OPERATIONAL

EXCELLENCE AND CAPITAL PRODUCTIVITY

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

RETAIL BUSINESS

Overview

Following the completion of the Demerger of the mobile and fixed-line businesses on 25 April 2008, Retail business has intensified its focus on commercial and operational improvements within the broadband, data and fixed-line sectors. Post-Demerger, the Retail business consists of Retail – the sales and marketing arm of TM; TMNet – the content provider; and VADS and GITN – which act as the ICT service providers for the enterprise and government segments respectively.

ONLY THE BEST FOR TM CUSTOMERS
TM's Retail segment forms one of its largest core businesses.

Financial Performance

In the financial year ended 31 December 2008, Retail business recorded net sales of RM6.9 billion, an improvement of 5.9% over its 2007 performance. This resulted in a total EBITDA of RM1.5 billion for the year, marking a 4.8% increase from 2007. However, the EBITDA margin dropped by 0.2% from 2007 as a result of corresponding increase in direct costs – mainly revenue sharing outpayment with partners, international outbound, and one-off costs related to billable customer projects.

Voice remained the key revenue generator in Retail business for 2008, contributing to 52.0% of the business unit's income. This, however, was 8.0% less than its revenue contribution in 2007, due to continuing migration to mobile and Internet-based communications. The voice sector itself registered a decline of 8.2% from 2007.

In line with industry trends showing customer preference for Internet and multimedia services, revenue from this segment posted a strong year-on-year growth of 25.7%, contributing to 21.4% of the total operating revenue as compared to 18.0% in 2007. The number of broadband customers, comprising Streamyx, Hotspot and Direct users, registered a year-on-year growth of 26.7% to 1.6 million customers in 2008.

Data contributed 10.1% of the total Retail business revenue, while other telecommunications & non-telecommunications services made up the remaining 16.5% of revenue.

RETAIL BUSINESS

TM's Retail business focuses on providing a range of innovative solutions and building customer relationships in the key retail customer segments of Consumer, Small and Medium-sized Enterprise (SME), Enterprise and Government.

CONSUMER SEGMENT

VOICE SERVICES

In 2008, Retail business fortified its efforts towards arresting the decline in fixed voice usage and sustaining a stable fixed-line customer base. One major initiative was an enhancement of the Let's Talk campaign. Let's Talk was offered in several packages to suit different customer lifestyles and usage needs with competitive call rates and high voice quality. The aggressive promotions led to a positive change in behaviour towards fixed-line usage, particularly evident in an increase in fixed-to-fixed calls.

Retail business also continued to sustain its leadership in the prepaid VoIP market through several iTalk promotional offers, especially during festive seasons such as Chinese New Year, Hari Raya, Deepavali, Christmas and the year end. In addition, Retail Business introduced attractive promotional rates to commemorate special events such as the Beijing Olympics 2008, Asean Day, Merdeka and the Haj pilgrimage.

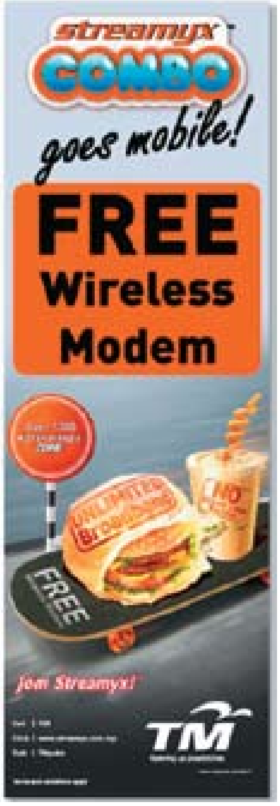
To create market hype, Retail business introduced special iTalk card designs for the Euro Cup and Barclays Premier League (BPL), which are fast becoming collector's items. Adding to customer convenience, iTalk users can now purchase and top up their cards at Maybank ATMs and via the TM Rewards E-Store online.

Targeting the mobile market Retail business launched the iTalk Mobile Starter pack which consists of an iTalk SIM film that can simply be attached to the existing mobile SIM card, for greater convenience of mobile users interested in obtaining the benefits of the iTalk package.

As a result of the above activities, the overall decline in year-on-year revenue for voice services was partially arrested, improving from negative 11.4% in 2007 to negative 9.4% in 2008.

INTERNET/BROADBAND SERVICES

Retail business achieved significant Internet growth in 2008 to reach a total customer base of 1.6 million by year end. This growth was driven mainly by a series of aggressive broadband promotions and sales activities, such as Streamyx Combo and Streamyx with Mobility. Streamyx with Mobility offers subscribers the option of browsing at more than 1,200 Streamyx Zones nationwide. The



promotion aimed at encouraging a higher adoption of broadband services among Malaysians by giving customers extra value in an all-in-one digital lifestyle package.

With a vision to spur the growth of Internet use, Retail business in 2008 offered a variety of online content on BlueHyppo.com. In addition, through Hypp.TV, Streamyx users can access online news, entertainment and movies. Hypp.TV proved to be particularly popular during the Beijing Olympics 2008 and Sorakan Emosi Euro2008, when its live streaming attracted a substantially increased number of viewers.

Hypp.TV at the Beijing Olympics; TM Retail strives to provide the latest in technology and content for its users.

SALES AND MARKETING ACTIVITIES
In 2008, Retail business continued to organise nationwide events such as Karnival TM and Streamyx Carnival to promote and sell TM products and services. These have proved to be effective platforms to create product awareness as well as to attract customers to product showcases. TM also collaborated with IT Retail Centres and resellers to create localised events for the community. These present opportunities for the local communities to try out new products, enquire about services and enjoy promotional discounts on equipment and value-added offerings.

As part of an ongoing loyalty and retention strategy, TM has further enhanced the TM Rewards programme to allow registered customers to enjoy more discount vouchers from various participating partners.

Sales and Marketing are very important activities at TM Retail.

SME SEGMENT

VOICE SERVICES
For the Small and Medium-sized Enterprise (SME) segment, Retail business promoted Wang Packages that bundle voice, broadband and value-added services so as to allow SMEs to keep connected with clients and associates at all times and conduct their business in a cost-effective and efficient manner. Wang Voice is a rent-free subscription that comes with free minutes for fixed-line calls, low rates for mobile calls and attractive IDD rates. In addition, customers get to enjoy the existing Flexi Destina and Smartcall packages. The introduction of these call plans managed to deflect the threat of alternative voice service providers to TM's fixed-voice SME customers.

To increase its share of the Toll Free market in Malaysia, TM announced a new incentive on 20 November 2008, which offers outstanding value to customers who subscribe to Toll Free with the ViSight marketing tool.

INTERNET/BROADBAND SERVICES
In 2008, Retail business strove to drive greater broadband penetration in the SME sector. It intensified its promotion of internet services such as Business Broadband, and offered promotional packages such as Wang Broadband, Broadband PC bundle and SME Special, all of which have been designed specifically to cater to the needs of this particular segment. With Wang Broadband, customers enjoy broadband speeds of 1.0Mbps with a dynamic IP address and free e-mail. SME Special, on the other hand, is a more comprehensive package that combines these offerings with voice. These solutions ultimately benefit SME companies by inducing cost-savings and added convenience.

DATA SERVICES
While the growth of traditional data services continues to be challenged by price erosion, Retail business has not given in to market forces, and instead introduced a number of attractive packages. These included Wang Value Added Services that offers services such as Managed Web Hosting, Web Design, Web Builder, E-Storage and e-commerce applications. These services facilitate SMEs in their daily operations and maximise their market reach through the Web.

TM remains determined for the data services and solutions provided by Retail Business to meet the growing needs of SMEs for greater accessibility and efficiency. As a result of its persistent efforts, the SME data business grew from negative 0.5% in 2007 to 15.4% in 2008.

RETAIL BUSINESS

SALES AND MARKETING ACTIVITIES

The SME market is a key business segment that provides many opportunities for Retail business penetration and expansion. One of the major marketing initiative organised in 2008 was the SME–Business Exhibition and Seminar (BES) 2008. Themed *Broadband: Evolving Your Business*, it aimed at highlighting the benefits of broadband in fulfilling all the telecommunications needs of SME customers.

The year also saw the launch of SMI Biz Net 2008, a direct marketing activity focusing on customers served via Touch Points. Launched in the second half of 2008, SMI Biz Net provides an excellent platform for TM to showcase its strength in satisfying the requirements of the SME market. Both stand-alone and customised solutions are integral to SMI Biz Net 2008 flagship offerings. SMI Biz Net 2008 has heightened awareness of TM's suite of products among micro and small business customers.

Also launched in 2008 was TMSME.BIZ, a web-based networking opportunity created exclusively for the SME community in Malaysia. Besides being a channel for SMEs to learn more about TM's products and services and how these can benefit their business, it also acts as a one-stop knowledge resource centre. SMI Biz Net 2008 nationwide road shows have served to promote TMSME.BIZ. Together with valuable and updated business insights, customers can take advantage of the sales and promotional offers that are available exclusively online. A customer loyalty programme is to be launched soon to increase patronage as well as reinforce members' affinity to the TM brand.

Going back to basics, in August 2008, Retail business launched a dedicated tollfree number, 1800 888 SME (763), with the main objective of answering enquiries on SME products, promotions and packages. The hotline service provides SME customers with convenient and easy access to TM.

ENTERPRISE & GOVERNMENT SEGMENT

VOICE SERVICES

Retention of revenue and providing competitive call rates remained the key focus areas of voice services in the Enterprise & Government segment. Customised call plans such as Smartcall and FlexiDestina were used to manage voice churn as well as to satisfy customers' need for cost efficiencies. Both call plans proved to be effective win-back or win-over strategies to retain customers and to further expand TM's share in this market.

DATA SERVICES

Data services continued to be the main revenue contributor in the Enterprise & Government segment. In 2008, Retail business expanded its high-speed, secured connectivity bandwidth (of 4.0Mbps to 1Gbps) Metro Ethernet private network service. TM introduced the Metro Ethernet Managed Service Router that supplies, monitors and manages customers' routers. This premium service has helped to increase sales of the Metro Ethernet, generating a new revenue stream for TM. Metro Ethernet Access was also applied to IPVPN, increasing its flexibility, reliability and security and hence its business efficiency.

With TM's SME – specific products, small and medium operators can rest easy.

Towards bridging the digital divide, TM in September 2008 launched the new Very Small Aperture Terminal (VSAT)-Ku Band in places with limited access to IT and communications services. This service is being rolled out in two phases. In the first phase, Internet and private networks were made available. Telephony services are to be offered in the second phase, which is expected to be completed in the first quarter of 2009. The new VSAT-Ku Band is an economical option for customers who prefer VSAT solutions to conduct their business.

INFORMATION COMMUNICATION TECHNOLOGY SERVICES

TM is a leading managed ICT service provider through subsidiary VADS, which caters for the enterprise segment; and GITN, which overlooks the government segment. In 2008, both VADS and GITN continued to strengthen their presence in Malaysia and the region.

VADS focused on its three core businesses, namely Managed Network Services (MNS), Systems Integration Services (SIS) and Business Process Outsourcing (BPO). Among its key achievements were the deployment of Managed Security Services to 210 sites for financial institutions; and the provision of one of the largest web content filtering solutions, comprising 5,000 licenses, to other customers.

Over the year, VADS' BPO business built a stronger presence locally and in Indonesia. In recognition of high standards, in March 2008, VADS Business Process Sdn Bhd received MSC Status Certification which places it on par with other BPO companies in the country. Meanwhile, VADS' Managed Contact Centre received five CCAM (Contact Centre Association of Malaysia) awards.

In the government sector, GITN has developed a nationwide network of infrastructure and services that are being used for electronic transfer and sharing of information by various government agencies. GITN also provides integrated network connectivity for intranet, extranet and Internet access. With single connectivity to the GITN node, an agency's intranet can communicate with the intranets of other agencies, which are all linked within the government's electronic domain, EG*Net.

SchoolNet is another key project that links a dispersed network, of 10,000 schools within the country. All computers connected to this network have access to Internet applications via GITN IPVPN. GITN provides a comprehensive infrastructure to equip the schools with Internet broadband access using various technologies.

SchoolNet supports a user-friendly portal, SchoolZone, targeted at primary and secondary students as well as teachers. It offers teachers tools to complement their traditional pedagogic resources. For students, SchoolZone acts as an inspiring one-stop edutainment portal that opens up a whole new learning experience which is comprehensive and exciting. In other words, SchoolZone doubles as a medium for internal and external communication, and a platform for knowledge-sharing activities. As an added bonus, it continuously provides updates on the latest applications.

Through the stimulating learning environment opened up by SchoolNet, students' imaginative, creative and analytical thinking skills will be enhanced. This is a key enabler towards the creation of a highly productive and skilled technology workforce, which will be required to face the challenges of the 21st century.

SALES AND MARKETING ACTIVITIES

Sales and marketing activities were directed towards further strengthening relationships with enterprise customers by offering personalised services by experienced sales teams. A previously initiated sales incentive programme was expanded to all categories of sales employees, motivating them to improve their salesmanship skills and achieve higher pitch-to-sales conversion rates.

TM was also involved in an industry-enhancing marketing initiative, the Contact Centre Professionals programme, developed in July 2008 between VADS Business Process Sdn Bhd (VADS BP) and the Multimedia Development Corporation (MDeC). This exciting partnership forms part of the MSC Malaysia Industry-Academia Collaboration, which seeks to structure and formalise key collaborations between the industry and universities. The ultimate objective is to nurture a generation of K-Workers with skills relevant to the needs of companies with high IT demands. In this programme, VADS BP will provide on-the-job apprenticeship to participants by exposing them to a real working environment – in a contact centre – and also encourage undergraduates to consider careers in the contact centre industry.

TM forges partnerships with government agencies and enterprises to push ICT usage to the next level.

WHOLESALE BUSINESS

Facts at a Glance

Revenue Recovery of +13.7%
with the implementation of 1-800-VoIP Access Service

Overview

Subsequent to the Group Demerger, TM has consolidated its wholesale businesses by realigning Fiberail Sdn Bhd (Fiberail) and Fibrecomm Network (M) Sdn Bhd (Fibrecomm) with Wholesale as a single Line of Business. Fiberail and Fibrecomm were previously under TM Ventures.

Fiberail's fibre optics backbone runs along KTMB's railway tracks and Petronas' gas pipelines.
Together with Fibercomm and TMW, TM's Wholesale Business offers extensive services to licensed operators.

Together, Wholesale, Fiberail and Fibrecomm provide an unparalleled telecommunications infrastructure throughout the country, offering a comprehensive range of bandwidth services, metro ethernet, ancillary services and turnkey network solutions to telcos, Internet service providers, managed network service providers, application service providers, global operators and data centre providers.

Fiberail is a joint venture formed by Telekom Malaysia Berhad and Keretapi Tanah Melayu Berhad (KTMB) in 1992. In 2006, it bought over Petrofibre Network Sdn Bhd, thus acquiring access to Petronas' gas pipelines. Fiberail provides telecommunications network related services through its fibre optics backbone, which runs along KTMB's railway tracks and Petronas' gas pipelines spanning the length of the peninsula with an additional network that cuts into the East Coast.

Fibrecomm was incorporated in 1997 as a joint venture with Tenaga Nasional Berhad (TNB). It has a 10Gbps fibre optics network that spans across Peninsular Malaysia, with new Points of Interconnection (POI) at the Thailand and Singapore borders, as well as extended reach into East Malaysia via a collaboration with Sacofa Sdn Bhd. Fibrecomm supports the national ICT agenda. In addition, as a neutral infrastructure service provider, it promotes healthy competition among industry players.

One of the main charters of the Wholesale Line of Business is to spur growth of the industry by making state-of-the-art technology accessible to all licensed operators. Wholesale goes one step further by actually providing the infrastructure required, thus cutting down on the capital spend of service providers, and enhancing the overall effectiveness of delivery, as well as service quality.

As the industry continues to evolve, Wholesale is committed to offering value-driven products and services that fully satisfy customers' changing needs. This will necessarily promote the proliferation of broadband offerings by domestic licensed operators, and support the government-initiated High-Speed Broadband (HSBB) project. Customer experience, as always, will be given top priority in defining product development and service delivery. Accordingly, the customer service management structure has been vastly improved to cater for customers' specific demands and requirements.

Financial Performance

In its consolidated form, the Wholesale Line of Business' overall performance in 2008 recorded a positive revenue achievement of RM997.1 million. This is mainly due to the 3.2% increase in external revenue from RM667.9 million in 2007 to RM689.5 million in 2008.

In addition, efficient cost-management showed an improvement of 13.7% in Interconnect out-payment from year 2007. This is attributed to efforts in plugging revenue leakages through the implementation of 1-800-VoIP access service.

Moreover, positive growth in both data and bandwidth services, as well as impressive performances by Fiberail and Fibercomm, added to good profits in the Wholesale business.

WHOLESALE

During the financial year 2008, Wholesale posted a total revenue of RM541.3 million and a marginal year-on-year growth of 0.5%.

Domestic Wholesale voice services, in particular Traffic Minutes and Domestic Interconnect, continued to be major contributors to Wholesale's revenue, recording RM107.7 million and RM188.3 million respectively. Traffic Minutes grew 24.2%, while Domestic Interconnect dropped by 3.2% against its performance in 2007. This decline was mainly due to reduced calls to fixed-line service and migration to IP-based services.

Efforts to address and enforce the implementation of 1-800-VoIP access service through Access Agreement (AA) with other operators resulted in revenue recovery in Domestic Wholesale voice services and cost saving in out-payment. In addition, the 1-800-VoIP access service benefited TM as a whole, given the tremendous pressure on VoIP service from competition, especially on prices.

In view of massive pre-Demerger cleaning-up of billing disputes and bad debts, overall sales of Data products dropped by 9.8%. Despite this, revenue from IP Wholesale, Wholesale Ethernet and DSL Wholesale improved by RM5.9 million, spurred mainly by Wholesale Ethernet, which notched RM4.5 million in revenue since its launch in March 2008.

Finally, revenue from Customised Services, which includes Tenancy, Network Co-location and Infra Sharing, improved by 4.4%.

FIBERAIL

For the financial year ended 31 December 2008, Fiberail recorded an impressive revenue growth of 25.0% to RM139.0 million, while profit after tax stood at RM25.1 million, a remarkable increase of 67.2%.
This exceptional performance can be attributed primarily to the contribution by Project Management Services to the MMC-Gamuda Joint Venture for KTMB's Electrified Double Track Project between Ipoh and Padang Besar. Otherwise, sales from core products increased steadily while notable growth was also made by joint expertise and additional contracts with customers.

WHOLESALE BUSINESS

FIBRECOMM

Fibrecomm turned in an exceptional performance, with total revenue of RM90.7 million, up 41.0% from RM64.4 million in 2007. This growth was fuelled primarily by demand for bandwidth connectivity, which registered an increase of 61.0%. Fibrecomm has steadily improved its growth momentum since its inception, boosting shareholder value in the process. Its efforts paid off in 2008, when its performance reached a historic high.

Operations

Wholesale, as a Line of Business focused on the domestic wholesale market, is dedicated to providing a comprehensive range of network solutions and services. To date, the range of services offered by this infrastructure service provider encompasses:

- Voice services – Wholesale Voice Over Internet Protocol (VoIP), Public Switched Telephone Network (PSTN) & Domestic Interconnect Services
- Data and Access services – Wholesale Ethernet, IP Wholesale, DSL Wholesale & Bandwidth Services
- Infra services – Infrastructure Sharing, Network Co-location & Tenancy

In addition, Wholesale provides the fundamental building blocks to the highly regulated segments of the market. These include:

- Access Lists
- Mandatory Standards of Access (MSA)
- Mandatory Standards of Access Pricing (MSAP)

VOICE SERVICES

- **VoIP**
  As the market for distance voice services grows, so does the number of Application Service Providers (ASPs) venturing into VoIP in Malaysia. Wholesale, which introduced the Wholesale VoIP service in 2005, has seen revenue from this service rise steadily from year to year, culminating with the most successful performance in 2008, due to intense promotions.

- **Interconnect Services**
  Wholesale business continued to offer regulated interconnect services to other licensed service providers. Interconnect services allow for the seamless flow of voice and data between different networks, and will be essential once Mobile Number Portability (MNP) is implemented. Although MNP is offered by all local mobile carriers, Wholesale, as a fixed network provider, has participated actively to ensure the overall success of this exciting new business. The race is on for all licensed carriers to enhance the reliability of their interconnect services and to offer the most attractive range of fixed and mobile services so as to gain an edge in this highly competitive and vibrant business environment.

DATA & ACCESS SERVICES

- **Wholesale Ethernet**
  Wholesale provides the Carrier Class Ethernet on a wholesale business arrangement to meet customers' growing network requirements. For customers, Carrier Class Ethernet represents a smart investment as it provides cost-effective, robust, scalable and seamless connectivity solutions to meet their business needs.

- **IP Wholesale**
  Wholesale provides the facility to deliver nationwide Internet Protocol (IP) services via instant connectivity to its IP Multi Protocol Label Switching (MPLS) network as an effective solution for interconnection between geographically dispersed sites.

- **DSL Wholesale**
  The government has identified broadband as an area to focus on to further fuel the nation's economic growth and take its level of competitiveness to a higher plane. Digital Subscriber Line (DSL) Wholesale fully supports this vision, and continues to provide avenues to proliferate broadband services within Wholesale's coverage areas.

- **Domestic Bandwidth Services**
  Wholesale's Domestic Bandwidth Services offers transmission speeds ranging from 64Kbps to 10Gbps, touted as 'the fastest connection to tomorrow's world'. The high-speed digital leased line services, built on an extensive nationwide network infrastructure, offer various applications that give service providers more options and choices to catapult their business into the super high-tech era.

- **Interconnect Bandwidth Services**
  Interconnect Bandwidth Services offers speeds from 64Kbps to 155Mbps for the purpose of network build, network completion and to connect TM's network with that of other licensed network operators. Interconnect Bandwidth Services falls under the domain of the Access Agreement (AA) and Mandatory Standard on Access (MSA). As incorporated in the AA, Interconnect Bandwidth Services includes Point of Interconnect (POI) and Non-POI services.

INFRA SERVICES

Infra Services is highly regarded as the most secure and cost-effective space sharing initiative for service providers. Essentially, Infra Services offers service providers the entire infrastructure and equipment they need to operate their networks. This includes towers, land, floor and rooftop space, the basic tools as well as climate control and fire management systems. By sharing Wholesale or Fiberail premises, these service providers are further assured of network connectivity, both locally and globally.

Prospects

Growth of the telecommunications industry is expected to be driven by increasing demand for IP and broadband services, with ever more bandwidth-hungry applications flooding the market. Despite the global economic slowdown, growth in the coming year is expected to be maintained based on the assumption that demand for bandwidth connectivity will continue to rise along with greater need for high-speed broadband capacity.

Overall, Wholesale Business is optimistic of the future as it continues to offer state-of-the-art technology, competitive pricing and a value-driven range of products and services.

WHOLESALE

Wholesale is working hand-in-hand with the Government to roll out High-Speed Broadband (HSBB) across key economic and industrial areas, offering an end-to-end solution that includes access, core and international investments. Wholesale's specific role is to provide connectivity to domestic players, thus allowing them to upgrade their retail end with IP-based value-added content and applications. Three wholesale products will be offered, namely HSBB (Transmission) Service, HSBB (Connection) Service and HSBB (Access) Service. These will be open to any qualified service provider, regardless of size, that is prepared to invest in delivering value-added products and services to Malaysian consumers.

FIBERAIL

Fiberail will continue to act as a service provider and consultant to the MMC-Gamuda Joint Venture undertaking the Electrified Double Track Project to convert the existing single railway track into a modern, electrified double-track network. Fiberail will also continue to work with and support WiMAX players with its resilient infrastructure and technical expertise, particularly by providing backhaul connectivity.

FIBRECOMM

Fibrecomm's fibre optics network has been upgraded using the state-of-the-art Dense Wavelength Digital Multiplexer (DWDM), which increases its capacity up to 40 Lambda, thus allowing the company to offer more flexible and cost-effective solutions to its customers.

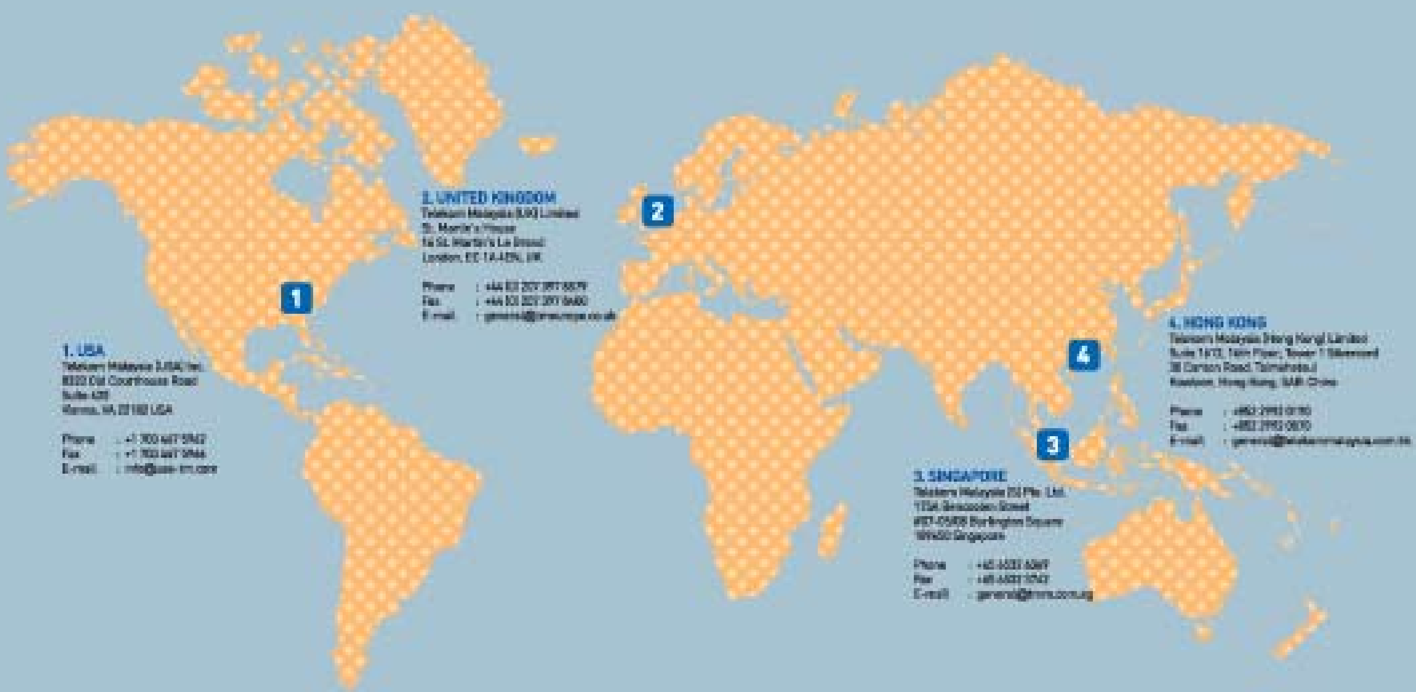
With a total of 22 Points of Presence (POPs) all over Peninsular Malaysia, including the Jaring Technology Park Malaysia, AIMS Data Centre, Menara Maxisegar, Plaza VADS and Menara TM, and supported by its Northern, Eastern, Central and Southern region offices, service restoration and fault prevention have improved significantly. This is evident from the Service Level Agreement (SLA) of 99.95% and Mean-Time-To-Restore (MTTR) of 3.05 hours.

Fibrecomm is taking steps to ensure that sufficient backbone capacity will be available to meet future demand. It is also further expanding its network coverage by leveraging on its shareholders' existing infrastructure. Finally, Fibrecomm remains committed to improving its service availability and network quality by implementing the meshed network configuration.

GLOBAL BUSINESS

Overview

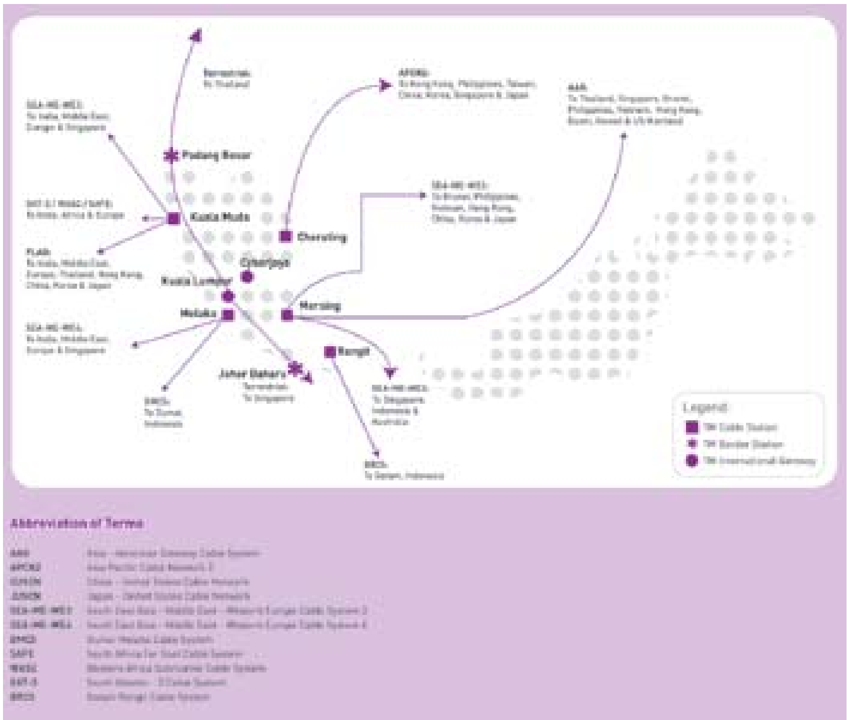
While staying focused on the more traditional Voice and Data service businesses, Global recognises that providing global connectivity is essential to maintaining an edge in the telecommunications industry today. This quest is supported through Global's strong product portfolio, sales and service propositions, dedicated workforce and new business initiatives that have emerged from the Performance Improvement Programme (PIP 2.0).



Global's extensive range of products in wholesale data, wholesale voice and ICT services continues to be enhanced to meet the rapidly changing demands of its customers, namely global service providers. Its market leadership is further entrenched by advanced technology, sophisticated customer service and a technologically empowered workforce. From such a strong base, Global is now transforming itself into a global information and communications service provider. This aspiration has engendered a renewed sense of pride among its employees, who relish the role of contributing towards a leading new-generation global service provider.

Global's successes to date have been built on the dual focus of driving new revenue while maximising usage of its global IP network, submarine cable systems and satellite services. Its dynamic team has proven the ability to achieve operational excellence while maintaining a healthy bottom line.

In sustaining its commendable growth, Global is strengthening its mission to fully satisfy customer needs through targeted improvements. In addition, Global is committed to best practices in its commercial operations, developing effective supply chain capabilities, and investing in human capital training and development. With extensive submarine cable systems spanning the globe, and synergistic business partnerships, Global delivers excellent domestic and international services.



Global International Submarine Connectivity.

In the global marketplace, Global has business collaborations spanning six continents – Asia, Europe, Americas, Oceania, the Middle East and Africa. It has established business alliances with various telcos in Singapore, the Philippines, Brunei, Indonesia, Thailand, Myanmar, Cambodia, Laos and Vietnam – and installed global IP nodes in Singapore, Hong Kong, the UK, US and several other countries. Its presence in niche markets indicates a dynamic and responsive marketing mindset.

Global owns extensive submarine cable systems which include the APCN2, SMW3, SMW4, SAT3/WASC, SAFE and the recently installed BRCS, which connects Malaysia to Europe, Africa, the Middle East, India and South Asia. TM is upgrading the SMW4, APCN2 and SAFE cables, which are expected to be ready by 2009.

The following submarine cable links contribute to TM's position as the gateway to Asia:

No.	Cables		Coverage
1	AAG	Asia-American Gateway Cable System	To Thailand, Singapore, Brunei, the Philippines, Vietnam, Hong Kong, Guam, Hawaii & US mainland
2	APCN2	Asia Pacific Cable Network 2	To Hong Kong, the Philippines, Taiwan, China, Korea, Singapore & Japan
3	CUSCN	China United States Cable Network	To China & US mainland
4	JUSCN	Japan United States Cable Network	To Japan & US mainland
5	SEA-ME-WE3 (SMW3)	South East Asia-Middle East-Western Europe Cable System 3	To India, the Middle East, Europe, Singapore, Brunei, the Philippines, Vietnam, Hong Kong, China, Korea, Japan, Indonesia & Australia
6	SEA-ME-WE4 (SMW4)	South East Asia-Middle East-Western Europe Cable System 4	To India, the Middle East, Europe & Singapore
7	DMCS	Dumai (Sumatera) Melaka Cable System	To Dumai, Indonesia
8	SAFE	South Africa Far East Cable System	To India, Africa & Europe
9	WASC	Western Africa Submarine Cable System	To India, Africa & Europe
10	SAT-3	South Atlantic-3 Cable System	To India, Africa & Europe
11	BRCS	Batam Rengit Cable System	To Batam, Indonesia

Global is inspired by a philosophy of excellence, which extends to its profit-making machinery, leadership, corporate culture and investments. To achieve greater success, Global has identified five fundamental drivers: 1) cultivating customer loyalty through total and proactive commitment; 2) executing best-practice commercial excellence; 3) developing effective supply chain capabilities to support operational excellence and capital productivity; 4) supporting the Group in executing the 'one company mindset' across the globe; and 5) developing an outstanding human capital via training.

Business Operations

GLOBAL SALES OFFICE & PRODUCT HOUSE

Global is headquartered in Menara TM, Kuala Lumpur. Its home-based team consists of dynamic executives representing Global Sales & Marketing and the equally important support divisions – with dedicated account executives managing customers from North & South Asia, Europe, Oceania, Americas and the Middle East & Africa regions.

Global's extensive products and services are managed by the Global Data Marketing and Global Voice Marketing teams, each consisting of individuals who are highly adaptive in technology and highly knowledgeable about the products and market trends. The two teams are extremely competent and provide customised solutions based on the specific requirements of customers. This personalised touch is extended also to after-sales and technical services. Global's ultimate objective is to take care of the entire international information and communications needs of its customers, so they can focus more intently on creating value for their business.

To better serve its global customers, Global has established four regional sales offices: TM Singapore (Telekom Malaysia (S) Pte Ltd), TM UK (Telekom Malaysia (UK) Limited), TM USA (Telekom Malaysia (USA) Inc) and TM Hong Kong (Telekom Malaysia (Hong Kong) Limited). All continue to show excellent growth through aggressive sales activities, and are major revenue contributors to Global.

GLOBAL PRODUCTS & SERVICES

With its extensive global connectivity, Global is poised to position Malaysia as a regional hub and digital gateway for South-East Asia. In line with this, Global is evolving into a New-Generation Network (NGN) service provider, enabling the Group to enhance its efficiency and productivity by providing enriched, differentiated and scalable products and services.

Global's strategic business focus targets the following segments:

- Wholesale Voice Services, where it aims to maintain its leadership and superior quality of service, acting as an enabler for other businesses in the TM Group.
- Wholesale Data Services, where it expects aggressive emerging market growth.
- ICT Services, where it focuses on opportunities in emerging markets through partnerships and developing a global brand.

2008 was a challenging year with Global focusing its growth on the Data business, which exceeded expectations. Beginning 2009, Global will concentrate more on developing its ICT services, where it will focus on growth opportunities through leveraging on strategic partnerships. Entrance into ICT development markets is driven mostly by Telecommunications business and ICT business; therefore it is critical for TM to be visible and heard by wider market prospects via strategic investments in growing ICT markets such as Saudi Arabia and other countries in the Middle East region.

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 Malaysia traffic with the highest quality and clarity as set by the industry.

• *Wholesale Voice*

TM has been providing termination services to international voice service providers since 1997. Over the years, this service has been intensified in tandem with the level of competition in the market, and today covers 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 VoIP and PSTN platforms.

i. Voice Over Internet Protocol (VoIP)

VoIP has emerged as one of the most exciting and lucrative IP services, heralding a host of alternative voice services. Based on a centralised managed solution, it 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 portfolio. 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 in the telecommunications industry. Global offers these complementary services to broaden subscribers' options in fulfilling their business communications requirements.

i Mobile Matrix

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

i. International Premium Voice Services (IPVS)
ii. Signalling Connection Control Part (SCCP) Roaming
iii. Airtime Exchange

ii Global Voice Solutions

Global Voice Solutions is a platform for carriers around the world to connect to TM's network either via VoIP or TDM. It has been implemented in Global's regional centres of New York, London, Hong Kong and Singapore. Carriers based near 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) is one that is tunnelled through another network, and provides remote offices or individual users with secure access 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.

GLOBAL BUSINESS

ITU Bangkok 2008.

Signing Ceremony between TM and Verizon Business.

Capacity Asia 2008.

CAPACITY ASIA 2008
Mohamad Rozaimy Abd Rahman, EVP Global delivering his speech during Capacity Asia 2008.

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. It also enables customisation of security and quality of service as needed for specific applications and is scalable to meet sudden demands in traffic.

i. *Global IPVPN*
TM's Global IPVPN is a fully-managed end-to-end virtual private networking solution that is simple, secure and scalable. Riding on an MPLS-IP architecture, 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 that provide extensive coverage worldwide.

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 bandwidth they need and know that they can quickly and easily add bandwidth as desired. This concept of bandwidth-on-demand is ideal for applications with very high and dynamic bandwidth requirements.

TM Global IPVPN Coverage

• ***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 in-country 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 fulfil 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 from one country to another via TM's submarine cable systems, and via satellite through connections with more than 60 carriers.

Global International Bandwidth Coverage

ZONE	GLOBAL REGION	MAJOR CABLE SYSTEM	ZONE	GLOBAL REGION	MAJOR CABLE SYSTEM
	South East Asia	AAG / SMW4 / SMW3 / APCN2 / DMCS / BRCS		Indian Sub-Continent	SMW3 / SMW4 / SAFE
	Asia Pacific	AAG / SMW3 / APCN2		Middle Eastern	SMW3 / SMW4
	Europe	SMW3 / SMW4 / SAFE		Oceania	SMW3
	North America	AAG / CUSCN / JUSCN		Africa	SMW3 / SMW4 / SAFE / SAT-3

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 IRU capacity via the international submarine cable or border facilities.

iv. *Bandwidth Interconnection*
This provides a cross-connection between different cable systems which are connected 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 Very Small Aperture Terminal (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

In the financial year 2008, Global's business experienced a contraction of 1.2% from RM848.7 million to RM835.2 million. This was a direct result of the substantial clean-up of backlogs, and decline in the utilisation of Voice (predominantly VoIP) due to a residual shift in focus towards higher margin products from Voice to Data products. A relatively finer engagement of Tier 2 carriers was undertaken as part of strengthening controls, by screening international VoIP partners to prevent overlapping non-profit VoIP customers that will enhance Global's position in the long term.

Moving forward, Global aims to focus on expanding its bandwidth and infra capacity with the objective of realising the full potential of Data and ICT business opportunities. As a result, in 2008, Data performed exceptionally well, and is expected to overtake the Voice segment by 2010. Data contributed to 37.2% of the revenue versus Voice at 62.8%. In 2007, Data contributed to 30.1%, while Voice contributed 69.9%. A regional breakdown shows that South & North Asia were the star performers in 2008, contributing most to Global's revenue. Two major initiatives spurred Data's progressive growth:

– The development of new multiservice nodes in emerging markets, inclusive of the Middle East and South Asia.

– The development of new Ethernet-based products.

Prospects

Global has always strived to enable its customers to create greater value in their businesses. It now aims to transform itself into an information and communications service provider operating on a global scale; and grow its business presence fivefold over the next 10 years. With respect to the five fundamental drivers identified (and mentioned above), it aims to:

- adopt aggressive mindshare development marketing initiatives which include tactical eyeball capture through carefully selected media. It will also continue to provide exceptional service through a dedicated account team.
- accelerate Data business growth while maintaining its leadership in Voice through superior service. Global will also focus on growing its ICT services in emerging markets to create a global brand.
- develop several effective supply chain initiatives, such as the global NGN services and differentiated services; and establish regional network operation centres as well as service assurance centres.
- assume the lead in taking TM's 'One Company Mindset' global by tapping into the potential presented by the global market.
- positively encourage the academic and professional development of its personnel to fully maximise their potential.

Global is set to expand globally through strategic sales platforms and customised solutions. This will be supported through partnerships with international event organisers and media, with whom Global has already built strong relationships. This has been achieved through sponsorships and participation in events such as Capacity Asia, CommunicAsia, Telecoms World Middle East, Carrier Community London and Arab Advisors Group Conference; and exposure through the CNBC.com, FT.com, Capacity Magazines, Blomberg.com, Show Daily and The Economist. These sales platforms will be fully employed to highlight Global's ICT, Voice and Data services.

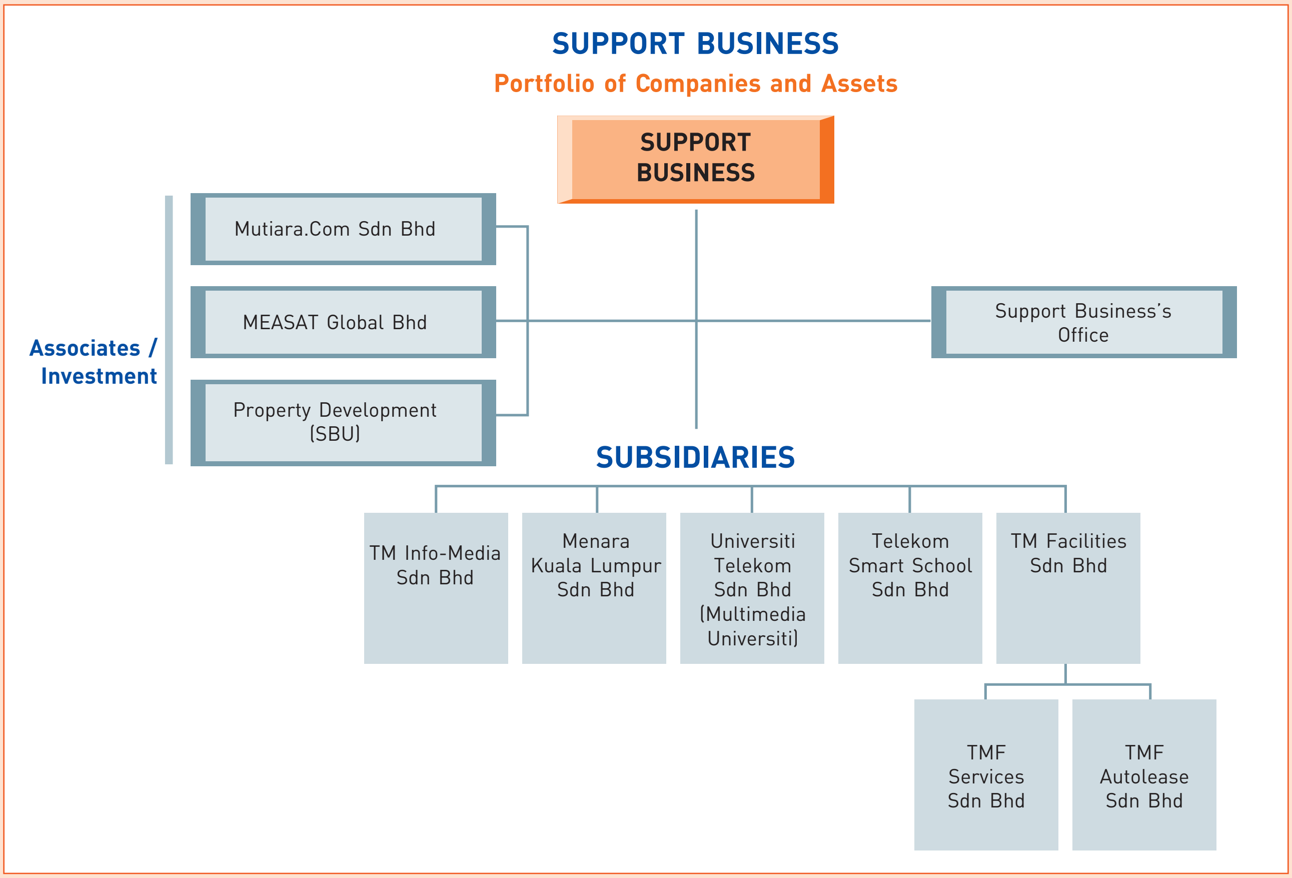
Global also aims to develop a global brand and presence for its ICT services, driven by a group of highly competent technical and business consultants in collaboration with other companies within the Group, as well as external partners. At the same time, Global will grow from its position as a major regional Voice hub by improving termination rates and heightening service quality. It will also focus on value-added services and service customisation in each market segment.

In terms of Data services, Global is focused on enriching its portfolio by investing in next-generation products such as International Ethernet Private Line (IEPL) and IP E-Line. In preparation for projected growth of Data, Global has initiated infrastructure upgrades of its submarine cable system inclusive of SMW3, SMW4, SAFE, APCN2 and JUSCN, which are scheduled to be completed between 2009 and 2010. A new flagship cable system, the AAG, will start serving the South-East Asia-North America routes by mid-2009. In addition, several new submarine cable systems are in the pipeline.

The bandwidth and infra expansion plans complement Global's strategic shift of focus into the four main market categories of: Global Service Provider, Partnership Pursuit, Business Consultancy and Greenfield/Brownfield ICT Infra Development.

SUPPORT BUSINESS

Support Business, known as TM Ventures prior to the Demerger, comprises the support businesses of the TM Group which were rationalised under the Performance Improvement Programme (PIP). The principal role of Support Business is to grow and enhance shareholders' value by providing a holistic approach to the strategic initiatives and performance of companies and business units under its purview, in order to maintain sustainable growth. At the same time, Support Business continues to streamline its portfolio in accordance with the Group's corporate rationalisation programme.



BASE
Jumpers in action at Menara Kuala Lumpur, a popular destination for extreme sports enthusiasts.

The KL Tower International Jump itself received more than RM7.0 million worth of PR value. This event has over the years attracted increasingly more BASE jumpers (enthusiasts who jump from **b**uildings, **a**ntennae, **s**pans and **e**arth). As a result, Menara Kuala Lumpur is fast becoming a centre for extreme sports enthusiasts.

Financial Overview

Financial year ended 31 December 2008, Support Business recorded growth of 15.7% in revenue to RM688.2 million from RM595.0 million in 2007. It achieved EBITDA of RM135.9 million, representing a drop of 37.2% from the previous year's RM216.7 million. The variance was contributed mainly by the one-off gain on the disposal of Wisma TM in 2007 of RM46.0 million as well as lower revenue from the TM Facilities (TMF) Group arising from the ability to provide lower operational costs to support TM's core businesses. These also resulted in a PATAMI of RM5.1 million for the year under review.

The Group spent RM93.4 million on Capex as compared to RM141.4 million previously. Most of the investment was made in Property Development – the TM Annexe 2, TM R&D Complex and Phase II of the Multimedia University at Cyberjaya – as well as the purchase of replacement vehicles by TMF Autolease (TMFA).

In the year under review, Support Business completed two strategic initiatives under the planned rationalisation of its various businesses. These were the integration of Fiberail and Fibrecomm into TM Wholesale; and the realignment of VADS into TM Retail.

In 2009, the Group will continue to rationalise its non-core assets, enhance the performance of the various businesses under its stable, improve its external businesses as well as optimise its internal service businesses to support TM's operations and objective of creating a single company dedicated to achieving the excellence of a domestic champion.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur Sdn Bhd operates three national landmarks and attractions, namely Menara KL, Menara Alor Star and Muzium Telekom.

Menara Kuala Lumpur, at 421 metres above ground, is the fourth tallest tower in the world and the only telecommunications tower to be located within a tropical rainforest. Aside from being one of the most visible national landmarks, Menara Kuala Lumpur plays a pivotal role in telecommunications and broadcasting transmission for Radio Televisyen Malaysia (RTM) and Telekom Malaysia Berhad (TM).

Since opening in 1996, the tower has received a total of 10,556,086 visitors (2008: 940,846), mainly from India, the United Kingdom, Indonesia and Japan. Activities and events are organised to attract visitors, among these the KL Tower International Forest Towerthon, KL Tower International Jump, KL Tower Indie Fest and Towerkidz are signature events created specially to captivate different age groups and demographics, as well as to ensure high participation and publicity mileage.

For the financial year ended 31 December 2008, Menara Kuala Lumpur recorded a total revenue of RM101.4 million (2007: RM93.3 million), representing an annual growth of 8.7%. Profit after tax stood at RM49.7 million (2007: RM50.4 million).

Adding to its stature, in October 2008, the World Federation of Great Towers (WFGT) awarded it a Merit Certificate: Award of Excellence in the Environmental Category. It is the only tower among WFGT's 26 members to have been recognised for its efforts to conserve the environment. Menara Kuala Lumpur was also named the Best National Monument by readers of Karangkraf travel magazine, *Libur*.

While it is an architectural wonder, Menara Kuala Lumpur has endeared itself among Malaysians as a result of its community service. In 2008, it was a beacon of strength to the Estee Lauder Group's breast cancer awareness and healthy lifestyle campaign. The *Tower of Hope* was lit up in fluorescent pink (the same colour as the breast cancer ribbon) to remind all adult Malaysians to get themselves checked. Other monuments that have been chosen to take part in Estee Lauder's breast cancer campaign include the Sydney Opera House, The Empire State Building in New York, and the Burj Al Dubai Hotel.

The Tower of Hope also organised The Biggest World Animal Day in association with the Society for the Prevention of Cruelty to Animals (SPCA). This event aimed to endear animals to children so they grow up being compassionate towards four-legged creatures.

In 2009, Menara Kuala Lumpur will leverage on its latest attractions – the KL Tower Animal Zone, F1 Simulation and Outdoor Winter Park – to draw even more visitors. It is targeting a 20% increase in visitors from 2008, banking mainly on domestic tourism. Given the global economic downturn, fewer foreign tourists are expected while Malaysians are more likely to look within the country for interesting holiday destinations.

Menara Kuala Lumpur is currently working towards ISO 9001: 2000 certification. The first round of audits has been completed, and the management is awaiting the final audits followed by results of the entire exercise. The tower receives much support from the Ministry of Tourism, Ministry of Information, the Kuala Lumpur City Hall and key industry players. Combined with unwavering commitment of TM management and staff, the year 2009 looks bright for Menara Kuala Lumpur, Menara Alor Star and Muzium Telekom.

MULTI-PLATFORM
The printed directories are now complemented by e-yellow pages and yellow pages TV.

TM INFO-MEDIA SDN BHD

2008 saw TM Info-Media (TMIM) venturing further into strategic alliances and enhancing the value of advertising through mobile, outdoor, indoor and digital channels. By transforming and refining the directory business, TMIM offers improved listing services and multi-platform advertising solutions that reach out to the widest possible audience.

The printed directories are now coupled with electronic versions, the ***e-Yellow Pages***, available via the Internet Yellow Pages (IYP) and boasting features superior to any offered by competitors within the Asia Pacific region. The electronic version will reduce demand for the books, hence the cost of distributing them, plus reach a wider audience. This new directory solution presents the management with vast opportunities to introduce more exciting products.

Another highlight was the introduction of Yellow Pages TV **(YPTV)** at all TMpoints nationwide. This new advertising channel allows for a faster change of advertising content and enables advertisers to target their messages at specific audiences. TMIM also has fully implemented a new Integrated Publishing Management System (IPMS) to optimise its production system. Among other functions, the IPMS will be able to monitor sales activities and reporting, better organise publishing data and allow for speedier print flow.

Next on the agenda is a realignment of all division structures into one direction. Among the more pronounced moves is for 30.0% of the sales force to focus on strategic accounts, the government and government-related sector, to maximise business advertising solutions.

Revenue increased from RM42.7 million in 2007 to RM44.2 million in 2008, representing a RM1.5 million or 3.6% hike. Although printed products were the main contributor to the overall revenue, Internet Yellow Pages registered a surge in revenue of more than 120%. Meanwhile, the EBITDA margin grew from 26.3% in 2007 to 35.3% in 2008.

Having diversified into multi-platform advertising solutions, TMIM is on track to maintaining its position as the premier directional media company. Improvements that have been initiated will continue to further differentiate the company within the industry, and create new markets and revenue streams.

UNIVERSITI TELEKOM SDN BHD (MULTIMEDIA UNIVERSITY)

Multimedia University (MMU), the first private university in Malaysia, strives to be a world-class academic institution in engineering, information technology, management and multimedia technology. The year 2008 saw MMU position itself more firmly as a major international research institution following its engagement in further research, undergraduate and postgraduate education and community service in Asia Pacific.

Academic faculties in MMU have stepped up their alliances with the best teaching resources in the world to offer compelling degree programmes. Such partnerships have brought a wealth of learning opportunities to MMU students and enhanced the market value of MMU degrees worldwide. In 2008, MMU expanded its partnerships in various student, staff and academic programme exchanges as well as joint research and seminars with universities in Indonesia, Korea, Uzbekistan, India, Japan, Saudi Arabia, Taiwan, China and Iran.

MMU consistently achieves a high employment rate of its graduates. In the year under review, it produced 455 diploma holders, 2,572 graduates with Bachelors, 184 with Masters and 35 PhD graduates. The number of MMU students in 2008 totalled 19,930, as compared to 19,464 the previous year. Of this, 15,937 were local and 3,993 were international students, from 79 countries. Postgraduate enrolment stood at 464.

As a result of high academic standards, MMU faculty members and students received several noteworthy awards, including:

- Best Tertiary Student Project, in the Software and Hardware Category, Asia Pacific ICT Awards 2008 (APICTA 2008)
- Second Place at the First Regional Cisco Asia Pacific Netrider Challenge, 2008
- Gold and Silver Medals, 19th International Invention, Innovation and Technology Exhibition (ITEX) 2008
- Fulbright Scholar Program
- Malaysia Robocon 2008, Champion and Best Engineering Award; and International Robocon 2008, Best Manual Machine Award; and Robogamez 2008, second place and Fastest Maze Solving Award
- The 7th IEEE International Conference on Cybernetic Intelligent Systems, Best Paper Award
- International Hacking Competition 2008 (iHack2008), First Runner-up in Student Security Project Exhibition & Presentation Category
- CPA Australia Book Prize Award 2008 for an outstanding Bachelor of Accounting Student

MMU operates under a stringent Academic Quality Assurance, which generates public confidence in the quality and standards of its study programmes. A total of 11 MMU academic programmes have further been accredited by the Malaysian Qualifications Agency (MQA), formerly known as the National Accreditation Board (LAN).

The commercial arm of MMU, formerly known as Unitele Multimedia Sdn Bhd (UMSB), was in 2008 rebranded as MMU Cnergy. From a focus on training, short courses and workshops, MMU Cnergy now offers a wider range of MMU R&D products and services to industry. As a result, it doubled its business revenue and achieved an 83.0% increase in net profit from 2007.

The focus on academic excellence saw MMU upgrade its facilities, especially for research. Its President, Prof Dr Zaharin Yusoff, who launched an MMU R&D Roadmap in April 2008, identified three strategic goals. The first two are related to R&D and the commercialisation of next-generation infra and infostructures, content, core competencies, and products and services geared towards seamless multimedia communication for all. This includes providing users with state-of-the-art tools to manage knowledge effectively at work and home. The third strategy is to gear the industry towards managing innovations.

Financially, MMU continued to be self-sustaining; funds for the development of Phase II of the Cyberjaya Campus were generated internally.

TM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS), an MSC status company, has several key businesses in eEducation, such as content development and web-based school applications (School Management Systems – eSkool; and Learning and Content Management Systems – eLearn). It has expanded its market to include other government agencies, institutes of higher learning and the private sector.

SUPPORT BUSINESS

For the financial year 2008, the company recorded revenue of RM6.6 million compared to RM2.7 million in 2007. The 144.4% increase was due to several Multimedia Learning Content projects.

The company was awarded a Demonstrator Application Grant Scheme (DAGS) by the Ministry of Science, Technology and Innovation to develop a Smart School pilot project for religious schools in Kuala Lumpur. Upon its successful completion, the project may be rolled out to all religious schools throughout Malaysia.

To sustain its position as the leading e-Learning player, TSS took part in a number of local and international exhibitions and seminars. At the international level, the company, together with Multimedia Development Corporation (MDeC) and the Ministry of Education, has initiated discussions to provide Smart School solutions to South Korea, UAE and other Middle-Eastern countries.

TSS' software capabilities received a boost when it was named one of MDeC's CDP Software Testing Recipients on 2 December 2008. This MDeC Capability Development Programme (CDP) offers a fully furnished test facility ready with network and communication infrastructure, as well as basic test equipment and software tools for application testing.

TM FACILITIES SDN BHD

Since its inception as a wholly-owned subsidiary of TM in January 2002, TM Facilities (TMF) has been providing facilities management services to TM and its subsidiaries. In addition, as the holding company of TMF Autolease Sdn Bhd (TMFA) and TMF Services Sdn Bhd (TMFS), it is responsible for providing corporate services such as strategic planning, human resources, finance, compliance and safety.

For the financial year ended 31 December 2008, the TMF Group recorded a total net revenue of RM280.9 million and PAT of RM23.2 million. TMFS was the main contributor to this revenue (76.4%), while TMFA contributed 18.6%.

In aspiring to create value and enhanced operational efficiency, TMF will continue with various initiatives such as energy-saving programmes and vehicle right-sizing, while contributing to the proposed rationalisation of its own job scopes and functions.

TMF AUTOLEASE SDN BHD

TMF Autolease (TMFA) is responsible for the fleet management of TM Group. It ensures all vehicles are roadworthy, utilised optimally and available at all times for business operations and support. As at 31 December 2008, the total number of vehicles stood at 5,190 units – of various makes and models ranging from utility vans, saloon cars, four-wheel drives and lorries. TMFA manages a total of seven zone offices and 30 service outlets nationwide. Regional Network Operation and Network Development of TM remain its two major customers, leasing about 3,300 vehicles, or 63.0% of the fleet.

In 2008, TMFA conducted several programmes for its customers, including one on safe-driving. That it is carrying out its functions effectively can be seen by the high score of 87.2% it notched in a Customer Satisfaction Index (CSI) survey done in December 2008.

For the financial year ended 31 December 2008, TMFA registered revenue of RM53.2 million and PAT of RM16.1 million. Approximately 90.0% of its revenue was derived from the Management and Maintenance Package (MMP) fee for TM vehicles.

In 2009, TMFA will continue to manage and contain operating costs. Stakeholders can be assured of further improvements in performance and value as the company strives to provide greater service efficiency to the TM Group.

TMFA is responsible for the management of TM's fleet of vehicles.

TMFS received EMS ISO 14001 Certification from SIRIM.

TMF SERVICES SDN BHD

As the facilities management arm of the TMF group, TMF Services Sdn Bhd (TMFS) provides planned/ preventive, corrective and emergency maintenance services, including renewal, replacement and upgrading works, to TM for optimal efficiency and reliability of all its installations and facilities. This includes the exchanges, hill stations, cabins, towers and masts, AC and DC, office buildings, retail outlets, museum, warehouses, staff quarters and multimedia colleges. TMFS also provides management services for new developments.

In 2008, TMFS obtained SIRIM certifications for both the environmental and quality management systems (EMS ISO 14001 and QMS ISO 9001:2000) in Menara TM. Menara TM is the first commercial high-rise building in Malaysia to be awarded such certification.

The year 2008 was busy for TMFS. It was involved in the construction of 12 communication towers along the East-West Highway for the Malaysian Communications and Multimedia Commission (MCMC); 32 response and agency dispatching centres throughout the country; and renovations of MERS 999 training facilities. TMFS was also involved in the preparation of 25 Next Generation Network (NGN) sites for equipment deployment; the construction of 22 emergency staircases nationwide; the development of new army quarters in Gunung Jerai, Kedah; and major upgrading works at Multimedia College (MMC) Kuching.

For the financial year ended 31 December 2008, TMFS registered revenue of RM219.0 million and PAT of RM5.0 million. A total of RM144.7 million or 66.1% of the revenue was generated from Comprehensive Facilities Management services (CFM) rendered to TM, while the remaining revenue was from requested services, including projects.

In 2009, TMFS will strive to improve its operational efficiencies and the quality of its services.

PROPERTY DEVELOPMENT

Property Development (PD) acts as TM's in-house land and building adviser and also land bank and assets manager. PD contributes to TM's bottom line by either disposing of or developing its idle land. It is also responsible for the property and land administration of all TM's real assets. Apart from creating value from the idle land bank, PD studies cost-saving options, especially in utilities consumption and property taxes.

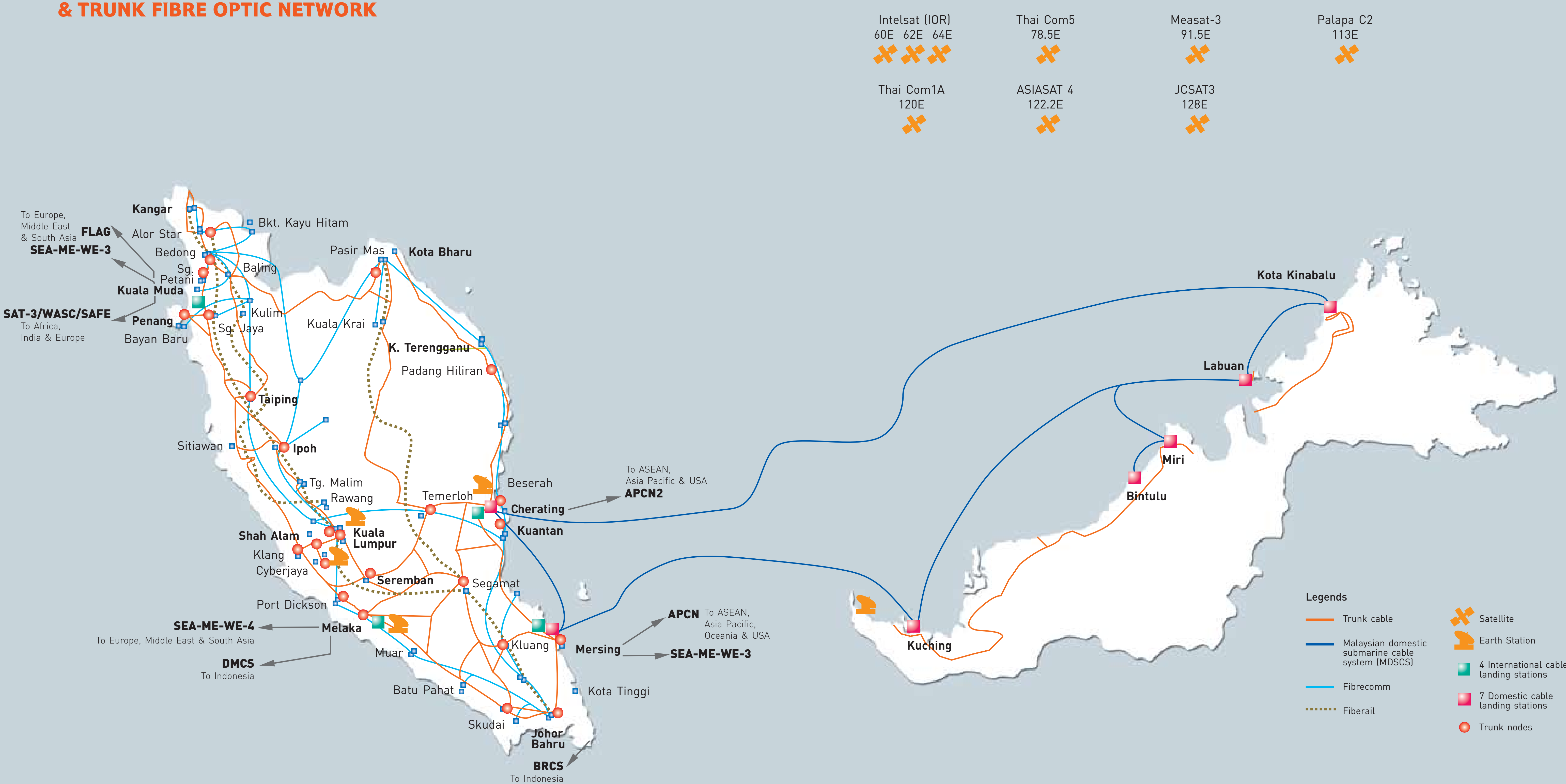
In 2008, PD contributed savings of RM3.2 million on reductions in land lease and tax expenses. In line with TM's objective to unlock some non-core assets, it securitised Menara TM, Menara Celcom, TM Net Building and Wisma TM Taman Desa via a sell and lease-back scheme known as *Project Rebung*. *Project Rebung* was awarded the Best Domestic Securitization Deal 2008 for Asia by The Asset.

Construction work managed by PD included a 14-storey building in the MITC zone, Ayer Keroh, Melaka, which was completed in 2008. PD also managed the construction of a four-storey Innovation Centre being rented out to TM Research & Development Sdn Bhd. In addition, PD is managing the renovation/rebranding of TMpoint outlets nationwide; and was responsible for the 106 sites completed in 2008.

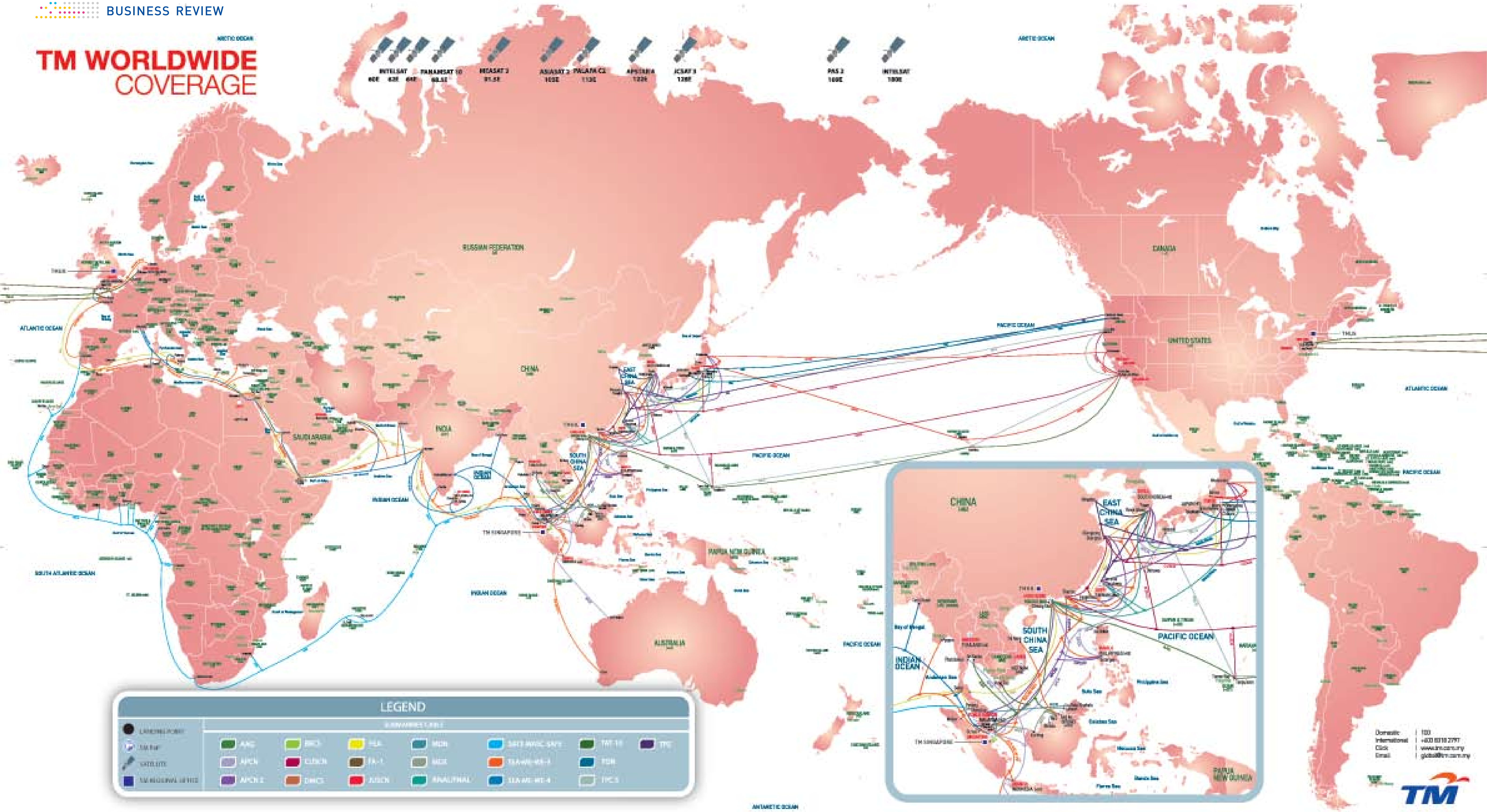
To date, PD has successfully unlocked the value for over 1,694 acres of land, of which 56 acres were disposed of and the remaining jointly developed. Among the more prominent projects being carried out is a 1,000-acre homestead development known as Hijauan Heights.

TM's building in the MITC zone, Ayer Keroh, Melaka, completed in 2008.

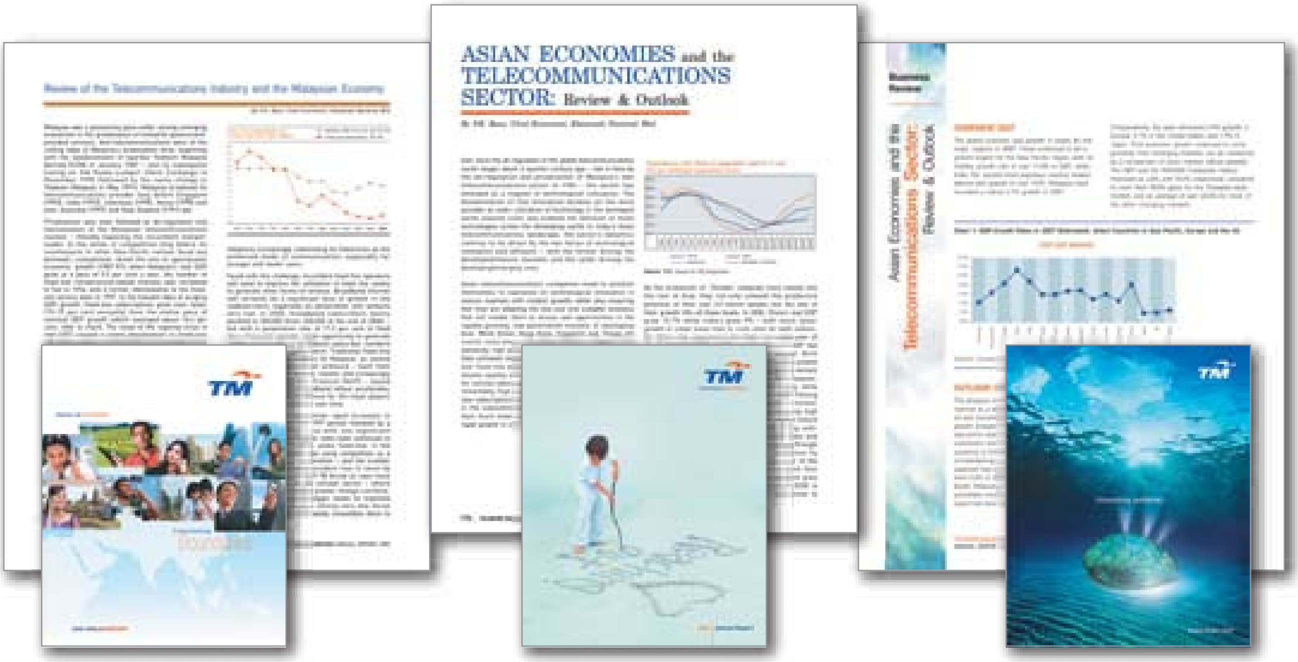
INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK



TM WORLDWIDE COVERAGE



ASIAN ECONOMIES AND THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

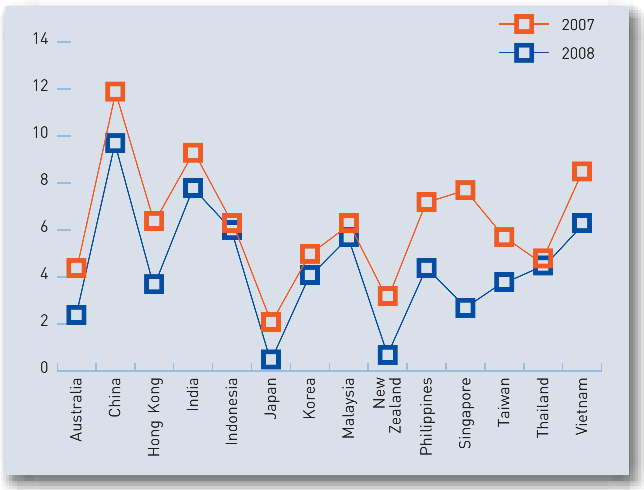


Overview 2008

2008 was a volatile year globally. First, the surge in crude oil and commodity prices resulted in higher prices for food and critical services. By mid-2008, the US financial crisis began to unfold, first hitting the credit markets then leading to the collapse of institutions like Lehman Brothers, Citigroup, AIG, and now affecting the rest of the US economy. As global stock markets fell, the Kuala Lumpur Composite Index (KLCI) plunged by about 40.0%.

The IMF has lowered its 2009 global economic growth estimate from 2.2% projected in December 2008 to 0.5% in February 2009, the weakest since World War II. The Malaysian Institute of Economic Research is projecting a 1.3% GDP growth for Malaysia, while the government has retained its GDP growth forecast of 3.5% for 2009 [*The Edge Daily*, 2 February 2009].

Chart 1: Asia Real GDP Growth Rates 2007 vs 2008 (Estimates)



Economic Outlook 2009

Advanced economies are moving into recession, while growth in emerging economies is weakening. The IMF projects that the GDP of many emerging Asian economies will fall to 7.1% in 2009, from 7.7% in 2008. *The Edge Daily* reported on 9 February 2009, that manufacturing in China had improved in January 2009 from the preceding month, offering hopes of a recovery. Guided by the January purchasing managers index (PMI) of China, economists too believe China's economy will bounce back in the first quarter of 2009. The IMF, however, expects 6.7% growth for China in 2009 (9.0% in 2008), marking a seven-year low.

Activity has also been decelerating in the newly industrialised Asian economies (NIEs) and the Association of Southeast Asian Nations (ASEAN) countries. Domestic demand has softened, as rising food and fuel prices have started to weigh on consumption, prompting firms to scale back their investment plans.

In Malaysia, electricity tariffs may be reduced to boost industry. Bank Negara Malaysia has cut the key rate to 2.5% and the consensus is that another 50 basis-point drop may be needed. While fiscal expansion will be limited by the already large budget deficit, economists say a bigger deficit is justifiable. Singapore, for example, will see a new stimulus package, and will tap into some S$4.9 billion from its reserves. Malaysia's budget deficit is already about 4.8% of the 2009 GDP, and could swell to 6.0% if another RM10 billion is allocated to pump-prime the economy. Increasingly, though, a budget deficit is the least of the worries.

Financial markets have been weakened by increasing concerns about the global outlook and shrinking investor risk appetite. In some countries, borrowing spreads have risen markedly for banks relying on wholesale funding. Regional growth is projected at 7.0% in 2008 and 2009 from over 9.0% in 2007, as weakening external demand dampens exports. However, the impact may be mitigated by still-loose macroeconomic policies and currency depreciation.

On the upside, domestic demand may prove more resilient, as falling commodity prices boost real incomes and pushes inflation down to 6.0% in 2009 (from 7.0% in 2008). The response to rising inflation has been varied. Some economies tightened their monetary policies, by hiking interest rates (India, Indonesia, Korea, the Philippines, Thailand, Taiwan, China and Vietnam). Some tightened their reserve requirements (Cambodia, India and Vietnam), and created more scope for appreciation in the exchange rate band (Singapore).

The immediate policy challenge in such uncertain times is to stabilise financial conditions, while keeping inflation under control through this period of slow activity.

Telecom Outlook 2009

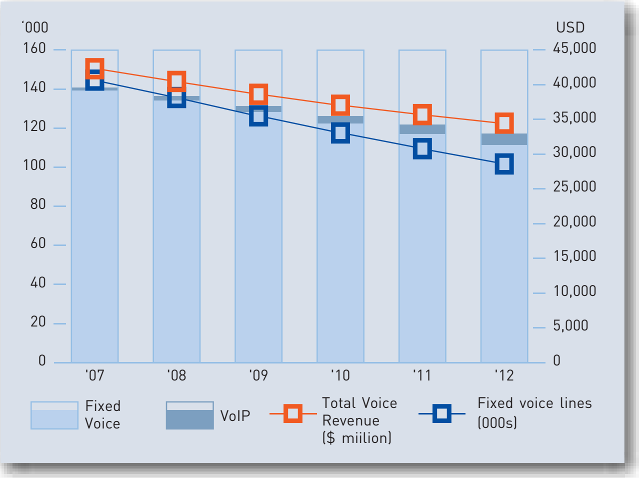
According to IDC, growth of telecom services in Asia depends on the ability of carriers to innovate to support advanced users and keep the competition at bay. It is unclear which new applications will generate revenue and lead the industry, but it is obvious that new services, linked to lifestyles and fashion, will fuel the demand for telecommunications products and services.

FIXED VOICE

In the more developed Asia Pacific markets (Hong Kong, Japan, Malaysia, Korea, Singapore, Australia, Taiwan and New Zealand) fixed incumbents have high levels of fixed, mobile and (increasingly) broadband penetration. All the countries are open to competition, although levels vary. Unlike in mobile, in the fixed voice services sector, the incumbent has maintained a dominant market share. China, India and Australia are expected to be the largest markets in Asia Pacific.

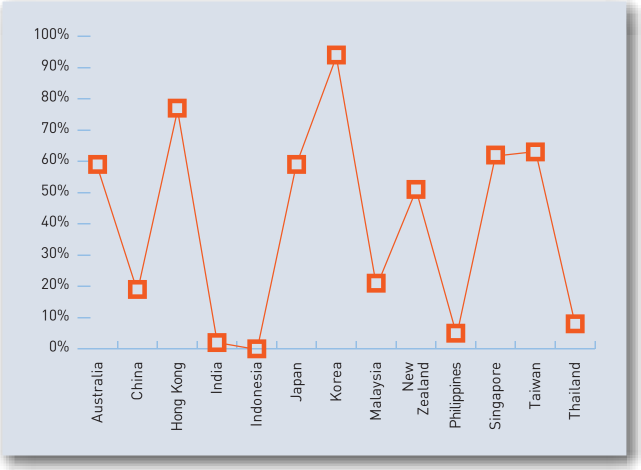
Although revenue from VoIP services is on the rise, operators in the region have started to prepare for the new frontier where voice may become a complimentary add-on to higher value communications services, such as IP television (IPTV) or data services. Many service providers have launched bundled packages to test market response. Additionally, almost all incumbents have either launched or are in the process of developing an IPTV service as they seek alternative revenue streams.

Asia Pacific Fixed Voice Trend



Source: Ovum – Fixed Voice Services forecasts (April 2008)

2008 Broadband Penetration (Estimates)



Operators are also exploring ways to leverage unified communications to improve average revenue per user (ARPU). Hong Kong-based PCCW's 'eye' multimedia service, which combines broadband content and applications with voice service, is one of the first prototypes. PCCW is expecting 'eye' to help it maintain its fixed-line subscription base while generating higher ARPU. Operators in the region are looking closely at the model and may introduce their own variation of the service during the forecast period.

BROADBAND

Broadband is still a growth area. At the regional level, the compound annual growth rate for broadband access is 9.0% between 2008 and 2012. The increase in revenue from broadband has largely counteracted losses from fixed telephony, keeping top-line revenues relatively stable for incumbent operators.

Fixed-to-mobile substitution will continue to be the biggest issue faced by fixed-line operators, especially in developing countries where copper line and PC penetration rates are low. This creates both opportunities and threats for broadband service providers. Opportunities lie in the development of value-added, converged services, while the threat is that mobile-only service providers may attack the fixed broadband market the way they did the voice market. The edge enjoyed by fixed broadband service providers is the superior quality of experience offered compared to pure mobile broadband play.

Broadband is gradually changing what consumers do online, and how long they spend doing it. The biggest shift in recent times is towards video-based applications and services. In 2009, more telcos will have to start identifying and tapping the potential of web providers such as Google and other 'GAMEYs' as well as major social networks. Enlightened telcos will seek ways to combine their strengths with these providers to retain customers and drive new sources of revenue.

DIGITAL MEDIA/INFOTAINMENT

Telecom companies are expected to play a greater role in the development of next-generation infotainment. As the digital media grows, major telcos are competing with cable companies for the coveted 'triple play' of telephony, broadband and media services. The goal is to bundle multiple communication services to increase subscriber 'stickiness'.

TV and video services currently represent the biggest new revenue opportunity for broadband service providers. In countries where cable competition is strong, it is also a good defensive strategy. Incumbent telcos will need to remain fully focused on their core business – voice and broadband – and drive growth through IP television (IPTV). IPTV carriers and cable TV companies will continue to form exclusive alliances with content providers, with a focus on top-selling content or brands. Advanced IPTV providers will also offer consumer-generated content, social networking and advertising. Some telcos are expected to persuade customers to migrate to higher-value packages and take up more services such as IPTV and VoIP in order to grow, or even stabilise, their revenue in 2009.

Telcos are likely to continue to invest in service capabilities as they move towards a data-dominated market. In fact, the top telecom carriers are entering the new year with plenty of cash in hand to take advantage of opportunities emerging from Internet's evolution and consumer demand for services that add value to how they work, play and live. Second-tier telcos, in contrast, may need to hold back on introducing new technologies and services; but if they stop innovating, they will lose market share.

IMPROVE EFFICIENCIES

The prospect of recession means renewed focus on efficiencies and restructuring the cost base for telcos in 2009. Many incumbents are also starting to retire legacy systems and change their business processes to improve the customer experience. Furthermore, 2009 will see an increase in sales of less profitable non-core assets from telcos such as content and media, international operations, ICT and advertising businesses, especially if these can be either outsourced or better delivered through strategic partnerships.

TELCO TRANSFORMATION

As telcos are becoming more customer-centric, they are expected to restructure with customer-facing business divisions such as consumer and enterprise, rather than product lines such as fixed, mobile and Internet. Their marketing will be more specific and targeted, utilising customer data for business intelligence, lifecycle analysis, customer segmentation and multiple branding. This strategy is vital for fixed-line telcos as customers tend to be very sensitive and choosy during a recession.

CONCLUSION

In 2009, the telecoms landscape will change from technology-defined business units (mobile, fixed, broadband) to customer-focused segments (consumer, enterprise), independent of access technology. This shift increases the need for new revenue growth to complement traditional telecom services. Those that are able to provide beyond traditional offerings will stand a good chance of performing well. In addition, most telcos will face the challenge of open platforms and non-telecom competitors. As such, carriers need to develop new capabilities to compete effectively in an environment in which control over network infrastructure will be insufficient.

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SERVICE EXCELLENCE VIA ENHANCED CUSTOMER EXPERIENCE AND RELATIONSHIPS

TM's business revolves around one key group: its customers. The Group exists for the ultimate purpose of providing telecommunications services and in order to retain and attract more customers, every subsidiary, operation and outlet is expected to offer a superior level of customer experience. Hence, TM spares no effort in evolving the technology that backs its systems and operations, while also enhancing the competencies and people skills of all its customer service personnel.

Customer service has over the years become even more important as competition within the industry intensifies and the need for differentiation becomes more pronounced. In TM, customer service is part of a greater customer relationship management scheme which, since 2005, is being remodeled so as to provide the Group with a holistic, integrated approach. This Integrated Customer Allied Relationship System (iCARE) transforms the entire customer value chain based on global best practices, guidelines and processes. Two phases of iCARE were completed in 2005 and 2007. The third, and final phase was implemented in 2008, bringing greater synergies in customer service and management across the board. All customer interaction points now have the same 360-degree view of the customer, enabling personnel to provide better and consistent service in response to requests.

Along with iCARE, various other initiatives were launched as part of TM's commitment to create seamless, pleasant and convenient interaction with existing and potential customers at every opportunity.

MORE TOUCHPOINTS FOR GREATER ACCESSIBILITY

TM has been increasing the number of its centres nationwide to increase its accessibility. For two years beginning 2005, the well-known *Kedai Telekom* were given a fresh look, along with better and more efficient service. Rebranded as TMpoint, more centres were set up, and in 2008 Telekom Sales & Services Sdn Bhd (TSSSB) opened three new outlets at Sunway Damansara, Puchong and Labuan. To get even closer to customers, TSSSB ventured into new territory by setting up TMpoint counters at the high-human traffic Carrefour hypermarkets. The introduction in 2008 of the TMpoint Dealership Programme aiming at third party dealers to operate TMpoint outlets in rural areas further expanded TM's channel reach, and was well-received by Malaysian entrepreneurs. The first dealership outlet is to be opened in early 2009.

INNOVATIVE APPROACH FOR SPEEDY SERVICE

Quick service is another focus area in TM's overall customer relationship management blueprint. A number of initiatives were embarked on in 2008 towards reducing the time customers have to wait before they are tended to. One of these time-saving innovations comes in the form of high-tech wireless tablet PCs that serve as virtual counters. Installed at TMpoint centres, service personnel invite customers waiting to be served to use these futuristic tools to take care of simple enquiries and service requests. At the same time, the customer service staff are able to highlight TM's latest offerings. This Frontliner Goes to Customer (FGTC) service was launched on 8 January 2008, at the TMpoint in Shah Alam by Dato' Zamzamzairani Mohd Isa. Initially implemented as a pilot project in eight TMpoint outlets, the FGTC can now be found in 25 such centres nationwide.

FASTER RESPONSE AT CALL CENTRES & CENTRALISED NETWORK OPERATION CENTRE

Customers who call TM's centres expect quick and efficient response. Towards this end, the TM Single Number Access (SNA) launched in 2006 has been steadily improved. There are three SNAs – 100, 101 and 103. While the services for 101 (for connection to a domestic or international number) and 103 (directory enquiries) have not changed, that for 100 (for enquiries about products and services, fault reporting, payments, billing and to speak to a customer service representative) has been streamlined to give customers simpler and faster access to all TM services, beginning 2007. In December 2008, a new interactive design for the 100 number was implemented to be even more

The 100 call centre service has been streamlined for faster and simpler access to all services by customer.

effective. For example, fault reporting has been elevated to the primary menu so it is faster to access, and customers who wish to speak to customer service representatives directly to report service faults can do so with minimum waiting time.

To further improve on the quality of response to customers' fault reporting, a Centralised Network Operation Centre (CNOC) was set up. The CNOC collaborates closely with all regional and branch Network Operation Centres nationwide, acting as a 'nucleus' by coordinating and controlling information across the system. As a result, customers are assured of quick and accurate updates on the status of their fault reports.

CUSTOM-MADE SERVICE

Good customer relationships are built on good understanding of the customer. Acknowledging this basic tenet, in May 2008, TM launched STARsini, an innovative tool that allows customer service personnel at TMpoints to quickly identify the particular profile of individual customers and suggest appropriate products to meet their needs.

LOYALTY GOES A LONG WAY

As a gesture of appreciation to loyal customers, the TMpoint Red Carpet Day is held once a month to celebrate selected customers. At the same time, TM takes the opportunity to showcase new products that these customers may not be aware of, with demonstrations and promotions.

CONVENIENT PAYMENT CHANNELS

TM strives to make bill payment as painless as possible by increasing the number and type of payment channels. Recently, it introduced E-Kiosks, which allow customers to make automated TM bill payments by cash or credit card. E-Kiosks were set up at 27 TMpoints in the Klang Valley and at state capitals, where there is particularly heavy traffic of customers. These kiosks serve to reduce the queues and, hence, the general waiting time. In future, E-Kiosks will even be able to accept payment by cheques.

Meanwhile, TM Online – the main interactive platform for customers to obtain information, view bills and make payments online – continues to be expanded to offer an increasing range of transactions. In 2008, the TM Online Business-to-Business (B2B) function was extended to allow business customers to make payments via cheque or by debiting directly from their bank accounts. These alternative payment methods were subsequently extended to individual customers via TM Online B2C (Business-to-Customer). In addition, TM collaborated with Maybank in December 2008 to introduce autopay services for data products including Leased Circuit, COINS and IPVPN.

ONE NATION, ONE EMERGENCY NUMBER: 999

The Malaysian Government has simplified the process of calling for emergency services. While in the past the country had five emergency numbers for different service responses – 991, 992, 993, 994 and 999 – today there is only one: 999. In order to achieve this, the four major public safety agencies, namely the police, hospital, fire brigade and civil defence, have coordinated their response mechanisms. The Government entrusted TM to take the lead in this project. The result is the Malaysian Emergency Rescue Services (MERS) 999, equipped with Computer Telephony Interface (CTI), Computer Aided Dispatch (CAD) and Geographic Information System (GIS) developed by TM.

MERS 999 heralds a new era in the dispatch of emergency services. All 999 calls will be handled by specially-trained service professionals at TM-operated 999 Response Centres located in Kuala Lumpur, Melaka and Kuching. These calls will be passed on to the relevant agencies complete with digital data on the incident.

With the CNOC as the 'nucleus', customers are assured of quick updates and resolution of their fault reports.

Conducting programming class at one of the multimedia laboratories.

FOSTERING A KNOWLEDGE-BASED NATION

In its vision to propel Malaysia into the global sphere, the government has stressed the importance of developing the nation's ICT capabilities and for Malaysians to embrace fully the opportunities offered by the latest advances to upgrade our skills and knowledge. TM has played a crucial role in both regards. As a telecommunications company, it has kept up with evolving technologies and adopted these in its product and service offerings. As a responsible corporate organisation, it is capitalising on its ICT expertise to nurture an entire nation that will be better positioned to face the increasingly challenging demands of globalisation and technopreneurship.

TM's education 'arm' consists of three main entities: Multimedia University, which has made a name for itself not just within the country but also internationally; Multimedia College (MMC), which has a long-standing track record of serving as a telecommunications training centre; and Telekom Smart School Sdn Bhd (TSS), which targets mainly the school market, where it has been instrumental in introducing and spreading the myriad benefits of e-learning.

As part of the recent group-wide rationalisation and in line with TM's 'One Company Mindset', in the fourth quarter of 2008 the external component of MMC's programmes and courses, namely those offered to non-TM employees, was transferred to MMU. This allows MMC to remain focused on its traditional role, which has always been the training and up-skilling of TM employees. Today, there is a greater need for this in preparation for the high-speed broadband (HSBB) roll-out.

MMC, set up in Kuala Lumpur in 1948, has expanded geographically with the establishment of five more regional colleges – in Taiping, Terengganu, Melaka, Sabah and Sarawak – boasting a total student population of 2,400 as of end 2008. In 1995, it was accorded college status by the Ministry of Higher Education. Enrolment into MMC had grown steadily, reaching a record intake of 800 students in 2008. The 12th MMC convocation ceremony, held on 22-23 March 2008, saw 729 students graduate. In the 12 years that it operated as a college, MMC produced 3,502 Diploma graduates in the following subject areas:

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

MULTIMEDIA UNIVERSITY

Multimedia University (MMU), set up through Universiti Telekom Sdn Bhd (UTSB), a wholly-owned subsidiary of TM, has taken on the challenge of educating the next generation of knowledge workers and leaders. As the first private university in Malaysia, MMU developed the prototype for other successful private institutions of higher learning in the country, paving the way for growth of the private tertiary education sector.

Located in the Multimedia Super Corridor (MSC), MMU also serves as a catalyst for the development of the high-tech ICT industry of the nation, parallel to the Silicon Valley-Stanford model in the United States.

MMU has achieved much in a relatively short period of 11 years. Its student population has grown to nearly 20,000. The university operates from two locations, the original Melaka campus, and a campus in Cyberjaya that was opened by former Prime Minister Tun Dr Mahathir Mohamed. It has produced 19,620 graduates, 96.0% of whom, according to a recent survey, secured employment within six months of completing their studies. MMU graduates are renowned for their knowledge and skills, resulting in the consistently high employment rate. MMU has also attracted over 3,700 international students from 79 countries.

Its graduates' employment success is due in part to the innovative steps taken by MMU to ensure a holistic education, one that is relevant to the industry's needs. The university in 2007 launched the e-SILK programme for the express purpose of developing the entrepreneurial skills of its students. This optional progamme also focuses on innovation, leadership and knowledge.

Given its high standards and outward-looking approach, MMU has received several awards. Some recent achievements were in:

- **MSC-IHL Business Plan Competition 2007-2008**
  A student team from the Faculty of Management, called Ideas.Connection, won in the Business Idea Category.

- **MSC-IHL Business Plan Competition 2008-2009**
  A student team from the Faculty of Management, called Hand-some, has been selected as one of the 10 finalists from teams representing 42 other local universities. They will be competing in the finals on 19 February 2009.

- **HSBC Young Entrepreneur Awards 2007-2008**
  Two teams – Extreme Bros and Epsilon – won Certificates of Excellence, while The Pulse team received a Certificate of Appreciation.

Fostering a knowledge-based community.

FOSTERING A KNOWLEDGE-BASED NATION

DEVELOPING FUTURE TALENT POOL
TM places a strong emphasis on education as the way forward

Foreign students at the Faculty of Engineering, MMU.

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS) continues to identify talent and build capacity at the grassroots and school level. Recognised as one of the country's premier e-education providers, TSS participates actively in the development of multimedia content and supports the 88 Smart Schools under the Ministry of Education as well as the three schools (SMK USJ 12, SMK (L) Methodist KL and SMK Seksyen 11 Shah Alam) under the TM e-School project.

Four other schools in the Klang Valley were added to the TM e-School project in 2008 as part of the Group's corporate social responsibility (CSR) initiatives. The schools are: SRK Taman Tun Dr Ismail (1), SMK St John, SMK Cyberjaya and Sekolah Agama Subang Jaya. TSS will continue to take a lead in the provision of systems, maintenance and support services for the TM e-School project.

In 2008, TSS was awarded a DAGS Grant by the Ministry of Science, Technology and Innovation to 'modernise' five Sekolah Rendah Agama schools under Jabatan Agama Islam Wilayah Persekutuan (JAWI). This involves providing the network infrastructure, multimedia learning content (for Islamic Studies) and management system for the schools' portal. Part of the project is also to induce the schools' administration to encourage wider use of ICT by teachers and students. If this pilot project proves to be successful by end 2009, it will be rolled out to all 75 religious schools in the Federal Territory. This is the first ICT-based learning project for religious schools in the country.

In addition, TSS organised educational workshops for students during the school holidays. The workshops were highly motivational and designed to make learning fun as well as to build character and develop leadership skills among the participants.

In the area of adult learning, TSS was contracted to develop the multimedia learning content for TM's Customer Relationship Management Fast Track Learning (CRM-FT). This CRM-FT has already been implemented, benefiting the Group significantly in terms of cost-saving and time to deploy the learning to employees. TSS has proposed a similar solution to other corporations, the government, institutes of higher learning and the private sector. Among the government agencies targeted are MARA, INTAN, MAMPU, Jabatan Perairan dan Saluran (JPS) Selangor and the DagangNet Group.

TSS is also still in discussion with the MMC on an e-Learning solution and content development services for the Group and its contractors, in preparation for the advent of high-speed broadband (HSBB).

TSS benchmarks its solutions against the best-in-class globally to ensure it remains at the cutting-edge of the fast evolving IT arena. To reinforce its position as the leading e-Learning player in the local market, TSS collaborates with the Multimedia Development Corporation (MDeC) and Ministry of Education to showcase its products and services in the international market. In 2008, strong business links were established in South Korea and the United Arab Emirates, where TSS experts shared their knowledge and expertise in seminars while also taking the opportunity to exhibit TSS' e-learning tools.

As part of its community service, TSS donated computers and BestariEd, a multimedia learning tool, to Rumah Amal Limpahan Kasih, a home for destitute children, adults and the elderly. BestariEd assists in the learning of English, Mathematics and Science. In 2008, TSS contributed to various other needy students through NGOs such as Yayasan Pendidikan Pelajar Melayu (YPPM).

Widening the Smart School curriculum.

JOB BROADBANDING: THE WAY FORWARD
Dato' Zamzamzairani briefing TM executives on TM's new career path tracks.

GEARING HUMAN CAPITAL TOWARDS BUSINESS EXCELLENCE

Facts at a Glance

57 'Hot Skills'
Skills categorised as high-demand in industry are paid at market premium level

RM5.33 million
Total payout awarded to 677 recipients of TM Group CEO Merit Award

5 Job Bands
The job grading system is revised from 13 grades to 5 Bands

Today, in gearing up for further growth and business excellence, TM is leveraging on its human capital and technological expertise to overcome challenges and make the most of opportunities. Group Human Capital Management (GHCM) has adopted several strategic initiatives aimed at creating a more agile and competent workforce to face an increasingly demanding operating environment. Meanwhile, high-performance employees are handsomely rewarded so as to create added value for the company.

HARNESSING HUMAN CAPITAL FOR PERFORMANCE EXCELLENCE

To create a high-performance culture, the 'old entitlement culture' is being replaced by one that focuses on individual and team accountability for results.

Efforts are ongoing to align the performance of individuals and teams with results; while rewards will be based on business performance.

TM JOB BROADBANDING

Job Broadbanding introduces a new paradigm in the management of organisational flexibility and individual capability to address the vision and aspirations of TM from the human capital perspective.

One of the focus areas in TM Job Broadbanding is career progression, for which two tracks – generalist and specialist – have been established:

- The Generalist Career Track targets employees who wish to pursue roles which require broad technical skills in a variety of areas. Examples of possible functions in TM are Accounting, Legal, Information Technology and HR.
- The Specialist Career Track targets employees who wish to contribute to the organisation in roles that require in-depth professional or technical expertise in what are defined as 'specialist skills' jobs.

MARKET PREMIUM – HOT SKILLS

A study conducted across the organisation had identified 57 jobs as requiring 'hot skills', namely skills and professional qualifications that are in high demand in the industry. In order to retain staff who possess such skills, TM pays a special market premium allowance in recognition of their capabilities.

GROUP CEO MERIT AWARD

The complexities of today's business environment and concomitant increase in responsibility of executives called for greater flexibility and responsiveness in TM's reward system. Initiatives towards this end include the Group CEO (GCEO) Merit Award, which recognises all unsung heroes in the organisation who have been driven by their personal work ethics to go the extra mile.

In 2008, 677 employees were rewarded with a total of RM5.33 million under the GCEO Merit Award for their exceptional contributions and achievements.

TM GROUP AWARDS NITE

The biggest annual staff event, the TM Group Awards Nite, was held on 19 April 2008 at the Putrajaya International Convention Centre. It was attended by 3,000 employees from the Group, including overseas operations and subsidiaries. The event underlines the Group's commitment in recognising and rewarding outstanding employees from across the board.

In addition, awards for KRISTAL Personality, Innovation, Most Customer-Centric Organisation, Company of the Year and TM Group Award were also presented. Three special awards for the Best Sales Personality, Best Support Personality and Best Customer Service Personality were introduced for the first time.

INTENSIFYING PERFORMANCE MANAGEMENT

MAPS FOR NON-EXECUTIVES

TM has extended its performance appraisal system, the Managing and Assessing Performance System (MAPS) to non-executives. This is a strategic initiative to promote a performance-based culture by focusing on key performance indicators (KPIs). It is being implemented to all non-executives in Sabah and in targeted groups in Peninsular Malaysia and Sarawak. Top performers in Sabah will be rewarded accordingly through the Performance Based Incentive Scheme (PBI).

YOU DESERVE IT
Dato' Sri Wahid presenting an award to Encik Ahmad Ismail, Vice President of Customer Service Management (CSM) during the 2008 TM Group Award Nite.

GEARING HUMAN CAPITAL TOWARDS BUSINESS EXCELLENCE

EMPLOYEE PRODUCTIVITY ENHANCEMENT (EPE)

The Employee Productivity Enhancement (EPE) programme continued into its second year, providing a fair opportunity for non-performers to improve themselves, with the involvement of their line managers. Encouragingly, those who went through the programme in 2008 showed a marked improvement at work.

TOWARDS WORK-LIFE BALANCE

FLEXI HOURS

A pilot Flexi-Hour Work Plan was implemented from 1 November to 31 December 2008 as part of TM's 100 Days Revitalising Corporate Culture Initiatives. This pilot study revealed that most employees prefer a flexi-work arrangement. Hence, the Work Plan will be fine-tuned in 2009.

SMART CASUAL FRIDAY

On 25 July 2008, Group Human Capital Management announced the implementation of Smart Casual Friday. The idea of allowing employees to dress casually on Fridays is to break down hierarchical barriers and promote a greater spirit of unity and cohesion.

ENHANCING OPERATIONAL EFFICIENCY

TM continues to improve its administrative operations as part of initiatives aimed at excellence. Changes implemented in 2008 include the Employees Self Service (ESS) platform, for the following activities:

- Online Leave Application
- Online Loan Application
- Online Updating of Personal Data

In 2008, online recruitment featured more prominently, with an increase in the use of Internet job boards. This recruitment channel has helped TM to shorten its end-to-end processing of recruitment activities, cutting down on various conventional procedures. In addition, online recruitment provides a comprehensive and up-to-date databank of potential candidates.

DEMERGED ORGANISATION

On 25 April 2008, Telekom Malaysia Berhad officially separated its fixed and mobile operations into two distinct entities: TM FixedCo (TM) and RegionCo (TMI).

TM FixedCo's organisational design aims at creating a 'One Company Mindset' through the integration of Group corporate centres and subsidiaries, e.g. VADS, Fiberail and Fibercomm into its fold. At the same time, FixedCo's structure is tailored to drive the High-Speed Broadband (HSBB) project via an NGN/IP-enabled network environment that will strengthen product development and offerings to be in line with HSBB requirements.

RegionCo's design creates an independent, flexible and lean organisation that is able to drive stand-alone innovations, improve collaboration among its companies and realise growth in targeted regional areas. The structure will also facilitate talent management and the development of leaders across borders.

On 6 March 2008, the Board of Directors approved a special Employee Share Option Scheme (ESOS) to reward 'forward loyalty'. It was envisioned that with the scheme, employees would give their full cooperation during the 18-month lead-up to the Demerger.

One Company Mindset.

Towards A Strong Management-Union Relationship.

MANAGEMENT–UNION RELATIONSHIP

In 2008, ties between Management and the Union fostered over several years, were further strengthened. Openness with regards to industrial matters and respect for each other's views have served to create a healthy relationship between the two parties. Members of the Union are continuously informed and invited to participate in Group activities.

Every operational, management or administrative change in the Group is explained to the Union before being implemented to obtain its buy-in. This simple yet symbolic gesture has increased the level of cooperation between TM and the Unions. As an example, the envisioned change in style of Group Management needed Union support right from the beginning.

Close cooperation and professional relationship with the Union as the workers' representative are positively encouraged as pillars of the 'One Company Mindset', while being consistent with Performance Improvement Programme (PIP) 2.0.

KRISTAL-NUTE CONVENTION

The Learning and Development Division (LDD), in collaboration with the National Union of Telekom Employees (NUTE), held the KRISTAL Convention themed *Forward Together* on 6-8 July 2008 at the Armada Hotel in Kuala Lumpur. A total of 56 NUTE members participated in the Convention.

Officiated by Group CEO Dato' Zamzamzairani Mohd Isa, the convention culminated in the signing of a declaration between TM and NUTE renewing both parties' commitment to realising the core values encompassed in KRISTAL.

LABOUR DAY ASSEMBLY

Every year, TM sends a contingent to the National Labour Day celebrations hosted by the Ministry of Human Resources. In 2008, the group of 150 personnel consisted of management representatives, TM staff, 30 NUTE members and the Union Excos from Sabah and Sarawak. It was a proud moment when TM's slogan, *Creative Employees, Effective Management, Competitive Employer*, was crowned the best slogan.

National Labour Day Celebration.

Facts at a Glance

Competency Index – 78.8
An improvement of 4.5% from the 2007 Competency Index of 75.4

10,779
The number of employees trained in HSBB-related programmes in 2008

40,548
The number of employees who attended courses in 2008

CONTINUOUS LEARNING
Training and development is a cornerstone of TM and its operations.

BUILDING CAPABILITIES THROUGH DEVELOPMENT AND LEARNING

To maximise its own human capital and fully tap the potential of its employees, TM has always stressed the importance of professional development, both in technical and functional skills. The Multimedia College (MMC) was set up to provide industry-relevant training for personnel, and has duly carried out various programmes to increase the skills level and technical know-how of the Group. Continuous training is essential to keep employees abreast of the latest technological developments, to enhance the delivery of service and to promote operational excellence, which collectively contribute to the Group in maintaining its competitive edge.

BUILDING PEOPLE CAPABILITY

During the year under review, TM continued to invest in several training and development modules to upgrade the capabilities of its people. One focus was on driving mindset change towards personal empowerment through developing leadership skills and more extensive employee engagement.

At the same time, team work and team dynamics were not neglected. Core values as encapsulated in KRISTAL were further developed via role models, as well as heightened emphasis on passion for innovation and service excellence. Particular attention was given to bring all employees up to speed with the technicalities of broadband, to ensure the successful implementation of High-Speed Broadband (HSBB), which has been identified as a key growth driver for TM.

A series of structured training programmes related to the Next-Generation Network (NGN) and advanced technical and customer service skills was introduced. These initiatives will not only boost TM's performance, but will go a long way towards achieving the government's target of 50% broadband penetration in Malaysia while also bridging the digital divide.

PEOPLE ORIENTATION AND ENGAGEMENT PROGRAMME

Several programmes were carried out in 2008 to inculcate the Group's values and philosophies, such as the 'One Company Mindset' that was introduced to create greater cohesion of TM following the Demerger. To further enhance the Group's drive towards greater customer-centricity, *Passion for Service Excellence* courses were conducted for front-liners.

In addition, employees were given the opportunity to engage with top management via *Teh Tarik* and *Turun Padang* sessions, where leaders shared company news with down-liners. More importantly, these sessions enabled a trickling up of first-hand feedback from employees regarding any concerns they have about work and their well-being in general.

Tapping into the leadership potential of managers as well as to increase channels for junior employees to make their mark, the Building Internal Coaching Capability programme was introduced in 2008. The initiative has already seen the certification of 50 managers as coaches.

More formal training was provided by the Multimedia College (MMC), the premier training arm of the Group. MMC contributed immensely towards developing not only TM employees but also other stakeholders, including vendors. MMC is responsible for the delivery of both SmartOrange and the Structured Training Programmes. In 2008, 40,548 employees comprising top management, middle management, executives and non-executives attended various courses. In addition, 3,617 contractors were trained in their respective areas, in accordance with MCMC's requirement that all vendors be certified to carry out their specific roles.

SmartOrange was introduced in 2006 as a behavioural development framework. In 2008, 1,669 executives were given soft skills training under this programme at an investment of RM4,264,226. Level Three evaluations, which measure the transfer of learning from the classroom to the job, indicated a significant improvement in the behavioural skills of employees who attended the course.

TM's efforts towards training and enhancing the capabilities of its employees have paid off. The Group's competency index (CI), as measured via the annual 360-Degree Feedback Assessment for executives, has increased. In 2008, the assessment of 6,863 executives in TM and its local subsidiaries resulted in a CI of 78.8. This is a marked improvement from the 2007 CI of 75.4, and exceeds the 2008 Balanced Scorecard target of 75.

MMC offers quality training to TM employees and the public.

Technical training for TM staff.

TM R&D BUILDING

TOWARDS GREATER INNOVATION

As the technology ecosystem evolves and greater focus is given to fiscal performance, Telekom Research & Development Sdn Bhd (TMR&D) is reinventing itself to suit the times. Originally founded as an R&D unit focused on the internal needs of the Group, the company has begun to look outwards, setting its sights on commercialisation and innovations. Today, TMR&D's vision is to become a technology company and a leading force in the market through research, development and innovation in Information and Communication Technology (ICT).

A strategic blueprint has been drawn to launch TMR&D as a full-fledged technology company, replete with a roadmap that paves its way boldly into the future. The roadmap provides direction in the development and innovation of solutions geared towards satisfying customer requirements while creating sustainable returns and high value for stakeholders. A significant step into this exciting journey was taken on 1 June 2008, when TMR&D relocated to the purpose-built TM Innovation Centre in Cyberjaya.

In terms of innovation, TMR&D has proven its excellence in developing a complete range of Proof-of-Concepts (POC) and solutions for fibre-to-the-home (FTTH) technology, including optical line terminal (OLT) equipment, optical network units (ONU), EDFA amplifiers and optical splitters. TMR&D has also developed IPv6 routers, CPE devices, broadband test gears and IP multimedia technologies for HSBB implementation. The target is to offer best service solutions to TM's customers and the market with an innovative 3E lifestyle, namely one which is Entertaining, Efficient and Eco-friendly.

Another notable achievement was the introduction of technical specifications for fibre-to-the-home (FTTH) Certification (the 'Emblem' System), which encourage real estate developers to install optical fibre networks in their housing projects to increase high-speed broadband (HSBB) adoption as well as the value of their property. This has the dual advantage of promoting greater broadband penetration in the country as well as making life in general, 'greener'.

COMMERCIALISATION & QUALITY ASSURANCE

As part of the move to commercialise its innovations, TMR&D has taken to market several new products, such as Electromagnetic Compatibility (EMC) devices, optical splitters, Digital Subscriber Line (DSL) testers and asset monitoring systems, through licensing arrangements with local partners. In 2008, TMR&D also participated in numerous product exhibitions, road shows and international conferences as well as submitted entries for competitions, including:

1. ITU Exhibition – Bangkok, Thailand
2. CommunicAsia 2008 – Singapore
3. SMIDEX 2008 – KL Convention Centre
4. WCIT Exhibition – KL Convention Centre
5. MYIPO Exhibition – KL Convention Centre
6. 2008 MyBroadband Exhibition – KL Convention Centre

Maintaining standards, TMR&D added several International Invention, Innovation, Industrial Design and Technology Exhibition (ITEX) awards to its collection last year. At the awards night held in Kuala Lumpur, the company swept away the following:

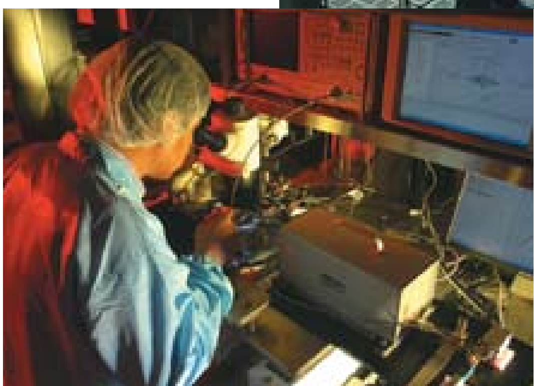
1. Short Wavelength Vertical Cavity Surface Emitting Laser (VCSEL) – Gold Award & Most Innovative Product Award
2. Auxiliary Tunable Dense Wavelength Division Multiplexing (DWDM) Transponder-TRX1000 – Gold Award
3. Passive Optical Network (PON) Protection Switch – Gold Award
4. Coarse Wavelength Division Multiplexing (CWDM) Multichannel Fiber Duplexer – Gold Award
5. Testing Jig Measurement – Silver Award
6. Fraudster Linkage System – Silver Award
7. Intelligent Display Box – Most Innovative Product Award

While core activities concentrate on niche technologies, TMR&D is committed to adhering to world-class standards and best practices in its R&D projects. Beginning in 2007, TMR&D embarked on a quality and process improvement journey by implementing the Capability Maturity Model Integrated (CMMI), in addition to its ISO9001:2000 initiative. It managed to achieve CMMI Maturity Level (ML) 3 Rating for its Security, Intelligent Applications and Multimedia Programmes. In 2008, TMR&D was ISO9001:2000 re-certified under the R&D and Consultancy category. This was obtained while embarking on the CMMI ML 4 initiative to cover all research programmes, instead of just application development.

Concurrently, programme leaders underwent Program Management Professional (PgMP) training while project managers were inducted through training following the processes and guidelines as outlined in the CMMI Process Quality Manual and other process documents.

INTELLECTUAL PROPERTY & RESEARCH COLLABORATION

In 2008, TMR&D made 44 patent disclosures of which 22 have been filed with the patent office. In addition, it produced 8 industrial designs, 11 layout designs for integrated circuits, and received 45 software copyrights. A total of 70 research projects were undertaken, of which 23 were completed on schedule, with the rest planned for completion in 2009 and beyond.



TEST AND MEASURE
A team from TMR&D using the Radio Frequency (RF) Tester, which forms part of an integrated on-wafer characterisation system for advanced semiconductor measurement.

TOWARDS GREATER INNOVATION

Continuing its effort towards capacity-building, TMR&D has forged several partnerships with universities and institutions to undertake research and develop solutions for next-generation services, product development and prototyping of new-generation optical fibre solutions and accessories for FTTH deployment. Its new partners include MIMOS and Universiti Teknologi Malaysia (UTM), which join the ranks of local SMEs that collaborate with TMR&D on research relevant to the needs of the local IT industry.

HUMAN CAPITAL & PARTICIPATION IN INTERNATIONAL CONFERENCES

To maximise the potential of its human capital and intellectual resources, TMR&D in 2008 conducted or facilitated in various programmes for its 378 staff. These included:

- 152 training modules, conducted in-house or outside.
- Assistance to 56 full-time employees to do post-graduate studies.
- Industrial attachments for its researchers.
- Hands-on technology transfer by expatriate employees.

As a result of efforts to increase its intellectual capital, TMR&D not only completed its research deliverables, but also produced numerous research papers approved by ISI-indexed international journals. In total, 70 papers were accepted by journals such as the *International Journal for Light and Electron Optics, Advances in Applied Ceramic Journal* and by conferences organised by IEEE and other international bodies. The following is a list of some flagship conferences where TM research papers were presented:

- The International Conference on Information Networking 2008 (ICOIN2008), 23-25 January 2008, Busan, Korea
- 2008 International Conference on Carbon, 13-18 July 2008, Nagano, Japan
- The 14th Asia-Pacific Conference on Communications (APCC2008), 14-16 October 2008, Tokyo, Japan

The team at TMR&D.

HEAT IT UP
Researchers in TMR&D are equipped with the latest tools, such as this furnace, used to heat multiple semiconductor wafers.

- 10th International Conference on Ceramic Processing Science (ICCPS-10), 25-28 May 2008, Inuyama, Japan
- Technical Conference of IEEE Region 10 (TENCON 2008), 18-21 November 2008, Hyderabad, India
- IEEE International Conference on Semiconductor Electronics (ICSE2008), 25-27 November 2008, Johor Bahru, Malaysia
- International Conference on Solid State Devices & Materials (SSDM2008), 23-26 September 2008, Japan
- 2008 Asia-Pacific Symposium on Electromagnetic Compatibility, 19-22 May 2008, Singapore
- The 6th Asian Meeting on Electro-Ceramics (AMEC-6), 22-24 October 2008, Tsukuba, Japan
- 2nd International Conference on Signal Processing and Communication Systems, 15-17 December 2008, Gold Coast, Australia
- 2008 IEEE International RF and Microwave Conference (RFM08), 2-4 December 2008, Selangor, Malaysia
- International Conference on Complex, Intelligent and Software Intensive Systems (CISIS 2009), 16-19 March 2009, Fukuoka, Japan
- The 7th WSEAS International Conference on Information Security and Privacy (ISP '08), 29-31 December 2008, Cairo, Egypt

GIVING BACK TO SOCIETY VIA KNOWLEDGE & SKILLS ENHANCEMENT

TMR&D plays a significant role in helping the Group meet its corporate social responsibilities. It provides internship programmes for university lecturers to obtain industrial research experience during sabbaticals. These programmes have benefited several lecturers from Universiti Kebangsaan Malaysia (UKM) and Universiti Teknologi Malaysia (UTM). TMR&D also provides industrial training for local undergraduates. Through this programme, students are given on-the-job, hands-on training while being attached to various research labs. A popular option is the industrial training in IT Network Management and Application Development.

TMR&D's perceived status within academia and the education sector is increasing. It receives numerous requests for visits from local universities, polytechnics, public and private colleges, and in 2008 played host to several of these institutions. This has, in its little way, helped TMR&D promote its capabilities while sharing its experience with society.

Facts at a Glance

Incidents Performance Indicator:

19.0%
Reduction of accidents

TM Sarawak received:

GOLD AWARD
National OSH Excellence 2007

Menara TM awarded:

EMS ISO 14001:2004
Certification for Operation & Maintenance, High-Rise Building

Menara TM recorded reduction of:

2.5% in electricity usage
2.0% in water usage

SAFETY COMES FIRST
Excellent productivity standards arise when high safety measures are met.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

OUR ACHIEVEMENT

"Challenge to Success"

Success in Occupational Safety, Health and Environment (OSHE) is an ongoing journey, not a destination; and is made possible only through continuous vigilance and coordinated efforts by both Management and employees at all levels and across the board. TM aims for its people to appreciate the importance of OSHE and take individual responsibility for maintaining a safe workplace while also caring for the environment.

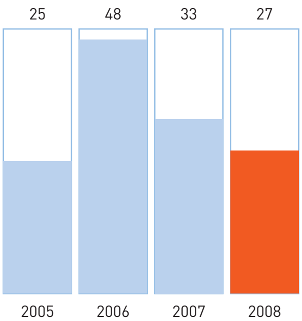
Every denizen of TM is encouraged to provide feedback should any hazard be detected or incident take place, so that the appropriate control measures can be applied to prevent a recurrence. TM's OSHE policies help to safeguard its most important asset – its human resources – as well as the physical and natural environment that it inhabits.

With the support of TM Management, preventive plans and strategies have been implemented at all work sites. As a result, the Group's overall OSHE performance has improved in terms of reduced injuries, lost time due to injuries and the costs associated with them. While we are pleased with our record in 2008, we aim to do even better in the future.

TM Sarawak was awarded National OSHE Excellence Award (Gold Award)

Dato' Hamzah Yaakob, CEO TMFS, and
Tuan Hj Baharuddin Abdullah, GM TMFS, received
EMS ISO 14001 certificates from SIRIM.

Figure 1: No. of Accidents (2005-2008)



As seen in Figure 1, the number of accidents and injuries has decreased steadily from 2006. These figures are based on two measures, namely the Incident Rate (IR) and Severity Rate (SR) as stipulated in the Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Disease, Regulations 2004 (NADOPOD). These statistics are compiled every quarter. While the number of incidents and accidents has decreased in the last two years *(as shown in Table 1)*, the Severity Rate (SR) once again increased, due to eight fatalities involving contractors' personnel.

OSHE Safety Campaigns
conducted in Selangor.

Table 1: Incident Performance Indicator

	IR	SR
2008	1.1	1,050.64
2007	1.4	153.18
2006	2.1	11.99

Note: The Incident Rate for Malaysia in 2007 was 6.8.

Definitions:
- *Incident Rate is the number of accident per thousand workers*
- *Severity Rate is the number of Lost Work Days per million hour's worked*

TM Sarawak exemplifies the high standards set within the Group; it was awarded the National OSH Excellence (Gold Award) in the Telecommunications Sector for 2007.

On the environment front, TMF Services Sdn Bhd (TMFS) successfully implemented the Environmental Management System based on EMS ISO 14001: 2004 at Menara TM. It has since taken steps to ensure that operations and maintenance activities at Menara TM comply with the stipulated requirements. For its commitment, the Commercial Building Management Unit (CBM) of TMFS was awarded the EMS ISO 14001: 2004 Certification by SIRIM. Menara TM is the first intelligent building in Malaysia to receive such recognition.

The Environmental Management System enables accurate measurement and monitoring of the use of electricity and water, both of which impact the environment. Data obtained for 2008 shows reduced consumption in both areas.

- **Electricity Consumption** – the monthly average usage dropped by 2.5% from 1.91 Mega kiloWatt per hour (MkWh) in 2007 to 1.87 MkWh in 2008.
- **Water Consumption** – greater operational efficiency resulted in a reduction in water use of more than 2.0% for several months. By end of 2008, Menara TM recorded a 2.0% drop in water usage from 13,253 cubic metres (cu.m) in 2007 to 10,829 cu.m.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

MAIN OSHE ACTIVITIES UNDERTAKEN IN 2008:

1. Review of TM OSHE Policy Statement

The TM Policy Statement review underlines the Group's commitment towards OSHE besides fulfilling legal, as well as International Organisation for Standardisation (ISO) requirements. The revised policy was endorsed by the OSHE Management Committee in December 2008. It reinforces TM's commitment in the following areas:

- To comply with the most current and applicable Occupational Safety and Health (OSH), environmental and other requirements.
- To take every reasonable and practicable step to minimise health hazards and the risk of injury of TM employees, contractors and others affected by TM's business activities.
- To prevent pollution and damage to TM property, by actively conserving the environment and natural resources.
- To continuously improve the performance of all OSHE Management Systems.

2. Revision of TM OSHE Governance Structure

To ensure greater enforcement of OSHE rules at work sites, the OSHE governance structure was revised in the third quarter of 2008, making the Heads of Network Development (ND) and Network Operations (NO) directly responsible for OSHE matters. A key feature of the new OSHE structure is the establishment of a Main ND and NO OSHE Committee which embraces all the regional committees. Further, in line with the restructuring of Group Human Capital Management (GHCM), the functions and responsibilities of the OSHE Unit were clearly demarcated into two main sub-units: Policy & Performance and Compliance & Consultancy.

3. Implementation of OSH Management System based on OHSAS18001:2007

A pilot OSH Management System (OSHMS) project was launched in July 2008 at the Southern Regional Network Operations in Melaka, focusing on Service Assurance & Fulfillment (SAF) & Access activities. The project is a spin-off of the TM OSHE Management System Framework, its objective being to create a work environment in which safety and health measures meet government requirements and other applicable standards. This project stresses the need for TM employees and contractors to couple productivity and efficiency in delivering quality service with safe workplaces that minimise exposure to health hazards or risks. It involved detailed identification of work hazards, risk assessment and risk control activities and the full development of OSH procedures and work instructions. This OSHMS, jointly developed by Network Operations, the OSHE Unit and Productivity & Quality Management, is scheduled to be rolled out nationwide in stages.

4. Upgrading of Ladder in compliance with BS 2037:1994

To ensure greater safety and minimise injuries, new portable aluminium ladders with additional safety features compliant with BS 2037:1994 Standard were provided for the use of Network Operations personnel. A total of 665 ladders were distributed nationwide to replace the previous ladders. This upgrading programme is expected to be completed by end of 2009. The new ladders enable maintenance staff to work alone on poles as they come with self-secure features and are more stable. They are the first of their kind in Malaysia and could be considered an example of 'best practice' for working at heights.

5. NIOSH-TM Safety Passport Training

This training programme, organised with the National Institute of Occupational Safety and Health (NIOSH), was initiated in late 2006. About 400 contractors' personnel attended it in 2007, and more than 2,400 contractors' personnel obtained their safety passports in 2008. The programme is an integral part of a joint effort between the OSHE Unit, Group Procurement Division and the Operating Divisions to enforce the new OSHE requirements in contracts. TM expects 100.0% participation from Jadual Kadar Harga (JKH) and Mini JKH contractors by the first quarter of 2009 before the programme is fully enforced in April 2009.

6. Working at Height – Working On Pole training

Given the risks associated with working at heights, the TM Group OSHE Management Committee endorsed a safety training programme and made it compulsory for all who work on poles or ladders. The training programme will carry on into 2009 to cater to employees who have yet to benefit from it.

7. Training for Network Development Supervising Officers

A total of 464 Supervising Officers (SO) from the Network Development Division nationwide attended training to enhance their knowledge and ability to initiate proactive measures and monitor compliance with OSH requirements by contractors and their personnel while working at TM sites. This programme complies with the provisions of OSHA 1994.

8. OSH Induction for HSBB New Intakes

This induction programme was specially introduced for new intakes meant for High-Speed Broadband (HSBB) initiatives. The objective is to create awareness among the new staff of the importance of complying with OSHE requirements. A total of 732 new recruits have attended the programme.

9. OSHE Campaigns & Exhibitions

OSHE campaigns and exhibitions were introduced in 2005 and have been on-going to promote a culture of health and safety in TM. Every year, selected states organise their own OSHE safety campaigns with full participation of respective State OSHE Committees. In 2008, Penang, Selangor, Negeri Sembilan, Sabah and Kuala Lumpur conducted their programmes.

MOVING FORWARD

The OSHE Strategic Plan was developed under the company-wide Performance Improvement Programme (PIP 2.0) to enable TM to meet its organisational objectives. All OSHE activities are aligned with those of other units within the Group. For the entire initiative to be successful, TM has identified the need to build even closer relationships with subsidiaries and operating companies within the fold, particularly in the areas of People Development and Corporate Property.

A recent analysis of TM's OSHE risks indicates that falls account for the highest cost due to injuries. TM staff from Network Operations and Network Development as well as contractors' personnel are regularly required to work at heights. Thus, reducing the risk of injury among those working at heights is a number one priority for 2009. Initiatives include the Ladder Safety Programme and other working-at-heights safety training. The OSHE Unit, Network Operations and Network Development will also revise present procedures for such work, and staff concerned will be briefed on the outcome once it is ready.

It is hoped that the multi-pronged approach will lead to greater staff involvement in ensuring a safer and healthier work environment. Regular meetings will be held to encourage staff participation in all OSHE activities. Knowledge of safety issues affecting the workplace will empower TM's employees to take appropriate action whenever the need arises and to take up incidents to their superiors wherever appropriate. Their input will be highly valued and appreciated.


OSHE Campaigns and Exhibitions.



Malaysian Business – CIMA Enterprise Governance Awards 2008
– CSR Category Winner
– Merit Award Winner

Dato' Zam, TM GCEO receiving the Malaysian Business – CIMA Enterprise Governance Awards 2008 for CSR.

CORPORATE RESPONSIBILITY

TM has since its inception been a partner in nation building. From providing Malaysians the means to communicate with each other, telecommunications has evolved into a differentiating enabler that lends a competitive edge to organisations and corporations. While contributing to the nation, TM believes in doing business responsibly. Although the concept of corporate responsibility (CR) has become a buzzword only recently, it has always been an integral part of TM's operations and strategies, influencing the Group's business plans, decisions and actions. Underlining its commitment to CR, TM is a signatory to the United Nations Global Compact and fully supports the 10 principles contained, focusing on human rights, fair labour, environmental responsibility and anti-corruption.

Corporate responsibility (CR) within the TM Group is guided by a comprehensive CR Strategy which reflects the Group's vision to 'be Malaysia's leading new generation communications provider, embracing customer needs through innovation and execution excellence'. In day-to-day operations, this means striving to achieve service excellence to enrich the lifestyles of its customers; providing a conducive environment that motivates and empowers employees; upholding the highest principles of corporate governance to bring added value to shareholders; responding to the needs of society, including communities that are marginalised; and continuing to propel the nation towards greater heights through the provision of innovative, new-generation services and solutions.

HH Raja Muda of Perak Raja Dr Nazrin Shah (second from right) presenting the inaugural StarBiz-ICRM Corporate Responsibility Award 2008 in the workplace category to Dato' Zam, TM GCEO.

Spurred by these ideals, TM has over the years created an indelible CR footprint that covers the marketplace, workplace, community and environment.

CR IN THE MARKETPLACE

TM is committed to upholding the highest principles of integrity, fairness and openness in its dealings with its stakeholders. While these principles have formed the cornerstone of TM's relationships with its shareholders, customers, business associates, vendors, the investor fraternity, media and regulatory bodies from its earliest days, they have in recent years been encapsulated more formally in statements and policies related to corporate governance, business ethics, procurement ethics, risk management and stakeholder engagement.

Corporate Governance

As a government-linked company (GLC), TM not only abides by the Malaysian Code on Corporate Governance but also the Green Book produced by the Putrajaya Committee on GLC High Performance, which contains Guidelines to Enhance Board Effectiveness. The Group further continually updates its Corporate Governance framework by adopting international best practices relevant to the telecommunications industry. Collectively, these measures ensure that TM's internal processes and systems are aligned with increased efficiency, transparency and accountability.

Corporate governance at TM is steered by its Board of Directors, hence the emphasis on the Board's integrity, accountability and independence. As outlined on page 80 of this annual report, the composition and balance of the Board are deliberated to be optimally effective. The Board Committees, meanwhile, are guided by clear terms of reference and operating procedures. Further enhancing the leadership and direction provided by the Board, a Board Performance Improvement Programme (BPIP) was implemented in 2006, and is complemented by continuous training for Board members. The overall performance of the Board is evaluated annually, via a Board Effectiveness Assessment, which in the past has served to draw attention to areas that needed to be addressed.

Business Ethics

TM's corporate governance framework is strengthened by other policies and guidelines that reinforce an ethical culture of openness, transparency and integrity. Its comprehensive Code of Business Ethics (CBE), launched in 2004, applies equally to Board members, Management and employees, and stresses 'uncompromising integrity' in TM's dealings with all its stakeholders – from employees to customers, suppliers, business partners, shareholders, regulatory bodies, stakeholder communities and 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. This serves to prevent any potential conflict of interest. The Code also has clear guidelines to curb insider trading.

Procurement Ethics

In June 2006, TM launched a code of conduct aimed specifically at the employee-supplier relationship, outlining guidelines and best practices relating to procurement process. TM's Procurement Ethics serves to improve the Group's profitability, while enhancing its corporate reputation and market perception. In addition to prescribing ethical conduct, the document also acts as a deterrent to malpractice by highlighting safe channels through which employees and/or vendors can report any unethical action, and stressing the negative consequences of non-compliance. TM's Procurement Ethics covers all subsidiaries, and is regularly updated.

Risk Management

TM undertakes all possible measures to manage and mitigate risks that could impact its business performance. The Group Risk Management Unit was set up explicitly to establish, formulate, recommend and manage a sound Enterprise Risk Management (ERM) programme. This ensures that all principal risks are identified, and that necessary internal systems are in place to control them, in line with best practice provisions within the Malaysian Code on Corporate Governance. With the ERM firmly in place, the Group minimises the possibility of unwelcome shocks and surprises. This is crucial to continued delivery of quality service to customers and safeguarding shareholder value.

Stakeholder Engagement

As part of its culture of openness and transparency, TM maintains active channels of communication with its various stakeholders.

CORPORATE RESPONSIBILITY

Customers

Feedback from customers is essential, both as a barometer of TM's customer service, as well as to keep updated on market trends. To gauge customer satisfaction, TM conducts a face-to-face survey every quarter, based on which it calculates its customer satisfaction index, one of the Group's major Key Performance Indicators (KPIs). Meanwhile, focus groups and advisory panels are organised to discern changing wants and needs. Findings from these sessions, in addition to feedback provided online, are used to fine-tune TM's product and service innovation. In addition, TM employees are continuously 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.

Advertising is a powerful medium through which TM is able to reach out to customers and the wider public. So as not to abuse this communication tool, TM adheres to the Malaysian Code of Advertising Practices, which promotes responsible advertising. All marketing communications are carried out in a manner that is sensitive to the country's diverse cultures and norms.

Vendors

Engagement with vendors takes place in the course of carrying out TM's operations and in training opportunities provided to vendors. In 2008, a total of 3,617 vendors/ contractors underwent TM-sponsored training to obtain certifications as required by the Malaysian Communications and Multimedia Commission (MCMC). TM further supports vendors via general initiatives targeted at the small and medium-sized industry. The Group works closely with the Small and Medium Industries Development Corporation (SMIDEC) to promote SMEs via awards, training and even a web-based portal that caters specifically to the needs of this vital segment of the economy.

To assess the quality of vendor relations, TM has since 2006 conducted periodic online surveys that probe vendors on how satisfied they are with regard to communication with TM employees during the tendering process; and their satisfaction with the manner in which procurement personnel conduct themselves. In the last survey, TM achieved a score of 7.3, an improvement of its score of seven out of 10 attained in 2007.

Investor Relations

TM maintains constant 'dialogue' with its shareholders and investors via a carefully planned investor relations programme. The Group has a proactive Investor Relations Unit which disseminates relevant information to the investment community in a timely manner. Communiques from this unit update investors 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. In addition to the quarterly announcement of financial results, key investor relations initiatives include Annual Analysts' Days, one-on-one meetings, conference calls and investor conferences. Investors, analysts and shareholders are also able to obtain information on the Group's financial performance on its website; and feedback is encouraged via investor@tm.com.my.

CR IN THE WORKPLACE

Employees are considered as TM's greatest asset, and several initiatives have been put in place to inspire, motivate and further develop staff so as to enhance their level of satisfaction and, hence, productivity. Efforts at providing an optimally conducive environment for employees won the Group the inaugural StarBiz-Institute of Corporate Responsibility Malaysia CR Awards' Workplace category.

Training & Personal Development

TM's corporate culture is becoming more meritocratic, supported by a transparent performance measurement system which helps to identify high performers. These achievers are entered into a fast-track scheme that expedites the development of their potential. To date, about 370 employees have been initiated into the Group's talent pool, 75% of whom are below the age of 35. Career development is not, however, restricted to those in the talent pool. Every employee spends at least 40 hours a year in structured training programmes, while executives have the additional option of enhancing their skills via the SmartOrange programme. Senior management, meanwhile, are sent for advanced courses at renowned business institutions such as 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. TM also places emphasis on mentoring programmes; senior executives are trained to act as mentors to more junior employees who display leadership potential.




Safety First: At TM, stringent measures are adopted to ensure that all employees and stakeholders work in a safe environment.

Employee Engagement

From the time employees join TM, they are given very clear outlines as to what is expected of them, and what they can expect of the Group. An induction course is held, introducing the employee to various operations within TM, and a handbook is provided detailing their terms and conditions of employment. Communication with employees continues throughout on a regular basis, and is two-way, offering staff ample opportunity to channel feedback to their immediate supervisors and top Management.

The Group CEO himself engages with employees via various platforms. Apart from periodic visits to state offices, he has monthly 'Teh Tarik' sessions with groups of about 15 staff, selected at random from around the country. On a quarterly basis, he briefs employees on the Group's financial results, and these briefings are streamed live to all state offices nationwide. Employees are further kept up-to-date with developments in the Group via print and electronic newsletters. In addition to obtaining feedback from employees at the face-to-face meetings, Group Corporate Communications encourages staff to email queries and comments, which are duly answered by the relevant parties. An Intranet chat forum further promotes employee engagement and discourse.

Over and above these initiatives, TM carries out an annual Employee Satisfaction Index Survey. To the Group's delight, this has demonstrated increasing employee satisfaction, to 8.6% in 2008 from 7.7% in 2007.

Health & Safety at Work

Health and safety are given the utmost importance, and are governed by the Occupational Safety, Health and Environment (OSHE) Policy, which was reviewed in 2008 to make it more current and effective. TM organises regular occupational safety and health campaigns at its head office and state locations, at which doctors on the Group's panel give talks and free screenings.

Towards creating a safer work environment, training is provided for those involved in hazardous occupations. In 2008, 464 supervising officers from Network Development attended safety training; while some 2,400 contractors' personnel attended the National Institute of Occupational Safety and Health-TM Safety Passport Training. In addition, 732 staff recruited for the HSBB project attended a new training module catering specifically to their needs.

As a result of concerted safety efforts and measures, TM recorded a 19% reduction in the number of accidents in 2008. TM Sarawak, meanwhile, was awarded a Gold in the National OSH Excellence Awards for its 2007 performance.

Welfare & Employee Benefits

TM provides a number of benefits and facilities aimed at increasing staff welfare. Among these are personal health insurance coverage, plus medical care for the families; housing, car and computer loans; and social and recreational facilities including a fully equipped gym. Catering specifically for women with young children, there are two childcare centres – one in Menara TM, the other in the Multimedia College, Taiping. TM promotes family involvement by holding an Annual Family Day. More recently, the Group has taken its work-life balance initiatives further by embarking on a pilot project to test the efficacy of tele-working and working flexi-hours. Employee well-being is given such emphasis that TM also runs an Employee Assistance Programme (EAP) through which personnel with personal or work-related problems are given counselling.

CORPORATE RESPONSIBILITY

At TM, emphasis is placed not just on work but also healthy lifestyle and unity among employees.

Engagement with Unions

TM's non-executive employees are represented by three in-house unions, namely National Union of Telecommunication Employees (NUTE), Sabah Union of Telecommunication Employees (SUTE) and Union of Telecommunication Employees Sarawak (UTES), representing non-executives of TM in Peninsular Malaysia, Sabah and Sarawak respectively. TM nurtures a healthy relationship with these unions by maintaining regular and open dialogue, both to update the unions of major business changes and to resolve 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.

CR IN THE COMMUNITY

TM's community efforts are governed by its Corporate Social Responsibility (CSR) Policy which states that 'In everything that the TM Group does, we place importance on our obligations as a responsible corporate citizen'. Post-Demerger, the Group has refocused its community efforts into two long-term social causes: capacity building through education; and improving the lives of the underprivileged through community and nation-building efforts. In addition, TM provides disaster relief in times of national and regional crisis.

Employees are encouraged to participate in all CSR activities organised by the Group or by individual companies within the Group, such as the PINTAR school adoption programme in which TM staff are active in events organised for the students and communities around the schools.

Yayasan TM Scholars with TM Group Chairman Tan Sri Radzi in London.

Yayasan TM Scholars with their respective "Student Achievement Award".

Education

TM's focus on education is aimed at building Malaysia's human capital, in support of the government's vision of nurturing a fully-developed, knowledge-rich and skilled nation. The Group's education initiatives are channeled through its foundation, Yayasan TM (YTM), set up in 1994. Since its inception, YTM has contributed more than RM360 million to 10,077 students at the secondary and tertiary levels, 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 2008, YTM disbursed a total of RM20.13 million for education, which included 131 full scholarships and 657 sponsorships of students at the undergraduate level.

Nation-building

The major focus in TM's nation-building initiatives is to uplift marginalised sectors of society. This it achieves by bridging the digital divide between urban and rural communities, and offering donations to welfare homes, charitable organisations and NGOs like Mercy Malaysia and the National Kidney Foundation. Its activities include the following:

- **Building telecentres for rural community** – as part of the HSBB project, TM will be building 250 telecentres in rural areas to help bridge the digital divide. This will be a collaboration between TM and the Ministry of Energy, Water and Communication to increase PCs and Internet penetration. These centres will be equipped with PCs and Internet facility for community use and function as learning centres to enable rural communities to get access to knowledge via e-learning. The HSBB project is now progressing well on track.

MMU geared to develop human potential

Mountain race from Aug 23

Firm sponsors pullout

TM's gesture to benefit students from 300 schools

CORPORATE RESPONSIBILITY

- **PINTAR** – Via this Khazanah Nasional initiative to encourage academic excellence among rural students, TM has since 2007 adopted two schools in Bukit Mertajam, Pulau Pinang, where it conducts teambuilding exercises, IT training and character development programmes for both students and teachers. In addition, TM has donated 42 PCs with broadband Internet connection to these schools.
- **PIKOM MAIN PC** – In this *Projek Menguasai Aplikasi Internet dan PC*, a joint effort with PIKOM, low-income communities are given access to the Internet at PC centres where classes are offered on PC management and usage. TM's contribution is the provision of broadband Internet connectivity to all these centres.
- **Festive Contributions** – TM shares in the spirit of caring by celebrating Hari Raya Aidilfitri, Hari Raya Aidil Adha, Chinese New Year and Deepavali with selected orphanages, NGOs and welfare homes.

In addition, TM has consistently acted to counter the inconvenience caused by cable theft by re-installing connectivity at the affected areas. Despite incurring losses, it continues to replace stolen cables and increase security at the theft-prone areas. Its actions serve to prevent loss of revenue of businesses in the affected zones, plus also safeguards the residents' ability to make calls in times of emergency.

In total, TM spent RM20.13 million on educational programmes in 2008, and RM5.54 million on nation-building initiatives.

Disaster Relief

As a caring organisation, TM always comes in with funds and manpower in times of crises. In quick response to the landslide at Bukit Antarabangsa in December 2008, TM provided a dedicated rescue team that supported the main team round the clock; and supplied temporary cables to ensure continuous connectivity via voice and Internet for the police, fire brigade, paramedics, MPAJ, RELA and the Gombak Disaster Centre. At the same time, the team worked to restore connections and install new cabling as required. TM also provided mineral water for the victims and the rescue team. Rebates on TM fixed lines and Streamyx subscriptions were issued to the victims to lessen their burden.

In 2008, TM spent RM620,000 on disaster relief efforts.

CR FOR THE ENVIRONMENT

TM has over the years become a progressively 'greener' organisation. Beginning with practical day-to-day activities, such as recycling and minimising the use of paper, the Group has instilled among its staff a growing awareness of the need to respect our natural resources and the environment. In 2007, an Environmental Awareness Campaign was launched, focusing on the importance of protecting forests, planting trees, reducing pollution and protecting the quality of drinking water.

TM's participation in the PINTAR project has benefitted both students and teachers with ICT knowledge and skills.

TM's involvement in the PINTAR project has encouraged rural students to excel in their studies.

The Group has produced its own Environmental Manual which outlines eco-friendly procedures such as conducting environmental impact assessments prior to laying new cables, both on land and under the sea, where particular attention is paid to avoid damage to coral reefs. Environmental considerations are also taken into account when installing new telephone polls or replacing old ones. TM has also established a set of Waste Management Procedures which outlines standard procedures for the management of solid and scheduled wastes generated by TM buildings. The procedures ensure that the wastes are properly identified, segregated, handled, transported and disposed of in line with the environmental policy, legal and other requirements.

Meanwhile, the Compliance and Safety Unit ensures waste management processes are regularly audited, in compliance with set standards.

Menara TM, the Group headquarters, was designed as an intelligent building which, among other innovations, minimises the load for both electrical lighting and air-conditioning by maximising natural daylight while keeping heat out. Additionally, air-conditioners are switched off at lunchtime and at a particular hour after work, to reduce further use of electricity. These energy-efficient measures have more recently been complemented by a recycling programme jointly undertaken with multinational tenant, Unilever. Recycling bins have been made available for staff of both corporations on common floors for the collection of paper, plastic and glass waste products. In 2008, Menara TM received Environmental Management System ISO 14001 and Quality Management System ISO 9001:2000 certifications. Additionally, Menara Kuala Lumpur in October 2008 was awarded a Merit Certificate in the Environmental Category from the World Federation of Great Towers. Menara Kuala Lumpur has built a 1,233 square feet retaining wall within the forest reserve surrounding Menara Kuala Lumpur, to protect a 100-year old Jelutong tree.

The Group's commitment to the environment has extended to its contributing towards the Multimedia University Antarctica Research Team's "ground truth measurements" of sea levels and ice shelves, two of the main parameters indicative of global warming.

To consolidate all ongoing environmental efforts, TM is embarking on an environmental campaign, to be launched in 2009, which will heighten awareness of our role in saving the environment for future generations.

LEADERSHIP

THROUGH INNOVATION AND COMMERCIAL EXCELLENCE

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

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 financial statements on the 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 keeps 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 2008

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 2008.

PRINCIPAL ACTIVITIES

2. The principal activities of the Company during the financial year were the establishment, maintenance and provision of telecommunication and related services under the licence issued by the Ministry of Energy, Water and Communications. The principal activities of subsidiaries are set out in note 53 to the financial statements.

   On 25 April 2008, the Group completed the demerger to create 2 separate entities. Following the demerger, the Group's mobile and fixed businesses were separated. The Group's overseas operations under TM International Berhad (TMI), and its domestic mobile operations under Celcom (Malaysia) Berhad (collectively known as the TMI Group) were demerged from the Group. Moving forward the Group will focus on fixed line voice, data and broadband and other telecommunication related services. Details of the demerger are set out in note 3 to the financial statements. Other than mentioned above, there were no other significant changes in the principal activities of the Group.

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	791.9	201.9
– Minority interests	109.2	—
Profit for the financial year	901.1	201.9

4. Except for the effects of the demerger as described in note 3 to the financial statements, 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 2007	
(i) A special gross dividend of 65.0 sen per share less tax at 26.0% was paid on 31 January 2008 as reported previously	1,654.5
(ii) A final gross dividend of 22.0 sen per share less tax at 26.0% was paid on 15 May 2008	582.4
(b) In respect of the financial year ended 31 December 2008, an interim dividend of 12.0 sen per share less tax at 26.0% was paid on 19 September 2008	317.7

DIVIDENDS (CONTINUED)

Pursuant to the demerger, on 25 April 2008, the Company has made a distribution, via a dividend in specie of the Company's entire holdings of and rights to the 3,577,401,980 ordinary shares of RM1.00 each in TMI (TMI Shares) to the shareholders of the Company on the basis of 1 TMI Share for every 1 ordinary share of RM1.00 each in the Company (TM Share) held.

In respect of the financial year ended 31 December 2008, the Directors now recommend a final gross dividend of 14.25 sen per share less tax at 25.0% subject to shareholders' approval at the forthcoming Twenty-Fourth Annual General Meeting (24th AGM) of the Company.

EMPLOYEES' SHARE OPTION SCHEME

6. Details of the Company's new 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(a) to the financial statements. The Special ESOS will expire on 16 September 2009.

The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 13 February 2009 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.

The list of employees of the Company and its subsidiaries who were granted options representing more than 100,000 ordinary shares each under the Special ESOS during the financial year are as follows:

Name	Designation at 31.12.2008	Number of options granted	Number of options exercised	Forfeited due to resignation/ Voluntary Separation Scheme (VSS)	Balance at 31.12.2008
Dato' Sri Abdul Wahid Omar *(Resigned on 30.04.2008)*	Former Group Chief Executive Officer	2,000,000[1]	—	1,200,000	800,000
Dato' Zamzamzairani Mohd Isa	Group Chief Executive Officer	500,000[1]	50,000	—	450,000
Datuk Bazlan Osman	Group Chief Financial Officer	500,000[1]	10,000	—	490,000
Dato' Adnan Rofiee	Chief Operating Officer, TM Retail	500,000[1]	—	—	500,000
Khairussaleh Ramli *(Resigned on 31.10.2008)*	Former Chief Strategy Officer	500,000[1]	—	500,000	—
Dato' Abdul Aziz Abu Bakar	Chief Human Capital Officer	250,000[1]	—	—	250,000
Ahmad Azhar Yahya	Programme Director, HSBB	250,000[1]	—	—	250,000
Prof Zaharin Yusoff	President/Chief Executive Officer, Universiti Telekom Sdn Bhd	250,000[1]	—	—	250,000
Gazali Hj Harun	Chief Procurement Officer	150,000[1] 60,000[2]	— —	— —	150,000 60,000

EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The list of employees of the Company and its subsidiaries who were granted options representing more than 100,000 ordinary shares each under the Special ESOS during the financial year are as follows: (continued)

Name	Designation at 31.12.2008	Number of options granted	Number of options exercised	Forfeited due to resignation/ Voluntary Separation Scheme (VSS)	Balance at 31.12.2008
Rafa'ai Samsi	Chief Operating Officer, TM Wholesale	150,000[1] 60,000[2]	— —	— —	150,000 60,000
Mohamad Rozaimy Abd Rahman	Chief Operating Officer, TM Global	150,000[1] 60,000[2]	20,000 —	— —	130,000 60,000
Abdul Latib Tokimin	Vice President (VP), Network Operation	150,000[1]	—	—	150,000
Asmawati Yusof	VP, Network Development	150,000[1]	—	—	150,000
Dato' Kairul Annuar Mohamed Zam Zam	VP, Consumer & Business Sales, TM Retail	150,000[1]	—	—	150,000
Ghazali Omar	VP, Enterprise & Government Sales, TM Retail	150,000[1]	—	—	150,000
Datuk Zaini Diman	VP, Sales Selangor, TM Retail	150,000[1]	—	—	150,000
Dato' Mohd Taib Hassan	VP, Product Marketing, TM Retail	150,000[1]	—	—	150,000
Romli Hussin	Special Advisor, MERS 999 Project, TM Retail	150,000[1]	—	—	150,000
Hashim Mohammed	Group Chief Internal Auditor	150,000[1]	—	—	150,000
Ismail Nordin	VP, Learning & Development, Group Human Capital	150,000[1]	—	—	150,000
Fazlur Rahman Zainuddin	VP, Group Business Development & Transformation	150,000[1]	—	—	150,000
Zainab Hashim (VSS on 30.11.2008)	Former VP, Integrated Marketing	150,000[1]	—	45,000	105,000
Datuk Hamzah Yacob	Chief Executive Officer (CEO), TM Facilities Sdn Bhd	150,000[1]	—	—	150,000
Shahruddin Salehuddin	CEO, GITN Sdn Berhad	150,000[1]	—	—	150,000

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The list of employees of the Company and its subsidiaries who were granted options representing more than 100,000 ordinary shares each under the Special ESOS during the financial year are as follows: (continued)

Name	Designation at 31.12.2008	Number of options granted	Number of options exercised	Forfeited due to resignation/ Voluntary Separation Scheme (VSS)	Balance at 31.12.2008
Azmal Yahya	VP, Global Sales & Marketing	75,000[1] 45,000[2]	— —	— —	75,000 45,000
Dr Fadhlullah Suhaimi Abdul Malek	VP, Group Strategy	75,000[1] 45,000[2]	— —	— —	75,000 45,000
Mariam Bevi Batcha	VP, Group Corporate Communication	75,000[1] 45,000[2]	— —	— —	75,000 45,000
Nizam Arshad	VP, Group IT, IT & Network Technology	75,000[1] 45,000[2]	— —	— —	75,000 45,000
Shazril Imri Mokhtar	VP, Group Programme & Performance Management Office	75,000[1] 45,000[2]	— —	— —	75,000 45,000
Ahmad Ismail	VP, Customer Service Management	75,000[1] 45,000[2]	— —	— —	75,000 45,000
Nor Akmar Md Yunus	Deputy Director, HSBB	75,000[1] 45,000[2]	15,000 —	— —	60,000 45,000

The list of employees of the Company's former subsidiaries, TM International Berhad and Celcom (Malaysia) Berhad, who were granted options representing more than 100,000 ordinary shares each under the Special ESOS during the financial year are as follows:

Name	Designation at grant date	Number of options granted	Number of options exercised	Forfeited due to resignation/ Voluntary Separation Scheme (VSS)	Balance at 31.12.2008
Dato' Yusof Annuar Yaacob	Group Chief Financial Officer, TM International Berhad (TMI)	500,000[1]	—	—	500,000
Dato' Sri Mohammed Shazalli Ramly	Chief Executive Officer, Celcom (Malaysia) Berhad (Celcom)	500,000[1]	—	—	500,000
Mohamed Adlan Ahmad Tajudin	Chief Financial Officer, Celcom	150,000[1]	105,000	—	45,000
Azwan Khan Osman Khan	Senior Vice President (SVP), Corporate Strategy & Development, Celcom	150,000[1]	—	—	150,000
Nik Hasnan Nik Abd Kadir	SVP, Internal Audit, Celcom	150,000[1]	—	—	150,000

EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The list of employees of the Company's former subsidiaries, TM International Berhad and Celcom (Malaysia) Berhad, who were granted options representing more than 100,000 ordinary shares each under the Special ESOS during the financial year are as follows: (continued)

Name	Designation at grant date	Number of options granted	Number of options exercised	Forfeited due to resignation/ Voluntary Separation Scheme (VSS)	Balance at 31.12.2008
Nor Aminah Abdul Halim	SVP, Programme Management Office, Celcom	150,000[1]	30,000	—	120,000
Karan Henrik Ponnudurai	SVP, Product & Services Innovation Development, Celcom	150,000[1]	—	—	150,000
Zalman Aefendy Zainal Abidin	SVP, Marketing, Celcom	150,000[1]	—	—	150,000
Chew Su Fong	SVP, Customer Service, Celcom	150,000[1]	—	—	150,000
Noor Kamarul Anuar Nuruddin	Chief Technology Officer, Celcom	150,000[1]	—	—	150,000
Syed Md Najib Syed Md Noor	SVP, International Business, Celcom	150,000[1]	—	—	150,000
Danny Chew Kar Wai	SVP, Sales, Celcom	150,000[1]	60,000	—	90,000
Mohd Noor Omar	VP, Group Programme Management Office	150,000[1]	—	—	150,000

[1] These options were offered at an exercise price of RM9.70 per share under Special ESOS on 17 March 2008. Pursuant to the demerger, equal amount of options over TMI Shares were granted and the exercise price was adjusted to RM2.71 and RM6.99 for options over TM Shares and TMI Shares respectively. These options will expire on 16 September 2009. Details of the Special ESOS are described in note 13(a) to the financial statements.

[2] These additional options were granted at RM3.14 due to promotion during the financial year.

SHARE CAPITAL

7. On 17 March 2008, the Company issued 137,592,300 ordinary shares of RM1.00 each, representing approximately 4.0% of the issued and paid-up share capital of the Company under the Special ESOS (Special ESOS Shares) to TM ESOS Management Sdn Bhd (TEM), a wholly owned special purpose entity established to act as a trustee to acquire, hold and manage the Special ESOS Shares under the trust arrangement of the Special ESOS.

   In the Company's separate financial statements, this is recorded as investment in TEM with a corresponding entry to equity 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.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

SHARE CAPITAL (CONTINUED)

8. During the financial year, 16,214,300 ordinary shares of RM1.00 each were issued to employees under Special ESOS, detailed as follows:

Number of issued and paid-up ordinary shares of RM1.00 each	Exercise price per share
296,700	RM9.70
15,917,600	RM2.71

These shares rank 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

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

Directors	Alternate Director
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	
Dato' Zamzamzairani Mohd Isa *(appointed on 25 April 2008)*	
Datuk Bazlan Osman *(appointed on 25 April 2008)*	
Datuk Zalekha Hassan	Dyg Sadiah Abg Bohan
YB Datuk Nur Jazlan Tan Sri Mohamed	
YM Tunku Mahmood Fawzy Tunku Muhiyiddin *(appointed on 25 April 2008)*	Dr Farid Mohamed Sani *(appointed on 25 April 2008)*
Dato' Ir Abdul Rahim Abu Bakar *(appointed on 25 April 2008)*	
Dato' Danapalan TP Vinggrasalam *(appointed on 25 April 2008)*	
Ibrahim Marsidi *(appointed on 25 April 2008)*	
Quah Poh Keat *(appointed on 25 April 2008)*	
Riccardo Ruggiero *(appointed on 18 August 2008)*	
Dato' Sri Abdul Wahid Omar *(retired at 23rd AGM on 17 April 2008)*	
Tan Sri Dato' Azman Mokhtar *(resigned on 25 April 2008)*	
Dato' Ir Dr Abdul Rahim Daud *(resigned on 25 April 2008)*	
Dato' Lim Kheng Guan *(resigned on 25 April 2008)*	
Ir Prabahar NK Singam *(resigned on 25 April 2008)*	
Rosli Man *(resigned on 25 April 2008)*	

16. In accordance with Article 98(2) of the Company's Article of Association, the following Directors who were appointed to the Board during the financial year, shall retire from the Board at the forthcoming 24th AGM of the Company and being eligible, offer themselves for re-election:

(i) Dato' Zamzamzairani Mohd Isa
(ii) Datuk Bazlan Osman
(iii) YM Tunku Mahmood Fawzy Tunku Muhiyiddin
(iv) Dato' Ir Abdul Rahim Abu Bakar
(v) Dato' Danapalan TP Vinggrasalam
(vi) Ibrahim Marsidi
(vii) Quah Poh Keat
(viii) Riccardo Ruggiero

17. According to Article 103 of the Company's Articles of Association, Tan Sri Dato' Ir Muhammad Radzi Hj Mansor shall retire by rotation from the Board at the forthcoming 24th AGM of the Company and being eligible, offers himself for re-election.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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 and subsidiaries are as follows:

	Number of ordinary shares of RM1.00 each			
Interest in the Company	Balance at 1.1.2008/ Date of appointment	Bought	Sold	Balance at 31.12.2008
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	122,000	—	—	122,000
Dato' Zamzamzairani Mohd Isa	36,000*	50,000@	(50,000)	36,000*
Datuk Bazlan Osman	2,000	10,000@	(10,000)	2,000

Note:
* Inclusive of interest held through a nominee company, Al-Wakalah Nominees (Tempatan) Sdn Bhd and 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 date of appointment	Exercised	Balance at 31.12.2008
Dato' Zamzamzairani Mohd Isa	575,000 [1,2]	(50,000)	525,000
Datuk Bazlan Osman	500,000 [1]	(10,000)	490,000

[1] These options were offered under the Special ESOS on 17 March 2008. Pursuant to the demerger, equal amount of options over TMI Shares were granted. Details of the Special ESOS are described in note 13(a) to the financial statements.

[2] Inclusive of options under the Special ESOS granted to the spouse who is a senior management officer of a subsidiary of the Company.

	Number of ordinary shares of RM0.50 each			
Interest in VADS Berhad	Balance at 1.1.2008	Bought	Sold	Balance at 31.12.2008
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	30,000	—	—	30,000

19. In accordance with the Register of Directors' Shareholdings, none of the other Directors who held office at the end of the financial year have 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' BENEFITS

20. Since the end of the previous financial year, none of the Directors have 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 24 February 2009.

TAN SRI DATO' Ir MUHAMMAD RADZI HJ MANSOR
Chairman

DATO' ZAMZAMZAIRANI MOHD ISA
Group Chief Executive Officer

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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 Group and the Company had adopted new and revised Financial Reporting Standards which are mandatory for the Group's and the Company's financial year beginning on 1 January 2008 as described in (a) below.

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.

(a) Standards, amendments to published standards and Interpretation Committee (IC) Interpretations that are effective

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group's and the Company's financial year beginning on 1 January 2008 are as follows:

(i) Standards, amendments to published standards and IC Interpretations that are relevant for the Group's and the Company's operations

• FRS 107	Cash Flow Statements
• FRS 112	Income Taxes
• FRS 118	Revenue
• FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
• FRS 134	Interim Financial Reporting
• FRS 137	Provisions, Contingent Liabilities and Contingent Assets
• Amendments to FRS 121	The Effects of Changes in Foreign Rates – Net Investment in Foreign Operations
• IC Interpretation 1	Changes in Existing Decommissioning Restoration & Similar Liabilities
• IC Interpretation 8	Scope of FRS 2

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

(a) Standards, amendments to published standards and Interpretation Committee (IC) Interpretations that are effective (continued)

(ii) Standards and IC Interpretations to existing standards that are not relevant or material for the Group's and the Company's operations

- FRS 111 — Construction Contracts
- IC Interpretation 2 — Members' Shares in Co-operative Entities & Similar Instruments
- IC Interpretation 5 — Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
- IC Interpretation 6 — Liabilities arising from Participating in a Specific Market-Waste Electrical & Electronic Equipment
- IC Interpretation 7 — Applying the Restatement Approach under FRS 129 "Financial Reporting in Hyperinflationary Economies"

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group require retrospective application except for IC Interpretation 8 which requires retrospective application subject to the transitional provision of FRS 2. FRS 2 requires retrospective application for all equity instruments granted after 31 December 2004 and not vested at 1 January 2006.

The adoption of the above standards, amendments to published standards and IC Interpretations does not have any significant financial impact to the results and position of the Group and the Company.

(b) Standards and IC Interpretations that are not yet effective and have not been early adopted

The new standards and IC Interpretations that are applicable to the Group's and the Company's financial year beginning on 1 January 2010, which the Group and the Company has not early adopted, are as follows:

- FRS 7 "Financial Instruments: Disclosures" (effective for accounting period beginning on or after 1 January 2010). FRS 7 introduces new requirements to improve the information on financial instruments disclosed in the financial statements. The Group has applied the transitional provision in FRS 7 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group and the Company.

- FRS 8 "Operating Segments" (effective for accounting period beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. It is not expected to have a material impact as the Group currently reports its segment information in a manner that is consistent with the requirements of FRS 8.

- FRS 139 "Financial Instruments: Recognition and Measurement" (effective for accounting period beginning on or after 1 January 2010). FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group and the Company.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

(b) Standards and IC Interpretations that are not yet effective and have not been early adopted (continued)

- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective for accounting period beginning on or after 1 January 2010). IC Interpretation 9 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. This interpretation is not expected to have any material impact on the Group's and the Company's financial statements.

- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective for accounting period beginning on or after 1 January 2010). IC Interpretation 10 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. It is not expected to have a material impact on the Group's and the Company's financial statements.

(c) Standards that are not relevant and not yet effective for the Group's and Company's operations

- FRS 4 "Insurance Contracts" (effective for accounting period beginning on or after 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

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

2. ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (continued)

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.

(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.

2. ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(c) Jointly Controlled Entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operation decisions relating to the entity requires unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of the jointly controlled entities in the Consolidated Income Statement, and its share of post-acquisition movements within reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated impairment loss).

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

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the purchase of assets by the Group from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. Where necessary, in applying the equity method, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of the accounting policies with those of the Group.

(d) 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.

2. ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(d) Associates (continued)

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.

3. INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries, jointly controlled entities and associates 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 acquisition of jointly controlled entities and associates occurring on or after 1 January 2002 is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall balance.

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

(b) Licences

Acquired licences are shown at cost. Licences have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using straight line method, from the effective date of commercialisation of services, subject to impairment, to the end of the assignment period. Licences are not revalued.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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 telecommunication 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.

(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:

Telecommunication network*	3 – 15
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

* The telecommunication network assets with estimated useful lives of 20 years in 2007 relates to a former subsidiary which was demerged from the Group.

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.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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.

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.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

7. INVESTMENTS

(a) Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities 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.

(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 (within current assets) are 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.

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. NON-CURRENT ASSETS (OR DISPOSAL GROUP) CLASSIFIED AS ASSETS HELD FOR SALE

Non-current assets (or disposal group) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through a continuing use.

Assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.

SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

12. TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. Bad debts are written off and specific allowances are made for trade receivables considered to be doubtful of collection. In addition, a general allowance based on a percentage of trade receivables is made to cover possible losses which are not specifically identified.

13. 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.

14. 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 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.

15. 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.

16. 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.

17. 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, jointly controlled entities 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, jointly controlled entities 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.

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and 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.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

18. 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.

19. 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.

20. 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.

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.

21. 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.

Dividend income from investment in subsidiaries, jointly controlled entities, 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.

22. 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.

(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, TM International Berhad and Celcom (Malaysia) Berhad (collectively known as the TMI 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.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

22. EMPLOYEE BENEFITS (CONTINUED)

(d) Share-Based Compensation (continued)

(ii) Cash Settled Share-Based Compensation

Share-based compensation that are settled with equity instruments of a former subsidiary, TM International Berhad (TMI), 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 TMI Group, is accelerated at demerger as this portion of the options is now cancelled given that TMI 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.

23. 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.

(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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity completed on or after 1 January 2006 are treated as assets and liabilities of the foreign entity and are recorded in the functional currency of the foreign entity and translated at the exchange rate prevailing at balance sheet date. For acquisition of foreign entities completed prior to 1 January 2006, goodwill and fair value adjustments continued to be recorded at the exchange rates at the respective date of acquisitions.

23. FOREIGN CURRENCIES (CONTINUED)

(d) Closing Rates

The principal closing rates (units of Malaysian Ringgit per foreign currency) used in translating significant balances at year end are as follows:

Foreign Currency	31.12.2008	31.12.2007
US Dollar	**3.45250**	3.30500
Special Drawing Rights	**5.33550**	5.22510

24. 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.

(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.

SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

24. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair Value Estimation for Disclosure Purposes (continued)

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.

25. 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 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.

These accounting policies form an integral part of the financial statements set out on pages 225 to 329.

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

All amounts are in million unless otherwise stated	Note	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
CONTINUING OPERATIONS					
OPERATING REVENUE	5	**8,674.9**	8,296.0	**7,638.2**	7,418.9
OPERATING COSTS					
– depreciation, impairment and amortisation	6(a)	**(2,098.9)**	(2,311.4)	**(1,937.7)**	(2,087.6)
– other operating costs	6(b)	**(5,936.5)**	(5,366.9)	**(5,403.4)**	(4,916.9)
LOSS ON DISPOSAL OF AN EQUITY INVESTMENT	4	**(88.8)**	—	**—**	—
OTHER OPERATING INCOME (net)	7	**178.7**	308.7	**352.8**	656.7
OPERATING PROFIT BEFORE FINANCE COST		**729.4**	926.4	**649.9**	1,071.1
FINANCE INCOME	8	**237.3**	123.6	**222.7**	95.3
FINANCE COST	8	**(442.5)**	(393.6)	**(469.5)**	(408.6)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	8	**(170.0)**	262.4	**(170.0)**	262.4
NET FINANCE COST	8	**(375.2)**	(7.6)	**(416.8)**	(50.9)
ASSOCIATES					
– share of results (net of tax)	28	**(0.4)**	(0.1)	**—**	—
PROFIT BEFORE TAXATION AND ZAKAT		**353.8**	918.7	**233.1**	1,020.2
TAXATION AND ZAKAT	9	**(77.6)**	(25.8)	**(31.2)**	(21.3)
PROFIT FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS		**276.2**	892.9	**201.9**	998.9
DISCONTINUED OPERATIONS					
PROFIT FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS	3	**624.9**	1,738.7	**—**	—
PROFIT FOR THE FINANCIAL YEAR		**901.1**	2,631.6	**201.9**	998.9
ATTRIBUTABLE TO:					
– equity holders of the Company		**791.9**	2,547.7	**201.9**	998.9
– minority interests		**109.2**	83.9	**—**	—
PROFIT FOR THE FINANCIAL YEAR		**901.1**	2,631.6	**201.9**	998.9
EARNINGS PER SHARE (sen)					
– basic					
Continuing operations	10	**6.7**	25.0		
Discontinued operations	10	**16.3**	49.4		
– diluted					
Continuing operations	10	**6.6**	25.0		
Discontinued operations	10	**16.2**	49.4		

The above Income Statements are to be read in conjunction with the Significant Accounting Policies on pages 208 to 224 and the Notes to the Financial Statements on pages 233 to 329.

Independent Auditors' Report – Pages 331 to 332.

BALANCE SHEETS
AS AT 31 DECEMBER 2008

All amounts are in million unless otherwise stated	Note	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
SHARE CAPITAL	12	**3,456.0**	3,439.8	**3,456.0**	3,439.8
SHARE PREMIUM		**4,305.4**	4,262.1	**4,305.4**	4,262.1
OTHER RESERVES	14	**2,486.7**	12,100.2	**2,832.6**	6,172.6
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**10,248.1**	19,802.1	**10,594.0**	13,874.5
MINORITY INTERESTS		**226.5**	849.4	**—**	—
TOTAL EQUITY		**10,474.6**	20,651.5	**10,594.0**	13,874.5
Borrowings	15	**6,965.1**	9,747.2	**5,204.1**	4,913.1
Payable to a subsidiary	16	**—**	—	**1,734.6**	1,652.5
Deferred tax liabilities	18	**1,362.0**	2,313.2	**1,328.0**	1,411.8
Provision for liabilities	19	**—**	87.2	**—**	—
Deferred income	20	**260.2**	59.5	**260.2**	46.2
DEFERRED AND NON-CURRENT LIABILITIES		**8,587.3**	12,207.1	**8,526.9**	8,023.6
		19,061.9	32,858.6	**19,120.9**	21,898.1
Intangible assets	21	**1.8**	7,460.9	**—**	39.7
Property, plant and equipment	22	**11,772.1**	23,983.3	**10,461.1**	10,620.5
Prepaid lease payments	23	**67.5**	387.0	**55.0**	52.9
Investment property	24	**—**	—	**91.9**	—
Land held for property development	25	**164.3**	165.4	**—**	—
Subsidiaries	26	**—**	—	**2,709.0**	9,398.9
Jointly controlled entities	27	**—**	1,024.4	**—**	141.2
Associates	28	**—**	252.5	**—**	—
Available-for-sale investment	29	**496.0**	—	**—**	—
Other investments	30	**137.8**	138.9	**137.8**	138.9
Long term receivables	31	**472.4**	511.5	**472.4**	511.1
Deferred tax assets	18	**8.9**	179.4	**—**	—
NON-CURRENT ASSETS		**13,120.8**	34,103.3	**13,927.2**	20,903.2

All amounts are in million unless otherwise stated	Note	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
Non-current assets held for sale	32	**—**	988.4	**—**	988.4
Inventories	33	**123.3**	181.1	**71.5**	82.3
Trade and other receivables	34	**2,891.3**	4,398.6	**2,656.3**	3,092.5
Amount owing by TM International Berhad	3	**4,025.0**	—	**4,025.0**	—
Short term investments	35	**277.6**	378.1	**277.6**	376.4
Cash and bank balances	36	**2,095.2**	4,171.8	**1,447.2**	1,528.1
CURRENT ASSETS		**9,412.4**	10,118.0	**8,477.6**	6,067.7
Trade and other payables	37	**2,812.6**	6,643.2	**2,682.4**	2,560.7
Customer deposits	38	**588.8**	732.6	**588.5**	590.2
Borrowings	15	**34.9**	2,177.2	**3.0**	244.1
Taxation and zakat liabilities		**35.0**	155.2	**10.0**	23.3
Dividend payable		**—**	1,654.5	**—**	1,654.5
CURRENT LIABILITIES		**3,471.3**	11,362.7	**3,283.9**	5,072.8
NET CURRENT ASSETS/(LIABILITIES)		**5,941.1**	(1,244.7)	**5,193.7**	994.9
		19,061.9	32,858.6	**19,120.9**	21,898.1

The above Balance Sheets are to be read in conjunction with the Significant Accounting Policies on pages 208 to 224 and the Notes to the Financial Statements on pages 233 to 329.

Independent Auditors' Report – Pages 331 to 332.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		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	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	29	–	–	–	–	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	4	–	–	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 TM International Berhad Group	3	–	–	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

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company — Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares — Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Fair Value Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2007		3,397.6	3,941.9	(282.4)	25.0	—	12,829.0	836.5	20,747.6
Currency translation differences arising during the financial year									
– subsidiaries		—	—	(243.6)	—	—	—	(85.8)	(329.4)
– jointly controlled entities		—	—	81.6	—	—	—	—	81.6
– associates		—	—	14.2	—	—	—	—	14.2
Net loss not recognised in the Income Statement		—	—	(147.8)	—	—	—	(85.8)	(233.6)
Profit for the financial year		—	—	—	—	—	2,547.7	83.9	2,631.6
Total recognised (expense)/ income for the financial year		—	—	(147.8)	—	—	2,547.7	(1.9)	2,398.0
Acquisition of additional equity interest in subsidiaries		—	—	—	—	—	—	(44.7)	(44.7)
Dilution, disposal and partial disposal of equity interest in subsidiaries		—	—	17.6	—	—	—	23.3	40.9
Increase in net assets due to rights issue of a subsidiary		—	—	—	—	—	—	67.7	67.7
Reclassification to intangible assets	21	—	—	—	—	—	180.8	—	180.8
Final dividends paid for the financial year ended 31 December 2006	11	—	—	—	—	—	(749.5)	—	(749.5)
Interim dividends paid for the financial year ended 31 December 2007	11	—	—	—	—	—	(652.9)	—	(652.9)
Special dividends payable for the financial year ended 31 December 2007	11	—	—	—	—	—	(1,654.5)	—	(1,654.5)
Dividends paid to minority interests		—	—	—	—	—	—	(36.0)	(36.0)
Employees' share option scheme (ESOS)									
– options granted		—	—	—	3.2	—	—	4.5	7.7
– shares issued upon exercise of options		42.2	304.2	—	—	—	—	—	346.4
– transfer of reserve upon exercise of options		—	16.0	—	(16.0)	—	—	—	—
– ESOS expired		—	—	—	(12.2)	—	12.2	—	—
At 31 December 2007		3,439.8	4,262.1	(412.6)	—	—	12,512.8	849.4	20,651.5

* 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 208 to 224 and the Notes to the Financial Statements on pages 233 to 329.

Independent Auditors' Report – Pages 331 to 332.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares	Non-Distributable				Distributable	
All amounts are in million unless otherwise stated	**Note**	**Share Capital RM**	**Share Premium RM**	**ESOS Reserve RM**	**Special ESOS 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 TM International Berhad Group	3	—	—	—	—		(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(a)							
– shares issued to TM ESOS Management Sdn Bhd (TEM) pursuant to Special ESOS	12(d)&26	—	—	—	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(d)&26	—	—	—	(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

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	Non-Distributable ESOS Reserve RM	Non-Distributable Special ESOS Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2007		3,397.6	3,941.9	25.0	—	8,218.4	15,582.9
Profit for the financial year		—	—	—	—	998.9	998.9
Final dividends paid for the financial year ended 31 December 2006	11	—	—	—	—	(749.5)	(749.5)
Interim dividends paid for the financial year ended 31 December 2007	11	—	—	—	—	(652.9)	(652.9)
Special dividends payable for the financial year ended 31 December 2007	11	—	—	—	—	(1,654.5)	(1,654.5)
Employees' share option scheme (ESOS)							
– options granted to employees of the Company		—	—	2.5	—	—	2.5
– options granted to employees of the subsidiaries		—	—	0.7	—	—	0.7
– shares issued upon exercise of options		42.2	304.2	—	—	—	346.4
– transfer of reserve upon exercise of options		—	16.0	(16.0)	—	—	—
– ESOS expired		—	—	(12.2)	—	12.2	—
At 31 December 2007		3,439.8	4,262.1	—	—	6,172.6	13,874.5

* 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 208 to 224 and the Notes to the Financial Statements on pages 233 to 329.

Independent Auditors' Report – Pages 331 to 332.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		The Group		The Company	
All amounts are in million unless otherwise stated	**Note**	**2008 RM**	**2007 RM**	**2008 RM**	**2007 RM**
CASH FLOWS FROM OPERATING ACTIVITIES	39	**3,251.2**	5,932.2	**2,398.9**	1,848.1
CASH FLOWS USED IN INVESTING ACTIVITIES	40	**(1,896.6)**	(5,863.9)	**(52.4)**	(483.4)
CASH FLOWS USED IN FINANCING ACTIVITIES	41	**(1,928.2)**	(586.3)	**(2,418.6)**	(1,852.0)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(573.6)**	(518.0)	**(72.1)**	(487.3)
EFFECT OF DISTRIBUTION OF TM INTERNATIONAL BERHAD GROUP		**(1,402.1)**	—	**—**	—
EFFECT OF EXCHANGE RATE CHANGES		**(22.5)**	(55.5)	**(8.8)**	(19.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**4,092.9**	4,666.4	**1,528.1**	2,035.3
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**2,094.7**	4,092.9	**1,447.2**	1,528.1

The above Cash Flow Statements are to be read in conjunction with the Significant Accounting Policies on pages 208 to 224 and the Notes to the Financial Statements on pages 233 to 329.

Independent Auditors' Report – Pages 331 to 332.

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 telecommunication and related services under the licence issued by the Ministry of Energy, Water and Communications. The principal activities of subsidiaries are set out in note 53 to the financial statements.

On 25 April 2008, the Group completed the demerger to create 2 separate entities. Following the demerger, the Group's mobile and fixed businesses were separated. The Group's overseas operations under TM International Berhad (TMI), and its domestic mobile operations under Celcom (Malaysia) Berhad (collectively known as the TMI Group) were demerged from the Group. Moving forward the Group will focus on fixed line voice, data and broadband and other telecommunication related services. Details of the demerger are set out in note 3 to the financial statements. Other than mentioned above, there were no other significant changes in the principal activities of the Group.

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 principle office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

2.1 Critical judgments in applying the entity's accounting policies

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The following accounting policies require subjective judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

(i) Sale and Leaseback

The Company has applied judgment in determining the treatment of the sale and subsequent leaseback of 4 of the Company's property assets (Properties) with carrying value of RM988.4 million as at 31 December 2007 to Menara ABS Berhad (MAB), a special purpose vehicle which was completed on 15 January 2008. Subsequent to the sale, the Properties were leased back to the Company on a portfolio basis, under the Ijarah principle, for a lease term of up to 15 years. MAB issued RM1,000.0 million Islamic Asset Backed Sukuk Ijarah (Sukuk) to finance the purchase of the Properties.

The Directors consider the sale and subsequent leaseback results in an operating lease. This conclusion is derived based on the Directors' conclusion that the Company does not retain substantially all the risks and rewards incidental to the ownership of the Properties and that the lease payments and the sale price are at fair values. Furthermore, the Directors are of the view that MAB is not a subsidiary of the Company as the Company does not control MAB and the risks and rewards of owning the Properties lie with the Sukuk investors.

The carrying value of the Properties involved was reclassified as non-current assets held for sale as at 31 December 2007 as disclosed in note 32 to the financial statements, as the criteria for reclassification was met.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

2.2 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 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 TM International Berhad's 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 its a transaction with a shareholder.

(ii) 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 decrease the property, plant and equipment.

(iii) 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

2.2 Critical accounting estimates and assumptions (continued)

(iv) 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.

(v) 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 45 to the financial statements for legal proceedings that the Group is involved in as at 31 December 2008.

3. DEMERGER

(A) Internal Restructuring and Demerger

On 25 April 2008, the Group completed the demerger to create 2 separate entities. Following the demerger, the Group's mobile and fixed businesses were separated. The Group's overseas operations under TM International Berhad (TMI), and its domestic mobile operations under Celcom (Malaysia) Berhad (Celcom) (collectively known as the TMI Group) were demerged from the Group. Moving forward the Group will focus on fixed line voice, data and broadband and other telecommunication related services. 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 TMI and the assets of the fixed line voice, data and broadband businesses under the Company. Accordingly, the Company, Telekom Enterprise Sdn Bhd (TESB), TMI, 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 TMI 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 TMI for a consideration of RM141.0 million; and

(d) settlement of net amount owing by TMI 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 TMI shares at RM1.07;

(b) RM2,925.0 million was satisfied by way of an amount owing from TMI 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 TMI to the Company at finance cost of 6.72% per annum.

3. DEMERGER (CONTINUED)

(A) Internal Restructuring and Demerger (continued)

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

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

The amount owing by TMI is repayable on 24 April 2009.

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 TMI shares amounting to RM3,895.0 million and the net assets of TMI Group attributed to those shares of RM10,744.1 million respectively to the entitled shareholders of the Company.

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

Pursuant to the demerger as explained above, the results of TMI 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 Asset Held for Sale and Discontinued Operations". Income Statement comparatives for 2007 have been re-presented accordingly.

(i) The results of the discontinued operations were as follows:

	2008 RM	2007 RM
Operating revenue	**3,535.1**	9,546.9
Operating costs		
– depreciation, impairment and amortisation	**(630.9)**	(1,832.1)
– other operating costs	**(1,990.8)**	(5,460.6)
Other operating income (net)	**19.1**	151.8
Operating profit before finance cost	**932.5**	2,406.0
Finance income	**21.1**	80.3
Finance cost	**(133.6)**	(427.3)
Foreign exchange gain/(loss) on borrowings	**37.4**	(109.6)
Net finance cost	**(75.1)**	(456.6)

3. DEMERGER (CONTINUED)

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

(i) The results of the discontinued operations were as follows: (continued)

	2008 RM	2007 RM
Jointly controlled entities		
– share of results (net of tax)	**7.7**	175.5
– gain on dilution of equity interest	**—**	71.3
Associates		
– share of results (net of tax)	**10.6**	29.6
Profit before taxation and zakat	**875.7**	2,225.8
Taxation and zakat	**(250.8)**	(487.1)
Profit for the financial year from discontinued operations	**624.9**	1,738.7

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

	2008 RM	2007 RM
Auditors' remuneration:		
– statutory audit fees		
– PricewaterhouseCoopers Malaysia	**—**	0.5
– member firms of PricewaterhouseCoopers International Limited	**—**	1.3
– audit related fees	**0.2**	0.7
– tax and other non-audit services	**1.6**	3.0
Non-Executive Directors' remuneration:		
– fees	**0.1**	0.3
– allowances and bonus	**0.3**	0.3
Depreciation, impairment and amortisation:		
– depreciation of property, plant and equipment (PPE)	**626.5**	1,748.9
– impairment of PPE	**0.7**	67.1
– reversal of impairment of PPE	**(4.4)**	(5.5)
– write off of PPE	**2.1**	1.8
– amortisation of intangible assets	**6.0**	19.8
Impairment of goodwill	**—**	23.8
Prepaid rental - leasehold land	**15.9**	41.5
Profit/(loss) on disposal of PPE	**1.7**	(14.9)
Rental – buildings	**90.4**	254.0
Rental – equipment	**26.5**	38.2
Rental – others	**13.2**	30.7

Estimated money value of benefits of Non-Executive Directors of the Company amounted to RM54,462 (2007: RM117,482).

3. DEMERGER (CONTINUED)

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

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

	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 liabilities	**(117.1)**
Total net assets	**10,744.1**
Less: Net assets of TMI Group attributed to TMI 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 TMI were distributed to TEM on the basis of 1 TMI share for each Special ESOS Share held by TEM. As TEM is controlled by the Company, the net assets attributed to TMI shares distributed to TEM is effectively retained by the Group and is accounted for as an available-for-sale investment as described in note 29 to the financial statements.

4. DISPOSAL

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), Societe Des Telecommunications De Guinee S.A. (Sotelgui) and TM International Berhad 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.

Sotelgui, a former subsidiary of the Company, had been excluded from consolidation and accounted for as an investment since December 2005. The value of investment in Sotelgui had been written down to RM1.00 when the Company initiated an exit plan in December 2005.

The disposal was completed on 27 August 2008 and the Group realised 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.

5. OPERATING REVENUE

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Calls/usage	**2,163.0**	2,788.3	**2,183.2**	2,851.0
Rentals	**1,441.5**	1,322.2	**1,439.1**	1,337.0
Interconnect and international inpayment	**658.4**	641.2	**602.5**	586.4
Others	**149.2**	128.8	**131.8**	103.2
Total voice	**4,412.1**	4,880.5	**4,356.6**	4,877.6
Data services	**1,309.5**	1,218.6	**1,265.1**	1,186.7
Internet and multimedia	**1,476.8**	1,173.6	**1,483.8**	1,080.3
Other telecommunication related services	**1,181.8**	768.8	**532.7**	274.3
Non-telecommunication related services	**294.7**	254.5	**—**	—
TOTAL OPERATING REVENUE	**8,674.9**	8,296.0	**7,638.2**	7,418.9

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Depreciation of property, plant and equipment (PPE)	**2,082.5**	2,255.9	**1,921.1**	2,030.9
Depreciation of investment property	**—**	—	**0.8**	11.6
Impairment of PPE	**0.3**	18.8	**—**	9.9
Write off of PPE	**14.8**	31.5	**14.8**	31.3
Amortisation of intangible assets	**1.3**	5.2	**1.0**	3.9
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,098.9**	2,311.4	**1,937.7**	2,087.6

6(b) OTHER OPERATING COSTS

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Allowance for diminution in value of a long term investment	**1.1**	80.0	**1.1**	80.0
Allowance for/(reversal of) diminution in value of short term quoted investments	**84.7**	(49.1)	**84.7**	(49.1)
Allowance for doubtful debts (net of bad debt recoveries)	**192.0**	261.4	**177.5**	222.0
Charges and agencies commissions	**77.8**	95.4	**155.0**	168.2
Domestic interconnect and international outpayment	**1,130.2**	1,098.4	**1,219.8**	1,174.5
Impairment of investment in a subsidiary	**—**	—	**—**	13.2
Maintenance	**555.0**	379.4	**687.2**	480.6
Marketing, advertising and promotion	**293.1**	292.2	**282.0**	287.0
Net loss/(gain) on foreign exchange on settlement and placement				
– realised	**42.4**	10.2	**36.5**	(18.9)
– unrealised	**(48.8)**	81.9	**(48.3)**	83.6
Outsourcing costs	**36.4**	3.4	**169.8**	115.9
Rental – equipment	**48.0**	29.7	**65.5**	46.3
Rental – land and buildings	**137.0**	60.2	**178.5**	96.0
Prepaid rental – leasehold land	**1.2**	1.2	**0.9**	0.9
Rental – others	**9.1**	6.7	**6.1**	0.8
Research and development	**—**	—	**65.5**	80.0
Reversal of diminution in value of an associate	**—**	—	**—**	(1.5)
Staff costs	**1,595.7**	1,488.1	**1,225.6**	1,116.0
Staff costs capitalised into property, plant and equipment	**(67.9)**	(68.1)	**(67.9)**	(68.1)
Supplies and inventories	**422.6**	455.2	**277.5**	283.2
Transportation and travelling	**65.9**	60.5	**45.2**	40.6
Universal Service Provision contribution	**123.9**	113.5	**114.4**	94.7
Utilities	**244.6**	208.6	**227.1**	192.2
Waiver of amount due from a subsidiary (trading and non-trading)	**—**	—	**—**	61.3
Others	**992.5**	758.1	**499.7**	417.5
TOTAL OTHER OPERATING COSTS	**5,936.5**	5,366.9	**5,403.4**	4,916.9
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,231.8**	1,179.3	**935.8**	884.0
– termination benefit	**13.9**	44.9	**13.6**	31.1
– contribution to Employees Provident Fund (EPF)	**181.5**	176.6	**147.0**	139.7
– other staff benefits	**80.7**	77.6	**58.3**	56.4
– ESOS costs				
– ESOS of the Company	**77.6**	2.5	**63.3**	2.0
– ESOS of a subsidiary	**2.5**	4.3	**—**	—
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**1.8**	1.4	**1.8**	1.4
– contribution to EPF	**0.3**	0.3	**0.3**	0.3
– ESOS costs	**0.8**	0.5	**0.8**	0.5
– remuneration of Non-Executive Directors of the Company				
– fees	**0.9**	0.4	**0.9**	0.3
– allowances and bonus	**0.2**	0.3	**0.2**	0.3
– 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	**0.8**	—	**0.7**	—

6(b) OTHER OPERATING COSTS (CONTINUED)

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**1.8**	1.9	**1.1**	1.0
– member firms of PricewaterhouseCoopers International Limited	**0.3**	—	**—**	—
– others	**—**	0.2	**—**	—
– audit related fees	**1.1**	1.5	**0.9**	1.5
– tax and other non-audit services	**1.2**	2.2	**1.0**	2.0

(a) Estimated money value of benefits of Directors amounted to RM273,316 (2007: RM103,251) for the Group and RM156,052 (2007: RM87,766) for the Company.

7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Dividend income from a former jointly controlled entity	**—**	71.2	**—**	71.2
Dividend income from subsidiaries	**—**	—	**159.1**	250.8
Dividend income from quoted shares	**5.9**	3.8	**5.9**	3.8
Dividend income from unquoted shares	**4.2**	30.2	**4.2**	30.2
Gain on dilution and disposal of subsidiaries	**5.2**	10.6	**—**	60.2
Income from former subsidiaries – interest	**0.7**	2.9	**0.7**	2.9
– others	**3.8**	11.3	**3.8**	11.3
Income from subsidiaries – interest	**—**	—	**3.4**	3.7
– others	**—**	—	**6.3**	6.6
(Loss)/profit on disposal of fixed income securities	**(0.3)**	0.4	**(0.3)**	0.4
(Loss)/profit on disposal of short term quoted investments	**(9.6)**	17.3	**(9.6)**	17.3
Penalty on breach of contract	**2.0**	2.6	**1.6**	1.6
Profit on disposal of property, plant and equipment	**18.6**	21.0	**18.9**	20.2
Profit on disposal of non-current asset held for sale	**11.6**	46.0	**11.6**	46.0
Profit/(loss) on disposal of an associate	**—**	0.2	**—**	(1.3)
Profit on disposal of long term investments	**1.2**	1.6	**—**	0.6
Rental income from buildings	**39.3**	34.1	**50.6**	44.3
Rental income from vehicles	**7.3**	7.1	**15.6**	21.7
Revenue from training and related activities	**16.0**	11.8	**16.5**	12.2
Others	**72.8**	36.6	**64.5**	53.0
TOTAL OTHER OPERATING INCOME (net)	**178.7**	308.7	**352.8**	656.7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

8. NET FINANCE COST

	2008				2007			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
THE GROUP								
Finance income from								
– Short term bank deposits	**3.4**	**47.6**	**17.8**	**68.8**	15.4	79.2	29.0	123.6
– Amount owing by TMI	**—**	**168.5**	**—**	**168.5**	—	—	—	—
TOTAL FINANCE INCOME	**3.4**	**216.1**	**17.8**	**237.3**	15.4	79.2	29.0	123.6
Finance cost from								
– Borrowings (net of returns)	**(237.7)**	**27.0**	**(0.8)**	**(211.5)**	(257.2)	(91.7)	(19.8)	(368.7)
– TM Islamic Stapled Income Securities (note 15(a))	**—**	**—**	**(127.8)**	**(127.8)**	—	—	(64.9)	(64.9)
Loss on unwinding of swap (note 17(a))	**(15.9)**	**—**	**—**	**(15.9)**	—	—	—	—
Upfront payment (note 17(b) and (c))	**(96.1)**	**—**	**—**	**(96.1)**	—	—	—	—
Finance lease (note 15(c))	**—**	**(2.9)**	**—**	**(2.9)**	—	—	—	—
Accretion of finance income	**12.2**	**0.7**	**—**	**12.9**	41.2	0.5	—	41.7
Amortisation of discounts	**—**	**(1.2)**	**—**	**(1.2)**	—	(1.7)	—	(1.7)
TOTAL FINANCE COST	**(337.5)**	**23.6**	**(128.6)**	**(442.5)**	(216.0)	(92.9)	(84.7)	(393.6)
Foreign exchange (loss)/gain on borrowings								
– Realised	**(0.5)**	**—**	**—**	**(0.5)**	(11.4)	—	—	(11.4)
– Unrealised	**(169.5)**	**—**	**—**	**(169.5)**	273.8	—	—	273.8
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(170.0)**	**—**	**—**	**(170.0)**	262.4	—	—	262.4
NET FINANCE COST	**(504.1)**	**239.7**	**(110.8)**	**(375.2)**	61.8	(13.7)	(55.7)	(7.6)

8. NET FINANCE COST (CONTINUED)

	2008				2007			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
THE COMPANY								
Finance income from								
– Short term bank deposits	**3.3**	**39.9**	**11.0**	**54.2**	15.2	63.4	16.7	95.3
– Amount owing by TMI	**—**	**168.5**	**—**	**168.5**	—	—	—	—
TOTAL FINANCE INCOME	**3.3**	**208.4**	**11.0**	**222.7**	15.2	63.4	16.7	95.3
Finance cost from								
– Borrowings	**(237.7)**	**—**	**(0.8)**	**(238.5)**	(257.2)	—	(19.8)	(277.0)
– Redeemable Preference Shares	**—**	**—**	**—**	**—**	—	(106.7)	—	(106.7)
– TM Islamic Stapled Income Securities (note 15(a))	**—**	**—**	**(127.8)**	**(127.8)**	—	—	(64.9)	(64.9)
Loss on unwinding of swap (note 17(a))	**(15.9)**	**—**	**—**	**(15.9)**	—	—	—	—
Upfront payment (note 17(b) and (c))	**(96.1)**	**—**	**—**	**(96.1)**	—	—	—	—
Finance lease (note 15(c))	**—**	**(2.9)**	**—**	**(2.9)**	—	—	—	—
Accretion of finance income	**12.2**	**0.7**	**—**	**12.9**	41.2	0.5	—	41.7
Amortisation of discounts	**—**	**(1.2)**	**—**	**(1.2)**	—	(1.7)	—	(1.7)
TOTAL FINANCE COST	**(337.5)**	**(3.4)**	**(128.6)**	**(469.5)**	(216.0)	(107.9)	(84.7)	(408.6)
Foreign exchange (loss)/gain on borrowings								
– Realised	**(0.5)**	**—**	**—**	**(0.5)**	(11.4)	—	—	(11.4)
– Unrealised	**(169.5)**	**—**	**—**	**(169.5)**	273.8	—	—	273.8
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(170.0)**	**—**	**—**	**(170.0)**	262.4	—	—	262.4
NET FINANCE COST	**(504.2)**	**205.0**	**(117.6)**	**(416.8)**	61.6	(44.5)	(68.0)	(50.9)

9. TAXATION AND ZAKAT

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**188.3**	199.2	**157.9**	208.0
Prior year	**(62.9)**	(160.9)	**(55.9)**	(166.4)
Deferred Tax (net)				
Current year	**(12.6)**	0.1	**(30.6)**	4.0
Prior year	**(51.4)**	(26.2)	**(53.2)**	(26.2)
	61.4	12.2	**18.2**	19.4
Overseas				
Income Tax				
Current year	**1.9**	6.3	**—**	—
Prior year	**—**	(1.7)	**—**	—
Deferred Tax (net)				
Current year	**—**	7.1	**—**	—
Prior year	**1.3**	—	**—**	—
	3.2	11.7	**—**	—
TOTAL TAXATION	**64.6**	23.9	**18.2**	19.4
Zakat	**13.0**	1.9	**13.0**	1.9
TAXATION AND ZAKAT	**77.6**	25.8	**31.2**	21.3
Current taxation:				
Current year	**190.2**	205.5	**157.9**	208.0
Over accrual in prior years (net)	**(62.9)**	(162.6)	**(55.9)**	(166.4)
Deferred taxation:				
Origination and reversal of temporary differences	**(2.9)**	76.7	**(30.6)**	64.7
Benefit from previously unrecognised deductible temporary differences and tax losses	**(9.7)**	(8.8)	**—**	—
Change in tax rate	**—**	(60.7)	**—**	(60.7)
Over accrual of deferred tax	**(50.1)**	(26.2)	**(53.2)**	(26.2)
	64.6	23.9	**18.2**	19.4

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	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Profit Before Taxation and Zakat	**353.8**	918.7	**233.1**	1,020.2
Taxation calculated at the applicable Malaysian taxation rate of 26.0% (2007: 27.0%)	**92.0**	248.0	**60.6**	275.5
Tax effects of:				
– different taxation rates in other countries	**(1.6)**	0.5	**—**	—
– expenses not deductible for taxation purposes	**182.2**	94.8	**159.7**	69.5
– income not subject to taxation	**(57.5)**	(40.0)	**(64.7)**	(50.5)
– expenses allowed for double deduction	**(22.5)**	(18.4)	**(22.5)**	(18.4)
– tax incentives	**(5.8)**	(3.4)	**(5.8)**	(3.4)
– previously unrecognised temporary differences	**(9.7)**	(8.8)	**—**	—
– change in tax rate	**—**	(60.7)	**—**	(60.7)
– current year tax losses not recognised	**0.5**	0.7	**—**	—
– over accrual of deferred tax (net)	**(50.1)**	(26.2)	**(53.2)**	(26.2)
– over accrual of income tax (net)	**(62.9)**	(162.6)	**(55.9)**	(166.4)
TOTAL TAXATION	**64.6**	23.9	**18.2**	19.4

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, as described in note 12(d) to the financial statements.

	The Group	
	2008	**2007**
Profit from continuing operations attributable to equity holders of the Company (RM million)	**229.3**	856.7
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**562.6**	1,691.0
Profit attributable to equity holders of the Company (RM million)	**791.9**	2,547.7
Weighted average number of ordinary shares (million)	**3,445.3**	3,426.2
Basic earnings per share (sen) from:		
Continuing operations	**6.7**	25.0
Discontinued operations	**16.3**	49.4
Basic earnings per share (sen) attributable to equity holders of the Company	**23.0**	74.4

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has share options granted to employees under Special ESOS during the financial year which are dilutive potential ordinary shares and is assumed to have been converted into ordinary shares.

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 adjusted for demerger effect) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the unexercised shares 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.

There was no dilutive potential ordinary shares as at 31 December 2007 affecting the comparatives earnings per share as ESOS 3 had expired on 31 July 2007.

For details of the Company's Employees' Share Option Scheme (Special ESOS), please refer to note 13(a) to the financial statements.

	The Group	
	2008	**2007**
Profit from continuing operations attributable to equity holders of the Company (RM million)	**229.3**	856.7
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**562.6**	1,691.0
Profit attributable to equity holders of the Company (RM million)	**791.9**	2,547.7
Weighted average number of ordinary shares (million)	**3,445.3**	3,426.2
Adjustment for Special ESOS (million)	**19.9**	—
Weighted average number of ordinary shares (million)	**3,465.2**	3,426.2
Diluted earnings per share (sen) from:		
Continuing operations	**6.6**	25.0
Discontinued operations	**16.2**	49.4
Diluted earnings per share (sen) attributable to equity holders of the Company	**22.8**	74.4

11. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	The Company				
	2008		2007		
	Gross dividend per share Sen	Amount of dividend, net of 26.0% tax RM	Gross dividend per share Sen	Amount of dividend, net of 27.0% tax RM	Amount of dividend, net of 26.0% tax RM
Interim dividends paid in respect of the financial year ended:					
– 31 December 2008 (sub-note (a))	**12.0**	**317.7**	—	—	—
– 31 December 2007	**—**	**—**	26.0	652.9	—
Final dividends paid in respect of the financial year ended:					
– 31 December 2007 (sub-note (a))	**22.0**	**582.4**	—	—	—
– 31 December 2006	**—**	**—**	30.0	749.5	—
Special dividend paid in respect of the financial year ended:					
– 31 December 2007 (sub-note (b))	**—**	**—**	65.0	—	1,654.5
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**34.0**	**900.1**	121.0	1,402.4	1,654.5

(a) Includes dividend paid on shares held by TM ESOS Management Sdn Bhd amounted to RM33.8 million which was adjusted on consolidation.

(b) The special dividend was declared on 10 December 2007 and paid on 31 January 2008.

(c) In respect of the financial year ended 31 December 2008, the Directors now recommend a final gross dividend of 14.25 sen per share less tax at 25.0% amounting to RM382.3 million (2007: a final gross dividend of 22.0 sen per share less tax at 26.0% amounting to RM582.4 million) subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

12. SHARE CAPITAL

	The Group and Company 2008		2007	
	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))	**—**	**—**	—	—
Class A Redeemable Preference Shares of RM0.01 each (sub-note (b))	**—**	**—**	—	—
Class B Redeemable Preference Shares of RM0.01 each (sub-note (b))	**—**	**—**	—	—
Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (c))	**—**	**—**	—	—
Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (c))	**—**	**—**	—	—
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,439.8**	**3,439.8**	3,397.6	3,397.6
Exercise of share options (sub-note (d))	**16.2**	**16.2**	42.2	42.2
At 31 December	**3,456.0**	**3,456.0**	3,439.8	3,439.8
Special share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**—**	**—**	—	—
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,456.0**	**3,456.0**	3,439.8	3,439.8

(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.

12. SHARE CAPITAL (CONTINUED)

(b) Redeemable Preference Shares (RPS)

These comprise 1,000 Class A RPS (TM RPS A) of RM0.01 each and 1,000 Class B RPS (TM RPS B) of RM0.01 each, which were issued in 2003 to Rebung Utama Sdn Bhd, a special purpose entity of the Company, at a premium of RM0.99 each over the par value of RM0.01 each.

TM RPS A and TM RPS B 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 RPS A and TM RPS B were classified as liabilities.

On 20 July 2007, the Company redeemed these 1,000 TM RPS A and 1,000 TM RPS B as part of the exchange of TM Islamic Stapled Income Securities with the Tekad Mercu Bonds as explained in note 15(a) to the financial statements.

(c) 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.

(d) 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(a)) 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.

During the financial year, 16,214,300 ordinary shares of RM1.00 each were issued to employees under Special ESOS, detailed as follows:

Number of issued and paid-up ordinary shares of RM1.00 each	Exercise price per share
296,700	RM9.70
15,917,600	RM2.71

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

In 2007, 42,152,800 ordinary shares of RM1.00 each were issued to employees under ESOS 3 and Performance Linked Employees Option Scheme (PLES) which had expired on 31 July 2007.

13. EMPLOYEES' SHARE OPTION SCHEME

(a) Employees' Share Option Scheme of the Company

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.

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.

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 singly 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 TMI 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 option period which expires on 16 September 2009, 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)

(a) Employees' Share Option Scheme of the Company (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.

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 during the financial year up to 31 December 2008 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
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
Subtotal		110,157.3
TMI 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		133,764.9

* This is the deemed grant date as most of the offer 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.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

(a) Employees' Share Option Scheme of the Company (continued)

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 will be 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

For options granted before 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 the options would include the options over the ordinary shares of TMI (TMI Options) at demerger.

Pursuant to the distribution of TMI shares via dividend in specie to effect the demerger on 25 April 2008, 137,295,600 ordinary shares of TMI were distributed to TEM on the basis of 1 TMI share for each TM share held by TEM. Consequently, the employees are entitled to 1 TMI Option for each TM Option remained unexercised on that date. The allocation on 16 October 2008 includes 1 TMI Option for each TM Option granted on that date. The TM Options and TMI Options can be exercised independently.

The exercise price of TM Options and TMI Options is adjusted as follows:

	Exercise price		
	Prior to demerger	Subsequent to demerger	
Grant date	TM Options	TM Options	TMI Options
31 March 2008	9.70	2.71	6.99
22 April 2008	9.70	2.71	6.99
16 October 2008	n.a.	3.14	6.56

The fair values of options granted at the date of grant 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. The significant inputs into the model are as follows:

Special ESOS over the ordinary shares of:	The Company		TMI	
Exercise price	RM2.71*	RM3.14	RM6.99	RM6.56
Estimated option life (number of days to expiry)				
– Tranche 1	183	n.a.	183	n.a.
– Tranche 2	350	182	350	182
– Tranche 3	534	335	534	335
Weighted average share price at grant date	RM3.58	RM3.32	RM7.25	RM5.00
Expected dividend yield	5.60%	5.60%	1.80%	1.80%
Risk free interest rates (Yield of Malaysian Government securities)	3.38%	3.67%	3.38%	3.67%
Expected volatility	21.48%	27.14%	24.62%	23.15%

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

(a) Employees' Share Option Scheme of the Company (continued)

Special ESOS over the ordinary shares of: (continued)

	The Company		TMI	
Exercise price	RM2.71*	RM3.14	RM6.99	RM6.56
Historical volatility period for the shares of:				
From	31.03.2006	16.10.2007	@	@
To	31.03.2008	16.10.2008	@	@
Option value				
– Tranche 1	0.82	n.a.	0.66	n.a.
– Tranche 2	0.80	0.32	0.86	0.02
– Tranche 3	0.79	0.38	1.03	0.08

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.

@ The volatility rate for TMI Options was derived after considering the pattern and level of historical volatility of entities in the same industry since TMI shares does not have information on historical volatility as it was only listed on the Bursa Malaysia Securities Berhad on 28 April 2008.

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

Grant date	Exercise price (RM)	Granted before demerger ('000)	At 25 April ('000)	Granted after demerger ('000)	Exercised ('000)	Forfeited ('000)	At 25 April ('000)	At 31 December ('000)	Fair value at grant date (RM)
2008									
Prior to demerger									
31 March/22 April	**9.70**	**130,696.5**	**n.a.**	**n.a.**	**(296.7)**	**(6.0)**	**130,393.8**	**n.a.**	**1.48 - 1.82#**
Post demerger									
31 March/22 April	**2.71**	**n.a.**	**130,393.8**	**n.a.**	**(15,917.6)**	**(4,430.0)**	**n.a.**	**110,046.2**	**0.79 - 0.82**
16 October	**3.14**	**n.a.**	**n.a.**	**3,068.4**	**—**	**(3.0)**	**n.a.**	**3,065.4**	**0.32 - 0.38**
Total		**n.a.**	**130,393.8**	**3,068.4**	**(15,917.6)**	**(4,433.0)**	**n.a.**	**113,111.6**	

Fair value of options at grant date prior to demerger is determined collectively based on TM and TMI Options.

n.a. – not applicable

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

(a) Employees' Share Option Scheme of the Company (continued)

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

Grant date	Exercise price (RM)	At 25 April ('000)	Granted after demerger ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (RM)
2008							
31 March/22 April	6.99	130,393.8	—	(281.6)	(4,985.3)	125,126.9	0.66 - 1.03
16 October	6.56	—	3,068.4	—	(3.0)	3,065.4	0.02 - 0.08
Total		130,393.8	3,068.4	(281.6)	(4,988.3)	128,192.3	

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

	TM Options			TMI Options	
Exercise date	Fair value of shares at exercise date RM/share	Exercise price/Number of options exercised ('000) RM9.70	RM2.71	Fair value of shares at exercise date RM/share	Exercise price/ Number of options exercised ('000) RM6.99
2008					
April (prior to demerger)	10.85	296.7	—	—	—
April (post demerger) to July	3.22 – 3.50	—	3,324.3	6.00 - 7.60	281.6
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		281.6

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

The fair value of shares issued on the exercise of options is the mean market price at which the Company's and TMI 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 0.7 year.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

(a) Employees' Share Option Scheme of the Company (continued)

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

	2008	
	The Group RM	**The Company RM**
Cost of options granted to employees of the Company and its subsidiaries		
Equity settled	78.8	64.5
Cash settled	0.2	0.2
Total ESOS costs (note 6(b))	79.0	64.7
Cost of options granted to employees of TMI Group		
Equity settled	17.6	17.6
Cash settled	0.1	—
Total ESOS costs	17.7	17.6
The liability recognised in the balance sheet for cash settled arrangement as at 31 December	0.3	0.2

(b) ESOS of VADS Berhad (VADS)

The ESOS was approved by VADS's shareholders at an Extraordinary General Meeting (EGM) held on 28 January 2005. Subsequent to a resolution passed at an EGM held on 24 November 2008, the last exercise date of options was changed from 31 March 2010 to 31 December 2008 in conjunction with the proposed privatisation of VADS. Any options which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

The principal features of ESOS are as follows:

(i) The eligibility for participation in ESOS is at the discretion of the Option Committee appointed by the Board of Directors of VADS.

(ii) The total number of shares to be offered shall not exceed 15.0% of the total issued and paid-up shares of VADS.

(iii) No option shall be granted for less than 1,000 shares nor more than 500,000 shares unless so adjusted pursuant to item (vi) below.

(iv) The subscription price of each RM1.00 share shall be the average of the middle market quotation of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the 5 trading days preceding the date of offer with a 10.0% discount.

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

(b) ESOS of VADS Berhad (VADS) (continued)

(v) Subject to item (vi) below, an employee may exercise his options subject to the following limits:

	Percentage of options exercisable (%)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Number of options granted	20	20	20	20	20

(vi) In the event of any alteration in capital structure of VADS during the option period, such corresponding alterations shall be made in:

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

(b) and/or the subscription price.

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

On 25 October 2007, VADS's ordinary shares of RM1.00 each was subdivided into 2 ordinary shares of RM0.50 each following a share split exercise. Consequent from the share split, the number of options unexercised, the subscription price and the fair value at grant date are adjusted accordingly.

The movement during the financial year in the number of options over the ordinary shares of RM0.50 each of VADS, after the share split, is as follows:

Grant date	Exercise price (RM)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (RM)
2008							
14 April 2005	1.32	3,676.0	—	(3,592.0)	(84.0)	—	0.31
31 August 2005	1.38	298.0	—	(298.0)	—	—	0.43
30 November 2005	1.47	119.0	—	(99.0)	(20.0)	—	0.37
19 January 2006	1.54	270.0	—	(270.0)	—	—	0.32
28 April 2006	1.84	726.0	—	(684.0)	(42.0)	—	0.51
28 July 2006	1.91	398.0	—	(380.0)	(18.0)	—	0.44
20 October 2006	2.87	552.0	—	(463.0)	(89.0)	—	0.70
26 January 2007	2.93	291.0	—	(282.0)	(9.0)	—	0.79
20 April 2007	3.15	1,019.2	—	(910.2)	(109.0)	—	0.65
4 July 2007	3.03	621.0	—	(570.0)	(51.0)	—	1.74
1 November 2007	5.32	273.0	—	(190.9)	(82.1)	—	1.93
9 January 2008	5.74	—	828.0	(751.0)	(77.0)	—	0.51
10 July 2008	5.09	—	596.0	(592.0)	(4.0)	—	0.56
Total		8,243.2	1,424.0	(9,082.1)	(585.1)	—	

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

(b) ESOS of VADS Berhad (VADS) (continued)

The movement during the financial year in the number of options over the ordinary shares of RM0.50 each of VADS, after the share split, is as follows: (continued)

Grant date	Exercise price (RM)	At 25 October ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (RM)
2007							
After share split							
14 April 2005	1.32	3,732.0	—	(5.0)	(51.0)	3,676.0	0.31
31 August 2005	1.38	298.0	—	—	—	298.0	0.43
30 November 2005	1.47	122.0	—	(3.0)	—	119.0	0.37
19 January 2006	1.54	324.0	—	(14.0)	(40.0)	270.0	0.32
28 April 2006	1.84	738.0	—	(12.0)	—	726.0	0.51
28 July 2006	1.91	404.0	—	(6.0)	—	398.0	0.44
20 October 2006	2.87	580.0	—	(28.0)	—	552.0	0.70
26 January 2007	2.93	300.0	—	(9.0)	—	291.0	0.79
20 April 2007	3.15	1,116.2	—	(97.0)	—	1,019.2	0.65
4 July 2007	3.03	736.0	—	(115.0)	—	621.0	1.74
1 November 2007	5.32	—	273.0	—	—	273.0	1.93
Total		8,350.2	273.0	(289.0)	(91.0)	8,243.2	

The movement during the financial year in the number of options over the ordinary shares of RM1.00 each of VADS, before the share split, is as follows:

Grant date	Exercise price (RM)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 24 October ('000)	Fair value at grant date (RM)
2007							
Before share split							
14 April 2005	2.65	3,175.0	—	(1,085.0)	(224.0)	1,866.0	0.62
31 August 2005	2.76	256.0	—	(45.0)	(62.0)	149.0	0.86
30 November 2005	2.94	138.0	—	(37.0)	(40.0)	61.0	0.74
19 January 2006	3.08	352.0	—	(112.0)	(78.0)	162.0	0.63
28 April 2006	3.69	658.0	—	(187.0)	(102.0)	369.0	1.02
28 July 2006	3.82	380.0	—	(126.0)	(52.0)	202.0	0.88
20 October 2006	5.75	554.0	—	(166.0)	(98.0)	290.0	1.41
26 January 2007	5.86	—	444.0	(162.0)	(132.0)	150.0	1.57
20 April 2007	6.30	—	654.0	(49.9)	(46.0)	558.1	1.30
4 July 2007	6.07	—	444.0	(76.0)	—	368.0	3.48
Total		5,513.0	1,542.0	(2,045.9)	(834.0)	4,175.1	

13. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

(b) ESOS of VADS Berhad (VADS) (continued)

The fair values of options granted in which FRS 2 applies, were determined using the Black Scholes Valuation model. The significant inputs into the model are as follows:

Exercise price	Option life (number of days to expiry)	Weighted average share price at grant date	Expected dividend yield	Risk free interest rates (Yield of Malaysian Government Securities)	Expected volatility	VADS share historical volatility period From	To
RM1.32	1,812	RM2.84	3.50%	3.70%	26.00%	30.08.2002	14.04.2005
RM1.38	1,673	RM3.38	3.50%	3.28%	26.00%	30.08.2002	31.08.2005
RM1.47	1,581	RM3.28	3.50%	3.68%	26.00%	30.08.2002	30.11.2005
RM1.54	1,533	RM3.42	3.50%	3.56%	20.59%	30.08.2002	19.01.2006
RM1.84	1,434	RM4.42	3.50%	4.07%	22.20%	30.08.2002	28.04.2006
RM1.91	1,343	RM4.26	3.50%	4.22%	23.08%	30.06.2003	28.07.2006
RM2.87	1,259	RM6.60	3.50%	3.76%	24.04%	30.06.2003	20.10.2006
RM2.93	1,161	RM6.85	3.50%	3.64%	23.88%	30.06.2003	26.01.2007
RM3.15	1,077	RM6.80	3.50%	3.39%	23.70%	30.06.2003	20.04.2007
RM3.03	1,002	RM6.70	3.50%	3.73%	28.10%	30.06.2003	04.07.2007
RM5.32	882	RM6.70	3.50%	3.53%	33.30%	30.06.2003	01.11.2007
RM5.74	813	RM6.40	3.50%	3.60%	17.79%	30.06.2004	09.01.2008
RM5.09	630	RM5.75	3.50%	3.44%	20.09%	30.06.2004	10.07.2008

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices over the last 2 to 4 years from the grant date.

The amount recognised in the consolidated financial statements arising from share based payments of VADS was RM2.5 million (2007: RM4.3 million).

14. OTHER RESERVES

	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
Retained profits	**2,303.2**	12,512.8	**1,581.5**	6,172.6
Fair value reserve	**111.0**	—	**—**	—
ESOS reserve	**82.9**	—	**82.9**	—
Special ESOS reserve (note 13(a))	**—**	—	**1,168.2**	—
Currency translation differences arising from translation of:				
– subsidiaries	**(10.4)**	(530.7)	**—**	—
– jointly controlled entities	**—**	100.2	**—**	—
– associates	**—**	17.9	**—**	—
TOTAL OTHER RESERVES	**2,486.7**	12,100.2	**2,832.6**	6,172.6

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.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt income accounts as at 31 December 2008 to pay dividends out of all (2007: all) its retained profits without incurring additional taxation during the transitional period.

15. BORROWINGS

	2008				2007			
	Weighted Average Rate of Finance	**Long Term RM**	**Short Term RM**	**Total RM**	**Weighted Average Rate of Finance**	**Long Term RM**	**Short Term RM**	**Total RM**
The Group								
DOMESTIC								
Secured								
Borrowings under Islamic principles								
– Banking facilities	**—**	**—**	**—**	**—**	8.23%	—	201.6	201.6
	—	**—**	**—**	**—**	8.23%	—	201.6	201.6
Unsecured								
Borrowings from financial institutions	**5.08%**	**20.0**	**15.8**	**35.8**	4.93%	15.0	21.7	36.7
Borrowings under Islamic principles								
– Banking facilities	**—**	**—**	**—**	**—**	6.20%	—	243.0	243.0
– TM Islamic Stapled Income Securities (sub-note (a))	**5.57%**	**2,925.0**	**—**	**2,925.0**	4.34%	2,925.0	—	2,925.0
Other borrowings (sub-note (b))	**4.62%**	**148.2**	**14.6**	**162.8**	5.90%	6.9	—	6.9
Finance lease (sub-note (c))	**6.33%**	**64.8**	**4.4**	**69.2**	—	—	—	—
	5.53%	**3,158.0**	**34.8**	**3,192.8**	4.49%	2,946.9	264.7	3,211.6
Total Domestic	**5.53%**	**3,158.0**	**34.8**	**3,192.8**	4.71%	2,946.9	466.3	3,413.2

15. BORROWINGS (CONTINUED)

	2008				2007			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
The Group								
FOREIGN								
Secured								
Borrowings from financial institutions	—	—	—	—	9.70%	392.6	76.1	468.7
Other borrowings	—	—	—	—	1.97%	370.0	40.0	410.0
	—	—	—	—	6.10%	762.6	116.1	878.7
Unsecured								
Notes and Debentures (sub-note (d))	**5.82%**	**3,803.4**	—	**3,803.4**	6.96%	4,975.1	1,175.0	6,150.1
Rated Cumulative Redeemable Preference Shares	—	—	—	—	18.43%	136.9	15.2	152.1
Borrowings from financial institutions	—	—	—	—	7.91%	917.6	401.4	1,319.0
Other borrowings	—	**3.7**	**0.1**	**3.8**	1.21%	8.1	1.1	9.2
Bank overdrafts (note 36)	—	—	—	—	19.74%	—	2.1	2.1
	5.82%	**3,807.1**	**0.1**	**3,807.2**	7.50%	6,037.7	1,594.8	7,632.5
Total Foreign	**5.82%**	**3,807.1**	**0.1**	**3,807.2**	7.35%	6,800.3	1,710.9	8,511.2
TOTAL BORROWINGS	**5.69%**	**6,965.1**	**34.9**	**7,000.0**	6.58%	9,747.2	2,177.2	11,924.4

	2008			2007		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's long term borrowings are repayable as follows:						
After one year and up to five years	**2,040.4**	**1,036.5**	**3,076.9**	21.9	3,079.7	3,101.6
After five years and up to ten years	**1,090.0**	**1,735.4**	**2,825.4**	2,000.0	2,729.3	4,729.3
After ten years and up to fifteen years	**27.6**	**0.8**	**28.4**	925.0	0.9	925.9
After fifteen years	—	**1,034.4**	**1,034.4**	—	990.4	990.4
	3,158.0	**3,807.1**	**6,965.1**	2,946.9	6,800.3	9,747.2

15. BORROWINGS (CONTINUED)

	2008				2007			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
The Company								
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– Banking facilities	—	—	—	—	6.20%	—	243.0	243.0
– TM Islamic Stapled Income Securities (sub-note (a))	**5.57%**	**2,925.0**	**—**	**2,925.0**	4.34%	2,925.0	—	2,925.0
Other borrowings (sub-note (b))	**4.71%**	**141.8**	**—**	**141.8**	—	—	—	—
Finance lease (sub-note (c))	**6.34%**	**64.8**	**2.9**	**67.7**	—	—	—	—
Total Domestic	**5.54%**	**3,131.6**	**2.9**	**3,134.5**	4.49%	2,925.0	243.0	3,168.0
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (d))	**7.01%**	**2,068.8**	**—**	**2,068.8**	6.87%	1,979.9	—	1,979.9
Other borrowings	**—**	**3.7**	**0.1**	**3.8**	1.21%	8.2	1.1	9.3
Total Foreign	**7.00%**	**2,072.5**	**0.1**	**2,072.6**	6.84%	1,988.1	1.1	1,989.2
TOTAL BORROWINGS	**6.12%**	**5,204.1**	**3.0**	**5,207.1**	5.39%	4,913.1	244.1	5,157.2

	2008			2007		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's long term borrowings are repayable as follows:						
After one year and up to five years	**2,014.0**	**1,036.5**	**3,050.5**	—	995.1	995.1
After five years and up to ten years	**1,090.0**	**0.8**	**1,090.8**	2,000.0	1.7	2,001.7
After ten years and up to fifteen years	**27.6**	**0.8**	**28.4**	925.0	0.9	925.9
After fifteen years	**—**	**1,034.4**	**1,034.4**	—	990.4	990.4
	3,131.6	**2,072.5**	**5,204.1**	2,925.0	1,988.1	4,913.1

15. BORROWINGS (CONTINUED)

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Ringgit Malaysia	**3,192.8**	3,413.2	**3,134.5**	3,168.0
US Dollar	**3,803.4**	7,071.7	**2,068.8**	1,979.9
Indonesian Rupiah	**—**	666.4	**—**	—
Bangladesh Taka	**—**	432.6	**—**	—
Sri Lanka Rupee	**—**	202.3	**—**	—
Other currencies	**3.8**	138.2	**3.8**	9.3
	7,000.0	11,924.4	**5,207.1**	5,157.2

(a) On 20 July 2007, the Company had, through itself and its wholly owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as "Sukuk".

The TM NCRPS 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 issuance of the TM ISIS was made in exchange for the Tekad Mercu bonds (Exchange Offer). Holders of RM2,925.0 million of the Tekad Mercu bonds accepted the Exchange Offer. The Company purchased the remaining RM75.0 million Tekad Mercu bonds which were cancelled subsequently.

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.

15. BORROWINGS (CONTINUED)

(a) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

15. BORROWINGS (CONTINUED)

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

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.

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.

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.

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.

(b) Domestic other borrowing of the Company consists of the present value of future payment obligation related to a government grant.

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

	2008	
	The Group RM	**The Company RM**
Not later than one year	**8.6**	**7.1**
Later than one year and not later than five years	**28.6**	**28.6**
Later than five years and not later than ten years	**35.7**	**35.7**
Later than ten years and not later than fifteen years	**31.5**	**31.5**
	104.4	**102.9**
Future finance charges	**(35.2)**	**(35.2)**
Present value of finance lease liabilities	**69.2**	**67.7**

15. BORROWINGS (CONTINUED)

(c) Present value of finance lease liabilities at the balance sheet date are as follows:

	2008	
	The Group RM	The Company RM
Not later than one year	**4.4**	**2.9**
Later than one year and not later than five years	**14.0**	**14.0**
Later than five years and not later than ten years	**23.2**	**23.2**
Later than ten years and not later than fifteen years	**27.6**	**27.6**
	69.2	**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	
	2008 RM	2007 RM	2008 RM	2007 RM
USD250.0 million 7.125% Notes due 2013 (sub-note (i))	**—**	817.0	**—**	—
USD350.0 million 8.0% Notes due 2009 (sub-note (i))	**—**	1,175.1	**—**	—
USD300.0 million 8.0% Guaranteed Notes due 2010	**1,035.8**	991.5	**1,035.8**	991.5
USD500.0 million 5.25% Guaranteed Notes due 2014	**1,734.6**	1,652.5	**—**	—
USD300.0 million 7.875% Debentures due 2025	**1,033.0**	988.4	**1,033.0**	988.4
IDR1,500 billion 10.35% Notes due 2012 (sub-note (i))	**—**	525.6	**—**	—
	3,803.4	6,150.1	**2,068.8**	1,979.9

(i) Issued by Excelcomindo Finance Company BV, a wholly owned subsidiary of PT Excelcomindo Pratama Tbk which was demerged from the Group by virtue of the demerger as disclosed in note 3 to the financial statements.

16. PAYABLE TO A SUBSIDIARY

On 22 September 2004, the Company's wholly owned subsidiary, TM Global Incorporated (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.

None of TM Global Notes have been redeemed, purchased or cancelled during the financial year.

17. HEDGING TRANSACTIONS

(a) 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.

(b) Interest Rate Swap (IRS)

Underlying Liability
USD300.0 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.

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 latest 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 (c).

(c) 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.

17. HEDGING TRANSACTIONS (CONTINUED)

(c) Interest Rate Swap (IRS) (continued)

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. Under this structure, the Company will receive interest at a rate of 7.875% 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 latest restructuring executed on 5 December 2005, the Company will pay interest at a floating rate of 6 months USD LIBOR plus 2.24% for a new predetermined range. 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 that entitles it to receive interest at a fixed rate of 7.875% 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). In exchange, the Company is obliged to pay interest at a floating rate of 6 months USD LIBOR plus 1.05%. This transaction will automatically terminate in whole, but not in part, on an Auto-Put Date, i.e. 1 August 2009, where the LIBOR rate fixes at or below the trigger level. 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.

On 25 March 2008, the Company revised its other existing USD150.0 million IRS range accrual swap with a trigger feature and entered into a plain vanilla swap as described in sub-note (d).

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 (b) 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.

(d) Interest Rate Swap (IRS)

Underlying Liability

USD500.0 million 5.25% Guaranteed Notes due in 2014

In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due 2014. The Notes are redeemable in full on 22 September 2014.

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.

17. HEDGING TRANSACTIONS (CONTINUED)

(e) Cross-Currency Interest Rate Swap (CCIRS)
Underlying Liability
USD500.0 million 5.25% Guaranteed Notes due in 2014

In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due 2014. The Notes are redeemable in full on 22 September 2014.

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.

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	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Subject to income tax:				
Deferred tax assets	**8.9**	179.4	**—**	—
Deferred tax liabilities	**1,362.0**	2,313.2	**1,328.0**	1,411.8
TOTAL DEFERRED TAX	**1,353.1**	2,133.8	**1,328.0**	1,411.8
At 1 January	**2,133.8**	2,146.3	**1,411.8**	1,434.0
Current year (credited)/charged to Income Statement for continuing operations arising from:				
– property, plant and equipment	**(42.8)**	(36.4)	**(69.6)**	(17.3)
– tax losses	**(2.7)**	(1.4)	**—**	—
– provisions and others	**(17.2)**	18.8	**(14.2)**	(4.9)
	(62.7)	(19.0)	**(83.8)**	(22.2)
Current year charged/(credited) to Income Statement for discontinued operations arising from:				
– property, plant and equipment	**45.3**	35.1	**—**	—
– tax losses	**8.9**	(10.2)	**—**	—
– provisions and others	**26.9**	116.0	**—**	—
	81.1	140.9	**—**	—
– under accrual of deferred tax assets for minority interests	**—**	(97.1)	**—**	—
– disposal of a subsidiary	**—**	(5.6)	**—**	—
– distribution of TMI Group (note 3)				
– deferred tax assets	**150.5**	—	**—**	—
– deferred tax liabilities	**(933.1)**	—	**—**	—
– currency translation differences	**(16.5)**	(31.7)	**—**	—
At 31 December	**1,353.1**	2,133.8	**1,328.0**	1,411.8

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:

	2008 RM	2007 RM
The Group		
Deductible temporary differences	**—**	11.8
Unutilised tax losses	**126.5**	148.5
Unabsorbed capital/other tax allowances	**270.7**	273.8
	397.2	434.1

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

Breakdown of cumulative balances by each type of temporary difference:

		The Group		The Company	
		2008 RM	2007 RM	2008 RM	2007 RM
(a)	**Deferred Tax Assets**				
	Property, plant and equipment	**46.9**	431.8	**—**	—
	Tax losses	**6.7**	29.9	**—**	—
	Provisions and others	**407.5**	608.2	**384.4**	370.2
		461.1	1,069.9	**384.4**	370.2
	Offsetting	**(452.2)**	(890.5)	**(384.4)**	(370.2)
	Total Deferred Tax Assets After Offsetting	**8.9**	179.4	**—**	—
(b)	**Deferred Tax Liabilities**				
	Property, plant and equipment	**1,814.2**	3,193.0	**1,712.4**	1,782.0
	Provisions and others	**—**	10.7	**—**	—
		1,814.2	3,203.7	**1,712.4**	1,782.0
	Offsetting	**(452.2)**	(890.5)	**(384.4)**	(370.2)
	Total Deferred Tax Liabilities After Offsetting	**1,362.0**	2,313.2	**1,328.0**	1,411.8

19. PROVISION FOR LIABILITIES

	2008 RM	2007 RM
The Group		
At 1 January	**87.2**	64.6
Current year provision	**5.1**	19.3
Accretion of interest	**2.3**	4.2
	94.6	88.1
Utilised during the financial year	**(1.0)**	(0.9)
Distribution of TMI Group (note 3)	**(93.6)**	—
At 31 December	**—**	87.2

The provision for liabilities relates to provision for dismantling costs of existing telecommunication network and equipment of a former subsidiary.

20. DEFERRED INCOME

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
As at 1 January	**59.5**	27.2	**46.2**	11.6
Additions	**246.0**	50.0	**246.0**	50.0
Credited to the Income Statement	**(32.7)**	(17.7)	**(32.0)**	(15.4)
Distribution of TMI Group (note 3)	**(12.6)**	—	**—**	—
As at 31 December	**260.2**	59.5	**260.2**	46.2

Deferred income comprises government funding for Universal Service Provision (USP) and High Speed Broadband (HSBB) project.

21. INTANGIBLE ASSETS

	Goodwill RM	Licences RM	Other Intangible* RM	Total RM
The Group				
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 TMI Group (note 3)	(7,268.1)	(179.0)	—	(7,447.1)
At 31 December 2008	**1.2**	**—**	**0.6**	**1.8**

21. INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM	Licences RM	Other Intangible* RM	Total RM
The Group				
Net Book Value				
At 1 January 2007	6,826.1	233.0	—	7,059.1
Additions	—	0.6	2.3	2.9
Additional interest in subsidiaries	295.1	—	—	295.1
Partial disposal of a subsidiary	(3.8)	—	—	(3.8)
Amortisation	—	(23.7)	(1.3)	(25.0)
Impairment	(23.8)	—	—	(23.8)
Currency translation differences	(3.3)	(21.1)	—	(24.4)
Reclassified from equity	180.8	—	—	180.8
At 31 December 2007	**7,271.1**	**188.8**	**1.0**	**7,460.9**
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**
At 31 December 2007				
Cost	7,339.6	238.1	2.3	7,580.0
Accumulated amortisation	—	(49.3)	(1.3)	(50.6)
Accumulated impairment	(68.5)	—	—	(68.5)
Net Book Value	**7,271.1**	**188.8**	**1.0**	**7,460.9**
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	**—**	**—**	**—**	**—**
Net Book Value				
At 1 January 2007	—	43.6	—	43.6
Amortisation	—	(3.9)	—	(3.9)
At 31 December 2007	**—**	**39.7**	**—**	**39.7**
At 31 December 2007				
Cost	—	50.0	—	50.0
Accumulated amortisation	—	(10.3)	—	(10.3)
Net Book Value	**—**	**39.7**	**—**	**39.7**

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

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

22. PROPERTY, PLANT AND EQUIPMENT

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (c)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Group							
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 23)	—	—	—	(3.0)	—	—	(3.0)
Reclassification	—	4.2	—	—	(4.2)	—	—
Distribution of TMI Group (note 3)	(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**
At 1 January 2007	16,445.5	589.8	817.0	326.7	3,061.6	2,439.7	23,680.3
Additions	1,716.8	157.5	79.0	11.7	17.9	4,083.4	6,066.3
Assetisation	2,827.2	19.9	293.6	—	117.4	(3,258.1)	—
Disposals	(24.4)	(7.1)	—	—	(14.6)	—	(46.1)
Disposal of subsidiaries	(67.4)	(4.2)	(1.9)	(0.1)	(7.4)	(3.3)	(84.3)
Write off	(2.9)	(0.2)	(0.2)	—	(0.3)	(29.7)	(33.3)
Depreciation	(3,224.2)	(203.6)	(341.9)	—	(235.1)	—	(4,004.8)
Impairment	(70.7)	(2.0)	(0.7)	—	—	(12.5)	(85.9)
Reversal of impairment	—	—	—	—	—	5.5	5.5
Currency translation differences	(421.3)	(5.6)	(3.4)	(0.9)	(4.5)	(96.9)	(532.6)
Reclassified to prepaid lease payments (note 23)	—	—	—	(0.7)	—	—	(0.7)
Reclassified as non-current assets held for sale (note 32)	—	—	—	(7.9)	(973.2)	—	(981.1)
Reclassification	(17.4)	38.7	(25.0)	(16.3)	16.6	3.4	—
At 31 December 2007	**17,161.2**	**583.2**	**816.5**	**312.5**	**1,978.4**	**3,131.5**	**23,983.3**

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (c)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Group							
At 31 December 2007							
Cost	46,952.9	2,520.2	4,347.7	323.1	3,636.1	3,190.0	60,970.0
Accumulated depreciation	(29,226.1)	(1,929.8)	(3,514.3)	(0.9)	(1,634.1)	—	(36,305.2)
Accumulated impairment	(565.6)	(7.2)	(16.9)	(9.7)	(23.6)	(58.5)	(681.5)
Net Book Value	**17,161.2**	**583.2**	**816.5**	**312.5**	**1,978.4**	**3,131.5**	**23,983.3**

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (c)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Company							
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 23)	—	—	—	(3.0)	—	—	(3.0)
Reclassified as investment property (note 24)	—	—	—	(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**
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**

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (c)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Company							
At 1 January 2007	8,097.8	371.8	466.4	169.9	2,171.4	616.6	11,893.9
Additions#	14.7	52.2	63.8	—	3.9	1,519.4	1,654.0
Assetisation	976.7	8.3	233.3	—	96.9	(1,315.2)	—
Disposals*	(9.2)	(10.6)	—	—	(14.6)	—	(34.4)
Write off	(0.9)	(0.2)	(0.2)	—	(0.3)	(29.7)	(31.3)
Depreciation	(1,586.1)	(125.2)	(199.5)	—	(120.1)	—	(2,030.9)
Impairment	(9.9)	—	—	—	—	—	(9.9)
Reclassified to prepaid lease payments (note 23)	—	—	—	(0.7)	—	—	(0.7)
Reclassified as non-current assets held for sale (note 32)	—	—	—	(7.9)	(812.3)	—	(820.2)
Reclassification	(17.4)	42.4	(25.0)	—	—	—	—
At 31 December 2007	**7,465.7**	**338.7**	**538.8**	**161.3**	**1,324.9**	**791.1**	**10,620.5**
At 31 December 2007							
Cost	30,624.3	1,817.3	3,051.7	164.8	2,560.7	791.1	39,009.9
Accumulated depreciation	(22,932.9)	(1,478.6)	(2,512.9)	(0.9)	(1,235.8)	—	(28,161.1)
Accumulated impairment	(225.7)	—	—	(2.6)	—	—	(228.3)
Net Book Value	**7,465.7**	**338.7**	**538.8**	**161.3**	**1,324.9**	**791.1**	**10,620.5**

Included in additions for financial year 2007 was RM59.4 million being telecommunication network assets, movable plant and equipment, computer support systems and buildings transferred from subsidiaries.

* Included in disposals for financial year 2007 was RM8.6 million being telecommunication network assets, movable plant and equipment and computer support systems transferred to subsidiaries.

(a) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM18,493.7 million (2007: RM21,205.5 million) and RM18,481.5 million (2007: RM17,004.3 million) respectively.

(b) Included in the property, plant and equipment of the Group and the Company are assets with net book value of RM71.9 million and RM67.2 million (2007: Nil) respectively under the finance lease arrangement. The assets under finance lease are an office building of the Company and equipment of a subsidiary.

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Details of land are as follows:

	Freehold RM	Other Land RM	Total RM
The Group			
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 23)	—	(3.0)	(3.0)
Reclassification	0.4	(0.4)	—
Distribution of TMI 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**
At 1 January 2007	252.2	74.5	326.7
Additions	11.7	—	11.7
Disposal of a subsidiary	(0.1)	—	(0.1)
Currency translation differences	(0.9)	—	(0.9)
Reclassified to prepaid lease payments (note 23)	—	(0.7)	(0.7)
Reclassified as non-current assets held for sale	(7.9)	—	(7.9)
Reclassified to buildings	(16.3)	—	(16.3)
Reclassification	13.0	(13.0)	—
At 31 December 2007	**251.7**	**60.8**	**312.5**
At 31 December 2007			
Cost	261.4	61.7	323.1
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(9.7)	—	(9.7)
Net Book Value	**251.7**	**60.8**	**312.5**

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) 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 23)	—	(3.0)	(3.0)
Reclassified as investment property (note 24)	(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**
At 1 January 2007	95.4	74.5	169.9
Reclassified to prepaid lease payments (note 23)	—	(0.7)	(0.7)
Reclassified as non-current assets held for sale (note 32)	(7.9)	—	(7.9)
Reclassification	13.0	(13.0)	—
At 31 December 2007	**100.5**	**60.8**	**161.3**
At 31 December 2007			
Cost	103.1	61.7	164.8
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(2.6)	—	(2.6)
Net Book Value	**100.5**	**60.8**	**161.3**

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.

23. PREPAID LEASE PAYMENTS

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Net Book Value				
At 1 January	**387.0**	346.2	**52.9**	38.0
Additions	**28.2**	113.7	**—**	15.2
Disposals	**—**	(0.1)	**—**	(0.1)
Amortisation	**(17.1)**	(42.7)	**(0.9)**	(0.9)
Currency translation differences	**(6.8)**	(23.5)	**—**	—
Reclassified from property, plant and equipment (note 22)	**3.0**	0.7	**3.0**	0.7
Reclassified as non-current assets held for sale (note 32)	**—**	(7.3)	**—**	—
Distribution of TMI Group (note 3)	**(326.8)**	—	**—**	—
At 31 December	**67.5**	387.0	**55.0**	52.9
At 31 December				
Cost	**74.7**	535.6	**60.5**	57.5
Accumulated amortisation	**(7.2)**	(132.3)	**(5.5)**	(4.6)
Accumulated impairment	**—**	(16.3)	**—**	—
Net Book Value	**67.5**	387.0	**55.0**	52.9
The prepaid lease rentals were payment for rights to use the followings:				
Long term leasehold land	**46.2**	65.7	**43.6**	41.2
Short term leasehold land	**21.3**	321.3	**11.4**	11.7
At 31 December	**67.5**	387.0	**55.0**	52.9

The prepaid lease payments comprise upfront payments for long term leasehold land and short term leasehold land.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

24. INVESTMENT PROPERTY

	2008 RM	2007 RM
The Company		
Net Book Value		
At 1 January	—	179.8
Reclassified from property, plant and equipment (note 22)	**92.7**	—
Depreciation	**(0.8)**	(11.6)
Reclassified as non-current assets held for sale (note 32)	—	(168.2)
At 31 December	**91.9**	—
At 31 December		
Cost	**92.7**	229.1
Accumulated depreciation	**(0.8)**	(60.9)
Reclassified as non-current assets held for sale (note 32)	—	(168.2)
Net Book Value	**91.9**	—

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

25. LAND HELD FOR PROPERTY DEVELOPMENT

	2008 RM	2007 RM
The Group		
Net Book Value		
At 1 January	**165.4**	168.4
Transferred to land held for sale	**(1.1)**	(3.0)
At 31 December	**164.3**	165.4
At 31 December		
Land at cost	**175.0**	176.1
Accumulated impairment	**(10.7)**	(10.7)
Net Book Value	**164.3**	165.4

26. SUBSIDIARIES

	2008 Malaysia RM	2008 Overseas RM	2008 Total RM	2007 Malaysia RM	2007 Overseas RM	2007 Total RM
The Company						
Quoted investment, at cost	**19.5**	**—**	**19.5**	19.5	—	19.5
Unquoted investments, at cost	**1,027.0**	**22.0**	**1,049.0**	1,121.0	22.0	1,143.0
Impairment	**—**	**(13.2)**	**(13.2)**	—	(13.2)	(13.2)
	1,027.0	**8.8**	**1,035.8**	1,121.0	8.8	1,129.8
Investment in TM ESOS Management Sdn Bhd, at cost (sub-note (a))	**1,431.0**	**—**	**1,431.0**	—	—	—
Options exercised	**(60.0)**	**—**	**(60.0)**	—	—	—
Impairment	**(202.8)**	**—**	**(202.8)**	—	—	—
	1,168.2	**—**	**1,168.2**	—	—	—
Options granted to employees of subsidiaries	**22.8**	**—**	**22.8**	17.7	—	17.7
Unquoted investments, at written down value (sub-note (b))	**—**	**—**	**—**	—	—	—
Net investments	**2,237.5**	**8.8**	**2,246.3**	1,158.2	8.8	1,167.0
Amount owing by subsidiaries (sub-note (c))	**973.4**	**51.6**	**1,025.0**	8,690.3	103.9	8,794.2
Allowance for loans and advances	**(562.3)**	**—**	**(562.3)**	(562.3)	—	(562.3)
Amount owing by subsidiaries after allowance (note 46(g)(i))	**411.1**	**51.6**	**462.7**	8,128.0	103.9	8,231.9
TOTAL INTEREST IN SUBSIDIARIES	**2,648.6**	**60.4**	**2,709.0**	9,286.2	112.7	9,398.9
Market value of quoted investment	**629.8**	**—**	**629.8**	558.9	—	558.9

(a) This represents the fair value of Special ESOS shares issued to TM ESOS Management Sdn Bhd (TEM) as explained in note 12(d) to the financial statements.

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

26. SUBSIDIARIES (CONTINUED)

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

(c) The amount owing by subsidiaries represents shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.5% to 5.82% (2007: 0% to 8.1%) 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.

During the financial year, the Group had completed the demerger as explained in note 3 to the financial statements. Pursuant to the demerger, the Company's investment in TMI Group was distributed to entitled shareholders and the amount owing by TMI Group has been reclassified as amount owing by TM International Berhad.

The Group's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 53 to the financial statements.

27. JOINTLY CONTROLLED ENTITIES

	2008			2007		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
The Group						
Share of net assets of jointly controlled entities						
Quoted investment	—	—	—	—	877.5	877.5
Unquoted investment	—	—	—	146.9	—	146.9
TOTAL (sub-note (a))	—	—	—	146.9	877.5	1,024.4
Market value of quoted investment	—	—	—	—	1,427.0	1,427.0
The Company						
Unquoted investment, at cost (sub-note (a))	—	—	—	141.2	—	141.2

(a) During the financial year, the Company disposed its entire equity interest in SunShare Investments Ltd (SunShare) to TM International Berhad under the Group internal restructuring. Subsequently, the jointly controlled entities under TMI Group namely, Spice Communications Limited and SunShare, were demerged from the Group by virtue of the demerger as disclosed in note 3 to the financial statements.

27. JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's share of revenue and expenses of the jointly controlled entities is as follows:

	2008 RM	2007 RM
Discontinued operations:		
Revenue	**126.6**	358.7
Other income	**4.5**	167.6
Expenses excluding tax	**(154.6)**	(393.1)
Share of results of an associate (net of tax)	**17.6**	59.3
(Loss)/profit before taxation	**(5.9)**	192.5
Taxation	**13.6**	(17.0)
Profit after taxation (note 3(B))	**7.7**	175.5

The Group's share of assets and liabilities of the jointly controlled entities is as follows:

	2008 RM	2007 RM
Non-current assets	**—**	1,876.0
Current assets	**—**	169.8
Current liabilities	**—**	(148.3)
Non-current liabilities	**—**	(873.1)
Net assets	**—**	1,024.4

The Group's share of contingent liabilities of a jointly controlled entity amounted to RM37.9 million as at 31 December 2007.

The Group's equity interest in the jointly controlled entities, their respective principal activities and countries of incorporation are listed in note 54 to the financial statements.

28. ASSOCIATES

	2008			2007		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
The Group						
Share of net assets of associates						
Quoted investments	—	—	—	—	218.6	218.6
Unquoted investments	—	—	—	22.4	11.5	33.9
TOTAL	—	—	—	22.4	230.1	252.5
Market value of quoted investments	—	—	—	—	378.1	378.1

The Group's share of revenue and profit of associates is as follows:

	2008 RM	2007 RM
Continuing operations:		
Revenue	**1.7**	0.8
Loss after taxation	**(0.4)**	(0.1)
Discontinued operations:		
Revenue	**229.9**	780.6
Profit after taxation (note 3(B))	**10.6**	29.6
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**0.1**	269.7
Current assets	**3.3**	355.1
Current liabilities	**(3.4)**	(239.9)
Non-current liabilities	**—**	(132.4)
Net assets	**—**	252.5

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 RM0.4 million (2007: #) and RM1.5 million (2007: RM2.2 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

During the financial year, the associates under TMI Group namely, Samart Corporation Public Company Limited, Samart I-Mobile Public Company Limited, Mobile Telecommunications Company of Esfahan, Sacofa Sdn Bhd and C-Mobile Sdn Bhd were demerged from the Group by virtue of the demerger as disclosed in note 3 to the financial statements.

The Group's equity interest in the associates, their respective principal activities and countries of incorporation are listed in note 55 to the financial statements.

29. AVAILABLE-FOR-SALE INVESTMENT

	2008 The Group RM
Net assets of TMI Group attributed to TMI shares held by TM ESOS Management Sdn Bhd (TEM) (note 3(B))	**385.7**
Revaluation of investment in TEM at demerger	**650.8**
Loss arising from fair value changes during the period	**(539.8)**
Fair value gain (net)	**111.0**
Disposal (sub-note (a))	**(0.7)**
At 31 December	**496.0**

(a) Disposal of TM International Berhad's shares pursuant to the exercise of TMI Options under the Employees' Share Option Scheme (Special ESOS) as described in note 13(a) to the financial statements.

30. OTHER INVESTMENTS

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Investments in International Satellite Organisations, at cost	**79.1**	79.1	**79.1**	79.1
Allowance for diminution in value other than temporary	**(77.7)**	(77.7)	**(77.7)**	(77.7)
	1.4	1.4	**1.4**	1.4
Investments in quoted shares, at cost	**250.3**	250.3	**250.3**	250.3
Allowance for diminution in value other than temporary (sub-note (a))	**(155.0)**	(155.0)	**(155.0)**	(155.0)
	95.3	95.3	**95.3**	95.3
Investments in unquoted shares, at cost	**51.4**	72.5	**51.4**	192.8
Allowance for diminution in value	**(10.3)**	(30.3)	**(10.3)**	(150.6)
	41.1	42.2	**41.1**	42.2
	137.8	138.9	**137.8**	138.9
Investments in unquoted shares, at written down value (sub-note (b))	**—**	—	**—**	—
TOTAL INVESTMENTS AFTER ALLOWANCE	**137.8**	138.9	**137.8**	138.9
Market value of quoted investments	**72.0**	102.8	**72.0**	102.8

(a) The Company has assessed the carrying value of its investment in quoted shares. Following this assessment, it was concluded that additional allowance for diminution in value other than temporary was not required as at 31 December 2008.

30. OTHER INVESTMENTS (CONTINUED)

(b) In 2007, the following corporations in which the Group owns more than one half of the voting power, which, due to permanent loss of control or significant influence, have been accounted as investments and written down to recoverable amounts of RM1.00 each.

Held by the Company
– Societe Des Telecommunications De Guinee S.A. (Sotelgui)
During the financial year, the Group disposed its entire equity interest in Sotelgui as disclosed in note 4 to the financial statements.

Held by Celcom Group
– TRI Telecommunication Tanzania Limited
– TRI Telecommunication Zanzibar Limited
– Tripoly Communication Technology Corporation Ltd

The above companies were demerged from the Group pursuant to the completion of demerger on 25 April 2008.

31. LONG TERM RECEIVABLES

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Staff loans under Islamic principles	**395.2**	419.9	**395.2**	419.9
Staff loans	**67.3**	89.5	**66.9**	88.2
Total staff loans (sub-note (a))	**462.5**	509.4	**462.1**	508.1
Other long term receivables (sub-note (b))	**63.1**	67.8	**63.1**	67.8
Allowance for other long term receivables	**(2.1)**	(9.0)	**(2.1)**	(9.0)
	523.5	568.2	**523.1**	566.9
Staff loans receivable within twelve months included under other receivables (note 34)	**(51.1)**	(56.7)	**(50.7)**	(55.8)
TOTAL LONG TERM RECEIVABLES	**472.4**	511.5	**472.4**	511.1

(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

(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 8 years.

During the financial year, RM9.8 million (2007: RM4.6 million) was converted to scholarship and expensed off to the Income Statement.

32. NON-CURRENT ASSETS HELD FOR SALE

In 2007, non-current assets held for sale comprised 4 property assets of the Company, namely Menara TM, Menara Celcom, Cyberjaya Complex and Wisma TM Taman Desa, which were sold under the sale and leaseback transaction. The disposal was completed on 15 January 2008. There is no non-current asset held for sale in the current financial year.

	2007		
	Carrying amount immediately before classification RM	**Allocation of remeasurement RM**	**Carrying amount as at 31 December RM**
The Group			
Land and buildings (note 22)	981.1	—	981.1
Prepaid lease payments (note 23)	7.3	—	7.3
	988.4	—	988.4
The Company			
Land and buildings (note 22)	820.2	—	820.2
Investment property (note 24)	168.2	—	168.2
	988.4	—	988.4

The non-current assets held for sale in 2007 were disclosed under unallocated assets in note 43 to the financial statements, Segmental Reporting.

33. INVENTORIES

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Cables and wires	**31.7**	38.6	**31.7**	38.6
Network materials	**65.7**	49.5	**22.3**	31.0
Telecommunication equipment	**8.1**	21.2	**8.1**	9.3
Spares and others*	**13.8**	67.8	**9.4**	3.4
Land held for sale	**4.0**	4.0	**—**	—
TOTAL INVENTORIES	**123.3**	181.1	**71.5**	82.3

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

34. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008 RM	2007 RM	**2008 RM**	2007 RM
Receivables from telephone customers	**1,833.8**	2,659.0	**1,503.2**	1,766.1
Receivables from non-telephone customers	**2,082.0**	2,160.9	**1,507.2**	1,524.9
Receivables from subsidiaries	**—**	—	**194.9**	308.9
	3,915.8	4,819.9	**3,205.3**	3,599.9
Advance rental billings	**(347.9)**	(330.4)	**(352.9)**	(334.6)
	3,567.9	4,489.5	**2,852.4**	3,265.3
Allowance for doubtful debts	**(1,440.0)**	(1,496.9)	**(982.5)**	(882.8)
Total trade receivables after allowance	**2,127.9**	2,992.6	**1,869.9**	2,382.5
Prepayments	**70.5**	227.5	**44.6**	52.8
Tax recoverable	**268.7**	432.6	**267.9**	227.3
Staff loans (note 31)	**51.1**	56.7	**50.7**	55.8
Other receivables from subsidiaries	**—**	—	**16.9**	31.6
Other receivables from associates	**1.1**	19.0	**1.1**	1.1
Other receivables (sub-note (a))	**429.8**	845.4	**459.1**	469.2
Allowance for doubtful debts	**(57.8)**	(175.2)	**(53.9)**	(127.8)
Total other receivables after allowance	**763.4**	1,406.0	**786.4**	710.0
TOTAL TRADE AND OTHER RECEIVABLES AFTER ALLOWANCE	**2,891.3**	4,398.6	**2,656.3**	3,092.5
The currency exposure profile of trade and other receivables after allowance is as follows:				
Ringgit Malaysia	**2,228.5**	2,857.8	**1,927.0**	2,234.8
US Dollar	**621.8**	839.7	**702.3**	826.7
Sri Lanka Rupee	**—**	245.6	**—**	—
Indonesian Rupiah	**—**	240.6	**—**	—
Bangladesh Taka	**—**	95.6	**—**	—
Special Drawing Rights	**2.4**	58.0	**2.4**	15.2
Other currencies	**38.6**	61.3	**24.6**	15.8
	2,891.3	4,398.6	**2,656.3**	3,092.5

34. TRADE AND OTHER RECEIVABLES (CONTINUED)

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 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	**1,611.4**	2,369.0	**1,263.6**	1,765.6
Residential	**516.5**	623.6	**411.4**	308.0
Subsidiaries	**—**	—	**194.9**	308.9
	2,127.9	2,992.6	**1,869.9**	2,382.5

(a) Other receivables include RM38.3 million of amount owing by a former subsidiary, TMI Group. 2007 comparatives included amount owing from a former subsidiary, Societe Des Telecommunications De Guinee S.A. amounting to RM83.9 million and RM70.0 million for the Group and the Company respectively, which has been fully provided for. The amount owing was fully written off in the current financial year upon disposal of the said investment.

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 (2007: 30 to 90 days).

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

35. SHORT TERM INVESTMENTS

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Shares quoted on the Bursa Malaysia Securities Berhad	**72.0**	177.6	**72.0**	175.9
Quoted fixed income securities	**205.6**	200.5	**205.6**	200.5
TOTAL SHORT TERM INVESTMENTS	**277.6**	378.1	**277.6**	376.4
Market value of quoted shares	**72.0**	177.6	**72.0**	175.9
Market value of quoted fixed income securities	**205.6**	200.5	**205.6**	200.5

36. CASH AND BANK BALANCES

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Deposits with:				
Licensed banks	**1,020.3**	2,475.8	**915.0**	1,023.0
Licensed finance companies	**11.4**	18.2	**—**	—
Other financial institutions	**154.6**	245.6	**39.1**	51.9
Deposits under Islamic principles	**522.7**	631.3	**392.8**	211.2
Total deposits	**1,709.0**	3,370.9	**1,346.9**	1,286.1
Cash and bank balances	**351.1**	646.7	**100.3**	242.0
Cash and bank balances under Islamic principles	**35.1**	154.2	**—**	—
TOTAL CASH AND BANK BALANCES	**2,095.2**	4,171.8	**1,447.2**	1,528.1
Less:				
Bank overdrafts (note 15)	**—**	(2.1)	**—**	—
Deposits pledged	**(0.5)**	(76.8)	**—**	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**2,094.7**	4,092.9	**1,447.2**	1,528.1
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**1,974.8**	3,150.6	**1,407.2**	1,292.3
US Dollar	**65.1**	611.6	**40.0**	235.8
Indonesian Rupiah	**—**	203.9	**—**	—
Sri Lanka Rupee	**—**	114.0	**—**	—
Bangladesh Taka	**—**	7.6	**—**	—
Other currencies	**55.3**	84.1	**—**	—
	2,095.2	4,171.8	**1,447.2**	1,528.1

Cash and bank balances of the Group included RM11.2 million (2007: RM11.2 million) of a subsidiary which is restricted due to ongoing litigation.

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 180 days (2007: from overnight to 180 days) and from overnight to 92 days (2007: from overnight to 112 days) for the Group and the Company respectively. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits (excluding deposits under Islamic principles) as at 31 December 2008 is 3.26% (2007: 4.08%) and 3.31% (2007: 3.93%) for the Group and the Company respectively.

37. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Trade payables	**1,852.2**	4,058.7	**1,471.5**	1,365.8
Accruals for Universal Service Provision	**161.4**	387.3	**149.3**	164.5
Deferred revenue	**77.2**	550.0	**37.5**	62.7
Finance cost payable	**59.1**	157.1	**59.1**	70.2
Duties and other taxes payable	**11.1**	65.9	**4.8**	52.1
Deposits and trust monies	**56.7**	65.8	**32.7**	41.2
Payables to subsidiaries	**—**	—	**531.7**	339.8
Other payables	**594.9**	1,358.4	**395.8**	464.4
TOTAL TRADE AND OTHER PAYABLES	**2,812.6**	6,643.2	**2,682.4**	2,560.7
The currency exposure profile of trade and other payables is as follows:				
Ringgit Malaysia	**2,342.5**	4,032.5	**2,206.9**	2,009.3
US Dollar	**373.0**	1,421.6	**399.3**	487.0
Indonesian Rupiah	**—**	526.1	**—**	—
Bangladesh Taka	**—**	249.5	**—**	—
Sri Lanka Rupee	**—**	203.8	**—**	—
Special Drawing Rights	**9.2**	112.5	**9.2**	58.5
Other currencies	**87.9**	97.2	**67.0**	5.9
	2,812.6	6,643.2	**2,682.4**	2,560.7

Credit terms of trade and other payables vary from 30 to 90 days (2007: from 30 to 90 days) depending on the terms of the contracts.

38. CUSTOMER DEPOSITS

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Telephone services	**557.2**	559.0	**557.0**	558.9
Cellular services	**—**	114.8	**—**	—
Data services	**31.6**	58.8	**31.5**	31.3
TOTAL CUSTOMER DEPOSITS	**588.8**	732.6	**588.5**	590.2

Telephone customer deposits are subjected to rebate at 5.0% per annum in accordance with Telephone Regulations, 1996.

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39. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Continuing operations				
Receipts from customers	**8,638.4**	7,510.7	**7,886.4**	6,851.7
Payments to suppliers and employees	**(5,333.4)**	(4,745.8)	**(4,856.5)**	(4,300.3)
Payment of finance cost	**(500.6)**	(452.6)	**(528.8)**	(469.9)
Payment of income taxes (net of refunds)	**(151.8)**	(289.3)	**(99.2)**	(231.5)
Payment of zakat	**(3.0)**	(1.9)	**(3.0)**	(1.9)
	2,649.6	2,021.1	**2,398.9**	1,848.1
Cash flows from operating activities of discontinued operations	**601.6**	3,911.1	**—**	—
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**3,251.2**	5,932.2	**2,398.9**	1,848.1

40. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Continuing operations				
Disposal of property, plant and equipment	**24.9**	31.1	**23.9**	29.2
Purchase of property, plant and equipment	**(1,838.8)**	(1,657.7)	**(1,667.8)**	(1,538.5)
Grant on purchase of property, plant and equipment	**103.1**	14.8	**103.1**	14.8
Disposal of non-current assets held for sale	**1,000.0**	70.0	**1,000.0**	70.0
Payment of intangible asset (spectrum licence)	**(8.0)**	(8.0)	**(8.0)**	(8.0)
Proceeds from disposal of intangible asset (spectrum licence)	**40.1**	—	**40.1**	—
Disposal of long term investments	**1.9**	9.4	**—**	2.2
Disposal of short term investments	**219.6**	213.1	**219.6**	213.1
Purchase of short term investments	**(215.1)**	(205.2)	**(215.1)**	(205.2)
Disposal of a subsidiary classified as non-current asset held for sale (net of cash disposed)	**—**	51.7	**—**	83.0
Acquisition of additional interest in a subsidiary	**—**	(2.5)	**—**	—
Disposal of an associate	**—**	0.2	**—**	0.2
Payments to subsidiaries	**—**	—	**(88.6)**	(71.5)
Repayments from subsidiaries	**—**	—	**48.6**	956.1
Advances to subsidiaries	**—**	—	**(21.0)**	(30.0)
Advances from subsidiaries	**—**	—	**144.2**	—
Advance to a former subsidiary	**—**	(452.2)	**—**	(452.2)
Repayments of loans by employees	**97.7**	108.7	**97.7**	108.7
Loans to employees	**(39.3)**	(50.5)	**(39.3)**	(50.5)
Interest received	**240.5**	126.6	**218.7**	96.7
Dividend received	**9.7**	93.7	**91.5**	298.5
	(363.7)	(1,656.8)	**(52.4)**	(483.4)
Cash flows used in investing activities of discontinued operations	**(1,532.9)**	(4,207.1)	**—**	—
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,896.6)**	(5,863.9)	**(52.4)**	(483.4)

41. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Continuing operations				
Issue of share capital	**46.0**	346.4	**46.0**	346.4
Issue of share capital to minority interests	**22.8**	7.3	**—**	—
Proceeds from termination of long dated swap	**197.0**	—	**197.0**	—
Proceeds from borrowings	**184.7**	36.1	**141.8**	—
Repayments of borrowings	**(294.9)**	(856.6)	**(247.5)**	(796.0)
Repayments of finance lease	**(1.3)**	—	**(1.3)**	—
Dividends paid to shareholders	**(2,520.8)**	(1,402.4)	**(2,554.6)**	(1,402.4)
Dividends paid to minority interests	**(17.2)**	(9.4)	**—**	—
	(2,383.7)	(1,878.6)	**(2,418.6)**	(1,852.0)
Cash flows from financing activities of discontinued operations	**455.5**	1,292.3	**—**	—
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(1,928.2)**	(586.3)	**(2,418.6)**	(1,852.0)

42. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
(a) Issuance of shares by TMI as part settlement of the net consideration payable to the Company pursuant to Group internal restructuring (note 3(A))	**3,801.0**	—	**3,801.0**	—
(b) Distribution of net assets of TMI Group to shareholders of the Company (note 3(B))	**10,358.4**	—	**3,895.0**	—
(c) Issuance of shares to TM ESOS Management Sdn Bhd (note 12(d))	**—**	—	**1,431.0**	—
(d) Contra settlement with a subsidiary between amount owing by subsidiaries and other payables	**—**	—	**31.3**	211.5
(e) Contra settlements with subsidiaries between receivables and payables	**—**	—	**24.5**	157.9
(f) Contra settlements with a former subsidiary between receivables and payables	**54.6**	—	**54.6**	—
(g) Exchange of Tekad Mercu Bonds with TM Islamic Stapled Income Securities (note 15(a))	**—**	2,925.0	**—**	2,983.5
(h) Transfer of telecommunication network assets, movable plant and equipment, computer support systems and buildings from subsidiaries	**—**	—	**—**	59.4
(i) Waiver of amount due from a subsidiary (trading and non-trading)	**—**	—	**—**	61.3

43. SEGMENTAL REPORTING

By Business

Following the completion of the demerger on 25 April 2008, the Group had reviewed and changed its reporting structure and reportable segment to reflect the current business structure. The comparatives have been re-presented to conform with the presentation in the current financial year.

- Retail Business comprises the retail arm of the Company and subsidiaries that complement the retail business. This line of business is responsible for the provision of the full range of telecommunication products, services and communication solutions to consumers, small and medium businesses as well as corporate and government customers.

- 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 telecommunication products and 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 full range of telecommunication products 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.

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 Resource, Group Finance, Company Secretary, Group Legal, Regulatory and Compliance, Corporate Communications 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 amount owing by TM International Berhad, staff loans, other long term receivables, investments, cash and bank balances, deferred tax assets and property, plant and equipment of the Company's training centre and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to intangibles, property, plant and equipment, including additions resulting from acquisition of subsidiaries as disclosed in note 21 and 22 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.

43. SEGMENTAL 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	6,887.2	997.1	1,148.4	4,381.7	13,414.4	3,535.1
Inter-segment*	(32.1)	(307.6)	(313.2)	(4,086.6)	(4,739.5)	—
External operating revenue	6,855.1	689.5	835.2	295.1	8,674.9	3,535.1
Results						
Segment results	1,306.3	128.9	36.7	(116.6)	1,355.3	932.5
Loss on disposal of an equity investment					(88.8)	—
Unallocated income					34.3	—
Unallocated costs					(571.4)	—
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	—

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43. SEGMENTAL 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)**
Financial Year Ended 31 December 2007						
Operating Revenue						
Total operating revenue	6,502.3	1,003.7	1,107.4	4,451.1	13,064.5	9,546.9
Inter-segment*	(85.3)	(335.8)	(258.7)	(4,088.7)	(4,768.5)	—
External operating revenue	6,417.0	667.9	848.7	362.4	8,296.0	9,546.9
Results						
Segment results	1,123.4	98.9	78.7	36.2	1,337.2	2,406.0
Unallocated income					(19.4)	—
Unallocated costs					(391.4)	—
Operating profit before finance cost					926.4	2,406.0
Finance income					123.6	80.3
Finance cost					(393.6)	(427.3)
Foreign exchange gain/(loss) on borrowings					262.4	(109.6)
Jointly controlled entities						
– share of results (net of tax)					—	175.5
– gain on dilution of equity interest					—	71.3
Associates						
– share of results (net of tax)					(0.1)	29.6
Profit before taxation and zakat					918.7	2,225.8
Taxation and zakat					(25.8)	(487.1)
Profit for the financial year					892.9	1,738.7

43. SEGMENTAL REPORTING (CONTINUED)

	Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total Continuing Operations RM	Discontinued Operations RM
At 31 December 2007						
Segment assets	2,267.3	786.0	669.9	12,330.4	16,053.6	23,041.4
Jointly controlled entities	—	—	—	—	—	1,024.4
Associates	—	—	—	0.3	0.3	252.2
Unallocated corporate assets					3,680.2	169.2
Total assets					19,734.1	24,487.2
Segment liabilities	1,345.7	182.7	564.3	1,411.1	3,503.8	3,861.6
Borrowings					6,857.2	5,067.2
Unallocated liabilities					3,213.8	1,066.2
Total liabilities					13,574.8	9,995.0
Financial Year Ended 31 December 2007						
Other Information						
Capital expenditure						
– additions during the financial year	215.2	36.9	10.3	1,475.3	1,737.7	4,626.6
Depreciation and amortisation	112.1	66.4	16.5	2,066.1	2,261.1	1,768.7
Write off of property, plant and equipment	6.7	—	0.2	24.6	31.5	1.8
Impairment of property, plant and equipment	1.9	0.3	—	16.6	18.8	67.1
Reversal of impairment of property, plant and equipment	—	—	—	—	—	(5.5)
Significant non-cash expenses	142.6	41.3	47.4	129.2	360.5	253.4

* 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.

43. SEGMENTAL REPORTING (CONTINUED)

By Geographical Location

The Group operates in many countries as disclosed in note 53 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	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**	**2008 RM**	**2007 RM**
Continuing operations						
Malaysia	**7,839.7**	7,447.3	**14,840.5**	15,506.2	**1,920.0**	1,707.3
Other countries	**835.2**	848.7	**504.0**	547.7	**126.5**	30.4
Unallocated assets	**—**	—	**7,188.7**	3,680.2	**—**	—
	8,674.9	8,296.0	**22,533.2**	19,734.1	**2,046.5**	1,737.7
Discontinued operations	**3,535.1**	9,546.9	**—**	24,487.2	**1,816.1**	4,626.6
	12,210.0	17,842.9	**22,533.2**	44,221.3	**3,862.6**	6,364.3

44. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2008 RM	**2007* RM**	**2008 RM**	**2007 RM**
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**2,592.7**	3,832.1	**2,423.2**	1,181.7
Commitments in respect of expenditure approved but not contracted for (sub-note (i))	**10,756.2**	921.5	**10,746.4**	—

* 2007 comparatives included TMI Group capital commitment of RM3,412.9 million

(i) Included in commitments in respect of expenditure approved but not contracted for is the commitment for High Speed Broadband (HSBB) project, as described in note 47 to the financial statements.

44. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
(b) Donation to Yayasan Telekom				
Amount approved and committed	**49.0**	49.1	**49.0**	49.1

	The Group 2008 Future minimum lease payments RM	The Group 2007 Future minimum lease payments RM	The Company 2008 Future minimum lease payments RM	The Company 2007 Future minimum lease payments RM
(c) Non-cancellable operating lease commitments				
Not later than one year	**65.4**	—	**89.5**	57.3
Later than one year and not later than five years	**271.4**	—	**271.4**	24.1
Later than five years	**733.2**	—	**733.2**	—
	1,070.0	—	**1,094.1**	81.4

The above lease payments relate to the non-cancellable operating lease of a telecommunication tower from a wholly owned subsidiary and lease payments relating to the lease of 4 office buildings from Menara ABS Berhad.

(d) Other commitments

On 21 April 2006, a Deed of Undertaking (Deed) was signed between Spice Communications Limited (Spice), the Company, TM International Berhad (TMI) and DBS Bank Ltd in connection with the provision of limited sponsor support for a USD215.0 million Indian Rupee facility and a USD50.0 million USD facility. Under the terms of the Deed, TMI, failing which the Company, is required to make payment of any outstanding principal and/or interest under the facilities to the lenders upon occurrence of a specified trigger event. TMI's and the Company's obligation on behalf of Spice gives the Group the rights to exercise a call option under the terms of a shareholders' agreement to acquire additional shares in Spice from the existing shareholder, namely Modi Wellvest.

In conjunction with the demerger, the Company was released from this undertaking on 10 April 2008.

45. 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 proçeedings against Buying Guide (M) Sdn Bhd (BGSB) relating to the infringement of TMIM's and the Company's copyright and passing off.

BGSB filed their defence and counterclaim on 15 October 2003 for RM114.3 million which was dismissed by the Assistant Registrar.

On 27 July 2004, BGSB filed their notice of appeal against the Assistant Registrar's decision and it was dismissed on 8 April 2005 with cost. 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.

The case is now fixed for case management on 9 March 2009 pending the outcome of the hearing of the Company and TMIM's application to consolidate this legal suit with another ongoing legal suit involving the Company & TMIM vs. BG Media Sdn Bhd & BG Online Sdn Bhd at the Kuala Lumpur High Court under Suit No. D7-22-1144-2004.

The Directors, are of the view that based on the available documents and the various discussions with the Company and TMIM, the Company has a reasonable chance of success in its claim and defending BGSB's counterclaim.

(b) Bukit Lenang Development Sdn Bhd (BLDSB) had instituted legal proceedings against the Company, Tenaga Nasional Berhad (TNB) and SAJ Holdings Sdn Bhd (SAJ Holdings) (collectively referred to as the "Parties and/or Defendants") by way of a writ of summons dated 27 November 2004 and statement of claim dated 15 December 2004 in the High Court of Malaya at Kuala Lumpur.

BLDSB is seeking special damages for the sum of RM29.4 million and other damages and relief from the Parties for:

(i) wrongfully conspiring with the occupants on Mukim Plentong, Daerah Johor Bahru, Johor Darul Takzim (the Land) by facilitating the occupants with telecommunications, electricity and water services and illegally assisting the occupants in their occupation with the obvious and foreseeable consequence of adversely affecting and seriously prejudicing BLDSB;

(ii) joint tortfeasor with the occupants in the commission of the wrongs committed by the occupants;

(iii) jointly and independently trespassing and continue to trespass the Land by reason of emplacement of the telecommunication, electricity and water equipments to the occupants;

(iv) wrongfully and/or unconscionably derived and still deriving pecuniary benefits from its wrongful actions and the wrongful use of the Land and that the same amount to unjust enrichment of the law; and

(v) loss of opportunity in that the plaintiff has been wrongfully prevented from developing the Land and as such has not had the benefit of the full potential of the development and the advantageous economic circumstances in the period immediately following the acquisition of the Land by the plaintiff.

On 16 September 2008, BLDSB withdrew the suit against the Company as both parties have reached an amicable out of court settlement.

45. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(c) 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 High Court of Malaya at Kuala Lumpur.

In the said statement of claim, AHSB claimed that the Company was indebted to AHSB in the judgment sum of RM2.9 million plus 8.0% interest per annum on the said sum from 29 November 2004 (Notice of Demand) until the date of full settlement for consultancy works rendered to TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Company in respect of the management and development of the Company's land. Further, AHSB claimed for damages in the sum of RM26.9 million plus 8.0% interest per annum on the said sum from date of the statement of claim until date of full settlement for alleged losses suffered by AHSB due to the Company's failure to proceed with the said project and cost.

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 said project and put AHSB to strict proof thereof. In addition, the Company contended that the preliminary reports prepared by AHSB were part of the requirements to be fulfilled by AHSB prior to the selection of the appointment of a consultant to be approved by TMF Board of Directors.

On 7 July 2005, the Company filed an interlocutory application to strike out AHSB's claim. However, the High Court dismissed the Company's application on the grounds that there are triable issues to be decided before a full and proper hearing.

The case was last adjourned to 9 February 2009 for the hearing of further case management and was further postponed to a later date to be informed by the Court.

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.

(d) In June 2006, the Company and Telekom Enterprise Sdn Bhd (TESB) 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. The Company, TESB and 22 other defendants were joined in these proceedings via the counterclaim.

TSDTR is seeking from the Company and TESB, jointly and/or severally, the following relief in the counterclaim:

(i) the sum of RM6.2 billion (Technology Resources Industries Berhad (TRI) shares at RM24.00 per share);

(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.

45. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(d) 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. Both applications were dismissed on 28 August 2007 with costs. The Company and TESB filed an appeal against the dismissal to the Judge and the appeal has been fixed for continued hearing on 20 May 2009.

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 to the Judge against the decision of the Senior Assistant Registrar and the appeal has been fixed for hearing on 18 December 2009.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the above is remote.

(e) 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;

45. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(e) (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 has been fixed for case management on 17 April 2009.

The Directors, based on legal advice, are of the view that the Company and TESB has a good chance of success in defending the legal suit.

(f) On 29 July 2008, the Company and its wholly owned subsidiary 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, 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, 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.

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 Award;

(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 this Honourable 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 said SPA;

45. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(f) (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 this Honourable Court thinks fit;

(xiv) interest;

(xv) costs;

(xvi) such further and/or other relief as this Honourable 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 Mohd Shuaib Ishak to commence the statutory derivative action in the name of Celcom. Celcom's appeal has been fixed for hearing on 23 March 2009.

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 Celcom.

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.

46. 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 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
(formerly known as VADS Contact Centre Services Sdn Bhd)

The significant related party transactions with subsidiaries, jointly controlled entities and associates included transactions with a former subsidiary, TMI Group as well as within TMI Group of companies up to the date of the demerger.

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. Consequent from the changes in the Group's and the Company's organisational structure following the demerger, key management personnel has been redefined during the financial year as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Executive Committee for the Group and the Company respectively.

Whenever exist, related party transactions also includes transaction with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

46. 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	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
(a) Sales of goods and rendering of services to:				
– Subsidiaries				
– telecommunication related services	**—**	—	**244.0**	298.6
– lease/rental of buildings and vehicles	**—**	—	**19.6**	24.8
– other income*	**—**	—	**12.0**	9.4
– waiver/allowance of amount due from a subsidiary	**—**	—	**—**	(61.1)
– Former subsidiaries				
– telecommunication related services	**48.2**	171.3	**48.2**	171.3
– lease/rental of buildings and vehicles	**6.6**	20.4	**6.6**	20.4
– other income*	**9.9**	11.3	**9.9**	11.3
– Former associates				
– telecommunication related services	**20.6**	52.2	**5.1**	11.7
(b) Dividend and interest income from:				
– Subsidiaries	**—**	—	**162.5**	254.5
– Former subsidiaries	**0.7**	2.9	**0.7**	2.9
– Former jointly controlled entity	**—**	71.2	**—**	71.2
(c) Purchases of goods and services from:				
– Subsidiaries				
– telecommunication related services	**—**	—	**508.1**	447.0
– lease/rental of buildings	**—**	—	**59.8**	52.4
– maintenance of vehicles and buildings	**—**	—	**274.8**	186.2
– other expenses	**—**	—	**125.6**	118.8
– Former subsidiaries				
– telecommunication related services	**56.0**	131.0	**56.0**	131.0
– Former associates				
– telecommunication related services	**23.3**	46.0	**6.2**	10.3
(d) Finance cost paid/payable to:				
– A subsidiary	**—**	—	**164.1**	262.2
(e) Key management compensation#				
– Short term employee benefits				
– fees	**1.7**	0.7	**1.6**	0.3
– salaries, allowances and bonus	**5.8**	9.1	**5.1**	7.3
– contribution to Employees Provident Fund (EPF)	**1.1**	1.5	**1.0**	1.2
– gratuity	**0.6**	—	**0.6**	—
– other staff benefits	**0.8**	0.6	**0.7**	0.5
– estimated money value of benefits	**0.2**	0.7	**0.1**	0.4
– ESOS costs	**2.9**	1.0	**2.5**	0.9

* Includes management fees, royalties, charges for security, shared services, training and related activities.

\# 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, the spouse of one of the key management personnel is a senior management officer of a subsidiary of the Company with total remuneration amounting to RM0.4 million (2007: RM0.4 million).

46. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
(f) Year-end balances arising from:				
(i) Sales/purchases of goods/services				
(a) Receivables from:				
– Subsidiaries	**—**	—	**211.8**	340.5
– Former associates	**—**	33.8	**—**	18.5
(b) Payables to:				
– Subsidiaries	**—**	—	**340.9**	339.8
– Former associates	**—**	21.1	**—**	5.8
(ii) Other payables				
– Subsidiaries	**—**	—	**190.8**	—

The above receivables from related parties arise mainly from sale transactions with credit terms of 30 to 90 days. The receivables are unsecured and interest free.

The above payables to related parties arise mainly from purchase transactions with credit terms of 30 to 90 days. The payables are unsecured and interest free.

The receivables and payables to related parties for year 2007 included balances owing by/to TMI Group of companies.

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
(g) Loans and advances extended to related parties				
(i) Loans and advances to subsidiaries				
At 1 January	**—**	—	**8,231.9**	8,655.4
Cash advanced during the financial year	**—**	—	**21.0**	482.2
Repayments during the financial year	**—**	—	**(48.6)**	(956.1)
Interest charged	**—**	—	**4.1**	6.6
Contra settlement with a subsidiary	**—**	—	**(31.3)**	—
Consideration for transfer of a jointly controlled entity to TMI	**—**	—	**141.0**	—
Advance to a subsidiary, being the consideration to acquire a subsidiary from Celcom	**—**	—	**33.0**	—
Issuance of shares by TMI as part settlement of amount owing to the Company (note 3(A))	**—**	—	**(3,801.0)**	—
Amount owing by TMI reclassified as short term interest bearing receivable (note 3(A))	**—**	—	**(4,025.0)**	—
Other amount owing by TMI Group reclassified to other receivables	**—**	—	**(64.1)**	—
Considerations for transfer of property, plant and equipment	**—**	—	**—**	19.2
Waiver/allowances	**—**	—	**—**	(0.2)
Foreign exchange differences	**—**	—	**1.7**	24.8
At 31 December (note 26)	**—**	—	**462.7**	8,231.9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

46. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	The Group		The Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
(g) Loans and advances extended to related parties (continued)				
(ii) Advances to former associates				
At 1 January	**—**	8.9	**—**	—
Allowances	**—**	(8.9)	**—**	—
At 31 December	**—**	—	**—**	—
(iii) Loans to key management personnel of the Company				
At 1 January	**0.2**	0.3	**0.2**	0.3
Loans repayments received	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Interest charged	**#**	#	**#**	#
Interest received	**#**	#	**#**	#
At 31 December	**0.1**	0.2	**0.1**	0.2

Amount less than RM0.1 million

47. SIGNIFICANT EVENT

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-year period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Funder 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-year 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 year period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company is required to also fulfill certain undertakings which includes roll-out the HSBB network outside the coverage area for GoM, develop certain number of telecentres, formulate a broadband package with low cost Internet access devices and provide promotion and public awareness on broadband which would contribute towards achieving the objective of the project. The arrangement also includes elements of sharing of future excess revenue and cost savings from the HSBB project, if any.

48. SUBSEQUENT EVENTS

(a) Proposed Privatisation of VADS Berhad (VADS)

On 22 September 2008, the Company announced its intention to privatise VADS, its subsidiary, via a selective capital reduction and repayment exercise under Section 64 of the Companies Act, 1965 (the Proposal).

All required approvals for the Proposal have been obtained and the Proposal was completed on 12 February 2009. VADS is now a wholly owned subsidiary of the Company and the shares of VADS have been delisted from the Official List of Bursa Malaysia Securities Berhad on 19 February 2009.

(b) Proposed Capital Repayment to Shareholders of Approximately RM3,505.8 million (Proposed Capital Repayment)

On 16 February 2009, TM International Berhad (TMI) informed the Company that it undertakes to pay the amount owing from TMI to the Company of RM4,025.0 million, and any interest earned on the monies in accordance with the terms of the Demerger Agreement dated 10 December 2007, by 24 April 2009.

In view of the anticipated payment from TMI, the Company had on 24 February 2009, announced the Proposed Capital Repayment involving a capital repayment to shareholders of approximately RM3,505.8 million. Shareholders, whose names appear in the Company's Record of Depositors at the close of business on a date to be determined and announced later (Entitlement Date), shall be entitled to receive a cash payment under the Proposed Capital Repayment of RM0.98 for each ordinary share of RM1.00 each in the Company (TM Share) held as at the Entitlement Date.

The Proposed Capital Repayment is expected to be funded by the anticipated repayment from TMI.

To facilitate the Proposed Capital Repayment, the following has been proposed to be carried out:

(i) a bonus issue of approximately 3,577.4 million redeemable preference shares of RM0.01 each in the Company (RPS) to the Company's shareholders, on the basis of 1 RPS for each TM Share held. The bonus issue will be issued at RM0.01 for each RPS based on its par value and will be carried out of the Company's share premium account; and

(ii) redemption of the RPS at a redemption price of RM0.98 for each TM Share held. The par value of RM0.01 per RPS, representing approximately RM35.8 million in total, will be redeemed out of the Company's retained earnings, whereas the premium on redemption of RM0.97 per RPS, representing approximately RM3,470.0 million in total, will be redeemed by way of capitalisation of the Company's share premium account. This will result in a cash payment of RM0.98 for each TM Share held or a total cash payment of approximately RM3,505.8 million to the shareholders of the Company.

The Proposed Capital Repayment is subject to the following:

(i) approval of the Company's shareholders at a general meeting to be convened;

(ii) consent of Amanah Raya Berhad, as trustee for Hijrah Pertama Berhad's Sukuk Ijarah, to vary the Company's paid-up share capital; and

(iii) approvals/consents of other relevant authorities, if required.

Barring any unforeseen circumstances, the Proposed Capital Repayment is expected to be completed by the third quarter of 2009.

48. SUBSEQUENT EVENTS (CONTINUED)

(c) Proposed Extension of the Duration of the Exercise Period of the Company's Employees' Share Option Scheme (Special ESOS) by an Additional Year (Proposed ESOS Extension)

The Proposed ESOS Extension will involve the extension of the duration of the exercise period of granted and unallocated options under the Special ESOS with respect to the employees of the Group by an additional year. The current duration of the Special ESOS is for 18 months and will expire on 16 September 2009. The By-Laws of the ESOS stipulate that the duration of the ESOS can be extended subject to, amongst others, the prior approval of the Company's shareholders at a general meeting.

For avoidance of doubt, the Proposed ESOS Extension will not apply to options over TM Shares and TMI Shares held by employees of TMI Group, given that TMI Group is no longer part of the Group.

Barring any unforeseen circumstances, the Proposed ESOS Extension is expected to be implemented upon expiry of the Company's ESOS in the third quarter of 2009.

The Proposed ESOS Extension is subject to the following:

(i) approval of the Company's shareholders at an extraordinary general meeting to be convened; and

(ii) approvals/consents of other relevant authorities, if required.

49. 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 control procedures to manage its exposure to financial risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes.

Foreign Exchange Risk

The foreign exchange risk of the Group predominantly arises from borrowings denominated in foreign currencies. The Group has cross-currency swaps that are primarily used to hedge selected long term foreign currency borrowings to reduce the foreign currency exposures on these borrowings. The main currency exposure is US Dollar.

The Group also has subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The currency exposures are in Hong Kong Dollar, Singapore Dollar, US Dollar and Pound Sterling.

The Group's foreign exchange objective is to achieve the acceptable level of foreign exchange fluctuation on the Group's assets and liabilities and manage the consequent impact to the Income Statement. To achieve this objective, the Group targets a composition of currencies based on assessment of the existing exposure and desirable currency profile. To obtain this composition, the Group uses various types of hedging instruments such as cross-currency swaps as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest Rate Risk

The Group has cash and bank balances and deposits placed with creditworthy licensed banks and financial institutions. The Group manages its interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various investment classes.

The Group's debts includes revolving credits, bank borrowings, bonds, notes and debentures. The Group's interest rate risk objective is to manage the acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Group targets a composition of fixed and floating debt based on assessment of its existing exposure and desirable interest rate profile. To obtain this composition, the Group uses hedging instruments such as interest rate swaps.

Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk are primarily trade 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 credit 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 a 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.

50. INTEREST RATE RISK

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of repricing or contractual maturity dates except for borrowings and amount due from subsidiaries with floating interest rates. These are repriced within 1 year or less and have been shown to reflect the maturity dates. The off-balance-sheet gap represents the net notional amounts of all interest rate sensitive derivative instruments. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

50. 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	Balances under Islamic principles 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											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	395.2	395.2
– non-interest sensitive	–	–	–	–	–	–	–	–	61.4	–	61.4
– fixed interest rate	4.00%	0.4	1.8	4.1	7.2	8.5	44.9	66.9	–	–	66.9
Trade and Other Receivables (excluding short term staff loans)	–	–	–	–	–	–	–	–	2,840.2	–	2,840.2
Amount owing by TM International 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											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	557.8	557.8
– non-interest sensitive	–	–	–	–	–	–	–	–	351.1	–	351.1
– fixed interest rate	3.26%	1,186.3	–	–	–	–	–	1,186.3	–	–	1,186.3
Total		5,417.3	1.8	4.1	7.2	8.5	44.9	5,483.8	3,958.5	953.0	10,395.3
Financial Liabilities											
Borrowings											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	2,925.0	2,925.0
– non-interest sensitive	–	–	–	–	–	–	–	–	10.1	–	10.1
– floating interest rate	5.18%	15.8	–	–	–	–	1,550.9	1,566.7	–	–	1,566.7
– fixed interest rate	6.16%	10.4	1,035.8	21.4	4.4	–	1,426.2	2,498.2	–	–	2,498.2
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	–	2,977.1	4,064.9	3,411.5	2,925.0	10,401.4
On-balance-sheet interest sensitivity gap		5,391.1	(1,034.0)	(17.3)	2.8	8.5	(2,932.2)				
Off-balance-sheet interest sensitivity gap		–	–	–	–	–	–				
Total interest sensitivity gap		5,391.1	(1,034.0)	(17.3)	2.8	8.5	(2,932.2)				

50. 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	Balances under Islamic principles RM	Total RM
2007											
Financial Assets											
Other Investments	–	–	–	–	–	–	–	–	138.9	–	138.9
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	419.9	419.9
– non-interest sensitive	–	–	–	–	–	–	–	–	60.1	–	60.1
– fixed interest rate	4.00%	0.1	5.0	3.8	6.6	9.7	63.0	88.2	–	–	88.2
Trade and Other Receivables (excluding short term staff loans)	–	–	–	–	–	–	–	–	4,341.9	–	4,341.9
Short Term Investments											
– non-interest sensitive	–	–	–	–	–	–	–	–	177.6	–	177.6
– fixed interest rate	4.83%	200.5	–	–	–	–	–	200.5	–	–	200.5
Cash and Bank Balances											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	785.5	785.5
– non-interest sensitive	–	–	–	–	–	–	–	–	612.6	–	612.6
– fixed interest rate	4.13%	2,773.7	–	–	–	–	–	2,773.7	–	–	2,773.7
Total		2,974.3	5.0	3.8	6.6	9.7	63.0	3,062.4	5,331.1	1,205.4	9,598.9
Financial Liabilities											
Borrowings											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	3,369.6	3,369.6
– non-interest sensitive	–	–	–	–	–	–	–	–	4.8	–	4.8
– floating interest rate	5.67%	150.5	–	1,258.7	39.1	364.6	1,601.6	3,414.5	–	–	3,414.5
– fixed interest rate	8.10%	1,503.5	6.9	497.5	113.0	540.6	2,474.0	5,135.5	–	–	5,135.5
Customer Deposits	–	–	–	–	–	–	–	–	732.6	–	732.6
Trade and Other Payables	–	–	–	–	–	–	–	–	6,643.2	–	6,643.2
Total		1,654.0	6.9	1,756.2	152.1	905.2	4,075.6	8,550.0	7,380.6	3,369.6	19,300.2
On-balance-sheet interest sensitivity gap		1,320.3	(1.9)	(1,752.4)	(145.5)	(895.5)	(4,012.6)				
Off-balance-sheet interest sensitivity gap		–	–	–	–	–	–				
Total interest sensitivity gap		1,320.3	(1.9)	(1,752.4)	(145.5)	(895.5)	(4,012.6)				

* W.A.R.F. - Weighted Average Rate of Finance as at 31 December

50. 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:

	2008		2007	
	USD	**RM**	**USD**	**RM**
The Group				
Financial Assets				
Staff Loans	**—**	**4.00%**	—	4.00%
Short Term Investments	**—**	**4.87%**	—	4.83%
Cash and Bank Balances	**0.63%**	**3.32%**	4.75%	3.52%
Financial Liabilities				
Borrowings	**5.82%**	**5.25%**	6.28%	5.08%

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	Balances under Islamic principles RM	Total RM
2008											
Financial Assets											
Amount Owing by 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											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	395.2	395.2
– non-interest sensitive	—	—	—	—	—	—	—	—	61.0	—	61.0
– fixed interest rate	4.00%	0.4	1.8	4.1	7.2	8.5	44.9	66.9	—	—	66.9
Trade and Other Receivables (excluding short term staff loans)	—	—	—	—	—	—	—	—	2,605.6	—	2,605.6
Amount owing by TM International 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											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	392.8	392.8
– non-interest sensitive	—	—	—	—	—	—	—	—	100.3	—	100.3
– fixed interest rate	3.31%	954.1	—	—	—	—	—	954.1	—	—	954.1
Total		5,192.8	1.8	4.1	7.2	17.9	147.9	5,371.7	3,319.3	788.0	9,479.0

50. 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	Balances under Islamic principles RM	Total RM
2008											
Financial Liabilities											
Borrowings											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	2,925.0	2,925.0
– non-interest sensitive	–	–	–	–	–	–	–	–	3.8	–	3.8
– floating interest rate	6.02%	–	–	–	–	–	1,033.0	1,033.0	–	–	1,033.0
– fixed interest rate	7.54%	–	1,035.8	–	–	–	209.5	1,245.3	–	–	1,245.3
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	–	–	–	2,977.1	4,012.9	3,274.7	2,925.0	10,212.6
On-balance-sheet interest sensitivity gap		5,192.8	(1,034.0)	4.1	7.2	17.9	(2,829.2)				
Off-balance-sheet interest sensitivity gap		–	–	–	–	–	–				
Total interest sensitivity gap		5,192.8	(1,034.0)	4.1	7.2	17.9	(2,829.2)				

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	Balances under Islamic principles RM	Total RM
2007											
Financial Assets											
Amount Owing by Subsidiaries, net of allowances											
– non-interest sensitive	–	–	–	–	–	–	–	–	8,090.0	–	8,090.0
– floating interest rate	8.10%	–	–	31.2	–	–	–	31.2	–	–	31.2
– fixed interest rate	2.97%	–	7.7	–	–	–	103.0	110.7	–	–	110.7
Other Investments	–	–	–	–	–	–	–	–	138.9	–	138.9
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	419.9	419.9
– non-interest sensitive	–	–	–	–	–	–	–	–	58.8	–	58.8
– fixed interest rate	4.00%	0.1	5.0	3.8	6.6	9.7	63.0	88.2	–	–	88.2

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

50. 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	Balances under Islamic principles RM	Total RM
2007											
Financial Assets (continued)											
Trade and Other Receivables (excluding short term staff loans)	–	–	–	–	–	–	–	–	3,036.7	–	3,036.7
Short Term Investments											
– non-interest sensitive	–	–	–	–	–	–	–	–	175.9	–	175.9
– fixed interest rate	4.83%	200.5	–	–	–	–	–	200.5	–	–	200.5
Cash and Bank Balances											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	211.2	211.2
– non-interest sensitive	–	–	–	–	–	–	–	–	242.0	–	242.0
– fixed interest rate	3.93%	1,074.9	–	–	–	–	–	1,074.9	–	–	1,074.9
Total		1,275.5	12.7	35.0	6.6	9.7	166.0	1,505.5	11,742.3	631.1	13,878.9
Financial Liabilities											
Borrowings											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	3,168.0	3,168.0
– non-interest sensitive	–	–	–	–	–	–	–	–	4.8	–	4.8
– floating interest rate	6.49%	–	–	495.8	–	–	988.3	1,484.1	–	–	1,484.1
– fixed interest rate	7.88%	–	–	495.8	–	–	4.5	500.3	–	–	500.3
Payable to a Subsidiary											
– fixed interest rate	5.25%	–	–	–	–	–	1,652.5	1,652.5	–	–	1,652.5
Customer Deposits	–	–	–	–	–	–	–	–	590.2	–	590.2
Trade and Other Payables	–	–	–	–	–	–	–	–	2,560.7	–	2,560.7
Total		–	–	991.6	–	–	2,645.3	3,636.9	3,155.7	3,168.0	9,960.6
On-balance-sheet interest sensitivity gap		1,275.5	12.7	(956.6)	6.6	9.7	(2,479.3)				
Off-balance-sheet interest sensitivity gap		–	–	–	–	–	–				
Total interest sensitivity gap		1,275.5	12.7	(956.6)	6.6	9.7	(2,479.3)				

* W.A.R.F. - Weighted Average Rate of Finance as at 31 December

50. 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:

	2008		2007	
	USD	RM	USD	RM
The Company				
Financial Assets				
Amount Owing by Subsidiaries, net of allowances	**5.82%**	**2.97%**	8.10%	2.97%
Staff Loans	**—**	**4.00%**	—	4.00%
Short Term Investments	**—**	**4.87%**	—	4.83%
Cash and Bank Balances	**0.63%**	**3.40%**	5.33%	3.56%
Financial Liabilities				
Borrowings	**7.01%**	**5.24%**	6.86%	—
Payable to a Subsidiary	**4.41%**	**—**	5.25%	—

51. 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				The Company			
	2008		2007		2008		2007	
	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM
Long dated swap	**—**	**—**	988.4	208.6	**—**	**—**	988.4	208.6
Interest rate swap	**1,553.6**	**113.8**	—	—	**1,553.6**	**113.8**	—	—
Cross-currency swaps	**517.9**	**12.6**	257.0	7.1	**517.9**	**12.6**	—	—
Forward foreign currency contracts	**—**	**—**	994.6	37.2	**—**	**—**	—	—
Total	**2,071.5**	**126.4**	2,240.0	252.9	**2,071.5**	**126.4**	988.4	208.6

52. 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 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			
	2008		2007		2008		2007	
	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	**137.8**	**193.4**	138.9	223.0	**137.8**	**193.4**	138.9	223.0
Staff loans	**67.3**	**54.9**	89.5	72.2	**66.9**	**54.5**	88.2	70.9
Financial liabilities								
Borrowings	**4,075.0**	**4,412.4**	8,554.8	8,558.3	**2,282.1**	**2,503.3**	1,989.2	2,036.6
Payable to a subsidiary	**–**	**–**	–	–	**1,734.6**	**1,850.8**	1,652.5	1,621.6

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.

52. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) On-balance-sheet (continued)

Financial assets (continued)

The fair value of staff loans have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. The fair value of staff loans is lower than carrying amount at the balance sheet date as the Company and its subsidiaries charged interest rates 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.

For educational loans, amount owing by subsidiaries and associates 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 foreign currency borrowings. The contract notional principal amounts of the derivative and the corresponding fair value adjustments are analysed as below:

	2008			2007		
	Contract or notional principle amount	Net fair value		Contract or notional principle amount	Net fair value	
The Group	RM	Favourable RM	Unfavourable RM	RM	Favourable RM	Unfavourable RM
Off-balance-sheet financial derivative instruments						
Long dated swap	—	—	—	988.4	208.6	—
Interest rate swaps	**1,553.6**	**113.8**	—	1,484.1	—	(61.3)
Cross-currency swaps	**517.9**	**12.6**	—	257.0	7.1	—
Forward foreign currency contracts	—	—	—	994.6	37.2	—
The Company						
Off-balance-sheet financial derivative instruments						
Long dated swap	—	—	—	988.4	208.6	—
Interest rate swaps	**1,553.6**	**113.8**	—	1,484.1	—	(61.3)
Cross-currency swaps	**517.9**	**12.6**	—	—	—	—

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 2008 or vice versa.

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Installation and maintenance of optic fibre telecommunication system in Malaysia and provision of consultancy services in relation to telecommunications
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Ceased operation
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 telecommunication 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	**51**	51	**RM#**	RM#	Ceased operation
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
Telekom Malaysia-Africa Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Investment holding
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunication services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunication services
Telekom Malaysia (UK) Limited*	**100**	100	**STR#**	STR#	Provision of international telecommunication services
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunication services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding and provision of interactive multimedia communication services and solutions
Telekom Payphone Sdn Bhd >	**100**	100	**RM9.0**	RM9.0	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of telecommunication and multimedia, 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 telecommunication equipment and provision of management of customers care services
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operation
Telesafe Sdn Bhd >	**100**	100	**RM4.0**	RM4.0	Ceased operation
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**	—	**RM#**	RM-	A special purpose entity established to acquire, hold and manage 137,592,300 ordinary shares of the Company under the Special ESOS scheme

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of facilities management services and 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 International Berhad**	**—**	100	**RM -**	RM35.7	Investment holding and provision of telecommunication and consultancy services on an international scale
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
TM SPV Sdn Bhd *(formerly known as Telekom Resorts & Management Sdn Bhd)*	**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	**60.59**	64.87	**RM68.8**	RM64.3	Provision of international and national managed network services for businesses and organisations
Subsidiaries held through Telekom Enterprise Sdn Bhd					
Celcom (Malaysia) Berhad**	**—**	100	**RM -**	RM1,237.5	Provision of network capacity and services
Fibrecomm Network (M) Sdn Bhd (sub-note (a))	**51**	—	**RM75.0**	RM -	Provision of fibre optic transmission network services
Mobitel Sdn Bhd >	**100**	100	**RM8.0**	RM8.0	Dormant

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
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
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operation
Subsidiaries held through TM Facilities Sdn Bhd					
TM Land Sdn Bhd	**100**	100	**RM0.25**	RM0.25	Property development activities
TMF Autolease Sdn Bhd	**100**	100	**RM#**	RM#	Provision of fleet management services
TMF Services Sdn Bhd	**100**	100	**RM#**	RM#	Provision of facilities management services
Subsidiaries held through TM International Berhad					
TM International (L) Limited**	**—**	100	**USD -**	USD78.4	Investment holding
Telekom Management Services Sdn Bhd**	**—**	100	**RM -**	RM0.1	Provision of consultancy and engineering services in telecommunication and related area
TMI Mauritius Ltd**	**—**	100	**USD -**	USD#	Investment holding
G-Com Limited**	**—**	100	**CED -**	CED455.0	Investment holding
Telekom Malaysia International (Cambodia) Company Limited**	**—**	100	**USD -**	USD8.5	Provision of mobile telecommunication services in Cambodia
Subsidiary held through TMI Mauritius Ltd					
TMI India Ltd**	**—**	100	**USD -**	USD72.7	Investment holding

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
Subsidiaries held through TM International (L) Limited					
Dialog Telekom PLC**	—	84.81	**SLR -**	SLR33,056.4^	Provision of mobile telecommunication services in Sri Lanka
TESS International Ltd**	—	100	**USD -**	USD#	Dormant
TM International (Bangladesh) Limited**	—	70	**BDT -**	BDT3,060.0	Provision of mobile telecommunication services in Bangladesh
TM International Lanka (Private) Limited**	—	100	**SLR -**	SLR222.0^	Investment holding
Indocel Holding Sdn Bhd**	—	100	**RM -**	RM0.1	Investment holding
Multinet Pakistan (Private) Limited**	—	89	**PKR -**	PKR992.5	Provision of cable television services, information technology (including software development), telecommunication and multimedia services in Pakistan
Subsidiary held through Indocel Holding Sdn Bhd					
PT Excelcomindo Pratama Tbk**	—	66.99	**IDR -**	IDR709,000	Provision of mobile telecommunication services in Republic of Indonesia
Subsidiaries held through Dialog Telekom PLC					
Dialog Broadband Networks (Private) Limited**	—	84.81	**SLR -**	SLR823.7^	Provision of infrastructure facilities for voice and data communication systems, radio and television broadcasting systems and mobile radio communication systems and the provision of telecommunication services in Sri Lanka
Dialog Television (Private) Limited**	—	84.81	**SLR -**	SLR#^	Provision of television broadcasting station and television broadcasting network including cable and pay television transmission

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
Subsidiaries held through Dialog Television (Private) Limited					
Communiq Broadband Network (Private) Limited**	**—**	84.81	**SLR -**	SLR50.0^	Provision of information technology including data, content transmission services, audio visual services and television programmes services
CBN Sat (Private) Limited**	**—**	84.81	**SLR -**	SLR#^	Provisions of manufacturing, assembling, importing and exporting of electronic consumer products and audio visual goods
Subsidiaries held through PT Excelcomindo Pratama Tbk					
Excel Phoneloan 818 BV**	**—**	66.99	**EUR -**	EUR#	Dormant
Excelcomindo Finance Company BV**	**—**	66.99	**EUR -**	EUR#	Investment holding
GSM One (L) Limited**	**—**	66.99	**USD -**	USD#	Dormant
GSM Two (L) Limited**	**—**	66.99	**USD -**	USD#	Dormant
Subsidiary held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
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

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**60.59**	64.87	**RM11.0**	RM11.0	Provision of intelligent building and security systems integrated telecommunication and technology solutions
VADS Business Process Sdn Bhd *(formerly known as VADS Contact Centre Services Sdn Bhd)*	**60.59**	64.87	**RM#**	RM#	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**60.59**	64.87	**RM1.0**	RM1.0	Contact centre and related services
VADS Professional Services Sdn Bhd	**60.59**	64.87	**RM#**	RM#	Provision of personnel for contact centre services
VADS Solutions Sdn Bhd	**60.59**	64.87	**RM1.5**	RM1.5	Provision of system integration services
Subsidiaries held through Celcom (Malaysia) Berhad					
Celcom Multimedia (Malaysia) Sdn Bhd**	**—**	100	**RM -**	RM#	Dormant
Celcom Technology (M) Sdn Bhd**	**—**	100	**RM -**	RM2.0	Provision of telecommunication value added services through cellular or other forms of telecommunications network
Celcom Timur (Sabah) Sdn Bhd**	**—**	80	**RM -**	RM7.0	Provision of fibre optic transmission network
Celcom Transmission (M) Sdn Bhd**	**—**	100	**RM -**	RM25.0	Provision of network transmission related services
Celcom Trunk Radio (M) Sdn Bhd**	**—**	100	**RM -**	RM#	Ceased operation
CT Paging Sdn Bhd**	**—**	100	**RM -**	RM0.5	Provision of strategic and business development, management, administrative and support services and investment holding

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Paid-up Capital 2008 Million	Paid-up Capital 2007 Million	Principal Activities
Subsidiaries held through Celcom (Malaysia) Berhad (continued)					
Technology Resources Industries Berhad**	—	100	**RM -**	RM#	Investment holding
Celcom Mobile Sdn Bhd**	—	100	**RM -**	RM1,565.0	Provision of mobile communication services, network services, application services and content
Alpha Canggih Sdn Bhd**	—	100	**RM -**	RM#	Property investment
Subsidiary held through Celcom Transmission (M) Sdn Bhd					
Fibrecomm Network (M) Sdn Bhd (sub-note (a))	—	51	**RM -**	RM75.0	Provision of fibre optic transmission network services
Subsidiaries held through Technology Resources Industries Berhad					
Alpine Resources Sdn Bhd**	—	100	**RM -**	RM2.5	Inactive
Rego Multi-Trades Sdn Bhd**	—	100	**RM -**	RM2.0	Dealing in marketable securities
Technology Resources Management Services Sdn Bhd**	—	100	**RM -**	RM#	Inactive
Technology Resources (Nominees) Sdn Bhd**	—	100	**RM -**	RM#	Dormant
TR Components Sdn Bhd**	—	100	**RM -**	RM#	Investment holding
TR International Limited**	—	100	**HKD -**	HKD#	Investment holding

53. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2008 (CONTINUED)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
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

BDT	Bangladesh Taka
CED	Ghanaian Cedi
EUR	Euro Dollar
HKD	Hong Kong Dollar
IDR	Indonesian Rupiah
MKW	Malawi Kwacha
PKR	Pakistani Rupee
SGD	Singapore Dollar
SLR	Sri Lanka Rupee
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

** These subsidiaries were demerged from the Group by virtue of the demerger as disclosed in note 3 to the financial statements.

> Undergoing members' voluntary winding up pursuant to Section 254(1) of the Companies Act, 1965 since 17 December 2008

^ Refers to stated capital. Pursuant to the new Companies Act, No. 7 of Sri Lanka, the concept of authorised and paid-up share capital has been replaced with the concept of stated capital, effective from 3 May 2007. The stated capital comprises the total amounts received in respect of the issue of shares. For accounting purposes, the share premium is also included and expenses relating to the issuance are deducted.

(a) As part of the Group internal restructuring and demerger, Celcom (Malaysia) Berhad transferred its investment in Fibrecomm Network (M) Sdn Bhd to Telekom Enterprise Sdn Bhd. Details as disclosed in note 3 to the financial statements.

54. LIST OF JOINTLY CONTROLLED ENTITIES AS AT 31 DECEMBER 2008

The jointly controlled entities are as follows:

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	Principal Activities
SunShare Investments Ltd*	—	51	Investment holding
Jointly controlled entity held through TMI India Ltd			
Spice Communications Limited*	—	39.2	Licensed mobile and cellular telecommunications service provider in the state of Punjab and Karnataka in India

* These jointly controlled entities were demerged from the Group by virtue of the demerger as disclosed in note 3 to the financial statements.

55. LIST OF ASSOCIATES AS AT 31 DECEMBER 2008

The associates are as follows:

Name of Company	Group's Effective Interest 2008 %	Group's Effective Interest 2007 %	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 communication services
Associates held through TM International Berhad			
Samart Corporation Public Company Limited*	—	18.97	Design, implementation and installation of telecommunication systems and the sale and distribution of telecommunication equipment in Thailand
Samart I-Mobile Public Company Limited*	—	35.58	Mobile phone distributor accessories and bundled with content and administration of the distribution channels for and management of customer care and billing system of I900MHz mobile phone
Associate held through TM International (L) Limited			
Mobile Telecommunications Company of Esfahan*	—	49	Planning, designing, installing, operating and maintaining a GSM cellular telecommunication network to customers in the province of Esfahan, Iran

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

55. LIST OF ASSOCIATES AS AT 31 DECEMBER 2008 (CONTINUED)

Name of Company	Group's Effective Interest 2008 %	2007 %	Principal Activities
Associate held through Celcom (Malaysia) Berhad			
Sacofa Sdn Bhd*	—	20	Trade or business of a telecommunications infrastructure and services company
Associate held through CT Paging Sdn Bhd			
C-Mobile Sdn Bhd*	—	67.15	Setting up a distribution network of dealers and concept retail stores based on intellectual property rights owned by Celcom (Malaysia) Berhad

* These associates were demerged from the Group by virtue of the demerger as disclosed in note 3 to the financial statements.

All associates are incorporated in Malaysia.
All associates have co-terminous financial year end with the Company.

56. COMPARATIVES

(a) Pursuant to the demerger as explained in note 3 to the financial statements, the results of TMI 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 Asset Held for Sale and Discontinued Operations". Income Statement comparatives for 2007 have been re-presented accordingly.

(b) Reclassifications of prior year comparatives

In the current financial year, the Group had reviewed and changed the presentation of the following:

(i) exchange gains/losses arising from the translation of foreign currency borrowings. These foreign exchange gains/losses which were previously disclosed under other operating costs are now presented under finance cost to better reflect the effective cost of borrowings.

(ii) deferred income relating to government grant were reclassified from trade and other payables to non-current liabilities to better reflect the nature of the balance. The Group had also reclassified zakat expense to be presented as part of taxation and zakat from other operating costs.

56. COMPARATIVES (CONTINUED)

(c) Effects of reclassifications

The effects of the reclassifications as described in sub-note (a) and (b) above are illustrated below:

	As previously reported RM	Results from discontinued operations RM	Reclassifications RM	As re-presented RM
The Group				
Income statement for the financial year ended 31 December 2007				
Depreciation, impairment and amortisation	(4,143.5)	1,832.1	—	(2,311.4)
Other operating costs	(10,676.6)	5,460.6	(150.9)	(5,366.9)
Finance cost	(820.9)	427.3	—	(393.6)
Foreign exchange gain on borrowings	—	109.6	152.8	262.4
Net finance cost	(617.0)	456.6	152.8	(7.6)
Taxation and zakat	(511.0)	487.1	(1.9)	(25.8)
Balance sheet as at 31 December 2007				
Deferred income	—	—	59.5	59.5
Trade and other payables	6,702.7	—	(59.5)	6,643.2
The Company				
Income statement for the financial year ended 31 December 2007				
Other operating costs	(4,656.4)	—	(260.5)	(4,916.9)
Foreign exchange gain on borrowings	—	—	262.4	262.4
Net finance cost	(313.3)	—	262.4	(50.9)
Taxation and zakat	(19.4)	—	(1.9)	(21.3)
Balance sheet as at 31 December 2007				
Deferred income	—	—	46.2	46.2
Trade and other payables	2,606.9	—	(46.2)	2,560.7

57. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

58. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 24 February 2009.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Ir Muhammad Radzi Hj Mansor 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 208 to 329 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 2008 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 24 February 2009.

TAN SRI DATO' Ir MUHAMMAD RADZI HJ MANSOR
Chairman

DATO' ZAMZAMZAIRANI MOHD ISA
Group Chief Executive Officer

STATUTORY DECLARATION

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 208 to 329 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 24 February 2009.)

DATUK BAZLAN OSMAN

Before me:

Commissioner for Oaths
Kuala Lumpur

SHAFIE B. DAUD
Pesuruhjaya Sumpah W 360
(Commissioner for Oaths)
39A, JALAN TUN MOHD FUAD
TAMAN TUN DR. ISMAIL
60000 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 2008 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 208 to 329.

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 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 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 2008 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of all subsidiaries of which we have not acted as auditors, which are indicated in note 53 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD (COMPANY NO. 128740-P)

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: 24 February 2009

SHAREHOLDING STATISTICS
AS AT 20 MARCH 2009

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital : RM5,000,003,021

Issued and Paid-up Capital : RM3,577,404,906 comprising of 3,577,401,980 ordinary shares of RM1 each, 1 (One) Special Rights Redeemable Preference Share of RM1 each (Special Share), 2,000 Class C Non-Convertible Redeemable Preference Shares of RM1 each (NCRPS C) and 925 Class D Non-Convertible Redeemable Preference Shares of RM1 each (NCRPS D).

Voting Rights : One 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)(j) to the financial statements, respectively.

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
Size of Shareholdings	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Less than 100	534	2.37	7	0.03	4,148	0.00	157	0.00
100 – 1,000	8,251	36.49	211	0.93	7,169,097	0.20	156,100	0.00
1,001 – 10,000	11,461	50.68	341	1.51	39,204,602	1.10	1,394,757	0.04
10,001 – 100,000	995	4.40	203	0.90	26,907,506	0.75	8,309,191	0.23
100,001 – 178,870,244 (less than 5% of paid-up capital)	239	1.06	366	1.62	703,757,646	19.67	586,425,978	16.39
178,870,244 and above	4	0.02	0	0.00	2,204,072,798	61.61	0	0.00
TOTAL	21,484	95.02	1,128	4.99	2,981,115,797	83.33	596,286,183	16.67

DISTRIBUTION OF PREFERENCE SHARES IN ACCORDANCE TO ITS RESPECTIVE CLASSES

	Special Share				NCRPS C				NCRPS D			
	Shareholders		Shares		Shareholders		Shares		Shareholders		Shares	
Category	**Malaysian**	**%**	**Malaysian**	**%**	**Malaysian**	**%**	**Malaysian**	**%**	**Malaysian**	**%**	**Malaysian**	**%**
Less than 100	1	100.00	1	100.00	1	33.33	25	1.25	0	0.00	0	0.00
100 – 1,000	0	0.00	0	0.00	1	33.33	400	20.00	2	100.00	925	100.00
1,001 – 10,000	0	0.00	0	0.00	1	33.33	1,575	78.75	0	0.00	0	0.00
Total	**1**	**100.00**	**1**	**100.00**	**3**	**100.00**	**2,000**	**100.00**	**2**	**100.00**	**925**	**100.00**

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY AND ITS RELATED CORPORATION AS AT 20 MARCH 2009

The Directors' direct and deemed interest in shares and options over shares in the Company based on the Register of Directors' Shareholdings are as follows:-

	Number of ordinary shares of RM1.00 each		
Interest in the Company	**Direct**	**Deemed Interest**	**%**
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	122,000	—	*
Dato' Zamzamzairani Mohd Isa	32,000#	4,000@	*
Datuk Bazlan Osman	2,000	—	*

	Number of options over ordinary shares of RM1.00 each			
Interest in the Company	**Direct**	**Deemed Interest**	**Total**	**%**
Dato' Zamzamzairani Mohd Isa	450,000	75,000^	525,000	*
Datuk Bazlan Osman	490,000	—	490,000	*

Note:

Inclusive of interest held through a nominee company, Al-Wakalah Nominees (Tempatan) Sdn Bhd
@ *Deemed interest in TM shares held by spouse*
^ *Deemed interest in options over TM Shares held by spouse*
* *less than 0.01%*

LIST OF TOP 30 SHAREHOLDERS

AS AT 20 MARCH 2009

No.	Name	No. of Shares Held	Percentage (%)
1.	Khazanah Nasional Berhad	1,219,956,146	34.10
2.	Employees Provident Fund Board	512,245,725	14.32
3.	Khazanah Nasional Berhad *Exempt An*	274,781,027	7.68
4.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Skim Amanah Saham Bumiputera*	197,089,900	5.51
5.	Lembaga Tabung Haji	98,579,136	2.76
6.	Cimsec Nominees (Tempatan) Sdn Bhd *Exempt An For TM ESOS Management Sdn Bhd (TM ESOS)*	97,699,930	2.73
7.	Permodalan Nasional Berhad	66,478,800	1.86
8.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For Morgan Stanley & Co. International PLC (IPB Client ACCT)*	50,131,900	1.40
9.	Valuecap Sdn Bhd	42,428,900	1.19
10.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An For Mellon Bank (Mellon)*	36,676,719	1.03
11.	HSBC Nominees (Tempatan) Sdn. Bhd. *Nomura Asset Mgmt Malaysia For Employees Provident Fuud*	36,380,000	1.02
12.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Amanah Saham Wawasan 2020*	33,152,200	0.93
13.	Kumpulan Wang Persaraan (Diperbadankan)	32,304,100	0.90
14.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPMorgan Chase Bank, National Association (U.S.A)*	25,800,500	0.72
15.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An For Mellon Bank (ABNAMRO Mellon)*	20,920,300	0.58
16.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An For Prudential Fund Management Berhad*	18,270,800	0.51
17.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Public Islamic Dividend Fund*	15,847,000	0.44
18.	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels For The Royal Bank Of Scotland Group Pension Fund*	14,771,200	0.41
19.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	14,208,100	0.40
20.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPmorgan Chase Bank, National Association (U.K.)*	12,846,900	0.36
21.	Pertubuhan Keselamatan Sosial	12,356,900	0.35
22.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPmorgan Chase Bank, National Association (BVI)*	11,000,000	0.31
23.	Amanah Raya Berhad (Tempatan) Sdn Bhd *Public Islamic Equity Fund*	10,936,600	0.31
24.	Amsec Nominees (Tempatan) Sdn Bhd *Amtrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	10,330,300	0.29

No.	Name	No. of Shares Held	Percentage (%)
25.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An For American International Assurance Berhad*	10,269,000	0.29
26.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For J.P Morgan Bank Luxembourg S.A*	9,751,200	0.27
27.	Citigroup Nominees (Tempatan) Sdn Bhd *ING Insurance Berhad (INV-IL PAR)*	9,444,500	0.26
28.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Amanah Saham Didik*	9,150,000	0.26
29.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For J.P Morgan Chase Bank, National Association (U.A.E)*	9,128,889	0.26
30.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For The Hong Kong And Shanghai Banking Corporation Limited* (HBFS-I CLT ACCT)	8,634,400	0.24
	TOTAL	**2,921,571,072**	**81.69**

SUBSTANTIAL SHAREHOLDERS' HOLDINGS OF 5% AND ABOVE

as per register of substantial shareholders

		No. of Shares Held		Percentage (%)	
No.	**Name**	**Direct**	**Indirect**	**Direct**	**Indirect**
1.	Khazanah Nasional Berhad	1,494,737,173	—	41.78	—
2.	Employees Provident Fund Board (EPF)	512,495,225	58,526,800*	14.33	1.64
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera	203,575,100	—	5.69	—
	TOTAL	**2,210,807,498**	**58,526,800**	**61.80**	**1.64**

* EPF is deemed to have interests by virtue of TM Shares managed by other portfolio managers on behalf of EPF under Section 6A of the CA 1965.

AUTHORISED AND ISSUED SHARE CAPITAL

1. AUTHORISED SHARE CAPITAL

The authorised share capital as at 20 March 2009 is RM5,000,003,021 divided into 5,000,000,000 ordinary shares of RM1.00 each; One (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 and 1,000 Class D NCRPS of RM1.00 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

2. ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up capital as at 20 March 2009 is RM3,577,404,906.00 comprising 3,577,401,980 ordinary shares of RM1.00 each, One (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

Date	No. of Shares Allotted	Description	Total (RM)
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
20/06/1997	999,545,460	Bonus issue on the basis of one (1) ordinary shares for every two (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	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606
17/03/2008 – 31/12/2008	137,592,300	Cash – Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906

Note: Increases in the issued and paid-up share capital pursuant to ESOS are disclosed on annual basis.

NET BOOK VALUE OF LAND & BUILDINGS

AS AT 31 DECEMBER 2008

	Location	Freehold		Leasehold		Other Land*		Excepted Land**		Net Book Value of Land RM (million)	Net Book Value of Buildings RM (million)
		No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)		
1.	Federal Territory										
	a. Kuala Lumpur	25	1,360	4	196	4	426	—	—	92.8	809.5
	b. Labuan	—	—	6	511	3	187	—	—	—	—
	c. Putrajaya	—	—	—	—	1	20	—	—	—	—
2.	Selangor	13	10,327	22	25,047	4	388	79	15,507	176.9	408.3
3.	Perlis	—	—	4	52	—	—	11	596	0.5	1.9
4.	Perak	4	17	17	778	6	191	113	8,194	4.8	34.2
5.	Pulau Pinang	1	3	15	919	—	—	49	8,164	4.8	43.5
6.	Kedah	8	487	14	1,491	—	—	49	2,843	8.3	57.5
7.	Johor	4	106	27	1,387	16	414	109	10,993	7.4	53.7
8.	Melaka	9	1,086	24	62,436	—	—	24	4,052	16.7	201.2
9.	Negeri Sembilan	8	46,589	10	330	2	176	55	3,103	1.8	26.4
10.	Terengganu	—	—	16	797	1	44	46	5,195	0.8	37.4
11.	Kelantan	—	—	8	356	5	173	35	2,058	0.7	11.9
12.	Pahang	3	43	29	1,692	13	1,105	72	6,316	4.1	53.1
13.	Sabah	—	—	15	619	4	117	69	25,981	5.8	57.8
14.	Sarawak	5	202	26	925	9	62	103	11,383	25.0	64.5
	Total	**80**	**60,220**	**237**	**97,536**	**68**	**3,303**	**814**	**104,385**	**350.4**	**1,860.9**

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.

USAGE OF PROPERTIES
AS AT 31 DECEMBER 2008

	Location	Exchanges	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TM Point/ Primatel/ Business Centre	University/ Training College	Telecom-munication/ 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	–	–	4	2	–	–
10.	Terengganu	44	4	2	3	2	–	–	2	1	–
11.	Kelantan	30	2	2	4	2	–	–	–	–	–
12.	Pahang	56	14	2	11	2	3	4	–	–	–
13.	Sabah	46	18	1	3	2	3	1	4	–	–
14.	Sarawak	76	24	2	8	2	3	–	3	1	–

GROUP DIRECTORY

HEAD OFFICE

Level 51, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 9494
: 101 Operator Assisted Calls (Domestic and International)
: 103 Directory Enquiry Services
: 100 for Everything else TM
Fax : 03-2283 2415
Website : www.tm.com.my

Retail Business

Customer Service
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 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
Ground Floor, Ibusawat TM
Batu 9½, Jalan Skudai
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

Kuala Pilah
Jalan Bahau
72000 Kuala Pilah
Negeri Sembilan

GROUP DIRECTORY

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
10150 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
Jalan Law Gek Soon
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
6th Floor
Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan
Sabah

Mailing Address:-
Locked Bag 44
90009 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
Jalan Wan Siak
P.O. Box 340
89058 Kudat
Sabah

Labuan
Bangunan TM
Jalan Dewan
87000 Wilayah Persekutuan
Labuan

GROUP DIRECTORY

Wholesale Business

Head Office
TM Wholesale
Level 17, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 03-2240 4499
Fax: 03-2240 8590

FIBERAIL SDN BHD
7th Floor, Wisma TM
Jalan Desa Utama
Pusat Bandar Taman Desa
58100 Kuala Lumpur
Tel : 03-7980 9696
Fax: 03-7980 9900
Website: www.fiberail.com.my

FIBRECOMM NETWORK (M) SDN BHD
Level 37, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 03-2240 1843
Fax: 03-2240 5001
Website: www.fibrecomm.net.my

Global Business

Head Office
TM Global
Level 54, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 5500
03-2240 8282
Fax: 03-7956 0208
03-7956 6733

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
E-mail: general@tmeurope.co.uk

USA
Telekom Malaysia (USA) Inc
8320 Old Courthouse Road
Suite 420
Vienna VA 22182
USA
Tel : +1 703 467 5962
Fax: +1 703 467 5966
E-mail: info@usa-tm.com

HONG KONG
Telekom Malaysia (Hong Kong) Limited
Suite 1612, 16th Floor
Tower 1 Silvercord
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong
SAR-China
Tel : +852 2992 0190
Fax: +852 2992 0570
E-mail: general@telekommalaysia.com.hk

SINGAPORE
Telekom Malaysia (S) Pte Ltd
175A Bencoolen Street
#07-05/08
Burlington Square
189650 Singapore
Tel : +65 6532 6369
Fax: +65 6532 3742
E-mail: 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

TM Facilities Sdn Bhd
Level 6, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5400
Fax: 03-7987 4303

TMF Services Sdn Bhd
Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9400
Fax: 03-5541 2141

TMF Autolease Sdn Bhd
Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9412
Fax: 03-5510 0286

Property Development
Level 11, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5040
Fax: 03-7983 6390

Menara Kuala Lumpur Sdn Bhd
No. 2 , Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax: 03-2072 8409

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

Universiti Telekom Sdn Bhd
Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : 03-8312 5018
03-8312 5000
Fax: 03-8312 5022

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

Company Associates/ Investment
Mutiara.Com Sdn Bhd
114-F, Bangunan JKPSB
Jalan Sungai Pinang
10150 Pulau Pinang
Tel : 04-281 1600
04-281 2600
Fax: 04-281 8600

Measat Global Sdn Bhd
Level 39, Menara Maxis
50088 Kuala Lumpur
Tel : 03-8213 2188
Fax: 03-8213 2233

GLOSSARY

ADSL
Asymmetric Digital Subscriber Line, which is designed to deliver more bandwidth from the central office to the customer site

APCN
Asia Pacific Cable Network

ARPU
Average Revenue Per User. The average revenue generated per customer unit per month

ARPM
Average Revenue Per Minute

ASP
Application Service Provider

ATM
Asynchronous Transfer Mode. A protocol for integrated transmission over a Broadband Integrated Services Digital Network

BANDWIDTH
The width of a communications channel. In digital communications, bandwidth is typically measured in bits per second

BBGP
Broadband for the General Population

BROADBAND
Any circuit significantly faster than a dial-up phone line

BTS
Base Transceiver Station

CAGR
Compounded Annual Growth Rate

CDMA
Code Division Multiple Access is a digital, spread spectrum, packet-based access technique generally used in radio frequency systems

CJ
China Japan

CMC
Chikura-Miyazaki Cable

CRM
Customer Relationship Management

CUCN
China-US Cable Network

DMCS
Dumai-Malacca Cable System

DSL
Digital Subscriber Line

DWDM
Dense Wavelength Digital Multiplexer

EBITDA
Earning Before Interest, Taxes, Depreciation and Amortisation

EPU
Economic Planning Unit

ESOS
Employee Share Option Scheme

ETTH
Ethernet-to-the-Home

FDI
Foreign Direct Investment

FLAG
Fibre Link Around the Globe

FLAG-ATLANTIC
Fibre Link Around the Globe – Atlantic

FTTH
Fibre-to-the-Home

GLC
Government-Linked Companies

GROUP
Telekom Malaysia Berhad and its Local & International Subsidiaries/ Associated Companies/Affiliates

HSBB
High-Speed Broadband

HSDPA
High Speed Downlink Packet Access

HSUPA
High Speed Uplink Packet Access

IBSS
Industrial Business Solution Seminar

ICT
Information and Communication Technology

IDD
International Direct Dialing. The capability to directly dial an overseas phone number from one's own home or office telephone

IP
Internet Protocol. A software that keeps track of the internet's addresses for different nodes, routes outgoing messages and recognises incoming messages

IPLC
International Private Leased Circuit

IPVPN
Internet Protocol Virtual Private Network. It is a private network for a corporation or an institution connecting any number of end points using a combination of private and public circuits

IPTV
Internet Protocol TV

ISDN
Integrated Services Digital Network. ISDN is a set of international standards set by the ITU-T (International Telecommunications Services Sector) for a circuit-switched digital network that supports access to any type of service (e.g. voice, data and video) over a single, integrated local loop from the customer's premises to the network edge

ISP
Internet Service Provider. A vendor who provides access for customers (companies and private individuals) to the internet and the World Wide Web

JUCN
Japan-US Cable Network

GLOSSARY

LAN
Local Area Network. A communication network connecting personal computer workstations, printer, file servers and other devices inside a building

MBPS
Million bits per second, the speed of a telecommunications, networking or local area networking transmission facility

MCMC
Malaysian Communications and Multimedia Commission

MDSCS
Malaysia Domestic Submarine Cable System

MNP
Mobile Number Portability

MOU
Minutes of Use

MPLS
Multi Protocol Label Switching

NIOSH
National Institute of Occupational Safety and Health

NPC
North Pacific Cable

OPCO
Operating Company

OSH
Occupational Safety and Health

OSHA
Occupational Safety and Health Association

PATAMI
Profit after tax and minority interest

PIP
Performance Improvement Programme

R-J-K
Russia-Japan-Korea

ROCE
Return on Capital Employed

SAT3-WASC-SAFE
South Atlantic 3-Western Africa Submarine Cable-South Asia Far East

SBU
Strategic Business Unit

SEA-ME-WE
South East Asia-Middle East-Western Europe Submarine Cable System

SIS
System Integration Services

SME
Small and Medium Enterprise

SMIDEC
Small and Medium Industries Development Corporation

SOHO
Small Office and Home Office

TAT
Trans Atlantic

TM
Telekom Malaysia Berhad (Company No. 128740-P)

TPC
Trans Pacific Cable

TVH
Thailand, Vietnam, Hong Kong

USF
Unified Sales Force

VDSL2
Very High Speed Digital Subscriber Line 2

VOIP
Voice Over Internet Protocol. The technology used to transmit voice conversations over a data network using internet protocol

VPN
Virtual Private Network. With VPN an individual can lock into a distant corporate local area network, server or corporate intranet over the internet

VSAT
Very Small Aperture Terminal. A relatively small satellite antenna, typically 1.5 to 3.0 metres in diameter used for satellite-based point-to-multipoint data communications applications

VSS
Voluntary Separation Scheme

WAN
Wide Area Network. A public voice or data network that extends beyond the metropolitan area

WI-FI
Wireless Fidelity. Wi-Fi runs in the 2.4GHz wireless range at speeds of up to 11 Mbps

WIMAX
Worldwide Interoperability For Microwave Access

WLL
Wireless Local Loop

PROXY FORM

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

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** 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 proxy/proxies to vote for me/us on my/our behalf at the Twenty-Fourth Annual General Meeting of Telekom Malaysia Berhad (128740-P) [Company] to be held at Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 7 May 2009 at 10:00 a.m. and at any adjournment thereof.

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)

	Resolutions		**For**	**Against**
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2008	- Ordinary Resolution 1		
2.	Declaration of a final dividend of 14.25 sen per share (less 25% Malaysian Income Tax)	- Ordinary Resolution 2		
3.	Re-election of Dato' Zamzamzairani Mohd Isa pursuant to Article 98(2)	- Ordinary Resolution 3		
4.	Re-election of Datuk Bazlan Osman pursuant to Article 98(2)	- Ordinary Resolution 4		
5.	Re-election of Tunku Mahmood Fawzy Tunku Muhiyiddin pursuant to Article 98(2)	- Ordinary Resolution 5		
6.	Re-election of Dato' Ir Abdul Rahim Abu Bakar pursuant to Article 98(2)	- Ordinary Resolution 6		
7.	Re-election of Quah Poh Keat pursuant to Article 98(2)	- Ordinary Resolution 7		
8.	Re-election of Ibrahim Marsidi pursuant to Article 98(2)	- Ordinary Resolution 8		
9.	Re-election of Dato' Danapalan TP Vinggrasalam pursuant to Article 98(2)	- Ordinary Resolution 9		
10.	Re-election of Riccardo Ruggiero pursuant to Article 98(2)	- Ordinary Resolution 10		
11.	Re-election of Tan Sri Dato' Ir Muhammad Radzi Hj Mansor pursuant to Article 103	- Ordinary Resolution 11		
12.	Approval of payment of Directors' fees	- Ordinary Resolution 12		
13.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration	- Ordinary Resolution 13		

Signed this ______________ day of ______________ 2009

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, 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.

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2. Fold here

AFFIX
STAMP

THE SHARE REGISTRARS
TENAGA KOPERAT SDN BHD
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

3. Fold here