Executive Directors of the Company				
– fees	0.2	–	0.2	–
– allowances and bonus	0.1	–	0.1	–
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	3.0	2.9	2.1	1.9
– member firms of PricewaterhouseCoopers International Limited	0.2	0.2	–	–
– audit related fees	0.8	0.8	0.4	0.4
– tax and other non-audit services	1.2	0.2	1.1	0.2

Estimated money value of benefits of Directors amounted to RM877,966 (2012: RM582,686) for the Group and RM876,260 (2012: RM582,686) for the Company.

In ensuring independence of the external auditors, the Board Audit Committee has policies governing the engagement of the external auditors for non-audit services and the related approval process that has to be adhered before any such non-audit services commence. Non-audit services can be offered by the external auditors if there are efficiencies and value-added benefits to the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Dividend income from subsidiaries	–	–	116.2	116.3
Dividend income from equity securities – quoted	1.3	1.2	1.3	1.2
– unquoted	11.4	0.1	11.4	0.1
Income from sales of scraps	10.1	12.7	10.1	12.7
Income from subsidiaries – interest	–	–	7.5	10.8
– others	–	–	4.3	4.8
Insurance claims	0.5	1.0	0.4	1.0
Loss on disposal of staff loans	(0.5)	(0.6)	(0.5)	(0.6)
Profit on disposal of PPE	1.9	5.5	2.3	5.7
Profit on disposal of non-current asset held for sale	8.3	13.6	8.3	13.6
Penalty on breach of contract	4.6	15.8	4.6	15.8
Rental income from land and buildings	40.8	44.1	65.2	63.2
Rental income from vehicles	–	–	0.9	1.2
Revenue from training and related activities	0.2	1.5	1.0	2.2
Others	42.9	70.5	47.8	44.0
TOTAL OTHER OPERATING INCOME (net)	121.5	165.4	280.8	292.0

8. OTHER GAINS (net)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Financial assets at fair value through profit or loss				
– fair value profit/(loss)	1.5	(3.0)	1.5	(3.0)
Available-for-sale investments				
– reclassification from fair value reserves	0.2	3.3	0.2	3.3
TOTAL OTHER GAINS (net)	1.7	0.3	1.7	0.3

9. NET FINANCE COST

The Group	2013				2012			
	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	0.4	63.3	68.2	131.9	0.6	65.5	66.7	132.8
- other deposits	-	2.4	1.6	4.0	-	0.8	1.5	2.3
- staff loans	-	0.9	2.2	3.1	-	1.0	1.9	2.9
- accretion of finance income	-	3.0	-	3.0	-	-	-	-
- available-for-sale receivables	-	2.9	-	2.9	-	1.6	-	1.6
TOTAL FINANCE INCOME	0.4	72.5	72.0	144.9	0.6	68.9	70.1	139.6
Finance cost on								
- borrowings	(166.0)	(2.0)	-	(168.0)	(147.0)	-	-	(147.0)
- TM Islamic Stapled Income Securities (note 16(a))	-	-	(162.6)	(162.6)	-	-	(162.3)	(162.3)
- fair value gain on interest rate swaps								
- realised (note 16(b))	-	-	7.4	7.4	-	-	7.1	7.1
- Islamic Commercial Papers (note 16(c))	-	-	(0.8)	(0.8)	-	-	(1.9)	(1.9)
- Islamic Medium Term Notes (note 16(c))	-	-	(70.5)	(70.5)	-	-	(40.4)	(40.4)
- accretion of finance cost (note 16(d))	-	(8.0)	-	(8.0)	-	(7.7)	-	(7.7)
- finance lease (note 16(e))	-	(3.2)	-	(3.2)	-	(3.5)	-	(3.5)
- amortisation of interest subsidy on staff loan	-	(0.3)	(0.7)	(1.0)	-	-	(0.5)	(0.5)
Borrowing costs capitalised	4.4	8.0	23.1	35.5	-	7.7	17.0	24.7
TOTAL FINANCE COST	(161.6)	(5.5)	(204.1)	(371.2)	(147.0)	(3.5)	(181.0)	(331.5)
Foreign exchange (loss)/gain on borrowings								
- unrealised	(147.5)	-	-	(147.5)	109.5	-	-	109.5
- reclassification from hedging reserve	0.9	-	-	0.9	(29.7)	-	-	(29.7)
Fair value gain/(loss) on forward foreign currency contracts								
- unrealised (note 18)	41.4	-	-	41.4	(6.4)	-	-	(6.4)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(105.2)	-	-	(105.2)	73.4	-	-	73.4
NET FINANCE COST	(266.4)	67.0	(132.1)	(331.5)	(73.0)	65.4	(110.9)	(118.5)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

9. NET FINANCE COST (CONTINUED)

The Company	2013				2012			
	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	61.3	64.8	126.2	0.1	62.6	63.2	125.9
- other deposits	-	1.9	1.5	3.4	-	0.8	1.5	2.3
- staff loans	-	0.9	2.2	3.1	-	1.0	1.9	2.9
- available-for-sale receivables	-	2.9	-	2.9	-	1.6	-	1.6
TOTAL FINANCE INCOME	0.1	67.0	68.5	135.6	0.1	66.0	66.6	132.7
Finance cost on								
- borrowings	(166.0)	(1.6)	-	(167.6)	(147.0)	(0.2)	-	(147.2)
- TM Islamic Stapled Income Securities (note 16(a))	-	-	(162.6)	(162.6)	-	-	(162.3)	(162.3)
- fair value gain on interest rate swaps								
- realised (note 16(b))	-	-	7.4	7.4	-	-	7.1	7.1
- Islamic Commercial Papers (note 16(c))	-	-	(0.8)	(0.8)	-	-	(1.9)	(1.9)
- Islamic Medium Term Notes (note 16(c))	-	-	(70.5)	(70.5)	-	-	(40.4)	(40.4)
- accretion of finance cost (note 16(d))	-	(8.0)	-	(8.0)	-	(7.7)	-	(7.7)
- finance lease (note 16(e))	-	(3.2)	-	(3.2)	-	(3.5)	-	(3.5)
- Inter-Company Fund Optimisation (note 41(b))	-	(7.8)	-	(7.8)	-	(8.6)	-	(8.6)
- amortisation of interest subsidy on staff loan	-	(0.3)	(0.7)	(1.0)	-	-	(0.5)	(0.5)
Borrowing costs capitalised	4.4	8.0	23.1	35.5	-	7.7	17.0	24.7
TOTAL FINANCE COST	(161.6)	(12.9)	(204.1)	(378.6)	(147.0)	(12.3)	(181.0)	(340.3)
Foreign exchange (loss)/gain on borrowings								
- unrealised	(147.5)	-	-	(147.5)	109.5	-	-	109.5
- reclassification from hedging reserve	0.9	-	-	0.9	(29.7)	-	-	(29.7)
Fair value gain/(loss) on forward foreign currency contracts								
- unrealised (note 18)	41.4	-	-	41.4	(6.4)	-	-	(6.4)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(105.2)	-	-	(105.2)	73.4	-	-	73.4
NET FINANCE COST	(266.7)	54.1	(135.6)	(348.2)	(73.5)	53.7	(114.4)	(134.2)

10. TAXATION AND ZAKAT

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM

The taxation charge for the Group and the Company comprise:

Malaysia

Income Tax

Current year	59.0	72.8	25.5	25.2
Prior year	(12.1)	19.3	(5.9)	26.7
Deferred Tax (net)	(54.7)	(341.3)	(45.8)	(362.1)
	(7.8)	(249.2)	(26.2)	(310.2)

Overseas

Income Tax

Current year	0.3	4.8	–	–
Prior year	(1.3)	0.3	–	–
Deferred Tax (net)	2.7	5.5	–	–
	1.7	10.6	–	–

TOTAL TAXATION	(6.1)	(238.6)	(26.2)	(310.2)

Zakat	4.3	2.3	3.5	2.2

TAXATION AND ZAKAT	(1.8)	(236.3)	(22.7)	(308.0)

Current taxation

Current year	59.3	77.6	25.5	25.2
(Over)/Under accrual in prior years (net)	(13.4)	19.6	(5.9)	26.7

Deferred taxation

Origination and reversal of temporary differences	186.1	150.4	177.1	119.1
Change in tax rate	(35.0)	–	(31.8)	–
Tax incentive (note 19)	(191.1)	(481.2)	(191.1)	(481.2)
Benefit from previously unrecognised tax losses and deductible temporary differences	(12.0)	(5.0)	–	–
	(6.1)	(238.6)	(26.2)	(310.2)

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for the financial year ended 31 December 2013

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit Before Taxation and Zakat	1,046.0	1,069.6	950.1	773.1
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	261.5	267.4	237.5	193.3
Tax effects of:				
– share of results of associates	(0.8)	(0.2)	–	–
– different taxation rates in other countries	1.7	(0.5)	–	–
– expenses not deductible for taxation purposes	84.4	24.6	66.0	14.5
– income not subject to taxation	(97.7)	(56.7)	(90.3)	(52.2)
– expenses allowed for double deduction	(14.5)	(16.8)	(14.5)	(16.8)
– tax incentive	(191.1)	(481.2)	(191.1)	(481.2)
– benefit from previously unrecognised tax losses and deductible temporary differences	(12.0)	(5.0)	–	–
– change in tax rate	(35.0)	–	(31.8)	–
– current year tax losses not recognised	2.1	–	–	–
– (over)/under accrual of income tax (net)	(13.4)	19.6	(5.9)	26.7
– previously unrecognised temporary differences	8.7	10.2	3.9	5.5
TOTAL TAXATION	(6.1)	(238.6)	(26.2)	(310.2)

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 2013. Thus, diluted earnings per share equals basic earnings per share.

	The Group	
	2013	2012
Profit attributable to equity holders of the Company (RM million)	1,012.2	1,263.7
Weighted average number of ordinary shares (million)	3,577.4	3,577.4
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	28.3	35.3

12. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	2013		2012	
	Dividend per share Sen	Amount of single-tier dividend RM	Dividend per share Sen	Amount of single-tier dividend RM
The Company				
Final dividends paid in respect of the financial years ended:				
– 31 December 2012	12.2	436.4	–	–
– 31 December 2011	–	–	9.8	350.6
Interim dividends paid in respect of the financial years ended:				
– 31 December 2013	9.8	350.6	–	–
– 31 December 2012	–	–	9.8	350.6
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	22.0	787.0	19.6	701.2

In respect of the financial year ended 31 December 2013, the Directors now recommend a final single-tier dividend of 16.3 sen per share amounting to RM583.1 million [2012: a final single-tier dividend of 12.2 sen per share amounting to RM436.4 million] for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

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for the financial year ended 31 December 2013

13. SHARE CAPITAL

The Group and Company	2013		2012	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM0.70 each (sub-note (c))	5,040.0	3,528.0	5,040.0	3,528.0
Special Share of RM1.00 (sub-note (a))	#	#	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	#	#	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	#	#	#	#
TOTAL AUTHORISED SHARE CAPITAL	5,040.0	3,528.0	5,040.0	3,528.0

The Group and Company	2013		2012	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	3,577.4	2,504.2	3,577.4	3,577.4
Capital repayment (sub-note (c))	-	-	-	(1,073.2)
At 31 December	3,577.4	2,504.2	3,577.4	2,504.2
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	#	#	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	3,577.4	2,504.2	3,577.4	2,504.2

Amount less than RM0.1 million

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

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) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

14. OTHER RESERVES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Fair value reserves (note 2(h)(iii))	56.3	62.6	56.3	62.6
Hedging reserve (note 2(j))	46.5	26.9	46.5	26.9
Capital redemption reserve	71.6	71.6	71.6	71.6
Currency translation differences arising from translation of:				
- subsidiaries	(0.8)	(3.9)	-	-
- associate	0.3	-	-	-
TOTAL OTHER RESERVES	173.9	157.2	174.4	161.1

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 2013, the Company has tax exempt profits of RM100.5 million (2012: RM100.5 million) subject to the agreement by the Inland Revenue Board.

16. BORROWINGS

The Group	2013				2012			
	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM
DOMESTIC								
Unsecured								
Borrowings from financial institutions	4.16%	-	13.0	13.0	4.19%	-	3.0	3.0
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (a) and (b))	4.87%	925.0	-	925.0	5.57%	925.0	2,000.0	2,925.0
- Fair value of hedged risk (sub-note (b))	-	7.5	-	7.5	-	16.0	2.6	18.6
- Islamic Medium Term Notes (sub-note (c))	4.12%	2,200.0	-	2,200.0	4.19%	1,350.0	-	1,350.0
Other borrowings (sub-note (d))	4.71%	132.2	48.2	180.4	4.70%	172.5	0.6	173.1
Finance lease (sub-note (e))	6.23%	46.7	4.1	50.8	6.23%	50.7	3.8	54.5
Total Domestic	4.37%	3,311.4	65.3	3,376.7	5.10%	2,514.2	2,010.0	4,524.2
FOREIGN								
Unsecured								
Borrowings from financial institutions	1.06%	568.7	-	568.7	0.91%	275.0	-	275.0
Notes and Debentures (sub-note (f))	6.28%	981.7	1,524.7	2,506.4	6.28%	2,337.7	-	2,337.7
Other borrowings	-	3.2	0.2	3.4	-	3.3	0.2	3.5
Total Foreign	5.31%	1,553.6	1,524.9	3,078.5	5.71%	2,616.0	0.2	2,616.2
TOTAL BORROWINGS	4.82%	4,865.0	1,590.2	6,455.2	5.33%	5,130.2	2,010.2	7,140.4

	2013			2012		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	1,083.4	243.2	1,326.6	205.9	1,697.7	1,903.6
After five years and up to ten years	2,227.9	326.8	2,554.7	2,305.3	0.8	2,306.1
After ten years and up to fifteen years	0.1	982.5	982.6	3.0	916.4	919.4
After fifteen years	-	1.1	1.1	-	1.1	1.1
	3,311.4	1,553.6	4,865.0	2,514.2	2,616.0	5,130.2

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

16. BORROWINGS (CONTINUED)

The Company	2013				2012			
	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (a) and (b))	4.87%	925.0	-	925.0	5.57%	925.0	2,000.0	2,925.0
- Fair value of hedged risk (sub-note (b))	-	7.5	-	7.5	-	16.0	2.6	18.6
- Islamic Medium Term Notes (sub-note (c))	4.12%	2,200.0	-	2,200.0	4.19%	1,350.0	-	1,350.0
Other borrowings (sub-note (d))	4.71%	132.2	48.2	180.4	4.70%	172.5	0.6	173.1
Finance lease (sub-note (e))	6.23%	46.7	4.1	50.8	6.23%	50.7	3.8	54.5
Total Domestic	4.38%	3,311.4	52.3	3,363.7	5.10%	2,514.2	2,007.0	4,521.2
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (f))	7.88%	981.7	-	981.7	7.88%	915.6	-	915.6
Other borrowings	-	3.2	0.2	3.4	-	3.3	0.2	3.5
Total Foreign	7.85%	984.9	0.2	985.1	7.85%	918.9	0.2	919.1
TOTAL BORROWINGS	5.17%	4,296.3	52.5	4,348.8	5.57%	3,433.1	2,007.2	5,440.3

	2013			2012		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	1,083.4	0.5	1,083.9	205.9	0.6	206.5
After five years and up to ten years	2,227.9	0.8	2,228.7	2,305.3	0.8	2,306.1
After ten years and up to fifteen years	0.1	982.5	982.6	3.0	916.4	919.4
After fifteen years	-	1.1	1.1	-	1.1	1.1
	3,311.4	984.9	4,296.3	2,514.2	918.9	3,433.1

16. BORROWINGS (CONTINUED)

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	3,376.7	4,524.2	3,363.7	4,521.2
US Dollar	2,832.4	2,337.7	981.7	915.6
Other currencies	246.1	278.5	3.4	3.5
	6,455.2	7,140.4	4,348.8	5,440.3

- (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.

On 30 December 2013, the Company repaid the RM2.0 million Class C NCRPS and RM1,998.0 million Class A Sukuk in nominal value.

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for the financial year ended 31 December 2013

16. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

- (i) The NCRPS will not be convertible to ordinary shares of the Company.
- (ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.
- (iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.
- (iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.
- (v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

- (i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')
- (ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

- (i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.
- (ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.
- (iii) The Sukuk will constitute, inter alia, the obligations of the Company.

16. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

- (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

During the tenure of the TM ISIS, the Company can elect to either:

- (i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or
- (ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset again on 31 December 2013 to 4.87% per annum payable semi-annually in arrears. There will be no resetting of the Periodic Distribution Rate for Class B Sukuk up to the maturity dates of the Sukuk.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

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for the financial year ended 31 December 2013

16. BORROWINGS (CONTINUED)

- (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) On 30 August 2013, the Company received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and Islamic Medium Term Notes (IMTN) programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective programmes.

On 5 April 2011, the Company also established an ICP and IMTN programmes with a combined limit of up to RM2.0 billion in nominal value, which has been fully issued during the current financial year.

The proceeds from the issuance of the ICP and/or IMTN are used by the Company to meet its capital expenditure and business operating requirements. The IMTN in issue comprise the following:

	The Group and Company	
	2013 RM	2012 RM
IMTN due in 2021 (4.20% – 4.50%)	800.0	800.0
IMTN due in 2022 (3.95% – 4.00%)	550.0	550.0
IMTN due in 2023 (3.93% – 3.95%)	650.0	–
IMTN due in 2020 (4.30%)	200.0	–
	2,200.0	1,350.0

- (d) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

16. BORROWINGS (CONTINUED)

(e) Minimum lease payments at the reporting date are as follows:

	The Group and Company	
	2013 RM	2012 RM
Not later than one year	7.1	7.1
Later than one year and not later than five years	28.4	28.4
Later than five years and not later than ten years	31.3	35.5
Later than ten years and not later than fifteen years	–	2.9
	66.8	73.9
Future finance charges	(16.0)	(19.4)
Present value of finance lease liabilities	50.8	54.5
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	4.1	3.8
Later than one year and not later than five years	19.1	18.0
Later than five years and not later than ten years	27.6	29.8
Later than ten years and not later than fifteen years	–	2.9
	50.8	54.5

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	
	2013 RM	2012 RM	2013 RM	2012 RM
USD465.1 million 5.25% Guaranteed Notes due in 2014	1,524.7	1,422.1	–	–
USD300.0 million 7.875% Debentures due in 2025	981.7	915.6	981.7	915.6
	2,506.4	2,337.7	981.7	915.6

None of the Notes and Debentures was redeemed, purchased or cancelled during the current financial year.

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17. PAYABLE TO A SUBSIDIARY

- (a) (i) On 20 November 2012, the Company's wholly owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.
- (ii) On 12 November 2013, the Company's wholly owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from another financial institution which will mature on 30 October 2020. The loan carries a floating USD interest rate of 3 months London Interbank Offer Rate (LIBOR) plus 0.91% per annum payable quarterly on 12 February, May, August and November of each financial year including 30 October 2020. The loan is unconditionally and irrevocably guaranteed by the Company.
- (b) On 22 September 2004, the Company's wholly owned subsidiary, TM Global Incorporated, issued a 10-year USD500.0 million Guaranteed Notes due in 2014 (Notes). The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and 22 September in each financial year commencing in March 2005. 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.

The Notes and term loans 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	
2013				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	910.5	27.1	11.0	41.4
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (d))	500.0	7.5	–	(11.1)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (e) & (f))	926.2	72.8	51.4	20.5
TOTAL	2,336.7	107.4	62.4	50.8
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)

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for the financial year ended 31 December 2013

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.
 - (c) quarterly interest payment and final settlement of the USD100.0 million loan due in 2020.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability

USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

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 and 28 May 2009, the Company entered into two forward foreign currency contracts which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million each from the counterparties in return for a payment of RM174.5 million and RM169.8 million respectively.

On 12 September 2012, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment to be determined later. If the exchange rate at maturity date is below the pre-determined rate, the Company will buy USD for RM for the notional amount at the minimum rate. If the exchange rate at maturity date is above the pre-determined rate, the Company will buy USD for RM for the notional amount based on the exchange rate adjusted for the difference between the pre-determined rate and the minimum rate. Subsequently, on 17 October 2012, the Company entered into another forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM94.9 million.

On 3 January 2013 and 11 January 2013, the Company entered into two forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million and USD40.0 million from the counterparties in return for a payment of RM94.8 million and RM125.6 million respectively.

On 18 October 2013, the Company entered into 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 RM96.5 million.

The forward foreign currency contracts effectively convert part of the USD liability into RM principal liability.

(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 has matured on 30 December 2013.

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for the financial year ended 31 December 2013

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(c) Interest Rate Swap (IRS) Contracts (continued)

Hedging Instruments (continued)

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 have matured on 30 December 2013.

(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 was reset again on 31 December 2013 to 4.87% per annum.

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. 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.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(f) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020

In 2013, the Company, through its wholly owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from a financial institution.

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swaps will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

The CCIRS contracts effectively convert the USD liability into RM liability.

19. 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Subject to income tax:				
Deferred tax assets	19.3	18.6	–	–
Deferred tax liabilities	1,151.0	1,202.6	1,030.9	1,076.7
TOTAL DEFERRED TAX	1,131.7	1,184.0	1,030.9	1,076.7

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19. DEFERRED TAX (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At 1 January	1,184.0	1,520.1	1,076.7	1,438.8
Current year charged/(credited) to the Income Statement arising from:				
– property, plant and equipment	128.5	191.8	97.2	156.0
– tax incentive	(161.8)	(481.2)	(161.8)	(481.2)
– tax losses	(6.3)	0.5	–	–
– provisions and others	(12.4)	(46.9)	18.8	(36.9)
	(52.0)	(335.8)	(45.8)	(362.1)
– currency translation differences	(0.3)	(0.3)	–	–
At 31 December	1,131.7	1,184.0	1,030.9	1,076.7

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(a) Deferred tax assets				
Property, plant and equipment	36.3	53.3	5.5	37.5
Tax incentive	978.6	816.8	978.6	816.8
Tax losses	7.7	1.4	–	–
Provisions and others	437.8	451.0	414.3	433.1
	1,460.4	1,322.5	1,398.4	1,287.4
Offsetting	(1,441.1)	(1,303.9)	(1,398.4)	(1,287.4)
Total deferred tax assets after offsetting	19.3	18.6	–	–
(b) Deferred tax liabilities				
Property, plant and equipment	2,592.1	2,480.9	2,429.3	2,364.1
Provisions and others	–	25.6	–	–
	2,592.1	2,506.5	2,429.3	2,364.1
Offsetting	(1,441.1)	(1,303.9)	(1,398.4)	(1,287.4)
Total deferred tax liabilities after offsetting	1,151.0	1,202.6	1,030.9	1,076.7

19. DEFERRED TAX (CONTINUED)

The Company was granted approval under Section 127 of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

- (i) 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing 8 September 2007 to 7 September 2012 to be set off against 70% of statutory income for each year of assessment.
- (ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against 70% of statutory income for each year of assessment.

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

The tax effects of unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2013 RM	2012 RM
Unutilised tax losses	126.3	132.6
Unabsorbed capital/other tax allowances	301.5	301.9
	427.8	434.5

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	
	2013 RM	2012 RM
At 1 January	2,129.4	2,072.7
Additions	123.1	249.8
Credited to the Income Statement	(253.0)	(193.1)
At 31 December	1,999.5	2,129.4

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20. DEFERRED INCOME (CONTINUED)

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 (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In- Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2013	9,423.4	396.0	797.3	844.7	1,959.8	1,300.5	14,721.7
Additions (sub-note (a))	300.1	93.8	11.8	-	19.5	1,766.8	2,192.0
Assetisation	1,648.8	77.7	299.2	-	80.6	(2,106.3)	-
Disposals	(0.7)	(3.2)	-	-	-	-	(3.9)
Charged to Income Statement	-	-	-	-	-	(175.7)	(175.7)
Write-off (note 6(a))	(3.2)	(0.1)	(0.7)	-	(0.9)	(4.4)	(9.3)
Depreciation (note 6(a))	(1,540.1)	(144.9)	(330.0)	(0.9)	(118.5)	-	(2,134.4)
Transfer to non-current assets held for sale (note 30)	-	-	-	(15.7)	(5.5)	-	(21.2)
Currency translation differences	(0.4)	1.3	-	-	2.1	(0.2)	2.8
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	-	-
At 31 December 2013	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0
At 31 December 2013							
Cost (sub-note (b))	39,315.8	2,273.2	4,513.0	845.0	3,932.5	780.7	51,660.2
Accumulated depreciation	(29,255.8)	(1,852.0)	(3,729.8)	(13.3)	(1,996.0)	-	(36,846.9)
Accumulated impairment	(232.0)	(0.9)	(5.5)	(2.7)	(0.2)	-	(241.3)
Net Book Value	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Telecomm- unications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In- Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2012							
As previously reported	8,711.5	374.5	934.0	876.9	1,934.3	1,290.5	14,121.7
Adjustments arising from the amendments to MFRS 116 (note 50)	-	-	-	-	-	105.0	105.0
At 1 January 2012, as restated	8,711.5	374.5	934.0	876.9	1,934.3	1,395.5	14,226.7
Additions (sub-note (a))	274.5	121.9	11.7	-	9.3	2,269.6	2,687.0
Assetisation	1,812.7	19.5	252.1	-	135.3	(2,219.6)	-
Disposals	(0.5)	(3.3)	-	(1.2)	(0.4)	-	(5.4)
Charged to Income Statement	-	-	-	-	-	(143.3)	(143.3)
Write-off (note 6(a))	(16.9)	(1.3)	(0.3)	-	(9.9)	(1.7)	(30.1)
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	1,300.5	14,721.7
At 31 December 2012							
Cost (sub-note (b))	37,557.8	2,193.0	4,291.7	859.8	3,846.2	1,300.5	50,049.0
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	1,300.5	14,721.7
At 1 January 2012							
Cost (sub-note (b))	36,156.9	2,175.8	4,187.3	891.5	3,723.8	1,395.5	48,530.8
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	1,395.5	14,226.7

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21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecomm- unications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In- Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2013	8,894.5	323.6	633.3	365.2	1,382.2	1,291.6	12,890.4
Additions (sub-note (a))	274.5	65.6	11.8	-	10.9	1,705.2	2,068.0
Assetisation	1,578.5	76.8	274.4	-	80.5	(2,010.2)	-
Disposals [#]	(0.2)	(3.3)	(1.3)	-	(3.2)	(3.7)	(11.7)
Charged to Income Statement	-	-	-	-	-	(174.5)	(174.5)
Write-off (note 6(a))	(2.3)	-	-	-	(0.9)	(4.4)	(7.6)
Depreciation (note 6(a))	(1,433.6)	(94.3)	(284.8)	(0.8)	(99.9)	-	(1,913.4)
Transfer to non-current assets held for sale (note 30)	-	-	-	(15.7)	(5.5)	-	(21.2)
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	-	-
At 31 December 2013	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0
At 31 December 2013							
Cost (sub-note (b))	38,032.5	1,845.3	3,972.5	363.3	3,122.1	804.0	48,139.7
Accumulated depreciation	(28,519.7)	(1,477.2)	(3,339.0)	(11.1)	(1,758.8)	-	(35,105.8)
Accumulated impairment	(201.3)	-	-	(2.6)	-	-	(203.9)
Net Book Value	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecom- munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In- Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2012							
As previously reported	8,320.8	291.3	800.5	396.1	1,402.5	1,264.4	12,475.6
Adjustments arising from the amendments to MFRS 116 (note 50)	-	-	-	-	-	104.4	104.4
At 1 January 2012, as restated	8,320.8	291.3	800.5	396.1	1,402.5	1,368.8	12,580.0
Additions (sub-note (a))	244.0	102.9	3.6	-	4.6	2,011.0	2,366.1
Assetisation	1,642.7	15.4	162.5	-	124.0	(1,944.6)	-
Disposals*	(0.4)	(3.3)	-	-	(49.9)	-	(53.6)
Charged to Income Statement	-	-	-	-	-	(142.3)	(142.3)
Write-off (note 6(a))	(15.0)	(0.3)	-	-	(9.9)	(1.7)	(26.9)
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	1,291.6	12,890.4
At 31 December 2012							
Cost (sub-note (b))	36,353.0	1,736.1	3,753.8	378.1	3,050.0	1,291.6	46,562.6
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	1,291.6	12,890.4
At 1 January 2012							
Cost (sub-note (b))	35,179.9	1,720.9	3,690.1	408.6	2,993.9	1,368.8	45,362.2
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	1,368.8	12,580.0

Included RM8.4 million being computer support systems, movable plant, building and work-in-progress equipment disposed to subsidiaries.

* Included RM49.8 million being building disposed to a subsidiary.

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for the financial year ended 31 December 2013

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Included in additions of the Group and the Company are borrowing costs of RM35.5 million (31 December 2012: RM24.7 million; 1 January 2012: RM9.4 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 RM24,102.6 million (31 December 2012: RM21,364.5 million; 1 January 2012: RM21,130.4 million) and RM23,637.6 million (31 December 2012: RM21,207.4 million; 1 January 2012: RM21,014.7 million) respectively.
- (c) Included in property, plant and equipment of the Group and the Company is an office building with net book value of RM51.8 million (31 December 2012: RM54.9 million; 1 January 2012: RM58.0 million) which is under finance lease arrangement.
- (d) Details of land are as follows:

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2013	743.4	69.0	32.3	844.7
Depreciation	–	(0.9)	–	(0.9)
Transfer to non-current assets held for sale (note 30)	(15.7)	–	–	(15.7)
Reclassification	1.3	–	(0.4)	0.9
At 31 December 2013	729.0	68.1	31.9	829.0
At 31 December 2013				
Cost	731.7	81.0	32.3	845.0
Accumulated depreciation	–	(12.9)	(0.4)	(13.3)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	729.0	68.1	31.9	829.0

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

The Group	Freehold RM	Leasehold (sub-note (i)) 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
At 1 January 2012				
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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2013	274.5	58.4	32.3	365.2
Depreciation	–	(0.8)	–	(0.8)
Transfer to non-current assets held for sale (note 30)	(15.7)	–	–	(15.7)
Reclassification	1.3	–	(0.4)	0.9
At 31 December 2013	260.1	57.6	31.9	349.6
At 31 December 2013				
Cost	262.7	68.3	32.3	363.3
Accumulated depreciation	–	(10.7)	(0.4)	(11.1)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	260.1	57.6	31.9	349.6

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 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
At 1 January 2012				
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

(i) Leasehold land comprise the followings:

	The Group			The Company		
	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM
Long term leasehold land	48.6	49.2	60.1	47.6	48.2	58.8
Short term leasehold land	19.5	19.8	19.8	10.0	10.2	10.4
Total	68.1	69.0	79.9	57.6	58.4	69.2

Long term leasehold land has an unexpired lease period of 50 years and above.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

- (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	
	2013 RM	2012 RM	2013 RM	2012 RM
Net Book Value				
At 1 January	5.6	–	119.1	121.3
Reclassification from inventories (note 29)	–	5.7	–	–
Disposal	(2.0)	–	–	–
Depreciation (note 6(a))	–	(0.1)	(2.2)	(2.2)
Transfer to inventories (sub-note (a)) (note 29)	(3.6)	–	–	–
At 31 December	–	5.6	116.9	119.1
At 31 December				
Cost	–	6.9	128.0	128.0
Accumulated depreciation	–	(0.1)	(11.1)	(8.9)
Accumulated impairment	–	(1.2)	–	–
Net Book Value	–	5.6	116.9	119.1

- (a) During the current financial year, the Group finalised and entered into Sales and Purchase Agreements to dispose land held by a wholly owned subsidiary.

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly owned subsidiary.

The fair value of the property of the Company at 31 December 2013 was RM124.0 million (2012: RM122.0 million) whilst, for the Group the fair value was RM12.6 million at 31 December 2012 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 2013	309.6	12.5	322.1
Additions	–	13.7	13.7
Amortisation (note 6(a))	–	(16.0)	(16.0)
At 31 December 2013	309.6	10.2	319.8
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
At 31 December 2013			
Cost	314.6	39.1	353.7
Accumulated amortisation	–	(28.9)	(28.9)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	309.6	10.2	319.8
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

* Other intangibles comprise the software and programme rights of subsidiaries.

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for the financial year ended 31 December 2013

23. INTANGIBLE ASSETS (CONTINUED)

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 2013 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:

	2013 RM	2012 RM
VADS Berhad	308.4	308.4
Others	1.2	1.2
	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.

(ii) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS)

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS are extrapolated using estimated terminal growth rate. The rate has been determined with regards to projected growth rate for the market in which the cash-generating unit participates.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2013	2012
Pre-tax discount rate	12.0%	12.1%
Terminal growth rate	1.5%	1.5%

23. INTANGIBLE ASSETS (CONTINUED)

(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.

	2013	2012
Pre-tax discount rate	21.4%	33.5%

24. SUBSIDIARIES

The Company	2013			2012		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
Unquoted investments, at cost	1,310.3	22.0	1,332.3	1,310.3	22.0	1,332.3
Accumulated impairment	(77.7)	(13.2)	(90.9)	(77.7)	(13.2)	(90.9)
	1,232.6	8.8	1,241.4	1,232.6	8.8	1,241.4
Options granted to employees of subsidiaries	24.3	–	24.3	24.3	–	24.3
Unquoted investments, at written down value (sub-note (a))	–	–	–	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	1,256.9	8.8	1,265.7	1,256.9	8.8	1,265.7

(a) 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. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

24. SUBSIDIARIES (CONTINUED)

There are no significant restrictions on the ability of the subsidiaries to transfer funds in the form of dividends and other capital distributions or for loans or advances being made or repaid, to (or from) the Group.

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations:

	Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2013 RM	2012 RM	2013 RM	2012 RM
Summarised Income Statement				
Revenue	240.5	213.3	142.8	147.0
Profit before income tax	81.4	96.8	13.3	29.4
Income tax expense	(16.7)	(26.4)	(1.3)	(9.3)
Profit after taxation and total comprehensive income	64.7	70.4	12.0	20.1
Total comprehensive income attributed to non-controlling interests	29.7	32.4	5.9	9.8
Dividends paid to non-controlling interests	30.1	29.0	8.1	10.3
Summarised Statement of Financial Position				
Current assets	131.7	125.7	77.4	75.0
Current liabilities	(54.5)	(54.0)	(105.7)	(103.1)
Total Current Net Assets	77.2	71.7	(28.3)	(28.1)
Non-current assets	181.7	189.0	194.4	198.2
Non-current liabilities	(38.5)	(39.5)	(40.2)	(39.6)
Total Non-current Net Assets	143.2	149.5	154.2	158.6
Net Assets	220.4	221.2	125.9	130.5
Cumulative Non-controlling Interests	101.4	101.8	61.7	63.9

24. SUBSIDIARIES (CONTINUED)

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations: (continued)

	Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2013 RM	2012 RM	2013 RM	2012 RM
Summarised Statement of Cash Flows				
Cash generated from operations	60.6	99.3	31.4	79.1
Interest paid	-	-	(0.3)	(0.7)
Income tax (paid)/refunded	(24.7)	(22.0)	0.3	(2.1)
Cash flows from operating activities	35.9	77.3	31.4	76.3
Cash flows used in investing activities	(17.7)	(8.3)	(25.2)	(50.5)
Cash flows used in financing activities	(65.5)	(63.1)	(6.5)	(21.0)
Net (decrease)/increase in cash and cash equivalents	(47.3)	5.9	(0.3)	4.8
Effect of exchange rate changes	-	-	(0.2)	-
Cash and cash equivalents at beginning of the financial year	63.8	57.9	9.6	4.8
Cash and cash equivalents at end of the financial year	16.5	63.8	9.1	9.6

25. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM166.9 million (2012: RM260.4 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.40% to 4.41% (2012: 2.72% to 4.40%) and will mature between 3 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

26. ASSOCIATES

The Group	2013 RM	2012 RM
Share of net assets of associates		
Unquoted investments	10.7	1.5
TOTAL	10.7	1.5
The Group's share of revenue and profit of associates is as follows:		
Revenue	11.8	9.1
Profit after taxation and total comprehensive income	3.9	0.9
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	15.6	0.1
Current assets	9.1	2.4
Non-current liabilities	(13.7)	-
Current liabilities	(0.3)	(1.0)
Net assets	10.7	1.5

The Group's associates are not material individually to the financial position, financial performance and cash flows of the Group.

The Group has not recognised the share of loss after taxation of an associate amounting to RM1.1 million (2012: 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, all of which are unquoted, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements.

There are no contingent liabilities relating to the Group's interest in the associates and there are no significant restriction on the ability of the associates to transfer funds in the form of dividend to the Group.

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 2013	–	98.7	500.6	599.3
Additions	–	–	467.0	467.0
Fair value changes transferred to other comprehensive income	–	1.0	(7.5)	(6.5)
Disposals	–	–	(335.8)	(335.8)
At 31 December 2013	–	99.7	624.3	724.0
Current portion	–	–	624.3	624.3
Non-current portion	–	99.7	–	99.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	–	99.7	624.3	724.0
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)
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

Amount less than RM0.1 million

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

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 2013	98.6	500.6	599.2
Additions	–	467.0	467.0
Fair value changes transferred to other comprehensive income	1.0	(7.5)	(6.5)
Disposals	–	(335.8)	(335.8)
At 31 December 2013	99.6	624.3	723.9
Current portion	–	624.3	624.3
Non-current portion	99.6	–	99.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	99.6	624.3	723.9
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)
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

27. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	628.0	504.3	627.9	504.2
US Dollar	47.6	45.7	47.6	45.7
Singapore Dollar	48.4	49.3	48.4	49.3
	724.0	599.3	723.9	599.2

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2013 RM	2012 RM
AAA	170.8	101.2
AA	361.8	322.5
A	34.8	30.9
P1	19.6	29.2
MARC-1	19.6	9.9
Malaysian Government Securities	17.7	6.1
BB (sub-note (a))	–	0.8
	624.3	500.6

(a) The credit rating of the issuer was downgraded from AA to BB subsequent to the Company's investment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES

(a) Available-for-sale receivables

The Group and Company	2013 RM	2012 RM
At 1 January	26.4	31.1
Additions (including interest)	2.9	1.7
Repayments	(3.3)	(5.3)
Fair value changes transferred to other comprehensive income	0.4	(1.1)
At 31 December	26.4	26.4
Impairment	(18.8)	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	7.6	7.6
Movement in the impairment account is as follows:		
At 1 January	(18.8)	(20.0)
Impairment reversal (note 6(b))	–	1.2
At 31 December	(18.8)	(18.8)

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 2013, all overdue amounts have been impaired.

In both the current and previous financial year, there was no conversion to scholarships.

The Company does not hold any collateral for security in respect of education loans.

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Staff loans at amortised cost				
– under Islamic principles	36.4	29.8	36.4	29.8
– under conventional principles	1.3	1.8	1.2	1.6
Total staff loans (sub-note (i))	37.7	31.6	37.6	31.4
Other non-current receivables				
– other deposits (sub-note (ii))	91.9	72.4	91.9	72.4
– tax recoverable (sub-note (iii))	113.8	113.8	113.8	113.8
– others (sub-note (iv))	72.6	38.0	–	–
	316.0	255.8	243.3	217.6
Prepaid employee benefits	3.4	1.2	3.4	1.2
	319.4	257.0	246.7	218.8
Staff loans receivable within twelve months included under other receivables (note 32)	(4.5)	(4.7)	(4.5)	(4.6)
TOTAL OTHER NON-CURRENT RECEIVABLES	314.9	252.3	242.2	214.2

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans – 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicles financed

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for the financial year ended 31 December 2013

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables (continued)

- (i) During the current financial year, the Company disposed RM10.4 million (2012: RM11.9 million) of its employees housing loans for a total cash consideration of RM9.9 million (2012: RM11.3 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			
	2013		2012	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost	1.6	1.2	2.5	2.3
Other borrowings (note 16)	(1.6)	(1.7)	(2.5)	(2.5)
Net amount	–	(0.5)	–	(0.2)

- (ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and a long term deposit.

The Company entered into two Ringgit Malaysia deposit agreements in 2011 with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date. On maturity, the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

- (iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 19 to the financial statements, to be offset against the tax payables for years of assessment 2015 to 2016.
- (iv) This comprise the present value of receivables for land disposed by a wholly owned subsidiary, due over the remaining contractual period of the joint land development agreement.

29. INVENTORIES

	The Group			The Company		
	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM
Telecommunications equipment	14.5	21.1	21.6	14.2	21.1	21.4
Capacity held for resale	9.5	18.6	12.8	9.5	18.6	12.8
Work-in-progress	84.7	37.2	27.1	18.3	–	–
Land held for sale (sub-note (a))	4.4	1.0	48.3	–	–	–
Land held for property development (sub-note (a))	37.6	69.7	108.4	–	–	–
Others	3.3	3.6	2.1	3.1	3.0	1.7
TOTAL INVENTORIES	154.0	151.2	220.3	45.1	42.7	35.9

(a) During the financial year, arising from an assessment of net realisable value of land held for sale and land held for property development, reversal of write-downs of RM0.8 million and RM8.1 million respectively were credited to the Income Statement.

30. NON-CURRENT ASSETS HELD FOR SALE

During the financial year, the Company had finalised a series of Sales and Purchase Agreements for the disposal of a number of freehold and leasehold land as well as buildings which have been reclassified as non-current assets held for sale. Total consideration for the remaining assets held for sale as at 31 December 2013 was RM54.7 million (2012: RM57.2 million).

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 21) RM	Disposal RM	At 31 December RM
Carrying amount				
2013				
Land				
– Freehold	0.3	15.7	#	16.0
– Leasehold	5.7	–	(4.8)	0.9
Buildings	2.0	5.5	(2.1)	5.4
	8.0	21.2	(6.9)	22.3

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

30. NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 21) RM	Disposal RM	At 31 December RM
Carrying amount				
2012				
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

Amount less than RM0.1 million

The land and buildings are presented as part of the Shared Services/Others segment.

31. CUSTOMER ACQUISITION COSTS

The Group and Company	2013 RM	2012 RM
At 1 January	100.1	106.1
Additions	80.1	127.7
Amortised to the Income Statement	(106.4)	(133.7)
At 31 December	73.8	100.1

32. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Receivables from external customers	2,824.5	2,651.3	2,063.6	1,922.0
Receivables from subsidiaries	–	–	180.6	70.5
Receivables from associates	30.8	–	30.8	–
	2,855.3	2,651.3	2,275.0	1,992.5
Impairment of trade receivables	(1,235.9)	(1,387.7)	(830.4)	(975.2)
	1,619.4	1,263.6	1,444.6	1,017.3
Accrued earnings	228.3	477.3	199.0	395.4
Total trade receivables (net)	1,847.7	1,740.9	1,643.6	1,412.7
Prepayments	200.2	147.1	172.2	91.9
Tax recoverable	100.0	112.1	85.2	75.8
Staff loans (note 28(b))	4.5	4.7	4.5	4.6
Other receivables from subsidiaries	–	–	83.0	99.2
Other receivables from associates	1.0	1.0	1.0	1.0
Other receivables	169.2	244.1	129.2	205.7
Impairment of other receivables	(34.0)	(42.9)	(45.3)	(37.3)
Total other receivables (net)	440.9	466.1	429.8	440.9
TOTAL TRADE AND OTHER RECEIVABLES (net)	2,288.6	2,207.0	2,073.4	1,853.6

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(a) Trade receivables				
At 1 January	1,387.7	1,384.4	975.2	963.4
Impairment	109.9	93.4	110.3	97.5
Receivables written off as uncollectible	(262.1)	(89.7)	(255.1)	(85.7)
Foreign exchange difference	0.4	(0.4)	-	-
At 31 December	1,235.9	1,387.7	830.4	975.2
(b) Other receivables				
At 1 January	42.9	60.1	37.3	51.1
Net (reversal)/impairment	(7.7)	(15.2)	9.0	(11.8)
Receivables written off as uncollectible	(1.2)	(2.0)	(1.0)	(2.0)
At 31 December	34.0	42.9	45.3	37.3

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)

Certain amount of trade receivables have been subjected to offsetting with trade payables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2013			2012		
	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 35) RM	Net amount of trade receivables RM	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 35) RM	Net amount of trade receivables RM
The Group	2,043.5	(195.8)	1,847.7	1,912.3	(171.4)	1,740.9
The Company	1,839.4	(195.8)	1,643.6	1,584.1	(171.4)	1,412.7

For trade receivables and trade payables subject to netting arrangements above, each agreement between the Group and the counterparties is carried out on net settlement basis, including events of default.

Trade receivables of RM671.5 million (2012: RM466.6 million) and RM657.2 million (2012: RM387.0 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:

	Not past due RM	Past due but not impaired			Total RM
		1 to 3 months RM	4 to 6 months RM	>6 months RM	
The Group					
2013					
Collectively assessed	401.4	79.2	16.0	13.9	510.5
Individually assessed	546.5	328.6	127.3	106.5	1,108.9
	947.9	407.8	143.3	120.4	1,619.4
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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company	Not past due RM	Past due but not impaired			Total RM
		1 to 3 months RM	4 to 6 months RM	>6 months RM	
2013					
Collectively assessed	379.5	77.9	13.5	5.6	476.5
Individually assessed	376.5	257.5	91.9	62.1	788.0
Amount due from subsidiaries	31.4	60.3	10.7	77.7	180.1
	787.4	395.7	116.1	145.4	1,444.6
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

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Global & Wholesale	120.6	134.2	99.3	94.1
Retail – Consumer	215.4	180.7	215.0	180.3
Retail – SME	164.5	166.0	164.5	166.0
Retail – Enterprise	28.5	42.2	28.5	42.2
Retail – Government	302.8	161.4	248.7	120.2
Amount due from subsidiaries	–	–	31.4	27.5
Others*	116.1	112.5	–	–
	947.9	797.0	787.4	630.3

* Others mainly comprise student debtors and receivables for the provision of managed network services, information technology and system integration services of subsidiaries.

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group and the Company are not exposed to major concentrations of credit risk due to the diversified 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 RM14.3 million (2012: RM18.1 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 (2012: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	1,742.4	1,800.4	1,600.9	1,475.0
US Dollar	523.7	382.4	470.2	369.4
Special Drawing Rights	2.3	2.1	2.3	2.1
Other currencies	20.2	22.1	–	7.1
	2,288.6	2,207.0	2,073.4	1,853.6

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company	
	2013 RM	2012 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	17.2	16.5
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	17.2	16.5
Market value of quoted equity securities	17.2	16.5

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

34. CASH AND BANK BALANCES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deposits with:				
Licensed banks	817.8	525.1	772.0	488.1
Other financial institutions	13.9	42.0	13.9	13.3
Deposits under Islamic principles	927.8	2,695.3	880.4	2,532.6
Total deposits	1,759.5	3,262.4	1,666.3	3,034.0
Cash and bank balances	699.3	440.1	390.0	187.7
Cash and bank balances under Islamic principles	56.1	36.2	36.6	19.9
TOTAL CASH AND BANK BALANCES	2,514.9	3,738.7	2,092.9	3,241.6
Less:				
Deposits pledged	(0.4)	(0.4)	–	–
TOTAL CASH AND CASH EQUIVALENTS	2,514.5	3,738.3	2,092.9	3,241.6
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	2,407.4	3,595.2	2,065.5	3,200.3
US Dollar	86.2	117.2	27.4	41.3
Other currencies	21.3	26.3	–	–
	2,514.9	3,738.7	2,092.9	3,241.6

34. CASH AND BANK BALANCES (CONTINUED)

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	
	2013 RM	2012 RM	2013 RM	2012 RM
AAA	1,375.8	953.1	1,032.8	707.5
AA	631.7	1,779.7	585.2	1,611.9
A	481.5	705.5	459.2	649.4
NR (sub-note (a))	25.9	300.4	15.7	272.8
	2,514.9	3,738.7	2,092.9	3,241.6

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

Deposits have maturities ranging from overnight to 90 days (2012: 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 2013 was 3.65% (2012: 3.48%) and 3.65% (2012: 3.51%) for the Group and the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

35. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables and accruals	1,797.0	2,219.6	1,582.1	1,986.5
Payable for Universal Service Provision	317.1	297.9	310.4	270.0
Deferred revenue	109.0	115.3	21.8	38.6
Finance cost payable	66.2	58.9	66.1	58.9
Duties and other taxes payable	51.3	41.8	35.8	27.9
Deposits and trust monies	66.9	76.0	51.7	43.9
Payables to subsidiaries (sub-note (a))	–	–	671.5	496.8
Other payables and accruals	775.1	736.0	597.6	553.9
	3,182.6	3,545.5	3,337.0	3,476.5
Current portion	3,172.8	3,545.5	3,327.2	3,476.5
Non-current portion	9.8	–	9.8	–
TOTAL TRADE AND OTHER PAYABLES	3,182.6	3,545.5	3,337.0	3,476.5

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 41(b) to the financial statements.

Certain amount of trade payables and accruals have been subjected to offsetting with trade receivables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2013			2012		
	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 32) RM	Net amount of trade payables and accruals RM	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 32) RM	Net amount of trade payables and accruals RM
The Group	1,992.8	(195.8)	1,797.0	2,391.0	(171.4)	2,219.6
The Company	1,777.9	(195.8)	1,582.1	2,157.9	(171.4)	1,986.5

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (31 December 2012: 30 to 90 days) depending on the terms of the contracts.

35. TRADE AND OTHER PAYABLES (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM

The currency exposure profile of trade and other payables is as follows:

Ringgit Malaysia	2,842.3	3,214.7	2,999.7	3,155.3
US Dollar	313.7	319.8	320.1	309.4
Special Drawing Rights	1.1	–	1.1	–
Other currencies	25.5	11.0	16.1	11.8
	3,182.6	3,545.5	3,337.0	3,476.5

36. CUSTOMER DEPOSITS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Telephone services	498.7	513.8	498.6	513.8
Data services	3.4	4.4	1.7	4.0
TOTAL CUSTOMER DEPOSITS	502.1	518.2	500.3	517.8

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Receipts from customers	10,063.6	9,817.3	8,991.5	8,891.9
Payments to suppliers and employees	(6,831.3)	(6,569.1)	(6,379.1)	(6,262.0)
Payments of finance cost	(363.7)	(331.8)	(363.4)	(330.7)
Payments of income taxes and zakat (net)	(72.9)	(68.5)	(26.6)	(26.2)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	2,795.7	2,847.9	2,222.4	2,273.0

NOTES TO THE FINANCIAL STATEMENTS

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38. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Contribution for purchase of property, plant and equipment	47.1	251.9	47.1	251.9
Disposal of property, plant and equipment	5.8	10.9	14.0	59.3
Purchase of property, plant and equipment	(2,415.2)	(2,672.1)	(2,268.4)	(2,355.5)
Acquisition of an associate	(12.7)	–	–	–
Disposal of available-for-sale investments	337.8	432.0	337.8	432.0
Purchase of available-for-sale investments	(467.0)	(513.0)	(467.0)	(513.0)
Disposal of financial assets at fair value through profit or loss	0.8	0.5	0.8	0.5
Disposal of non-current assets held for sale	14.4	10.4	14.4	10.4
Long term deposits	(16.6)	(16.6)	(16.6)	(16.6)
Repayments of capital contribution from a subsidiary	–	–	–	81.0
Repayments from subsidiaries – loans and advances	–	–	93.5	72.0
– other receivables	–	–	80.0	104.8
Advances to subsidiaries	–	–	(37.7)	(120.1)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	–	–	(1,352.2)	(1,009.6)
Receipts from subsidiaries for ICFO	–	–	1,574.4	928.1
Repayments of loans by employees	8.4	12.4	8.4	11.9
Loans to employees	(26.0)	(17.5)	(26.0)	(17.1)
Disposal of housing loan	9.9	11.3	9.9	11.3
Interests received	137.6	136.4	130.7	128.9
Dividends received	13.3	1.3	119.4	106.2
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	(2,362.4)	(2,352.1)	(1,737.5)	(1,833.6)

39. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Capital repayment (note 13(c))	–	(1,073.2)	–	(1,073.2)
Capital return to non-controlling interests on winding up of a subsidiary	–	(0.6)	–	–
Proceeds from borrowings	1,553.5	1,479.4	1,543.5	1,476.4
Repayments of borrowings	(2,379.5)	(632.0)	(2,379.5)	(629.1)
Repayments of finance lease	(3.8)	(3.6)	(3.8)	(3.6)
Dividends paid to shareholders	(787.0)	(701.2)	(787.0)	(701.2)
Dividends paid to non-controlling interests	(38.2)	(39.3)	–	–
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	(1,655.0)	(970.5)	(1,626.8)	(930.7)

40. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	–	–	2.2	3.2
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	162.9	78.8	162.9	78.8
(c) Exchange building received as part consideration of the sale of land	7.1	–	7.1	–

NOTES TO THE FINANCIAL STATEMENTS

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41. SIGNIFICANT RELATED PARTY DISCLOSURES

Set out below are the significant related party transactions and balances, in addition to related party transactions and balances mentioned elsewhere in the financial statements:

(a) Significant transactions with subsidiaries and associates

The Company has significant related party transactions with its subsidiaries and associate, as listed below:

BlueTel Networks Pte Ltd	Telekom Sales and Services Sdn Bhd
Fiberail Sdn Bhd	TM ESOS Management Sdn Bhd
Fibrecomm Network (M) Sdn Bhd	TM Facilities Sdn Bhd
GITN Sdn Berhad	TMF Autolease Sdn Bhd
Meganet Communications Sdn Bhd	TM Global Incorporated
Menara Kuala Lumpur Sdn Bhd	TM Info-Media Sdn Bhd
Telekom Applied Business Sdn Bhd	TM Net Sdn Bhd
Telekom Malaysia (Hong Kong) Limited	Universiti Telekom Sdn Bhd
Telekom Malaysia (S) Pte Ltd	VADS Berhad
Telekom Malaysia (UK) Limited	VADS e-Services Sdn Bhd
Telekom Malaysia (USA) Inc	VADS Solutions Sdn Bhd
Telekom Multi-Media Sdn Bhd	VADS Business Process Sdn Bhd
Telekom Research & Development Sdn Bhd	

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(i) Sales of goods and rendering of services to subsidiaries and associates:				
– telecommunications related services	22.4	–	590.5	349.9
– lease/rental of buildings and vehicles	–	–	26.3	21.9
– other income*	–	–	19.7	27.5
(ii) Dividend and interest income from subsidiaries	–	–	123.7	127.1
(iii) Purchases of goods and services from subsidiaries and associates:				
– telecommunications related services	15.1	–	860.4	735.9
– lease/rental of buildings	–	–	5.6	5.7
– maintenance of vehicles and buildings	–	–	48.5	48.6
– other expenses	–	–	102.5	102.1
(iv) Finance cost paid/payable to a subsidiary	–	–	78.7	75.6

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM

(b) Year end balances arising from:

(i) Sales/Purchases of goods/services

– receivables from subsidiaries	–	–	263.6	169.7
– receivables from associates	30.8	–	30.8	–
– payables to subsidiaries	–	–	249.9	305.2
– payables to associates	2.6	–	2.6	–

(ii) Other payables

– subsidiaries	–	–	421.6	191.6

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.19% to 3.55% (2012: 3.18% to 3.26%).

	The Company	
	2013 RM	2012 RM

(c) Loans and advances to subsidiaries

At 1 January	260.4	219.7
Cash advanced	–	112.7
Repayments (note 38)	(93.5)	(72.0)
Interest charged (note 7)	7.5	10.8
Reclassified as other receivables	(7.5)	(10.8)
At 31 December (note 25)	166.9	260.4

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41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(d) Key management personnel

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM

Key management personnel compensation^a

– short term employee benefits				
– fees	2.2	2.2	1.8	1.9
– salaries, allowances and bonus	16.3	9.8	16.3	9.8
– contribution to Employees Provident Fund	2.3	1.2	2.3	1.2
– estimated money value of benefits	1.4	1.1	1.4	1.1

^a 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 RM0.2 million (2012: RM0.4 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.73% (2012: 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.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(e) Government-related entities (continued)

The individually significant transactions that the Group and the Company entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions		Corresponding outstanding balances	
	2013 RM	2012 RM	2013 RM	2012 RM
The Group				
Sales and Receivables	740.5	670.9	121.0	102.3
The Company				
Sales and Receivables	197.2	320.4	68.4	64.7

The Group and the Company also has individually significant contracts with other Government-related entities where the Group and the Company was provided funding for projects of which the amortisation of grants to the income statement in the current financial year was RM170.2 million (2012: RM136.7 million) with corresponding receivables of nil (2012: nil).

In addition to the above, the Group and the Company have transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

42. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM

(a) Property, plant and equipment

Commitments in respect of expenditure approved and contracted for	2,793.8	3,156.7	2,755.0	3,084.2
Commitments in respect of expenditure approved but not contracted for	1,119.7	1,570.3	1,029.7	1,509.7

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42. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll out has covered 1.3 million premises in 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

	The Group and Company	
	2013 RM	2012 RM

(c) Donation to Yayasan Telekom Malaysia

Amount approved and committed	21.7	31.0

42. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

	The Group and Company	
	2013 RM	2012 RM
(d) Future minimum lease payments of non-cancellable operating lease commitments		
Not later than one year	75.2	75.2
Later than one year and not later than five years	312.1	300.8
Later than five years	345.9	432.4
	733.2	808.4

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

During the financial year, the Group has realigned its business structure to cluster the Global Business and Wholesale Business segments as part of the Group's new market approach to increase focus on key customer segments. In addition, the basis of allocation of certain cost elements has been revised to better reflect the consumption of network services by the different business segments. Prior year comparatives have been restated to conform with current year's presentation.

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. Retail Business is further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers' needs. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.
- Global and Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of wholesale telecommunications services delivered over the Group's networks to domestic and international carriers.
- Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

43. SEGMENT REPORTING (CONTINUED)

By Business Segments (continued)

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 6(b) to the financial statements.

43. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM				
Financial year ended 31 December 2013								
Operating revenue								
Total operating revenue	2,966.1	1,933.0	1,173.3	1,936.7	8,009.1	2,013.2	6,265.1	16,287.4
Inter-segment ^a	(37.2)	(1.1)	(6.1)	–	(44.4)	(307.3)	(5,307.0)	(5,658.7)
External operating revenue	2,928.9	1,931.9	1,167.2	1,936.7	7,964.7	1,705.9	958.1	10,628.7
Results								
Segment profits	150.6	357.8	234.2	580.9	1,323.5	305.7	3.0	1,632.2
Unallocated income/other gains								17.8
Unallocated costs								(276.4)
Operating profit before finance cost								1,373.6
Finance income								144.9
Finance cost								(371.2)
Foreign exchange loss on borrowings								(105.2)
Associates								
– share of results (net of tax)								3.9
Profit before taxation and zakat								1,046.0
Taxation and zakat								1.8
Profit for the financial year								1,047.8
At 31 December 2013								
Segment assets	305.4	237.5	223.0	882.4	1,648.3	1,059.0	15,252.6	17,959.9
Associates								10.7
Unallocated assets								3,175.9
Total assets								21,146.5
Segment liabilities	209.2	409.1	289.9	393.0	1,301.2	613.1	4,074.7	5,989.0
Borrowings								6,455.2
Unallocated liabilities								1,403.0
Total liabilities								13,847.2
Financial year ended 31 December 2013								
Other information								
Capital expenditure								
– additions during the financial year	1.6	0.2	9.5	150.4	161.7	39.8	2,004.2	2,205.7
Depreciation and amortisation	2.0	0.3	4.8	123.7	130.8	64.7	1,954.9	2,150.4
Write-off of property, plant and equipment	–	–	–	0.8	0.8	–	8.5	9.3
Significant non-cash expenses	98.2	52.3	(19.2)	(9.6)	121.7	(7.9)	(23.6)	90.2

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

43. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Global & Wholesale 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	1,997.5	5,801.3	15,289.7
Inter-segment ^a	(31.7)	(1.7)	(3.7)	(0.1)	(37.2)	(348.1)	(4,910.9)	(5,296.2)
External operating revenue	2,692.3	1,910.5	1,096.3	1,754.6	7,453.7	1,649.4	890.4	9,993.5
Results								
Segment profits	94.7	353.4	210.6	364.5	1,023.2	310.0	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	1,073.0	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	576.2	4,586.9	6,557.8
Borrowings								7,140.4
Unallocated liabilities								1,437.7
Total liabilities								15,135.9

43. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM				

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	132.6	2,375.7	2,706.4
Depreciation and amortisation	2.0	0.3	4.6	92.7	99.6	55.1	1,861.3	2,016.0
Write-off of property, plant and equipment	0.1	#	#	0.1	0.2	0.5	29.4	30.1
Impairment of property, plant and equipment	–	–	–	–	–	–	0.3	0.3
Significant non-cash expenses	79.7	52.6	(13.1)	(0.6)	118.6	11.1	(21.1)	108.6

^(a) 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	
	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	9,724.4	9,118.4	17,103.9	17,315.9	2,089.7	2,453.7
Other countries	904.3	875.1	866.7	705.1	116.0	252.7
Unallocated assets	–	–	3,175.9	4,174.9	–	–
	10,628.7	9,993.5	21,146.5	22,195.9	2,205.7	2,706.4

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

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
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	-	27.1	80.3	-	-	107.4
Available-for-sale investments (note 27)	-	-	-	724.0	-	724.0
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))	202.2	-	-	-	-	202.2
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	1,983.9	-	-	-	-	1,983.9
Financial assets at fair value through profit or loss (note 33)	-	17.2	-	-	-	17.2
Cash and bank balances (note 34)	2,514.9	-	-	-	-	2,514.9
Total	4,701.0	44.3	80.3	731.6	-	5,557.2
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	-	-	-	-	6,404.4	6,404.4
Finance lease liabilities (note 16)	-	-	-	-	50.8	50.8
Derivative financial instruments (note 18)	-	11.0	51.4	-	-	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	-	-	-	-	2,705.2	2,705.2
Customer deposits (note 36)	-	-	-	-	502.1	502.1
Total	-	11.0	51.4	-	9,662.5	9,724.9
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 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
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	-	27.1	80.3	-	-	107.4
Loans and advances to subsidiaries (note 25)	166.9	-	-	-	-	166.9
Available-for-sale investments (note 27)	-	-	-	723.9	-	723.9
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))	129.5	-	-	-	-	129.5
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	1,811.5	-	-	-	-	1,811.5
Financial assets at fair value through profit or loss (note 33)	-	17.2	-	-	-	17.2
Cash and bank balances (note 34)	2,092.9	-	-	-	-	2,092.9
Total	4,200.8	44.3	80.3	731.5	-	5,056.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	-	-	-	-	4,298.0	4,298.0
Finance lease liabilities (note 16)	-	-	-	-	50.8	50.8
Derivative financial instruments (note 18)	-	11.0	51.4	-	-	62.4
Payable to a subsidiary (note 17)	-	-	-	-	2,093.4	2,093.4
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	-	-	-	-	2,969.0	2,969.0
Customer deposits (note 36)	-	-	-	-	500.3	500.3
Total	-	11.0	51.4	-	9,911.5	9,973.9
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

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45. FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December.

The Group	2013				2012			
	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	17.2	–	–	17.2	16.5	–	–	16.5
Derivatives at fair value through profit or loss	–	27.1	–	27.1	–	0.3	–	0.3
Derivatives accounted for under hedge accounting	–	80.3	–	80.3	–	45.4	–	45.4
Available-for-sale financial assets								
– investments	–	675.6	48.4	724.0	–	550.0	49.3	599.3
– receivables	–	7.6	–	7.6	–	7.6	–	7.6
Total	17.2	790.6	48.4	856.2	16.5	603.3	49.3	669.1
Liabilities								
Derivatives at fair value through profit or loss	–	11.0	–	11.0	–	25.6	–	25.6
Derivatives accounted for under hedge accounting	–	51.4	–	51.4	–	25.9	–	25.9
Total	–	62.4	–	62.4	–	51.5	–	51.5

45. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

The Company	2013				2012			
	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	17.2	–	–	17.2	16.5	–	–	16.5
Derivatives at fair value through profit or loss	–	27.1	–	27.1	–	0.3	–	0.3
Derivatives accounted for under hedge accounting	–	80.3	–	80.3	–	45.4	–	45.4
Available-for-sale financial assets								
– investments	–	675.5	48.4	723.9	–	549.9	49.3	599.2
– receivables	–	7.6	–	7.6	–	7.6	–	7.6
Total	17.2	790.5	48.4	856.1	16.5	603.2	49.3	669.0
Liabilities								
Derivatives at fair value through profit or loss	–	11.0	–	11.0	–	25.6	–	25.6
Derivatives accounted for under hedge accounting	–	51.4	–	51.4	–	25.9	–	25.9
Total	–	62.4	–	62.4	–	51.5	–	51.5

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 occurring 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.

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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.

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	
	2013 RM	2012 RM
At 1 January	49.3	57.1
Fair value changes transferred to other comprehensive income	(0.9)	(7.8)
At 31 December	48.4	49.3

The financial asset included in Level 3 of the fair value hierarchy is a non-traded equity investment for which its valuation is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation.

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM1.0 million (2012: RM1.6 million) lower or RM1.3 million (2012: RM1.9 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			
	2013		2012		2013		2012	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets								
Staff loans	37.7	35.1	31.6	27.1	37.6	35.0	31.4	27.1
Other non-current receivables (excluding tax recoverable)	164.5	148.7	110.4	100.9	91.9	76.1	72.4	62.8
Liabilities								
Borrowings	6,455.2	6,813.7	7,140.4	7,784.9	4,348.8	4,654.1	5,440.3	5,976.0
Payable to a subsidiary	-	-	-	-	2,093.4	2,146.6	1,697.1	1,805.9

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The fair values of staff loans and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within 1 year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

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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
2013							
Borrowings	(1,595.4)	(57.7)	(1,297.5)	(3,544.3)	(6,494.9)	39.7	(6,455.2)
Unfavourable forward contracts	(11.1)	-	-	-	(11.1)	0.1	(11.0)
Unfavourable cross currency interest rate swaps	(8.6)	(8.5)	(38.9)	-	(56.0)	4.6	(51.4)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(2,705.2)	-	-	-	(2,705.2)	-	(2,705.2)
Customer deposits	(502.1)	-	-	-	(502.1)	-	(502.1)
Total	(4,822.4)	(66.2)	(1,336.4)	(3,544.3)	(9,769.3)	44.4	(9,724.9)
Interest	(289.4)	(226.4)	(662.7)	(822.9)	(2,001.4)		
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)		

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
2013							
Borrowings	(57.7)	(57.7)	(1,054.8)	(3,218.3)	(4,388.5)	39.7	(4,348.8)
Payable to a subsidiary	(1,524.7)	-	(242.7)	(326.0)	(2,093.4)	-	(2,093.4)
Unfavourable forward contracts	(11.1)	-	-	-	(11.1)	0.1	(11.0)
Unfavourable cross currency interest rate swaps	(8.6)	(8.5)	(38.9)	-	(56.0)	4.6	(51.4)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(2,969.0)	-	-	-	(2,969.0)	-	(2,969.0)
Customer deposits	(500.3)	-	-	-	(500.3)	-	(500.3)
Total	(5,071.4)	(66.2)	(1,336.4)	(3,544.3)	(10,018.3)	44.4	(9,973.9)
Interest	(288.9)	(226.4)	(662.7)	(822.9)	(2,000.9)		
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)		

47. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 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.

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47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	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			
2013										
Financial assets										
Derivative financial instruments	-	107.4	-	-	-	-	-	107.4	-	107.4
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	99.7	99.7
- fixed interest rate	4.53%	624.3	-	-	-	-	-	624.3	-	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	-	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- fixed interest rate										
- conventional	3.60%	0.2	0.2	0.2	0.1	0.1	44.1	44.9	72.6	117.5
- balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	-	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	1,983.9	1,983.9
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	17.2	17.2
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	755.4	755.4
- fixed interest rate										
- conventional	3.67%	831.7	-	-	-	-	-	831.7	-	831.7
- balances under Islamic principles	3.63%	927.8	-	-	-	-	-	927.8	-	927.8
Total		2,540.8	2.1	3.0	3.7	4.7	74.1	2,628.4	2,928.8	5,557.2
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.4	3.4
- floating interest rate	1.20%	326.0	-	-	-	-	-	326.0	-	326.0
- fixed interest rate										
- conventional	5.74%	1,586.2	45.8	43.6	284.6	0.1	1,032.9	2,993.2	-	2,993.2
- balances under Islamic principles	4.13%	-	-	-	-	932.6	2,200.0	3,132.6	-	3,132.6
Derivative financial instruments	-	62.4	-	-	-	-	-	62.4	-	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)	-	-	-	-	-	-	-	-	2,705.2	2,705.2
Customer deposits	-	-	-	-	-	-	-	-	502.1	502.1
Total		1,974.6	45.8	43.6	284.6	932.7	3,232.9	6,514.2	3,210.7	9,724.9
Interest sensitivity gap		566.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	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			
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)			

* WARF – Weighted Average Rate of Finance as at 31 December

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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 Group	2013		2012	
	USD	RM	USD	RM
Financial assets				
Available-for-sale investments	–	4.53%	–	4.76%
Available-for-sale receivables	–	7.78%	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	–	3.59%	–	4.24%
Cash and bank balances	0.59%	3.66%	0.60%	3.53%
Financial liabilities				
Borrowings	5.69%	4.37%	6.28%	5.10%

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			
2013										
Financial assets										
Derivative financial instruments	-	107.4	-	-	-	-	-	107.4	-	107.4
Loans and advances to subsidiaries (net)										
– floating interest rate	3.69%	166.9	-	-	-	-	-	166.9	-	166.9
Available-for-sale investments										
– non-interest sensitive	-	-	-	-	-	-	-	-	99.6	99.6
– fixed interest rate	4.53%	624.3	-	-	-	-	-	624.3	-	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	-	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.60%	0.1	0.2	0.2	0.1	0.1	44.1	44.8	-	44.8
– balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	-	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	1,811.5	1,811.5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	17.2	17.2
Cash and bank balances										
– non-interest sensitive	-	-	-	-	-	-	-	-	426.6	426.6
– fixed interest rate										
– conventional	3.67%	785.9	-	-	-	-	-	785.9	-	785.9
– balances under Islamic principles	3.63%	880.4	-	-	-	-	-	880.4	-	880.4
Total		2,614.4	2.1	3.0	3.7	4.7	74.1	2,702.0	2,354.9	5,056.9
Financial liabilities										
Borrowings										
– non-interest sensitive	-	-	-	-	-	-	-	-	3.4	3.4
– fixed interest rate										
– conventional	7.34%	48.5	45.8	43.6	41.9	0.1	1,032.9	1,212.8	-	1,212.8
– balances under Islamic principles	4.13%	-	-	-	-	932.6	2,200.0	3,132.6	-	3,132.6
Payable to a subsidiary										
– fixed interest rate	4.65%	1,524.7	-	-	242.7	-	-	1,767.4	-	1,767.4
– floating interest rate	1.16%	326.0	-	-	-	-	-	326.0	-	326.0
Derivative financial instruments	-	62.4	-	-	-	-	-	62.4	-	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	-	-	-	-	-	-	-	-	2,547.4	2,547.4
– floating interest rate	3.55%	421.6	-	-	-	-	-	421.6	-	421.6
Customer deposits	-	-	-	-	-	-	-	-	500.3	500.3
Total		2,383.2	45.8	43.6	284.6	932.7	3,232.9	6,922.8	3,051.1	9,973.9
Interest sensitivity gap		231.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

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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			
2012										
Financial assets										
Derivative financial instruments	-	45.7	-	-	-	-	-	45.7	-	45.7
Loans and advances to subsidiaries (net)										
- floating interest rate	3.80%	260.4	-	-	-	-	-	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		3,914.7	2.3	3.0	3.4	3.3	25.4	3,952.1	2,004.0	5,956.1
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		727.9	(1,465.6)	(40.8)	(38.7)	(311.7)	(2,296.0)			

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	2013		2012	
	USD	RM	USD	RM
Financial assets				
Loans and advances to subsidiaries (net)	2.35%	4.50%	2.72%	4.14%
Available-for-sale investments	–	4.53%	–	4.76%
Available-for-sale receivables	–	7.78%	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	–	3.59%	–	4.24%
Cash and bank balances	0.59%	3.66%	0.38%	3.55%
Financial liabilities				
Borrowings	7.88%	4.38%	7.88%	5.10%
Payable to a subsidiary	4.53%	–	5.25%	–
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	3.55%	–	3.26%

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

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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 appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated. The application is fixed for hearing on 30 April 2014.

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).

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(b) The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

- (a) a declaration that:
 - (i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);
 - (ii) the Company breached the Agreement;
 - (iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.
- (b) an order that the Company and TM Net pay NGSB the following special damages:
 - (i) 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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (b) (h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd.

The case proceeded for trial on 25, 26 and 27 January 2012 and thereafter on 7 and 8 May 2012. On 2 July 2012, the High Court dismissed NGSB's legal suit with cost.

On 1 August 2012, NGSB filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal is fixed for hearing on 22 May 2014.

The Directors, based on legal advice, are of the view that the Company has a good chance of success in the appeal.

- (c) A legal suit was commenced by One Visa Sdn Bhd (OVSb) against the Company on 21 September 2012.

In brief, the legal suit is premised on the allegation that the Company is a trespasser on 5 pieces of land belonging to OVSb known as HS(D) 23474 Lot 3181, HS(D) 23475 Lot 3182, HS(D) 23477 Lot 3183, HS(D) 23478 Lot 3184 and HS(D) 23479 Lot 3185 of Pekan Ulu Temiang, Negeri Sembilan (the Land) due to the existence of the Company's network infrastructures thereon. OVSb further alleges that it was prevented from developing the Land to its full potential as a result of the supply of telecommunication services by the Company to certain illegal occupiers (Squatters) on the Land.

OVSb is claiming the following sums from the Company:

- (i) damages amounting to RM23,077,116.00 which is the total rental value of the Land allegedly payable by the Company to OVSb, based on current prevailing market value rate calculated with effect from 22 March 2011 and continuing until cessation of the telecommunication services and the date of removal of the Company's offending infrastructure from the Land;
- (ii) damages amounting to RM198,110,908.00 which OVSb alleges as being its loss of opportunity and/or loss of profit by reason of the continued wrongful occupation of the Squatters on the Land which was caused, encouraged or facilitated by the Company resulting in OVSb being prevented from developing the Land to its full potential;
- (iii) quit rent and assessment for the Land for the year 2012 amounting to RM234,677.00 and RM49,360.00 respectively; and
- (iv) general damages, aggravated/exemplary damages, interest and costs.

On 28 September 2012, the Company filed its Memorandum of Appearance in the High Court. The Statement of Defence was later filed on 22 October 2012. The legal suit went on full trial from 17 to 19 February 2014. The High Court will deliver its decision on 8 May 2014.

The Directors, based on legal advice, are of the view that the Company has a reasonably good arguable defence to dismiss the legal suit.

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (d) On 6 March 2013, TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Group, has through its solicitors, been served with a Writ and Statement of Claim by Menara Intan Langkawi Sdn Bhd (MIL) and HBA Development Bhd (HBA), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an Agreement to Lease dated 14 August 2003 between MIL and TMF (Agreement). Under the Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of 15 years and at a lease rental of RM17.0 million per annum.

The Lease Agreement was subsequently terminated by TMF on 6 February 2007, as TMF was of the view that MIL has failed to secure the necessary approvals and commence construction of the telecommunication tower despite the time given.

Based on the Amended Writ and Statement of Claim (Statement of Claim), MIL and HBA are seeking for the following:

- (a) Damages in respect of loss of profit of RM168,701,922.00;
- (b) Damages in respect of works and expenses of RM86,298,078.60;
- (c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;
- (d) General damages;
- (e) Interest; and
- (f) Costs.

On 28 March 2013, TMF filed an application to strike out the Statement of Claim by the 2nd Plaintiff, HBA against TMF (Striking Out Application).

On 1 April 2013, TMF was served with an Amended Statement of Claim dated 29 March 2013 by both the Plaintiffs in the legal suit. In the Amended Statement of Claim, the Plaintiffs have amended their claim of loss of profits from RM168,701,922.00 to RM225,000,000.00.

On 17 May 2013, the Striking Out Application was allowed with cost by the High Court. On the same day, TMF filed its Defence to the Amended Statement of Claim by the 1st Plaintiff, MIL.

On 1 July 2013, the High Court ordered MIL to provide security for cost in the sum of RM175,000.00 within a period of 45 days and further ordered for the legal suit to be stayed pending payment of the same. On 26 August 2013, MIL paid the security for costs into TMF's solicitor's account.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(d) On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

- (i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;
- (ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;
- (iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and
- (iv) Interest and cost.

The hearing date for the Summary Judgment Application is fixed on 26 May 2014. The High Court has also fixed 26 and 27 May 2014 as the trial dates for the legal suit.

The Directors, based on legal advice, are of the view that TMF has more than reasonable prospects of successfully defending and dismissing 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 financial position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

49. SIGNIFICANT SUBSEQUENT EVENT

Acquisition of Equity Interest in GTC Global Sdn Bhd (GTC) from Gapurna Global Solutions Sdn Bhd (GGS)

On 27 November 2013, the Company entered into a conditional Share Sale Agreement (SSA) with GGS to acquire the entire equity interest held by GGS in GTC (Sale Shares) for a total consideration of RM45.0 million (Purchase Consideration) to be satisfied by way of cash (Proposed Acquisition).

The SSA is conditional upon fulfillment of several Conditions Precedent, within three (3) months from the date of the SSA or such other date as may be agreed upon between the Company and GGS.

The Proposed acquisition was completed on 10 January 2014 upon fulfilment of the Conditions Precedent, and GTC became the Company's wholly owned subsidiary with effect from the same date.

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. CHANGES TO COMPARATIVES

The Group's and Company's inventories as reported in the previous periods include materials and servicing equipment namely cables, wires, network materials, maintenance spares and supplies which have been assessed in accordance with the amendments to MFRS 116 "Property, Plant and Equipment" and met the definition of property, plant and equipment (PPE). This has led to the retrospective reclassifications of these items formerly classified and disclosed as inventories to PPE as well as the corresponding write-off charges and cash flows as below:

The Group	As previously reported RM	Reclassification RM	As restated RM
Consolidated Income Statement			
For the financial year ended 31 December 2012			
Operating Cost			
– depreciation, impairment and amortisation	(2,044.7)	(1.7)	(2,046.4)
– other operating costs	(6,927.3)	1.7	(6,925.6)
Consolidated Statement of Financial Position			
At 31 December 2012			
Non-current Assets			
Property, plant and equipment	14,637.6	84.1	14,721.7
Current Assets			
Inventories	235.3	(84.1)	151.2
At 1 January 2012			
Non-current Assets			
Property, plant and equipment	14,121.7	105.0	14,226.7
Current Assets			
Inventories	325.3	(105.0)	220.3
Consolidated Statement of Cash Flows			
For the financial year ended 31 December 2012			
Cash Flows From Operating Activities			
Payment to suppliers and employees	(6,693.3)	124.2	(6,569.1)
Cash Flows Used in Investing Activities			
Purchase of property, plant and equipment	(2,547.9)	(124.2)	(2,672.1)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

50. CHANGES TO COMPARATIVES (CONTINUED)

The Company	As previously reported RM	Reclassification RM	As restated RM
Income Statement			
For the financial year ended 31 December 2012			
Operating Cost			
– depreciation, impairment and amortisation	(1,847.1)	(1.7)	(1,848.8)
– other operating costs	(6,383.5)	1.7	(6,381.8)
Statement of Financial Position			
At 31 December 2012			
Non-current Assets			
Property, plant and equipment	12,806.8	83.6	12,890.4
Current Assets			
Inventories	126.3	(83.6)	42.7
At 1 January 2012			
Non-current Assets			
Property, plant and equipment	12,475.6	104.4	12,580.0
Current Assets			
Inventories	140.3	(104.4)	35.9
Statement of Cash Flows			
For the financial year ended 31 December 2012			
Cash Flows From Operating Activities			
Payment to suppliers and employees	(6,385.3)	123.3	(6,262.0)
Cash Flows Used in Investing Activities			
Purchase of property, plant and equipment	(2,232.2)	(123.3)	(2,355.5)

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013

The subsidiaries are as follows:

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2013 %	2012 %	2013 Million	2012 Million	
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	RM10.0	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 Enterprise Sdn Bhd	100	100	RM0.6	RM0.6	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2013 %	2012 %	2013 Million	2012 Million	
Telekom Malaysia (Australia) Pty Ltd* (sub-note (a))	100	–	AUD#	–	Provision of international telecommunications services
Telekom Malaysia (Hong Kong) Limited*	100	100	HKD18.5	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	100	100	SGD#	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	100	100	GBP#	GBP#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	100	100	USD3.5	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	100	100	RM1.7	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	100	100	RM20.0	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	100	100	RM14.5	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	100	100	RM13.0	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	100	100	RM#	RM#	Dormant
TM ESOS Management Sdn Bhd	100	100	RM0.1	RM0.1	Special purpose entity

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2013 %	2012 %	2013 Million	2012 Million	
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
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
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd (in liquidation) ^c	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2013 %	2012 %	2013 Million	2012 Million	
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	100	100	RM1.0	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	100	100	RM1.0	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	100	100	RM1.0	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	100	100	RM1.0	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	100	100	RM#	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	100	100	RM11.0	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors
VADS Business Process Sdn Bhd	100	100	RM10.0	RM10.0	Provision of managed contact centre services

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2013 %	2012 %	2013 Million	2012 Million	
Subsidiaries held through VADS Berhad (continued)					
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
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia	–	–	^^	^^	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Australia) Pty Ltd	– Australia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

AUD	Australian Dollar
IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

Amount less than 0.1 million in their respective currencies

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

< 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.

^^ As an entity established under the Trustees (Incorporation) Act, 1952, this entity has an initial contribution of RM13.0 million instead of paid-up capital.

(a) Telekom Malaysia (Australia) Pty Ltd was incorporated on 18 December 2013 under the Australian Corporations Act 2001.

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2013

The associates are as follows:

Name of Company	Group's Effective Interest		Principal Activities
	2013 %	2012 %	
Associates held through			
Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (in liquidation)	49	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the Companies Act, 1965
Mutiara.Com Sdn Bhd	30	30	Provision and promotion of Internet-based communications services
Associate held through			
Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd (sub-note (a))	29	–	Provision of telecommunications and network solutions

All associates are incorporated in Malaysia, except BlueTel Networks Pte Ltd (BTN), which is incorporated in Singapore. All associates have co-terminous financial year end with the Company.

- (a) On 15 August 2012, the Group via its wholly owned subsidiary, Telekom Malaysia (S) Pte Ltd (TMS) entered into a Subscription Agreement and Shareholders' Agreement with the shareholders of BTN, for the subscription by TMS of 1,266,000 ordinary shares (Shares Subscription) for a purchase consideration of SGD5.1 million, representing 29.0% of the total number of issued shares in BTN.

BTN is a provider of telecommunications and network solutions. Upon satisfaction of the conditions precedent, the Shares Subscription was duly completed on 26 March 2013 and BTN effectively became an associate of the Group. The financial impact of the acquisition for the current financial year is not material to the Group.

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 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Retained profits:				
– realised	3,051.2	2,801.1	3,680.8	3,422.2
– unrealised – in respect of deferred tax recognised in the Income Statements	(1,131.7)	(1,184.0)	(1,030.9)	(1,076.7)
– in respect of other items of income and expense	860.8	973.2	576.2	694.8
Share of accumulated profits of associates				
– realised	3.9	–	–	–
	2,784.2	2,590.3	3,226.1	3,040.3
Add: consolidation adjustments	1,631.2	1,599.9	–	–
TOTAL RETAINED PROFITS	4,415.4	4,190.2	3,226.1	3,040.3

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.

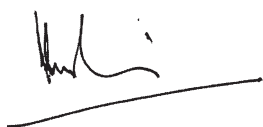
STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

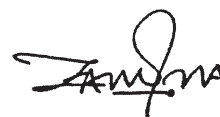
We, Dato' Sri Dr Halim Shafie and Tan Sri Dato' Sri Zamzamzairani Mohd Isa, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 274 to 413 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 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 414 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 2014.



DATO' SRI DR HALIM SHAFIE
Director/Chairman



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

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Datuk Bazlan Osman, the Director primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare the financial statements set out on pages 274 to 413 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 2014.)



DATUK BAZLAN OSMAN

Before me:



The official stamp is circular with the text "PESTURUHAYA SUMPAH" at the top, "No. W 350 SHAFIE B. DAUD" in the center, and "MALAYSIA" at the bottom.

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 274 to 282 which comprise the statements of financial position as at 31 December 2013 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 283 to 413.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of Companies Act, 1965, in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 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 414 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



NURUL A'IN BINTI ABDUL LATIF

[No. 2910/02/15 (J)]

Chartered Accountant

Kuala Lumpur
27 February 2014

AUTHORISED AND ISSUED SHARE CAPITAL

as at 20 March 2014

1. AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is RM3,528,003,015.00 divided into 5,040,000,020 ordinary shares of RM0.70 each; one (1) Special Rights Redeemable Preference Share (Special Share) of RM1.00; 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each; and 1,000 Class D NCRPS of RM1.00 each.

The changes in the authorised share capital are as follows:

Date	Type of Share	Par value (RM)	No. of shares Created/(Deleted)	Cumulative (RM)
12/10/1984	Ordinary Shares	1.00	1,000,000	1,000,000.00
06/08/1984	Ordinary Shares	1.00	4,999,000,000	5,000,000,000.00
11/09/1990	Special Share	1.00	1	5,000,000,001.00
31/03/2003	Class A Redeemable Preference Share (RPS)	0.01	1,000	5,000,000,011.00
31/03/2003	Class B RPS	0.01	1,000	5,000,000,021.00
08/05/2007	Class C NCRPS	1.00	2,000	5,000,002,021.00
08/05/2007	Class D NCRPS	1.00	1,000	5,000,003,021.00
07/05/2009	Class E RPS	0.01	4,000,000,000	5,040,003,021.00
10/05/2011	Class A RPS	0.01	(1,000)	5,040,003,011.00
	Class B RPS	0.01	(1,000)	5,040,003,001.00
	Class E RPS	0.01	(4,000,000,000)	5,000,003,001.00
	Ordinary Shares	1.00	20	5,000,003,021.00
	Class F RPS	0.01	4,000,000,000	5,040,003,021.00
01/08/2012	Class F RPS	0.01	(4,000,000,000)	5,000,003,021.00
	Ordinary Shares	0.70	40,000,000	3,528,003,015.00

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 in note 13 on pages 324 and 325 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
	1,000	Issuance of Class B RPS of RM0.01 each	3,238,510,401.00
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401.00
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401.00
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401.00
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901.00
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901.00
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891.00
	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881.00
	2,000	Issuance of Class C NCRPS of RM1.00 each	3,435,263,881.00
	925	Issuance of Class D NCRPS of RM1.00 each	3,435,264,806.00

AUTHORISED AND ISSUED SHARE CAPITAL

as at 20 March 2014

Date	No. of Shares Allotted	Description	Cumulative (RM)
23/07/2007 – 31/12/2007	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606.00
17/03/2008	137,592,300	Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906.00
02/06/2009	3,577,401,980	Issuance of Class E RPS of RM0.01 each	3,613,178,925.80
	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	3,577,404,906.00
07/06/2011	3,577,401,980	Issuance of Class F RPS of RM0.01 each	3,613,178,925.80
	(3,577,401,980)	Redemption of Class F RPS of RM0.01 each	3,577,404,906.00
01/08/2012	–	Reduction of par value of each ordinary share from RM1.00 to RM0.70 pursuant to completion of a capital reduction exercise	2,504,184,312.00

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 2014

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.	AmanahRaya Trustees Berhad – <i>Skim Amanah Saham Bumiputera</i>	471,927,600	–	13.19	–
3.	Citigroup Nominees (Tempatan) Sdn Bhd – <i>Employees Provident Fund Board</i>	305,633,400	–	8.54	–
TOTAL		1,805,402,692	–	50.46	–

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 [#]	*
Tan Sri 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 2014

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
Size of Shareholdings	No	%	No	%	No	%	No	%
Less than 100	985	3.77	6	0.02	7,156	0.00	29	0.00
100 – 1,000	8,524	32.62	131	0.50	7,302,607	0.20	106,836	0.00
1,001 – 10,000	13,563	51.91	302	1.16	49,818,160	1.39	1,354,925	0.04
10,001 – 100,000	1,649	6.31	251	0.96	43,398,834	1.21	9,921,838	0.28
100,001 – 178,870,098	365	1.40	351	1.34	1,200,744,621	33.57	595,274,613	16.64
(less than 5% of issued shares)								
178,870,099 and above	3	0.01	0	0.00	1,669,472,361	46.67	0	0.00
TOTAL	25,089	96.02	1,041	3.98	2,970,743,739	83.04	606,658,241	16.96

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 2014

No.	Name	No. of Shares Held	Percentage (%)
1.	Khazanah Nasional Berhad	939,051,961	26.25
2.	AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera	471,927,600	13.19
3.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	258,492,800	7.22
4.	Kumpulan Wang Persaraan (Diperbadankan)	160,863,500	4.49
5.	Khazanah Nasional Berhad – Exempt An	88,789,731	2.48
6.	Lembaga Tabung Haji	81,991,800	2.29

LIST OF TOP 30 SHAREHOLDERS

as at 20 March 2014

No.	Name	No. of Shares Held	Percentage (%)
7.	AmanahRaya Trustees Berhad – Amanah Saham Wawasan 2020	69,533,300	1.94
8.	AmanahRaya Trustees Berhad – AS 1Malaysia	62,632,600	1.75
9.	Permodalan Nasional Berhad	57,208,800	1.60
10.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	56,000,000	1.56
11.	AmanahRaya Trustees Berhad – Amanah Saham Malaysia	54,000,000	1.51
12.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for the Bank of New York Mellon (Mellon Acct)	42,891,733	1.20
13.	Amsec Nominees (Tempatan) Sdn Bhd – Amtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)	41,929,900	1.17
14.	Cartaban Nominees (Asing) Sdn Bhd – Exempt An for State Street Bank & Trust Company (West CLT OD67)	40,032,770	1.12
15.	Cartaban Nominees (Tempatan) Sdn Bhd – Exempt An for Eastspring Investments Berhad	35,848,100	1.00
16.	AmanahRaya Trustees Berhad – Public Islamic Dividend Fund	30,025,200	0.84
17.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	29,499,000	0.82
18.	Amanahraya Trustees Berhad – Amanah Saham Didik	27,689,400	0.77
19.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for AIA Bhd	21,992,300	0.61
20.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Matthews Asian Growth and Income Fund	20,245,551	0.56
21.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	19,824,440	0.55
22.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Nomura)	19,342,900	0.54
23.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	18,734,658	0.52
24.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Blackrock Global Allocation Fund, Inc.	18,179,834	0.51
25.	Pertubuhan Keselamatan Sosial	15,585,300	0.43
26.	AmanahRaya Trustees Berhad – Public Islamic Select Enterprises Fund	14,620,400	0.41
27.	Citigroup Nominees (Asing) Sdn Bhd – Citibank International PLC as Trustee for Standard Life Pacific Basin Trust (CBLDN)	12,786,900	0.36
28.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)	12,295,300	0.34
29.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.A.E.)	11,550,522	0.32
30.	AmanahRaya Trustees Berhad – Public Islamic Equity Fund	11,449,600	0.32
TOTAL		2,745,015,900	76.67

NET BOOK VALUE OF LAND & BUILDINGS

as at 31 December 2013

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	33	1,686	3	155	1	114	-	-	277.3	1,024.5
b. Labuan	-	-	6	511	-	-	-	-	-	-
c. Putrajaya	-	-	-	-	1	20	-	-	-	-
2. Selangor	9	10,208	21	1,404	3	183	68	6,020	506.3	429.1
3. Perlis	-	-	4	52	-	-	8	572	0.3	0.8
4. Perak	4	17	18	869	5	296	86	5,363	4.2	32.5
5. Pulau Pinang	3	5,015	15	919	-	-	39	6,838	4.8	21.6
6. Kedah	7	284	14	1,492	-	-	45	2,553	10.5	37.2
7. Johor	4	106	29	1,455	10	329	94	7,990	6.8	46.6
8. Melaka	3	15	24	2,121	-	-	23	4,039	15.6	154.3
9. Negeri Sembilan	4	164	11	395	5	266	49	2,186	38.2	20.8
10. Terengganu	-	-	16	797	-	-	43	5,082	0.6	21.9
11. Kelantan	1	20	11	572	3	45	35	2,058	0.5	7.8
12. Pahang	1	40	28	2,170	8	532	65	6,256	2.2	21.6
13. Sabah	-	-	14	184	4	162	61	24,269	3.9	29.1
14. Sarawak	5	202	28	1,023	10	400	96	11,203	16.7	43.2
15. Hong Kong	-	-	-	-	-	-	-	-	-	50.7
Total	74	17,757	242	14,119	50	2,347	712	84,429	887.9	1,941.7

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the lands have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these lands to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

*** Includes land held for property development and land held for sale of a wholly owned subsidiary, and non-current assets held for sale of the Company.

Includes non-current assets held for sale of the Company.

USAGE OF PROPERTIES

as at 31 December 2013

Location	Exchanges/ Data Centres	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom- munications/ Tourism Tower
1. Federal Territory										
a. Kuala Lumpur	13	2	6	6	-	-	-	-	1	-
b. Labuan	1	-	1	-	-	2	-	-	-	-
2. Selangor	75	8	6	7	3	-	-	4	1	-
3. Perlis	8	1	1	2	1	-	-	1	-	-
4. Perak	85	10	3	12	2	-	-	4	1	-
5. Pulau Pinang	40	1	3	4	2	1	1	4	-	-
6. Kedah	44	7	1	3	1	-	1	4	-	1
7. Johor	90	11	3	3	2	1	-	2	-	-
8. Melaka	30	1	1	1	1	2	-	2	1	-
9. Negeri Sembilan	45	8	3	2	-	-	1	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	-
15. Hong Kong	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
03-8949 2333

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

PT VADS

Puri VADS
Jalan HR Rasuna Said
Kav H No 1-2, Setiabudi
Jakarta Selatan, 12920 Indonesia

Telekom Sales & Services Sdn Bhd

Head Office
Level 38
North Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 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/O2, 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
SELANGOR	TMpoint @ UTC KL	Lot T3-17, Tingkat 3, UTC KL @ Pudu Sentral, Jalan Pudu 55100 Kuala Lumpur
	TMpoint Setapak	Ibusawat TM Setapak, 44, Persiaran Kuantan, 53200 Kuala Lumpur
	TMpoint Ampang	42, Jalan Mamanda 7, Ampang Point, 68000 Ampang, Selangor
	TMpoint Kepong	No. 67, Jalan Metro Perdana, Barat 1, Taman Usahawan Kepong 52100 Kepong, Kuala Lumpur
	TMpoint Kajang	No. 10 & 12, Jalan Metro Avenue 2, 43000, Kajang, Selangor
	TMpoint Rawang	Lot 21, Jalan Maxwell, 48000 Rawang, Selangor
	TMpoint Kuala Kubu Bharu	Bangunan TM, Jalan Dato' Balai, 44000 Kuala Kubu Bharu, Selangor
	TMpoint Bukit Raja	Jalan Meru, 41050 Kelang, Selangor
	TMpoint Shah Alam	Bangunan TM Shah Alam, Persiaran Damai, Seksyen 11 40000 Shah Alam, Selangor
	TMpoint Banting	No. 1-1-1A, Jalan Suasa 1, 42700 Banting, Selangor
	TMpoint Kuala Selangor	Bangunan TM, Jalan Klinik, 45000 Kuala Selangor, Selangor
	TMpoint Sabak Bernam	27, Jalan Raja Chulan, 45200 Sabak Bernam, Selangor
	TMpoint Port Klang	No. 57 & 59, Jalan Cungah, 42000 Port Klang, Selangor
	TMpoint Damansara Utama	No. 91-93, Jalan SS 21/1A, Damansara Utama, 47400 Petaling Jaya Selangor
PETALING JAYA	TMpoint Petaling Jaya	No. 22 & 24, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor
	TMpoint Taman Desa	Ground Floor, Wisma TM Taman Desa, Jalan Desa Utama 58100 Kuala Lumpur
	TMpoint Kelana Jaya	Unit 109B, Ground Floor, Kelana Park View Tower, No. 1, Jalan SS 6/2 47301 Kelana Jaya, Selangor
	TMpoint Sunway Damansara	Unit C-08, Ground Floor & 1 st 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

GROUP DIRECTORY

STATE	TMPOINT	ADDRESS
NEGERI SEMBILAN	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
	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
MELAKA	TMpoint Tampin	Jalan Besar, 73000 Tampin, Negeri Sembilan
	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
JOHOR	TMpoint @ UTC Melaka	Aras 3, Bangunan UTC, Wisma DMDI, Jalan Hang Tuah, 75300 Melaka
	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

STATE	TMPOINT	ADDRESS
PULAU PINANG	TMpoint Sungai Petani	Bangunan TM, Jalan Petani, 08000 Sungai Petani, Kedah
	TMpoint Kulim	No. 4 & 5, Jalan Tunku Asaad, 09000 Kulim, Kedah
	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
PERAK	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
	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
KELANTAN	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
	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
TERENGGANU	TMpoint Pasir Puteh	258B, Jalan Sekolah Laki-laki, 16800 Pasir Puteh, Kelantan
	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
PAHANG	TMpoint Jerteh	Ground Floor, Lot 174, Jalan Tuan Hitam, 22000 Jerteh, Terengganu
	TMpoint Kuantan	G08 & G09, Ground Floor, Bangunan Mahkota Square, Jalan Mahkota, 25000 Kuantan, Pahang

GROUP DIRECTORY

STATE	TMPOINT	ADDRESS
	TMpoint UTC Pahang	Lot 2.2, Level 2, Pusat Transformasi Bandar UTC, Jalan Stadium, 25000 Kuantan
	TMpoint Pekan	No. 87, Jalan Sultan Abdullah, 26600 Pekan, Pahang
	TMpoint Mentakab	Jalan Tun Razak, 28400 Mentakab, Pahang
	TMpoint Bentong	111, Bgn. Persatuan Bola Sepak, Jalan Ah Peng, 28700 Bentong, Pahang
	TMpoint Kuala Lipis	10, Jalan Bukit Bius, 27200 Kuala Lipis, Pahang
	TMpoint Raub	Jalan Kuala Lipis, 27600 Raub, Pahang
	TMpoint @ UTC Pahang	Lot 2.2, Level 2, Pusat Transformasi Bandar (UTC), Jalan Stadium, 25000 Kuantan, Pahang
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
SARAWAK	TMpoint Kudat	Lot No.3, Jaya Shopping Center, Jalan Datu, 89050 Kudat, Sabah
	TMpoint Labuan	Bangunan TM, Jalan Dewan, 87000 Wilayah Persekutuan Labuan
	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 Sibul	Persiaran Brooke, 96000 Sibul, Sarawak
	TMpoint Sarikei	Jalan Berek, 96100 Sarikei, Sarawak
	TMpoint Kapit	Jalan Kapit By Pass, 96800 Kapit, Sarawak

TM GLOBAL & WHOLESALE

Level 53, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 5500
03-2240 5501
Fax : 03-7956 0208
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

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St. Martin's House
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175a Bencoolen Street
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Limited
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Gordon NSW 2072
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GROUP DIRECTORY

SUPPORT BUSINESS

Head Office

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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	BIG Brunei International Gateway	CDMA Code Division Multiple Access	CUSCN China United States Cable Network
A	BOD Board of Directors	CEP Customer Experience Programme	D
AC Alternating Current	BOFA Basic Occupational First-Aid	CI Competency Index	DBKL Kuala Lumpur City Hall
AAG Asia-America Gateway	BPM Business Performance Management	CMA Communications and Multimedia Act	DC Direct Current
ABAC Audit and Business Assurance Committee	BPO Business Process Outsourcing	CMS Credit Management System	DCS 1 CLICK Digital Subscriber Line Service Provisioning
ACE Achieving Customer Excellence	BRC Board Risk Committee	CoS Class of Service	DDN Digital Data Network
AESP Authorised Entrant and Stand-by Person	BSC Balance Score Card	CPEO Customer Premises Equipment Ownership	DECT Digital Enhanced Cordless Telecommunications
ALD Access List Determination	BSS Business Support System	CR Corporate Responsibility	DEL Direct Exchange Line
APCN2 Asia Pacific Cable Network 2	C	CRM Customer Relationship Management	DMCS Dumai (Sumatera) Melaka Cable System
APG Asia-Pacific Gateway	CAMS Credit Assessment and Management Systems	CSA Customer Service Academy	DOME Direct Over Metro-E
AR Abandonment Rate	CAP Cinematic Arts Programme	CSAs Control Self-Assessments	DOSH Department of Occupational Safety & Health
ARD Access Reference Document	CAGR Compound Annual Growth Rate	CSDP Content and Service Delivery Platform	DSL Digital Subscribers Line
ASE Asia Submarine Express	CAPEX Capital Expenditure	CSME Confined Space Medical Examination	DVR Digital Video Recording
ASP Application Service Provider	CBC / P11M Community Broadband Centre / <i>Pusat Internet 1Malaysia</i>	CSI Customer Satisfaction Index	DWDM Dense Wavelength Division Multiplexing
B	CBE Code of Business Ethics	CSR Corporate Social Responsibility	E
BBGP Broadband for General Population	CBL Community Broadband Library	CTI Computer Telephony Information	EAC Engineering Accreditation Council
BCM Business Continuity Management	CCI Communications Content and Infrastructure	CUGs Closed User Groups	EAP Employee Assistance Programme

GLOSSARY

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation

EBM

Enterprise Business Management

EC

Everyone Connects

EEI

Employee Engagement Index

EES

Employee Engagement Survey

EMS

Environment Management System

EPPs

Entry Point Projects

ERM

Enterprise Risk Management

ETP

Economic Transformation Programme

EVPL

Ethernet Virtual Private Line

EV-DO

Evolution Data Optimised/
Evolution Data Only

F

FCCAS

Financial Controls and Assurance Statement

FCR

First Contact Resolution

FCS

Full Channel Service

FGTC

Frontliner Goes To Customer

FLC

Federal Land Commissioner

FMA

Factories and Machinery Act

FTP

Fast Track Programme

FTTB

Fibre-to-the Building

FTTH

Fibre-to-the Home

FTTS

Fibre-to-the School

G

GES

Global Ethernet Services

GDJ

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

HCSO

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

KKMM

Ministry of Communications and Multimedia Malaysia

KTS

Key Telephone System

L**LAN**

Local Area Network

LDU

Leadership Development Unit

LOA

Limit of Authority

LOBs

Lines of Business

LPPKN

National Population and Family Development Board

LTE

Long Term Evolution

LWDs

Lost in Work Days

M**MACC**

Malaysian Anti-Corruption Commission

MAMPU

Malaysian Administrative Modernisation and Planning Unit

MC

Management Committee

MCG

Malaysia Corporate Governance

MCI

Market Competitive Incentive

MCMC

Malaysian Communications & Multimedia Commission

MDeC

Multimedia Development Corporation

MEF

Metro Ethernet Forum

MERS

Malaysia Emergency Response Services

MFA

Malaysian Franchise Association

MCMM

Ministry of Communications and Multimedia Malaysia

MIDA

Malaysia Industrial Development Authorities

MII

Malaysian Institute of Integrity

MIER

Malaysian Institute of Economic Research

MIHRM

Malaysian Institute of Human Resource Management

MITI

Ministry of International Trade and Industry

MKL

Menara Kuala Lumpur

MMP

Management and Maintenance Package

MMORPGs

Massively Multiplayer Online Role-Playing Games

MNS

Malaysian Nature Society

MoE

Ministry of Education

MOHE

Ministry of Higher Education

MoU

Memorandum of Understanding

MPLS

Multi Protocol Label Switching

MQA

Malaysian Qualification Agency

MSA

Mandatory Standard on Access

MSAP

Mandatory Standard on Access Pricing

MSC

Multimedia Super Corridor

MSS

Managed Security Services

MTCP

Malaysian Technical Cooperation Programme

MTTI

Mean Time to Install

MTTR

Mean Time to Restore

GLOSSARY

N

NaCOSH

National Council for Occupational Safety and Health

NADOPOD

Notification of Accidents, Dangerous Occurrences, Occupational Poisoning & Occupational Disease

NBI

National Broadband Initiative

NBN

National Broadband Network

NCSM

National Cancer Society Malaysia

NCSR

National Centre for Sustainability Reporting

NFP

Network Facility Provider

NGN

New Generation Network

NIOSH

National Institute of Occupational Safety & Health

NIP

National Integrity Plan

NKEA

National Key Economic Area

NKRA

National Key Results Areas

NSC

National Sports Council

NSP

Network Service Provider

NTMSP

NIOSH – TM Safety Passport

NTT Com

NTT Communications Corporation

NUTE

National Union of Telecommunications Employees

O

OCM

Operation Committee Meeting

OHD

Occupational Health Doctor

OIAB

Office in a Box™

OJAs

On-the-Job Assessments

OJT

On the Job Training

OLN0s'

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 a 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-Ninth Annual General Meeting (29th AGM) of the Company will be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 8 May 2014 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 2013 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 16.3 sen per ordinary share in respect of the financial year ended 31 December 2013. **(Ordinary Resolution 1)**
3. To re-elect the following Directors, who retire pursuant to Article 98(2) of the Company's Articles of Association:
 - (i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor **(Ordinary Resolution 2)**
 - (ii) Gee Siew Yoong **(Ordinary Resolution 3)***Please refer to Explanatory Note B*
4. To re-elect the following Directors, who retire pursuant to Article 103 of the Company's Articles of Association:
 - (i) Dato' Sri Dr Halim Shafie **(Ordinary Resolution 4)**
 - (ii) Tan Sri Dato' Sri Zamzamzairani Mohd Isa **(Ordinary Resolution 5)**
 - (iii) Davide Giacomo Benello @ David Benello **(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 2014 and to authorise the Directors to fix their remuneration.
Please refer to Explanatory Note E **(Ordinary Resolution 8)**
7. To note the payment of Directors' Fees amounting to RM1,791,596.75 for the financial year ended 31 December 2013.
Please refer to Explanatory Note F

As Special Business

8. To consider and if thought fit, to pass the following Resolution:
 - 8.1 Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965 [CA 1965]

"THAT, subject always to the CA 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised to issue and allot shares in the Company pursuant to Section 132D of the CA 1965, to any person other than a Director or major shareholder of the Company or person connected with any Director or major shareholder of the Company, at any time until the conclusion of the next annual general meeting, in such number and to such person and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued and paid up share capital of the Company for the time being **AND THAT** the Directors be and are also

empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued **AND FURTHER THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next annual general meeting of the Company”
(Ordinary Resolution 9)

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 29th 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 30 April 2014. Only a depositor whose name appears on the Register of Member/ROD as at 30 April 2014 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

By Order of the Board

Idrus Ismail (LS0008400)
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
15 April 2014

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 CA 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account. Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy is specified.

NOTICE OF ANNUAL GENERAL MEETING

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, 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. The Share Registrars will also provide a transparent box at the ground floor of its office building for drop-in of proxy forms.
7. Explanatory Note A
The Agenda item is meant for discussion only as the provision of Section 169(1) of the CA 1965 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
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor, Gee Siew Yoong, Dato' Sri Dr Halim Shafie, Tan Sri Dato' Sri Zamzamzairani Mohd Isa and Davide Giacomo Benello @ David Benello are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 29th AGM.

The Board has conducted an assessment on the independence of the independent directors who are seeking re-election and re-appointment at this 29th AGM of the Company and is satisfied that the incumbents have complied with the independence criteria applied by the Company. In addition, Gee Siew Yoong who was recently appointed as an Independent Non-Executive Director on 13 March 2014 also complied with the independence criteria.

Details of the assessment of all the directors standing for re-election and re-appointment save for Gee Siew Yoong are provided on pages 140 and 141 inclusive, of the Nomination & Remuneration Committee Report in the 2013 Annual Report.

9. Explanatory Note D
Dato' Danapalan T.P Vinggrasalam, who has attained the age of 71 years, has offered himself for re-election as a Director of the Company and to hold office until the conclusion of the next annual general meeting. The re-appointment, shall take effect if the proposed Ordinary Resolution 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 29th 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 Agenda item is meant for noting only as shareholders' approval on the increase of fees effective 1 January 2012 has been duly obtained at the 28th AGM held on 7 May 2013. In view that there is no revision to the existing Directors' Fees for the financial year ended 31 December 2013, the shareholders' approval in 2013 is still subsisting.

Details of the fees paid to the Directors for the financial year ended 31 December 2013 are enumerated on pages 112 and 113 inclusive, of the Statement on Corporate Governance in the 2013 Annual Report.

EXPLANATORY NOTES ON SPECIAL BUSINESS

12. The proposed Resolution 9 is a new mandate sought from shareholders for Directors to issue and allot new shares in the Company of up to an amount not exceeding 10% of the issued and paid up share capital of the Company for such purposes as the directors may deem fit in the best interest of the Company including for any possible fund raising activities for the Company's working capital requirements and strategic investments.

This resolution if approved, will give the Company and its Directors the mandate and flexibility to issue and allot new shares in the Company for possible fund raising activities without the need to seek shareholders' approval via a general meeting subsequent to this 29th AGM, which may delay the capital raising initiatives and incur relevant cost in organising the general meeting.

The authority, unless revoked or varied by the Company at a general meeting, will be valid until the next annual general meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF 29TH 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 [CA 1965]:

1. Article 98(2): Retirement after appointment to fill casual vacancy
 - (i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor
 - (ii) Gee Siew Yoong
2. Article 103: Retirement by rotation
 - (i) Dato' Sri Dr Halim Shafie
 - (ii) Tan Sri Dato' Sri Zamzamzairani Mohd Isa
 - (iii) Davide Giacomo Benello @ David Benello
3. Section 129 of the CA 1965: Re-appointment of Director
Dato' Danapalan T.P Vinggrasalam

The profiles of the respective Directors who are standing for re-election (as per Ordinary Resolutions 2 to 6) and re-appointment (as per Ordinary Resolution 7) as stated in the Notice of 29th AGM are set out in the Profile of the Board of Directors on pages 86 to 92 inclusive, of this annual report.

None of the abovenamed Directors, save for Dato' Sri Dr Halim Shafie and Tan Sri Dato' Sri Zamzamzairani Mohd Isa, has any interest in the securities of the Company. Their securities' holdings are disclosed on page 421 of this annual report.

PROXY FORM

(Before completing the form, please refer to the notes overleaf)



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-Ninth (29th) 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 Thursday, 8 May 2014 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 29th 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 Thursday, 8 May 2014 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.	Declaration of a final single-tier dividend of 16.3 sen per share – Ordinary Resolution 1				
2.	Re-election of Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor pursuant to Article 98(2) – Ordinary Resolution 2				
3.	Re-election of Gee Siew Yoong pursuant to Article 98(2) – Ordinary Resolution 3				
4.	Re-election of Dato' Sri Dr Halim Shafie pursuant to Article 103 – Ordinary Resolution 4				
5.	Re-election of Tan Sri Dato' Sri Zamzamzairani Mohd Isa pursuant to Article 103 – Ordinary Resolution 5				
6.	Re-election of Davide Giacomo Benello @ David Benello pursuant to Article 103 – Ordinary Resolution 6				
7.	Re-appointment of Dato' Danapalan T.P Vinggrasalam pursuant to Section 129 of the Companies Act, 1965 – Ordinary Resolution 7				
8.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and authorisation to Directors to fix their remuneration – Ordinary Resolution 8				
9.	Special Business: – Authority for the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 – Ordinary Resolution 9				

Signed this day of 2014.

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

- A Member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A Member may appoint any person to be his proxy without restriction to the proxy's qualification and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
- 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.
- Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
- 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, 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. The Share Registrars will also provide a transparent box at the ground floor of its office building for drop-in of proxy forms.

Members entitled to Attend

7. For the purpose of determining a member who shall be entitled to attend the 29th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 74(3) of the Company's Articles of Association and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors (ROD) as at 30 April 2014. Only a depositor whose name appears on the Register of Members/ROD as at 30 April 2014 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.

2. Fold this flap to seal

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

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