Interconnect Bandwidth

Interconnect Bandwidth services falls under the domain of Access List Determination (ALD) and Mandatory Standard on Access (MSA). As incorporated in the Access Agreement (AA), the range of service includes Point of Interconnect (POI) and Non-POI services, with speeds ranging from 64Kbps up to 155Mbps for the purpose of network building, network completion and interconnecting operators.

New Regulated Services

In year 2009, Wholesale Business introduced new services under its Access Reference Document (ARD) in line with MCMC's objective to increase broadband penetration and competitiveness in the fixed line market. Among the services offered are Wholesale Local Leased Circuit, Wholesale Line Rental and a suite of Local Loop Unbundling services, which requires TM to open its last mile access to other licensed network operators.

INFRA SERVICES

Infra Services offer secure and cost-effective space sharing to service providers. The basic amenities extended include towers, land, floor and rooftop space as well as auxiliary services such as environmental control and fire management systems. To cater for the growing demand in bandwidth and secure network coverage, Wholesale Business launched a new carrier hotel (where data communications media converge and are interconnected) in June 2009. With this additional data centre, licensed network operators can leverage on Wholesale Business as a one-stop centre for total solutions in Infra and Data services.

In upholding TM's promise of promoting open access to its network, Wholesale Business has developed wholesale products leveraging on TM's new super highway High Speed Broadband (Transmission) service, and offered these to licensed network operators beginning April 2009. Wholesale Business has since developed the next necessary component of HSBB, namely High Speed Broadband (Access) Service, which is scheduled to be made available in the market in the second quarter of 2010. This will enable NSPs to gain access to 1.3 million premises for the delivery of value-added applications such as IPTV, tele-presence, tele-medicine, e-education, virtual and online gaming.

To enable a wider HSBB network penetration, Wholesale Business has entered into various strategic business agreements with tower operators. One such agreement enables TM to leverage on and utilise the infrastructure towers to expand its existing network and to provide Data services to NSPs. To date, Wholesale Business has sealed agreements with seven tower operators.

In further driving revenue growth, Wholesale Business has also entered into several agreements to provide total solutions in terms of data and infrastructure requirements to NSPs such as YTL Communications Sdn Bhd, Wi-Net Technology Sdn Bhd and Celcom Axiata Berhad. In the agreements, Wholesale Business is committed to deliver the services required for their network expansion nationwide on a long-term basis with competitive offerings.

PROSPECTS

Wholesale Business is gearing up for the next cycle in the evolution of communications technology which heralds Next -Generation Network (NGN) and High Speed Broadband (HSBB) based services. These efforts will ensure better quality, reliability and efficiency to enable Wholesale Business to produce flexible offerings for the ever-changing needs and requirements of businesses, such as triple-play and other bandwidth-hungry applications.

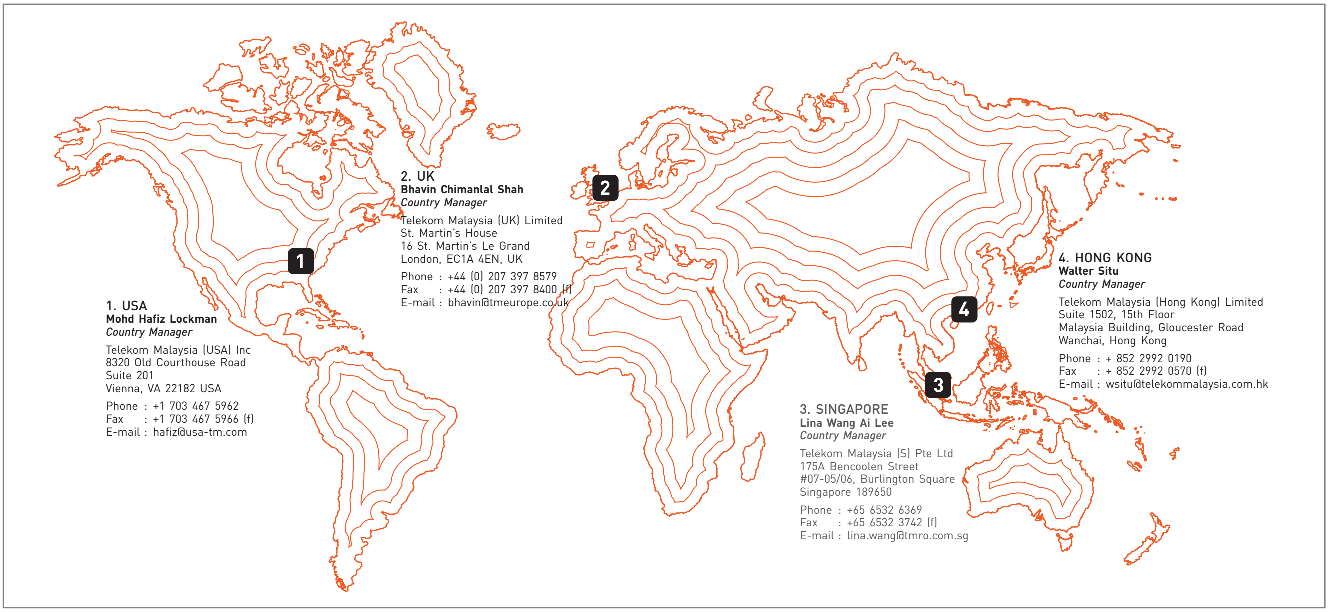
A collaboration between TM and YTL Communications – Working towards a broadband nation

BUSINESS REVIEW

GLOBAL BUSINESS

OVERVIEW

TM Global (TMG) has continued to drive new revenue while maximising its physical assets in submarine cable systems, point-of-presence and foreign backhaul. It has forged dynamically towards operational excellence while focusing on cost management and profitability. As Global positions itself to be a regional market leader, it continues to grow its already extensive product line of voice, Internet, bandwidth and data services to meet increasingly sophisticated demands from global carriers and enterprise customers. Global's effort in this regard is backed by advanced technology and technology-savvy employees.



In its quest to broaden its coverage, Global is targeting regions with strong potential for deeper market penetration and growth, such as South Asia and the Middle East, while reclaiming existing markets by offering highly innovative and custom-tailored products.

TM's collaboration with Verizon Business to launch the KL IP Hub allows customers in Malaysia and the region to experience a tier-1 Internet service which in the past would require connection to more distant destinations. A critical objective of this project is to position Malaysia as the Internet hub of choice in the ASEAN region.

Global owns extensive submarine cable systems – the APCN2, CUSCN, JUSCN, SMW3, SMW4, DMCS, SAFE, SAT3/WASC and BRCS – which connect Malaysia to the rest of the world. The recently upgraded APCN2, SMW4 and SAFE cables as well as the recently launched AAG have brought its total bandwidth capacity to 260Gbps.

The nationwide deployment of HSBB is fuelling demand for bigger international capacity. To meet this requirement, TM has embarked on new international cable system ventures such as the Asia-Pacific Gateway (APG), targeting Ready-For-Service (RFS) in the first quarter of 2012. With an initial lit capacity of 4Tbps, this cable system will use Dense Wavelength Division Multiplexing (DWDM) technology to provide connectivity between Malaysia, Singapore, Thailand, Vietnam, Hong Kong, the Philippines, Taiwan, China, Japan and South Korea.

BUSINESS OPERATIONS

GLOBAL SALES OFFICE & PRODUCT HOUSE

Global headquarters is located at Menara TM, Kuala Lumpur, with four regional offices in Singapore (Telekom Malaysia (S) Pte Ltd), United Kingdom (Telekom Malaysia (UK) Limited), USA (Telekom Malaysia (USA) Inc) and Hong Kong (Telekom Malaysia (Hong Kong) Limited). Offshoot offices in Prague and Taiwan have also been established to support the emerging Eastern Europe and China markets.

Global worldwide has dedicated account executives focusing on serving customers in the regions of North & South Asia, Europe, Oceania, Americas and the Middle East & Africa. It has established business alliances with telcos in Singapore, the Philippines, Brunei, Indonesia, Thailand, Myanmar, Cambodia, Laos and Vietnam; and global IP nodes in Singapore, Hong Kong, the UK, the US and several other countries. The acquisition of France's telecommunications license in 2009, meanwhile, has solidified Global's presence in the old continent.

GLOBAL PRODUCTS & SERVICES

Global's extensive products and services are managed by the Global Data Marketing and Global Voice Marketing teams, which provide customised solutions based on specific requirements. This personalised touch is extended to after-sales and technical services. The ultimate objective is to take care of the entire international information and communications needs of customers so they can focus on creating value for their business.

Voice Services

Bilateral Voice

TM provides the local loop and the last mile for fixed-line networks in Malaysia via bilateral arrangements with foreign telecommunications partners. The inter-carrier connection – via submarine cables, satellites and microwaves – ensures that TM is capable of terminating Malaysian traffic with the highest quality and clarity.

Wholesale Voice

TM provides termination services to international voice service providers, covering more than 200 destinations around the world that may or may not be directly connected with TM's 105 bilateral partners. The traffic termination service is offered on both platforms.

i. Voice Over Internet Protocol (VoIP)

Based on a centralised managed solution, VoIP allows service providers to establish and operate phone-to-phone voice and fax services, as well as create value-added applications to grow their IP portfolios. Through this service, Global offers a mixed portfolio of national and international traffic terminations and enhanced applications.

ii. Public Switched Telephone Network (PSTN)

PSTN remains the preferred choice for voice calls due to its unparalleled communication quality and audio clarity, besides its high connection reliability. With over 200 international destinations, termination is made possible via direct and transit arrangements, utilising submarine cables, satellite links and terrestrial connectivity.

International Value-Added Services

Value-Added Services (VAS) are non-core services provided by Global to broaden subscribers' options in fulfilling their business communication requirements.

i. Mobile Matrix

TM Mobile Matrix is a product catalogue containing a range of products and services which utilise the existing platform and equipments to provide innovative value-added services to mobile

TM at Capacity Asia 2009

Signing of agreement between TM and Global Crossing

operators worldwide. It was developed to cater to mobile operators that require cost-effective and comprehensive global network solutions. The Mobile VAS Catalogue consists of:

a. International Premium Voice Services (IPVS)
b. Signalling Connection Control Part (SCCP) Roaming
c. Airtime Exchange

ii. Global Voice Solutions
Global Voice Solutions is a platform for carriers around the world to connect to TM's network via either VoIP or Time-Division Multiplexing (TDM). It has been implemented in Global's regional centres of New York, London, Hong Kong and Singapore. Carriers based around these locations are able to enjoy the benefits of near-end reachability at a lower cost.

Data Services
Global VPN Services
A Virtual Private Network (VPN) tunnels through another network, linking remote offices or individual users to their organisation's network. It is widely used by businesses to create Wide Area Networks (WANs) across large geographical areas, providing site-on-site connections to branch offices. A VPN provides the same capabilities as an extensive system of owned or leased lines that can be used by only one organisation, but at a much lower cost.

i. Global IPVPN
TM's Global IPVPN is a fully-managed end-to-end virtual private networking solution that is simple, secure and scalable. It offers four service classes which enable customers to integrate video, voice, data and other business applications via a single extensive any-to-any private network connectivity. TM has established its own nodes in Bahrain, Egypt, Sri Lanka, Indonesia, Singapore, Hong Kong, Los Angeles, New York and Malaysia. It has also expanded its connectivity to 80 countries through global partners.

ii. Global Ethernet
TM's Global Ethernet provides secure point-to-point or point-to-multipoint Ethernet bandwidth connectivity developed over TM's private global MPLS-IP based network. Using standard Ethernet interfaces, customers can set up secure, private bandwidth connectivity to global business partners/suppliers or the Internet. The service enables a more flexible and cost-effective solution than WAN solutions such as private lines, ATM or frame relay – at higher, scalable speeds. With Global Ethernet, customers can buy just the amount of bandwidth needed, and easily add bandwidth as desired.

Global IP Services
Delivered over TM's international network infrastructure with Points of Service located worldwide, TM's IP Network Capacity (AS4788) stands at about 100Gbps and is expected to be further increased in the near future.

i. Global IP Transit
TM's IP Transit is designed for Internet service providers, content service providers, corporations and businesses to access the Internet, and is customisable to suit particular needs. IP Transit is offered with a dedicated access link to customers from TM's Point of Service with speeds ranging from 64Kbps to 10Gbps. Available access options include submarine cable systems, satellites, Very Small Aperture Terminal (VSAT) as well as local leased circuits and Layer 2 VPN tunnelling.

International Bandwidth Services
International Bandwidth Services capitalises on TM's extensive terrestrial, submarine fibre optics and satellite international networks to enable contact beyond Malaysian shores. Accentuating One Stop Shopping (OSS) and Full Channel Service (FCS), it links Malaysia to any destination in the world.

i. International Private Leased Circuit (IPLC)
Designated to fulfill the demands of privately owned secure global networks with dispersed locations, TM's IPLC is a dedicated point-to-point leased service between various business premises around the world. It offers high speed digital connections via TM's submarine cable systems, and via satellite through connections with more than 60 carriers.

ii. Bandwidth Transit
This provides fast and reliable end-to-end connectivity between two international destinations with Malaysia as a transit hub.

iii. Bandwidth Backhaul
It connects two separate submarine cable systems or terrestrial systems that terminate in two different landing stations within Malaysia. The service provides dedicated capacity between Cable Landing Stations or Border Stations in Malaysia, which the customer either owns or in which the customer has Indefeasible Right of Use (IRU) capacity via the international submarine cable or border facilities.

iv. Bandwidth Interconnection
This connects different cable systems linked to TM's Cable Landing Stations.

v. Global VSAT
TM's Global VSAT utilises satellite-based Single Channel Per Carrier (SCPC) technology, with data rates from 64Kbps to 155Mbps. It provides point-to-point dedicated connectivity via satellite from one customer's premises to another. A VSAT antenna and indoor unit is used at each customer's premises.

vi. International Ethernet Private Line (IEPL)
TMIEPL is a managed bandwidth service providing dedicated, end-to-end global connectivity using a standard Ethernet interface with the following features:

- High level of flexibility and security for easy WAN connection
- High speed offering with scalable upgrades
- High-traffic volume applications
- Standard Ethernet interface, providing consistent technology and reducing the cost of equipment
- A resilient and well-diversified network

FINANCIAL PERFORMANCE

Despite the global economic slowdown, TM Global experienced a slight drop in its business growth in 2009, from RM1,166.9 million in 2008 to RM1,132.3 million. Other major players in the industry, meanwhile, experienced erosion in their profit margins and relatively flat growth rates.

Data and voice services contributed about 49.0% each to the total of TM Global's 2009 revenue. Growth in revenue from data products was significant, from 40.8% in 2008 to 48.5% in 2009, reflecting Global's focus on the global data services industry in 2009.

PROSPECTS

Global has always strived to enable customers to create greater value in their businesses. It now aims to evolve from being a telco to a global solutions service provider that supports all of TM's international requirements in a cost-effective manner. Global has established new initiatives identified as '4 Tactical Pillars' and '2 Foundations'.

The 4 Tactical Pillars:

1. Increase share of customers' business with TM Global, with new value-added services, new cable systems and upgrades to existing cable systems.
2. Retain customers through higher service quality exceeding their expectations, with infrastructure and backend efficiency and various exciting programmes.
3. Win back lost customers through proactive engagements and strategic alliances.
4. Sell to new customers by transforming existing market potential, expanding in new markets and attracting customers from competitors.

The 2 Foundations:

1. Service Value Proposition
    - Bold customer offerings
    - End-to-end campaign management
    - Enhanced customer experience
    - Ensuring superior customer experience

2. Go-To-Market Plan
    - Aggressive promotion
    - Improvement of customer management policy
    - Market in focus areas
    - Enhancement of execution capabilities

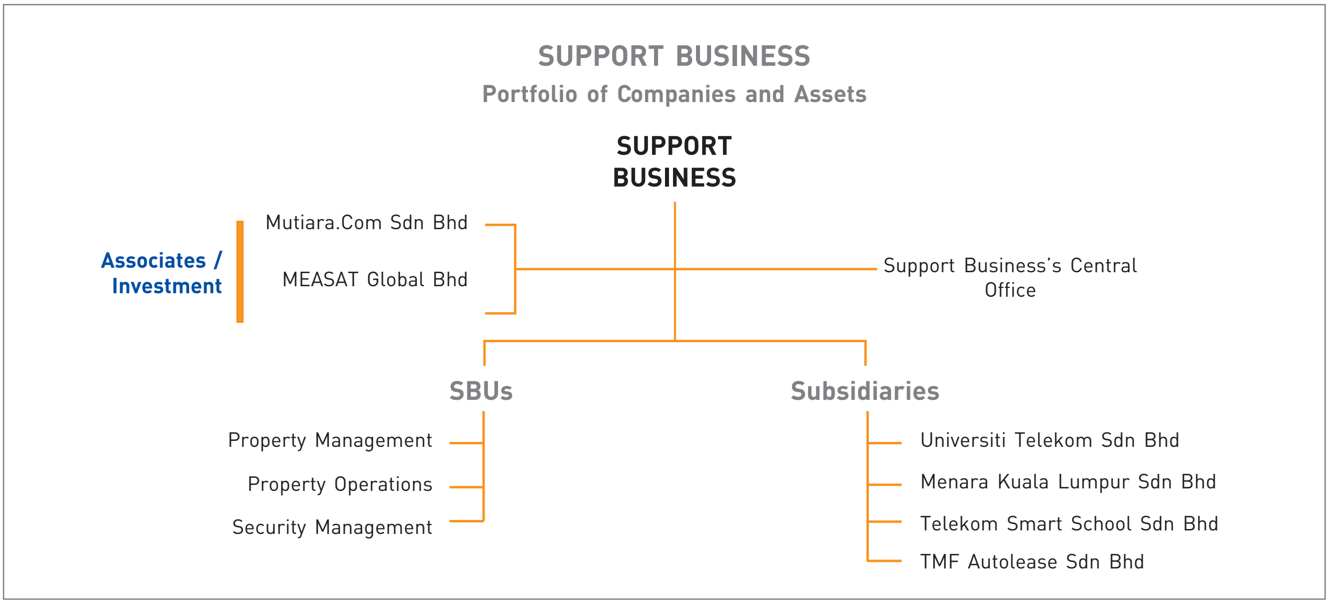
Global will continue to partner with international event organisers and media houses to maintain and expand its strategic sales platforms and brand awareness initiatives that include sponsorship and participation in events as well as media exposure and online publicities. At the same time, it will strive to stretch the usage and capabilities of the Next-Generation Network (NGN) by enhancing its voice products and integrating its voice platform with NGN's global network, on which it also aims to provide selected wholesale data services. Finally, Global has initiated capacity upgrades of its submarine cable systems AAG, APCN2 and SMW4.

BUSINESS REVIEW

SUPPORT BUSINESS

OVERVIEW

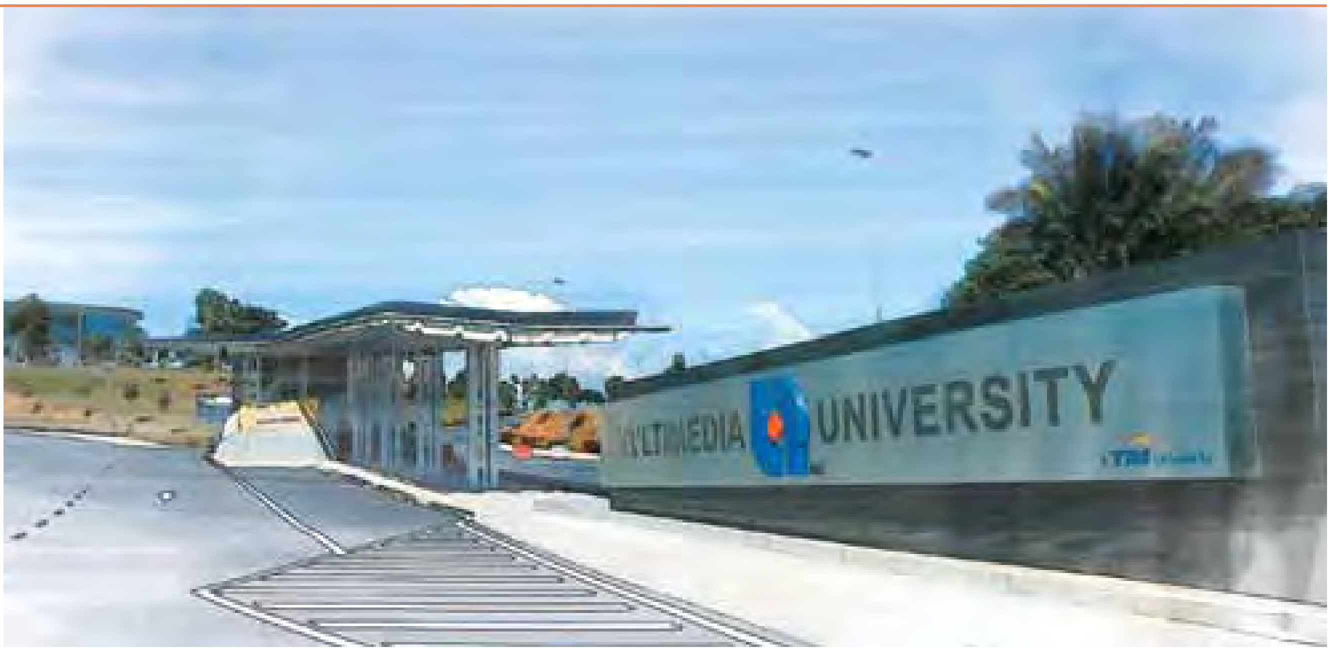
Support Business comprises the Property Strategic Business Units (Property SBUs) – Property Management, Property Operations and Security Management – which were formed after the rationalisation of TM Facilities Group and Property Development; and other non-core subsidiaries of the Group. Its principal role is to enhance shareholder value in the businesses under its purview, and to ensure greater efficiency of the core divisions within the Group. Support Business continues to streamline its portfolio in accordance with the Group's rationalisation programme.



FINANCIAL OVERVIEW

For the year ending 2009, Support Business recorded a higher revenue of RM790.4 million from RM627.6 million in 2008 mainly due to the rationalisation of ownership of network buildings under Property Management with effect from 1 January 2009 despite the realignment of TM Info-Media Sdn Bhd (TMIM) into TM Consumer and lower revenue from lease rental under the interim concession arrangement for Menara Kuala Lumpur Sdn Bhd. However, lower EBITDA of RM65.6 million in 2009, compared to the previous year's RM137.3 million was mainly due to the realignment of TMIM, lower revenue from lease rental under the interim concession arrangement for Menara Kuala Lumpur Sdn Bhd as well as reduction in TMF Autolease Sdn Bhd (TMFA)'s Management & Maintenance Programme and vehicle lease rental rates.

Support Business capital expenditure was RM54.3 million (2008: RM93.4 million), most of which went towards Property Management – RM9.8 million in land premium, upgrading of network buildings and exchanges, the development of TM R&D Complex and Phase II of the Multimedia University (MMU), as well as the purchase of replacement vehicles by TMFA.



UNIVERSITI TELEKOM SDN BHD/MULTIMEDIA UNIVERSITY

Multimedia University (MMU), the country's first private university, strives to attain world-class standards in the fields of engineering, information technology, management and multimedia technology. In 2009, it continued to reinforce its position as a major institution within Asia-Pacific in terms of research, undergraduate and postgraduate studies and community service.

MMU stepped up its alliances with the best teaching resources in the world to be able to offer compelling degree programmes. Student and staff exchanges, joint curriculum development, research and other collaborations have brought a wealth of learning opportunities to MMU students and enhanced the market value of MMU degrees worldwide. Graduates consistently achieve a high employment rate.

In 2009, MMU produced 3,225 graduates – 419 Diploma graduates, 2,525 Bachelor graduates, 246 Master graduates and 35 PhD graduates. Postgraduate student enrolment totalled 573. The number of MMU students in 2009 totalled 20,404, as compared to 19,930 the previous year, with 15,981 local students and 4,423 international students from 73 countries.

Reflecting their high calibre, members of the faculty and student body received several noteworthy awards including a Fulbright Fellowship and top place in the Schneider Electric *Green The World University Challenge 2009*. Among Malaysian universities, MMU ranks second in terms of the number of publications per academic staff. Following a benchmarking exercise against other universities, action plans were proposed by various faculties to further strengthen their research capability and capacity.

Standards at MMU are kept consistently high under an Academic Quality Assurance. Two new programmes – a Bachelor of Engineering (Hons) majoring in Mechatronics and Foundation in Management – have been approved by the Malaysian Qualifications Agency. In addition, approvals for 27 courses were renewed, nine courses received new accreditation and another eight received renewal of accreditation. The self-funding university has its own Quality Council which routinely audits the quality of programmes and looks into those that need updating.

With regards to commercialisation, 2009 was a challenging but ultimately successful year for its marketing arm, MMU Cnergy, which secured revenue worth RM6.9 million and other income worth RM2.6 million. Total earnings was 67.0% higher than in 2008. MMU Cnergy's income model, which used to be training-dependant (with MMU as its most important customer), became more balanced featuring a mix of training (37.0% of total revenue), products and associated services (20.0%), commercial projects (36.0%) and development projects (7.0%). Given that MMU Cnergy has invested over RM10.0 million in externally funded development projects, it is well placed to spur MMU's technology and product development and the commercialisation of its output.

MENARA KUALA LUMPUR SDN BHD

The 421m Menara Kuala Lumpur at the heart of the capital city plays a pivotal role in telecommunications and broadcasting transmission. The fourth tallest tower in the world is also a national landmark and has attracted 11,168,523 visitors since its opening in 1996. It is used as a venue for signature events such as the KL Tower International Forest Towerthon, KL Tower International Jump, KL Tower Indie Fest and Towerkidz. In 2009, publicity from the KL Tower International Jump brought in more than RM9.5 million worth of Public Relations (PR) value, an increase of 80.0% from 2008. This has helped establish Menara Kuala Lumpur as a centre for local and international extreme sports.

Menara Kuala Lumpur's total revenue in 2009 was RM73.8 million (2008: RM101.4 million), with profit after tax of RM27.3 million (2008: RM49.7 million). The lower revenue was due mainly to a lower lease rental payment under an interim concession arrangement.

In 2009, Menara Kuala Lumpur received several accolades to add to its outstanding stature. It was awarded a Merit Certificate: Award of Excellence in Staffing Category by the World Federation of Great Towers (WFGT). It also won the Best Tourism Attraction – Innovative Manmade Attraction by the Ministry of Tourism Malaysia. Its quality is reflected by the ISO 9001: 2000 certification.

Additionally, Menara Kuala Lumpur has gained a reputation of being a Tower of Hope. It takes on numerous crusades beneficial to society. For the second time, in 2009, it championed the Estee Lauder Group's breast cancer awareness campaign by lighting up in fluorescent pink as a signal for everyone to get themselves checked. The tower was also selected by WWF Malaysia to be the centre of Earth Hour here to promote awareness of global warming and encourage greater energy efficiency.

Targeting an increase of 10.0% in visitors from 2009, Menara Kuala Lumpur has embarked on an attractive *Culture, Adventure and Nature* advertising campaign.

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS) was set up to develop and implement the Malaysian Smart School pilot project in collaboration with the Ministry of Education (MOE) and Multimedia Development Corporation (MDeC). Since completion of the project in December 2002, TSS, an MSC-Status Company, has established several key businesses in e-Education. It is a pioneer in e-Education solutions for schools and organisations, locally and abroad.

In 2009, TSS secured several new projects for the development of multimedia courseware/content and Learning Management Systems for MOE. Other than the project to transform rural schools and religious schools into Smart Schools, it is also developing Bahasa Melayu courseware for schools and the MyGFL Learning Management System. Revenue from its various projects totalled RM2.9 million as compared to RM6.6 million in 2008.

To boost its business, TSS is marketing its e-Education solutions to learning institutions other than the MOE. It is also actively promoting its products and services via exhibitions and seminars both internationally and locally. Internally, TSS has been appointed by the Group to develop multimedia training courseware and contents for the HSBB project, which will allow self-paced learning for all TM employees.

TMF AUTOLEASE SDN BHD

TMF Autolease Sdn Bhd (TMFA) manages TM's fleet of vehicles, ensuring they are roadworthy, utilised optimally and available at all times for the purpose of business operations and support. As at 31 December 2009, there were 5,027 utility vans, saloon cars, four-wheel drives and lorries of various makes and models.

TMFA also manages seven zone offices and 28 service outlets nationwide. Network Development and Regional Network Operation continue to be major customers, leasing about 3,282 units (65.0%), the rest being leased by other Lines of Business and related subsidiaries of TM.

As part of the TM's effort to reach more customers in 2009, TMFA delivered 15 TM-on-Wheels lorries, designed to be mobile sales outlets. It also produced a handbook to standardise the policies and procedures of using TM's vehicles. In pursuit of quality, TMFA conducted several programmes on safe and defensive driving as well as basic technical vehicle knowledge. It scored 87.6% in a Customer Satisfaction Index (CSI) based on a study completed in December 2009.

For the financial year ended 31 December 2009, TMFA registered revenue of RM45.0 million with operating costs of RM30.0 million and PAT of RM8.6 million. Most of the revenue (78.0%) was derived from the Management and Maintenance Package (MMP) fee for TM vehicles.

In 2010, TMFA will continue to manage its operating costs to improve its performance while providing more efficient service to the TM Group. It will play a role in the implementation of High Speed Broadband (HSBB) by aiding to mobilise TM's workforce.

PROPERTY MANAGEMENT

Property Management (PM) acts as TM's in-house land and building advisor. It contributes to TM's bottom line 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 estates. Apart from creating value from the idle land bank, PM studies cost-saving options, especially in utilities consumption and property taxes.

In 2009, via a joint development agreement with Perbadanan Kemajuan Tanah Adat Melaka, PM unlocked 504 acres of land in Bemban, Jasin. TM will receive a guaranteed land cost of RM43.9 million or 16.0% of the gross development value (whichever is higher). The estimated minimum gross revenue of the project is RM403.0 million. PM also managed to finalise sales of 9.78 acres of land with a total disposal price of RM4.6 million. At the same time, it saved RM2.9 million in lease rental for year 2009 from the rationalisation of idle land which TM is leasing from the Federal Land Commissioner.

A major project in 2009 was the conversion of Menara TM auditorium into four levels of office and training space, a mini theatre and a 1,500-pax exhibition centre. Completion is targeted by third quarter of 2010. PM also embarked on an exercise to maximise office space utilisation by introducing an open office concept at Menara TM. This will allow a few floors to be made vacant for external tenants.

To date, PM has successfully unlocked over 2,228.6 acres of land, of which 72.5 acres have been disposed off and the remainder jointly developed. The development of 1,058 acres of homestead in Pedas, Negeri Sembilan, known as Hijauan Heights is still in progress.

PROPERTY OPERATIONS

Property Operations was previously a TM subsidiary under the name of TMF Services Sdn Bhd (from 1 January 2001 to 31 March 2009). It became a Support Business division on 1 April 2009, with close to 600 employees. Property Operations is certified for both quality and environmental management systems (QMS ISO 9001:2000 and EMS ISO 14001). The latter contributed towards Menara TM being the first high-rise building in Malaysia to be conferred the EMS ISO 14001 certification.

Property Operations looks after the maintenance – planned/preventive, corrective and emergency maintenance – of TM's network and non-network buildings. Its primary role is to power up the equipment within the network buildings (exchanges, hill stations and cabins) either from TNB supply, generator sets, batteries or rectifiers. In addition, it provides general building maintenance for non-network buildings such as Menara TM, TM Annexes 1 & 2, Menara Celcom, Kompleks TM Cyberjaya as well as the TMpoints, warehouses and colleges. This means housekeeping/pest control, structural repair, upkeep of mechanical installations such as the air-conditioning, fire-fighting and lift systems as well as health checks and maintenance of electrical wiring and devices.

It is Property Operations' responsibility to ensure all statutory building regulations are complied with, energy consumption is minimised, problems arising from aged mechanical and electrical installations are addressed and vendors discharge their responsibilities in accordance with contract terms.

Together with TM's network team, Property Operations is engaged in seeing to the completion of all NGN and HSBB projects. Property Operations acts as a consultant on the capability of existing equipment/systems in the buildings and as a project manager for site preparations.

SECURITY MANAGEMENT UNIT

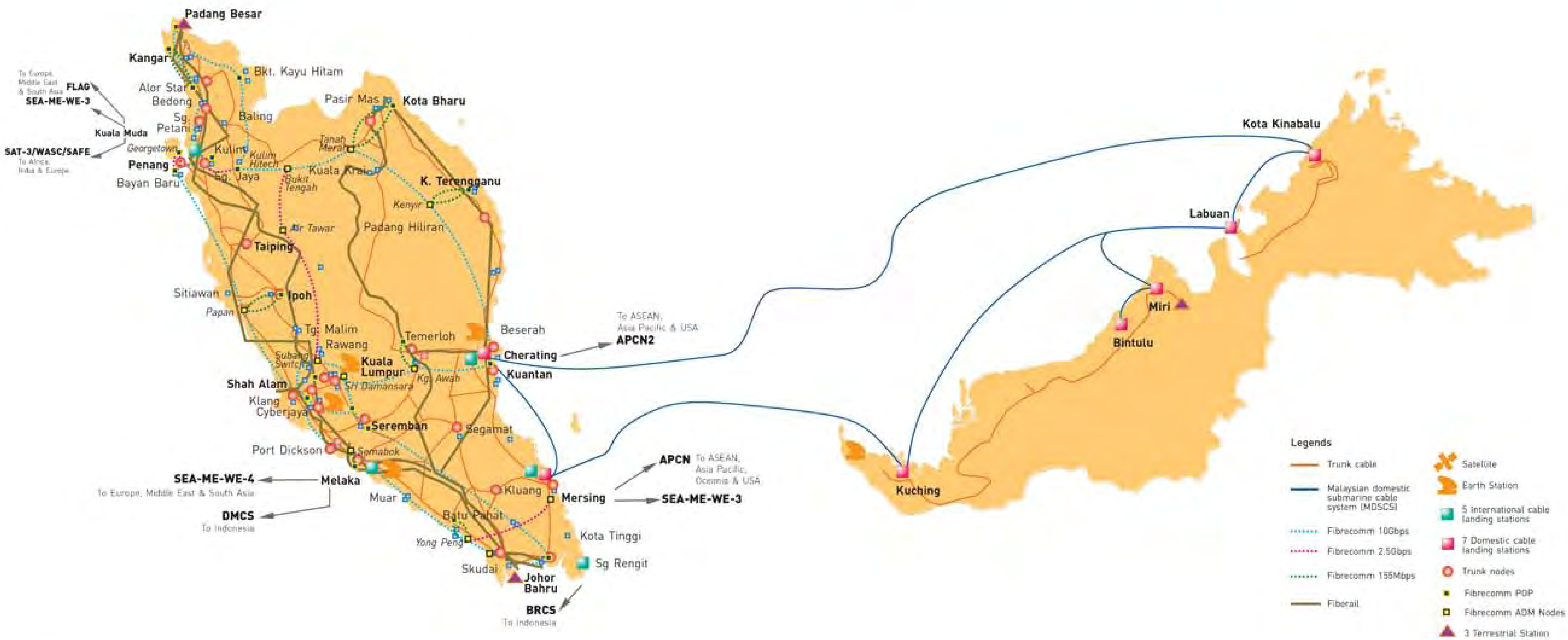
Security Management Unit's (SMU) core business is to provide reliable and effective security services to safeguard TM's assets and personnel and minimise any disruption or loss to business operations. Its functions cover the provision of a safe workplace, security of employees, asset protection, and loss and crime prevention. SMU is also involved in security consultancy and represents TM on the National Crisis Management Committee.

SMU maintained an 85.0% score in the Customer Satisfaction Index (CSI), while improving its Security Service Availability Index (SSAI) from 98.0% in 2008 to 98.7% in 2009. Re-organisation at the state level is expected to increase its ability to monitor vendors performance. Two notable achievements were the reduction in cable theft cases from 9,460 in 2008 to 6,384 in 2009; and crime cases within TM premises from 108 in 2008 to 37 in 2009.

SMU will continue to safeguard the Company's business continuity.

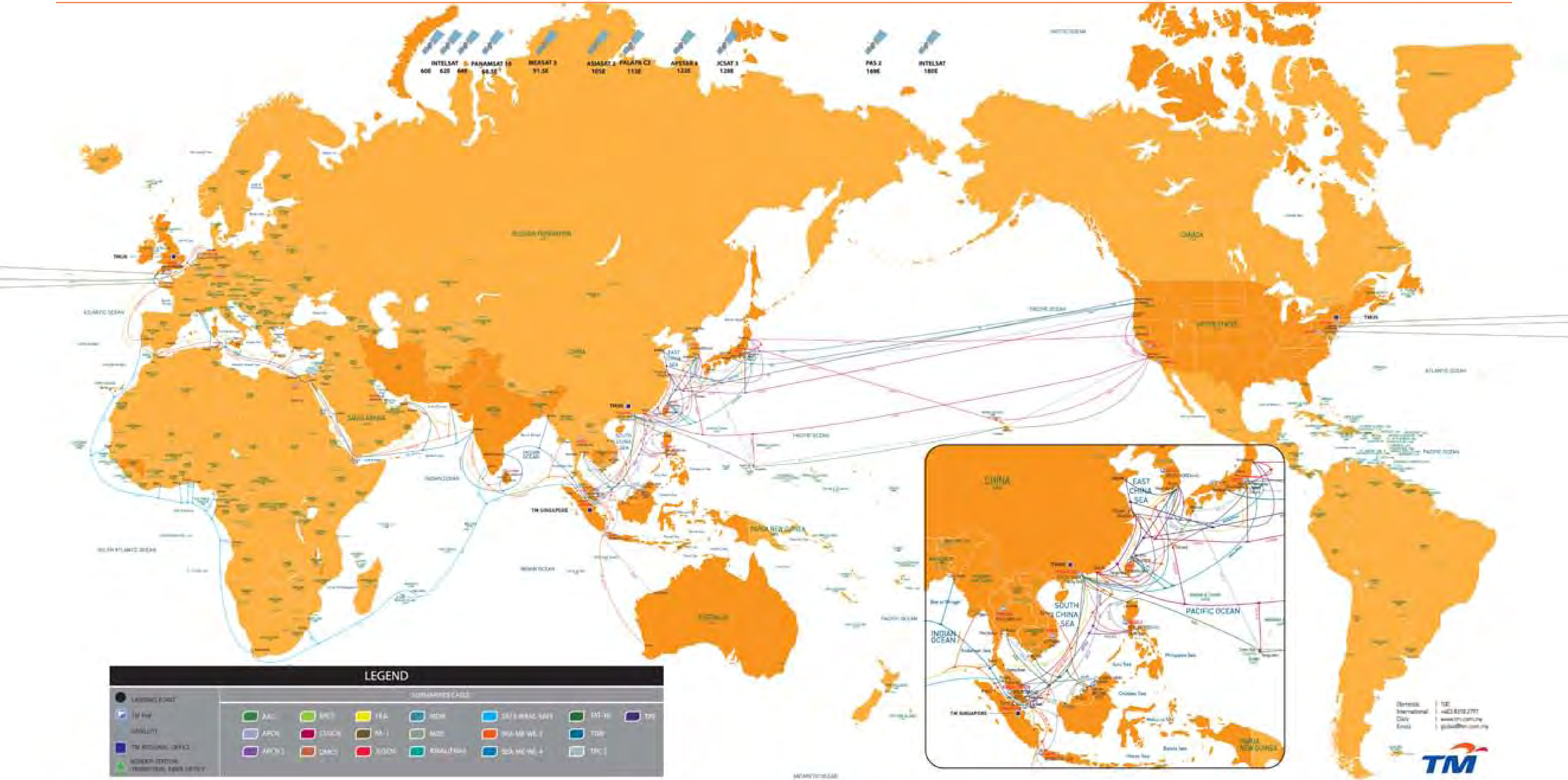
BUSINESS REVIEW

INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK



BUSINESS REVIEW

TM WORLDWIDE COVERAGE



BUSINESS REVIEW

ASIAN ECONOMIES AND TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

OVERVIEW 2009

While the global economy is finally showing signs of recovery, it is expected to be sluggish and uneven. The sigh of relief was almost audible as the world took stock of improving market conditions in the US, where at the height of the crisis in first quarter (Q1) of 2009, which the economy had contracted by more than 6.0%.

Government initiatives to lower interest rates and pump trillions of dollars in stimulus packages have finally yielded positive results. Several Asian economies have come through the worst, led by China with its USD586 billion stimulus package, and astounding 8.0% growth in 2009.

In Malaysia, the Government pumped in RM67.0 billion in stimulus packages (RM7.0 billion in November 2008 and RM60.0 billion in March 2009) to boost the local economy, which is expected to recover gradually in 2010. This is supported by improvements in macro economic indicators, and the Consumer Sentiment and Business Conditions Indices.

	YEAR OVER YEAR (%)		
		Projections	
	2009	2010	2011
Global Gross Domestic Product (GDP)	-0.8	3.9	4.3
Advanced economies (U.S)	-3.2 (-2.5)	2.1 (2.7)	2.4 (2.4)
Emerging & developing economies (ASEAN-5)	2.1 (1.3)	6.0 (4.7)	6.3 (5.3)

Figure 1: World Economic Outlook
Source: IMF, World Economic Outlook Update, January 2010

ECONOMIC OUTLOOK 2010

International Monetary Fund (IMF) anticipates that the global economy will expand by 3.9% in 2010 from a decline of 0.8% in 2009 generally as a result of massive national fiscal stimuli and monetary expansion policies. At the regional level, the Asian Development Bank (ADB) forecasts a 6.4% year-over-year (y-o-y) GDP growth in Asia in 2010 as opposed to 3.9% in 2009. Regional economies are expected to be more resilient to the downturn than earlier anticipated. Underpinning the region's growth prospects is China, whose aggressive monetary policy and fiscal stimulus could accelerate its GDP growth to 8.9% y-o-y in 2010.

Malaysian Institute of Economic Research (MIER) has upgraded its 2010 GDP forecast for Malaysia from 2.8% to 3.7%. Although the external sector is still weak, public spending has cushioned the economy from a deeper slide. In view of the widening fiscal deficit, the Government plans to cut costs in the 2010 Budget by reducing further energy subsidies and/or reforming taxes. On the supply side, the services sector turned positive in the second quarter (Q2) of 2009, while manufacturing reported a smaller decline.

To attract more foreign direct investment, the Government has announced full liberalisation of 27 service sub-sectors, opening up computer and related services, health and social services, tourism, transport, recreational, business services and shipping. In addition, the 30.0% Bumiputra equity requirement for new companies was removed. These measures will bring Malaysia's financial market closer to regional benchmarks.

The Prime Minister announced on 24 February 2010 that the GDP for fourth quarter (Q4) of 2009 grew by 4.5%. He was confident that GDP growth could reach 5.0% in 2010, higher than the 4.0% projected, adding that the Government would go all out to generate confidence with speedy implementation of projects and private sector investment.

TELECOMMUNICATIONS OUTLOOK 2010

In Malaysia, the most exciting development in the telco sector is broadband, with the launch of the much awaited High Speed Broadband (HSBB) network in Q1 2010.

The emergence of Smart Cities is an opportunity for telcos to tap into, with an estimated global spend of about USD20.0 trillion (2009–2025). This is driven by rapid urbanisation and creation of new age infrastructure such as smart homes and smart grids. ICT and green technologies will be the key enablers.

In Malaysia, a total of RM3.5 billion has been allocated in Budget 2010 for the development of infrastructure and basic amenities as well as training and socio-economic projects in:

1. Iskandar Malaysia
2. Northern Corridor Economic Region (NCER)
3. East Coast Economic Region (ECER)
4. Sabah Development Corridor (SDC)
5. Sarawak Corridor of Renewable Energy (SCORE)

BROADBAND

The broadband market is expected to grow to RM2.8 billion in 2010, fueled largely by greater awareness, IT literacy, attractive product packages and pricing, and PC-Broadband promotions. MCMC reported a total of 1.52 million fixed broadband subscribers compared to slightly over 1 million mobile broadband subscribers in Q4 2009.

Mobile broadband recorded tremendous year-over-year growth of 112.0% while wired broadband grew at 18.0%. Overall broadband penetration in the country increased to 31.7% in Q4 2009 from 29.2% in third quarter (Q3) of 2009, and is forecasted to reach 34.2% in Q1 2010 according to MCMC and close to 55.0% by end 2010 *(Figure 2)*.

TM is confident of higher demand for fixed broadband as Internet savvy users will require greater bandwidth to satisfy their needs. An increasing number of subscribers will choose to retain their fixed broadband for speed and quality of experience, complementing this with a mobile broadband package for casual browsing on the go; while those already having mobile broadband will opt to complement it with fixed broadband.

TM maintained its commitment to spend 3.6% of its annual revenue on quality improvements, to improve the Streamyx subscribers' quality of experience in 2010, placing TM as a key broadband service provider tapping into the expected high demand growth.

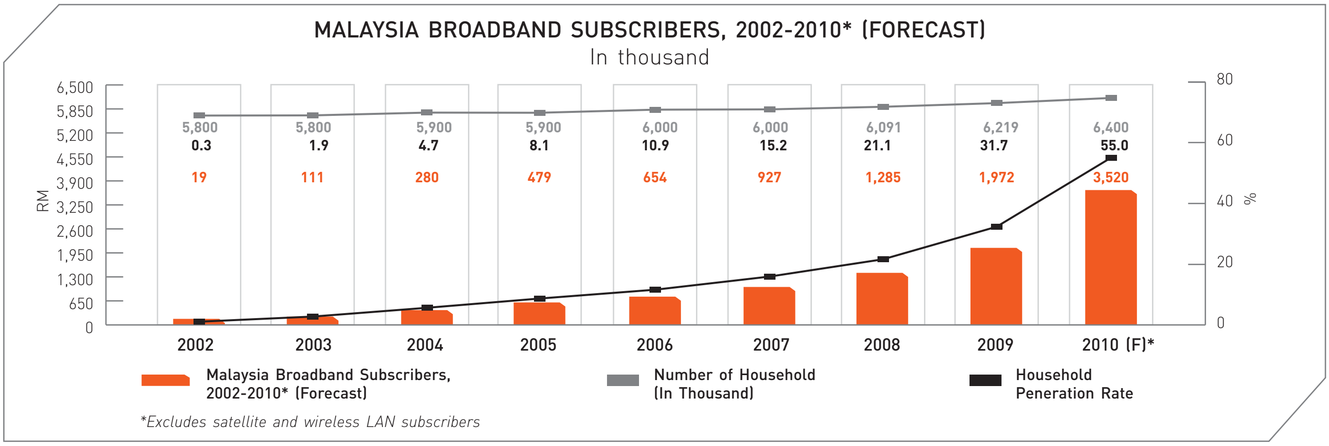


Figure 2: Broadband Penetration Statistics
Source: MCMC Industry Report, 2009

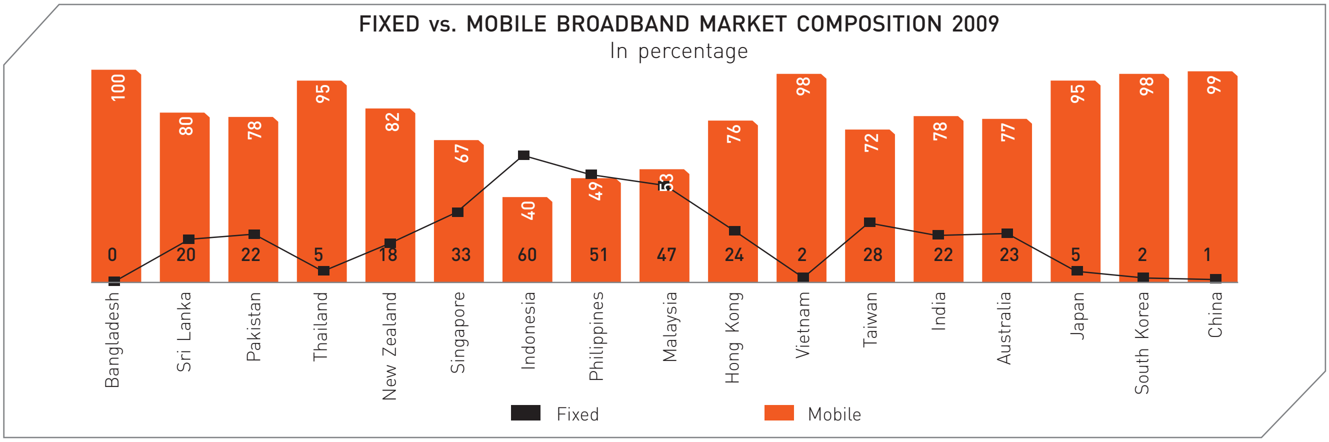


Figure 3: Fixed vs Mobile Broadband Composition
Source: Frost & Sullivan, 2010

TM is confident of the mid-term telecommunications outlook, forecasting a 3.0-3.5% revenue growth in 2012, from higher take-up of broadband in general, especially Streamyx and data services. TM also expects a higher demand for bandwidth from Wholesale (especially for HSBB and its related services) and the Global segment (for bandwidth and data services), which will contribute towards the increase of revenue.

ASIAN ECONOMIES AND TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

Non-voice finally surpassed voice as a major revenue earner in 2009. Despite the marginal increase in fixed line subscription in 2009 compared to 2008, total DEL household penetration dropped by 0.7%.

Figure 3 shows a comparison of fixed and mobile broadband composition in several countries in the region.

HIGH SPEED BROADBAND (HSBB)

Malaysia embarked on a HSBB network in 2008, via a Public-Private Partnership (PPP) between TM and the Government at a total cost of RM11.3 billion – RM2.4 billion from the Government and RM8.9 billion from TM. With HSBB, consumers will enjoy broadband speed between 10Mbps to 1GBps, covering 1.3 million premises nationwide by end of 2012. TM completed its first phase of HSBB roll-out in Q1 2010 covering Taman Tun Dr Ismail, Bangsar, Subang Jaya and Shah Alam.

Other countries, have also embarked on HSBB/New-Generation Network (NGN) programmes via public-private partnerships. Australia had announced AUD34 billion National Broadband Network in 2009, covering 90.0% of its population by 2017. France Telecom announced a similar project in 2008 costing €4.5 billion while Singapore Telecom deployed its National Broadband Network in 2008 covering 90.0% of households.

IMPROVED EFFICIENCIES

In today's competitive marketplace, it is imperative to look for creative ways to run businesses. Enterprises are expected to move from a CAPEX-oriented business approach to a more OPEX-oriented model to focus on their core businesses and outsource non-core requirements. Managed network services, contact centres, Wide-Area-Network management, IT and business process applications, data storage, network optimisation and maintenance are among the common IT processes which can be outsourced to improve cost efficiency.

GREEN FACTORS

Starting with the Kyoto Protocol in 1997, governments throughout the world are going 'green'. Among the initiatives to manage the carbon footprint is reducing CO2 emissions from vehicles. This creates opportunities for video conferencing, broadband and communication services to facilitate teleworking, which decrease the need to travel.

Manufacturers are producing equipment that use alternative energy or energy-saving, evolving technologies with software rather than hardware, reducing greenhouse gases by introducing optical feeder stations and high-efficiency rectifiers, increasing the use of renewable energy by operating solar and wind power generation systems as well as reusing and recycling telecommunications equipment and building materials.

CONCLUSION

While 2009 ended on an optimistic note, the economic outlook for 2010 still falls short of the pre-crisis years. The crisis has not only altered ICT expenditure, but also customers' consumption behaviour. TM believes that there will be more changes in the telco business landscape with the outsourcing of non-core IT-related services and the adoption of more telco-related services like video conferencing and teleworking to reduce transport costs and to stay green. All of which speaks positively to the business of broadband for TM.

SOURCES

Malaysia ICT 2010 Predictions: Transformation & Growth, IDC, Jan 2010

ICT Outlook: Global and Malaysia, Frost & Sullivan, 2009

Economic Report 2009/2010, Ministry of Finance, Nov 2009

Malaysian Economic Outlook, MIER, Jan 2010

Fixed voice lines declining but will still be worth US$309 billion in 2014, Ovum 2009

National Broadband Policy 1999-2009, Japan, Communication Policy Embassy of Japan, Oct 2009

France to invest EUR 4.5 billion in digital economy, The European Broadband Portal, Dec 2009

Singapore Broadband Overview, Point Topic Ltd, Oct 2009

Broadband deployment: Comparative approaches between Europe, UK and Australia, Olswang LLP, Dec 2009

Oracle and The Environment, Oracle Corporation, 2009

CSR Report 2009, Obayashi, 2009

Alcatel-Lucent issues eco-friendly 2008 CSR report; Eco sustainability and civic involvement key initiatives throughout year, Alcatel-Lucent, May 2009

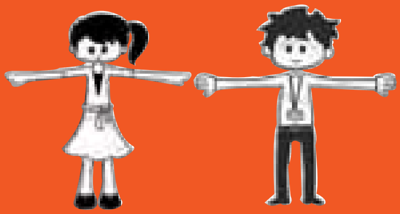
Oracle NEC's Annual CSR Report 2009, NEC, July 2009

NTT DOCOMO Group CSR Report 2009, NTT DOCOMO, 2009

Corporate Social Responsibility and Orange: France Telecom – Aiming to lead the way in Telecommunications, suite101.com, Jun 2009

Telecom Italia for the environment and the community, Telecom Italia, 2008

Economy on the road to recovery: PM, The Star, 24 February, 2010



KEY INITIATIVES

KEY INITIATIVES

BUILDING ENDURING CUSTOMER RELATIONSHIPS

TM was restructured in early 2009 with the aim of providing the different segments of its customers with focused service, thus distinguishing itself from competitors. This Group-wide transformation, and all TM's customer-related initiatives, is based on the realisation that good customer experience translates into better profits. The obvious path to profitability is through customer retention and maximising lifetime value. The challenge for TM in achieving this is ensuring excellent experience across the full spectrum of its delivery environments, services and interaction channels. This requires integration.

Dato' Shaziman Abu Mansor, former Minister of Energy, Water & Communications and Dato' Zamzamzairani Mohd Isa being briefed by Tuan Haji Ahmad Khairul Razi, CEO of TM Sales & Services Sdn Bhd during the TMpoint on Wheels (TMOW) Pre-Launch at Bukit Gantang, Perak

The integrated approach comes in the form of iCARE, which stands for Integrated Customer Allied Relationship System. iCARE is a holistic concept that anchors TM's customer relationship management (CRM). Introduced in 2005, it is in the process of being upgraded to iCARE Prime, with the main objective of implementing the end-to-end process of TM's core products more efficiently. For example, appointments and service activation now leverage on an Integrated Fulfillment Order Management System (INFORMS) and Streamyx Activation Management System (SAMS), which contribute towards better customer experience and operational efficiency.

In Wholesale, system enhancement for Digital Subscriber Line Service Provisioning (DCS 1 click) will be extended to customers for faster provisioning and fulfillment. Already, the order tracking system, known as Point Of Delivery tracking system (POD), has been upgraded.

All these initiatives have been established and executed in year 2009 to build strong and enduring customer relationships, which are top priority in TM.

INVESTMENT IN PEOPLE

Employee engagement is widely acknowledged as key to business success and is a core component of effective leadership and management. Thus, apart from systems integration and enhancement, TM is also increasing the competency level and people skills of all its customer service personnel. People development is strongly emphasised, with particular focus on 'action learning' to obtain more value from employees.

In preparing to lead the nation's entry into the broadband era, TM's workforce is being trained to become broadband savvy to be able to contribute towards a high-quality broadband culture that evolves with the latest technologies.

To further enhance the customer experience, a 'flying squad' was formed to give faster service. Members of this squad are CRM practitioners who have been identified and trained to attend to customers' needs in a timely and professional manner. This establishes a bond between TM and the customer that goes beyond data transactions and information.

Quality customer service is not only about speed, but also depth of knowledge. Hence, TM has formed dedicated account teams equipped with skills and knowledge relevant to the different segments to build and sustain relationships and win over even more customers. With employees' commitment and involvement, TM is able to deliver the highest quality products and services in a timely fashion, hence giving the best customer service.

CUSTOMER EXPERIENCE THROUGH TOUCHPOINTS

The most commonly used interface between the customer and TM are its 105 TMpoint outlets. To improve customer experience, TM has enhanced the services and facilities available. It has installed 30 e-Kiosks at 27 TMpoint outlets in the Klang Valley for easier access by customers and greater convenience for bill payments, either by cash or cheque.

Meanwhile, several initiatives were launched to increase the coverage of TMpoint outlets to improve the accessibility by customers throughout the nation.

The TMpoint Authorized Dealership (TAD) Programme mooted in 2008, which allows third-party dealers to operate TMpoint outlets, and was implemented with the opening of 19 TAD outlets by end of 2009. This programme expanded TM's reach in rural areas, and has been well received by local entrepreneurs as well as TM customers.

In April 2009, TM launched TMpoint-on-Wheels (TMOW) to better serve customers in remote locations where there are no TMpoint outlets. TM has deployed 15 TMOW units nationwide, with one unit for each state. More units will be introduced to cover widely dispersed geographical areas in rural areas of Sabah and Sarawak. Another initiative to expand the coverage and accessibility of TMpoint is through the appointment of TMpoint Authorised Dealers (TAD).

Access to TMpoint can also be achieved online. Using the technology available, TM will launch a virtual TMpoint in 2010.

SUSTAINING CUSTOMER LOYALTY

TM gauges the level of its customers' satisfaction using the Customer Satisfaction Index (CSI) Survey as well as through the use of third-party Mystery Shoppers. In addition, customers are encouraged to fill in feedback cards with comments on products and services. Input from these surveys and feedback mechanisms is used to develop loyalty programmes. The TMpoint Red Carpet Day is one such loyalty programme; it is held quarterly to celebrate selected customers.

The Computerworld Malaysia Customer Care Awards (CCA) reaffirmed TM's position among customers as a company that delivers the promise of its products and services. Readers of Computerworld Malaysia magazine rated TM's telecommunication services as 'Excellent' for the third consecutive year, exceeding other service providers in the same category. The Computerworld Malaysia CCA evaluates service providers or vendors on their delivery and maintenance of product solutions and how well they take care of their customers.

TM Rewards was designed to reward loyal customers as a show of appreciation. Unlike other loyalty programmes, membership application is not required and customers get to enjoy exclusive discounts and privileges automatically from 80 TM partners in the sectors of food & beverages, health & beauty, finance, travel & leisure and retail shopping. Customers are eligible to participate in exclusive contests to win attractive prizes and are invited to special TM events. In 2009, TM Rewards carried out two successful campaigns: the Call & Win Rewards programme for TM Homeline customers; and Tie-up with Les Copaque on Upin & Ipin TV Series, a local computer animation programme sponsored by TM.

TM will expand these reward programmes to ensure customers enjoy the privileges of being TM customers.

KEY INITIATIVES

BUILDING ENDURING CUSTOMER RELATIONSHIPS

SPEED OF DELIVERY

Speed of delivery is the mantra in today's business environment. Customers are becoming more educated and sophisticated and they want fast delivery with uncompromising quality, because they are spoilt by choice. To win their commitment and loyalty, TM has embarked on activities such as Frontliner Goes to Customer (FGTC), launched in 2008. The FGTC is a virtual counter using a tablet PC that answers simple queries from customers waiting to be served at TMpoint outlets, as well as highlighting TM's latest offerings.

FGTC improves the Average Waiting Time (AWT) of customers and supports the Queue Management System (QMS) as well as promoting cross-selling activities. In 2009, 13 new FGTC counters were deployed at selected TMpoint outlets, bringing the total number of FGTC counters to 38 from 25 counters in 2008.

CUSTOMER SERVICE AND SUPPORT CENTRE

TM is increasingly turning to technology to improve the customer experience while raising the bar on efficiency and keeping a lid on costs. Customer Service Operations Centres are equipped with the latest call management system which guarantees fast customer service and speedy solutions to problems.

As a customer-centric organisation, building trust and brand relationship with customers is a priority. In this regard, TM is quick to adapt and adjust its strategies and initiatives to meet customers' different needs and requirements. It has segmented its Customer Service Operations Centres into Enterprise, Government, Global, SME and Consumer units, each focusing specifically on its respective sectors. With this segmentation, TM is able to offer smarter customer interactions. It can track its customers' history, get to know their preferences and consequently provide faster and better solutions to their problems and build a good working relationship in the process.

ONE NATION, ONE EMERGENCY NUMBER: 999

In emergencies, 999 can be used to summon assistance from four main emergency services: police, hospital, fire brigade and civil defence; making it easier and more convenient for Malaysians. The four major public safety agencies use Computer Telephony Interface (CTI), Computer Aided Despatch (CAD) and a Geographic Information System (GIS) developed by TM to respond to any emergency call.

To ensure quality response to stress calls, the 999 Emergency Call Service Centre is manned by specially-trained service professionals who reroute the calls to the appropriate emergency service provider. All calls to the number are free of charge. Coordinated efforts with the four agencies to promote and educate the public on the 999 service are made continuously by MERS 999.

In a recent development, TM has integrated CCTVs in Cyberjaya that are monitored and connected to the Cyberjaya Police Station to transmit live coverage of emergency cases. Through these efforts, TM demonstrates its commitment to building a relationship not only with its customers, but also the general public of Malaysia.

TM's management greeted top customers during Red Carpet Day organised by TMpoint Pulau Pinang

Customers were treated to special rides during the Red Carpet Day organised by TMpoint Kota Bharu, Kelantan

FOSTERING A KNOWLEDGE-BASED NATION

In addition to enhancing the human capital of its own employees through various training modules and skills-based programmes, TM supports the government's efforts to transform Malaysia into a knowledge-rich, technologically-driven nation. This noble effort is undertaken through its long-term investments in three major educational institutions – the Multimedia University (MMU), Multimedia College (MMC) and TM Smart School Sdn Bhd (TSS) – which target different segments of the population. While MMU and MMC are tertiary institutions aimed at capturing youth for the ICT and knowledge industry, TSS serves all schools in rural and sub-urban areas as well as colleges, private and government training centres, ensuring that Malaysians' IT education begins from the time they are young and, therefore, most impressionable.

MULTIMEDIA UNIVERSITY

Multimedia University (MMU) was set up through Universiti Telekom Sdn Bhd (UTSB), a wholly owned subsidiary of TM, in 1997. It has the distinction of being the first private university in Malaysia, its successful model paving the way for growth of the private tertiary education sector in the country. MMU takes on the corporate responsibility of educating the next generation of the nation's leaders, especially its knowledge workers. Located in the heart of the Multimedia Super Corridor (MSC), MMU also serves as a catalyst for the development of the high-tech ICT industry, in the same vein as Stanford University for the Silicon Valley in the United States.

Students from all over the world collaborate on project work

MMU is equipped with state-of-the-art facilities that enable world-class research

KEY INITIATIVES

FOSTERING A KNOWLEDGE-BASED NATION



In 12 years, MMU has established itself as a premier institution for ICT studies

MMU employs a three-pronged strategy to champion the knowledge industry. The first involves effective knowledge dissemination to create a knowledgeable and skills-savvy human capital in the country. The second involves maintaining a high level of research in domains with practical applications, establishing the university's position at the leading edge of technology. The third strategy entails contributing towards the management of knowledge via R&D, which is then passed on to undergraduates and postgraduates who pursue programmes in knowledge management. At the undergraduate level, the Bachelor of Business and Knowledge Management (Hons) is offered by the Faculty of Business and Law, while postgraduates have the opportunity to obtain a Master of Knowledge Management with Multimedia from the Institute of Postgraduate Studies.

In line with its focus on the field of knowledge management, MMU in 2009 planted the seeds of a niche programme in knowledge management technology.

The quality of education at MMU is evident by its student population and the career prospects of its graduates. Over the last 12 years, the number of students at the university has increased to over 20,000. Its reputation has reached foreign shores too; MMU has a pool of 4,400 international students from 73 countries. In total, it has produced 22,840 graduates, 96.0% of whom have secured employment within six months of completing their studies.

The university runs two campuses: its original campus in Melaka, and the other campus in Cyberjaya that was officially opened by former Prime Minister Tun Dr Mahathir Mohamed.

MULTIMEDIA COLLEGE

Multimedia College (MMC) is the premier provider of telecommunications training in Malaysia. Founded in 1948, the college was initially responsible for training staff of the Malaysian Government's Telecommunications Department, which later evolved to become TM. Following a rationalisation of the education sector within TM Group, MMC has been aligned under the stewardship of MMU. On 8 May 2009, MMC was registered as a company under the name Multimedia College Sdn Bhd (MCSB).

MMC has its main campus in Kuala Lumpur and four regional colleges – in Taiping, Terengganu, Sabah and Sarawak – with a total student population of 1,921. In 2009, the college offered eight Diploma programmes, accredited by the Malaysian Qualification Agency (MQA) in the following areas:

- Technology (Telecommunications Engineering)
- Mobile & Wireless Communications
- Multimedia Technology
- Multimedia (Business Computing)
- Marketing with Multimedia
- Management with Multimedia
- Accounting with Multimedia
- Creative New Media

MMC held its 13th convocation on 11 August 2009, which saw 435 graduates receiving their diplomas. This increases the total number of MMC graduates to 3,937.

In addition to education, MMC has been given the responsibility of organising the Malaysian Technical Cooperation Programme (MTCP) under the Prime Minister's Department to train and encourage knowledge sharing in the area of ICT in more than 133 member countries. MTCP 2009 was attended by 40 participants from Myanmar, Laos, Cambodia, Vietnam, Thailand, Sri Lanka, Bangladesh, Pakistan, Indonesia, Nigeria, the Republic of Mali, Maldives and Vanuatu who received training in Project Management and Computer Forensic & Security from 26 October 2009 to 20 November 2009. MMC will continue to provide training together with MTCP, CTO, APEXTEL and other institutions.

MMC, with the support of MMU, is working towards providing excellent education plus a valuable learning experience. It plans to expand its operations to be more competitive as a private institution of higher learning.

TELEKOM SMART SCHOOL SDN BHD

At the grassroots and school level, TM plays a crucial role in promoting IT literacy while serving to bridge the IT gap, via identifying talent and building capacity. Telekom Smart School Sdn Bhd (TSS) is recognised as one of the country's premier e-education providers, contributing towards multimedia content development in support of the Ministry of Education's *Pembestarian Sekolah-Sekolah* (Making All Schools Smart) initiative.

In 2009, the Ministry of Education and Multimedia Development Corporation (MDeC) embarked on the *Pembestarian Sekolah Luar Bandar* project to transform rural schools into Smart Schools. Using the current 88 Smart Schools as a benchmark, the programme guides rural schools to attain Smart School Qualification Standards (SSQS). Fifteen schools have already been selected for the project, and another 35 will be chosen in 2010. TSS was appointed by MDeC to play the role of Project Management Office. Its deliverables include on-site monitoring of the 15 rural schools, conducting change management activities, and organising contests and activities to encourage the use of ICT in teaching and learning.

TSS also initiated and actively involved in a pilot project to modernise five Sekolah Rendah Agama (SRA or primary Islamic schools) under Jabatan Agama Islam Wilayah Persekutuan (JAWI) by encouraging wider use of ICT by teachers and students. TSS provides the schools with the necessary infrastructure for a school portal and school management system as well as the multimedia learning content for Islamic studies. It will conduct change management activities to obtain the buy-in of the school authorities and students. This is the first ICT-based learning project for Islamic schools in the country. With the success of this pilot project, TSS hopes to be able to extend it to other SRAs in Malaysia.

Meanwhile, TSS continues to organise and conduct educational workshops for students during the school holidays. These are designed to be motivational and to make learning fun as well as to build character and develop leadership skills among the participants.

In the area of adult learning for the corporate and government sectors, TSS has been given a contract by the Department of Irrigation and Drainage (DID) to develop e-learning modules for its engineers. This is a major inroad for TSS into DID and heralds the possibility of converting more training modules into e-learning in the coming years.

Within the TM Group itself, TSS is entrusted to develop the multimedia learning content for the HSBB project. The e-learning approach will benefit TM significantly in terms of cost savings and time to deploy the knowledge to employees throughout the Group as well as to its network of dealers.

To further promote the use of e-learning, TSS actively promotes its products and services at exhibitions and seminars, such as the 17th Conference of Commonwealth Education Ministers (CCEM) held at the KL Convention Centre in June 2009.

TSS goes beyond the call of duty to promote e-learning among disadvantaged children or children from marginalised communities. As part of its corporate social responsibility (CSR) initiatives, TSS contributed a full set of BestariEd educational software to Badan Amal Nur Zaharah in Janda Baik, Pahang; and Rumah Anak Yatim Taman Baiduri in Dengkil, Selangor. TSS also contributed BestariEd contents to the My-Tuition Centre in Kampung Kerinchi, Kuala Lumpur. Using the software, children at these orphanages and tuition centres are able to learn Year 1 to Form 5 English, Bahasa Malaysia, Mathematics and Science through interactive multimedia lessons and activities at their own pace and time.

KEY INITIATIVES

GEARING HUMAN CAPITAL TOWARDS BUSINESS EXCELLENCE

FACTS AT A GLANCE

66.0%
Increase in Talent Pool

RM700,000
Total Payout of Market Competitive Incentives for year 2009

RM411.0 Million
Total amount of loans sold to AmBank (M) Berhad

A major focus in TM today is developing leaders and talents who can deliver the Group's vision. Its commitment in nurturing its strategic human capital is crucial to realising its vision of becoming Malaysia's leading new generation communications provider through innovation and execution orientation.

BUILDING EXCELLENCE THROUGH LEADERSHIP AND TALENT MANAGEMENT

The Leadership and Talent Management initiative was established to attract, develop and retain internal and external talents so as to create a strong cadre of leaders to drive the Company. It provides fast-track opportunities for those with high potential via leadership programmes and opportunities to fill in key management positions. These efforts are further complemented by a highly competitive remuneration package.

SPOTTING FUTURE LEADERS

In line with TM's objective to grow its own timber and to ensure that ample opportunity is given to recognise internal talents, a target has been set that 70.0% of all key positions should be occupied by existing employees. External talents are hired to provide the necessary balance of new ideas and innovation and also to challenge the status quo positively.

Team building programme: Teaming with Passion

Additionally, in order to build a strong leadership pipeline, TM continues to nurture a Talent Spotting mindset among existing leaders. As a result, it increased its talent pool by 66.0% in 2009. The Talent Spotting and Development mindset will continue to be reinforced among employees.

A study of TM's demography shows that 50.0% of Senior Management will leave the organisation in the next three years via attrition. A clear and concise Succession Plan is therefore needed. An exercise in the fourth quarter of 2009 was conducted to identify possible successors for vacant and new key positions in 2010.

HARNESSING FUTURE LEADERS

TM's initiative to develop talented staff is supported by a comprehensive development plan geared to meet the needs of high-performing and high-potential talents. These initiatives are structured via both formal and experiential learning interventions.

TM has subscribed to world-class leadership programmes with renowned institutions like the Harvard Business School, IMD, INSEAD (in collaboration with Petronas), the University of Melbourne, and the Corporate Leadership Council, Washington DC. It has also introduced a Masters of Science in Engineering Business Management, from the University of Warwick, United Kingdom (UK), which was customised to suit TM's requirements.

TM is also involved in the Cross Assignment programme initiated by Khazanah Nasional Berhad. Under this programme, five talents from TM have been selected for two-year attachments in various GLCs and government agencies. In return, TM received six talents from other GLCs and government agencies.

To bring TM closer towards its goal of greater efficiency and operational excellence, its Human Capital Division has been playing its role as a strategic business partner by emphasising and inculcating a performance-driven work culture with innovative performance management and rewards systems.

PERPETUATING A CULTURE OF EXCELLENCE THROUGH PERFORMANCE MANAGEMENT

One of the initiatives taken to instill a performance-based culture in the organisation is through the implementation of strategic reward plans. On top of ensuring deserving employees are given due recognition and rewards, the performance-based reward component has been carefully designed to address various pay and compensation issues facing the organisation.

Jatan Anak Kidu, the recipient of "Anugerah Pekerja Cemerlang OKU 2009"

National Labour Day Celebration

STRATEGIC REWARD PLANS AS THE DRIVING FACTOR FOR EMPLOYEE PERFORMANCE

TM, in its effort to continuously drive team based performance, has approved two initiatives under the Performance Improvement Programme (PIP) 2.0, namely the State Award and Mega Project Celebration. These two initiatives aim to reinforce and sustain team efforts while pursuing a common goal.

i. State Award

The goal of this award is to recognise and reward top performing states from the Critical and Non-Critical Business District (CBD and Non-CBD). In determining the top performing states, State Key Performance Indicators (KPI) will be used. The first reward and recognition will be in 2010 based on the State KPI 2009 performance.

ii. Mega Project Celebration

This initiative recognises team efforts by employees towards completion of projects. To be identified under this initiative, a project must have a big impact and be critical to the Company's business. HSBB and MERS 999 projects have been identified as critical projects under this reward scheme.

MARKET COMPETITIVE INCENTIVE

In today's complex business environment, having employees with 'hot skills' is crucial. Employees who possess skills and professional qualifications that are in high demand lend the Company a competitive advantage over other players in the industry.

In order to retain these employees, TM pays a special market premium allowance in recognition of their capabilities. A study conducted across the organisation has identified 95 jobs in year 2009 (as compared to 57 jobs in year 2008) as meeting the 'hot skills' criteria. As this scheme entered its second year of implementation, the employees involved enjoyed a higher rate of market premium allowance with a total payout reaching almost RM700,000.

DISCOVERING WORK-LIFE BALANCE

TELEWORKING

Teleworking in TM refers to the option of working remotely from a location away from the workplace e.g. at home or a customer's premises, using information and communication technologies. This initiative is in line with TM's green programme which is part of TM's effort to contribute to a greener environment. 140 Enterprise and Government Sales employees nationwide have been identified to be the first group in TM to telework, effective 1 June 2009. This initiative is designed as a dynamic work option that is flexible and allows all sales employees to get the most out of teleworking. Taking today's trends into perspective, the establishment of Teleworking in TM also indicates Management's interest in productivity, focusing on the results of work performed rather than where the work is performed. In addition, teleworking will further inflate job performances in a timely and constructive manner by all involved.

ENHANCING OPERATIONAL EFFICIENCY

'CHALLENGE TO SUCCESS'

Being a GLC, TM has signified another effort to comply with the Purple Book with regards to optimal capital management.

On 28 May 2009, TM collaborated with AmBank in monetising one of its biggest non-core assets, namely employees' housing loans. By entrusting the business of managing these loans to the expert, TM will achieve operational excellence, as AmBank provides a complete solution for its staff housing loan programme.

To employees, it is business as usual as the housing loan policy remains unchanged. They continue to enjoy the same terms and benefits under this programme. The only difference is that now their housing loan is managed by AmBank.

As at 31 December 2009, TM had sold 7,982 accounts equivalent to RM411,008,837 to AmBank.

KEY INITIATIVES

GEARING HUMAN CAPITAL TOWARDS BUSINESS EXCELLENCE

A signing ceremony was held between TM and Ambank to hand over the management of TM staff housing loans to AmBank on 27 May 2009

MANAGEMENT – UNION CO-OPERATION AND 'GO-OPERATION'

The close relationship between the TM Management and all three Unions, namely National Union of Telecommunications Employees (NUTE) for Peninsular Malaysia, Union of Telekom Malaysia Berhad Employees Sarawak (UTES) and Sabah Union of Telekom Malaysia Berhad Employees (SUTE), has been established over a period of many years. The theme of the relationship was enhanced by moving away from the traditional Union Management engagement model to a more strategic-based relationship model.

With the aim of creating a culture of 'One Company Mindset', the relationship model was enhanced to ensure both the Unions/employees and the Management understand the need for all activities from all angles that tie to the overall business strategy.

Moving away from the traditional approach, which was to receive and then to reactively respond to the issues and concerns by the Unions, TM has taken a more proactive approach to:

1. Develop more engagement based activities to establish closer relationships between the three Unions and TM Management, and thus a more harmonious and supportive industrial environment.
2. Encourage two-way discussions and updates pertaining to the initiatives and strategic business results taken by the Company, to reduce post-event glitches and hitches especially on matters involving employees.
3. Educate both the Unions and Management on a practical approach to manage employee issues and concerns with the intention of shifting the traditional relationship system towards a more strategic based relationship.

Among the catalysts used to bring the new approach to the system were:

1. 200 engagement initiatives completed throughout the year, such as two-party briefings, discussions and joint committees to create common understanding on Company's aspirations versus the concern of the Unions/employees.
2. 20 remote area visits nationwide to get both the Union and the Management to the real work-ground and to understand employees' requirements on the ground.
3. 40 joint workshops and seminars.
4. Nine National Joint Council (Majlis Bersama Kebangsaan) and nine Standing Committee meetings.
5. 32 State Joint Council (Majlis Bersama Negeri) meetings.
6. 100.0% achievement of 60-day timeline for the resolution of operational issues after each MBK or MBN meeting.
7. Inaugural Pre-Collective Agreement seminar on 8 September 2009 to highlight the recent economic crisis and its correlation with Company's current and future performance, featuring the views from Economic Planning Unit and Malaysian Employers Federation.

The term Union-Management co-operation has now taken a new meaning with a new theme, 'Go-operation', which leads to an expectation that the Unions will formulate theirs bargaining demands from cost-conscious and efficiency standpoints; and for the Management to understand that the issues raised by the Unions are actually the responsibility of Management to be taken care of.

Preliminary understanding and clarification given to the Unions and the effort of ensuring the Unions' participation beginning with the initial planning stage is an initiative or an important decision that has increased the level of cooperation between the Company and Unions.

In a nutshell, close and solid understanding between the Company and Unions is important in facing the many challenges of the current demanding business environment.

LABOUR DAY ASSEMBLY

Every year, TM sends a contingent to the National Labour Day Celebration, hosted by the Ministry of Human Resources. In 2009, a group of 100 employees consisting of Management representatives, TM staff, 20 NUTE members and the Union Excos from Sabah and Sarawak participated in the National Labour Day Celebration. It was a proud moment when one of TM's employees, Jatan Anak Kidu from Sarawak, was announced the recipient of 'Anugerah Pekerja Cemerlang OKU 2009'.

BUILDING CAPABILITIES THROUGH LEARNING AND DEVELOPMENT

FACTS AT A GLANCE

14,840
Number of participants trained in HSBB and IP-related programmes in 2009

54,618
Number of participants attending all courses in 2009

80.0%
Percentage of participants who achieved minimum comprehension level in HSBB programmes (Level 3 evaluation)

As business and technologies undergo massive transformation, TM has a major role in protecting the high 'value' of its human capital, ensuring that employees are capable of keeping the Company in high gear. Technical capability has to be constantly upgraded and continuous training and development programmes are ongoing to enhance knowledge and competency levels of TM's human resources.

BUILDING PEOPLE CAPABILITY

As the business launches into the High Speed Broadband (HSBB) era, training and development continues to be fortified to ensure the readiness of our people. We believe that a highly skilled and competent workforce is key to attaining a competitive edge in the new, unprecedented business environment. Various training modules were implemented over the year with 14,840 participants attending HSBB and IP-related courses, marking an increase of 38.0% from the previous year. Meanwhile, a total of 54,618 participants attended all the training courses run by TM in 2009, representing an increase of 35.0% compared to 2008.

KEY INITIATIVES

BUILDING CAPABILITIES THROUGH LEARNING AND DEVELOPMENT

A main focus was to equip future HSBB installers with the required knowledge and skills in providing end-to-end installation services. Intensive modules and training programmes were designed to cover not only the technical know-how, but also the interpersonal aspects of customer service. Modules on the HSBB system and processes were also developed and implemented as an effort towards providing total customer satisfaction. On top of that, a series of HSBB related courses were conducted for new recruits as well as existing employees to ensure their knowledge and skills readiness.

As an effort to heighten team spirit, motivational and cultural shift sessions were conducted from top down. Setting the pace of the team to move as one is crucial in facing new business challenges.

As we continue to provide the essential training and development programmes, initiatives in ensuring training effectiveness were also implemented concurrently. A cyclic process of assessment and module refinement was carried out to ensure our efforts will be reflected in TM's overall business achievement.

TM LEADERSHIP COMPETENCY-SERVE

To boost the execution capability of our human capital, TM has introduced the TM Leadership Competency Model focusing on 5 core competencies with the motto 'Lead to SERVE' (S = Service, E = Engage and Nurture People, R = Results Driven, V = Value Innovation and Change, E = Excellent Relationships). 'Lead to SERVE' is a core leadership mindset; leading for the interests of the customers, company, people and industry as a whole. These competency models are used as a basis of leadership assessment.

PEOPLE ORIENTATION AND ENGAGEMENT PROGRAMME

GCEO INNOVATION CIRCLE

TM GCEO Innovation Circle is an initiative where 20 young executives with great innovative spirit and creative inclination are chosen to propose innovative suggestions and recommendations on TM's current and future business initiatives. The best new ideas are shared with the GCEO and top Management to drive TM's aspirations towards customer service excellence and operational efficiency.

COACHING

The best way to get the most out of employees' talents is to coach them intensively in their role. To develop and cultivate a coaching culture in TM, several pilot projects were carried out as initial studies for further improvement towards company-wide implementation.

In 2009, coaching programmes were conducted nationwide. Following the success of these, initiatives have been launched to develop coaching managers, integrating coaching into leadership development and embedding coaching into the performance management process.

LEADERS' ENGAGEMENT

'Teh Tarik Session' is a programme to improve the level of engagement and communications between the GCEO or Senior Management and employees. The sessions are conducted in a casual manner, over servings of *teh tarik* and *nasi lemak*, when employees are given the opportunity to exchange ideas and interact directly with the GCEO or Senior Management on any business, management and operational issue pertaining to TM.

Leaders Dialogue for Group Leadership Team (GLT) Members/Leadership Talk for Non GLT Members and State GMs

Leaders Dialogue/Leadership Talk is a knowledge-sharing session led by a member of Senior Management who speaks on any topic that is motivational or job-related. The aim to improve the level of engagement and communications between Senior Management and employees and to equip the employees with the latest information and knowledge.

Another leadership programme organised by TM is the ***'Turun Padang' programme***, which is a series of visits by the Senior Management to actual work locations on the ground. This enables the Senior Management to have first-hand experience and better understanding of operations and at the same time, employees can highlight real issues happening in their work environment.

BUILDING BUSINESS GENIUSES FOR TM SCHOLARS – MY TM TRAINING PROGRAMME

All newly-recruited TM Scholars are required to undergo My TM Training Programme or an Induction Programme for three weeks, followed by a six-week Internship Program or On-the-Job Training (OJT) at three main divisions namely, Network Operation, Network Development and TMpoints, in Klang Valley. On-the-Job Training is job-specific training conducted at the work site by a supervisor by demonstrating the implementation of a specific job or task with actual processes and equipment.

With OJT, scholars are expected to understand TM's business environment and divisional relationship, to cultivate a sense of commitment, dedication, discipline and loyalty to TM and also internalise the application of the Company's policies and procedures, Kristal values, corporate culture and good governance.

EMPLOYEE ASSISTANCE PROGRAMME

Employee Assistance Programme (EAP) is designed to assist employees to manage, overcome and avoid personal, career, family, interpersonal or work-related problems that can impede their performance and productivity. EAP serves as counselor, coach and consultant for TM's employees through trained EAP Practitioners nationwide. In 2009, newly appointed EAP practitioners, who included union leaders, underwent a series of training to enhance their counselling competencies. The EAP team closed 139 cases successfully in 2009. EAP is proven to be an effective mechanism in improving employees' performance, quality and productivity and creating a harmonious work environment in TM.

HEWITT BEST EMPLOYER IN MALAYSIA 2009

The Hewitt Best Employers in Asia 2009 study placed TM as one of ten winners in the country. Conducted by Hewitt Associates and involving more than 60 organisations, the study aimed to achieve a better understanding of the link between people practices and business performance in the Malaysian and Asian context.

The study is conducted by means of an Employee Online Survey, People Practices Inventory Survey, CEO Questionnaire, audit and an Independent Panel of Judges.

The first batch of HSBB installers during their graduation ceremony

KEY INITIATIVES

TOWARDS GREATER INNOVATION

In the current era of rapidly evolving technology and innovation, the only constant is, ironically, change. Just as the technological landscape is changing, so are our lifestyles. We're not just accepting change, we expect and demand it. Every member of Telekom Research & Development Sdn Bhd (TM R&D) is fully aware of this reality and is committed to fulfilling TM's role in bringing on the innovations expected by the nation.

The atmosphere at TM Innovation Centre in Cyberjaya, where TM R&D is located, is charged with determination to keep innovating and improving on products and technologies. The focus is not on R&D for its own sake, but R&D that is commercialisable. TM R&D aims to be a self-sustaining technology company that is able to support the needs of TM Group and the industry in general.

INNOVATION AND FUTURE LIFESTYLES

One of the highlights of TM R&D in 2009 was the launch of its Lifestyle Innovation Showcase in April. The showcase was of a studio apartment fully equipped with digital gadgets designed by researchers at TM R&D. These included smart kitchen and high-tech dining, living and SOHO areas, in which the enabling technologies were neither intrusive nor significantly visible.

Themed *Today's Discovery, Tomorrow's Lifestyle*, the products and innovations on display covered various aspects of a future lifestyle including proof-of-concept (POC) High Definition IPTV, RFID and other smart devices enabled by wireless communication and fibre optic LAN backbone that had been developed in-house. It revolves around the *e^3-Lifestyle* concept, which translates into three lifestyle factors, namely Efficient, Entertaining and Eco-Friendly. The *e^3-Lifestyle* represents TM R&D's view of a future that can be realised with the deployment of a HSBB environment. The three Es represent:

- **Efficient Lifestyle** – the essence of innovations in which technology assists you to utilise your resources (time, finances, etc) more efficiently so you can spend quality time with loved ones.

- **Entertaining Lifestyle** – bringing the best of high-quality entertainment to your fingertips anywhere and at any time through ultra high speed fibre networks at home or ultra-mobile wireless connections while you are on the go.
- **Eco-friendly Lifestyle** – a way of life that protects the environment, hence safeguards the future, by exploring the use of alternative power sources and smarter, more efficient energy use at home and at work.

COMMERCIALISATION & PRODUCT INNOVATION

2009 was a year of the commercialisation of products including unified conferencing and messaging solution (UnME), broadband-over-powerline (BPL), Modem and Residential Gateway, RFID-based applications and FTTH LAN solutions, with nine licensing agreements signed. Marketing efforts, meanwhile, continued with TM R&D participating at national and international exhibitions and roadshows alongside TM, including:

1. ITEX 2009 Exhibition, Kuala Lumpur
2. Iskandar Open Day, Johor Bahru
3. SMIDEX 2009, Kuala Lumpur
4. CommunicAsia 2009, Singapore
5. Joint Industry Seminar & Exhibition, Kuala Lumpur
6. APAN Exhibition, Kuala Lumpur
7. APICT Awards Exhibition, Kuala Lumpur
8. LIMA, Langkawi
9. Asia Forum for ICT Showcase, Kuala Lumpur

As a result of efforts to maintain high international standards, in 2009 TM R&D received recognition from international organisations such as the Asia Pacific FTTH Council and the Metro-Ethernet Forum, of which it is a member. TM R&D's Metro-E products were certified by the Metro-Ethernet Forum for deployment. TM R&D also received 21 awards at the 2009 International Invention and Technology Exhibition (ITEX2009) that included:

1. Smart Fridge (Gold Award & Most Innovative Product Award)
2. MyTrax (Gold Award & Most Innovative Product Award)
3. OPTIMUS II ADSL 2/2+ Service Verification Tester (Gold Award & Most Innovative Product Award)
4. Software Controlled Multiband Antenna Switch Module (Silver Award & Most Innovative Product)
5. Wideband Optical Amplifier (Gold Award)
6. Optical Gateway Modem for the Next-Generation PON (Gold Award)
7. MHEMT as the Ideal Candidate For High Performance, Millimeter Wave Low Noise Power Application (Silver Award)
8. National Instruments Award – 2nd place

Since 2007, TM R&D has embarked on a quality and process improvement journey by implementing the Capability Maturity Model Integrated (CMMI), in addition to the existing ISO9001:2000 initiative, which was re-certified in November 2009. While maintaining its CMMI Maturity Level (ML) 3, TM R&D is gearing up to achieve CMMI-ML4 and ISO9001:2008 certification by end of 2010 under the R&D, Consultancy and Commercialisation category. Towards this end, programme leaders are being sent for Programme Management Professional (PgMP) courses, while researchers are being trained in process improvement modules, as outlined in the CMMI Processes Quality Manual and other process documents.

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

15-17 May
TM Research & Development Sdn Bhd (TM R&D) won 21 awards at the ITEX '09. It had registered 13 products in five categories: Telecommunications, Multimedia, Material, Industrial Design and Electricity/Electronic.

KEY INITIATIVES

TOWARDS GREATER INNOVATION

INTELLECTUAL PROPERTY & RESEARCH COLLABORATIONS

In 2009, TM R&D achieved 17 patent filings and successfully obtained 22 industrial designs and 19 layout designs for integrated circuits approval and received 77 software copyrights. In total, 68 projects were undertaken of which 25 were completed on schedule with 43 more planned for completion in 2010 and beyond.

HUMAN CAPITAL AND PARTICIPATION IN INTERNATIONAL CONFERENCES

To continuously maximise the potential of its human capital and intellectual resources, in 2009 TM R&D facilitated various programmes, which included:

- 163 training modules, mostly in-house.
- Bursaries to 29 full-time employees to pursue post-graduate studies.
- Industrial attachment programmes overseas for two researchers.
- Technology transfers for six expatriates to join TM.

TM R&D not only completed most of its research deliverables on time, but also produced 75 research papers for presentation at international conferences which have been published in ISI-indexed international journals. The following are some of the flagship conferences where TM R&D was represented in 2009:

- Australasian Conference on Optics, Lasers and Spectroscopy and Australian Conference on Optical Fibre Technology (ACOLS/ACOFT 2009), Australia
- 6th Asian Lightning Protection Forum, Yokohama, Japan
- International Conference on Electronics Packaging (ICEP) 2009, Kyoto, Japan
- The 7th International Conference on Robotics, Vision, Signal Processing & Power Applications (RoViSP 2009), Langkawi, Malaysia
- The 2nd International Conference on Machine Learning and Computing (ICMLC2009), Perth, Australia
- The First International Conference on Advances in P2P Systems (AP2PS) 2009, Sliema, Malta
- The International Symposium on Industrial Electronics 2009 (IEEE ISIE 2009), Seoul, Korea
- WSEAS International Conference, Istanbul, Turkey
- The International Conference and Exhibition on Materials and AustCeram 2009 (MA2009), Gold Coast, Australia
- The 2nd International Conference on Computer and Electrical Engineering (ICCEE 2009), Dubai, UAE
- International Conference on Electroceramics, New Delhi, India

KNOWLEDGE CONTRIBUTION TO SOCIETY

As in previous years, in 2009 TM R&D played a significant role in helping the Group meet its corporate social responsibilities. It hosted two foreign academicians on a year-long sabbatical, and also took in 96 promising local undergraduates for four to six months of industrial and practical training. They were from Universiti Malaysia Perlis (UMP), Universiti Teknologi MARA (UiTM), International Islamic University Malaysia (IIUM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknikal Malaysia Melaka, UNIMAS, UNIMEP and Universiti Teknologi Malaysia (UTM).

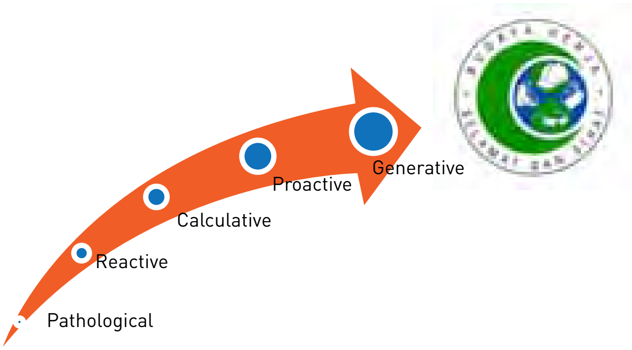
Since the launch of TM R&D's Lifestyle Innovation Showcase in April 2009, the company has attracted many visitors from within and outside the country who are satisfied that the futuristic lifestyles depicted can be realised in the very near future. Among the delegations that visited TM R&D in 2009 were:

1. Medina Knowledge Economic City (MKEC)
2. SIRIM
3. Multimedia Development Corporation (MDeC)
4. Malaysian Communications and Multimedia Commission (MCMC)
5. Department of the Accountant General of Malaysia

Given the enthusiasm of its researchers and its culture of innovation, TM R&D is confident of continuing to be at the forefront of research and innovation to propel the nation into an exciting, digitalised future, while contributing in small but significant ways to serve the community.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

OSHE JOURNEY



Facts at a Glance

A showcase of greater Management-Union Engagement

1st TM OSHE Seminar

NIOSH-TM Safety Passport Programme

131.0% increase in participants

Menara TM

EMS ISO 140001:2004

certification extended

This Report follows major structural changes and improvements to TM OSHE Management over the last three years. OSHE is a critical and integral part of our science, business and management activities. TM recognises that environmental management of our operations has become one of our highest corporate priorities. TM is also committed to open and transparent reporting of our OSHE performance.

TM is committed to achieving continuously higher levels of product and customer service satisfaction, growth, employee safety and the betterment of the human condition. TM focuses on the OSHE Management System as the foundation of Occupational, Safety, Health and Environmental (OSHE) excellence in the business and strives for continuous improvement towards zero accidents, injuries or harm to the environment.

In order to compare TM's safety performance with others in industry, Incident Rates (IR) are calculated utilising a formula used by the Department of Occupational Safety & Health (DOSH).

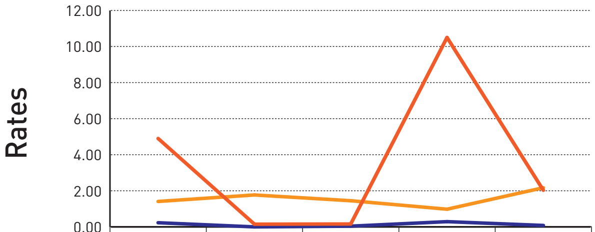
Rates are calculated based on the number of recordable injuries and illnesses for all states. Since 2006, the Incident Rate (IR) for TM has shown some improvement except for this year where it has increased to 2.17. However, this is still below the average of 6.1 accidents per thousand (1,000) workers as reported in the Occupational Safety and Health Master Plan Fifteen (OSHMP15) for 2007 (Department of Occupational Safety and Health, Ministry of Human Resource). On the other hand, the Severity Rate (SR) based number of Lost Work-Days and Fatality Rate (FR) have reduced significantly.

On Regulatory Compliance, it was encouraging to note that in 2009, the TM OSHE Steering Committee at Headquarters and all state and regional OSHE Committees recorded 100.0% compliance in terms of holding committee meetings as stipulated under OSHA 1994 – Safety & Health Committee Regulations 1996.

As 'Going Green' has recently been a big part of many businesses' way of conducting their daily activities, Property Operations being EMS ISO 14001:2004 certified at Menara TM has continued its efforts to support the TM Corporate Environmental Programme in 2009. Operations and maintenance activities at Menara TM by Property Operations were acknowledged by SIRIM to be managed according to EMS requirements and regulatory compliance when they successfully passed the EMS surveillance audit on 25 and 26 May 2009 that granted extension of the EMS ISO 14001:2004 certification.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

5 Years Incident Statistics (2005-2009)



	2005	2006	2007	2008	2009
SR('00)	4.90	0.15	0.16	10.50	2.03
IR	1.41	1.77	1.45	0.98	2.17
FR	0.23	0.00	0.04	0.29	0.08

Note:
SR – Severity Rates
IR – Incident Rates
FR – Fatality Rates

MAIN OSHE INITIATIVES:

1. TM OSHE SEMINAR

In June, the 'OSHE Seminar 2009', the first of its kind since Jabatan Telekom Malaysia (JTM) privatisation, was held in Kota Bharu, Kelantan and officiated by the then Group Chief Operating Officer. Themed 'Employees' Safety – A Mutual Commitment', the seminar was aimed at getting a greater engagement from both the Management and in-house unions towards making TM a safer workplace, its employees adopting a healthy lifestyle and care for the environment. Other objectives of the Seminar were:-

- Improvement of OSHE initiatives in pursuit of industry best practices;
- Sharing and discussing OSHE issues and learning from business unit operations; and
- Focusing on future directions and achieving a 'One Company Mindset' vision.

A total of six papers were presented, notably one from Tan Sri Datuk Seri Lee Lam Thye, Chairman of National Institute of Occupational Safety & Health (NIOSH). This seminar also saw for the first time in the history of TM-Unions relations, Presidents of NUTE, UTES and SUTE delivering their respective union's viewpoints on OSHE. There were more than 120 participants of whom 50% were union members from various levels of OSHE Committees. The participants gained insights on the initiatives and developments in OSHE over the past year and enjoyed a lively series of presentations which included many take-away messages for themselves and their colleagues.

2. HAZARD IDENTIFICATION, RISK ASSESSMENT AND RISK CONTROL PROGRAMME

Most accidents are preventable. Having identified an activity in Network Operations Division (NO) as a major contributor of accidents in TM, in 2009, the TM Group OSHE Steering Committee instructed that a Hazard Identification, Risk Assessment and Risk Control Programme (HIRARC) be conducted in NO as a proactive approach to mitigate the existing risks and prevent further mishaps.

A few teams comprising experienced personnel from NO, Productivity & Quality Management (PQM) Unit and OSHE Unit were formed to identify potential hazards or unsafe work practices and workplaces, taking a closer look at some hazards to determine their nature, root cause and so forth. The teams also looked at what needs to be accomplished to eliminate or reduce the impact of such hazards. Methodology such as employee interviews, walk-around inspections and informal and formal observation were used to identify the potential hazards. This exercise itself marks a paradigm shift – not to look for someone or something to blame, but to look for ways to improve safety.

A number of highly experienced personnel from NO, PQM and OSHE Unit were assigned to jointly conduct a step-by-step analysis of identified job processes.

The exercise was fully documented in mid-December with more than a hundred hazards identified. Programmes and action plans to control or minimise the identified hazards were proposed for implementation by the NO OSHE Committee in 2010.

3. NIOSH – TM SAFETY PASSPORT (NTMSP) PROGRAMME

This training programme, organised in collaboration with the NIOSH, was initiated in late 2006 to create awareness of the importance of observing safety rules and procedures among TM contractors' personnel working in TM's premises. OSHE Unit, Group Procurement Division and other operating divisions joined hands in ensuring compliance by JKH (Jadual Kadar Harga) and Mini JKH contractors. As at December 2009, about 98.3% of JKH personnel and 77.0% of Mini JKH personnel had attended this Passport Programme. The number of participants in 2009 totalling 7,091 was 131.0% higher than in the previous year.

4. H1N1 PANDEMIC PREPAREDNESS PLAN

The H1N1 (swine flu) outbreak began in April 2009. A flu pandemic is a global outbreak of disease that occurs when a new influenza virus appears to which people have little or no immunity. It affects people of all ages, backgrounds and locations, and could cause high numbers of illness and death as well as social and business disruption. TM took a serious view of the possible effects of this pandemic on its employees and their families, thus applied concrete actions by activating the Pandemic Preparedness Team. The existing Pandemic Preparedness Plan was reviewed to identify appropriate steps to prevent the spread of the virus in TM's premises.

About RM80,000 was spent on providing protective equipment, sanitisers and thermometers to staff in all premises. The Plan was successfully carried out, resulting in minimal impact of internal infection. The experience places TM in good stead face the Second Wave if it comes.

5. OSHE CAMPAIGNS & EXHIBITIONS PROGRAMME

In 2009, another four states, namely Perak, MSC, Terengganu and Kelantan, organised their respective OSHE Campaigns and Exhibitions aiming at creating greater awareness among their staff. Their programmes were boosted by the cooperation from relevant departments and agencies such as Polis Diraja Malaysia (PDRM), Jabatan Bomba dan Penyelamat (JPM), DOSH SOCSO, local hospitals and our panel doctors. With these programmes, all states have taken their turn to organise OSHE campaigns and exhibitions which were first introduced in 2005.

It is worthwhile to note that while other states held their campaign in one particular chosen location, Perak had the distinction of being the first state to hold its campaign state-wide for a duration of one month.

From 2010 onwards, our focus is to hold more health and healthy lifestyle campaigns while not letting our guards down on safety and the environment.

6. NON-IONISING RADIATION EXPOSURE SURVEY

TM has put rigorous processes in place to ensure that the design and operation of its hill stations comply with national and international radio frequency exposure safety standards. In 2007, TM and the Malaysian Institute of Nuclear Technology (MINT) began a survey to measure the level of radiation and radio frequency exposure to operational and maintenance staff who perform regular inspection work at nine identified hill stations throughout the nation, and this was completed in 2009. The main objectives of the survey were:

- To identify work places within the premises of the telecommunications and broadcasting towers where radiation levels are very significant with respect to the exposure limits allowed by the Malaysian Communications and Multimedia Commission (MCMC) and International Committee on Non-Ionising Radiation Protection (ICNIRP).
- To determine the level of radio frequency and microwave radiation exposure to our employees working onsite.
- To determine appropriate protective equipment to be used by the employees.

The findings indicate that the measured field strengths are well below the permissible exposure limits set by MCMC and ICNIRP guidelines for workers as well as members of the public. However, several recommendations were proposed by MINT as protective measures and these are expected to be completely implemented in 2010.

7. REWARD AND RECOGNITION PROGRAMME

The year 2009 saw the introduction of the following OSHE Awards:-

- **100 Days Accident-Free Award;**
- **200 Days Accident-Free Award;** and
- **365 Days Accident-Free Award.**

The broad objective of introducing these Awards is to create a 'sense of healthy competition' among all state operations to strive for year-round accident-free working environment.

For the 100 Days and 200 Days Accident-Free Awards, four states namely Kedah/Perlis, Pulau Pinang, MSC and Kelantan were adjudged winners. The winner of the inaugural 365 Days Accidents-Free Award went to Kedah/Perlis. This award came with a plaque, a certificate and cash prize of RM3,650.00.

KEY INITIATIVES

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

8. OSHE TRAINING PROGRAMME

In 2009, OSHE Unit continued to focus on providing or coordinating relevant OSHE training tailored according to staff category and the specific needs of divisions and units in TM. The Training organised were:-

- OSH Laws for Executives and Supervisors
- OSH Induction for New Recruits (HSBB)
- Safety & Health Officer Certification Programmes
- Internal OSH Auditor
- OSH Roles & Responsibilities of Supervising Officers (Network Development)
- Train The Trainer For OSH Induction Programme
- Working At Height – Aerial Rigger Competency Renewal Programme

A total of 2,065 TM employees from various divisions and units attended the above trainings. Most of the programmes were conducted by internal experts and feedback from the participants was very encouraging.

Besides the above programmes, we also sent our Safety & Health Officers (SHO) for specific training or courses as part of the CEP (Continuous Education Programmes) for SHO as stipulated under OSHA 1994-Safety & Health Officer Regulations 1997.

9. REDUCE – REUSE – RECYCLE PROGRAM

The 3R Initiative aims at promoting '3Rs' (reduce, reuse and recycle) awareness in our society on the benefits of a sound material-cycle through the effective use of resources and materials. Reducing means choosing to use things with care to reduce the amount of waste generated. Reusing involves the repeated use of items or parts of items, which still have usable aspects.

Recycling means the use of waste itself as a resource. Waste minimisation can be achieved in an efficient way by focusing primarily on the first of the 3Rs, 'reduce', followed by 'reuse' and then 'recycle'. The Property Operations Division under its EMS Programme joined hands with Menara TM tenants to promote this initiative. For that purpose, 3R bins have been placed at various locations in the building for every employee to do his or her bit to support the programme. From January to December 2009, Menara TM collected a total of 60,329 kilogrammes (kg) of paper, aluminium, carton, steel and plastic.

10. BUILDING AUDIT

Realising the importance of conducting regular audits on TM's buildings, the OSHE unit embarked on this programme late last year. A total of 69 selected employees were trained as auditors. These auditors then conducted audits on 11 exchange buildings, 12 TMpoint outlets and 16 ladders which are used on-site and exchanges. This exercise is a manifestation of greater involvement of OSHE Committee members at various levels and the Unions.

MOVING FORWARD

The OSHE Unit will continue to see 2010 as another challenging year. It has identified areas to devote more efforts in order to improve the OSHE record. Among areas identified are:-

- Focusing on accident-prone areas and work activities;
- Intensifying efforts towards encouraging employees to lead a healthy lifestyle;
- More enforcement; and
- Rewards and recognition for small teams and individual efforts in OSHE.

CORPORATE RESPONSIBILITY

Corporate responsibility (CR) at TM is a strategic agenda which reflects the Company's commitment to its various stakeholders. TM's belief in doing business ethically and with integrity means it aligns its business and operations to CR values, integrating the interests of stakeholders into all corporate initiatives. Its focus on delivering the Triple Bottom Line of social, environmental and financial profit acts as a sure investment into the long-term sustainability of the business. The strong CR culture at TM is reinforced by its Performance Improvement Programme (PIP) 2.0, through which responsible behaviour is internalised by employees and mirrored in all their actions.

Further, as a signatory to the United Nations Global Compact, TM aligns its operations and business strategies with the 10 universally accepted principles contained in the areas of human rights, labour, environment and anti-corruption.

Dato' Zamzamzairani Mohd Isa, Group CEO TM receiving the award for Workplace category from Prime Minister of Malaysia during the Prime Minister's CSR Awards 2009

CR IN THE MARKETPLACE

In dealing with its shareholders, customers, business associates, vendors, the investor fraternity, media and regulatory bodies, TM is guided by statements and policies related to corporate governance, business ethics, procurement ethics, risk management and stakeholder engagement. Its exemplary corporate governance practices won TM first runner up position at the Malaysian Business-CIMA Enterprise Governance Awards 2009.

CORPORATE GOVERNANCE

The Board Directors act as stewards of corporate governance at TM, and Board Committees are guided by clear terms of reference and operating procedures. TM abides by the Malaysian Code on Corporate Governance and the Green Book

TM's green programme

10 chosen to work from home to cut travel, time and money

»This will cut travelling time and reduce the carbon footprint as well as time and money«

WELL DONE:

KEY INITIATIVES
CORPORATE RESPONSIBILITY

produced by the Putrajaya Committee on GLC High Performance, which contains Guidelines to Enhance Board Effectiveness. To ensure sterling leadership, the company has its own Board Performance Improvement Programme (BPIP) and offers various training modules to Board members. It also keeps abreast of best practices globally and adopts these into its Corporate Governance framework. All these measures collectively ensure that TM's internal processes and systems are aligned with increased efficiency, transparency and accountability.

BUSINESS ETHICS

TM's Code of Business Ethics (CBE) underlines 'uncompromising integrity' in dealings with all stakeholders, even competitors. In line with the CBE, all Executive Directors, members of Management and employees are required to declare their assets and interests in the Group annually. The Code also has clear guidelines to curb insider trading.

PROCUREMENT ETHICS & VENDORS

TM engages in an open and transparent manner with vendors, in accordance with its Procurement Ethics which serves to safeguard the Group's corporate reputation and market perception. The Procurement Ethics also provides for safe channels through which employees and vendors can report unethical actions, which are dealt with severely. The level of satisfaction of vendors in their interactions with TM employees is assessed by periodic online surveys. In the 2009 survey, TM scored 8.0 in this assessment, marking an improvement from 7.3 out of 10 attained in 2008.

In addition, TM supports and protects its vendors by ensuring they meet regulatory requirements, such as certifications. TM also went beyond training its own staff and went on to train contractors involved in the HSBB project. For 2009, TM trained 766 out of 800 Jadual Kerja Harian (JKH) contractors on fibre technology. TM also launched a three-year Vendor Development Programme to ensure that its external local contractors have the requisite capacity and capability to undertake HSBB-related work.

The Group indirectly promotes its vendors by working closely with the Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia) in various SME initiatives such as awards and training. TM also hosts a web-based portal that caters specifically to the needs of this vital segment of the economy.

RISK MANAGEMENT

Risk management is crucial to maintaining uninterrupted quality service and to safeguarding shareholder value. To manage and mitigate risks, the Group Risk Management Unit has established a sound Enterprise Risk Management (ERM) programme. This ensures that all principal risks are identified, and internal systems in place to control them. To ensure full understanding of risk management practices in the Company, TM requires all executives to complete an e-learning course on TM Enterprise Risk Management, including it as one of the KPIs in the staff Balanced Scorecard.

INVESTOR RELATIONS

TM maintains constant dialogue with its shareholders and investors via a carefully planned investor relations programme. The Investor Relations Unit disseminates timely communiques to keep investors updated on the Group's strategies, performance and key business activities. All communication with the capital market is governed by the Investor Relations Policy and Guidelines, which ensure adherence to best practices. Key investor relations initiatives include quarterly financial announcements, Annual Analysts' Days, one-on-one meetings, conference calls and investor conferences. Information on the Group's financial performance is also available on its website; and feedback is encouraged via investor@tm.com.my. In 2009, TM's AGM was named the best for shareholders among all public listed companies by the Minority Shareholders Watchdog Group (MSWG). MSWG also awarded a merit to TM as one of the top 5 public listed companies in terms of corporate governance.

CUSTOMERS

TM's responsibility towards customers is to provide them with a high level of service and to meet their expectations in terms of product offerings. Employees are trained so as to provide the best customer experience, while online services and other interactive channels are constantly expanded and upgraded to offer more, better and faster service. To keep a pulse of customer satisfaction, feedback is encouraged online, and face-to-face surveys conducted every quarter. Meanwhile, focus groups and advisory panels are organised to discern changing wants and needs.

CR IN THE WORKPLACE

TM places great value on its employees, and concerted efforts are made to enhance their level of satisfaction and well-being, which translate into greater productivity. As a result of its employee-centric culture, TM was named one of the 10 Best Employers in Malaysia 2009 by Hewitt Associates. TM also won the prestigious 2009 Prime Minister's CSR Award for best Workplace Practices.

TRAINING & PERSONAL DEVELOPMENT

TM nurtures a culture of performance. All employees are expected to attend at least 40 hours a year in structured training programmes; executives have the additional option of enhancing their soft skills via the SmartOrange programme; and senior management are sent for advanced courses at top institutions such as IMD, INSEAD and Harvard, in addition to completing the Senior Management Development Programme – equivalent to a Master's – run by the Multimedia University, and Warwick and Strathclyde Universities in the UK.

As the business ushers into the High Speed Broadband (HSBB) era, training and development continues to be fortified to ensure the readiness of our people. Various training modules have been implemented over the year for HSBB and IP-related courses.

High performers are initiated into the Group's talent pool and are given every opportunity to fast-track their career development. So far, 150 employees have been identified as high performers, 37.3% of whom are below the age of 35. TM also places emphasis on coaching. A few programmes have been conducted to develop coaching managers so as to integrate coaching into TM's leadership development.

EMPLOYEE ENGAGEMENT

TM believes in effective, two-way communication with employees. All new recruits are given handbooks detailing their terms and conditions of employment, and go through an induction course. At any point in their careers, employees have ample opportunity to channel feedback to their superiors. They are encouraged to email queries and comments to Group Corporate Communications, and receive responses from the relevant parties. An Intranet chat forum further promotes employee engagement and discourse.

About 15 employees from around the nation are selected on a random basis every month to have *teh tarik* with the Group CEO. The Group CEO himself makes regular state visits and presents the Group's financial results every quarterly, the briefings streamed live to all state offices. Employees are further kept up-to-date with developments in the Group via print and electronic newsletters. These initiatives have had a positive impact, as reflected in the annual Employee Satisfaction Index. In 2009, TM scored 8.5%, compared to 8.6% in 2008.

Dato' Zamzamzairani Mohd Isa, Group CEO enjoying breakfast with 15 employees during 'Sesi Teh Tarik bersama GCEO'

Dato' Zamzamzairani Mohd Isa, Group CEO meeting employees at a TMpoint outlet in Malacca. This visit was part of 'Turun Padang', which is part of the Employee Engagement Programme

KEY INITIATIVES
CORPORATE RESPONSIBILITY

HEALTH & SAFETY AT WORK

An essential component of staff well-being is their health and safety. This is enforced at TM via the Occupational Safety, Health and Environment (OSHE) Policy, which encourages employees to 'think safety, work safely and be safe'. In June 2009, the first OSHE Seminar since Jabatan Telekom Malaysia (JTM) was privatised was held in Kota Bharu, Kelantan, engaging both the Management and in-house unions. TM also introduced a state-wide competition to achieve the best accident-free records.

On a regular basis, TM organises occupational safety and health campaigns at which doctors on the Group's panel give talks and free screenings. The focus on health was exemplified by the efficient implementation of a Pandemic Preparedness Plan which resulted in zero H1N1 infections among TM employees last year. Towards creating a safer work environment, a total of 2,065 staff from across the divisions and units attended various OSHE training; while 7,091 contractors took part in the NIOSH–TM Safety Passport Programme.

WELFARE & EMPLOYEE BENEFITS

TM takes care of the welfare of its employees by providing personal health insurance, medical care for employees and their families; housing, car and computer loans; and social and recreational facilities including a fully equipped gym. Employees facing personal or work-related problems have recourse to counseling via the Employee Assistance Programme (EAP).

Recognising employees' need to strike a balance between work and home commitments, the Group has taken the first step towards embracing the relatively novel concept of teleworking. About 140 personnel of Enterprise Sales and Government Sales are testing the efficacy of teleworking, using the latest ICTs to keep them connected. Specifically for mothers, there are childcare centres in Menara TM and the Multimedia College, Taiping.

ENGAGEMENT WITH UNIONS

TM has three in-house unions – the National Union of Telecommunication Employees (NUTE), Sabah Union of Telecommunication Employees (SUTE) and Union of Telecommunication Employees Sarawak (UTES), representing non-executives in Peninsular Malaysia, Sabah and Sarawak respectively. TM maintains regular and open dialogue with these unions, updating them of major business changes and resolving matters pertaining to collective agreements or operational issues. Issues are mediated primarily by the National Joint Council (NJC) and the Standing Committee (SC), both of which are equally represented by TM and the unions. The NJC holds at least four meetings a year, while the SC convenes to deal with matters that failed to be resolved at lower levels, or when the interpretation of a collective agreement is in question. Cordial relations with the unions are strengthened by inviting their representatives to company activities and events.

One of the medical check up sessions for employees organised by the TM panel clinics during a health campaign

Tan Sri Datuk Seri Lee Lam Thye at TM's OSHE exhibition booth

CR IN THE COMMUNITY

The Group's community efforts focus on three long-term social causes: capacity building through education; improving the lives of the underprivileged through community and nation-building efforts; and protecting the environment. TM believes in making a difference, hence all projects are geared to be sustainable and impactful. TM won the coveted Starbiz-ICRM CR Awards 2009 in the Community category for its best practices.

EDUCATION

TM's education initiatives support of the government's vision of nurturing a fully-developed, knowledge-rich and skilled nation. Via Yayasan TM (YTM), the Group offers scholarships to secondary and tertiary level students, to continue their studies locally and overseas. Scholarships have been given to those admitted to prestigious universities such as Cambridge, Oxford and the London School of Economics, in the UK, and the Massachusetts Institute of Technology (MIT), in the US. In 2009, YTM disbursed a total of RM21.9 million for education, which included 810 scholarships offered to deserving students.

Within Malaysia, TM offers quality tertiary education at the Multimedia University (MMU), the first private university in the country. So far, the university has produced over 20,000 graduates, 96% of whom have gained employment within six months of completing their studies. Reflecting its high standards, MMU made it into the top 200 Asian Universities, under the QS.com Asian Universities Rankings 2009.

Dato' Zamzamzairani Mohd Isa, Group CEO TM receiving the award for Community category from His Royal Highness Raja Nazrin Shah, the Crown Prince of the State of Perak during the Starbiz-ICR Malaysia CR Award 2009

NATION-BUILDING

As a telco, TM naturally focuses its nation-building initiatives on an area it knows best – bridging the digital divide between urban and rural communities. At the same time, it supports welfare homes, charitable organisations and NGOs like Shelter and the National Heart Institute, and contributing towards disaster relief efforts.

TM's move to promote English

Students of SMK Pakan trying their hands on the computer applications during the launch of the school adoption program

CORPORATE RESPONSIBILITY

Dato' Zamzamzairani Mohd Isa, Group CEO giving away school bags to needy students during the launch of the school adoption project with the Ministry of Information, Communication Culture (MICC) at SK Teriang, Jelebu, Negeri Sembilan

Dato' Zamzamzairani Mohd Isa, Group CEO together with students from TM's adopted schools, Sekolah Kebangsaan Bukit Indera Muda and Sekolah Kebangsaan Seri Penanti during 'Majlis Pelancaran Pertandingan Kreativiti dan Inovasi PINTAR Peringkat Nasional' in Penang

PINTAR. TM successfully completed its 3-year PINTAR program for the first 2 adopted school in Bukit Mertajam, Pulau Pinang in December 2009. TM adopted another two schools, one in Johor and another in Kedah in January 2010 under the PINTAR programme. PINTAR was initiated in 2005 by the Ministry of Finance and is driven by Khazanah Nasional Berhad together with Government-Linked Companies (GLCs). PINTAR aims to create awareness of the importance of good academic achievement among students from the low household income group, as academic excellence ensures a better future, allowing individuals to improve their living standards. PINTAR is a holistic programme that involves parents and the community in IT and motivational courses as well as Parenting Seminars to train them to be better at educating their children.

Sekolah Angkat project. TM collaborates with the Ministry of Information, Communications and Culture in this programme, under which it upgrades the IT facilities and telecommunications infrastructure of adopted schools. The schools are then used to educate not only the students and teachers on ICT but also the communities living nearby. In July 2009, TM adopted two schools in Negeri Sembilan and one in Sarawak for a three-year period ending July 2012. These adopted schools are included into TM's PINTAR program and as such enjoy the benefits of having PINTAR activities implemented at the schools.

Program Sejahtera. Under this programme, initiated by Khazanah Nasional Berhad to uplift the poor and afford them a sustainable living, TM has adopted three single-mother families in Pahang for a year, beginning October 2009. It will provide the women with grants to help them set up their own businesses, and donate school books for their children.

Dato' Wan Danial and Datin Hajah Noor Rehan representing TM in giving away contribution to one of the single mother families under the Program Sejahtera.

Festive Contributions. TM spreads the joy of festive occasions like Hari Raya Aidilfitri, Hari Raya Aidil Adha, Chinese New Year and Deepavali at orphanages, NGOs, the Armed Forces and welfare homes.

TM's ingrained sense of caring always comes to the fore during times of crisis, when it responds with donations and, where appropriate, its own manpower. The company in early 2009 contributed RM50,000 to war-torn Gaza, through a fund set up by NTSP. It also contributed RM20,000 to Tabung Bencana Alam NSTP in aid of victims of the Padang Earthquake.

In total, TM spent RM21.9 million on educational programmes in 2009, and RM1.2 million on nation-building initiatives.

Outstanding students at the 'Majlis Anugerah Pelajar' of the PINTAR programme

CR FOR THE ENVIRONMENT

TM has in recent years placed increasingly more emphasis on protecting and preserving the environment. In 2007, an Environmental Awareness Campaign was launched, followed by the production of an Environmental Manual which outlines eco-friendly procedures for day-to-day operations, such as installing telephone polls or replacing old ones, and laying new cables either on land or under the sea. It has also launched an internal campaign to enhance eco-awareness among its employees.

Menara TM is ISO 14001 certified. Its intelligent design minimises the load for electrical lighting and air-conditioning by maximising natural daylight while keeping heat out. Air-conditioners are switched off at lunchtime and at a particular hour after work, to reduce further use of electricity. Within the HQ, TM employees and employees of tenants are encouraged to participate in a 3R programme to reduce, reuse and recycle. Recycling bins have been made available for the collection of paper, plastic and glass waste products. More general waste management processes are regularly audited by the Compliance and Safety Unit.

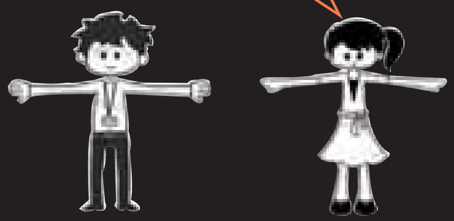
TM also has made strides in harnessing ICT as a green technology. About 140 staff from the Corporate Sales Division started to telework from home or clients' premises earlier this year, reducing their need to travel which, in turn, reduces the company's carbon footprint. In addition, the company makes the most of remote meetings via teleconferencing and live streaming between regional offices, once again eliminating as far as possible the burning of fuel. TM also launched an internal campaign, *Bumiku*, to inculcate eco-friendly habits among its employees. TM also launched a green project, called TM Earth Camp for the students. The project, in collaboration with Malaysian Nature Society (MNS), aimed to educate the students about the environment and will be implemented nationwide in 2010.

To communicate its increasing commitment towards transparency and accountability, TM published its inaugural Sustainability Report in 2009. The report was accorded GRI Application Level A+ by the GRI International Secretariat. TM also won a Gold for the Best Corporate Social Responsibility Report in the National Annual Corporate Report Awards (NACRA) 2009.

Datuk Dr Halim Shafie, Chairman of TM and Tan Sri Dr Salleh Mohd Nor, President of MNS at the launch of TM Earth Camp during Raptor Watch 2010, an annual event organised by MNS. Far left is Maya Karin, Raptor Watch's Ambassador

Signed and sealed: The signing Ceremony on TM Earth Camp between TM and MNS on 13 March 2010

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY BY DIRECTORS

IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which have been made out in accordance with the applicable approved accounting standards in Malaysia 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 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 Companies Act, 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 2009

1. 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 2009.

PRINCIPAL ACTIVITIES

2. The principal activities of the Company during the financial year were the establishment, maintenance and provision of telecommunications and related services under the licence issued by the Ministry of Energy, Water and Communications (now known as the Ministry of Information, Communication and Culture). The principal activities of subsidiaries are set out in note 48 to the financial statements. There was no significant change in the principal activities of the Group during the financial year.

RESULTS

3. 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	643.0	481.0
– minority interests	30.3	—
Profit for the financial year	673.3	481.0

4. 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

5. 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 2008, a final gross dividend of 14.25 sen per share less tax at 25.0% was paid on 12 June 2009	382.3
(b) In respect of the financial year ended 31 December 2009, an interim tax exempt dividend of 10.0 sen per share was paid on 29 September 2009	357.7

In respect of the financial year ended 31 December 2009, the Directors now recommend a final gross dividend of 13.0 sen per share less tax at 25.0% subject to shareholders' approval at the forthcoming Twenty-Fifth Annual General Meeting (25th AGM) of the Company.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

EMPLOYEES' SHARE OPTION SCHEME

6. Details of the Company's Employees' Share Option Scheme (Special ESOS), which was approved by shareholders at an Extraordinary General Meeting held on 6 March 2008, are described in note 13 to the financial statements. The Special ESOS will expire on 16 September 2010.

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

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

SHARE CAPITAL

7. On 24 February 2009, the Company had announced a proposal to carry out a cash capital repayment (Capital Repayment) to shareholders of approximately RM3,505.8 million. The proposal was approved by shareholders at an Extraordinary General Meeting on 7 May 2009.

   On 2 June 2009, the authorised share capital of the Company was increased to include 4,000,000,000 Class E Redeemable Preference Shares (RPS) of RM0.01 each. On the same day, the Company had implemented a bonus issue of 3,577.4 million RPS of RM0.01 each to eligible shareholders, on the basis of 1 RPS for each ordinary share of RM1.00 each held (inclusive of shares held by the ESOS trust in lieu of the exercise of share options by eligible employees). The bonus issue was issued at a par value of RM0.01 for each RPS by way of capitalisation of the Company's share premium account.

   As this bonus issue was intended to facilitate the Capital Repayment, the Company has redeemed the RPS at a redemption price of RM0.98 for each RPS settled by way of a cash payment of RM3,505.8 million. The premium on redemption of RM0.97 for each RPS or RM3,470.0 million was redeemed out of the Company's share premium account. Concurrently, the redemption of the par value of the RPS resulted in a creation of a capital redemption reserve of RM35.8 million. The payment which was made on 12 June 2009, included RM43.1 million paid to TM ESOS Management Sdn Bhd, a special purpose entity controlled by the Company. This amount was adjusted on consolidation.

8. During the financial year, 87,475,865 ordinary shares of RM1.00 each were issued pursuant to employees exercising their share options under Special ESOS, detailed as follows:

Number of issued and paid-up ordinary shares of RM1.00 each	Exercise price per share Prior to Capital Repayment	Exercise price per share After Capital Repayment
76,568,765	RM2.71	n.a.
849,700	RM3.14	n.a.
9,743,700	n.a.	RM1.91
305,600	n.a.	RM2.22
8,100	n.a.	RM2.91

   n.a. – not applicable

   These shares ranked pari-passu in all respects with the existing issued ordinary shares of the Company.

MOVEMENTS ON RESERVES AND PROVISIONS

9. 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

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

DIRECTORS

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

Directors	**Alternate Director**
Datuk Dr Halim Shafie *(appointed on 31 July 2009)*	
Dato' Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Zalekha Hassan	Dyg Sadiah Abg Bohan *(resigned on 11 March 2009)* Eshah Meor Suleiman *(appointed on 11 March 2009)*
YB Datuk Nur Jazlan Tan Sri Mohamed	
Tunku Mahmood Fawzy Tunku Muhiyiddin	Dr Farid Mohamed Sani
Dato' Ir Abdul Rahim Abu Bakar	
Dato' Danapalan T.P. Vinggrasalam	
Ibrahim Marsidi	
Quah Poh Keat	
Riccardo Ruggiero	
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor *(resigned on 30 July 2009)*	

16. In accordance with Article 98 (2) of the Company's Article of Association, Datuk Dr Halim Shafie who was appointed to the Board during the financial year, shall retire from the Board at the forthcoming 25th AGM of the Company and being eligible, offers himself for re-election.

17. According to Article 103 of the Company's Articles of Association, Dato' Zalekha Hassan and YB Datuk Nur Jazlan Tan Sri Mohamed shall retire by rotation from the Board at the forthcoming 25th AGM of the Company and being eligible, offer themselves for re-election.

DIRECTORS' INTEREST

18. 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 and options over shares in the Company are as follows:

	Number of ordinary shares of RM1.00 each			
Interest in the Company	Balance at 1.1.2009/ Date of Appointment	Bought	Sold	Balance at 31.12.2009
Datuk Dr Halim Shafie	6,000+	—	(1,000)	5,000+
Dato' Zamzamzairani Mohd Isa	36,000*	525,000@	(552,000)	9,000~
Datuk Bazlan Osman	2,000	490,000@	(490,000)	2,000

Note:

- \+ Deemed interest in shares of the Company held by spouse
- * Inclusive of shares held through a nominee company, Al-Wakalah Nominees (Tempatan) Sdn Bhd and spouse
- ~ Inclusive of shares held by spouse
- @ Being shares acquired pursuant to the exercise of options under the Special ESOS

	Number of options over ordinary shares of RM1.00 each^		
Interest in the Company	Balance at 1.1.2009	Exercised	Balance at 31.12.2009
Dato' Zamzamzairani Mohd Isa♦	525,000#	(525,000)	—
Datuk Bazlan Osman♦	490,000	(490,000)	—

Note:

- ^ The duration of the exercise period of the options was extended from 16 September 2009 to 16 September 2010. The exercise price of the options was adjusted from RM2.71 to RM1.91 per share pursuant to capital repayment by the Company during the financial year.
- # Inclusive of options under the Special ESOS granted to the spouse who is a senior management officer of a subsidiary of the Company.
- ♦ Dato' Zamzamzairani Mohd Isa and Datuk Bazlan Osman, being Executive Directors of the Company, were also granted options over the shares of Axiata Group Berhad (formerly known as TM International Berhad) pursuant to the demerger as explained in note 4 and 13 to the financial statements.

19. 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 and options over ordinary shares in the Company and its related corporations during the financial year.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

DIRECTORS' BENEFITS

20. 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

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

In accordance with a resolution of the Board of Directors dated 22 February 2010.

DATUK DR HALIM SHAFIE
Chairman

DATO' ZAMZAMZAIRANI MOHD ISA
Group Chief Executive Officer

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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.

1. 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 Companies Act, 1965 and Financial Reporting Standards, the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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 Financial Reporting Standards, 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 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 Group's and the Company's financial statements are disclosed in note 2 to the financial statements.

There are no new accounting standards, amendments to published standards and Interpretation Committee (IC) Interpretations to existing standards effective for the Group's and the Company's financial year ended 31 December 2009.

(a) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted

The new standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows:

(i) Standards, amendments to published standards and IC Interpretations that are effective for the Group's and the Company's financial year beginning 1 January 2010

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Shares Transactions
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

FINANCIAL STATEMENTS
SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted (continued)

The new standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

(i) Standards, amendments to published standards and IC Interpretations that are effective for the Group's and the Company's financial year beginning 1 January 2010 (continued)

The following amendments are part of the MASB's improvement projects:

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipments
FRS 117	Leases
FRS 118	Revenue
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement
FRS 140	Investment Property

(ii) Standards, amendments to published standards and IC Interpretations that are effective for the Group's and the Company's financial year beginning 1 January 2011

FRS 3 (revised)	Business Combinations
FRS 127 (revised)	Consolidated and Separate Financial Statements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners

The following amendments are part of the MASB's improvement projects:

FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 138	Intangible Assets
IC Interpretation 9	Reassessment of Embedded Derivatives

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted (continued)

The new standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

- FRS 7 "Financial Instruments: Disclosures" provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

- FRS 8 "Operating Segments" replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

- The revised FRS 101 "Presentation of Financial Statements" prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- FRS 123 "Borrowing Costs" which replaces FRS 123_{2004} Borrowing Costs, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The improvement to FRS 123 clarifies that the definition of borrowing costs includes interest expense calculated using the effective interest method defined in FRS 139.

- FRS 139 "Financial Instruments: Recognition and Measurement" establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

- IC Interpretation 9 "Reassessment of Embedded Derivatives" requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC 9 (effective 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted (continued)

The new standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

- IC Interpretation 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

- IC Interpretation 11 "FRS 2 – Group and Treasury Share Transactions" provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

- IC Interpretation 13 "Customer Loyalty Programmes" clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

- The amendments to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations" deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The improvement to FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- The amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation" require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.

- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives" allow for the reclassification of certain non-derivative financial assets out of the fair value through profit or loss category in particular circumstances. These amendments also permit the transfer of certain financial assets from available-for-sale category to loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

- Improvement to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" clarifies that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations. The improvement to FRS 5 (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted (continued)

The new standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

- Improvement to FRS 107 "Statement of Cash Flows" clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.

- Improvement to FRS 110 "Events after the Balance Sheet Date" reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.

- Improvement to FRS 116 "Property, Plant and Equipments" (consequential amendment to FRS 107 "Statement of Cash Flows") requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

- Improvement to FRS 117 "Leases" clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

- Improvement to FRS 118 "Revenue" provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.

- Improvement to FRS 127 "Consolidated and Separate Financial Statements" clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.

- Improvement to FRS 128 "Investments in Associates" clarifies that an investment in an associate is treated as a single asset for impairment testing purposes. Reversals of impairment are recorded as an adjustment to the carrying amount of the investment to the extent that the recoverable amount of the associate increases.

- Improvement to FRS 134 "Interim Financial Reporting" clarifies that basic and diluted earnings per share (EPS) must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.

- Improvement to FRS 136 "Impairment of Assets" clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

- Improvement to FRS 138 "Intangible Assets" clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Further improvement to FRS 138 (effective 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted (continued)

The new standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

- Improvement to FRS 140 "Investment Property" requires assets under construction/development for future use as investment property to be accounted as investment property rather than property, plant and equipment. Where the fair value model is applied, such property is measured at fair value. However, where fair value is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and fair value becomes reliably measurable. It also clarifies that if a valuation obtained for an investment property held under lease is net of all expected payments, any recognised lease liability is added back in order to determine the carrying amount of the investment property under the fair value model.

- The revised FRS 3 "Business Combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- The revised FRS 127 "Consolidated and Separate Financial Statements" (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held by any entity in the group. The requirements of FRS 121 "The Effects of Changes in Foreign Exchange Rates" do apply to the hedged item.

- IC Interpretation 17 "Distribution of Non-cash Assets to Owners" provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

The adoption of the above standards, amendment to published standards and IC Interpretations are not expected to have a material impact on the Group and the Company except for FRS 101 where the Group and the Company will present both the income statement and statement of comprehensive income as performance statements. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and the Company.

- FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9

- FRS 7 and Improvement to FRS 7

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and IC Interpretations that are not relevant and not yet effective for the Group's and the Company's operations

	Effective date
FRS 4 Insurance Contracts	1 January 2010
Amendments to FRS 1 First Time Adoption of Financial Reporting Standards and FRS 127 Consolidated Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Improvement to FRS 119 Employee Benefits	1 January 2010
Improvement to FRS 120 Accounting for Government Grants	1 January 2010
Improvement to FRS 129 Financial Reporting in Hyperinflationary Economies	1 January 2010
Improvement to FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for Construction of Real Estate	1 July 2010
TR i-3 Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
SOP i-1 Financial Reporting from an Islamic Perspective	1 January 2010

2. ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

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

Subsidiaries are consolidated using the purchase method of accounting except for the following business combinations which were accounted for using the merger method:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 'Accounting for Acquisitions and Mergers', the generally accepted accounting principles prevailing at that time
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122_{2004} 'Business Combinations'
- internal group reorganisations, as defined in FRS 122_{2004}, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer
- business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006

2. ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (continued)

The Group has taken advantage of the exemption provided by FRS 122_{2004} and FRS 3 to apply these Standards prospectively.

Under the purchase 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 cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill (see Significant Accounting Policies note 3(a)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement.

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

Where more than one exchange transaction is involved, any adjustment to the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

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 which were previously recognised in equity, and is recognised in the Consolidated Income Statement.

2. ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(b) Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that is recorded in the Income Statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

(c) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Significant Accounting Policies note 3(a)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised within reserves. 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 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 Income Statement.

For incremental interest in associates, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquired stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step up.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

3. INTANGIBLE ASSETS

(a) 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 Balance Sheet as an intangible asset.

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. The Group allocates goodwill to each business segment in each country in which it operates.

Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

(b) Software

Cost 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.

4. 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.

(a) 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.

Subsequent cost is included in the carrying amount of the asset or recognised 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 value 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.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Depreciation

Freehold land is not depreciated as it has an infinite life. 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 nature of assets. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

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

(c) Impairment

At each balance sheet 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 (see Significant Accounting Policies note 8 on Impairment of Non-Financial Assets).

(d) 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 the Income Statement.

(e) 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;

(i) the exchange transaction lacks commercial substance; or

(ii) 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.

(f) 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.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

5. 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

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 balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of the retirement or disposal.

6. LAND HELD FOR PROPERTY DEVELOPMENT

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount (see Significant Accounting Policies note 8 on Impairment of Non-Financial Assets).

Land held for property development is transferred to property development cost (under current assets) when development activities have commenced and where the development activities can be completed within the normal operating cycle of 2 to 5 years.

7. INVESTMENTS

(a) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Significant Accounting Policies note 8 on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

7. INVESTMENTS (CONTINUED)

(b) Available-for-Sale Investment

In accordance with FRS 127 "Consolidated and Separate Financial Statements", an investment in an entity shall be accounted for as a financial asset in accordance with FRS 139 "Financial Instruments: Recognition and Measurement" from the date that it ceased to be a subsidiary, provided that it does not become an associate as defined in FRS 128 "Investments in Associates" or a jointly controlled entity as described in FRS 131 "Interests in Joint Ventures". The carrying amount of the investment at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of a financial asset in accordance with FRS 139. Such investment is classified as available-for-sale investment and carried at its fair value. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, until the financial asset is sold, exercised or impaired, at which time the accumulated fair value adjustments previously recognised in equity will be included in the Income Statement.

The Group assesses at each balance sheet date whether there is objective evidence that the investment is impaired. In the case of an equity security, a significant or prolonged decline in the fair value of the security below its carrying value is considered as indicator that the security is impaired. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement, is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement are not reversed through the Income Statement.

(c) Other Investments

Other investments within non-current assets are stated at cost and an allowance for diminution in value is made for each investment individually where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such allowance for diminution in value is recognised as an expense in the period in which the diminution is identified.

(d) Marketable Securities

Marketable securities are short term investments and carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at based on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount of marketable securities are credited/charged to the Income Statement.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged/credited to the Income Statement.

8. 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.

8. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

The impairment loss is charged to the Income Statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement unless it reverses an impairment loss on revalued asset in which case it is taken to revaluation surplus.

9. 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 the straight line basis over the estimated useful lives of the related assets.

10. INVENTORIES

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

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

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

Inventories include maintenance spares acquired for the purpose of replacing damaged or faulty plant or spares and supplies used in constructing and maintaining the network.

11. RECEIVABLES

Receivables are carried at anticipated realisable value. Bad debts are written off and specific allowances are made for receivables considered to be doubtful of collection. In addition, a general allowance based on a percentage of receivables is made to cover possible losses which are not specifically identified. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

12. CASH AND CASH EQUIVALENTS

For the purpose of the Cash Flow Statements, 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.

13. SHARE CAPITAL

(a) Classification

Ordinary share 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 charged directly to equity.

(b) 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.

(c) 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.

The dividend in specie of shares in Axiata Group Berhad (formerly known as TM International Berhad) distributed to the Company's shareholders on demerger is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

14. BONDS, NOTES, DEBENTURES AND BORROWINGS

Bonds, notes and debentures, are stated at the net proceeds received on issue. The finance costs which represent the difference between the net proceeds and the total amount of the payments of these borrowings are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the Income Statement.

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

15. LEASES

(a) Finance Leases

Leases of assets where the Group and the Company 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.

(b) 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 the 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.

Upfront payments on leasehold land are classified as prepaid lease payments and amortised on a straight line basis over the remaining lease period.

16. 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 earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at that time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unutilised tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on 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.

16. INCOME TAXES (CONTINUED)

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

17. ZAKAT

Zakat represents business zakat payable by the Group to comply with Syariah principles. Zakat provision is calculated based on the zakat rate, as determined by the National Fatwa Council, of the zakat base multiplied with the estimated muslim shareholdings. Zakat base is the net adjusted amount of zakat assets and liabilities used for or derived from business activities, determined using adjusted working capital method.

Zakat shall be recognised when the Group has a current zakat obligation as a result of a zakat assessment and an outflow of resources embodying economic benefits will be required to satisfy the zakat obligation. The amount of zakat assessed shall be recognised as an expense and included in the Income Statement in the period in which it is incurred.

18. PROVISIONS

Provisions are recognised when the Group and the Company have 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 interest expense.

19. 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 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.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by 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.

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority 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 FRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118.

20. 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 the products or services.

Advance rental billing comprises 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 other investments is recognised when a right to receive payment is established.

Interest income includes income from deposits with licensed banks, finance companies, other financial institutions and staff loans, and is recognised on an accrual basis.

21. EMPLOYEE BENEFITS

(a) 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.

(b) Contribution to Employees Provident Fund (EPF)

The Group's contributions to EPF 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.

(c) 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 balance sheet date are discounted to present value.

21. EMPLOYEE BENEFITS (CONTINUED)

(d) Share-Based Compensation

(i) Equity Settled Share-Based Compensation

Employee services received in exchange for the grant of the share options of the Company are recognised as an expense in the Income Statements of the Group and the Company over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiaries, the fair value of the options granted is recognised as cost of investment in the subsidiaries over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

Post demerger, the fair value of the options granted to employees of former subsidiaries, Axiata Group Berhad and Celcom Axiata Berhad (formerly known as Celcom (Malaysia) Berhad) (collectively known as the Axiata Group) is recognised as an expense in the Income Statements of the Group and the Company over the vesting period.

The total amount to be expensed (or capitalised as cost of investment in subsidiaries) over the vesting periods is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(ii) Cash Settled Share-Based Compensation

Share-based compensation that are settled with equity instruments of a former subsidiary, Axiata Group Berhad (Axiata), which became a non-Group entity pursuant to the demerger, is accounted for as cash settled.

Employee services received in exchange for the grant of such share options are recognised at the fair value of the liability incurred as expense in the Income Statement over the vesting period of the grant.

The charge in relation to such share options received by non-Group employees, in this case the employees of Axiata Group, is accelerated at demerger as this portion of the options is now cancelled given that Axiata is no longer part of the Group.

The liability arising from the cash settled share-based compensation is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in Income Statement.

22. FOREIGN CURRENCIES

(a) 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.

22. FOREIGN CURRENCIES (CONTINUED)

(b) 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.

(c) 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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) 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 at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

23. FINANCIAL INSTRUMENTS

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(b) Financial Instruments Recognised on the Balance Sheet

The particular recognition and measurement method for financial instruments recognised on the balance sheet is disclosed in the individual significant accounting policy statements associated with each item.

23. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial Instruments Not Recognised on the Balance Sheet

Financial derivative hedging instruments are used in the Group's risk management of foreign currency and interest rate exposures of its financial liabilities. Hedge accounting principles are applied for the accounting of the underlying exposures and their hedge instruments. These hedge instruments are not recognised in the financial statements on inception.

Exchange gains and losses relating to hedge instruments are recognised in the Income Statement in the same period as the exchange differences on the underlying hedged items. No amounts are recognised in respect of future periods.

Any differential to be paid or received on an interest rate swap is recognised as a component of interest income or expense over the period of the contract. Gains and losses on restructuring or early termination of interest rate swaps or on repayment of the borrowing are taken to the Income Statement.

(d) Fair Value Estimation for Disclosure Purposes

The fair value of publicly traded financial instruments is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices are used if available or other techniques, such as estimated discounted value of future cash flows, are used to determine fair value. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The carrying values for financial assets and liabilities with a maturity of less than 1 year are assumed to approximate their fair values.

24. SEGMENT REPORTING

Segment reporting is presented for the enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services to a specific segment of customers that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from other geographical segments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances, intra-group transactions and inter-division recharge are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-division recharge was agreed between the relevant lines of business. Inter-company pricing is based on similar terms as those available to other external parties.

Further disclosures on Segment Reporting are set out in note 40 to the financial statements.

These accounting policies form an integral part of the financial statements set out on pages 204 to 309.

FINANCIAL STATEMENTS

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

All amounts are in million unless otherwise stated	Note	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
CONTINUING OPERATIONS					
OPERATING REVENUE	5	**8,608.0**	8,674.9	**7,596.3**	7,638.2
OPERATING COSTS					
– depreciation, impairment and amortisation	6(a)	**(2,038.3)**	(2,098.9)	**(1,863.6)**	(1,937.7)
– other operating costs	6(b)	**(5,671.2)**	(5,936.5)	**(5,143.6)**	(5,403.4)
LOSS ON DISPOSAL OF AN EQUITY INVESTMENT	3(b)	**—**	(88.8)	**—**	—
OTHER OPERATING INCOME (net)	7	**166.1**	178.7	**269.2**	352.8
OPERATING PROFIT BEFORE FINANCE COST		**1,064.6**	729.4	**858.3**	649.9
FINANCE INCOME	8	**172.2**	237.3	**162.9**	222.7
FINANCE COST	8	**(356.3)**	(442.5)	**(388.0)**	(469.5)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	8	**40.5**	(170.0)	**40.5**	(170.0)
NET FINANCE COST	8	**(143.6)**	(375.2)	**(184.6)**	(416.8)
ASSOCIATES					
– share of results (net of tax)	26	**0.6**	(0.4)	**—**	—
PROFIT BEFORE TAXATION AND ZAKAT		**921.6**	353.8	**673.7**	233.1
TAXATION AND ZAKAT	9	**(248.3)**	(77.6)	**(192.7)**	(31.2)
PROFIT FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS		**673.3**	276.2	**481.0**	201.9
DISCONTINUED OPERATIONS					
PROFIT FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS	4	**—**	624.9	**—**	—
PROFIT FOR THE FINANCIAL YEAR		**673.3**	901.1	**481.0**	201.9
ATTRIBUTABLE TO:					
– equity holders of the Company		**643.0**	791.9	**481.0**	201.9
– minority interests		**30.3**	109.2	**—**	—
PROFIT FOR THE FINANCIAL YEAR		**673.3**	901.1	**481.0**	201.9
EARNINGS PER SHARE (sen)					
– basic					
Continuing operations	10	**18.3**	6.7		
Discontinued operations	10	**—**	16.3		
– diluted					
Continuing operations	10	**18.2**	6.6		
Discontinued operations	10	**—**	16.2		

The above Income Statements are to be read in conjunction with the Significant Accounting Policies on pages 183 to 203 and the Notes to the Financial Statements on pages 212 to 309.

Independent Auditors' Report – Pages 311 to 312.

BALANCE SHEETS

AS AT 31 DECEMBER 2009

All amounts are in million unless otherwise stated	Note	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
SHARE CAPITAL	12	**3,543.5**	3,456.0	**3,543.5**	3,456.0
SHARE PREMIUM		**1,011.8**	4,305.4	**1,011.8**	4,305.4
OTHER RESERVES	14	**2,432.2**	2,486.7	**2,119.4**	2,832.6
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**6,987.5**	10,248.1	**6,674.7**	10,594.0
MINORITY INTERESTS		**142.5**	226.5	**—**	—
TOTAL EQUITY		**7,130.0**	10,474.6	**6,674.7**	10,594.0
Borrowings	15	**5,796.9**	6,965.1	**4,178.3**	5,204.1
Payable to a subsidiary	16	**—**	—	**1,594.2**	1,734.6
Deferred tax liabilities	18	**1,588.7**	1,362.0	**1,517.6**	1,328.0
Deferred income	19	**985.9**	260.2	**985.9**	260.2
DEFERRED AND NON-CURRENT LIABILITIES		**8,371.5**	8,587.3	**8,276.0**	8,526.9
		15,501.5	19,061.9	**14,950.7**	19,120.9
Intangible assets	20	**313.4**	1.8	**—**	—
Property, plant and equipment	21	**12,329.9**	11,772.1	**11,063.5**	10,461.1
Prepaid lease payments	22	**74.4**	67.5	**62.2**	55.0
Investment property	23	**—**	—	**91.6**	91.9
Land held for property development	24	**163.7**	164.3	**—**	—
Subsidiaries	25	**—**	—	**2,545.8**	2,709.0
Associates	26	**0.6**	—	**—**	—
Available-for-sale investment	27	**608.2**	496.0	**—**	—
Other investments	28	**152.8**	137.8	**152.8**	137.8
Long term receivables	29	**108.9**	472.4	**108.9**	472.4
Deferred tax assets	18	**10.6**	8.9	**—**	—
NON-CURRENT ASSETS		**13,762.5**	13,120.8	**14,024.8**	13,927.2

FINANCIAL STATEMENTS

BALANCE SHEETS

AS AT 31 DECEMBER 2009

All amounts are in million unless otherwise stated	Note	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Inventories	30	**110.6**	123.3	**82.9**	71.5
Trade and other receivables	31	**2,284.0**	2,891.3	**2,060.6**	2,656.3
Amount owing by Axiata Group Berhad (formerly known as TM International Berhad)	4	**—**	4,025.0	**—**	4,025.0
Short term investments	32	**294.7**	277.6	**294.7**	277.6
Cash and bank balances	33	**3,490.7**	2,095.2	**2,901.2**	1,447.2
CURRENT ASSETS		**6,180.0**	9,412.4	**5,339.4**	8,477.6
Trade and other payables	34	**2,934.6**	2,812.6	**2,926.9**	2,682.4
Customer deposits	35	**575.7**	588.8	**575.5**	588.5
Borrowings	15	**916.6**	34.9	**897.6**	3.0
Taxation and zakat		**14.1**	35.0	**13.5**	10.0
CURRENT LIABILITIES		**4,441.0**	3,471.3	**4,413.5**	3,283.9
NET CURRENT ASSETS		**1,739.0**	5,941.1	**925.9**	5,193.7
		15,501.5	19,061.9	**14,950.7**	19,120.9

The above Balance Sheets are to be read in conjunction with the Significant Accounting Policies on pages 183 to 203 and the Notes to the Financial Statements on pages 212 to 309.

Independent Auditors' Report – Pages 311 to 312.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Attributable to equity holders of the Company								
		Issued and Fully Paid of RM1.00 each								
		Special Share*/ Ordinary Shares								
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Fair Value Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2009		3,456.0	4,305.4	(10.4)	82.9	111.0	–	2,303.2	226.5	10,474.6
Currency translation differences arising during the financial year										
– subsidiaries		–	–	9.4	–	–	–	–	–	9.4
Fair value gain (net) on available-for-sale investment	27	–	–	–	–	44.5	–	–	–	44.5
Net gain not recognised in the Income Statement		–	–	9.4	–	44.5	–	–	–	53.9
Profit for the financial year		–	–	–	–	–	–	643.0	30.3	673.3
Total recognised income for the financial year		–	–	9.4	–	44.5	–	643.0	30.3	727.2
Acquisition of remaining equity interest in a subsidiary		–	–	–	–	–	–	–	(103.9)	(103.9)
Bonus issue of Redeemable Preference Shares (RPS)	12(d)	35.8	(35.8)	–	–	–	–	–	–	–
Redemption of RPS	12(d)	(35.8)	(3,470.0)	–	–	–	–	43.1	–	(3,462.7)
Creation of capital redemption reserve upon redemption of RPS	12(d)	–	–	–	–	–	35.8	(35.8)	–	–
Final dividends paid for the financial year ended 31 December 2008	11	–	–	–	–	–	–	(377.2)	–	(377.2)
Interim dividends paid for the financial year ended 31 December 2009	11	–	–	–	–	–	–	(354.1)	–	(354.1)
Dividends paid to minority interests		–	–	–	–	–	–	–	(10.4)	(10.4)
Employees' share option scheme (ESOS)	13									
– options granted		–	–	–	7.0	–	–	–	–	7.0
– shares issued upon exercise of options		87.5	142.0	–	–	–	–	–	–	229.5
– transfer of reserve upon exercise of options		–	70.2	–	(70.2)	–	–	–	–	–
At 31 December 2009		3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Attributable to equity holders of the Company								
		Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares								
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Fair Value Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2008		3,439.8	4,262.1	(412.6)	–	–	–	12,512.8	849.4	20,651.5
Currency translation differences arising during the financial year										
– subsidiaries		–	–	(96.2)	–	–	–	–	(24.4)	(120.6)
– jointly controlled entities		–	–	(66.5)	–	–	–	–	–	(66.5)
– associates		–	–	(11.4)	–	–	–	–	–	(11.4)
Fair value gain (net) on available-for-sale investment	27	–	–	–	–	111.0	–	–	–	111.0
Net (loss)/gain not recognised in the Income Statement		–	–	(174.1)	–	111.0	–	–	(24.4)	(87.5)
Disposal of an equity investment	3(b)	–	–	88.8	–	–	–	–	–	88.8
Profit for the financial year		–	–	–	–	–	–	791.9	109.2	901.1
Total recognised (expense)/ income for the financial year		–	–	(85.3)	–	111.0	–	791.9	84.8	902.4
Increase in minority interests due to dilution in equity interest in subsidiaries		–	–	–	–	–	–	–	17.8	17.8
Distribution of Axiata Group	4	–	–	487.5	–	–	–	(10,135.2)	(710.7)	(10,358.4)
Final dividends paid for the financial year ended 31 December 2007	11	–	–	–	–	–	–	(560.0)	–	(560.0)
Interim dividends paid for the financial year ended 31 December 2008	11	–	–	–	–	–	–	(306.3)	–	(306.3)
Dividends paid to minority interests		–	–	–	–	–	–	–	(17.3)	(17.3)
Employees' share option scheme (ESOS)	13									
– options granted		–	–	–	96.4	–	–	–	2.5	98.9
– shares issued upon exercise of options		16.2	29.8	–	–	–	–	–	–	46.0
– transfer of reserve upon exercise of options		–	13.5	–	(13.5)	–	–	–	–	–
At 31 December 2008		3,456.0	4,305.4	(10.4)	82.9	111.0	–	2,303.2	226.5	10,474.6

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 12(a) to the financial statements for details of the terms and rights attached to Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 183 to 203 and the Notes to the Financial Statements on pages 212 to 309.

Independent Auditors' Report – Pages 311 to 312.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares Share Capital RM	Non-Distributable Share Premium RM	ESOS Reserve RM	Special ESOS Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2009		3,456.0	4,305.4	82.9	1,168.2	—	1,581.5	10,594.0
Profit for the financial year		—	—	—	—	—	481.0	481.0
Bonus issue of Redeemable Preference Shares (RPS)	12(d)	35.8	(35.8)	—	—	—	—	—
Redemption of RPS	12(d)	(35.8)	(3,470.0)	—	—	—	—	(3,505.8)
Creation of capital redemption reserve upon redemption of RPS	12(d)	—	—	—	—	35.8	(35.8)	—
Final dividends paid for the financial year ended 31 December 2008	11	—	—	—	—	—	(382.3)	(382.3)
Interim dividends paid for the financial year ended 31 December 2009	11	—	—	—	—	—	(357.7)	(357.7)
Employees' share option scheme (ESOS)	13							
– options granted to employees of the Company		—	—	4.1	—	—	—	4.1
– options granted to employees of the subsidiaries		—	—	0.9	—	—	—	0.9
– options granted to employees of former subsidiaries		—	—	2.0	—	—	—	2.0
– shares issued upon exercise of options		87.5	142.0	—	—	—	—	229.5
– transfer of reserve upon exercise of options		—	70.2	(70.2)	(292.0)	—	—	(292.0)
– repayment of capital contribution by TM ESOS Management Sdn Bhd (TEM) due to shareholder transaction	12(c)&25	—	—	—	(48.9)	—	48.9	—
– impairment in investment in TEM due to shareholder transaction	12(c)&25	—	—	—	(99.0)	—	—	(99.0)
At 31 December 2009		3,543.5	1,011.8	19.7	728.3	35.8	1,335.6	6,674.7

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Issued and Fully Paid of RM1.00 each	Non-Distributable				Distributable	
		Special Share*/ Ordinary Shares						
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	ESOS Reserve RM	Special ESOS Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2008		3,439.8	4,262.1	–	–	–	6,172.6	13,874.5
Profit for the financial year		–	–	–	–	–	201.9	201.9
Distribution of Axiata Group	4	–	–	–	–	–	(3,895.0)	(3,895.0)
Final dividends paid for the financial year ended 31 December 2007	11	–	–	–	–	–	(582.4)	(582.4)
Interim dividends paid for the financial year ended 31 December 2008	11	–	–	–	–	–	(317.7)	(317.7)
Employees' share option scheme (ESOS)	13							
– shares issued to TEM pursuant to Special ESOS	12(c)&25	–	–	–	1,431.0	–	–	1,431.0
– options granted to employees of the Company		–	–	64.5	–	–	–	64.5
– options granted to employees of the subsidiaries		–	–	14.3	–	–	–	14.3
– options granted to employees of former subsidiaries		–	–	17.6	–	–	–	17.6
– shares issued upon exercise of options		16.2	29.8	–	–	–	–	46.0
– transfer of reserve upon exercise of options		–	13.5	(13.5)	(60.0)	–	2.1	(57.9)
– impairment in investment in TEM due to shareholder transaction	12(c)&25	–	–	–	(202.8)	–	–	(202.8)
At 31 December 2008		3,456.0	4,305.4	82.9	1,168.2	–	1,581.5	10,594.0

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 12(a) to the financial statements for details of the terms and rights attached to Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 183 to 203 and the Notes to the Financial Statements on pages 212 to 309.

Independent Auditors' Report – Pages 311 to 312.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

All amounts are in million unless otherwise stated	Note	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES	36	**3,056.0**	3,251.2	**2,587.4**	2,398.9
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	37	**2,546.4**	(1,896.6)	**3,097.0**	(52.4)
CASH FLOWS USED IN FINANCING ACTIVITIES	38	**(4,205.9)**	(1,928.2)	**(4,233.0)**	(2,418.6)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,396.5**	(573.6)	**1,451.4**	(72.1)
EFFECT OF DISTRIBUTION OF AXIATA GROUP		**—**	(1,402.1)	**—**	—
EFFECT OF EXCHANGE RATE CHANGES		**(1.0)**	(22.5)	**2.6**	(8.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**2,094.7**	4,092.9	**1,447.2**	1,528.1
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33	**3,490.2**	2,094.7	**2,901.2**	1,447.2

The above Cash Flow Statements are to be read in conjunction with the Significant Accounting Policies on pages 183 to 203 and the Notes to the Financial Statements on pages 212 to 309.

Independent Auditors' Report – Pages 311 to 312.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the establishment, maintenance and provision of telecommunications and related services under the licence issued by the Ministry of Energy, Water and Communications (now known as the Ministry of Information, Communication and Culture). The principal activities of subsidiaries are set out in note 48 to the financial statements. There was no significant change in the principal activities of the Group during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the main board of the 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. 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.

(i) 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 20 to the financial statements.

(ii) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in a Subsidiary

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.

For the investment in TM ESOS Management Sdn Bhd (TEM), the Company measures the recoverable amount at the fair value less cost to sell of the Company's and Axiata Group Berhad's (formerly known as TM International Berhad) shares held by TEM. The Directors have made assumptions concerning its recoverable amount. Any changes to this estimate will have a material impact to the carrying amount of the investment. Any adjustment to the carrying amount will be recorded in equity given that it represents a transaction with a shareholder.

2. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical accounting estimates and assumptions (continued)

(iii) 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 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 reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and reduce the carrying amount of property, plant and equipment.

(iv) Taxation

(a) Income taxes

The Group is subject to income tax 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.

(b) 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 can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

(v) Share-Based Payments

Equity settled and cash settled share-based payments (share options) are measured at fair values at the grant dates. In addition, liabilities arising from cash settled share-based payments are remeasured at every balance sheet date. The assumptions used in the valuation to determine these fair values are explained in note 13 to the financial statements.

(vi) 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. Please refer to note 42 to the financial statements for legal proceedings that the Group is involved in as at 31 December 2009.

3. SIGNIFICANT ACQUISITION AND DISPOSAL

(a) Privatisation of VADS Berhad (VADS) during the financial year ended 31 December 2009

On 22 September 2008, the Company announced its intention to privatise VADS, a subsidiary with 60.59% equity interest, via a selective capital reduction and repayment exercise under Section 64 of the Companies Act, 1965.

The privatisation was completed on 12 February 2009 and VADS became a wholly owned subsidiary of the Company on that date. Accordingly, the entire issued and paid-up share capital of VADS was delisted from the Official List of Bursa Malaysia Securities Berhad on 19 February 2009. The total cash consideration paid by the Group for the privatisation amounted to RM412.3 million. The privatisation was effectively an acquisition of the remaining 39.41% equity interest in VADS.

	RM
Purchase consideration	**412.3**
Carrying value of net assets acquired on 12 February 2009	**(103.9)**
Goodwill	**308.4**

Goodwill, being the difference between the consideration paid and the Group's share of the carrying value of the net assets as at the date of acquisition of RM308.4 million was recognised as intangible asset in the Consolidated Balance Sheet.

(b) Disposal of Societe Des Telecommunications De Guinee S.A. (Sotelgui) during the financial year ended 31 December 2008

On 11 August 2008, the Company entered into a Settlement and Transfer Agreement and other ancillary agreements with the Government of the Republic of Guinea (GoG), Sotelgui and Axiata Group Berhad (formerly known as TM International Berhad) (Axiata) for the disposal of the Company's entire shareholding of 4,500,000 category B ordinary shares of USD10.00 each, representing 60.0% of the share capital of Sotelgui to GoG, for a total cash consideration of USD1.00.

The disposal was completed on 27 August 2008 and the Group realised in the previous financial year a RM88.8 million loss on disposal attributable to the realisation of foreign exchange reserve arising from the translation of the net assets in Sotelgui in prior years.

4. DEMERGER

(A) Internal Restructuring and Demerger during the financial year ended 31 December 2008

On 25 April 2008, the Group completed a demerger to create 2 separate entities. Following the demerger, the Group's mobile and fixed businesses were separated. The Group's overseas operations under Axiata, and its domestic mobile operations under Celcom Axiata Berhad (formerly known as Celcom (Malaysia) Berhad) (Celcom) (collectively known as the Axiata Group) were demerged from the Group. The demerger involved the following:

(i) internal restructuring of the Group to group the assets of the mobile and overseas operations (except for Telekom regional offices) under Axiata and the assets of the fixed line voice, data and broadband businesses under the Group. Accordingly, the Company, Telekom Enterprise Sdn Bhd (TESB), Axiata, Celcom and Celcom Transmission (M) Sdn Bhd (CTX) had, on 10 December 2007, entered into the Demerger Agreement to give effect to the following transactions:

(a) CTX, a wholly owned subsidiary of Celcom, transferred its entire 51.0% equity interest in Fibrecomm Network (M) Sdn Bhd (Fibrecomm) to TESB for a consideration of RM33.0 million;

(b) TESB, a wholly owned subsidiary of the Company, transferred its entire 100.0% equity interest in Celcom to Axiata for a consideration of RM4,677.0 million;

(c) the Company transferred its entire holding of SunShare Investment Ltd's (SunShare) redeemable convertible preference shares to Axiata for a consideration of RM141.0 million; and

(d) settlement of net amount owing by Axiata Group to the Group as at 30 November 2007 of RM3,041.0 million.

The above net consideration of RM7,826.0 million was satisfied as follows:

(a) RM3,801.0 million was satisfied through the issuance of 3,541.7 million new Axiata shares at RM1.07;

(b) RM2,925.0 million was satisfied by way of an amount owing from Axiata to the Company at finance cost of 5.90% per annum; and

(c) RM1,100.0 million was satisfied by way of an amount owing from Axiata to the Company at finance cost of 6.72% per annum.

4. DEMERGER (CONTINUED)

(A) Internal Restructuring and Demerger during the financial year ended 31 December 2008 (continued)

Summarised below was the financial effect of the internal restructuring to the Group:

	Owing by Axiata RM	Owing to Axiata RM	Net RM
(a) Transfer of Fibrecomm from Celcom to TESB	—	(33.0)	(33.0)
(b) Transfer of Celcom from TESB to Axiata	4,677.0	—	4,677.0
(c) Transfer of SunShare from the Company to Axiata	141.0	—	141.0
(d) Settlement of amount owing by Axiata Group	3,041.0	—	3,041.0
Total	7,859.0	(33.0)	7,826.0
Satisfied through:			
Issuance of new Axiata shares			(3,801.0)
Amount owing by Axiata with interest bearing			4,025.0

In addition, as part of the internal restructuring, the Company also transferred the 3G spectrum assignment to Celcom on an 'as is where is basis', for a consideration of RM40.1 million which was satisfied in cash; and

(ii) distribution by the Company of its and the Group's entire holding of and rights to Axiata shares amounting to RM3,895.0 million and the net assets of Axiata Group attributed to those shares of RM10,744.1 million respectively to the entitled shareholders of the Company.

The amount owing by Axiata of RM4,025.0 million was fully repaid on 24 April 2009.

4. DEMERGER (CONTINUED)

(B) Discontinued Operations and Distribution of the Net Assets of Axiata Group

(i) Pursuant to the demerger as explained previously, the results of Axiata Group from 1 January 2008 up to 25 April 2008 was presented as discontinued operations on a single line in the Consolidated Income Statement. The demerger was concluded to be treated in the same way as abandonment for presentation purposes under FRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The results of the discontinued operations were as follows:

	2008 RM
Operating revenue	3,535.1
Operating costs	
– depreciation, impairment and amortisation	(630.9)
– other operating costs	(1,990.8)
Other operating income (net)	19.1
Operating profit before finance cost	932.5
Finance income	21.1
Finance cost	(133.6)
Foreign exchange gain on borrowings	37.4
Net finance cost	(75.1)
Jointly controlled entities	
– share of results (net of tax)	7.7
Associates	
– share of results (net of tax)	10.6
Profit before taxation and zakat	875.7
Taxation and zakat	(250.8)
Profit for the financial year from discontinued operations	624.9

4. DEMERGER (CONTINUED)

(B) Discontinued Operations and Distribution of the Net Assets of Axiata Group (continued)

(i) Pursuant to the demerger as explained previously, the results of Axiata Group from 1 January 2008 up to 25 April 2008 was presented as discontinued operations on a single line in the Consolidated Income Statement. The demerger was concluded to be treated in the same way as abandonment for presentation purposes under FRS 5 "Non-current Assets Held for Sale and Discontinued Operations". (continued)

The following amounts have been included in arriving at the profit before taxation and zakat of discontinued operations:

	2008 RM
Auditors' remuneration:	
– audit related fees	0.2
– tax and other non-audit services	1.6
Non-Executive Directors' remuneration	
– fees	0.1
– allowances and bonus	0.3
Depreciation, impairment and amortisation:	
– depreciation of property, plant and equipment (PPE)	626.5
– impairment of PPE	0.7
– reversal of impairment of PPE	(4.4)
– write off of PPE	2.1
– amortisation of intangible assets	6.0
Prepaid rental – leasehold land	15.9
Profit on disposal of PPE	1.7
Rental – buildings	90.4
Rental – equipment	26.5
Rental – others	13.2

Estimated money value of benefits of Non-Executive Directors of the Company in 2008 amounted to RM54,462.

4. DEMERGER (CONTINUED)

(B) Discontinued Operations and Distribution of the Net Assets of Axiata Group (continued)

(ii) The carrying value of net assets of Axiata Group distributed to shareholders of the Company on demerger via dividend in specie was as follows:

	2008 RM
Intangible assets	7,447.1
Property, plant and equipment	13,034.3
Prepaid lease payments	326.8
Jointly controlled entities	965.4
Associates	251.3
Long term receivables	0.3
Deferred tax assets	150.5
Inventories	83.2
Trade and other receivables	2,015.6
Cash and bank balances	1,484.8
Long term borrowings	(3,917.0)
Deferred tax liabilities	(933.1)
Provision for liabilities	(93.6)
Deferred income	(12.6)
Trade and other payables	(4,362.1)
Amount due to the Company	(4,025.0)
Customer deposits	(140.7)
Short term borrowings	(1,414.0)
Taxation and zakat	(117.1)
Total net assets on 25 April 2008	10,744.1
Less: Net assets of Axiata Group attributed to Axiata shares held by TM ESOS Management Sdn Bhd (sub-note (a))	385.7
Net distribution	10,358.4

(a) TM ESOS Management Sdn Bhd (TEM) is a 100.0% owned special purpose entity established to acquire, hold and manage 137,592,300 ordinary shares of the Company under the Special ESOS (Special ESOS Shares), representing approximately 4.0% of the Company's issued and paid-up capital. Pursuant to the demerger on 25 April 2008, 137,295,600 ordinary shares of Axiata were distributed to TEM on the basis of 1 Axiata share for each Special ESOS Share held by TEM. As TEM is controlled by the Company, the net assets attributed to Axiata shares distributed to TEM is effectively retained by the Group and is accounted for as an available-for-sale investment as described in note 27 to the financial statements.

5. OPERATING REVENUE

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Calls/usage	**1,888.8**	2,163.0	**1,916.1**	2,183.2
Rentals	**1,352.6**	1,441.5	**1,352.6**	1,439.1
Interconnect and international inpayment	**617.8**	658.4	**597.1**	602.5
Others	**141.5**	149.2	**141.5**	131.8
Total voice	**4,000.7**	4,412.1	**4,007.3**	4,356.6
Internet and multimedia	**1,606.6**	1,476.8	**1,617.9**	1,483.8
Data services	**1,519.4**	1,309.5	**1,492.9**	1,265.1
Other telecommunications related services	**1,175.3**	1,181.8	**478.2**	532.7
Non-telecommunications related services	**306.0**	294.7	**—**	—
TOTAL OPERATING REVENUE	**8,608.0**	8,674.9	**7,596.3**	7,638.2

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Depreciation of property, plant and equipment (PPE)	**1,998.3**	2,082.5	**1,823.2**	1,921.1
Depreciation of investment property	**—**	—	**1.9**	0.8
Impairment of PPE	**0.1**	0.3	**—**	—
Write off/retirement of PPE	**38.7**	14.8	**38.5**	14.8
Amortisation of intangible assets	**1.2**	1.3	**—**	1.0
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,038.3**	2,098.9	**1,863.6**	1,937.7

6(b) OTHER OPERATING COSTS

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Agency commissions and charges	**73.1**	77.8	**145.5**	155.0
Allowance for doubtful debts (net of bad debt recoveries)	**166.0**	192.0	**149.0**	177.5
Allowance for loans and advances to a subsidiary	**—**	—	**4.3**	—
(Reversal of)/allowance for diminution in value of other investment	**(15.1)**	1.1	**(15.1)**	1.1
(Reversal of)/allowance for diminution in value of short term quoted investments	**(68.1)**	84.7	**(68.1)**	84.7
Domestic interconnect and international outpayment	**989.5**	1,130.2	**1,069.7**	1,219.8
Maintenance	**523.7**	555.0	**591.4**	687.2
Marketing, advertising and promotion	**290.7**	293.1	**272.8**	282.0
Net loss/(gain) on foreign exchange on settlement and placement				
– realised	**4.2**	42.4	**2.6**	36.5
– unrealised	**(27.3)**	(48.8)	**(27.3)**	(48.3)
Outsourcing costs	**57.2**	36.4	**205.7**	169.8
Prepaid rental – leasehold land	**1.2**	1.2	**0.9**	0.9
Rental – equipment	**75.7**	48.0	**100.0**	65.5
Rental – land and buildings	**142.5**	137.0	**143.8**	178.5
Rental – others	**7.3**	9.1	**11.9**	6.1
Research and development	**—**	—	**72.7**	65.5
Staff costs	**1,631.5**	1,595.7	**1,284.5**	1,225.6
Staff costs capitalised into property, plant and equipment	**(76.8)**	(67.9)	**(76.8)**	(67.9)
Supplies and inventories	**441.6**	422.6	**316.5**	277.5
Transportation and travelling	**68.7**	65.9	**52.3**	45.2
Universal Service Provision contribution	**194.3**	123.9	**182.5**	114.4
Utilities	**281.7**	244.6	**255.3**	227.1
Others	**909.6**	992.5	**469.5**	499.7
TOTAL OTHER OPERATING COSTS	**5,671.2**	5,936.5	**5,143.6**	5,403.4

6(b) OTHER OPERATING COSTS (CONTINUED)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,332.5**	1,231.8	**1,044.8**	935.8
– termination benefit	**5.7**	13.9	**5.7**	13.6
– contribution to Employees Provident Fund (EPF)	**178.1**	181.5	**144.8**	147.0
– other staff benefits	**100.0**	80.7	**75.9**	58.3
– ESOS costs				
– ESOS of the Company	**10.2**	77.6	**8.4**	63.3
– ESOS of a subsidiary	**—**	2.5	**—**	—
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**2.1**	1.8	**2.1**	1.8
– contribution to EPF	**0.4**	0.3	**0.4**	0.3
– ESOS costs	**1.1**	0.8	**1.1**	0.8
– remuneration of Non-Executive Directors of the Company				
– fees	**1.1**	0.9	**1.0**	0.9
– allowances and bonus	**0.2**	0.2	**0.2**	0.2
– remuneration of a former Executive Director of the Company				
– salaries, allowances and bonus	**—**	1.4	**—**	1.4
– contribution to EPF	**—**	0.3	**—**	0.3
– gratuity	**—**	0.6	**—**	0.6
– ESOS costs	**—**	0.6	**—**	0.6
– remuneration of former Non-Executive Directors of the Company				
– fees	**0.1**	0.8	**0.1**	0.7
– allowances	**#**	—	**#**	—
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**2.0**	1.8	**1.3**	1.1
– member firms of PricewaterhouseCoopers International Limited	**0.3**	0.3	**—**	—
– audit related fees	**1.0**	1.1	**0.8**	0.9
– tax and other non-audit services	**0.5**	1.2	**0.5**	1.0

Estimated money value of benefits of Directors amounted to RM433,312 (2008: RM273,316) for the Group and RM433,312 (2008: RM156,052) for the Company.

Amount less than RM0.1 million

7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Dividend income from subsidiaries	**—**	—	**163.1**	159.1
Dividend income from quoted shares	**2.8**	5.9	**2.8**	5.9
Dividend income from unquoted shares	**11.0**	4.2	**11.0**	4.2
Gain on dilution and disposal of subsidiaries	**—**	5.2	**—**	—
Gain on disposal of Axiata's rights	**66.0**	—	**—**	—
Income from former subsidiaries – interest	**—**	0.7	**—**	0.7
– others	**—**	3.8	**—**	3.8
Income from subsidiaries – interest	**—**	—	**4.2**	3.4
– others	**—**	—	**6.2**	6.3
Loss on disposal of short term quoted investments	**(31.2)**	(9.6)	**(31.2)**	(9.6)
Loss on disposal of staff loans	**(18.2)**	—	**(18.2)**	—
Profit/(loss) on disposal of fixed income securities	**1.0**	(0.3)	**1.0**	(0.3)
Profit on disposal of available-for-sale investment	**1.5**	1.2	**—**	—
Profit on disposal of property, plant and equipment	**14.6**	18.6	**14.8**	18.9
Profit on disposal of non-current asset held for sale	**—**	11.6	**—**	11.6
Profit on disposal of leasehold land	**2.3**	—	**2.3**	—
Penalty on breach of contract	**1.0**	2.0	**1.0**	1.6
Rental income from buildings	**38.7**	39.3	**49.2**	50.6
Rental income from vehicles	**7.1**	7.3	**10.4**	15.6
Revenue from training and related activities	**5.5**	16.0	**6.7**	16.5
Others	**64.0**	72.8	**45.9**	64.5
TOTAL OTHER OPERATING INCOME (net)	**166.1**	178.7	**269.2**	352.8

8. NET FINANCE COST

	2009				2008			
The Group	**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	57.3	28.2	85.6	3.4	35.5	9.6	48.5
– staff loans	—	7.0	11.6	18.6	—	6.6	13.7	20.3
– amount owing by Axiata	—	68.0	—	68.0	—	168.5	—	168.5
TOTAL FINANCE INCOME	0.1	132.3	39.8	172.2	3.4	210.6	23.3	237.3
Finance cost from								
– borrowings (net of returns)	(241.7)	28.8	—	(212.9)	(237.7)	27.0	(0.8)	(211.5)
– TM Islamic Stapled Income Securities (note 15(a))	—	—	(154.5)	(154.5)	—	—	(127.8)	(127.8)
– accretion of finance cost (note 15(b))	—	(6.8)	—	(6.8)	—	—	—	—
– finance lease (note 15(c))	—	(4.2)	—	(4.2)	—	(2.9)	—	(2.9)
– premium on bonds repurchased (note 15(d))	(18.6)	—	—	(18.6)	—	—	—	—
– gain/(loss) on unwinding of swaps (note 17)	41.2	—	—	41.2	(15.9)	—	—	(15.9)
– upfront payment (note 17)	—	—	—	—	(96.1)	—	—	(96.1)
– accretion of finance income	—	0.7	—	0.7	12.2	0.7	—	12.9
– amortisation of discounts	—	(1.2)	—	(1.2)	—	(1.2)	—	(1.2)
TOTAL FINANCE COST	(219.1)	17.3	(154.5)	(356.3)	(337.5)	23.6	(128.6)	(442.5)
Foreign exchange gain/(loss) on borrowings								
– realised	5.4	—	—	5.4	(0.5)	—	—	(0.5)
– unrealised	35.1	—	—	35.1	(169.5)	—	—	(169.5)
TOTAL FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	40.5	—	—	40.5	(170.0)	—	—	(170.0)
NET FINANCE COST	(178.5)	149.6	(114.7)	(143.6)	(504.1)	234.2	(105.3)	(375.2)

8. NET FINANCE COST (CONTINUED)

The Company	2009 Foreign RM	2009 Domestic RM	2009 Islamic Principles RM	2009 Total RM	2008 Foreign RM	2008 Domestic RM	2008 Islamic Principles RM	2008 Total RM
Finance income from								
– short term bank deposits	0.1	52.4	23.8	76.3	3.3	27.8	2.8	33.9
– staff loans	—	7.0	11.6	18.6	—	6.6	13.7	20.3
– amount owing by Axiata	—	68.0	—	68.0	—	168.5	—	168.5
TOTAL FINANCE INCOME	0.1	127.4	35.4	162.9	3.3	202.9	16.5	222.7
Finance cost from								
– borrowings	(241.7)	(1.3)	—	(243.0)	(237.7)	—	(0.8)	(238.5)
– TM Islamic Stapled Income Securities (note 15(a))	—	—	(154.5)	(154.5)	—	—	(127.8)	(127.8)
– accretion of finance cost (note 15(b))	—	(6.8)	—	(6.8)	—	—	—	—
– finance lease (note 15(c))	—	(4.2)	—	(4.2)	—	(2.9)	—	(2.9)
– premium on bonds repurchased (note 15(d))	(18.6)	—	—	(18.6)	—	—	—	—
– gain/(loss) on unwinding of swaps (note 17)	41.2	—	—	41.2	(15.9)	—	—	(15.9)
– upfront payment (note 17)	—	—	—	—	(96.1)	—	—	(96.1)
– Inter-Company Fund Optimisation	—	(1.6)	—	(1.6)	—	—	—	—
– accretion of finance income	—	0.7	—	0.7	12.2	0.7	—	12.9
– amortisation of discounts	—	(1.2)	—	(1.2)	—	(1.2)	—	(1.2)
TOTAL FINANCE COST	(219.1)	(14.4)	(154.5)	(388.0)	(337.5)	(3.4)	(128.6)	(469.5)
Foreign exchange gain/(loss) on borrowings								
– realised	5.4	—	—	5.4	(0.5)	—	—	(0.5)
– unrealised	35.1	—	—	35.1	(169.5)	—	—	(169.5)
TOTAL FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	40.5	—	—	40.5	(170.0)	—	—	(170.0)
NET FINANCE COST	(178.5)	113.0	(119.1)	(184.6)	(504.2)	199.5	(112.1)	(416.8)

9. TAXATION AND ZAKAT

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**31.6**	188.3	**16.3**	157.9
Prior year	**(9.6)**	(62.9)	**(8.2)**	(55.9)
Deferred Tax (net)				
Current year	**214.8**	(12.6)	**180.1**	(30.6)
Prior year	**13.4**	(51.4)	**9.5**	(53.2)
	250.2	61.4	**197.7**	18.2
Overseas				
Income Tax				
Current year	**4.1**	1.9	**—**	—
Prior year	**1.0**	—	**—**	—
Deferred Tax (net)				
Current year	**(3.4)**	—	**—**	—
Prior year	**0.2**	1.3	**—**	—
	1.9	3.2	**—**	—
TOTAL TAXATION	**252.1**	64.6	**197.7**	18.2
Zakat				
Current year	**2.2**	13.0	**1.0**	13.0
Prior year	**(6.0)**	—	**(6.0)**	—
TAXATION AND ZAKAT	**248.3**	77.6	**192.7**	31.2
Current taxation:				
Current year	**35.7**	190.2	**16.3**	157.9
Over accrual in prior years (net)	**(8.6)**	(62.9)	**(8.2)**	(55.9)
Deferred taxation:				
Origination and reversal of temporary differences	**211.4**	(2.9)	**180.1**	(30.6)
Benefit from previously unrecognised deductible temporary differences and tax losses	**—**	(9.7)	**—**	—
Under/(over) accrual of deferred tax	**13.6**	(50.1)	**9.5**	(53.2)
	252.1	64.6	**197.7**	18.2

9. TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between taxation expense and profit before taxation and zakat is as follows:

Numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit Before Taxation and Zakat	**921.6**	353.8	**673.7**	233.1
Taxation calculated at the applicable Malaysian taxation rate of 25.0% (2008: 26.0%)	**230.4**	92.0	**168.4**	60.6
Tax effects of:				
– different taxation rates in other countries	**(2.8)**	(1.6)	**—**	—
– expenses not deductible for taxation purposes	**73.6**	182.2	**73.4**	159.7
– income not subject to taxation	**(68.3)**	(57.5)	**(52.2)**	(64.7)
– expenses allowed for double deduction	**(17.8)**	(22.5)	**(17.8)**	(22.5)
– tax incentives	**(1.3)**	(5.8)	**(1.3)**	(5.8)
– previously unrecognised temporary differences	**—**	(9.7)	**—**	—
– reversal of previously recognised benefit no longer recoverable	**28.9**	—	**25.9**	—
– current year tax losses not recognised	**4.4**	0.5	**—**	—
– over accrual of income tax (net)	**(8.6)**	(62.9)	**(8.2)**	(55.9)
– under/(over) accrual of deferred tax (net)	**13.6**	(50.1)	**9.5**	(53.2)
TOTAL TAXATION	**252.1**	64.6	**197.7**	18.2

10. EARNINGS PER SHARE

(a) Basic 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, with the exception of Special ESOS Shares issued to TM ESOS Management Sdn Bhd that remained unexercised on the basis as described in note 12(c) to the financial statements.

	The Group	
	2009	**2008**
Profit from continuing operations attributable to equity holders of the Company (RM million)	**643.0**	229.3
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**—**	562.6
Profit attributable to equity holders of the Company (RM million)	**643.0**	791.9
Weighted average number of ordinary shares (million)	**3,515.8**	3,445.3
Basic earnings per share (sen) from:		
Continuing operations	**18.3**	6.7
Discontinued operations	**—**	16.3
Basic earnings per share (sen) attributable to equity holders of the Company	**18.3**	23.0

(b) Diluted earnings per share

Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue and is adjusted to assume conversion of all dilutive potential ordinary shares from the share options granted to employees under Special ESOS.

In respect of share options over the ordinary shares of the Company, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the unexercised share options outstanding for the purpose of computing the dilution. No adjustment is made to profit attributable to equity holders for the financial year for the share options calculation.

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

For details of the Company's Special ESOS, please refer to note 13 to the financial statements.

	The Group 2009	The Group 2008
Profit from continuing operations attributable to equity holders of the Company (RM million)	**643.0**	229.3
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**—**	562.6
Profit attributable to equity holders of the Company (RM million)	**643.0**	791.9
Weighted average number of ordinary shares (million)	**3,515.8**	3,445.3
Adjustment for dilutive effect of Special ESOS (million)	**15.6**	19.9
Weighted average number of ordinary shares (million)	**3,531.4**	3,465.2
Diluted earnings per share (sen) from:		
Continuing operations	**18.2**	6.6
Discontinued operations	**—**	16.2
Diluted earnings per share (sen) attributable to equity holders of the Company	**18.2**	22.8

11. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	The Company 2009 Gross dividend per share Sen	2009 Amount of dividend, net of 25.0% tax RM	2009 Amount of dividend, tax exempt RM	2008 Gross dividend per share Sen	2008 Amount of dividend, net of 26.0% tax RM
Interim dividends paid in respect of the financial year ended:					
– 31 December 2009	**10.00**	**—**	**357.7**	—	—
– 31 December 2008	**—**	**—**	**—**	12.0	317.7
Final dividends paid in respect of the financial year ended:					
– 31 December 2008	**14.25**	**382.3**	**—**	—	—
– 31 December 2007	**—**	**—**	**—**	22.0	582.4
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**24.25**	**382.3**	**357.7**	34.0	900.1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

11. DIVIDENDS IN RESPECT OF ORDINARY SHARES (CONTINUED)

The above dividends include dividends paid on shares held by TM ESOS Management Sdn Bhd amounted to RM8.7 million (2008: RM33.8 million) which was adjusted on consolidation.

In respect of the financial year ended 31 December 2009, the Directors now recommend a final gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million (2008: a final gross dividend of 14.25 sen per share less tax at 25.0% amounting to RM382.3 million) subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

12. SHARE CAPITAL

	The Group and Company			
	2009		2008	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM1.00 each	**5,000.0**	**5,000.0**	5,000.0	5,000.0
Special share of RM1.00 (sub-note (a))	**—**	**—**	—	—
1,000 Class A Redeemable Preference Shares of RM0.01 each	**—**	**—**	—	—
1,000 Class B Redeemable Preference Shares of RM0.01 each	**—**	**—**	—	—
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**—**	**—**	—	—
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**—**	**—**	—	—
Class E Redeemable Preference Shares of RM0.01 each (sub-note (d))	**4,000.0**	**40.0**	—	—
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,456.0**	**3,456.0**	3,439.8	3,439.8
Exercise of share options (sub-note (c))	**87.5**	**87.5**	16.2	16.2
At 31 December	**3,543.5**	**3,543.5**	3,456.0	3,456.0
Class E Redeemable Preference Shares of RM0.01 each				
Bonus issue of Redeemable Preference Shares (sub-note (d))	**35.8**	**35.8**	—	—
Redemption of Redeemable Preference Shares (sub-note (d))	**(35.8)**	**(35.8)**	—	—
At 31 December	**—**	**—**	—	—
Special share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**—**	**—**	—	—
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,543.5**	**3,543.5**	3,456.0	3,456.0

12. SHARE CAPITAL (CONTINUED)

(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.

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 of 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 15(a)(I) to the financial statements.

(c) Special ESOS Shares

On 17 March 2008, the Company issued 137,592,300 shares (Special ESOS Shares) at fair value to TM ESOS Management Sdn Bhd (TEM), a newly incorporated trust company, under Special ESOS (note 13) in exchange for investment in TEM, thereby making TEM a subsidiary as well as a shareholder of the Company. Adjustments to the investment in TEM is a transaction with the Company's shareholder and is therefore recorded in equity.

In the Company's separate financial statements, this is recorded as 'Special ESOS Reserve' which will be reclassified to paid-up capital and share premium of the Company upon receipt of the consideration for the issuance of shares to employees or other third parties. In the consolidated financial statements, the issuance of Special ESOS Shares to TEM is an intra-group transaction and therefore not recorded until the Special ESOS Shares are issued to employees or other parties outside the Group.

12. SHARE CAPITAL (CONTINUED)

(c) Special ESOS Shares (continued)

During the financial year, 87,475,865 ordinary shares of RM1.00 each were issued pursuant to employees exercising their share options under Special ESOS, detailed as follows:

Number of issued and paid-up ordinary shares of RM1.00 each	Exercise price per share Prior to Capital Repayment	After Capital Repayment
76,568,765	RM2.71	n.a.
849,700	RM3.14	n.a.
9,743,700	n.a.	RM1.91
305,600	n.a.	RM2.22
8,100	n.a.	RM2.91

n.a. – not applicable

Special ESOS Shares rank pari-passu in all respects with the existing issued ordinary shares of the Company.

(d) Class E Redeemable Preference Shares (RPS)

On 24 February 2009, the Company had announced a proposal to carry out a cash capital repayment (Capital Repayment) to shareholders of approximately RM3,505.8 million. The proposal was approved by shareholders at an Extraordinary General Meeting on 7 May 2009.

On 2 June 2009, the Company had implemented a bonus issue of 3,577.4 million RPS of RM0.01 each to eligible shareholders, on the basis of 1 RPS for each ordinary share of RM1.00 each held (inclusive of shares held by the ESOS trust in lieu of the exercise of share options by eligible employees). The bonus issue was issued at a par value of RM0.01 for each RPS by way of capitalisation of the Company's share premium account.

As this bonus issue was intended to facilitate the Capital Repayment, the Company has redeemed the RPS at a redemption price of RM0.98 for each RPS settled by way of a cash payment of RM3,505.8 million. The premium on redemption of RM0.97 for each RPS or RM3,470.0 million was redeemed out of the Company's share premium account. Concurrently, the redemption of the par value of the RPS resulted in a creation of a capital redemption reserve of RM35.8 million. The payment which was made on 12 June 2009, included RM43.1 million paid to TEM, a special purpose entity controlled by the Company. This amount was adjusted on consolidation.

13. EMPLOYEES' SHARE OPTION SCHEME

On 10 December 2007, the Company had announced that, in conjunction with the proposed demerger, an Employees' Share Option Scheme (Special ESOS) for eligible employees and Executive Director(s) of the Group (other than subsidiaries that are dormant) (collectively referred to as "Eligible Employees") was established. This Special ESOS was subsequently approved by the shareholders at an Extraordinary General Meeting held on 6 March 2008.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Features of Special ESOS

(i) Maximum number of shares available under the Special ESOS

The total number of shares offered under the Special ESOS is 137,592,300 ordinary shares of RM1.00 each in the Company, representing up to 4.0% of the existing issued and paid-up share capital of the Company at implementation date.

(ii) Eligibility

Eligibility for participation by an employee or Executive Director in the Special ESOS shall be subjected to the terms and conditions contained in the By-Laws for the Special ESOS, which includes that the employee or Executive Director:

(a) has attained the age of 18 years; and

(b) is employed on full time basis by and on the payroll of a corporation within the Group.

(iii) Duration of the Special ESOS

The Special ESOS shall be in force for a period of 18 months from the grant date until 16 September 2009, unless extended or renewed by the Board for another 12 months or a shorter period as it deems fit, subject to shareholders' approval. Subsequent to a resolution passed at an Extraordinary General Meeting on 7 May 2009, the exercise period for the options granted under the Special ESOS to employees of the Group was extended to 16 September 2010.

On expiry of the Special ESOS, the remaining shares attributable to the unexercised options shall be sold to the market, at the discretion of the Option Committee.

(iv) Maximum allowable allocation

The number of options that shall be granted to Eligible Employees is at the discretion of the Option Committee subject to the following, and item (vi) below:

(a) Not more than 50.0% of the options over the shares available under Special ESOS shall be granted, in aggregate, to Eligible Employees who are Executive Directors or Senior Management and above.

(b) Not more than 10.0% of the options over the shares available under Special ESOS shall be granted to any individual Eligible Employee who, either individually or collectively through persons connected with him, holds 20.0% or more of the issued and paid-up capital of the Company.

(v) Subscription price

The subscription price of each RM1.00 share shall be the 5-day weighted average market price of the share immediately preceding the date of offer with maximum discount of up to 10.0%. Post demerger, the subscription price of each RM1.00 share of the Company and Axiata Group Berhad (formerly known as TM International Berhad) (Axiata) shall be the 5-day weighted average market price of the shares immediately preceding the date of offer respectively, with maximum discount of up to 10.0% each. The combined subscription price is RM9.70, being the subscription price prior to demerger.

(vi) Alteration in capital structure

In the event of any alteration in capital structure of the Company during the extended option period expiring on 16 September 2010, such corresponding alterations shall be made in:

(a) the number of new shares in relation to Special ESOS so far as unexercised;

(b) and/or the subscription price.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Features of Special ESOS (continued)

(vii) Ranking of Special ESOS Shares

The new shares issued under the Special ESOS shall, upon allotment and issuance, rank equally in all respects with the existing shares except that they shall not entitle the holders to any dividend, right, allotment and/or other distributions in respect of which the entitlement date is before the date of issuance of such new shares.

(viii) Trust arrangement

The Special ESOS will be implemented through TM ESOS Management Sdn Bhd (TEM), a trust company specifically established by the Company to act as a trustee to acquire, hold and manage the Special ESOS Shares and other related benefits under the Special ESOS.

TEM shall grant the options over the Special ESOS Shares to Eligible Employees only on the instructions of the Options Committee to be appointed by the Board. Excess unallocated shares will be sold in the open market at the fair market value upon the expiration of the Special ESOS.

The options granted do not confer any right to participate in any share issue of any other company.

On the basis of the trust arrangement, TEM has been concluded to be controlled by the Company and is consolidated for the purpose of the financial statements.

Allocation and Exercise Price of Special ESOS

On 17 March 2008, the Company issued 137,592,300 shares (Special ESOS Shares), representing 4.0% of the issued and paid-up share capital of the Company, to TEM. The actual number of options over these shares granted to employees of the Group since 31 March 2008 up to 31 December 2009 is as follows:

Employees of	Grant date	Number of options granted ('000)
The Company		
– initial allocation	31 March 2008*	82,365.0
– additional allocation to non-executive employees	22 April 2008	5,496.5
– additional allocation to promotees**	16 October 2008	2,805.0
– additional allocation to promotees***	17 September 2009	1,203.6
Subsidiaries		
– initial allocation	31 March 2008*	18,588.0
– additional allocation to non-executive employees	22 April 2008	640.0
– additional allocation to promotees**	16 October 2008	262.8
– additional allocation to promotees***	17 September 2009	100.8
Subtotal		111,461.7

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Allocation and Exercise Price of Special ESOS (continued)

Employees of	Grant date	Number of options granted ('000)
Axiata Group of companies		
– initial allocation	31 March 2008*	23,473.0
– additional allocation to non-executive employees	22 April 2008	134.0
– additional allocation to promotees**	16 October 2008	0.6
Total		135,069.3

* This is the deemed grant date as the majority of the offers made on 17 March 2008 has been duly accepted by the Eligible Employees.

** These additional options were granted due to promotion during the financial year ended 31 December 2008.

*** These additional options were granted due to promotion up to 16 March 2009.

The Special ESOS was designed with the intention to retain the employees of the Group during the transitional period of the demerger. In this regards, the total options granted to each employee were vested as follows:

	Vesting date/Percentage of options exercisable (%)				
	Tranche 1		Tranche 2		Tranche 3
Grant date	31 March 2008	22 April 2008	16 September 2008	16 October 2008	16 March 2009
31 March 2008	40	—	30	—	30
22 April 2008	—	40	30	—	30
16 October 2008	—	—	—	50	50
17 September 2009	—	—	—	—	100

Prior to demerger, at grant date, the employees were entitled to options over the ordinary shares of the Company (TM Options) only. TM Options were granted in contemplation of the demerger. With this, the TM Options were granted on the basis that the value of these options would include the value of options over the ordinary shares of Axiata (Axiata Options) at demerger.

Pursuant to the distribution of shares in Axiata via dividend in specie to effect the demerger on 25 April 2008, 137,295,600 ordinary shares of Axiata (Axiata shares) were distributed to TEM on the basis of 1 Axiata share for each TM share held by TEM. Consequently, the Eligible Employees are entitled to 1 Axiata Option for each TM Option remained unexercised on that date. The allocation on 16 October 2008 included 1 Axiata Option for each TM Option granted on that date whereas the allocation on 17 September 2009 included 1.4645 Axiata Option for every 1 TM Option for reason as explained in sub-note (ii) below. The TM Options and Axiata Options can be exercised independently.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Allocation and Exercise Price of Special ESOS (continued)

Following the events that took place during the financial year, the exercise price of TM Options and Axiata Options respectively was adjusted as illustrated below:

	Exercise price (RM)				
	Prior to demerger	At demerger		(i) Subsequent to capital repayment	(ii) Subsequent to Axiata rights issue
Grant date	TM Options	TM Options	Axiata Options	TM Options	Axiata Options
31 March 2008	9.70	2.71	6.99	1.91	4.77
22 April 2008	9.70	2.71	6.99	1.91	4.77
16 October 2008	n.a.	3.14	6.56	2.22	4.47
17 September 2009	n.a.	n.a.	n.a.	2.91	3.99

(i) Capital repayment as disclosed in note 12(d) to the financial statements.

(ii) Pursuant to the Axiata rights issue in April 2009, the Company had further subscribed to 64.3 million rights out of 171.3 million rights entitled, for a total cash consideration of RM72.0 million. Accordingly, the exercise price of Axiata Options and the number of Axiata Options alloted to Eligible Employees was adjusted based on the ratio of 1:1.4645 for every 1 Axiata Option remain unexercised which was consistent with the ratio on the alteration of Axiata capital structure.

n.a. not applicable

Fair Valuation of Special ESOS

The fair values of options granted at the respective grant date in which Financial Reporting Standards (FRS) 2 "Share-based Payments" applies, were determined using the Black Scholes valuation model. The fair values of the options have been determined in contemplation of the demerger and the alteration in capital structure for both the Company and Axiata. The inputs into the model are as follows:

Special ESOS over the ordinary shares of:	The Company			Axiata		
Exercise price	RM2.71*^	RM3.14^	RM2.91	RM6.99^	RM6.56^	RM3.99
Estimated option life (number of days)						
– Tranche 1	183	n.a.	n.a.	183	n.a.	n.a.
– Tranche 2	350	182	n.a.	350	182	n.a.
– Tranche 3	534	335	180	534	335	180
Weighted average share price at grant date	RM3.58	RM3.32	RM3.14	RM7.25	RM5.00	RM3.16
Expected dividend yield	5.60%	5.60%	6.23%	1.80%	1.80%	1.61%

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Valuation of Special ESOS (continued)

Special ESOS over the ordinary shares of:		The Company			Axiata	
Risk free interest rates (Yield of Malaysian Government Securities)	3.38%	3.67%	2.01%	3.38%	3.67%	2.01%
Expected volatility	21.48%	27.14%	25.12%	24.62%	23.15%	38.38%
Historical volatility period for the shares of:						
From	31.03.2006	16.10.2007	17.09.2008	@	@	17.09.2008
To	31.03.2008	16.10.2008	17.09.2009	@	@	17.09.2009
Option value						
– Tranche 1	0.82	n.a.	n.a.	0.66	n.a.	n.a.
– Tranche 2	0.80	0.32	n.a.	0.86	0.02	n.a.
– Tranche 3	0.79	0.38	0.28	1.03	0.08	0.10

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices over the last 1 to 2 years from the grant date.

* The valuation parameters for the grant on 31 March 2008 and 22 April 2008 are similar due to the proximity of grant dates.

^ There is no change in fair value of these options as a result of change in exercise prices following the alteration in capital structure of the respective companies.

@ The volatility rate for options over Axiata shares for 2008 was derived after considering the pattern and level of historical volatility of entities within the same industry since information on historical volatility of Axiata shares was not available as it was only listed on the Bursa Malaysia Securities Berhad on 28 April 2008.

On 7 May 2009, the exercise period of the Special ESOS has been extended for Group employees. This extension has given rise to a modification of the terms and conditions of the Special ESOS. Incremental values of this modification is recognised accordingly. The modification effect for TM Options has been quantified to have no incremental fair value arising from the extension.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Valuation of Special ESOS (continued)

The incremental fair values of the modification arising from the extension of exercise period at the date of modification was determined using the Black Scholes valuation model. The inputs into the model are as follows:

Special ESOS over the ordinary shares of:	Axiata	
Exercise price	RM4.77	RM4.47
Estimated option life (number of days)		
– before modification	132	132
– after modification	497	497
Weighted average share price at modification date	RM2.30	RM2.30
Expected dividend yield	3.20%	3.20%
Risk free interest rates (Yield of Malaysian Government Securities)	2.20%	2.20%
Expected volatility	38.71%	38.71%
Historical volatility period for the shares of:		
From	28.04.2008	28.04.2008
To	07.05.2009	07.05.2009
Option value		
– before modification	#	#
– after modification	0.03	0.04

Amount less than 0.01 sen.

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices over the last 1 year from the date of modification.

Movement during the Financial Year

The movement during the financial year in the number of TM Options is as follows:

Grant date	Exercise price (RM)	At 1 January ('000)	Granted during the financial year ('000)	Exercised ('000)	Forfeited/ Lapsed ('000)	At 27 May ('000)	Fair value at grant date (RM)
2009							
Prior to capital repayment							
31 March/22 April 2008	**2.71**	**110,046.2**	**—**	**(76,568.8)**	**(518.7)**	**32,958.7**	**0.79-0.82**
16 October 2008	**3.14**	**3,065.4**	**—**	**(849.7)**	**(1.8)**	**2,213.9**	**0.32-0.38**
Total		**113,111.6**	**—**	**(77,418.5)**	**(520.5)**	**35,172.6**	

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Movement during the Financial Year (continued)

The movement during the financial year in the number of TM Options is as follows: (continued)

Grant date	Exercise price* (RM)	At 27 May ('000)	Granted during the financial year ('000)	Exercised ('000)	Forfeited/ Lapsed ('000)	At 31 December ('000)	Fair value at grant date (RM)
2009							
Post capital repayment							
31 March/22 April 2008	1.91	32,958.7	—	(9,743.7)	(310.6)^	22,904.4	0.79-0.82
16 October 2008	2.22	2,213.9	—	(305.6)	(1.5)^	1,906.8	0.32-0.38
17 September 2009	2.91	—	1,304.4	(8.1)	—	1,296.3	0.28
Total		35,172.6	1,304.4	(10,057.4)	(312.1)	26,107.5	

Grant date	Exercise price (RM)	Granted before demerger ('000)	Exercised ('000)	Forfeited ('000)	At date of demerger ('000)	Fair value at grant date (RM)
2008						
Prior to demerger						
31 March/22 April 2008	9.70	130,696.5	(296.7)	(6.0)	130,393.8	1.48-1.82~

Grant date	Exercise price (RM)	At date of demerger ('000)	Granted after demerger ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (RM)
2008							
Post demerger							
31 March/22 April 2008	2.71	130,393.8	n.a.	(15,917.6)	(4,430.0)	110,046.2	0.79-0.82
16 October 2008	3.14	n.a.	3,068.4	—	(3.0)	3,065.4	0.32-0.38
Total		130,393.8	3,068.4	(15,917.6)	(4,433.0)	113,111.6	

* The exercise price was adjusted on 27 May 2009 pursuant to the capital repayment exercise.
^ Includes options granted to employees of Axiata Group which remained unexercised on 16 September 2009 and are therefore considered lapsed.
~ Fair value of options at grant date prior to demerger is determined collectively based on TM and Axiata Options.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Movement during the Financial Year (continued)

The movement during the financial year in the number of Axiata Options is as follows:

Grant date	Exercise price** (RM)	At 1 January/ date of demerger ('000)	Additional options pursuant to Axiata rights issue ('000)	Granted during the financial year ('000)	Exercised ('000)	Forfeited/ Lapsed ('000)	At 31 December ('000)	Fair value at grant date (RM)
2009								
31 March/22 April 2008	**4.77**	**125,126.9**	**57,756.6**	**—**	**—**	**(38,188.0)^**	**144,695.5**	**0.66-1.03**
16 October 2008	**4.47**	**3,065.4**	**1,422.1**	**—**	**—**	**(5.6)^**	**4,481.9**	**0.02-0.08**
17 September 2009	**3.99**	**—**	**—**	**1,910.1**	**—**	**—**	**1,910.1**	**0.10**
Total		**128,192.3**	**59,178.7**	**1,910.1**	**—**	**(38,193.6)**	**151,087.5**	
2008								
31 March/22 April 2008	6.99	130,393.8	n.a.	—	(281.6)	(4,985.3)	125,126.9	0.66-1.03
16 October 2008	6.56	—	n.a.	3,068.4	—	(3.0)	3,065.4	0.02-0.08
Total		130,393.8	n.a.	3,068.4	(281.6)	(4,988.3)	128,192.3	

** The exercise price was adjusted pursuant to Axiata rights issue.

^ Includes options granted to employees of Axiata Group which remained unexercised on 16 September 2009 and are therefore considered lapsed.

n.a. not applicable

Fair Value of Shares at Exercise Date

Details relating to TM Options exercised during the financial year are as follows:

Exercise date	Fair value of shares at exercise date RM/share	TM Options Exercise price/Number of options exercised ('000) RM2.71	RM3.14	RM1.91	RM2.22	RM2.91
2009						
January	**3.13**	**1,873.2**	**—**	**—**	**—**	**—**
February to March	**3.45-3.47**	**27,815.6**	**81.5**	**—**	**—**	**—**
April	**3.70**	**27,410.8**	**244.8**	**—**	**—**	**—**
May	**3.31**	**19,469.2**	**523.4**	**—**	**—**	**—**
June to July	**2.82-2.95**	**—**	**—**	**2,186.0**	**28.1**	**—**
August	**3.06**	**—**	**—**	**1,781.3**	**53.9**	**—**
September	**3.19**	**—**	**—**	**4,559.0**	**176.8**	**—**
October to December	**3.02-3.07**	**—**	**—**	**1,217.4**	**46.8**	**8.1**
		76,568.8	**849.7**	**9,743.7**	**305.6**	**8.1**

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Value of Shares at Exercise Date (continued)

Details relating to TM Options exercised during the financial year are as follows: (continued)

	TM Options		
	Fair value of shares at exercise date	Exercise price/Number of options exercised ('000)	
Exercise date	**RM/share**	**RM9.70**	**RM2.71**
2008			
April (prior to demerger)	10.85	296.7	—
April (post demerger) to July	3.22-3.50	—	3,324.3
August	3.50	—	4,222.0
September	3.42	—	4,506.7
October to December	2.97-3.22	—	3,864.6
		296.7	15,917.6

Details relating to Axiata Options exercised during the financial year are as follows:

	Axiata Options	
	Fair value of shares at exercise date	Exercise price/Number of options exercised ('000)
Exercise date	**RM/share**	**RM6.99**
2008		
April (post demerger) to July	6.00-7.60	281.6

No Axiata Option was exercised in the current financial year.

	2009 RM million	2008 RM million
Ordinary share capital – at par	**87.5**	16.2
Share premium	**142.0**	29.8
Proceeds received on exercise of share options	**229.5**	46.0
Fair value at exercise date of shares issued	**302.0**	56.7

The fair value of shares issued on the exercise of options is the mean market price at which the Company's and Axiata's share were traded on the Bursa Malaysia Securities Berhad on the day prior to the exercise of the options.

The weighted average remaining contractual life of the Special ESOS outstanding as at the end of the financial year was 8.5 months.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Special ESOS Cost/Liability

The amounts recognised in the Income Statement arising from Special ESOS are summarised below:

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Cost of options granted to employees of the Company and its subsidiaries				
Equity settled	**5.0**	78.8	**4.1**	64.5
Cash settled	**1.9**	0.2	**1.8**	0.2
– incremental charge arising from modification	**4.4**	–	**3.6**	–
Total ESOS costs (note 6(b))	**11.3**	79.0	**9.5**	64.7
Cost of options granted to employees of Axiata Group				
Equity settled	**2.0**	17.6	**2.0**	17.6
Cash settled	**0.2**	0.1	**—**	–
Total ESOS costs	**2.2**	17.7	**2.0**	17.6
The liability recognised in the balance sheet for cash settled arrangement as at 31 December	**6.5**	0.3	**6.5**	0.2

14. OTHER RESERVES

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Retained profits	**2,222.2**	2,303.2	**1,335.6**	1,581.5
Fair value reserve	**155.5**	111.0	**—**	–
ESOS reserve	**19.7**	82.9	**19.7**	82.9
Special ESOS reserve (note 12(c))	**—**	–	**728.3**	1,168.2
Capital redemption reserve (note 12(d))	**35.8**	–	**35.8**	–
Currency translation differences arising from translation of subsidiaries	**(1.0)**	(10.4)	**—**	–
TOTAL OTHER RESERVES	**2,432.2**	2,486.7	**2,119.4**	2,832.6

14. OTHER RESERVES (CONTINUED)

Pursuant to the Finance Act, 2007, the single tier company income tax 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. The Company did not elect for the irrevocable option to disregard the unutilised Section 108 balances as at 31 December 2007. The Section 108 balances as at 31 December 2007 will be available 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.

As at 31 December 2009, the Company has a credit balance of RM353.3 million in its Section 108 account and a tax exempt profits of RM143.1 million, subject to the agreement by the Inland Revenue Board.

15. BORROWINGS

The Group	2009 Weighted Average Rate of Finance	2009 Long Term RM	2009 Short Term RM	2009 Total RM	2008 Weighted Average Rate of Finance	2008 Long Term RM	2008 Short Term RM	2008 Total RM
DOMESTIC								
Unsecured								
Borrowings from financial institutions	**4.66%**	**24.4**	**16.0**	**40.4**	5.08%	20.0	15.8	35.8
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (a))	**4.93%**	**2,925.0**	**—**	**2,925.0**	5.57%	2,925.0	—	2,925.0
Other borrowings (sub-note (b))	**4.58%**	**163.1**	**5.1**	**168.2**	4.62%	148.2	14.6	162.8
Finance lease (sub-note (c))	**6.33%**	**61.5**	**4.1**	**65.6**	6.33%	64.8	4.4	69.2
Total Domestic	**4.94%**	**3,174.0**	**25.2**	**3,199.2**	5.53%	3,158.0	34.8	3,192.8
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (d))	**6.72%**	**2,618.9**	**891.2**	**3,510.1**	5.82%	3,803.4	—	3,803.4
Other borrowings	**—**	**4.0**	**0.2**	**4.2**	—	3.7	0.1	3.8
Total Foreign	**6.71%**	**2,622.9**	**891.4**	**3,514.3**	5.82%	3,807.1	0.1	3,807.2
TOTAL BORROWINGS	**5.87%**	**5,796.9**	**916.6**	**6,713.5**	5.69%	6,965.1	34.9	7,000.0

15. BORROWINGS (CONTINUED)

	2009 Domestic RM	2009 Foreign RM	2009 Total RM	2008 Domestic RM	2008 Foreign RM	2008 Total RM
The Group's long term borrowings are repayable as follows:						
After one year and up to five years	**2,090.1**	**1,594.9**	**3,685.0**	2,040.4	1,036.5	3,076.9
After five years and up to ten years	**1,060.5**	**0.8**	**1,061.3**	1,090.0	1,735.4	2,825.4
After ten years and up to fifteen years	**22.8**	**0.8**	**23.6**	27.6	0.8	28.4
After fifteen years	**0.6**	**1,026.4**	**1,027.0**	—	1,034.4	1,034.4
	3,174.0	**2,622.9**	**5,796.9**	3,158.0	3,807.1	6,965.1

The Company	2009 Weighted Average Rate of Finance	2009 Long Term RM	2009 Short Term RM	2009 Total RM	2008 Weighted Average Rate of Finance	2008 Long Term RM	2008 Short Term RM	2008 Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (a))	**4.93%**	**2,925.0**	**—**	**2,925.0**	5.57%	2,925.0	—	2,925.0
Other borrowings (sub-note (b))	**4.64%**	**163.1**	**3.0**	**166.1**	4.71%	141.8	—	141.8
Finance lease (sub-note (c))	**6.34%**	**61.5**	**3.2**	**64.7**	6.34%	64.8	2.9	67.7
Total Domestic	**4.95%**	**3,149.6**	**6.2**	**3,155.8**	5.54%	3,131.6	2.9	3,134.5
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (d))	**7.94%**	**1,024.7**	**891.2**	**1,915.9**	7.01%	2,068.8	—	2,068.8
Other borrowings	**—**	**4.0**	**0.2**	**4.2**	—	3.7	0.1	3.8
Total Foreign	**7.93%**	**1,028.7**	**891.4**	**1,920.1**	7.00%	2,072.5	0.1	2,072.6
TOTAL BORROWINGS	**6.07%**	**4,178.3**	**897.6**	**5,075.9**	6.12%	5,204.1	3.0	5,207.1

15. BORROWINGS (CONTINUED)

	2009 Domestic RM	2009 Foreign RM	2009 Total RM	2008 Domestic RM	2008 Foreign RM	2008 Total RM
The Company's long term borrowings are repayable as follows:						
After one year and up to five years	**2,065.7**	**0.7**	**2,066.4**	2,014.0	1,036.5	3,050.5
After five years and up to ten years	**1,060.5**	**0.8**	**1,061.3**	1,090.0	0.8	1,090.8
After ten years and up to fifteen years	**22.8**	**0.8**	**23.6**	27.6	0.8	28.4
After fifteen years	**0.6**	**1,026.4**	**1,027.0**	—	1,034.4	1,034.4
	3,149.6	**1,028.7**	**4,178.3**	3,131.6	2,072.5	5,204.1

The currency exposure profile of borrowings is as follows:

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Ringgit Malaysia	**3,199.2**	3,192.8	**3,155.8**	3,134.5
US Dollar	**3,510.1**	3,803.4	**1,915.9**	2,068.8
Other currencies	**4.2**	3.8	**4.2**	3.8
	6,713.5	7,000.0	**5,075.9**	5,207.1

(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".

15. BORROWINGS (CONTINUED)

(a) The TM NCRPS are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS (which comprises Class C and Class D NCRPS respectively) 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 held by Primary Subscribers until redeemed by the Company (anticipated to be concurrent with Sukuk maturity).

(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 of Class A1 Sukuk and Class A2 Sukuk (collectively referred to as "Class A Sukuk")

(ii) Class B Sukuk comprising of 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.

15. BORROWINGS (CONTINUED)

(a) **(II) Sukuk Ijarah (continued)**

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari-passu, without discrimination, preference or priority amongst themselves and at least pari-passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising of net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk will be reset again in December 2013.

Pursuant to Finance Act, 2007, tax credits can no longer be passed to the investors who are not ordinary shareholders effective from 1 January 2008.

15. BORROWINGS (CONTINUED)

(b) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company and a supplier credit that bears 0% interest of a subsidiary.

(c) Minimum lease payments at the balance sheet date are as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Not later than one year	**8.0**	8.6	**7.1**	7.1
Later than one year and not later than five years	**28.6**	28.6	**28.6**	28.6
Later than five years and not later than ten years	**35.7**	35.7	**35.7**	35.7
Later than ten years and not later than fifteen years	**24.3**	31.5	**24.3**	31.5
	96.6	104.4	**95.7**	102.9
Future finance charges	**(31.0)**	(35.2)	**(31.0)**	(35.2)
Present value of finance lease liabilities	**65.6**	69.2	**64.7**	67.7
Present value of finance lease liabilities at the balance sheet date is as follows:				
Not later than one year	**4.1**	4.4	**3.2**	2.9
Later than one year and not later than five years	**14.9**	14.0	**14.9**	14.0
Later than five years and not later than ten years	**24.7**	23.2	**24.7**	23.2
Later than ten years and not later than fifteen years	**21.9**	27.6	**21.9**	27.6
	65.6	69.2	**64.7**	67.7

The finance lease refers to leasing arrangements for an office building in Melaka of the Company and equipment of a subsidiary.

(d) Notes and Debentures consist of the following:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
USD260.3 million (2008: USD300.0 million) 8.0% Guaranteed Notes due 2010 (sub-note (i))	**891.2**	1,035.8	**891.2**	1,035.8
USD465.1 million (2008: USD500.0 million) 5.25% Guaranteed Notes due 2014 (sub-note (i) & note 16)	**1,594.2**	1,734.6	**—**	—
USD300.0 million 7.875% Debentures due 2025	**1,024.7**	1,033.0	**1,024.7**	1,033.0
	3,510.1	3,803.4	**1,915.9**	2,068.8

15. BORROWINGS (CONTINUED)

(d) (i) On 4 December 2009, the Company repurchased USD39.7 million (RM134.3 million equivalent) of USD300.0 million 8.0% Guaranteed Notes due 2010 issued by TM Global Incorporated (TM Global), a wholly owned subsidiary. The total amount outstanding after the repurchase was USD260.3 million (RM891.2 million equivalent). On the same day, the Company also repurchased USD34.9 million (RM118.1 million equivalent) of USD500.0 million 5.25% Guaranteed Notes due 2014 issued by TM Global. The total amount outstanding after the repurchase was USD465.1 million (RM1,594.2 million equivalent).

16. PAYABLE TO A SUBSIDIARY

On 22 September 2004, the Company's wholly owned subsidiary, TM Global, a company incorporated in the Federal Territory of Labuan, under the Offshore Companies Act, 1990, issued a 10-year USD500.0 million Guaranteed Notes. The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and September 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.

During the financial year, the Company repurchased USD34.9 million nominal value of TM Global Notes as disclosed in note 15(d) to the financial statements.

17. HEDGING TRANSACTIONS

(a) **Interest Rate Swap (IRS)**
Underlying Liability
USD300.0 million 7.875% Debentures due in 2025
In 1998, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instrument
On 2 April 2004, the Company entered into an IRS agreement with a notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum and obliges it to pay interest at a floating rate of 6 months USD LIBOR-in-arrears plus 5.05%. The swap was due to mature on 1 August 2006.

The Company restructured twice on the existing USD150.0 million IRS into a range accrual swap. The restructured swap will mature on 1 August 2010.

On 9 July 2007, the Company entered into another IRS range accrual swap with trigger feature agreement for the balance notional principal of USD150.0 million. The swap is due to mature on 1 August 2010.

On 25 March 2008, the Company restructured its existing USD150.0 million IRS range accrual swap and entered into a plain vanilla IRS. Following the restructuring, the Company will receive interest at a fixed rate of 7.875% per annum and is obliged to pay interest at a floating rate of 6 months USD LIBOR plus 4.25%. The restructured swap will mature on 1 February 2018.

17. HEDGING TRANSACTIONS (CONTINUED)

(a) **Interest Rate Swap (IRS) (continued)**

Hedging Instrument (continued)

On 25 March 2008, the Company terminated its other existing USD150.0 million IRS range accrual swap with a trigger feature. It then entered into another tranche of a plain vanilla IRS agreement replacing the IRS range accrual swap which was terminated as described in sub-note (h) with a notional principal of USD150.0 million. This new structure entitles the Company to receive interest at a fixed rate of 7.875% per annum and is obliged to pay interest at a floating rate of 6 months USD LIBOR plus 4.25%. The new swap will mature on 1 February 2018.

The Company incurred RM58.0 million upfront payment for the above revised swap arrangement.

On 2 October 2009 and 6 October 2009, the Company has terminated two of its existing IRS totalling USD300.0 million and received a cash inflow of USD6.7 million (RM23.1 million).

(b) **Interest Rate Swap (IRS)**

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, the Company 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 Instrument

On 25 March 2008, the Company entered into a plain vanilla IRS agreement with a notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 5.25% per annum and is obliged to pay interest at a floating rate of 6 months USD LIBOR plus 1.80%. The swap will mature on 22 September 2014.

On 3 July 2009, the Company terminated its existing USD150.0 million plain vanilla IRS and received a cash inflow of USD2.5 million (RM8.9 million).

(c) **Cross-Currency Interest Rate Swap (CCIRS)**

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, the Company 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 Instrument

On 9 October 2008, the Company entered into a CCIRS agreement with a notional amount of USD150.0 million that entitles it to receive interest at a fixed rate of 5.25% per annum on USD Notional Amount and obliges it to pay interest at a fixed rate of 4.15% on RM Notional Amount (calculated at a predetermined exchange rate). The swap will mature on 22 September 2014. On the maturity date, the Company would receive the USD Notional Amount and pay the counterparty an equivalent RM amount at a predetermined exchange rate.

On 28 December 2009, the Company terminated its existing USD150.0 million CCIRS and received a cash inflow of RM9.2 million.

17. HEDGING TRANSACTIONS (CONTINUED)

(d) **Forward Foreign Currency Contracts**
Underlying Liability
USD465.1 million 5.25% Guaranteed Notes due in 2014
In 2004, the Company 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 Instrument
On 10 March 2009, the Company entered into a forward foreign currency contract transaction which matures on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment of RM174.5 million. The objective of this transaction is to effectively convert the USD liability into a RM principal liability.

On 28 May 2009, the Company entered into another forward foreign currency contract transaction which matures on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment of RM169.8 million. The objective of this transaction is to effectively convert the USD liability into a RM principal liability.

(e) **Interest Rate Swap (IRS)**
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 Instrument
On 9 July 2009, the Company entered into an IRS agreement with a notional principal of RM1,000.0 million that entitles it to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months Kuala Lumpur Interbank Offer Rate (KLIBOR) plus 2.80% per annum. The swap will mature on 30 December 2013.

On 17 December 2009, the Company entered into another two IRS agreements with a notional principal of RM300.0 million and RM200.0 million respectively. Both structures entitle the Company to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR plus 2.76% per annum. The swap will mature on 30 December 2013.

(f) **Interest Rate Swap (IRS)**
Underlying Liability
RM925.0 million 4.193% TM ISIS due in 2018
In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and will be reset again in December 2013.

Hedging Instrument
On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. The swap will mature on 30 December 2016.

17. HEDGING TRANSACTIONS (CONTINUED)

(g) **Long Dated Swap**
Underlying Liability
USD300.0 million 7.875% Debentures due in 2025
In 1998, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instrument
In 1998, the Company entered into a long dated swap, which will mature on 1 August 2025.

The Company made a payment of USD5.0 million and is obliged to pay fixed amounts of JPY209.9 million semi-annually on each 1 February and 1 August, up to and including 1 August 2025. On 1 August 2025, the Company will receive RM750.0 million from the counterparty. These proceeds will be swapped for USD300.0 million at a predetermined exchange rate of RM2.5 to USD1.0, which will be used for the repayment of the USD300.0 million 7.875% redeemable unsecured Debentures. The effect of this transaction is to effectively build up a sinking fund with an assured value of USD300.0 million on 1 August 2025 for the repayment of the Debentures.

Prior to 1 February 2004, the counterparty was not obliged to agree to any request by the Company to terminate the transaction. Commencing from 1 February 2004, the Company has the right to terminate the transaction at a rate mutually agreed with the counterparty.

The Company terminated this transaction on 27 June 2008. The termination resulted in a loss of RM15.9 million and a cash inflow of RM197.0 million.

(h) **Interest Rate Swap (IRS)**
Underlying Liability
USD260.3 million 8.0% Guaranteed Notes due in 2010
In year 2000, the Company issued USD300.0 million 8.0% Guaranteed Notes due in 2010. The Notes are redeemable in full on 7 December 2010. On 4 December 2009, the Company repurchased USD39.7 million of the Notes.

Hedging Instrument
On 1 April 2004, the Company entered into an IRS agreement with a notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 8.0% per annum and obliges it to pay interest at a floating rate of 6 months USD LIBOR-in-arrears plus 5.255%. The swap was due to mature on 7 December 2006.

The Company restructured twice on the existing USD150.0 million IRS into a range accrual swap. Under this structure, the Company will receive interest at a rate of 8.0% times N1/N2 (where N1 is the number of the days when the reference floating rate, i.e. the 6 months USD LIBOR in this transaction, stays within a predetermined range, while N2 is the total number of days in the calculation period). Under the restructuring executed on 5 December 2005, the Company will pay interest at a floating rate of 6 months USD LIBOR plus 2.35% for a new predetermined range. The restructured swap will mature on 7 December 2010.

On 25 March 2008, the Company terminated its existing USD150.0 million IRS range accrual swap. The Company incurred RM38.1 million upfront payment for the revised swap arrangement as described in sub-note (a).

18. 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 disclosed in the balance sheet:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Subject to income tax:				
Deferred tax assets	**10.6**	8.9	**—**	—
Deferred tax liabilities	**1,588.7**	1,362.0	**1,517.6**	1,328.0
TOTAL DEFERRED TAX	**1,578.1**	1,353.1	**1,517.6**	1,328.0
At 1 January	**1,353.1**	2,133.8	**1,328.0**	1,411.8
Current year charged/(credited) to Income Statement for continuing operations arising from:				
– property, plant and equipment	**170.1**	(42.8)	**131.9**	(69.6)
– tax losses	**1.3**	(2.7)	**—**	—
– provisions and others	**53.6**	(17.2)	**57.7**	(14.2)
	225.0	(62.7)	**189.6**	(83.8)
Current year charged to Income Statement for discontinued operations arising from:				
– property, plant and equipment	**—**	45.3	**—**	—
– tax losses	**—**	8.9	**—**	—
– provisions and others	**—**	26.9	**—**	—
	—	81.1	**—**	—
– distribution of Axiata Group (note 4)				
– deferred tax assets	**—**	150.5	**—**	—
– deferred tax liabilities	**—**	(933.1)	**—**	—
– currency translation differences	**—**	(16.5)	**—**	—
At 31 December	**1,578.1**	1,353.1	**1,517.6**	1,328.0

18. DEFERRED TAX (CONTINUED)

The tax effect of deductible temporary differences, unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset is recognised in the balance sheet are as follows:

The Group	2009 RM	2008 RM
Unutilised tax losses	**133.7**	129.3
Unabsorbed capital/other tax allowances	**279.3**	276.2
	413.0	405.5

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.

Breakdown of cumulative balances by each type of temporary difference:

		The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
(a)	**Deferred Tax Assets**				
	Property, plant and equipment	**56.6**	46.9	**33.4**	—
	Tax losses	**5.4**	6.7	**—**	—
	Provisions and others	**361.3**	407.5	**334.1**	384.4
		423.3	461.1	**367.5**	384.4
	Offsetting	**(412.7)**	(452.2)	**(367.5)**	(384.4)
	Total Deferred Tax Assets After Offsetting	**10.6**	8.9	**—**	—
(b)	**Deferred Tax Liabilities**				
	Property, plant and equipment	**1,994.0**	1,814.2	**1,877.7**	1,712.4
	Provisions and others	**7.4**	—	**7.4**	—
		2,001.4	1,814.2	**1,885.1**	1,712.4
	Offsetting	**(412.7)**	(452.2)	**(367.5)**	(384.4)
	Total Deferred Tax Liabilities After Offsetting	**1,588.7**	1,362.0	**1,517.6**	1,328.0

19. DEFERRED INCOME

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	**260.2**	59.5	**260.2**	46.2
Additions	**780.1**	246.0	**780.1**	246.0
Credited to the Income Statement	**(54.4)**	(32.7)	**(54.4)**	(32.0)
Distribution of Axiata Group (note 4)	**—**	(12.6)	**—**	—
At 31 December	**985.9**	260.2	**985.9**	260.2

Deferred income includes government funding for Universal Service Provision (USP) and High Speed Broadband (HSBB) project which are amortised on straight line basis over the estimated useful lives of the related assets.

20. INTANGIBLE ASSETS

	Goodwill RM	Licences RM	Other Intangible* RM	Total RM
The Group				
Net Book Value				
At 1 January 2009	1.2	—	0.6	1.8
Additional interest in a subsidiary (note 3(a))	308.4	—	—	308.4
Additions	—	—	4.4	4.4
Amortisation	—	—	(1.2)	(1.2)
At 31 December 2009	**309.6**	**—**	**3.8**	**313.4**
Net Book Value				
At 1 January 2008	7,271.1	188.8	1.0	7,460.9
Amortisation	—	(6.9)	(0.4)	(7.3)
Currency translation differences	(1.8)	(2.9)	—	(4.7)
Distribution of Axiata Group (note 4)	(7,268.1)	(179.0)	—	(7,447.1)
At 31 December 2008	**1.2**	**—**	**0.6**	**1.8**

20. INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM	Licences RM	Other Intangible* RM	Total RM
The Group				
At 31 December 2009				
Cost	314.6	—	6.7	321.3
Accumulated amortisation	—	—	(2.9)	(2.9)
Accumulated impairment	(5.0)	—	—	(5.0)
Net Book Value	**309.6**	**—**	**3.8**	**313.4**
At 31 December 2008				
Cost	6.2	—	2.3	8.5
Accumulated amortisation	—	—	(1.7)	(1.7)
Accumulated impairment	(5.0)	—	—	(5.0)
Net Book Value	**1.2**	**—**	**0.6**	**1.8**
The Company				
Net Book Value				
At 1 January 2008	—	39.7	—	39.7
Amortisation	—	(1.0)	—	(1.0)
Disposal (sub-note (a))	—	(38.7)	—	(38.7)
At 31 December 2008	**—**	**—**	**—**	**—**

* Other intangible comprises the fair value of sales contracts acquired by a subsidiary in 2007 and software of a subsidiary.

(a) The Company disposed its 3G spectrum licence for RM40.1 million under the Group internal restructuring and demerger as explained in note 4 to the financial statements.

20. 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 2009 as their recoverable amounts were in excess of their carrying amounts.

The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the Group's total goodwill:

	2009 RM
VADS Berhad	**308.4**
Others	**1.2**
	309.6

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

(i) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS)

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flow 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 flow 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:

Pre-tax discount rate	**11.5%**
Terminal growth rate	**1.5%**

20. INTANGIBLE ASSETS (CONTINUED)

(ii) Impact of possible change in key assumptions

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 flow 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.

Pre-tax discount rate	**30.5%**

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 RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2009	7,635.9	333.1	495.0	282.9	1,860.9	1,164.3	11,772.1
Additions	38.1	74.9	9.9	—	5.8	2,477.8	2,606.5
Assetisation	1,732.5	12.6	340.4	14.9	155.6	(2,256.0)	—
Disposals	—	(0.6)	—	—	—	—	(0.6)
Write off	(33.9)	(4.3)	(0.5)	—	—	—	(38.7)
Depreciation	(1,479.6)	(128.1)	(243.8)	—	(146.8)	—	(1,998.3)
Impairment	—	—	—	—	(0.1)	—	(0.1)
Currency translation differences	(0.1)	0.2	—	—	—	(1.5)	(1.4)
Reclassified to prepaid lease payments (note 22)	—	—	—	(9.6)	—	—	(9.6)
Reclassification	(110.0)	36.8	73.2	1.6	(1.6)	—	—
At 31 December 2009	**7,782.9**	**324.6**	**674.2**	**289.8**	**1,873.8**	**1,384.6**	**12,329.9**
At 31 December 2009							
Cost	33,738.3	1,985.2	3,663.1	293.3	3,752.5	1,384.6	44,817.0
Accumulated depreciation	(25,692.7)	(1,658.9)	(2,982.5)	(0.9)	(1,878.6)	—	(32,213.6)
Accumulated impairment	(262.7)	(1.7)	(6.4)	(2.6)	(0.1)	—	(273.5)
Net Book Value	**7,782.9**	**324.6**	**674.2**	**289.8**	**1,873.8**	**1,384.6**	**12,329.9**

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2008	17,161.2	583.2	816.5	312.5	1,978.4	3,131.5	23,983.3
Additions	428.8	86.9	33.2	—	37.4	3,276.3	3,862.6
Assetisation	2,200.0	15.1	181.3	0.2	164.3	(2,560.9)	—
Disposals	(18.0)	(4.0)	(2.3)	—	—	—	(24.3)
Write off	(5.7)	(4.4)	(0.4)	—	(4.4)	(2.0)	(16.9)
Depreciation	(2,076.3)	(159.5)	(297.1)	—	(176.1)	—	(2,709.0)
Impairment	(0.4)	—	(0.3)	—	—	(0.3)	(1.0)
Reversal of impairment	—	—	—	—	—	4.4	4.4
Currency translation differences	(210.5)	(4.8)	(2.8)	(0.6)	(3.0)	(68.0)	(289.7)
Reclassified to prepaid lease payments (note 22)	—	—	—	(3.0)	—	—	(3.0)
Reclassification	—	4.2	—	—	(4.2)	—	—
Distribution of Axiata Group (note 4)	(9,843.2)	(183.6)	(233.1)	(26.2)	(131.5)	(2,616.7)	(13,034.3)
At 31 December 2008	**7,635.9**	**333.1**	**495.0**	**282.9**	**1,860.9**	**1,164.3**	**11,772.1**
At 31 December 2008							
Cost	32,572.2	1,959.0	3,498.4	286.4	3,598.1	1,164.3	43,078.4
Accumulated depreciation	(24,673.6)	(1,624.2)	(2,997.0)	(0.9)	(1,737.2)	—	(31,032.9)
Accumulated impairment	(262.7)	(1.7)	(6.4)	(2.6)	—	—	(273.4)
Net Book Value	**7,635.9**	**333.1**	**495.0**	**282.9**	**1,860.9**	**1,164.3**	**11,772.1**

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 RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2009	7,257.7	258.7	441.7	118.1	1,365.0	1,019.9	10,461.1
Additions	—	45.1	5.9	—	5.8	2,416.9	2,473.7
Assetisation	1,678.7	7.0	334.5	14.9	69.5	(2,104.6)	—
Disposals*	—	—	—	—	—	—	—
Write off	(33.9)	(4.3)	(0.3)	—	—	—	(38.5)
Depreciation	(1,401.8)	(96.7)	(228.5)	—	(96.2)	—	(1,823.2)
Reclassified to prepaid lease payments (note 22)	—	—	—	(9.6)	—	—	(9.6)
Reclassification	(110.0)	36.8	73.2	1.6	(1.6)	—	—
At 31 December 2009	**7,390.7**	**246.6**	**626.5**	**125.0**	**1,342.5**	**1,332.2**	**11,063.5**
At 31 December 2009							
Cost	32,765.9	1,612.8	3,333.4	128.5	2,755.8	1,332.2	41,928.6
Accumulated depreciation	(25,149.5)	(1,366.2)	(2,706.9)	(0.9)	(1,413.3)	—	(30,636.8)
Accumulated impairment	(225.7)	—	—	(2.6)	—	—	(228.3)
Net Book Value	**7,390.7**	**246.6**	**626.5**	**125.0**	**1,342.5**	**1,332.2**	**11,063.5**
Net Book Value							
At 1 January 2008	7,465.7	338.7	538.8	161.3	1,324.9	791.1	10,620.5
Additions	7.9	28.2	1.0	—	64.8	1,775.3	1,877.2
Assetisation	1,257.1	5.2	147.3	0.2	134.7	(1,544.5)	—
Disposals	—	(3.2)	(1.8)	—	—	—	(5.0)
Write off	(3.8)	(4.2)	(0.4)	—	(4.4)	(2.0)	(14.8)
Depreciation	(1,469.2)	(110.2)	(243.2)	—	(98.5)	—	(1,921.1)
Reclassified to prepaid lease payments (note 22)	—	—	—	(3.0)	—	—	(3.0)
Reclassified as investment property (note 23)	—	—	—	(40.4)	(52.3)	—	(92.7)
Reclassification	—	4.2	—	—	(4.2)	—	—
At 31 December 2008	**7,257.7**	**258.7**	**441.7**	**118.1**	**1,365.0**	**1,019.9**	**10,461.1**

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 RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
At 31 December 2008							
Cost	31,690.0	1,618.1	3,171.8	121.6	2,687.7	1,019.9	40,309.1
Accumulated depreciation	(24,206.6)	(1,359.4)	(2,730.1)	(0.9)	(1,322.7)	—	(29,619.7)
Accumulated impairment	(225.7)	—	—	(2.6)	—	—	(228.3)
Net Book Value	**7,257.7**	**258.7**	**441.7**	**118.1**	**1,365.0**	**1,019.9**	**10,461.1**

* Disposals include motor vehicles and certain telecommunications assets with total net book value less than RM0.1 million.

(a) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM19,761.3 million (2008: RM18,493.7 million) and RM19,735.6 million (2008: RM18,481.5 million) respectively.

(b) Included in the property, plant and equipment of the Group and the Company are assets with net book value of RM67.6 million (2008: RM71.9 million) and RM64.2 million (2008: RM67.2 million) respectively under the finance lease arrangement. The assets under finance lease are an office building of the Company and equipment of a subsidiary.

(c) During the financial year, the Company had assessed the useful lives of its property, plant and equipment. As a result of this review, the useful lives of certain network equipments have been shortened from 5 to 15 years to 3 to 10 years whilst the useful lives of certain network assets have been extended from 10 to 15 years. The net impact of this was a lower depreciation charge of RM24.4 million. The Company had also revised the useful lives of certain network assets back to their original useful lives following changes in the migration plan of PSTN switches and ATM DSLAM to the NGN platform. This resulted in a reduction in depreciation charge by RM21.8 million.

(d) Details of land are as follows:

	Freehold RM	Other Land RM	Total RM
The Group			
Net Book Value			
At 1 January 2009	225.5	57.4	282.9
Assetisation	—	14.9	14.9
Reclassified to prepaid lease payments (note 22)	—	(9.6)	(9.6)
Reclassification	0.8	0.8	1.6
At 31 December 2009	**226.3**	**63.5**	**289.8**

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

	Freehold RM	Other Land RM	Total RM
The Group			
At 31 December 2009			
Cost	228.9	64.4	293.3
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(2.6)	—	(2.6)
Net Book Value	**226.3**	**63.5**	**289.8**
Net Book Value			
At 1 January 2008	251.7	60.8	312.5
Assetisation	0.2	—	0.2
Currency translation differences	(0.6)	—	(0.6)
Reclassified to prepaid lease payments (note 22)	—	(3.0)	(3.0)
Reclassification	0.4	(0.4)	—
Distribution of Axiata Group	(26.2)	—	(26.2)
At 31 December 2008	**225.5**	**57.4**	**282.9**
At 31 December 2008			
Cost	228.1	58.3	286.4
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(2.6)	—	(2.6)
Net Book Value	**225.5**	**57.4**	**282.9**
The Company			
Net Book Value			
At 1 January 2009	60.7	57.4	118.1
Assetisation	—	14.9	14.9
Reclassified to prepaid lease payments (note 22)	—	(9.6)	(9.6)
Reclassification	0.8	0.8	1.6
At 31 December 2009	**61.5**	**63.5**	**125.0**
At 31 December 2009			
Cost	64.1	64.4	128.5
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(2.6)	—	(2.6)
Net Book Value	**61.5**	**63.5**	**125.0**

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

	Freehold RM	Other Land RM	Total RM
The Company			
Net Book Value			
At 1 January 2008	100.5	60.8	161.3
Assetisation	0.2	—	0.2
Reclassified to prepaid lease payments (note 22)	—	(3.0)	(3.0)
Reclassified as investment property (note 23)	(40.4)	—	(40.4)
Reclassification	0.4	(0.4)	—
At 31 December 2008	**60.7**	**57.4**	**118.1**
At 31 December 2008			
Cost	63.3	58.3	121.6
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(2.6)	—	(2.6)
Net Book Value	**60.7**	**57.4**	**118.1**

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 land have not been classified according to their tenure.

The other land will be reclassified accordingly as and when the title deeds pertaining to these land have been registered.

22. PREPAID LEASE PAYMENTS

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Net Book Value				
At 1 January	**67.5**	387.0	**55.0**	52.9
Additions	**—**	28.2	**—**	—
Disposals	**(1.5)**	—	**(1.5)**	—
Amortisation	**(1.2)**	(17.1)	**(0.9)**	(0.9)
Currency translation differences	**—**	(6.8)	**—**	—
Reclassified from property, plant and equipment (note 21)	**9.6**	3.0	**9.6**	3.0
Distribution of Axiata Group (note 4)	**—**	(326.8)	**—**	—
At 31 December	**74.4**	67.5	**62.2**	55.0

22. PREPAID LEASE PAYMENTS (CONTINUED)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At 31 December				
Cost	**83.6**	74.7	**69.3**	60.5
Accumulated amortisation	**(9.2)**	(7.2)	**(7.1)**	(5.5)
Net Book Value	**74.4**	67.5	**62.2**	55.0
The prepaid lease rentals were payment for rights to use the followings:				
Long term leasehold land	**52.7**	46.2	**50.1**	43.6
Short term leasehold land	**21.7**	21.3	**12.1**	11.4
At 31 December	**74.4**	67.5	**62.2**	55.0

The prepaid lease payments comprise upfront payments for long term leasehold land and short term leasehold land. Long term leasehold land has an unexpired lease period of 50 years and above.

23. INVESTMENT PROPERTY

The Company	2009 RM	2008 RM
Net Book Value		
At 1 January	**91.9**	–
Additions	**1.6**	–
Depreciation	**(1.9)**	(0.8)
Reclassified from property, plant and equipment (note 21)	**–**	92.7
At 31 December	**91.6**	91.9
At 31 December		
Cost	**94.3**	92.7
Accumulated depreciation	**(2.7)**	(0.8)
Net Book Value	**91.6**	91.9

The fair value of the property in 2009 is RM101.3 million (2008: RM96.3 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

24. LAND HELD FOR PROPERTY DEVELOPMENT

The Group	2009 RM	2008 RM
Net Book Value		
At 1 January	**164.3**	165.4
Addition	**2.6**	—
Transferred to land held for sale	**(3.2)**	(1.1)
At 31 December	**163.7**	164.3
At 31 December		
Land at cost	**174.4**	175.0
Accumulated impairment	**(10.7)**	(10.7)
Net Book Value	**163.7**	164.3

25. SUBSIDIARIES

The Company	2009 Malaysia RM	2009 Overseas RM	2009 Total RM	2008 Malaysia RM	2008 Overseas RM	2008 Total RM
Quoted investment, at cost	**—**	**—**	**—**	19.5	—	19.5
Unquoted investments, at cost	**1,358.5**	**22.0**	**1,380.5**	1,027.0	22.0	1,049.0
Impairment	**—**	**(13.2)**	**(13.2)**	—	(13.2)	(13.2)
	1,358.5	**8.8**	**1,367.3**	1,027.0	8.8	1,035.8
Investment in TM ESOS Management Sdn Bhd (sub-note (a))						
– at cost	**1,431.0**	**—**	**1,431.0**	1,431.0	—	1,431.0
– options exercised	**(352.0)**	**—**	**(352.0)**	(60.0)	—	(60.0)
– repayment of capital contribution	**(48.9)**	**—**	**(48.9)**	—	—	—
– impairment	**(301.8)**	**—**	**(301.8)**	(202.8)	—	(202.8)
	728.3	**—**	**728.3**	1,168.2	—	1,168.2
Options granted to employees of subsidiaries	**24.6**	**—**	**24.6**	22.8	—	22.8
Unquoted investments, at written down value (sub-note (b))	**—**	**—**	**—**	—	—	—
Net investments	**2,111.4**	**8.8**	**2,120.2**	2,237.5	8.8	2,246.3

25. SUBSIDIARIES (CONTINUED)

The Company	2009 Malaysia RM	2009 Overseas RM	2009 Total RM	2008 Malaysia RM	2008 Overseas RM	2008 Total RM
Loans and advances to subsidiaries (sub-note (c))	**394.2**	**46.0**	**440.2**	973.4	51.6	1,025.0
Allowance for loans and advances	**(14.6)**	**—**	**(14.6)**	(562.3)	—	(562.3)
Loans and advances to subsidiaries after allowance (note 43(g)(i))	**379.6**	**46.0**	**425.6**	411.1	51.6	462.7
TOTAL INTEREST IN SUBSIDIARIES	**2,491.0**	**54.8**	**2,545.8**	2,648.6	60.4	2,709.0
Market value of quoted investment	**—**	**—**	**—**	629.8	—	629.8

(a) This represents the fair value of Special ESOS shares issued to TM ESOS Management Sdn Bhd (TEM) as explained in note 12(c) to the financial statements, thereby making TEM a subsidiary as well as a shareholder of the Company.

A repayment of capital contribution by TEM of RM48.9 million comprise RM43.1 million being TEM's entitlement to the Company's capital repayment as explained in note 12(d) to the financial statements, and proceeds of RM5.8 million from the disposal of Axiata shares attributed to the lapsed options under Special ESOS.

The Company has assessed the carrying value of its investment in TEM. Impairment of RM99.0 million (2008: RM202.8 million) was made to equity as it represents a transaction with a shareholder.

(b) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

(c) Loans and advances to subsidiaries represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.5% to 5.82% (2008: 2.5% to 5.82%) and are principally with no fixed repayment terms. However, the Company has indicated that it will not demand substantial repayment within the next 12 months. Shareholder loans and advances provided to overseas subsidiaries are in US Dollar.

The Group's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 48 to the financial statements.

26. ASSOCIATES

The Group	2009 RM	2008 RM
Share of net assets of associates		
Unquoted investments	**0.6**	—
TOTAL	**0.6**	—

26. ASSOCIATES (CONTINUED)

	2009 RM	2008 RM
The Group's share of revenue and profit of associates is as follows:		
Continuing operations:		
Revenue	**5.4**	1.7
Profit/(loss) after taxation	**0.6**	(0.4)
Discontinued operations:		
Revenue	**—**	229.9
Profit after taxation (note 4(B))	**—**	10.6
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**0.1**	0.1
Current assets	**3.0**	3.3
Current liabilities	**(2.5)**	(3.4)
Net assets	**0.6**	—

The Group has excluded the amount that would otherwise have been accounted for in respect of the current and cumulative year share of losses after taxation of associates amounting to RM# million (2008: RM0.4 million) and RM1.1 million (2008: RM1.5 million) respectively from the financial statements as the carrying amount of these investments have been fully eroded. The Group has no obligation to finance any further losses.

Amount less than RM0.1 million

The Group's equity interest in the associates, their respective principal activities and countries of incorporation are listed in note 49 to the financial statements.

27. AVAILABLE-FOR-SALE INVESTMENT

The Group	2009 RM	2008 RM
At 1 January	**496.0**	—
Net assets of Axiata Group attributed to Axiata shares held by TM ESOS Management Sdn Bhd (TEM) (note 4(B))	**—**	385.7
Subscription of Axiata rights	**72.0**	—
Revaluation of investment in TEM at demerger	**—**	650.8
Gain/(loss) arising from fair value changes during the financial year	**44.5**	(539.8)
Fair value gain (net)	**44.5**	111.0
Disposal of Axiata shares attributed to lapsed options (sub-note (a))	**(4.3)**	—
Disposal (sub-note (b))	**—**	(0.7)
At 31 December	**608.2**	496.0

27. AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

(a) Disposal of Axiata shares attributed to Axiata Options granted to the employees of Axiata Group under the Employees' Share Option Scheme (Special ESOS), as described in note 13 to the financial statements, which have lapsed during the financial year.

(b) Disposal of Axiata shares pursuant to the exercise of Axiata Options under the Special ESOS.

28. OTHER INVESTMENTS

	The Group and Company 2009 RM	2008 RM
Investments in International Satellite Organisations, at cost	**79.1**	79.1
Allowance for diminution in value other than temporary	**(77.7)**	(77.7)
	1.4	1.4
Investments in quoted shares, at cost	**250.3**	250.3
Allowance for diminution in value other than temporary (sub-note (a))	**(139.9)**	(155.0)
	110.4	95.3
Investments in unquoted shares, at cost	**41.0**	51.4
Allowance for diminution in value	**—**	(10.3)
	41.0	41.1
TOTAL INVESTMENTS AFTER ALLOWANCE	**152.8**	137.8
Market value of quoted investments	**110.4**	72.0

(a) The Company has assessed the carrying value of its investment in quoted shares. Following this assessment, it was concluded that there was an increase in net recoverable amount and consequently the excess allowance for diminution in value was reversed in the current financial year.

29. LONG TERM RECEIVABLES

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Staff loans under Islamic principles	**54.6**	395.2	**54.6**	395.2
Staff loans	**12.5**	67.3	**12.2**	66.9
Total staff loans (sub-note (a))	**67.1**	462.5	**66.8**	462.1
Other long term receivables (sub-note (b))	**56.8**	63.1	**56.8**	63.1
Allowance for other long term receivables	**(3.5)**	(2.1)	**(3.5)**	(2.1)
	120.4	523.5	**120.1**	523.1
Staff loans receivable within twelve months included under other receivables (note 31)	**(11.5)**	(51.1)	**(11.2)**	(50.7)
TOTAL LONG TERM RECEIVABLES	**108.9**	472.4	**108.9**	472.4

(a) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with 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:

(i) Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier

(ii) Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars

(iii) Computer loans – 3 years

During the financial year, the Company disposed a significant portion of its employees housing loans pursuant to a Sale and Purchase 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 sale transaction, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. This arrangement will see the outsourcing of the Company's mortgage servicing operations to AmBank. The disposal was undertaken in two tranches.

On 30 June 2009, the Company disposed the first tranche of housing loans for a total cash consideration of RM334.1 million and recognised a loss on disposal of RM14.6 million arising mainly from discounts and other related costs. On 4 November 2009, the Company disposed another tranche of housing loans for a total cash consideration of RM64.5 million and recognised a loss on disposal of RM3.6 million.

(b) Other long term 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 interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

During the financial year, RM12.0 million (2008: RM9.8 million) was converted to scholarship and expensed off to the Income Statement.

30. INVENTORIES

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Cables and wires	**31.8**	31.7	**31.8**	31.7
Network materials	**50.0**	65.7	**28.5**	22.3
Telecommunications equipment	**10.9**	8.1	**10.9**	8.1
Spares and others*	**14.0**	13.8	**11.7**	9.4
Land held for sale	**3.9**	4.0	**—**	—
TOTAL INVENTORIES	**110.6**	123.3	**82.9**	71.5

* Included in spares and others are trading inventories comprising prepaid cards, telephone sets and other consumables.

31. TRADE AND OTHER RECEIVABLES

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Receivables from telephone customers	**1,473.8**	1,833.8	**1,173.6**	1,503.2
Receivables from non-telephone customers	**1,900.4**	2,082.0	**1,361.0**	1,507.2
Receivables from subsidiaries	**—**	—	**189.9**	194.9
	3,374.2	3,915.8	**2,724.5**	3,205.3
Advance rental billings	**(294.9)**	(347.9)	**(296.1)**	(352.9)
	3,079.3	3,567.9	**2,428.4**	2,852.4
Allowance for doubtful debts	**(1,298.3)**	(1,440.0)	**(845.2)**	(982.5)
Total trade receivables after allowance	**1,781.0**	2,127.9	**1,583.2**	1,869.9
Prepayments	**115.5**	70.5	**81.9**	44.6
Tax recoverable	**185.0**	268.7	**182.4**	267.9
Staff loans (note 29)	**11.5**	51.1	**11.2**	50.7
Dividend receivable from a subsidiary	**—**	—	**—**	57.3
Other receivables from subsidiaries	**—**	—	**27.9**	16.9
Other receivables from associates	**1.1**	1.1	**1.1**	1.1
Other receivables	**258.5**	429.8	**231.9**	401.8
Allowance for doubtful debts	**(68.6)**	(57.8)	**(59.0)**	(53.9)
Total other receivables after allowance	**503.0**	763.4	**477.4**	786.4
TOTAL TRADE AND OTHER RECEIVABLES AFTER ALLOWANCE	**2,284.0**	2,891.3	**2,060.6**	2,656.3

31. TRADE AND OTHER RECEIVABLES (CONTINUED)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
The currency exposure profile of trade and other receivables after allowance is as follows:				
Ringgit Malaysia	**1,968.8**	2,228.5	**1,685.1**	1,927.0
US Dollar	**285.1**	621.8	**349.4**	702.3
Special Drawing Rights	**10.2**	2.4	**10.2**	2.4
Other currencies	**19.9**	38.6	**15.9**	24.6
	2,284.0	2,891.3	**2,060.6**	2,656.3

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
The following table represents credit risk exposure of trade receivables, net of allowances for doubtful debts and without taking into account any collateral taken:				
Business	**1,295.3**	1,611.4	**1,005.0**	1,263.6
Residential	**485.7**	516.5	**388.3**	411.4
Subsidiaries	**—**	—	**189.9**	194.9
	1,781.0	2,127.9	**1,583.2**	1,869.9

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. In addition, credit risk is mitigated to a certain extent by cash deposits and bankers' guarantee obtained from customers. The Group and the Company consider the allowance for doubtful debts at balance sheet date to be adequate to cover the potential financial loss.

Credit terms of trade receivables excluding advance rental billing range from 30 to 90 days (2008: 30 to 90 days).

Other receivables from associates are unsecured and interest free with no fixed terms of repayment.

32. SHORT TERM INVESTMENTS

	The Group and Company	
	2009 RM	2008 RM
Shares quoted on the Bursa Malaysia Securities Berhad	**70.2**	72.0
Quoted fixed income securities	**224.5**	205.6
TOTAL SHORT TERM INVESTMENTS	**294.7**	277.6
Market value of quoted shares	**70.2**	72.0
Market value of quoted fixed income securities	**224.5**	205.6

33. CASH AND BANK BALANCES

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Deposits with:				
Licensed banks	**1,761.6**	1,020.3	**1,604.0**	915.0
Licensed finance companies	**5.7**	11.4	**—**	—
Other financial institutions	**83.0**	154.6	**29.9**	39.1
Deposits under Islamic principles	**1,212.0**	522.7	**1,137.1**	392.8
Total deposits	**3,062.3**	1,709.0	**2,771.0**	1,346.9
Cash and bank balances	**416.0**	351.1	**130.2**	100.3
Cash and bank balances under Islamic principles	**12.4**	35.1	**—**	—
TOTAL CASH AND BANK BALANCES	**3,490.7**	2,095.2	**2,901.2**	1,447.2
Less:				
Deposits pledged	**(0.5)**	(0.5)	**—**	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**3,490.2**	2,094.7	**2,901.2**	1,447.2
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**3,313.1**	1,974.8	**2,838.5**	1,407.2
US Dollar	**153.6**	65.1	**62.7**	40.0
Other currencies	**24.0**	55.3	**—**	—
	3,490.7	2,095.2	**2,901.2**	1,447.2

In 2008, cash and bank balances of a subsidiary amounted to RM11.2 million was restricted due to ongoing litigation. The case has been duly resolved in 2009.

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. Deposits have maturity range from overnight to 90 days (2008: from overnight to 180 days) and from overnight to 90 days (2008: from overnight to 92 days) for the Group and the Company respectively. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2009 is 2.38% (2008: 3.31%) and 2.34% (2008: 3.34%) for the Group and the Company respectively.

34. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade payables	**2,020.7**	1,852.2	**1,765.6**	1,471.5
Accruals for Universal Service Provision	**195.7**	161.4	**182.5**	149.3
Deferred revenue	**70.4**	77.2	**34.9**	37.5
Finance cost payable	**58.4**	59.1	**58.3**	59.1
Duties and other taxes payable	**(8.3)**	11.1	**(15.3)**	4.8
Deposits and trust monies	**59.2**	56.7	**36.9**	32.7
Payables to subsidiaries	**—**	—	**490.1**	531.7
Other payables	**538.5**	594.9	**373.9**	395.8
TOTAL TRADE AND OTHER PAYABLES	**2,934.6**	2,812.6	**2,926.9**	2,682.4
The currency exposure profile of trade and other payables is as follows:				
Ringgit Malaysia	**2,487.1**	2,342.5	**2,498.1**	2,206.9
US Dollar	**432.6**	373.0	**420.1**	399.3
Special Drawing Rights	**3.4**	9.2	**3.4**	9.2
Other currencies	**11.5**	87.9	**5.3**	67.0
	2,934.6	2,812.6	**2,926.9**	2,682.4

Credit terms of trade and other payables vary from 30 to 90 days (2008: from 30 to 90 days) depending on the terms of the contracts.

35. CUSTOMER DEPOSITS

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Telephone services	**554.7**	557.2	**554.6**	557.0
Data services	**21.0**	31.6	**20.9**	31.5
TOTAL CUSTOMER DEPOSITS	**575.7**	588.8	**575.5**	588.5

Telephone customer deposits are subjected to rebate at 5.0% per annum in accordance with Communications and Multimedia (Rates) Rules 2002.

36. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Continuing operations				
Receipts from customers	**8,808.5**	8,638.4	**7,814.0**	7,886.4
Payments to suppliers and employees	**(5,400.7)**	(5,333.4)	**(4,919.2)**	(4,856.5)
Payment of finance cost	**(393.5)**	(500.6)	**(425.2)**	(528.8)
Refund/(payment) of income taxes (net)	**41.7**	(151.8)	**117.8**	(99.2)
Payment of zakat	**—**	(3.0)	**—**	(3.0)
	3,056.0	2,649.6	**2,587.4**	2,398.9
Cash flows from operating activities of discontinued operations	**—**	601.6	**—**	—
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**3,056.0**	3,251.2	**2,587.4**	2,398.9

37. CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
Continuing operations				
Disposal of property, plant and equipment	**15.2**	24.9	**14.8**	23.9
Purchase of property, plant and equipment	**(2,516.2)**	(1,838.8)	**(2,339.2)**	(1,667.8)
Contribution for purchase of property, plant and equipment	**810.2**	103.1	**810.2**	103.1
Disposal of non-current assets held for sale	**—**	1,000.0	**—**	1,000.0
Disposal of leasehold land	**3.8**	—	**3.8**	—
Payment for intangible asset (spectrum licence)	**—**	(8.0)	**—**	(8.0)
Disposal of intangible asset (spectrum licence)	**—**	40.1	**—**	40.1
Repayment from Axiata Group Berhad (Axiata)	**4,025.0**	—	**4,025.0**	—
Disposal of Axiata's rights	**66.0**	—	**—**	—
Subscription of Axiata's rights	**(72.0)**	—	**—**	—
Disposal of available-for-sale investment	**5.8**	1.9	**—**	—
Disposal of other investments	**0.1**	—	**0.1**	—
Disposal of short term investments	**219.6**	219.6	**219.6**	219.6
Purchase of short term investments	**(198.4)**	(215.1)	**(198.4)**	(215.1)
Acquisition of remaining interest in a subsidiary*	**(412.3)**	—	**(312.0)**	—
Repayments of capital contribution from a subsidiary	**—**	—	**48.9**	—
Repayments from subsidiaries	**—**	—	**119.3**	48.6
Advances to subsidiaries	**—**	—	**(82.7)**	(21.0)
Payments to subsidiaries	**—**	—	**(84.5)**	(88.6)
Advances from subsidiaries	**—**	—	**93.1**	144.2
Repayments of loans by employees	**50.7**	97.7	**50.6**	97.7
Loans to employees	**(30.7)**	(39.3)	**(30.7)**	(39.3)
Disposal of housing loan	**398.6**	—	**398.6**	—
Interest received	**167.5**	240.5	**158.2**	218.7
Dividend received	**13.5**	9.7	**202.3**	91.5
	2,546.4	(363.7)	**3,097.0**	(52.4)
Cash flows used in investing activities of discontinued operations	**—**	(1,532.9)	**—**	—
TOTAL CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**2,546.4**	(1,896.6)	**3,097.0**	(52.4)

* Cash consideration for the acquisition of VADS Berhad (VADS) as explained in note 3(a) to the financial statements was funded by the Company and VADS.

38. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Continuing operations				
Issue of share capital	**229.5**	46.0	**229.5**	46.0
Issue of share capital to minority interests	**—**	22.8	**—**	—
Redemption of Redeemable Preference Shares (note 12(d))	**(3,462.7)**	—	**(3,505.8)**	—
Proceeds from termination of swaps	**41.2**	197.0	**41.2**	197.0
Proceeds from borrowings	**180.0**	184.7	**150.0**	141.8
Repayments of borrowings	**(449.2)**	(294.9)	**(404.9)**	(247.5)
Repayments of finance lease	**(3.0)**	(1.3)	**(3.0)**	(1.3)
Dividends paid to shareholders	**(731.3)**	(2,520.8)	**(740.0)**	(2,554.6)
Dividends paid to minority interests	**(10.4)**	(17.2)	**—**	—
	(4,205.9)	(2,383.7)	**(4,233.0)**	(2,418.6)
Cash flows from financing activities of discontinued operations	**—**	455.5	**—**	—
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(4,205.9)**	(1,928.2)	**(4,233.0)**	(2,418.6)

39. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
(a) Issuance of shares by Axiata as part settlement of the net consideration payable to the Company pursuant to Group internal restructuring (note 4(A))	**—**	3,801.0	**—**	3,801.0
(b) Distribution of net assets of Axiata Group to shareholders of the Company (note 4)	**—**	10,358.4	**—**	3,895.0
(c) Issuance of shares to TM ESOS Management Sdn Bhd (note 12(c))	**—**	—	**—**	1,431.0
(d) Contra settlement with a subsidiary between loans and advances to subsidiaries and other payables	**—**	—	**—**	31.3
(e) Contra settlements with subsidiaries between trade receivables and payables	**—**	—	**63.5**	24.5
(f) Contra settlement with a former subsidiary between receivables and payables	**—**	54.6	**—**	54.6

40. SEGMENT REPORTING

By Business

The Group organises its business in the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.
- Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of telecommunications services delivered over our networks to other licensed network operators namely Network Facilities Providers (NFP), Network Service Providers (NSP) and Application Service Providers (ASP).
- Global Business is responsible for the provision of inbound and outbound services for a wide range of telecommunications services including the fixed network operations of the Group's worldwide subsidiaries.
- Shared Services/Others include all shared services divisions, networks and subsidiaries that do not fall under the above lines of business.

During the financial year, the Group undertook a review of the costings and allocations of shared services and corporate centre costs in line with the current business structure. The Directors are of the view that the current costs allocation better reflects the Group's business activities. On this basis, the comparatives have been represented for Retail Business, Wholesale Business, Global Business and Shared Services.

In addition to the changes to the reporting structure, the Group has refined its reportable segments to reflect the realignment of its business activities to focus on different market segments and customer needs for the Retail Business segment, whereby this segment has been further segregated into four specific segments within Retail Business, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government. The presentation for the Retail Business segment in the previous year was not segregated into the four specific segments as the establishment of these new segments within Retail Business was only effective in April 2009 and the level of estimation and extrapolation required to segregate the comparatives would not have provided sufficiently objective and reliable information.

Segment results represent segment operating revenue less segment expenses. Unallocated income comprises other operating income such as dividend income and gain or loss on disposal of investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities, foreign exchange differences arising from translation of foreign currency placements and diminution in value of investments which are not allocated to a particular business segment. The accounting policies used to derive reportable segment results 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 staff loans, other long term receivables, investments, deferred tax assets as well as cash and bank balances of the Company and property, plant and equipment of the Company's training centre and office buildings. The prior year comparatives included amount owing by Axiata Group Berhad.

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 intangibles, property, plant and equipment, including additions resulting from acquisition of subsidiaries as disclosed in note 20 and 21 to the financial statements.

Significant non-cash expenses comprise mainly allowances for doubtful debts and unrealised foreign exchange losses on settlement as disclosed in note 6(b) to the financial statements.

40. SEGMENT REPORTING (CONTINUED)

	Retail Business								
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total Continuing Operations RM
Financial Year Ended 31 December 2009									
Operating Revenue									
Total operating revenue									
– January to March	*	*	*	*	1,628.0	288.2	277.0	1,095.9	3,289.1
– April to December	1,756.2	1,318.2	1,309.7	900.0	5,284.1	878.5	855.3	3,202.2	10,220.1
					6,912.1	1,166.7	1,132.3	4,298.1	13,509.2
Inter-segment[@]	(14.0)	—	(238.3)	—	(252.3)	(380.7)	(247.6)	(4,020.6)	(4,901.2)
External operating revenue					6,659.8	786.0	884.7	277.5	8,608.0
Results									
Segment results									
– January to March	*	*	*	*	240.6	40.8	70.2	(10.2)	341.4
– April to December	49.0	289.7	184.4	120.1	643.2	148.4	123.9	(26.8)	888.7
					883.8	189.2	194.1	(37.0)	1,230.1
Unallocated income									62.5
Unallocated costs									(228.0)
Operating profit before finance cost									1,064.6
Finance income									172.2
Finance cost									(356.3)
Foreign exchange gain on borrowings									40.5
Associates									
– share of results (net of tax)									0.6
Profit before taxation and zakat									921.6
Taxation and zakat									(248.3)
Profit for the financial year									673.3

40. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services/ Others	Total Continuing Operations
	Consumer RM	SME RM	Enterprise RM	Government RM	RM	RM	RM	RM	RM
At 31 December 2009									
Segment assets	506.2	236.3	877.9	536.9	2,157.3	716.3	410.5	12,308.3	15,592.4
Associates	—	—	—	—	—	—	—	0.6	0.6
Unallocated assets									4,349.5
Total assets									19,942.5
Segment liabilities	250.2	278.4	250.2	292.1	1,070.9	224.3	236.3	2,906.3	4,437.8
Borrowings									6,713.5
Unallocated liabilities									1,661.2
Total liabilities									12,812.5
Financial Year Ended 31 December 2009									
Other Information									
Capital expenditure									
– additions during the financial year	9.8	0.5	360.5	96.9	467.7	47.3	22.8	2,381.5	2,919.3
Depreciation and amortisation									
– January to March	*	*	*	*	21.0	14.3	3.5	478.3	517.1
– April to December	10.6	4.0	36.1	63.3	114.0	39.9	6.1	1,322.4	1,482.4
Write off of property, plant and equipment									
– January to March	*	*	*	*	0.2	#	—	2.4	2.6
– April to December	#	#	#	0.2	0.2	#	—	35.9	36.1
Impairment of property, plant and equipment	—	—	—	—	—	—	—	0.1	0.1
Significant non-cash expenses									
– January to March	*	*	*	*	33.3	0.4	(3.0)	(0.7)	30.0
– April to December	38.1	(51.7)	58.1	40.7	85.2	13.0	11.5	11.7	121.4

40. SEGMENT REPORTING (CONTINUED)

	Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total Continuing Operations RM	Discontinued Operations RM
Financial Year Ended 31 December 2008						
Operating Revenue						
Total operating revenue	6,925.0	1,075.7	1,166.9	3,829.7	12,997.3	3,535.1
Inter-segment[@]	(26.1)	(386.1)	(331.7)	(3,578.5)	(4,322.4)	—
External operating revenue	6,898.9	689.6	835.2	251.2	8,674.9	3,535.1
Results						
Segment results	1,151.2	89.4	27.8	(42.6)	1,225.8	932.5
Loss on disposal of an equity investment					(88.8)	—
Unallocated income					37.6	—
Unallocated costs					(445.2)	—
Operating profit before finance cost					729.4	932.5
Finance income					237.3	21.1
Finance cost					(442.5)	(133.6)
Foreign exchange (loss)/gain on borrowings					(170.0)	37.4
Jointly controlled entities						
– share of results (net of tax)					—	7.7
Associates						
– share of results (net of tax)					(0.4)	10.6
Profit before taxation and zakat					353.8	875.7
Taxation and zakat					(77.6)	(250.8)
Profit for the financial year					276.2	624.9
At 31 December 2008						
Segment assets	2,136.0	657.6	638.8	11,912.1	15,344.5	—
Unallocated assets					7,188.7	—
Total assets					22,533.2	—
Segment liabilities	1,386.6	211.2	385.9	1,618.8	3,602.5	—
Borrowings					7,000.0	—
Unallocated liabilities					1,456.1	—
Total liabilities					12,058.6	—

40. SEGMENT REPORTING (CONTINUED)

	Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total Continuing Operations RM	Discontinued Operations RM
Financial Year Ended 31 December 2008						
Other Information						
Capital expenditure						
– additions during the financial year	91.1	68.6	16.4	1,870.4	2,046.5	1,816.1
Depreciation and amortisation	123.2	62.9	12.1	1,885.6	2,083.8	632.5
Write off of property, plant and equipment	3.7	—	—	11.1	14.8	2.1
Impairment of property, plant and equipment	—	—	—	0.3	0.3	0.7
Reversal of impairment of property, plant and equipment	—	—	—	—	—	(4.4)
Significant non-cash expenses	(4.6)	33.4	130.1	(0.4)	158.5	(27.0)

@ 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. The inter-company revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms. These inter-segment trading arrangements are subject to periodic review.

* Not applicable

Amount less than RM0.1 million

By Geographical Location

The Group operates in a few countries as disclosed in note 48 to the financial statements. Accordingly, the segmentisation of the Group's operations by geographical location is segmentised to Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of 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	
	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM
Continuing operations						
Malaysia	**7,723.3**	7,839.7	**14,960.3**	14,840.5	**2,768.4**	1,920.0
Other countries	**884.7**	835.2	**632.7**	504.0	**150.9**	126.5
Unallocated assets	**—**	—	**4,349.5**	7,188.7	**—**	—
	8,608.0	8,674.9	**19,942.5**	22,533.2	**2,919.3**	2,046.5
Discontinued operations	**—**	3,535.1	**—**	—	**—**	1,816.1
	8,608.0	12,210.0	**19,942.5**	22,533.2	**2,919.3**	3,862.6

41. CAPITAL AND OTHER COMMITMENTS

		The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
(a)	**Property, plant and equipment**				
	Commitments in respect of expenditure approved and contracted for	**5,325.6**	2,592.7	**5,247.5**	2,423.2
	Commitments in respect of expenditure approved but not contracted for (sub-note (i))	**6,779.5**	10,756.2	**6,761.8**	10,746.4

(i) Includes expenditure approved but not contracted for in relation to High Speed Broadband project.

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company.

The HSBB roll out will be covering 1.3 million premises over a 10 years period. Under the above arrangement, the Company shall claim from 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 fulfil certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred related to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for 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	
		2009 RM	2008 RM
(c)	**Donation to Yayasan Telekom**		
	Amount approved and committed	**36.3**	49.0

41. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

		The Group		The Company	
		Future minimum lease payments 2009 RM	Future minimum lease payments 2008 RM	Future minimum lease payments 2009 RM	Future minimum lease payments 2008 RM
(d)	**Non-cancellable operating lease commitments**				
	Not later than one year	**65.4**	65.4	**65.4**	89.5
	Later than one year and not later than five years	**281.2**	271.4	**281.2**	271.4
	Later than five years	**658.0**	733.2	**658.0**	733.2
		1,004.6	1,070.0	**1,004.6**	1,094.1

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad. 2008 comparatives of the Company included the lease payments of a telecommunications tower from a wholly owned subsidiary.

42. CONTINGENT LIABILITIES (UNSECURED)

(a) On 11 August 2003, the Company jointly with Telekom Publications Sdn Bhd (now known as TM Info-Media Sdn Bhd) (TMIM), the Company's wholly owned subsidiary, instituted legal proceedings against Buying Guide (M) Sdn Bhd (BGSB) in relation to the infringement of TMIM's and the Company's copyright and passing off.

On 15 October 2003, BGSB filed their statement of defence and further made a counterclaim of RM114.3 million against the Company and TMIM. On 10 June 2005, TMIM and the Company filed their reply to BGSB's statement of defence and the Company's defence to BGSB's counterclaim.

On 6 March 2009, the Court allowed the Company/TMIM's application to consolidate this legal suit with another ongoing legal suit involving the Company and TMIM vs. BG Media Sdn Bhd and BG Online Sdn Bhd at the Kuala Lumpur High Court, Suit No. D7-22-1144-2004 (the Consolidated Suit) and join BGSB's directors as defendants to the Consolidated Suit.

The Consolidated Suit was fixed for full trial on 18 to 22 January 2010. However, pursuant to an amicable out of court settlement reached between all parties to the legal suit, the High Court has entered a Consent Order to record the mutually agreed terms of settlement on 18 January 2010.

The Directors, based on legal advice, are of the view that the legal suit has been resolved amicably.

42. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(b) Acres & Hectares Sdn Bhd (AHSB) had instituted legal proceeding against the Company by way of a Writ of Summons dated 22 April 2005 and Statement of Claim dated 7 April 2005 in the Kuala Lumpur High Court.

In the said Statement of Claim, AHSB claimed that the Company was indebted to AHSB in the sum of RM2.9 million being alleged fees incurred for consultancy works rendered to TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Company in relation to the management and development of the Company's land (the Project). Further, AHSB claimed for damages in the sum of RM26.9 million for alleged losses suffered by AHSB due to the Company's failure to proceed with the Project.

On 15 June 2005, the Company filed its statement of defence disputing the appointment of AHSB as the Company's consultant in relation to the Project and put AHSB to strict proof thereof. In addition, the Company contended that the works undertaken by AHSB were merely preliminary reports forming part of the requirements to be fulfilled by AHSB prior to the selection of a consultant for the Project by the Board of Directors of TMF.

On 16 September 2009, the High Court dismissed AHSB's claim against the Company. AHSB's application to set aside the Court Order has now been fixed for case management on 25 February 2010.

The Directors, based on legal advice, are of the view that the Company has a reasonably good chance of success in defending its case against AHSB.

(c) On 29 June 2006, the Company and Telekom Enterprise Sdn Bhd (TESB), the Company's wholly owned subsidiary, were served with a defence and counterclaim by Tan Sri Dato' Tajudin Ramli (TSDTR) in connection with proceedings initiated against him by Pengurusan Danaharta Nasional Berhad (Danaharta) and 2 others. 22 other defendants were also joined in these proceedings via the counterclaim.

TSDTR is seeking from the defendants, including the Company and TESB, jointly and/or severally, the following relief in the counterclaim:

(i) the sum of RM6.2 billion;

(ii) general damages to be assessed;

(iii) aggravated and exemplary damages to be assessed;

(iv) damages for conspiracy to be assessed;

(v) an Account of all sums paid under the Facility Agreement and/or to Danaharta by TSDTR including all such sums received by Danaharta including as a result of the sale of the TRI shares and the Naluri shares;

(vi) an assessment of all sums due to be repaid by Danaharta to TSDTR as a result of overpayment by TSDTR to Danaharta;

(vii) an Order that Danaharta forthwith pays all sums adjudged to be paid to TSDTR under prayer (vi);

(viii) an Account of all dividends and/or payments received by the Company arising out of or in relation to the TRI (now Celcom) Shares;

(ix) an Order that the Company forthwith pays all sum adjudged to be paid to TSDTR under prayer (viii);

(x) damages for breach of contract against Danaharta to be assessed.

42. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(c) In addition, TSDTR is also seeking, inter alia, from all the 24 defendants to the counterclaim the following relief:

(i) the sum of RM7.2 billion;

(ii) damages for conspiracy to be assessed;

(iii) a declaration that the Vesting Certificates are illegal and ultra vires that the Danaharta Act and/or unconstitutional against the provisions of the Federal Constitution and/or against Public Policy and void;

(iv) a declaration that the Settlement Agreement is illegal and ultra vires the Danaharta Act and/or the Federal Constitution and is void and unenforceable pursuant to S.24 of the Contracts Act 1950 inter alia as being against Public Policy;

(v) a declaration that all acts and deeds carried out and all agreements executed by Danaharta is illegal and unenforceable;

(vi) an order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta hereby declared as null and void and set aside;

(vii) all necessary and fit orders and directions as may be required to give full effect to the aforesaid declarations and orders;

(viii) damages to be assessed;

(ix) aggravated and exemplary damages to be assessed;

(x) interest at the rate of 8.0% per annum on all sums adjudged to be paid by the respective defendants to the counterclaim to TSDTR from the date such loss and damage was incurred to the date of full payment;

(xi) costs.

In July 2006, the Company's appointed solicitors filed applications on behalf of the Company and TESB respectively to strike out the counterclaim. The application was dismissed by the Senior Assistant Registrar of the High Court on 28 August 2007 with costs. The Company and TESB filed an appeal against the dismissal to the High Court Judge and the appeal was allowed on 12 November 2009. On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against the decision of the High Court Judge. The Court of Appeal has yet to fix a hearing date for TSDTR's appeal as above stated.

TSDTR has also applied to re-amend the counterclaim to include 14 additional defendants, 8 of whom are present or former directors/officers of the Company and TESB. On 20 October 2008, the Senior Assistant Registrar of the High Court has allowed TSDTR's application to re-amend the counterclaim. The Company and TESB filed an appeal against the decision to the High Court Judge and the appeal was allowed on 12 November 2009. On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against the decision of the High Court Judge. The Court of Appeal has yet to fix a hearing date for TSDTR's appeal as above stated.

The Directors, based on legal advice received, are of the view that the Company and TESB have a good defence to TSDTR's counterclaim.

42. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(d) 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

(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. The striking out application is now fixed for hearing on 31 March 2010.

The Directors, based on legal advice, are of the view that the Company and TESB have a good chance of success in defending the legal suit.

(e) On 29 July 2008, the Company and TESB have, through their solicitors, been served with a copy of the Writ and Statement of Claim dated 10 July 2008 (the Suit) by Celcom.

The Suit is a statutory derivative action brought in the name of Celcom, pursuant to Section 181A (1) of the Companies Act, 1965. By a Court Order dated 9 July 2008, leave was granted to Mohd Shuaib Ishak (MSI), a former shareholder of Celcom, to bring the Suit on behalf of Celcom. The Suit arises from the Amended and Restated Supplemental Agreement dated 4 April 2002 entered into between among others Celcom and DeTeAsia Holding GmbH (DeTeAsia), the acquisition of Celcom shares by TESB, the consequent Mandatory General Offer exercise implemented by the Company and the demerger exercise of the mobile and fixed line businesses of the Group.

42. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(e) In the Suit, Celcom seeks from the defendants; the Company, TESB and 19 others, including the former and existing directors of the Company, Celcom and TESB, jointly and severally, the following principal reliefs:

(i) the sum of USD233.0 million, being the amount paid by Celcom to DeTeAsia under the International Arbitration Award dated 2 August 2005;

(ii) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 (SPA) between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all other matters undertaken thereunder including but not limited to the issuance of shares by Celcom is illegal and void and of no effect;

(iii) 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 Mandatory Offer dated 3 April 2003 issued by CIMB is illegal and void and of no effect;

(iv) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court thinks 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 and the repayment of all dividends and distributions made by Celcom after the completion of the SPA;

(v) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals set out in the Announcements by the Board of Directors of the Company to Bursa Malaysia Bhd dated 28 September 2007 relating to the proposed demerger of the mobile and fixed line businesses of the Group or in the event that any such proposals have been completed that the Company by itself, its servants and agents take all such steps as shall be required to rescind such completed proposals;

(vi) general damages to be assessed;

(vii) damages for conspiracy to be assessed;

(viii) damages for fraud to be assessed;

(ix) damages for fraudulent misrepresentation and/or negligence to be assessed;

(x) damages for the breach of statutory duty to be assessed;

(xi) aggravated damages and exemplary damages to be assessed;

(xii) punitive damages;

(xiii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations and Orders and/or as the Court thinks fit;

(xiv) interest;

(xv) costs;

(xvi) such further and/or other relief as the Court thinks fit and just to grant in the circumstances.

On 19 September 2008, the High Court has granted a stay of all proceedings in the Suit pending the disposal of Celcom's appeal to the Court of Appeal against the High Court's decision in granting leave to MSI to commence the statutory derivative action in the name of Celcom. On 27 March 2009, Celcom's appeal to the Court of Appeal was allowed. MSI subsequently filed an application for leave to appeal to the Federal Court against the Court of Appeal's decision. The hearing of MSI's application for leave to appeal to the Federal Court which was fixed on 19 January 2010 has been postponed to a date to be notified by the Federal Court.

The Directors, based on legal advice, are of the view that the Company and TESB have a good chance of success in defending the case against Celcom in the event that MSI succeeds in his appeal against the Court of Appeal's decision at the Federal Court and he proceeds with the Suit in the name of Celcom.

42. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(f) 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 which it was alleged that the Company, in breach of a purported joint venture agreement with NGSB, failed to implement (either by itself or through TM Net) a project to integrate NGSB's services known as "Fine TV" and the broadband connection of the Company (the Project). NGSB further alleges that:

(a) the Company and TM Net conspired to injure NGSB by failing to implement the Project and preventing NGSB from collaborating with other communications service providers to implement the Project;

(b) the Company induced NGSB to enter into the purported joint venture agreement by misrepresenting that it had the ability to implement the Project;

(c) the Company wrongfully used and profited from information supplied by NGSB.

NGSB is seeking from the Company and TM Net jointly and severally the following reliefs:

(i) (a) special damages in the sum of RM7.0 million;
(b) interest in the sum of RM1.0 million;

(ii) further or in the alternative loss of profit of RM500.0 million;

(iii) an injunction restraining the Company by itself, officers, servants or agents to continue to use information otherwise than for the purpose for which it was communicated;

(iv) further in the alternative, an account of all profit made by TM Net from the use of information;

(v) exemplary damages;

(vi) aggravated damages;

(vii) general damages;

(viii) interest and costs.

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. The striking out application is now fixed for hearing on 23 March 2010.

The Directors, based on legal advice, are of the view that the Company has a good defence to NGSB's claim.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

43. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries namely the following:

Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Telekom Applied Business Sdn Bhd
Telekom Enterprise Sdn Bhd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
Telekom Smart School Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TMF Services Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

All related party transactions were entered into in the normal course of business and at prices available to third parties or at negotiated terms.

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 41.78% equity interest and is a related party of the Company.

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 (previously known as Executive Committee) for the Group and the Company respectively. Consequent from a realignment of the Group's and the Company's organisational structure during the financial year, there has been an increased headcount in the composition of the Management Committee.

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.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties:

		The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
(a)	**Sales of goods and rendering of services to:**				
	– subsidiaries				
	– telecommunications related services	—	–	**275.2**	244.0
	– lease/rental of buildings and vehicles	—	–	**13.8**	19.6
	– other income*	—	–	**14.4**	12.0
	– allowance for loans and advances to a subsidiary	—	–	**4.3**	–
	– former subsidiaries				
	– telecommunications related services	—	48.2	—	48.2
	– lease/rental of buildings and vehicles	—	6.6	—	6.6
	– other income*	—	9.9	—	9.9
	– former associates				
	– telecommunications related services	—	20.6	—	5.1
(b)	**Dividend and interest income from:**				
	– subsidiaries	—	–	**167.3**	162.5
	– former subsidiaries	—	0.7	—	0.7
(c)	**Purchases of goods and services from:**				
	– subsidiaries				
	– telecommunications related services	—	–	**554.1**	508.1
	– lease/rental of buildings	—	–	**30.5**	59.8
	– maintenance of vehicles and buildings	—	–	**85.6**	274.8
	– other expenses	—	–	**102.6**	125.6
	– former subsidiaries				
	– telecommunications related services	—	56.0	—	56.0
	– former associates				
	– telecommunications related services	—	23.3	—	6.2
(d)	**Finance cost paid/payable to:**				
	– a subsidiary	—	–	**192.7**	164.1

* Includes management fees, royalties, charges for security, shared services, training and related activities.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties: (continued)

		The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
(e)	**Key management compensation#**				
	– short term employee benefits				
	– fees	**1.2**	1.7	**1.1**	1.6
	– salaries, allowances and bonus	**6.5**	5.8	**6.5**	5.1
	– contribution to Employees Provident Fund (EPF)	**0.9**	1.1	**0.9**	1.0
	– gratuity	**0.1**	0.6	**0.1**	0.6
	– other staff benefits	**0.4**	0.8	**0.4**	0.7
	– estimated money value of benefits	**0.6**	0.2	**0.6**	0.1
	– ESOS costs	**1.2**	2.9	**1.2**	2.5

Included in key management compensation is 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 RM0.5 million (2008: RM0.4 million).

		The Company	
		2009 RM	2008 RM
(f)	**Year end balances arising from:**		
(i)	**Sales/purchases of goods/services**		
	– receivables from subsidiaries	**217.8**	211.8
	– payables to subsidiaries	**360.2**	340.9
(ii)	**Other payables**		
	– subsidiaries	**129.9**	190.8

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.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	The Company 2009 RM	The Company 2008 RM
(g) Loans and advances extended to related parties		
(i) Loans and advances to subsidiaries		
At 1 January	**462.7**	8,231.9
Cash advanced during the financial year	**82.7**	21.0
Repayments during the financial year	**(119.3)**	(48.6)
Interest charged	**4.2**	4.1
Contra settlement with a subsidiary	**—**	(31.3)
Consideration for transfer of a jointly controlled entity to Axiata	**—**	141.0
Advance to a subsidiary, being the consideration to acquire a subsidiary from Celcom	**—**	33.0
Issuance of shares by Axiata as part settlement of amount owing to the Company (note 4(A))	**—**	(3,801.0)
Amount owing by Axiata reclassified as short term interest bearing receivable (note 4(A))	**—**	(4,025.0)
Other amount owing by Axiata Group reclassified to other receivables	**—**	(64.1)
Allowance for doubtful debts	**(4.3)**	—
Foreign exchange differences	**(0.4)**	1.7
At 31 December (note 25)	**425.6**	462.7

	The Group and Company 2009 RM	The Group and Company 2008 RM
(ii) Loans to key management personnel of the Company		
At 1 January	**0.1**	0.2
Repayments received	**#**	(0.1)
Interest charged	**#**	#
Interest received	**#**	#
Disposal of staff loans (note 29)	**(0.1)**	—
At 31 December	**—**	0.1

Amount less than RM0.1 million

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial assets and liabilities are foreign exchange, interest rate, credit 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 the light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used for hedging underlying commercial exposures and are not held for speculative purposes.

Foreign Currency Exchange Risk

The Group's foreign currency 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 earnings in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

The foreign currency exchange risk of the Group are predominantly from borrowings denominated in foreign currencies. During the financial year, the Group enters into forward foreign currency contracts that are primarily used to hedge selected long term foreign currency borrowings to reduce its foreign currency exposures on these borrowings. This refers to the Group's exposure to the fluctuation against the US Dollar.

The Group's objective is to mitigate foreign currency exchange exposure to an acceptable level against pre-determined limits and impact to Income Statement. The Group monitors its foreign currency denominated assets and liabilities and the Group uses various hedging methods such as forward foreign currency contracts as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement.

Interest Rate Risk

The Group maintains deposits and cash at banks with creditworthy licensed banks and financial institutions. The Group manages its interest rate risk by actively monitoring the yield curve trend and interest rate movements for the various investment classes.

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 interest expense. 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.

Credit Risk

Financial assets that are primarily exposed to credit risk 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 into business and residential. 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.

The Group places its cash and cash equivalents and marketable securities with various number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution.

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.

Liquidity Risk

In the management of liquidity and cash flow risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

45. INTEREST RATE RISK

The table below summarises the Group's and the Company's exposure to interest rate risk after taking into account the effects of interest rate swaps. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates except for borrowings with floating interest rates which are repriced within 1 year or less and have been shown to reflect the maturity dates. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	W.A.R.F.*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2009										
Financial assets										
Available-for-sale investment	—	—	—	—	—	—	—	—	608.2	608.2
Other investments	—	—	—	—	—	—	—	—	152.8	152.8
Staff loans and other long term receivables										
– non-interest sensitive	—	—	—	—	—	—	—	—	53.6	53.6
– fixed interest rate										
– conventional	4.00%	0.4	1.0	2.3	2.9	2.8	2.8	12.2	—	12.2
– balances under Islamic principles	4.00%	1.0	2.8	4.5	4.8	5.1	36.4	54.6	—	54.6
Trade and other receivables (excluding short term staff loans)	—	—	—	—	—	—	—	—	2,272.5	2,272.5
Short term investments										
– non-interest sensitive	—	—	—	—	—	—	—	—	70.2	70.2
– fixed interest rate	4.93%	224.5	—	—	—	—	—	224.5	—	224.5
Cash and bank balances										
– non-interest sensitive	—	—	—	—	—	—	—	—	428.4	428.4
– fixed interest rate										
– conventional	2.35%	1,850.3	—	—	—	—	—	1,850.3	—	1,850.3
– balances under Islamic principles	2.44%	1,212.0	—	—	—	—	—	1,212.0	—	1,212.0
Total		3,288.2	3.8	6.8	7.7	7.9	39.2	3,353.6	3,585.7	6,939.3

45. INTEREST RATE RISK (CONTINUED)

		Maturing or repriced (whichever is earlier)								
The Group	W.A.R.F.*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2009										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	6.3	6.3
– floating interest rate										
– balances under Islamic principles	4.77%	–	–	–	1,500.0	–	500.0	2,000.0	–	2,000.0
– fixed interest rate										
– conventional	6.60%	908.1	22.6	5.4	2.8	1,636.6	1,206.7	3,782.2	–	3,782.2
– balances under Islamic principles	5.28%	–	–	–	500.0	–	425.0	925.0	–	925.0
Customer deposits	–	–	–	–	–	–	–	–	575.7	575.7
Trade and other payables	–	–	–	–	–	–	–	–	2,934.6	2,934.6
Total		908.1	22.6	5.4	2,002.8	1,636.6	2,131.7	6,707.2	3,516.6	10,223.8
Interest sensitivity gap		2,380.1	(18.8)	1.4	(1,995.1)	(1,628.7)	(2,092.5)			

45. INTEREST RATE RISK (CONTINUED)

The Group	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2008										
Financial assets										
Available-for-sale investment	–	–	–	–	–	–	–	–	496.0	496.0
Other investments	–	–	–	–	–	–	–	–	137.8	137.8
Staff loans and other long term receivables										
– non-interest sensitive	–	–	–	–	–	–	–	–	61.4	61.4
– fixed interest rate										
– conventional	4.00%	0.4	1.8	4.1	7.2	8.5	44.9	66.9	–	66.9
– balances under Islamic principles	4.00%	2.5	7.1	8.8	10.9	13.0	352.9	395.2	–	395.2
Trade and other receivables (excluding short term staff loans)	–	–	–	–	–	–	–	–	2,840.2	2,840.2
Amount owing by Axiata Group Berhad										
– fixed interest rate	6.12%	4,025.0	–	–	–	–	–	4,025.0	–	4,025.0
Short term investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	72.0	72.0
– fixed interest rate	4.87%	205.6	–	–	–	–	–	205.6	–	205.6
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	386.2	386.2
– fixed interest rate										
– conventional	3.26%	1,186.3	–	–	–	–	–	1,186.3	–	1,186.3
– balances under Islamic principles	3.42%	522.7	–	–	–	–	–	522.7	–	522.7
Total		5,942.5	8.9	12.9	18.1	21.5	397.8	6,401.7	3,993.6	10,395.3

45. INTEREST RATE RISK (CONTINUED)

The Group	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2008										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	10.1	10.1
– floating interest rate										
– conventional	5.18%	15.8	–	–	–	–	1,550.9	1,566.7	–	1,566.7
– fixed interest rate										
– conventional	6.16%	10.4	1,035.8	21.4	4.4	–	1,426.2	2,498.2	–	2,498.2
– balances under Islamic principles	5.57%	–	–	–	–	2,000.0	925.0	2,925.0	–	2,925.0
Customer deposits	–	–	–	–	–	–	–	–	588.8	588.8
Trade and other payables	–	–	–	–	–	–	–	–	2,812.6	2,812.6
Total		26.2	1,035.8	21.4	4.4	2,000.0	3,902.1	6,989.9	3,411.5	10,401.4
Interest sensitivity gap		5,916.3	(1,026.9)	(8.5)	13.7	(1,978.5)	(3,504.3)			

* W.A.R.F. – Weighted Average Rate of Finance as at 31 December

45. INTEREST RATE RISK (CONTINUED)

The table below summarises the weighted average rate of finance as at 31 December by major currencies for each class of financial asset and liability:

The Group	2009 USD	2009 RM	2008 USD	2008 RM
Financial assets				
Staff loans	—	4.00%	—	4.00%
Short term investments	—	4.93%	—	4.87%
Cash and bank balances	0.26%	2.41%	0.63%	3.35%
Financial liabilities				
Borrowings	6.72%	4.94%	5.82%	5.53%

The Company	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2009										
Financial assets										
Loans and advances to subsidiaries, net of allowances										
– non-interest sensitive	—	—	—	—	—	—	—	—	150.7	150.7
– fixed interest rate	4.80%	7.7	—	—	5.0	65.5	196.7	274.9	—	274.9
Other investments	—	—	—	—	—	—	—	—	152.8	152.8
Staff loans and other long term receivables										
– non-interest sensitive	—	—	—	—	—	—	—	—	53.3	53.3
– fixed interest rate										
– conventional	4.00%	0.4	1.0	2.3	2.9	2.8	2.8	12.2	—	12.2
– balances under Islamic principles	4.00%	1.0	2.8	4.5	4.8	5.1	36.4	54.6	—	54.6
Trade and other receivables (excluding short term staff loans)	—	—	—	—	—	—	—	—	2,049.4	2,049.4
Short term investments										
– non-interest sensitive	—	—	—	—	—	—	—	—	70.2	70.2
– fixed interest rate	4.93%	224.5	—	—	—	—	—	224.5	—	224.5
Cash and bank balances										
– non-interest sensitive	—	—	—	—	—	—	—	—	130.2	130.2
– fixed interest rate										
– conventional	2.32%	1,633.9	—	—	—	—	—	1,633.9	—	1,633.9
– balances under Islamic principles	2.37%	1,137.1	—	—	—	—	—	1,137.1	—	1,137.1
Total		3,004.6	3.8	6.8	12.7	73.4	235.9	3,337.2	2,606.6	5,943.8

45. INTEREST RATE RISK (CONTINUED)

The Company	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2009										
Financial liabilities										
Borrowings										
– non-interest sensitive	—	—	—	—	—	—	—	—	4.2	4.2
– floating interest rate										
– balances under Islamic principles	4.77%	—	—	—	1,500.0	—	500.0	2,000.0	—	2,000.0
– fixed interest rate										
– conventional	7.64%	891.2	1.2	2.4	2.8	42.4	1,206.7	2,146.7	—	2,146.7
– balances under Islamic principles	5.28%	—	—	—	500.0	—	425.0	925.0	—	925.0
Payable to a subsidiary										
– fixed interest rate	5.25%	—	—	—	—	1,594.2	—	1,594.2	—	1,594.2
Customer deposits	—	—	—	—	—	—	—	—	575.5	575.5
Trade and other payables	—	—	—	—	—	—	—	—	2,926.9	2,926.9
Total		891.2	1.2	2.4	2,002.8	1,636.6	2,131.7	6,665.9	3,506.6	10,172.5
Interest sensitivity gap		2,113.4	2.6	4.4	(1,990.1)	(1,563.2)	(1,895.8)			

45. INTEREST RATE RISK (CONTINUED)

The Company	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2008										
Financial assets										
Loans and advances to subsidiaries, net of allowances										
– non-interest sensitive	—	—	—	—	—	—	—	—	342.6	342.6
– fixed interest rate	3.19%	7.7	—	—	—	9.4	103.0	120.1	—	120.1
Other investments	—	—	—	—	—	—	—	—	137.8	137.8
Staff loans and other long term receivables										
– non-interest sensitive	—	—	—	—	—	—	—	—	61.0	61.0
– fixed interest rate										
– conventional	4.00%	0.4	1.8	4.1	7.2	8.5	44.9	66.9	—	66.9
– balances under Islamic principles	4.00%	2.5	7.1	8.8	10.9	13.0	352.9	395.2	—	395.2
Trade and other receivables (excluding short term staff loans)	—	—	—	—	—	—	—	—	2,605.6	2,605.6
Amount owing by Axiata Group Berhad										
– fixed interest rate	6.12%	4,025.0	—	—	—	—	—	4,025.0	—	4,025.0
Short term investments										
– non-interest sensitive	—	—	—	—	—	—	—	—	72.0	72.0
– fixed interest rate	4.87%	205.6	—	—	—	—	—	205.6	—	205.6
Cash and bank balances										
– non-interest sensitive	—	—	—	—	—	—	—	—	100.3	100.3
– fixed interest rate										
– conventional	3.31%	954.1	—	—	—	—	—	954.1	—	954.1
– balances under Islamic principles	3.40%	392.8	—	—	—	—	—	392.8	—	392.8
Total		5,588.1	8.9	12.9	18.1	30.9	500.8	6,159.7	3,319.3	9,479.0

45. INTEREST RATE RISK (CONTINUED)

		Maturing or repriced (whichever is earlier)								
The Company	**W.A.R.F.***	**1 year or less RM**	**>1 – 2 years RM**	**>2 – 3 years RM**	**>3 – 4 years RM**	**>4 – 5 years RM**	**More than 5 years RM**	**Total interest sensitive RM**	**Non-interest sensitive RM**	**Total RM**
2008										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.8	3.8
– floating interest rate										
– conventional	6.02%	–	–	–	–	–	1,033.0	1,033.0	–	1,033.0
– fixed interest rate										
– conventional	7.54%	–	1,035.8	–	–	–	209.5	1,245.3	–	1,245.3
– balances under Islamic principles	5.57%	–	–	–	–	2,000.0	925.0	2,925.0	–	2,925.0
Payable to a subsidiary										
– floating interest rate	3.55%	–	–	–	–	–	517.9	517.9	–	517.9
– fixed interest rate	4.77%	–	–	–	–	–	1,216.7	1,216.7	–	1,216.7
Customer deposits	–	–	–	–	–	–	–	–	588.5	588.5
Trade and other payables	–	–	–	–	–	–	–	–	2,682.4	2,682.4
Total		–	1,035.8	–	–	2,000.0	3,902.1	6,937.9	3,274.7	10,212.6
Interest sensitivity gap		5,588.1	(1,026.9)	12.9	18.1	(1,969.1)	(3,401.3)			

* W.A.R.F. – Weighted Average Rate of Finance as at 31 December

45. INTEREST RATE RISK (CONTINUED)

The table below summarises the weighted average rate of finance as at 31 December by major currencies for each class of financial asset and liability:

	2009		2008	
The Company	**USD**	**RM**	**USD**	**RM**
Financial assets				
Loans and advances to subsidiaries, net of allowances	**5.82%**	**4.78%**	5.82%	2.97%
Staff loans	**—**	**4.00%**	—	4.00%
Short term investments	**—**	**4.93%**	—	4.87%
Cash and bank balances	**0.26%**	**2.36%**	0.63%	3.39%
Financial liabilities				
Borrowings	**7.94%**	**4.95%**	7.01%	5.54%
Payable to a subsidiary	**5.25%**	**—**	4.41%	—

46. CREDIT RISK

For on-balance-sheet financial instruments, the main credit risk exposure has been disclosed elsewhere in the financial statements.

Off-balance-sheet financial instruments

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 following table summarises the favourable fair values of the contracts, indicating the credit risk exposure.

	The Group and Company			
	2009		2008	
	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM
Interest rate swap	**500.0**	**1.6**	1,553.6	113.8
Cross-currency swaps	**—**	**—**	517.9	12.6
Forward foreign currency contracts	**169.8**	**0.6**	—	—
Total	**669.8**	**2.2**	2,071.5	126.4

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

Quoted market prices, when available, are used as the measure of fair values. However, for a significant portion of the Group's and the Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

(a) On-balance-sheet

The carrying amounts of the financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below:

	The Group				The Company			
	2009		2008		2009		2008	
	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
Financial assets								
Other investments	**152.8**	**252.3**	137.8	193.4	**152.8**	**252.3**	137.8	193.4
Staff loans	**67.1**	**63.7**	462.5	414.7	**66.8**	**63.4**	462.1	414.3
Other long term receivables	**53.3**	**42.7**	61.0	51.5	**53.3**	**42.7**	61.0	51.5
Financial liabilities								
Borrowings	**6,713.5**	**7,537.1**	7,000.0	7,652.1	**5,075.9**	**5,813.0**	5,207.1	5,743.0
Payable to a subsidiary	**–**	**–**	–	–	**1,594.2**	**1,680.7**	1,734.6	1,850.8

The above carrying amounts and net fair values of borrowings exclude swaps, which are disclosed in sub-note (b).

Financial assets

The fair value of publicly traded financial instruments is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where allowances of diminution in value or impairment, where applicable, is made in respect of any investment, the carrying amount net of allowance made is deemed to be a close approximation of its fair value.

The fair value of staff loans and other long term receivables have been estimated by discounting estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

The fair value of staff loans is lower than the carrying amount at the balance sheet date as the Group charges interest on staff loans at below current market rates. Collaterals are taken for these 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.

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) On-balance-sheet (continued)

Financial assets (continued)

The fair value of other long term receivables which consist of convertible educational loans, is lower than the carrying amount at the balance sheet date as the Company does not charge interest on the loans.

For loans and advances to subsidiaries and customer deposits which are mainly interest free and do not have fixed repayment terms, the carrying amounts recorded are anticipated to approximate their fair values at the balance sheet date.

Financial liabilities

The fair value of quoted bonds has been estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. For unquoted borrowings with floating interest rate, the carrying values are generally reasonable estimates of their fair values.

The financial liabilities will be realised at their carrying values 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 on-balance-sheet financial instruments maturing within 1 year or are repayable on demand, the carrying values are assumed to approximate their fair values.

(b) Off-balance-sheet

Financial derivative instruments are used to hedge foreign exchange and interest rate risks associated with certain long term borrowings. The contract notional principal amounts of the derivative and the corresponding fair value adjustments are analysed as below:

	2009			2008		
	Contract or notional principle amount	Net fair value		Contract or notional principle amount	Net fair value	
The Group and Company	**RM**	**Favourable RM**	**Un-favourable RM**	**RM**	**Favourable RM**	**Un-favourable RM**
Off-balance-sheet financial derivative instruments						
Interest rate swaps	**2,000.0**	**1.6**	**(6.7)**	1,553.6	113.8	–
Cross-currency swaps	**–**	**–**	**–**	517.9	12.6	–
Forward foreign currency contracts	**344.3**	**0.6**	**(3.6)**	–	–	–

Fair values of financial derivative instruments are the present values of their future cash flows and are arrived at based on valuations carried out by the Company's bankers. Favourable fair value indicates amount receivable by the Company if the contracts are terminated as at 31 December 2009 or vice versa.

48. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2009

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2009 %	Group's Effective Interest 2008 %	Paid-up Capital 2009 Million	Paid-up Capital 2008 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provide network connectivity and bandwith services in Malaysia and provision of project management services in relation to telecommunications
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunications 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
Mediatel (Malaysia) Sdn Bhd	**100**	100	**RM#**	RM#	Investment holding
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM91.0**	RM91.0	Management and operation of the telecommunications and tourism tower 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
Rebung Utama Sdn Bhd	**100**	100	**RM#**	RM#	Special purpose entity
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Consultancy Sdn Bhd@ (in liquidation)	**51**	51	**RM#**	RM#	Ceased operations
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding

48. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2009 (CONTINUED)

Name of Company	Group's Effective Interest 2009 %	2008 %	Paid-up Capital 2009 Million	2008 Million	Principal Activities
Telekom Malaysia-Africa Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
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	**STR#**	STR#	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 Payphone Sdn Bhd>	**—**	100	**—**	RM9.0	Wound up on 16 September 2009
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	Trading and rental of customer premises telecommunications equipment and provision of management of customers care services
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
Telesafe Sdn Bhd>	**—**	100	**—**	RM4.0	Wound up on 16 September 2009
TM Broadcasting Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TM Cellular (Holdings) Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM#**	RM#	Special purpose entity to manage the Company's Special ESOS scheme

48. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2009 (CONTINUED)

Name of Company	Group's Effective Interest 2009 %	Group's Effective Interest 2008 %	Paid-up Capital 2009 Million	Paid-up Capital 2008 Million	Principal Activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Provision of printing and publications services
TM International (Cayman) Ltd	**100**	100	**USD#**	USD#	Dormant
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
TM SPV Sdn Bhd	**100**	100	**RM#**	RM#	Special purpose entity
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	60.59	**RM5.0**	RM68.8	Provision of international and national managed network services for businesses and organisations
Subsidiaries held through Telekom Enterprise Sdn Bhd					
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
Mobitel Sdn Bhd>	**—**	100	**—**	RM8.0	Wound up on 16 September 2009
Subsidiary held through Telekom Multi-Media Sdn Bhd					
Telekom Smart School Sdn Bhd	**51**	51	**RM15.0**	RM15.0	Implementation of government smart school project, provision of multimedia education systems and software, portal services and other related services

48. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2009 (CONTINUED)

Name of Company	Group's Effective Interest 2009 %	2008 %	Paid-up Capital 2009 Million	2008 Million	Principal Activities
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TM Land Sdn Bhd	**100**	100	**RM0.25**	RM0.25	Dormant
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	Dormant
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**	—	**RM1.0**	—	Managing and administering a private 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**	60.59	**RM11.0**	RM11.0	Provision of intelligent building and security systems integrated telecommunications and technology solutions
VADS Business Process Sdn Bhd	**100**	60.59	**RM#**	RM#	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	60.59	**RM1.0**	RM1.0	Contact centre and related services

48. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2009 (CONTINUED)

Name of Company	Group's Effective Interest 2009 %	2008 %	Paid-up Capital 2009 Million	2008 Million	Principal Activities
Subsidiaries held through VADS Berhad (continued)					
VADS Professional Services Sdn Bhd	**100**	60.59	**RM#**	RM#	Provision of personnel for contact centre services
VADS Solutions Sdn Bhd	**100**	60.59	**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**	—	**IDR17,052.8**	—	Provision of managed contact centre services in Indonesia

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
STR	Pound Sterling
USD	US Dollar

Amounts less than 0.1 million in their respective currency
* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia
> Dissolved pursuant to Section 272(5) of the Companies Act, 1965
@ Granted order for winding up pursuant to Section 217(1)(c) and 218(1)(c) and (i) of the Companies Act, 1965 on 5 October 2009 including appointment of liquidator
^ VADS Berhad and VADS Business Process Sdn Bhd holds a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia

49. LIST OF ASSOCIATES AS AT 31 DECEMBER 2009

The associates are as follows:

Name of Company	Group's Effective Interest 2009 %	2008 %	Principal Activities
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd	**49**	49	Development, management and marketing of educational products offered by local and overseas educational institutions electronically
Mutiara.Com Sdn Bhd	**30**	30	Provision of promotion of Internet-based communications services

All associates are incorporated in Malaysia.
All associates have co-terminous financial year end with the Company.

50. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

51. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 22 February 2010.

FINANCIAL STATEMENTS

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Dr Halim Shafie and Dato' Zamzamzairani Mohd Isa, being two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 183 to 309 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 2009 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 Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 22 February 2010.

DATUK DR HALIM SHAFIE
Chairman

DATO' ZAMZAMZAIRANI MOHD ISA
Group Chief Executive Officer

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Datuk Bazlan Osman, being the Director primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 183 to 309 are 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 22 February 2010.)

DATUK BAZLAN OSMAN

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD (COMPANY NO. 128740-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Telekom Malaysia Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 183 to 309.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD (COMPANY NO. 128740-P)

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' report of all subsidiaries of which we have not acted as auditors, which are indicated in note 48 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 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
(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/10 (J))
Chartered Accountant

Kuala Lumpur
Date: 22 February 2010

SHAREHOLDING STATISTICS

AS AT 15 MARCH 2010

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital	:	RM5,040,003,021
Issued and Paid-up Capital	:	RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each, 1 Special Rights Redeemable Preference Share of RM1.00 each (Special Share), 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS C) of RM1.00 each and 925 Class D Non-Convertible Redeemable Preference Shares (NCRPS D) of RM1.00 each.
Voting Rights	:	1 vote per ordinary share. The Special Share, NCRPS C and NCRPS D have no voting rights other than those referred to in note 12(a) and 15(a)(I)(iii) to the financial statements, respectively.

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
Size of Shareholdings	No	%	No	%	No	%	No	%
Less than 100	634	1.93	8	0.02	4,581	0.00	112	0.00
100 – 1,000	9,655	29.35	210	0.64	8,606,052	0.24	157,157	0.01
1,001 – 10,000	18,785	57.11	409	1.24	73,139,836	2.05	1,792,220	0.05
10,001 – 100,000	2,485	7.55	207	0.63	67,382,606	1.88	8,164,674	0.23
100,001 – 178,870,098 (less than 5% of paid-up capital)	287	0.87	212	0.65	911,532,051	25.48	315,787,918	8.83
178,870,099 and above	4	0.01	0	0.00	2,190,834,773	61.24	0	0.00
TOTAL	**31,850**	**96.82**	**1,046**	**3.18**	**3,251,499,899**	**90.90**	**325,902,081**	**9.11**

DISTRIBUTION OF PREFERENCE SHARES IN ACCORDANCE TO ITS 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	**0**	**100.00**	**0**	**100.00**	**3**	**100.00**	**2,000**	**100.00**	**2**	**100.00**	**925**	**100.00**

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY AND ITS RELATED CORPORATION AS AT 15 MARCH 2010

The Directors' direct and deemed interest in shares in the Company based on the Register of Directors' Shareholdings are as follows:-

Interest in the Company	Number of ordinary shares of RM1.00 each		
	Direct	Deemed Interest	%
Datuk Dr Halim Shafie	—	5,000[1]	*
Dato' Zamzamzairani Mohd Isa	5,000	4,000[2]	*
Datuk Bazlan Osman	2,000	—	*

Note:

1 *Deemed interest in TM shares held by spouse.*
2 *Deemed interest in TM shares held by spouse.*
* *less than 0.01%*

OTHER INFORMATION

LIST OF TOP 30 SHAREHOLDERS

AS AT 15 MARCH 2010

No.	Name	No. of Shares Held	Percentage (%)
1.	Khazanah Nasional Berhad	1,185,219,188	33.13
2.	Employees Provident Fund Board	381,103,600	10.65
3.	AmanahRaya Trustees Berhad – *Skim Amanah Saham Bumiputera*	314,994,000	8.81
4.	Khazanah Nasional Berhad – *Exempt An*	309,517,985	8.65
5.	Lembaga Tabung Haji	177,178,236	4.95
6.	Valuecap Sdn Bhd	74,701,000	2.09
7.	HSBC Nominees (Asing) Sdn Bhd – *Exempt An for The Bank of New York Mellon (Mellon Acct)*	59,151,641	1.65
8.	AmanahRaya Trustees Berhad – *Amanah Saham Wawasan 2020*	45,246,100	1.26
9.	Permodalan Nasional Berhad	44,028,600	1.23
10.	Mayban Nominees (Tempatan) Sdn Bhd – *Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)*	42,722,500	1.19
11.	AmanahRaya Trustees Berhad – *Amanah Saham Didik*	35,291,400	0.99
12.	Kumpulan Wang Persaraan (Diperbadankan)	34,306,800	0.96
13.	AmanahRaya Trustees Berhad – *Amanah Saham Malaysia*	33,186,000	0.93
14.	Mayban Nominees (Tempatan) Sdn Bhd – *Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)*	30,098,100	0.84
15.	Cimsec Nominees (Tempatan) Sdn Bhd – *Exempt An for TM ESOS Management Sdn Bhd (TM ESOS)*	29,640,135	0.83
16.	AmanahRaya Trustees Berhad – *Public Islamic Dividend Fund*	27,941,000	0.78
17.	AmanahRaya Trustees Berhad – *As 1Malaysia*	24,250,000	0.68
18.	HSBC Nominees (Asing) Sdn Bhd – *Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	21,437,775	0.60
19.	AmanahRaya Trustees Berhad – *Public Islamic Equity Fund*	19,957,600	0.56
20.	Citigroup Nominees (Tempatan) Sdn Bhd – *Exempt An for Prudential Fund Management Berhad*	19,606,500	0.55
21.	Malaysia Nominees (Tempatan) Sendirian Berhad – *Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)*	14,208,100	0.40

No.	Name	No. of Shares Held	Percentage (%)
22.	HSBC Nominees (Asing) Sdn Bhd – *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	12,513,940	0.35
23.	HSBC Nominees (Asing) Sdn Bhd – *Exempt An for JPMorgan Chase Bank, National Association (U.A.E.)*	11,969,789	0.33
24.	Pertubuhan Keselamatan Sosial	11,956,900	0.33
25.	HSBC Nominees (Asing) Sdn Bhd – *Sumitomo T&B NY for Asia High Dividend Equity Mother Fund*	11,843,000	0.33
26.	Citigroup Nominees (Tempatan) Sdn Bhd – *Exempt An for American International Assurance Berhad*	10,673,000	0.30
27.	AmanahRaya Trustees Berhad – *Public Islamic Sector Select Fund*	10,185,000	0.28
28.	AmanahRaya Trustees Berhad – *Public Index Fund*	10,065,300	0.28
29.	AmanahRaya Trustees Berhad – *Public Islamic Optimal Growth Fund*	9,738,100	0.27
30.	HSBC Nominees (Asing) Sdn Bhd – *Exempt An for JPMorgan Chase Bank, National Association (Netherlands)*	8,400,100	0.23
	TOTAL	**3,021,131,389**	**84.43**

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	1,494,737,173	—	41.78	—
2.	Employees Provident Fund Board (EPF)	388,400,700	20,950,700*	10.86	0.59
3.	AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera	314,994,000	—	8.81	—
	TOTAL	**2,198,131,873**	**20,950,700**	**61.45**	**0.59**

* *EPF is deemed to have interests by virtue of TM Shares managed by other portfolio managers on behalf of EPF, pursuant to Section 6A of the Companies Act, 1965.*

OTHER INFORMATION

AUTHORISED AND ISSUED SHARE CAPITAL

1. AUTHORISED SHARE CAPITAL

The authorised share capital as at 15 March 2010 is RM5,040,003,021 divided into 5,000,000,000 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 1,000 Class A Redeemable Preference Shares (RPS) of RM0.01 each, 1,000 Class B RPS of RM0.01 each, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each, 1,000 Class D NCRPS of RM1.00 each and 4,000,000,000 Class E RPS of RM0.01 each.

The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Type of Share	Total Authorised Share Capital (RM)
12/10/1984	1,000,000.00	Ordinary shares	1,000,000.00
06/08/1984	4,999,000,000.00	Ordinary shares	5,000,000,000.00
11/09/1990	1.00	Special Share	5,000,000,001.00
31/03/2003	10.00	Class A RPS	5,000,000,011.00
31/03/2003	10.00	Class B RPS	5,000,000,021.00
08/05/2007	2,000.00	Class C NCRPS	5,000,002,021.00
08/05/2007	1,000.00	Class D NCRPS	5,000,003,021.00
07/05/2009	40,000,000.00	Class E RPS	5,040,003,021.00

2. ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 15 March 2010 is RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 2,000 Class C NCRPS of RM1.00 each and 925 Class D NCRPS of RM1.00 each.

The changes in the issued and paid-up share capital are as follows:-

Date	No. of Shares Allotted	Description	Total (RM)
31/12/1984	2	Cash	2
31/12/1986	9,999,998	Cash	10,000,000
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
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary shares held	1,500,000,000
11/09/1990	1	Special Rights Redeemable Preference Share	1,500,000,001
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
31/12/1992	9,249,000	Cash	1,979,749,001
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds due 2004	1,999,090,921

Date	No. of Shares Allotted	Description	Total (RM)
20/06/1997	999,545,460	Bonus issue on the basis of 1 ordinary shares for every 2 existing ordinary shares held	2,998,636,381
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381
12/12/2003	1,000	Class A RPS of RM0.01 each	3,238,510,391
12/12/2003	1,000	Class B RPS of RM0.01 each	3,238,510,401
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881
20/07/2007	2,000	Class C NCRPS of RM1.00 each	3,435,263,881
20/07/2007	925	Class D NCRPS of RM1.00 each	3,435,264,806
23/07/2007 – 31/12/2007	4,547,820	Issued pursuant to the exercise of options under the ESOS	3,439,812,606
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
02/06/2009	3,577,401,980	Class E RPS of RM0.01 each	3,613,178,925.80
02/06/2009	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	**3,577,404,906**

Note: Increases in the issued and paid-up share capital pursuant to the ESOS are disclosed on annual basis.

OTHER INFORMATION

NET BOOK VALUE OF LAND & BUILDINGS

AS AT 31 DECEMBER 2009

	Location	Freehold No. of Lots	Freehold Area ('000 sq ft)	Leasehold No. of Lots	Leasehold Area ('000 sq ft)	Other Land* No. of Lots	Other Land* Area ('000 sq ft)	Excepted land** No. of Lots	Excepted land** Area ('000 sq ft)	Net Book Value of Land*** (RM million)	Net Book Value of Buildings (RM million)
1.	Federal Territory										
	a. Kuala Lumpur	25	1,360	4	196	4	426	–	–	119.5	1,020.5
	b. Labuan	–	–	6	511	3	187	–	–	–	–
	c. Putrajaya	–	–	–	–	1	20	–	–	–	–
2.	Selangor	11	10,144	23	25,178	5	488	70	15,124	212.9	439.7
3.	Perlis	–	–	4	52	–	–	8	572	0.3	0.7
4.	Perak	4	17	18	861	6	191	88	5,431	4.1	24.0
5.	Pulau Pinang	1	3	15	919	–	–	39	6,838	4.8	18.4
6.	Kedah	8	487	14	1,491	–	–	45	2,553	11.0	38.6
7.	Johor	4	106	27	1,387	15	414	95	9,079	6.6	30.7
8.	Melaka	9	1,086	24	62,436	–	–	23	4,039	100.3	178.8
9.	Negeri Sembilan	7	43,208	10	330	2	176	49	2,186	40.0	18.7
10.	Terengganu	–	–	16	797	1	44	43	5,082	0.7	21.0
11.	Kelantan	–	–	9	418	4	173	35	2,058	0.5	4.1
12.	Pahang	3	43	30	1,703	12	1,105	65	6,256	2.7	14.3
13.	Sabah	–	–	15	619	4	117	63	25,617	5.5	27.0
14.	Sarawak	5	202	25	887	9	62	96	11,203	22.9	37.3
	Total	**77**	**56,656**	**240**	**97,785**	**66**	**3,403**	**719**	**96,038**	**531.8**	**1,873.8**

No revaluation has been made on any of the land and buildings

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the land 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 land 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.

USAGE OF PROPERTIES

AS AT 31 DECEMBER 2009

	Location	Exchanges	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom-munications/ Tourism Tower
1.	Federal Territory										
	a. Kuala Lumpur	13	2	6	6	–	–	–	–	1	1
	b. Labuan	1	–	1	–	–	2	–	–	–	–
2.	Selangor	75	8	8	7	4	–	–	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	–	–	2	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	–

OTHER INFORMATION

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
Level 3
Menara TM Annexe 1
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 100
Fax: 03-7960 6020

Service Assurance Center
Ground Floor
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : 1-800-88-9947

GITN Sdn Bhd
Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2245 0000
Fax: 03-2240 0709

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

TM 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

TM Research & Development Sdn Bhd
Head Office
Menara Idea, UPM-MTDC
Technology Incubation Centre
Lebuh Silikon
43400 Serdang
Selangor
Tel : 03-8944 1820
Fax: 03-8945 1591

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

TM Sales & Services Sdn Bhd
Head Office
Level 18
Menara Mutiara Bangsar
Jalan Liku Off Jalan Riong
Bangsar
59100 Kuala Lumpur
Tel : 03-2297 1200
Fax: 03-2282 7799

TMpoint

KUALA LUMPUR (8)

Muzium
Bangunan Muzium TM
Jalan Raja Chulan
50200 Kuala Lumpur

Jalan TAR
No. 374, Ground Floor
Wisma CS Holiday
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

Pandan Indah
L1/02, Ground Floor
Menara Maxisegar
Jalan Pandan Indah 4/2
Pandan Indah
55100 Kuala Lumpur

Menara TM
Ground Floor, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur

Bangsar
No. 8 & 10, Ground Floor
Jalan Telawi 5
Bangsar Baru
59100 Kuala Lumpur

Setapak
Ibusawat TM Setapak
44, Persiaran Kuantan
53200 Kuala Lumpur

Kepong
No. 67
Jalan Metro Perdana Barat 1
Taman Usahawan
Kepong Utara
52100 Kepong
Kuala Lumpur

Taman Desa
Ground Floor
Wisma TM Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur

SELANGOR (18)

Shah Alam
Bangunan TM Shah Alam
Persiaran Damai
Seksyen 11
40000 Shah Alam
Selangor

Ampang
42, Jalan Mamanda 7
Ampang Point
68000 Ampang
Selangor

Rawang
Lot 21, Jalan Maxwell
48000 Rawang
Selangor

Kuala Kubu Bahru
Bangunan TM
Jalan Dato' Balai
44000 Kuala Kubu Bahru
Selangor

Bukit Raja
Jalan Meru
41050 Klang
Selangor

Banting
No. 1-1-1A, Jalan Suasa 1
42700 Banting
Selangor

Kuala Selangor
Bangunan TM, Jalan Klinik
45000 Kuala Selangor
Selangor

Sabak Bernam
27, Jalan Raja Chulan
45200 Sabak Bernam
Selangor

Port Klang
No. 57 & 59, Jalan Cungah
42000 Port Klang
Selangor

Damansara Utama
No. 91-93, Jalan SS 21/1A
Damansara Utama
47400 Petaling Jaya
Selangor

Petaling Jaya
No. 22 & 24
Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor

Kajang
No. 37 & 38
Jalan Tun Abdul Aziz
43000 Kajang
Selangor

Cyberjaya
Ground Floor
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
60000 Cyberjaya
Selangor

Serdang
No. 36, Jalan Dagang SB 4/2
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor

Kelana Jaya
Unit 109B, Ground Floor
Kelana Park View Tower
No. 1, Jalan SS 6/2
47301 Kelana Jaya
Selangor

Taipan
No. 27 & 29
Jalan USJ 10/1A
47620 Subang Jaya
Selangor

Puchong
No. 12 & 13, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Selangor

Sunway Damansara
Ground Floor & 1st Floor
Unit C-08, Jalan PJU 5/17
Dataran Sunway
47810 Kota Damansara
Selangor

JOHOR (13)

Johor Bahru
Jalan Abdullah Ibrahim
80672 Johor Bahru
Johor

Skudai
No. 17 & 19
Jalan Laksamana 1
Taman Ungku Tun Aminah
81300 Skudai
Johor

Pontian
1st Floor, Ibusawat TM
Jalan Alsagoff
82000 Pontian
Johor

Kluang
No. 1 & 2
Jalan Dato' Teoh Siew Khor
86000 Kluang
Johor

Segamat
No. 22, Jalan Sultan
85000 Segamat
Johor

Batu Pahat
39, Jalan Rahmat
83000 Batu Pahat
Johor

Muar
No. 5-5 & 5-6, Ground Floor
Jalan Ibrahim
84000 Muar
Johor

Kota Tinggi
No. 2 & 4, Jalan Indah
Taman Medan Indah
81900 Kota Tinggi
Johor

Kulai
Lot 435
Jalan Kenanga 29/11
Taman Indah Putra
81100 Kulai
Johor

Pelangi
Wisma TM Pelangi
Jalan Sutera 3
Taman Sentosa
80150 Johor Bahru
Johor

Mersing
Lot 384, Jalan Ismail
86800 Mersing
Johor

Yong Peng
No. 18, Ground Floor
Jalan Bayan
Taman Semberong
83700 Yong Peng
Johor

Pasir Gudang
No. 23 A, Ground Floor
Jalan Bandar Pusat
Perdagangan
81700 Pasir Gudang
Johor

NEGERI SEMBILAN (4)

Seremban
No. 176 & 177, Ground Floor
Jalan Dato' Bandar Tunggal
70000 Seremban
Negeri Sembilan

Port Dickson
No. 25, Jalan Mahajaya
PD Center Point
71000 Port Dickson
Negeri Sembilan

OTHER INFORMATION
GROUP DIRECTORY

Kuala Pilah
Jalan Bahau
72000 Kuala Pilah
Negeri Sembilan

Tampin
Jalan Besar
73000 Tampin
Negeri Sembilan

MELAKA (3)

Melaka
527 & 529 A, Plaza Melaka
Jalan Gajah Berang
75200 Melaka

Alor Gajah
Batu 14½
Jalan Melaka Kendong
78000 Alor Gajah
Melaka

Menara Pertam
Ground Floor
Menara Pertam
Jalan Batu Berendam BBP 2
Taman Batu Berendam Putra
75350 Melaka

KEDAH/PERLIS (6)

Kangar
Jalan Bukit Lagi
Pekan Kangar
01000 Kangar
Perlis

Alor Setar
Kompleks Kristal
Jalan Kolam Air
05672 Alor Setar
Kedah

Jitra
19A, Jalan PJ 1
Pekan Jitra 2
06000 Jitra
Kedah

Langkawi
Jalan Pandak Mayah 6
07000 Pekan Kuah
Langkawi
Kedah

Sungai Petani
Bangunan TM, Jalan Petani
08000 Sungai Petani
Kedah

Kulim
No. 4 & 5
Jalan Tunku Asaad
09000 Kulim
Kedah

PULAU PINANG (5)

Bayan Baru
No. 68, Jalan Mahsuri
11950 Bayan Baru
Pulau Pinang

Jalan Burmah
Jalan Burmah
10050 Georgetown
Pulau Pinang

Butterworth
Wisma TM Butterworth
Ground Floor
Jalan Bagan Luar
12000 Butterworth
Pulau Pinang

Bukit Mertajam
Jalan Arumugam Pillai
14000 Bukit Mertajam
Pulau Pinang

Sungai Bakap
1282, Jalan Besar
14200 Sungai Bakap
Pulau Pinang

PERAK (13)

Ipoh Wisma
Wisma TM
Jalan Sultan Idris Shah
30672 Ipoh
Perak

Batu Gajah
Bangunan TM
Jalan Dewangsa
31000 Batu Gajah
Perak

Ipoh Tasek
Jalan Sultan Azlan Shah
Utara
31400 Ipoh
Perak

Kampar
Bangunan TM
Jalan Baru
31900 Kampar
Perak

Taiping
Bangunan TM
Jalan Berek
34672 Taiping
Perak

Teluk Intan
Bangunan TM
Jalan Jawa
36672 Teluk Intan
Perak

Parit Buntar
36, Persiaran Perwira
Pusat Bandar
34200 Parit Buntar
Perak

Kuala Kangsar
Bangunan TM
Jalan Raja Chulan
33000 Kuala Kangsar
Perak

Gerik
Wisma Kosek
Jalan Takong Datoh
33300 Gerik
Perak

Sungai Siput
No. 188, Jalan Besar
31100 Sungai Siput
Perak

Sitiawan
179 & 180
Taman Sitiawan Maju
32000 Sitiawan
Perak

Tapah
Bangunan TM
Jalan Stesyen
35672 Tapah
Perak

Tanjung Malim
No. 27, Jalan Cahaya
Taman Anggerik Desa
35900 Tanjung Malim
Perak

KELANTAN (5)

Kota Bharu
Jalan Doktor
15000 Kota Bharu
Kelantan

Pasir Mas
606, Jalan Masjid Lama
17000 Pasir Mas
Kelantan

Tanah Merah
4088, Jalan Ismail Petra
17500 Tanah Merah
Kelantan

Kuala Krai
Lot 1522
Jalan Tengku Zainal Abidin
18000 Kuala Krai
Kelantan

Pasir Puteh
258B
Jalan Sekolah Laki-laki
16800 Pasir Puteh
Kelantan

TERENGGANU (4)

Kuala Terengganu
1st Floor, Bangunan TM
Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu

Kemaman
Jalan Masjid, Chukai
24000 Kemaman
Terengganu

Dungun
Jalan Nibong
23000 Dungun
Terengganu

Jerteh
Ground Floor, Lot 174
Jalan Tuan Hitam
22000 Jerteh
Terengganu

PAHANG (6)

Kuantan
G08 & G09, Ground Floor
Bangunan Mahkota Square
Jalan Mahkota
25000 Kuantan
Pahang

Pekan
No. 87
Jalan Sultan Abdullah
26600 Pekan
Pahang

Mentakab
Jalan Tun Razak
28400 Mentakab
Pahang

Bentong
111, Bangunan Persatuan
Bola Sepak
Jalan Ah Peng
28700 Bentong
Pahang

Kuala Lipis
10, Jalan Bukit Bius
27200 Kuala Lipis
Pahang

Raub
Jalan Kuala Lipis
27600 Raub
Pahang

SARAWAK (11)

Batu Lintang
Jalan Batu Lintang
93200 Kuching
Sarawak

Padang Merdeka
Ground Floor
Bangunan Yayasan Sarawak
Lot 2, Section 24
Jalan Barrack/Masjid
93000 Kuching
Sarawak

Pending
Jalan Gedong
93450 Pending
Sarawak

Sri Aman
Jalan Club
95000 Sri Aman
Sarawak

Miri
Jalan Post
98000 Miri
Sarawak

Limbang
Jalan Kubu
98700 Limbang
Sarawak

Lawas
Jalan Punang
98850 Lawas
Sarawak

Bintulu
No. 7, Medan Sentral
Commercial Centre
Jalan Tanjung Kidurong
97000 Bintulu
Sarawak

Sibu
Persiaran Brooke
96000 Sibu
Sarawak

Sarikei
Jalan Berek
96100 Sarikei
Sarawak

Kapit
Jalan Kapit Bypass
96800 Kapit
Sarawak

SABAH (9)

Sadong Jaya
Ground Floor
Lot 68 & 69, Block J
Sadong Jaya, Karamunsing
88100 Kota Kinabalu
Sabah

Tanjung Aru
Lot B3, B3A & B5
Ground Floor
Plaza Tanjung Aru
Jalan Mat Salleh
Tanjung Aru
88100 Kota Kinabalu
Sabah

Tawau
TB 307, Blok 35
Kompleks Fajar
Jalan Perbandaran
91000 Tawau
Sabah

Lahad Datu
Ground Floor, MDLD 3307
Kompleks Fajar
Jalan Segama
91100 Lahad Datu
Sabah

Sandakan
Ground Floor, Lot 6 & 7
Bandar Maju
Sandakan Commercial Center
Batu 1½, Jalan Utara
90000 Sandakan
Sabah

Mailing Address:-
Locked Bag 44
90000 Sandakan
Sabah

Keningau
Commercial Centre
Jalan Arusap
Off Jalan Masak
Block B7, Lot 13 & 14
89007 Keningau
Sabah

Beaufort
Choong Street
P.O. Box 269
89807 Beaufort
Sabah

Kudat
Lot No. 3
Jaya Shopping Center
Jalan Datu
89050 Kudat
Sabah

Labuan
Bangunan TM
Jalan Dewan
87000 Wilayah Persekutuan
Labuan

OTHER INFORMATION

GROUP DIRECTORY

WHOLESALE BUSINESS

WHOLESALE
Level 14 (North), Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 03-2240 4499
Fax: 03-2240 8590
www.tm.com.my

FIBERAIL
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
www.fiberail.com.my

FIBRECOMM
FIBRECOMM NETWORK (M) SDN BHD
Level 37, Menara TM
Jalan Pantai Baharu
59200 Kuala Lumpur
Malaysia
Tel : 03-2240 1843
Fax: 03-2240 5001
www.fibrecomm.net.my

GLOBAL BUSINESS

Head Office
TM Global
Level 53, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 5500
03-2240 5501
Fax: 03-7956 0208

TM REGIONAL OFFICE (TMRO)

UNITED KINGDOM
Telekom Malaysia (UK) Limited
St. Martin's House
16 St. Martin's Le Grand
London EC1A 4EN
United Kingdom
Tel : +44 (0) 207 397 8579
Fax: +44 (0) 207 397 8400
(general@tmeurope.co.uk)

USA
Telekom Malaysia (USA) Inc
8320 Old Courthouse Road
Suite 201
Vienna VA 22182
USA
Tel : +1 703 467 5962
Fax: +1 703 467 5966
(info@usa-tm.com)

HONG KONG
Telekom Malaysia (Hong Kong) Limited
Suite 1502, 15th Floor
Malaysia Building
Gloucester Road
Wanchai, Hong Kong
SAR-China
Tel : +852 2992 0190
Fax: +852 2992 0570
(general@telekommalaysia.com.hk)

SINGAPORE
Telekom Malaysia (S) Pte Ltd
175A Bencoolen Street
#07-05/06
Burlington Square
Singapore 189650
Tel : +65 6532 6369
Fax: +65 6532 3742
(general@tmro.com.sg)

SUPPORT BUSINESS

Head Office
Level 12, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 1355
Fax: 03-7960 3359

Universiti Telekom Sdn Bhd
Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : 03-8312 5018
03-8312 5000
Fax: 03-8312 5022

Menara Kuala Lumpur Sdn Bhd
No. 2, Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax: 03-2072 8409

Telekom Smart School Sdn Bhd
45-8, Aras 3, Blok C
Plaza Damansara
Jalan Medan Setia 1
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2092 5252
Fax: 03-2093 4993

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
Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9400
Fax: 03-5541 2141

Security Management
Level 1, TM Annexe 2
No. 1, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel : 03-2240 5499
Fax: 03-2240 0996

GLOSSARY

AA
Access Agreement

AAG
Asia-America Gateway system

ABAC
Audit and Business Assurance Committee

ALD
Access List Determination

APCN2
Asia Pacific Cable Network 2

APG
Asia-Pacific Gateway*

ARD
Access Reference Document

ASP
Application Service Provider

AWT
Average Waiting Time

BBGP
Broadband for General Population

Board
Board of Directors

BPM
Business Performance Management

BPO
Business Process Outsourcing

BRCS
Batam Rengit Cable System

BSC
Balanced Score Card

CAD
Computer Aided Despatch

CBC
Community Broadband Centre

CBD
Critical Business District

CBL
Community Broadband Library

CCEM
Conference of Commonwealth Education Ministers

CEP
Continuous Education Programmes

COSO
Committee of the Sponsoring Organisations of the Treadway Commission

CPEO
Customer Premises Equipment Ownership

CR
Corporate Responsibility

CRM
Customer Relationship Management

CSA
Control Self-Assessment

CSI
Customer Satisfaction Index

CTI
Computer Telephony Information

CUSCN
China United States Cable Network

DCS 1 CLICK
Digital Subscriber Line Service Provisioning

DEL
Direct Exchange Line

DID
Department of Irrigation and Drainage

DIS
Domestic Investment Seminar

DMCS
Dumai (Sumatera) Melaka Cable System

DOSH
Department of Occupational Safety & Health

DSL
Digital Subscribers Line*

DWDM
Dense Wavelength Division Multiplexing

EAP
Employee Assistance Programme

ERM
Enterprise Risk Management

ESOS
Employee Share Option Scheme

FCS
Full Channel Service

FGTC
Frontliner Goes To Customer

FTTH
Fibre-to-the Home

GIS
Geographic Information System

GLT
Group Leadership Team

GoM
Government of Malaysia

GRI
Global Reporting Initiative

HIRARC
Hazard Identification, Risk Assessment and Risk Control Programme

HSBB
High Speed Broadband

ICI
Internal Control Incident

ICNIRP
International Committee on Non-Ionising Radiation Protection

ICT
Information & Communications Technology

IEPL
International Ethernet Private Line

INFORMS
Integrated Fulfillment Order Management Systen

IP
Internet Protocol

IPLC
International Private Leased Circuit

IPTV
Internet Protocol Television

IPVPN
Internet Protocol Virtual Private Network

IPVS
International Premium Voice Services

IR
Incident Rates

IRU
Indefeasible Right of Use

ISP
Internet Service Provider

ITG
IT Governance

JKH
Jadual Kadar Harga

JPM
Jabatan Bomba dan Penyelamat

JUSCN
Japan United States Cable Network

KPI
Key Performance Indicator

KTS
Key Telephone System

OTHER INFORMATION
GLOSSARY

LAN
Local Area Network

LOA
Limit of Authority

MBK
Majlis Bersama Kebangsaan

MBN
Majlis Bersama Negeri

MCMC
Malaysian Communications & Multimedia Commission

MDEC
Multimedia Development Corporation

MERS
Malaysia Emergency Response Services

MIDA
Malaysia Industrial Development Authorities

MMP
Management and Maintenance Package

MOE
Ministry of Education

MPLS
Multi Protocol Label Switching

MQA
Malaysian Qualification Agency

MSA
Mandatory Standard on Access

MSC
Multimedia Super Corridor

MSS
Managed Security Services

MTCP
Malaysian Technical Cooperation Programme

NFP
Network Facility Provider

NGN
New Generation Network

NIOSH
National Institute of Occupational Safety & Health

NSP
Network Service Provider

NTMSP – NIOSH
TM Safety Passport

NUTE
National Union of Telecommunications Employees

OJT
On the Job Training

OLNO
Other Lines Network Operator

OSHE
Occupational Safety, Health and Environment

OSS
One Stop Shopping

PFN
Petrofibre Network

PIP
Performance Improvement Programme

PM
Property Management

POD
Point of Delivery

POI
Point of Interconnect

PQM
Productivity & Quality Management

PSTN
Public Switched Telephone Network

QMS
Queue Management System

RFID
Radio Frequency Identification

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

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

SME
Small & Medium Enterprise

SMU
Security Management Unit

SOHO
Small Office Home Office

SP
Subsidiaries Policy

SSAI
Security Service Availability Index

SSQS
Smart School Qualification Standards

SUTE
Sabah Union of Telekom Malaysia Berhad Employees

TAD
TMpoint Authorised Dealer

TDM
Time-Division Multiplexing

TMOW
TMpoint on Wheels

USP
Universal Service Provision

UTES
Union of Telekom Malaysia Berhad Employees

VAS
Value Added Services

VoIP
Voice over Internet Protocol

VPN
Virtual Private Network

VSAT
Very Small Aperture Terminal

WAN
Wide Area Network

WASC
Western Africa Submarine Cable System

PROXY FORM

TM
TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

"A" I/We ____________________
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________________ (OLD NRIC NO.) ____________________

(PASSPORT NO.) ____________________ (COMPANY NO.) ____________________

of ____________________
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) [Company] hereby appoint ____________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________ (PASSPORT NO.) ____________

of ____________________
(FULL ADDRESS)

or failing him/her ____________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________ (PASSPORT NO.) ____________

of ____________________
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy/proxies to vote for me/us on my/our behalf at the Twenty-Fifth Annual General Meeting of the Company to be held at the Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 6 May 2010 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 Twenty-Fifth Annual General Meeting of the Company to be held at the Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 6 May 2010 at 10:00 a.m. and at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

	%
Proxy "A"	
Proxy "B"	
	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" For	Proxy "A" Against	Proxy "B" For	Proxy "B" Against
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2009	– Ordinary Resolution 1				
2.	Declaration of a final gross dividend of 13.0 sen per share (less 25.0% Income Tax)	– Ordinary Resolution 2				
3.	Re-election of Datuk Dr Halim Shafie pursuant to Article 98(2)	– Ordinary Resolution 3				
4.	Re-election of Dato' Zalekha Hassan pursuant to Article 103	– Ordinary Resolution 4				
5.	Re-election of YB Datuk Nur Jazlan Tan Sri Mohamed pursuant to Article 103	– Ordinary Resolution 5				
6.	Approval of Payment of Directors' fees	– Ordinary Resolution 6				
7.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration	– Ordinary Resolution 7				
8.	Proposed Renewal of Shareholders' Mandate	– Ordinary Resolution 8				
9.	Proposed Amendments to the Company's Articles of Association	– Special Resolution				

Signed this ____________ day of ____________ 2010.

No. of 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:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. This 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 this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading *"signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation have been received"*. If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading *"signed under a Power of Attorney which is still in force, no notice of revocation have 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 this Proxy Form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. This instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

1. Fold here

AFFIX
STAMP

THE SHARE REGISTRARS
TRICOR INVESTOR SERVICES SDN BHD
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

2. Fold here

3. Fold here