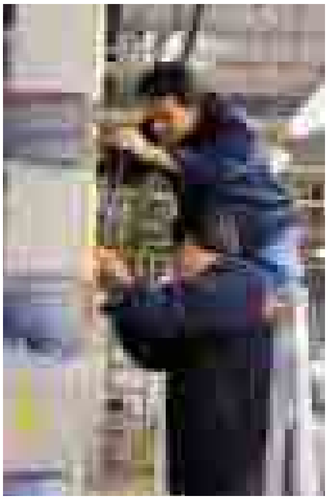


To complement the needs of the Group, TM R&D continuously explores new product offerings to strengthen TM's core businesses. The product portfolio includes the emergency service MERS999, Fibre to the School (FTTS), Optical Circulator, WEBS 2000 and various energy-saving solutions.

In 2010, TM R&D filed 26 patents and obtained 17 industrial designs, 13 layout designs for integrated circuits and 38 software copyrights. Nine licensing agreements were completed to commercialise the Intellectual Property Rights (IPR). TM R&D innovations also received a total of 21 awards at events that included the International Invention and Technology Exhibition (ITEX 2010) and Ekspo Innovasi Islam (i-INOVA' 10).

STRATEGIC KEY INITIATIVES

IT&NT provides the technical support and expertise to realise the Group's business objectives. Over the course of 2010, IT&NT embarked on several key strategic initiatives with HSBB as the cornerstone for transformation to an IP network environment. The NGN migration will be gradually expanded to provide a new platform for existing and future services.

Project TOP has been developed to transform 12 value streams across customer service and network infrastructure. The project involves all 9,000 Network Operations staff, with strong collaboration and support from TMpoints and the Customer Service Management (CSM) team on the ground. The success of Project TOP to date lies in the fact that the solutions are generated from the frontline teams.

R&D activities are geared towards discovering innovative solutions for complex multidimensional problems to support the nation's ICT needs. In 2010, the focus of TM R&D's activities fell within the ambit of broadband technologies, operational excellence and value-add applications in line with the Group's business requirements. TM R&D undertook four strategic research themes, namely access network, green technologies, operational excellence and HSBB, to support and expand TM's Connect, Communicate and Collaborate initiatives.

OPERATIONS

IT&NT is working hand-in-hand with lines of business (i.e. Consumer, SME, Enterprise, Government, Wholesale and Global) to offer an end-to-end solution that includes access, core and international telecommunications links. By incorporating best practices in technology selection and taking into consideration future business requirements, IT&NT expects to provide an optimal network solution for TM to maintain its competitive edge in the industry.

More than two-thirds of TM R&D staff are dedicated to conducting innovative research while the rest are engaged in consultancy, research support and engineering services. To maximise the potential of its human capital and intellectual resources, TM R&D organised in-house and external training modules, provided bursaries for postgraduate studies and engaged in a brain gain programme.

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 increase along with greater need for high-speed broadband capacity.

TM R&D will continue to develop competitive and innovative solutions to support the Group's business. It will also pursue collaborating with local universities and foreign institutions, focusing on research that meets the market's needs. Other ongoing initiatives include licensing of Malaysian technology companies that are able to develop products and applications for vertical markets.

At the operational level, Project TOP aspires to bring about a mindset shift among TM staff by empowering them to enhance current processes, and adopt a continuous improvement culture. Under Project TOP, staff are encouraged to reconsider the current way of doing things, identify potential improvements and generate solutions to capture these opportunities. These solutions are rapidly tested and refined before being implemented across the organisation.

Communications, Content & Infrastructure (CCI) has been identified as a priority area under the Economic Transformation Programme (ETP) of the New Economic Model. By participating actively in this area and leveraging on existing investments, TM can contribute towards propelling national communications services to greater heights.

Overall, IT&NT is optimistic of the future of the Malaysian telecommunications sector, and particularly broadband services, as it continues to support TM in providing optimal technology solutions to meet future business requirements.

INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK


Kota Kinabalu
Labuan
Miri
Kuching
Legend

TM WORLDWIDE COVERAGE

box article: new media

Facts at a Glance

HyppTV features:

37 channels

1,000 hours of on-demand movies and TV series

Hypptunes aggregates over 200,000 songs

New Media was incorporated on 15 July 2010 with the objective of growing the media businesses in TM, namely Internet Protocol TV (IPTV), Directory Services, Online Value-Added Services and the Content and Applications Hub.

TM's brand of IPTV, HyppTV, is a unique pay TV offering with exciting premium channels, Video-On-Demand and interactive services. Directory Services constitute print and digital classified listings carried under the Yellow Pages banner. Online Value-Added Services, meanwhile, comprise online products targeted at youth such as Hypptunes, Hypp.TV and HyppGames, as well as e-Commerce and payment gateway solutions catering to business customers. Finally, the Content and Applications Hub is a newly-launched platform that provides an end-to-end system, My1Content, for content and applications developers usage to market their products over multiple platforms such as TV, mobile and the Internet.

HyppTV, Malaysia's newest paid TV, delivers content via TM's High Speed Broadband (HSBB) network. It forms part of a triple play offering of video, Internet and phone services under UniFi's VIP packages. With HyppTV, Malaysians finally get to enjoy an enhanced TV viewing experience with advanced interactivity on par with counterparts in developed countries. The availability of movies and TV series on-demand means viewers are no longer confined to a TV schedule, but can watch TV programmes of their choice at their convenience. The video quality is superb and not subject to weather interruptions. Even better, viewers pay only for channels and programmes that they want. Such flexibility gives the viewer more control and choice at an affordable price.

HyppTV was launched on 22 March 2010 with 20 channels and 200 hours of on-demand movies and TV series. From this modest line-up, it has quickly grown with the addition of more premium channels and video on-demand content. Some of these premium channels are new to Malaysia. These include MUTV, BBC Knowledge, BBC Lifestyle, cBeebies, Warner TV, Universal, SyFy, Screen Red, Star Chinese Channel, UTV Movies, Jaya Max, Fashion TV and Bloomberg. To date, HyppTv now has 37 channels with 14 free channels and 23 premium channels. Meanwhile, the on-demand movies and TV series are among the latest to emerge from major Hollywood and Asian studios as well as leading Malaysian production houses. Interactive channels such as Flight Info service, Waktu Solat and Malaysian News on-demand add to the uniqueness of Malaysia's first IPTV service over a managed network.

CONTENT AND APPLICATIONS HUB – MY1CONTENT PORTAL

The My1Content portal, to be launched in early 2011, is to be a Digital Marketplace where sellers and buyers of content and applications can converge. Providing a range of content-related managed services, My1Content will provide established and budding content entrepreneurs a platform for seamless hosting and marketing of their contents to customers over multiple devices, with minimal investment. Features include the capture, storage and distribution of media and content to multiple geographical locations both locally and regionally, content management, customer database management and a payment gateway.

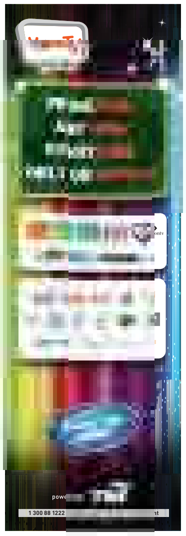
The portal was developed in partnership with the Government as part of the HSBB public-private partnership, with the objective of being a key enabler for nurturing and promoting Malaysia's local content industry. My1Content is expected to offer Malaysian consumers and businesses a one-stop shop to explore, browse and purchase games, music, movies, TV shows, web services and applications from local contents developers.

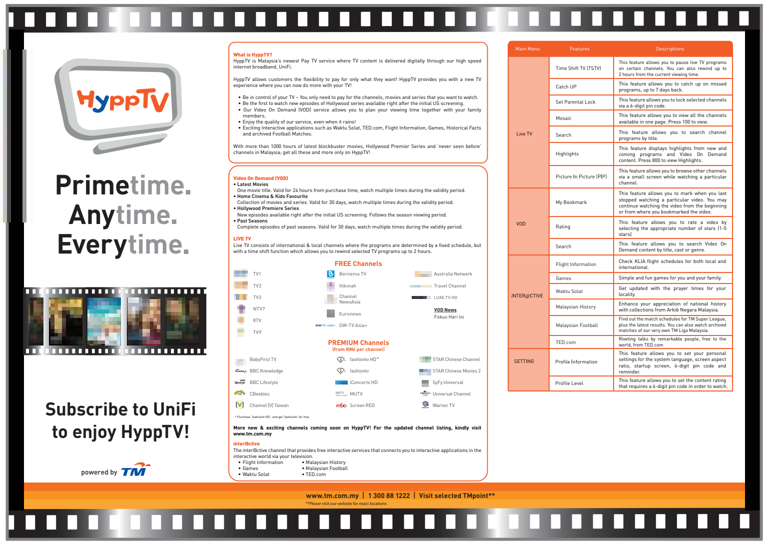
ONLINE VALUE-ADDED SERVICES

The Online Value-Added Services (OVAS) division of New Media targets both retail and business customers with services and solutions such as online content portals, e-Commerce platforms and payment gateway engines.

New Media EVP, Mr Jeremy Kung and New Media GM of Sales, Marketing & Content Services Ms Emily Wee during the HyppTv Big 'Bang' launch on 9 October 2010 at the Curve, Kuala Lumpur.

New Media EVP, Mr Jeremy Kung during TM's signing ceremony with 20 local and international content partners accompanied by local press on 22 March 2010.





For businesses, OVAS e-Commerce solution has been successfully deployed in several web services such as MybizPoint.com, Yemmz.com, TM Rewards e-Store, TMpoint Virtual Mall, e-Browse, Bluehyppo.com and TM Web Hosting Services. The division's team of developers and engineers are also responsible for overseeing a unified payment platform for various IT projects such as GEMS intra portal and UniFi.my. In 2010, OVAS was commissioned by the Melaka State Government to provide an Electronic Bill Presentment & Payment Platform (EBPP), which was subsequently launched as part of the Melaka Maju 2010 initiative.

For retail customers, OVAS owns and manages various content portals targeted at key consumer segments such as youth and professionals, managers, executives and businessmen (PMEBs) designed to complement TM's broadband packages in bundled offerings. The content portals include:

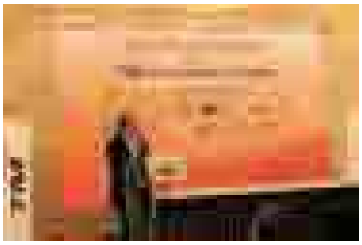
i) Hypptunes – a digital music service with a repertoire of over 200,000 songs from international and local music labels;

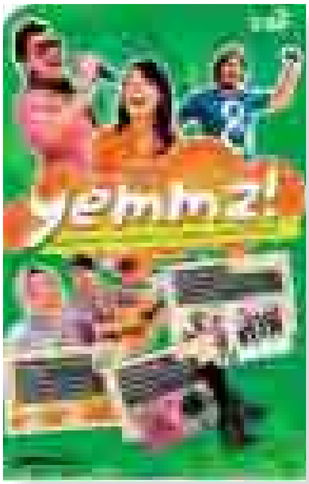
ii) Hypp.TV – the web companion for HyppTV with a variety of premium channels including MUTV, i-Concerts, Fashion TV and Channel News Asia;

iii) e-Browse – the digital publications service that digitizes and aggregates content from Malaysia's major daily newspapers and magazines;

iv) HyppGames – a portal with attractive offerings of popular massively multiplayer online role-playing games (MMORPGs), casual and flash games;

New Media EVP, Mr Jeremy Kung, during the launch of Yemmz on 19 March 2010 at Plaza Mont Kiara.





TM Info-Media CEO, En Nasaruddin Mohd Zaini received the prestigious Brand Laureate Award under the category "Best Brands in Media – Digital Directories" presented by Dato' Sri Idris Jala, Minister in the Prime Minister's Department.

v) B-Smart – an education portal providing enhanced online learning tools for UPSR, PMR and SPM students; and
vi) Yemmz – a social trading network created to facilitate interactive trading of products by consumers for consumers using social networking as a marketing and sales tool.

DIRECTORY SERVICES – YELLOW PAGES

The Directory Services division of New Media has evolved from publishing printed directories under the Yellow Pages brand to becoming a leading industry resource, offering not only its trademark easy-to-read, concise format classified books, but also a digital e-directory. In addition, the Directory Services division has expanded into other niche publications such as Malaysia Tourist Pages, Halal Pages, Malaysia Energy Guide and Malaysia Chinese Yellow Pages.

As more businesses are focusing their advertising expenditure (ADEX) on online media vis-à-vis traditional media, the division has aggressively launched a number of online listing services, such as:

i) Internet Yellow Pages – which currently boasts over 500,000 visitors per month;
ii) e-Yellow Pages – an electronic directory that is downloadable and also available in CD-Rom format;
iii) e-Halal – the world's first halal digital directory; and
iv) e-Holiday – a guide to key businesses in the local travel industry.

In March 2010, Directory Services was awarded the prestigious Brand Laureate Award under the category Best Brands in Media – Digital Directories. Circulation of the Yellow Pages currently stands at 1.5 million throughout Malaysia.

SUMMARY

HyppTV is poised to gain momentum in subscriber take-up, as the HSBB network footprint fast approaches critical market reach. Spurred by the success stories of other IPTV operators worldwide, New Media will continue with its strategy of bundling HyppTV as part of the UniFi triple play and leveraging on the marketing buzz surrounding UniFi. As for content, the focus will continue to be on premium TV channels that are differentiated from those offered by existing paid TV operators and on-demand TV series and movies that are first to market on TV screens across Malaysia. In the pipeline are also numerous advanced interactive services that will totally transform the customers TV experience.

In support of the Government's drive to increase Internet penetration and use, TM will continue to promote locally-hosted content, online services and web-based applications that are relevant and appealing to Malaysians. In line with this, New Media will continue aggressively to expand its repertoire of content offerings and web applications to stimulate demand for high-speed Internet.

ASIAN ECONOMIES AND THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

Overview 2010

While the global economy continued to recover in 2010, growth in advanced economies remained subdued, with high unemployment and renewed stresses in the euro contributing to downside risks. Concerns about banking sector losses and fiscal sustainability — triggered by the situation in Ireland — led to widening spreads in these countries, in some cases reaching highs not seen since the launch of the European Economic and Monetary Union. In contrast, many emerging economies experienced buoyant activity, but are now facing inflation pressures and seeing signs of overheating.

Global activity expanded at an annualised rate of just over 3.5% in the third quarter of 2010. A slowdown from the 5.0% growth rate of the second quarter of 2010 was expected, but the third-quarter rate was better than forecast in the International Monetary Fund (IMF) October 2010 World Economic Outlook (WEO), owing to stronger than expected consumption in the United States and Japan. Stimulus measures were partly responsible for the strengthened outturn, especially in Japan. More generally, there are increasing signs that private consumption, which fell sharply during the crisis, is starting to increase in major advanced economies. Growth in emerging and developing economies remained robust, buoyed by well-entrenched private demand, accommodative policy stances, and resurgent capital inflows.

	YEAR OVER YEAR (%)		
	Estimate	Projections	
	2010	2011	2012
Global Gross Domestic Product (GDP)	4.7	**4.5**	**4.4**
Advanced Economies (US)	2.9	**2.6**	**2.5**
Emerging & Developing Economies (ASEAN-5)	5.1	**6.4**	**5.2**

Figure 1: Overview of the World Economic Outlook Projections
Source: World Economic Outlook Update, IMF, January 2011

It was also a year when Asia was home to the fastest-growing economies in the world. Malaysia made financial pundits sit up and take notice on several occasions. For a start, it was the only emerging market to make it to the top 20 countries in the World Economic Forum's Financial Development Index 2010, moving up five notches from 22nd to 17th place. Malaysia also ranked 21 in the World Bank's Doing Business Index for 2010, ahead of Germany (at 22).

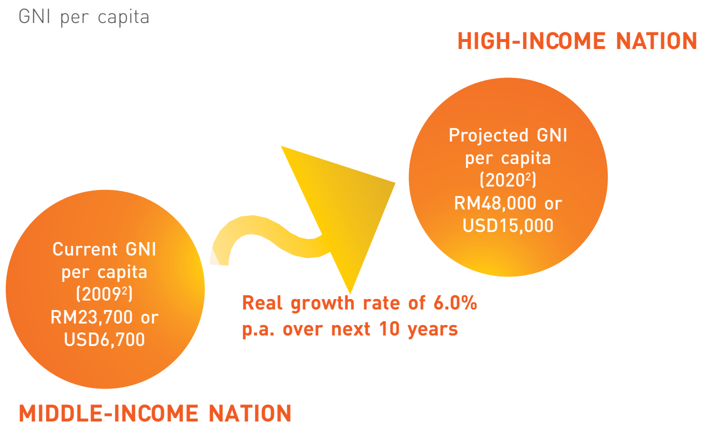
Trade among emerging markets with an obliging financing environment saw Malaysia come in first for getting credit in the Doing Business Index. Much excitement was generated by the announcement of new government plans and programmes. On June 10, the much-anticipated 10th Malaysia Plan (10MP) was unveiled, after the curtain-raising Government Transformation Programme (GTP) had been announced in January. The 10MP aims to make Malaysia a high-income and high-productivity economy.

Following the 10MP came the Economic Transformation Programme (ETP) in September, an ambitious 10-year plan to restructure the economy and raise the country to developed-nation status through investments in selected sectors. The plan targets six per cent annual GDP growth and raising per capita income to US$15,000 (RM48,000) identifying 12 national key economic areas that have the potential to generate high income. ETP leans heavily on the private sector for its success, with investors expected to raise some US$410 billion (RM1312 billion) of the total US$444 billion (RM1421 billion) budget.

Bank Negara Malaysia (BNM) also announced that for 2010, total GDP growth was 7.2%, just edging out Singapore to be the 3rd largest economy in South East Asia. This was despite contractions in Government spending that put the brakes on GDP growth in Q3, with GDP growing 5.3% compared to 8.9% in Q2. Domestic consumer spending also improved in 2010 due to better economic growth.

On the telecommunications front, Q1 2010 saw the launch of the first phase of HSBB in four areas, namely Taman Tun Dr Ismail, Bangsar, Subang Jaya and Shah Alam. More

To achieve high-income status by 2020, Malaysia must grow by 6.0% per year to reach GNI per capita of RM48,000 or USD15,000



[1] At 2020 prices, consistent with EPU assumptions for inflation = 2.8% and population growth = 1.0%

[2] 2009 population 27.9 million, 2020 projected population 31.6 million (EPU projection)

Figure 2: Economic Transformation Programme
Source: ETP, Summary Booklet, Oct 2010

than 750,000 premises passed were achieved by end December 2010. Another milestone was seen in household broadband penetration, which topped 53.0% in mid-October, exceeding the target for 2010. This was an encouraging achievement as the household broadband penetration stood at only 22.0% in 2008.

ECONOMIC OUTLOOK 2011

Having weathered a stormy 2010, recent economic data suggests that the global economy has entered a more stable recovery path. Global output is projected to expand by 4.5% in 2011, an upward revision of about 0.25% relative to the October 2010 World Economic Outlook. This reflects stronger-than-expected activity in the second half of 2010 as well as new policy initiatives in the US that will boost activity in 2011. Asia is set to emerge as one of the most vibrant regions, and will play an increasingly critical role in determining the shape of the future global economic landscape.

But downside risks to the recovery remain elevated. Of particular concern are risks associated with policy errors in the containment of inflation and asset price bubbles, intensification of protectionist sentiment, substantial deterioration in the health of developed economies and escalation of the sovereign debt crisis. The most urgent requirements for robust recovery are comprehensive and rapid actions to overcome sovereign and financial troubles in the euro area, policies to redress fiscal imbalances and to repair and reform financial systems in advanced economies. These need to be complemented by policies that keep overheating pressures in check and facilitate external rebalancing in key emerging economies.

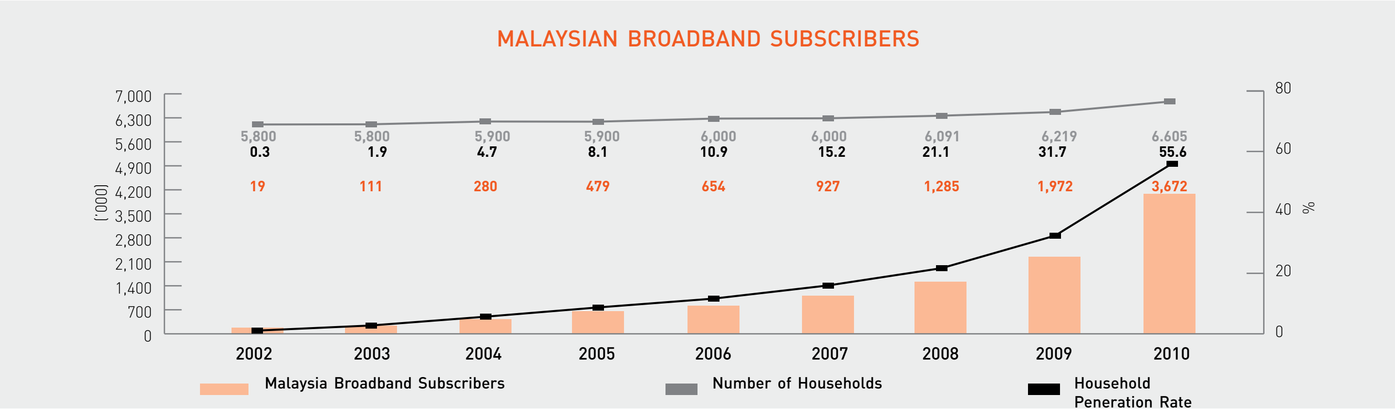
Malaysia's economic outlook for 2011 is expected to be in line with the general outlook for emerging markets, with above-trend growth and inflationary concerns on the horizon. The growth trajectory depends on the implementation of the Economic Transformation Programme (ETP) to drive private investment, with Foreign Direct Investment (FDI) estimated to increase alongside domestic private investment. Over the medium term, fiscal consolidation and structural reform remain key challenges, though both are being tackled by the Government.

Moderation in GDP growth is expected, from 7.2% in 2010 to 5.2% in 2011 due to lower export and consumption growth. With the announced budget deficit of 5.4% in 2011 only marginally lower than the 5.6% registered in 2010, fiscal consolidation has been put on the backburner for 2011. This will provide some support to the overall GDP. The softness in manufacturing output and exports should bottom out in Q1 2011, while increased capital spending and stable commodity prices will further support a robust domestic economy into 2011.

TELECOMMUNICATIONS OUTLOOK 2011

Positive growth is expected in Malaysia's Information and Communications Technology (ICT) industry this year. Research firm IDC quoted that IT spend in the country will grow 9.0% from US$5.9 billion (RM18.8 billion) in 2010 to US$6.5 billion (RM20.8 billion). This compares well to the total IT spend for Malaysia in 2010 which grew only 6.0%, driven mainly by purchases of hardware and packaged software. Spending in the telecommunications sector is expected to hit US$7.3 billion (RM23.3 billion) in 2011, up 5.3% from 2010. Higher telecommunications spend will be led by fixed data, followed by wireless data and wireless voice.

Growth in IT spend is expected to be driven by the Government's continued efforts to raise the level of broadband penetration, outsourcing initiatives by organisations to address increased IT complexity, the continued adoption of software for the management of computing infrastructure resources, return of consumer confidence, wireless broadband and also developments in cloud computing. Organisations will start looking at new investments in IT infrastructure and services, such as data centres, while continuing to focus on keeping costs low and maximising their existing IT investments.



GOVERNMENT INITIATIVES

The Government will be a significant driver of ICT spending in 2011. It has previously stated its intention to implement various initiatives to further increase broadband penetration such as building more Community Broadband Centres, expanding broadband to USP areas with the distribution of netbooks, and expanding the number of Kampung WiFis from six to 3,100 by 2014. The Government Transformation Programme will also see key projects taking off in 2011. Under the Economic Transformation Programme (ETP), Malaysia is seeking to be a world-class hub for data centres in the region. The market expects to see growing interest in data centre infrastructure and related services such as co-location and Web-hosting, managed networks, disaster recovery and other outsourcing services. Another Government initiative is the development of a Content and Service Delivery Platform (CSDP) under the PPP programme. Via MDeC, the local content industry will be able to leverage on the CSDP for content digitalisation and distribution by Q1 2011.

WIRELESS BROADBAND

The wireless broadband subscriber base overtook its fixed counterpart in 2010 and this trend will lead to increased demand for smartphones and more competition among wireless players. November 2010 saw the entry of a new competitor into the telecommunications business. With this new entrant together with the resurgence of existing players and the issuance of LTE 4G spectrum to nine players (from the current top three players), the competitive environment is likely to intensify.

CLOUD COMPUTING

Cloud computing is also expected to gain significant traction this year, driven by the twin factors of supply-side maturity and demand-side understanding. IT investments in both the private and public sectors will shift towards the cloud this year with a high propensity for trials and some transactional-based cloud computing adoption among enterprises. Cloud promises to reduce costs, provide flexibility and agility in how organisations use their IT resources, ease the adoption and implementation of IT, and allow organisations to explore and develop innovative services with a low cost of entry.

CONCLUSION

As the shift from PC to mobile computing continues, the importance of wireless broadband continues to grow. There's no denying that mobility play is essential for the long-term survival of operators. Cloud should ideally be a Malaysia ICT enabler, helping operators to leapfrog into a new set of enterprise services while reducing its cost structure. While cost savings and maximising current investments in IT are important, the need to grow will see both the private and public sectors continue to invest in ICT. This creates an abundance of opportunities for operators to tap into. Overall, 2011 promises to be another exciting year ahead for the ICT & Telecommunications industries in Malaysia.

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CHAPTER 7

key initiatives

connect
communicate
collaborate

service excellence via enhanced customer experience and relationships

ENHANCING THE CUSTOMER EXPERIENCE

To maintain our leading edge as a service provider, the customer is given top priority at TM. Continuous efforts are made to enhance their experience at every touchpoint across the different delivery environments, services and interaction channels. Our strategy is simple – to understand the habits and needs of our varied customer base and find new ways to bring greater value to them. While the idea is simple, it requires an inordinate amount of organisational strategy, coordination and collaboration to achieve this goal. Underlining our commitment, TM is setting aside 5.0% of our revenue this year on customer service.

Enhancing the UniFi Experience

2010 will go down in the annals of TM as the year in which we rolled out UniFi, our life-changing, life-enhancing High Speed Broadband (HSBB) initiative. While HSBB itself opens a whole new vista of possibilities, TM is committed to ensuring that the service is delivered to our residential (UniFi VIP) and business (UniFi BIZ) customers as seamlessly as possible.

At the core of this service delivery is the TM UniFi Centre (TMUC). Operating from several locations within the Klang Valley, the 500-strong TMUC team serves as a one-stop call centre for both UniFi sales and after-sales services. For greater speed and efficiency of service, TMUC has installed separate UniFi Sales (1-300-88-1222) and After-Sales (1-300-88-1221) telephone lines, up-skilled its personnel, enhanced the Interactive Voice Response (IVR) call-flow and SMS functionalities, improved its support systems and strengthened its operations via e-TOM Fulfillment, Assurance, Complaint and Billing process methodologies. These positive changes have led to a reduction in abandoned calls from a high of 25.0% in Q2 2010 to less than 5.0% in Q4 2010, with more than 91.0% of calls answered within 20 seconds.

Installation service has improved greatly as a result of close monitoring of the installation teams. This has reduced our late and missed appointments from more than 15.0% initially to less than 7.0%, while improving the average installation time to about five hours, with 95.0% of installations fulfilled within 24 hours.

In terms of after-sales, we are improving our operations, systems and infrastructure to ensure customers' technical issues are resolved after only one phone call from the customer. A dedicated UniFi email team (unifi@tm.com.my) has managed to resolve more than 90.0% of customer complaints within 15 business days. Meanwhile, the UniFi Customer Portal; myunifi, launched in Q4 2010, provides an easily accessible channel for potential customers to register their orders while allowing existing customers to manage their accounts at their convenience.

Cohesive branding and transformation initiatives across all UniFi touchpoints were implemented to establish the UniFi customer experience as a premium service. Efforts to further improve UniFi are on-going, with particular emphasis on key service delivery and the resolution of pain points.

TMpoint UniFi & UniFi Corner
UniFi service is currently available in 23 areas including Shah Alam, Damansara, Taman Tun Dr Ismail, Bangsar, Wangsa Maju, Sungai Buloh, Puchong, Cyberjaya, Putrajaya and Damansara; and five areas outside the Klang Valley, such as the Kulim Hi-Tech Park in Kedah, Bayan Baru in Penang, Senai and Permas in Johor. As at end 2010, the service roll-out covered 48 exchange areas, reaching 750,000 premises; and the target is to cover 1.3 million premises by end 2012.

To date, five TMpoints – in Damansara Utama, Bangsar, Shah Alam, Menara TM and Cyberjaya – have been converted to TMpoint UniFi. In addition, TMpoints in Taipan, Muzium and Sunway Damansara have been fitted with dedicated UniFi Corners. TMpoints in Petaling Jaya, Setapak and three other areas will be converted in 2011 while four other TMpoints will be fitted with UniFi Corners. Locations will be selected based on exchanges to be launched.

Expanding Our Reach
TM recognises that coverage through TMpoints is essential in providing our customers from all over the country with maximum convenience. To date, we have 105 TMpoints nationwide, and 34 e-Kiosks at 27 TMpoints nationwide at which customers can pay their bills, either by cash, credit card or cheque, to reduce queues.

Meanwhile, mobile TMpoint-on-Wheels (TMOWs) were launched in April 2009, with 15 vehicles to serve customers in areas where TMpoints are not present. There are plans to introduce more TMOWs in Sabah and Sarawak.

A TMpoint Dealership Programme, mooted in 2008, has been implemented by opening 27 outlets. These

third-party authorised dealers enhance the presence of TM in rural areas and are well-received by the local entrepreneurs as well as TM customers.

TMpoint Authorised Dealers Mini (TAD) is yet another initiative to expand our coverage and reach.

Faster Service for the Business Customer
Beginning in February 2010, a one-month pilot project named Priority Lane was implemented at TMpoints in Shah Alam and Petaling Jaya, which provided separate special counters exclusively for SME business customers. The SME business customers were more than satisfied with the prompt and quality service. As more customers started visiting these Business Priority Lanes, the project was extended to another 14 TMpoints on 12 November 2010.

The Priority Lane @ SME Corners are located at the TMpoints in Pandan Indah, Shah Alam, Petaling Jaya, Puchong, Taipan, Seremban, Melaka, Pelangi, Kuantan, Kota Bharu, Kuala Terengganu, Alor Star, Jalan Burmah, Ipoh Wisma, Sadong Jaya and Batu Lintang.

HP Demo Counter @ TMpoint

Also at TMpoints, customers have been able to check and try out the latest Streamyx combo packages using HP demo units. Manned by HP promoters, the mobile counters launched at flagship TMpoints in 2009 were proven popular, prompting TM Sales and Services Sdn Bhd and HP to expand the promotion to more TMpoints in the Klang Valley (TMpoint Kepong, Pandan Indah, Puchong and Setapak). HP will also assign its promoters to several other TMpoints which have high traffic, and will work with TM when we launch our new Broadband PC bundle packages in April 2011.

Enhancing Customer Experience Through People

At TM, we invest in our people so that they, in turn, exercise better customer service. Employee development and training as well as action learning are given enormous emphasis. As the leader in broadband, TM is transforming our workforce to be experts in the latest technology.

In 2010, the Customer Relationship Management (CRM) unit embarked on a CRM Practitioner programme designed to develop a pool of technically and behaviourally competent CRM users to help TM achieve Operational Excellence & Customer Centricity. This programme will instill a greater sense of customer-centricity among CRM users, especially frontline staff.

Further boosting the customer experience, a 'flying squad' of CRM practitioners was formed to tend to customers in a more timely and professional manner. We believe this initiative will help to establish an emotional bond with customers that transcends the relay of data and information. Dedicated account teams have been formed to serve different bands of customers, and at the same time win more customers.

Better Call Centre Service

For customers who call in, a WOW Programme was initiated in November 2009 to create a better experience with the TM 100 Technical Contact Centre. The project team focuses on three main areas: accessibility of the contact centre, resolution time for customers and the customer experience while interacting with agents.

To reduce the time taken to pick up calls, and increase the total number of calls attended to, TM recruited more agents. In January 2010, 580 agents were recruited for a new contact centre in Semua House. As of April 2010, we had 1,600 agents serving the Technical Contact Centre as frontliners, attending up to 740,000 calls per month. The results have been encouraging: customer waiting time dropped to less than 60 seconds; and the number of calls answered within 20 seconds increased 58.0%. In June 2010, we instituted the call-back promise and by end 2010, achieved a 100.0% rate of returned calls.

WOW has certainly enhanced the customer experience, as evidenced in a 5.0% increase in the TM Customer Service Index (CSI) which measures satisfaction levels, and an 11 point improvement in the TRIM index for Consumers Inbound Contact Centre.

At the Core of Customer Service

Underlying TM's ability to resolve customer issues is a technical system, iCARE Prime, which forms the core of our customer relationship management (CRM). iCARE Prime bridges the gaps in the entire CRM process line, from order capture to service fulfillment and assurance for key products. The system, employing the world-class Siebel platform, allows customer service personnel to obtain a 360 degree view of DEL and Streamyx customers' end-to-end profile and service delivery progress.

Emphasis is placed on integrating the various IT support systems, such as INFORMS and SAMS, to increase operational efficiency. For example, use of a single platform for Trouble Ticket (TT) capture and assurance fulfillment eases TT escalation across multiple systems.

iCARE has resulted in improved time for installation and restoration, especially for combo orders. In addition, resellers now have a dedicated portal. In 2010, iCARE Prime was deployed in Melaka, Perak, Pahang and selected areas in the Klang Valley.

Command and Control Centre

Behind the scenes, a Command & Control Centre (C&CC) was established in May 2010 as a cross-functional forum that enables real-time visibility of complaints received and the capacity to synthesise the opinions of different Value Streams (namely subject matter experts) to design effective solutions. By performing various analyses, the C&CC is able to identify key issues that impact customer experience on the ground, and forward these to the Value Streams for their input, thus driving a continuous improvement programme.

Customer Retention Initiative

In 2010, CRM lent support to sales and marketing programmes, especially for the Consumer group, by helping to arrest churn. Using a predictive churn model, CRM has been able to identify customers with a high propensity to churn, allowing the sales and marketing teams then to target these individuals with strategic and timely offers. While addressing churn, this initiative also helps to build enduring relationships with customers.

Loyalty Marketing

TM rewards loyal customers by delivering more value to them, be it through products and services or exciting rewards programmes. Our end goal is to build an enriching and long-term relationship with our loyal customers. The TM Rewards programme is targeted at our mass consumers, specifically TM Homeline and Streamyx customers, providing them with exclusive discounts and other privileges from our more than 100 partners. These represent a wide range of consumer industries from food and beverage, health and beauty, to travel and leisure, retail shopping and financial services.

Customers are invited to enter exclusive contests and to attend events, and can view the latest updates by visiting www.tmrewards.com.my or follow us on Facebook or Twitter.

In 2010, TM Rewards launched a successful Call & Win (Season 2) Rewards Programme for TM Homeline customers from June to September. Customers who increased their talk time by at least RM10 per month from the previous month stood a chance to win fabulous prizes including a Mercedes-Benz E200.

connect
communicate
collaborate

fostering a knowledge-based nation

Facts at a Glance

26,070
MMU graduates to date

4,131
international students from 58 countries

4,525
MMC graduates

From the time it functioned as the Telecommunications Department of Malaysia, TM has taken it upon itself to educate Malaysians so as to create local capabilities to continuously develop and sustain the industry. Its training arm from the 1940s is now known as the Multimedia College (MMC), which falls under the jurisdiction of an even larger educational institution belonging to the Group: the Multimedia University. In addition to these establishments, TM also has in its stable, Telekom Smart School Sdn Bhd, which focuses on bringing information and communication technologies to Malaysian children.

MULTIMEDIA UNIVERSITY

Universiti Telekom Sdn Bhd (UTSB) is a wholly-owned subsidiary of TM, set up through the brand name of Multimedia University to educate future generations of the nation's leaders and knowledge workers. As the first private university in Malaysia, MMU pioneered a successful business model that paved the way for a multitude of other educational establishments that have been set up in its wake. The sheer number of local private universities in existence today bears testimony to the significant role MMU has played in developing the nation's education sector.

MMU itself has grown tremendously since its inception 14 years ago. It has produced 26,070 graduates, and currently has 10,202 students in its Melaka campus and 9,346 students in its Cyberjaya campus. Of this student population, 4,131 are international students representing 58 countries.

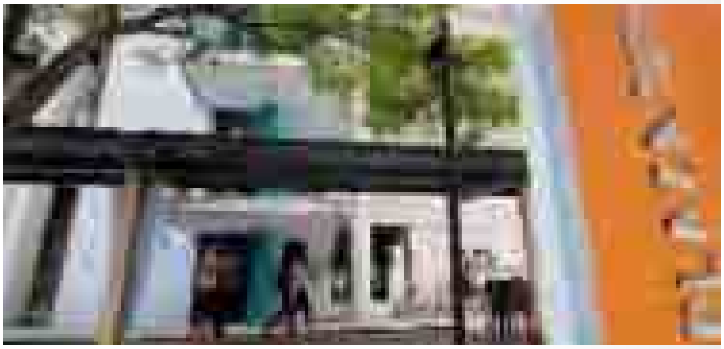
There can be no doubt that MMU has been successful in its mission to supply Malaysia with knowledge workers. It has even been likened to Stanford University, which feeds the needs of Silicon Valley. Like Stanford, MMU is linked to Malaysia's Silicon Valley of Cyberjaya. Many local and international high-tech corporations here are staffed by MMU graduates. A number of these companies set up booths in MMU's campus to recruit final year students. Fresh graduates from the university are in such demand that more than 90% of them secure employment within six months of completing their studies. This has been a consistent trend for several years.

Having secured a reputation of being one of the country's premier universities, MMU is now well placed to support the Government in its ambitious Economic Transformation Programme, fleshed out in 2010 and outlining 12 National Key Economic Areas (NKEAs). Of these, MMU is perfectly aligned to provide knowledge workers for at least eight NKEAs: Energy, Financial Services, Business Services, Electronics and Electrical, Wholesale and Retail, Education, Healthcare and Communications Content & Infrastructure.

Already, the university is involved in progressing the nation's technological development. MMU positively encourages its research students to undertake R&D activities and to enter into collaborations with third parties. The idea is to develop innovative products with commercial potential. To further this aim, the university has its own commercialisation arm, MMU CNergy.

MMU also familiarises its students with the corporate world. All students are required to take entrepreneurship subjects, and are challenged to apply their knowledge whenever possible. MMU students, for example, regularly participate in the MSC Malaysia-IHL Business Plan Competition, and often with impressive outcomes. In the 2009/2010 round, the university team emerged as First Runner Up in the Business Plan Category.

Multimedia College (MMC) is a subsidiary of MMU. Although it came into existence legally only on 8 May 2009, MMC has since 1948 been training Telecommunications Department personnel. Today, it offers eight diploma programmes accredited by the Malaysian Qualifications Agency in the fields of:



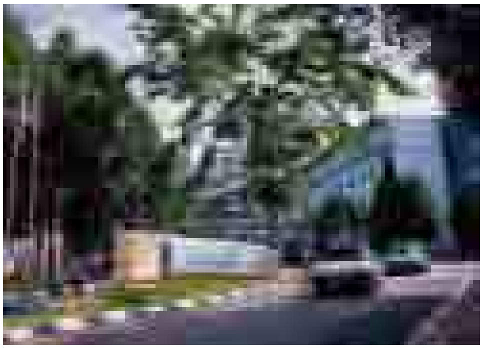
- Technology (Telecommunication Engineering)
- Mobile & Wireless Communication
- Creative New Media
- Multimedia Technology
- Multimedia (Business Computing)
- Marketing with Multimedia
- Management with Multimedia
- Accounting with Multimedia

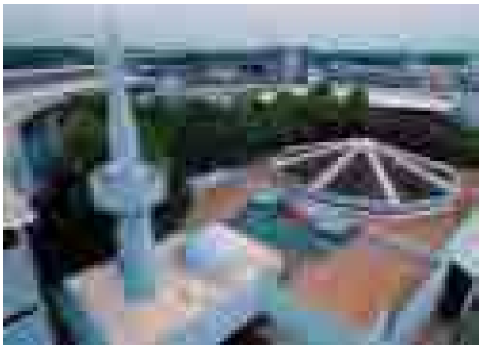
MMC has a total of 2,295 students in its five campuses in Kuala Lumpur, Taiping, Marang, Kota Kinabalu and Kuching. The college has been awarding diplomas since 1997 and has produced a total of 4,525 graduates to date. On 3 August 2010, MMC held its 14th Convocation at which 588 graduates received their scrolls.

In addition to offering its Diploma programmes, MMC is also responsible for organising the Malaysian Technical Cooperation Programme (MTCP). Overseen by the Ministry of Foreign Affairs, MTCP is geared towards providing telecommunications and ICT knowledge and training to 140 member countries. From 14 June to 9 July 2010, MMC hosted 20 participants from Brunei, Myanmar, Laos, Cambodia, Vietnam, Thailand, Sri Lanka, Seychelles, Pakistan, Uzbekistan, Nigeria and Maldives who were in Malaysia to attend an MTCP course on *Computer Forensics & Security.*

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS) has long been recognised as one of the country's premier e-learning providers for the education sector. In 2010, TSS continued to participate in multimedia content development services and provided support for the *Pembestarian Sekolah-Sekolah* (Making All Schools Smart) initiative of the Ministry of Education, Malaysia. TSS also completed the *Pembestarian Sekolah Luar Bandar* (Transforming Rural Schools





into Smart Schools) project undertaken with the Ministry of Education and the Multimedia Development Corporation (MDeC). TSS had been appointed by MDeC to take on the role of Project Management Office (PMO) for the project which successfully uplifted standards in the rural schools to reach the minimum Smart School Qualification Standards (SSQS).

The experience gained has helped TSS to offer and market a full suite of Smart School Solutions and Services to educational departments both locally and regionally.

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

Targeting a higher level of students, TSS in 2010 launched renowned courseware authoring tool software, LectureMAKER, into the market. LectureMAKER has opened the doors of universities and colleges to TSS as content authoring tools are necessary in the academic sector. As the sole distributor of LectureMAKER in Malaysia, TSS expects the product to be a major revenue earner for the company in the coming years.

To further strengthen TSS services for the educational online market, TSS has embarked on the development of e-learning application portal via a social media platform that connects parents, kids and teachers using logs, forums, notes, tips and question banks. The product, uniCliq, is to be introduced to the market in 2011.

In the government sector, TSS has been awarded a contract by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) and Jabatan Kemajuan Islam Malaysia (JAKIM) to digitise and web-enable the reciting of *Quranic Surah, Doa and Hadith* as well as to develop e-learning modules for *Kelas Al-Quran* and *Fardhu 'Ain* (KAFA). TSS also helped to develop several e-learning modules for the Department of Skills Development, Ministry of Human Resources and MDeC.

Within the TM Group, TSS is still entrusted to develop multimedia learning content as and when required. Having tasted the benefits of e-learning in terms of cost saving and time to deploy the learning and knowledge to its employees and dealer network, there is growing emphasis in TM on more extensive use of this mode of training delivery.

To reinforce its position as the leading e-learning player in the market, TSS is also involved in promoting its products and services via exhibitions and seminars locally. TSS participated in the National Level Teachers Day Festival in Kuantan; the 5th Islamic Conference of Ministers of Higher Education in Scientific Research (ICMHESR) for OIC countries at the KL Convention Centre; and the MSC Malaysia Innovative Festival 2010 at Bukit Jalil, among others.

As part of its Corporate Social Responsibility (CSR) agenda, TSS continues to supply its BestariEd software to more schools in the country. In 2010, it provided a full set to SK Sri Bandan in Ayer Hitam, Johor and to the My-Tuition Centre in Kampung Kerinchi in Lembah Pantai, Kuala Lumpur. TSS also helped to sponsor the renovation and beautification of computer labs at Sekolah Rendah Agama Taman Ibu Kota, Setapak, and Sekolah Rendah Agama Kg Pasir Baru, Kuala Lumpur.

gearing human capital towards business excellence

Facts at a Glance

RM860,000
Total payout of market competitive incentives for year 2010

RM16.5 Million
Total amount of performance-based bonus and GCEO Merit Award distributed to 2,084 deserving employees

8.4% or 639
TM executives in the Talent Pool

TM's success hinges on the well-being and optimum performance of its employees. The Group therefore leaves no stone unturned to nurture and empower its workforce. Human capital development forms a cornerstone on which TM has built loyalty and commitment among its 26,000 employees nationwide, which in turn has contributed to the Company's firm position among the top telcos in the region. To further motivate employees, TM recognises the efforts of each employee and rewards exemplary performance with attractive incentives. By placing the workforce at the heart of the Company, TM has carved a reputation for being an employer of choice.

PERSONAL AND PROFESSIONAL FULFILMENT

Over the years, TM has realised that the most conducive work environment is one that allows employees to achieve a healthy work-life balance. Accordingly, the Group's culture has transitioned gradually into one that values performance more than employees' adherence to rigid rules and regulations. The flexibility gives employees peace of mind and heightens their output. To assist our employees to better integrate their work and personal lives, TM in 2010 introduced three new initiatives:

- Flexible Working Hours – which allows employees to choose one of three working schedules;
- Flexible Rest Days – which gives employees the option of choosing to take Thursday and Friday; or Saturday and Sunday off; and
- 1TM Leave – which ensures employees get sufficient time off to return to work rejuvenated.

Collectively, these initiatives have improved morale and performance, while enabling employees' annual leave to be more effectively managed.

TOWARDS A HIGH PERFORMANCE CULTURE

Collaboration and teamwork are key attributes within TM's high performance culture, and are cultivated by the 1TM concept. To drive such behaviour and internalise it among employees, TM has revised its reward structure in the form of bonus payouts to take into account the Group's performance as well as the performance of smaller divisions and, of course, individuals. To further strengthen the spirit of collaboration and cooperation among employees, a *Teaming with Passion* programme was launched which engenders a greater sense of unity and camaraderie among TM employees.

Non-executives are not left out in this performance-based reward culture. In 2010, a new Performance Linked Wage System (PLWS) was implemented for non-executives in Peninsular Malaysia and Sabah.

UPGRADING STAFF, INCREASING MORALE

As TM transforms within the fast-changing telecommunications industry, its activities and core businesses are evolving and present vast opportunities for further professional development of employees. New skill sets and expertise are required, and TM is setting aside significant sums for training to ensure its employees are able to step into these more demanding roles. As they are upgraded from their current positions, employees feel a sense of personal and professional achievement which leads to greater satisfaction at work.

RECOGNISING THE RIGHT SKILLS

In TM, employees capabilities and potential are identified not just merely by qualifications and work experience, but also by their soft skills such as the ability to communicate effectively and collaborate with others as well as to maintain a positively energised atmosphere around them. In line with the objective to source for 230 new A class internal talents in 2010, TM embarked on an assessment process that focused on leadership traits and abilities.

The talents identified will now be developed as leaders capable of further driving TM's business.

In 2010, TM identified 301 promising individuals who have demonstrated great potential for further growth, bringing the total of TM's talent pool to 639, or 8.4% of the Group's executive population. In addition to internal sourcing, TM continued to scout for external talents through participation in eight career fairs that are industry-based and campus-based.

DEVELOPING TALENTS

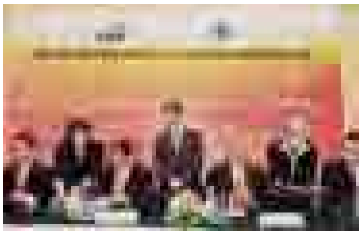
In 2010, TM introduced a Fast Track Programme (FTP) for fresh graduates, focusing on grooming those with impeccable academic credentials who also demonstrate strong leadership potential. These young executives are identified via a rigorous selection process and given the required job exposure and training to accelerate their career progression.

Apart from FTP, the Group has introduced an integrated approach to develop talents through on-the-job experience and classroom training. Talents gain experience and skills through different job tasks and are given the opportunity to manage a variety of projects. TM also collaborates with third parties, such as other GLCs on cross-assignment programmes which further enrich the exposure received by talents being developed.

UNLEASHING POTENTIAL

Talent development represents one side of TM's human capital development coin. The other side entails recognising the readiness of talents to take on positions of greater responsibility, and allowing them to do so. For this purpose, TM closely monitors the progress made by its talent pool members ensuring a smooth talent pipeline which feeds the overall leadership bench.

NUTE President Mohd Jafar Abd Majid (second from left) exchanging the Collective Agreement documents with TM Group CEO Dato' Sri Zamzamzairani Mohd Isa (second from right), witnessed by Tuan Haji Md Yunus Razally, Director General, Department of Industrial Relations.



YB Datuk Dr Yee Moh Chai, Minister of Resource and Information Technology Development of Sabah (centre), witnessing the exchange of signed documents between Dato' Sri Zamzamzairani Mohd Isa, TM Group CEO (second from right), and Haji Jamling Ghani, SUTE President (second from left).

YB Dato' Joseph Salang Gandum, Deputy Minister of Information, Communications and Culture (centre), witnessing the exchange of the signed Collective Agreement between Dato' Sri Zamzamzairani Mohd Isa, TM Group CEO (second from left), and Mohamad Ibrahim Hamid, UTES President (second from right).

Anugerah Majikan Prihatin 2010 – Group CEO Dato' Sri Zamzamzairani Mohd Isa and Chief Human Capital Officer Mohd Khalis Abdul Rahim receiving the award from YAB Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak.

Malaysian Institute of Human Resource Management (MIHRM) HR Awards 2010 – Chief Human Capital Officer, Mohd Khalis Abdul Rahim and Vice President Human Capital Planning & Leadership Development, Dr Zainal Abu Zarim receiving the award on behalf of TM.

Whenever a candidate is ready to move on to the next level, he or she is presented with an opportunity to unleash the skills he or she has garnered. As a result, in 2010, TM managed to identify successors to leaders for 90% of its key positions, while 85% of all vacant positions were filled by those who had been earmarked for the respective functions.

ENGAGING OUR EMPLOYEES

In order to create an environment of trust and integrity, TM has always nurtured a healthy relationship between management and employees. Various mechanisms are in place to encourage open dialogue between personnel at all levels within the Group. Online chatrooms, face-to-face sessions, video streaming and newsletters are just some channels employed to disseminate information and engage employees in a manner that keeps motivation and morale high.

Particular emphasis is placed on maintaining strong relations with the three trade unions that represent our employees, namely the National Union of Telecommunication Employees – Peninsular (NUTE), Union of Telekom Malaysia Berhad Employees Sarawak (UTES) and Sabah Union of Telekom Employees (SUTE). In 2010, a milestone was achieved when TM concluded successful negotiations with all three unions and signed new Collective Agreements (CAs) with each. This bears testimony to the Company's commitment to protecting the welfare of its non-executives. It further exemplifies the authenticity of the 1TM aspiration, which recognises the importance of every individual in the company, and aims to achieve unprecedented synergies by connecting all our employees at a fundamental level.

HUMAN RESOURCE EXCELLENCE

As a result of concerted efforts to develop our people and create a work environment that enhances their well-being, TM is proud to announce that we won the Gold Award in HR Excellence at The Malaysia HR Awards 2010. This prestigious award, organised by the Malaysian Institute of Human Resource Management (MIHRM) since 1999, recognises sustained commitment by organisations to the development of their employees, in line with the nation's vision to nurture a world-class workforce. In addition, TM has won the Prime Minister's CSR Award for Best Workplace Practices for two years running.

CARING EMPLOYER

Further recognition of TM's human resources function came in the form of the *Anugerah Majikan Prihatin* 2010 in the Large Company category. The award was presented by the Ministry of Human Resources in conjunction with Labour Day 2010. In this programme, judges evaluated companies on their employee welfare scheme, health and safety at the workplace, balance in the composition of employees and the recruitment of employees with disabilities.

In support of the national agenda to encourage Malaysians abroad to return to the country, TM participated in the My Work Life career fair, initiated by Khazanah Nasional Berhad, on 22 and 23 May 2010 in Iskandar Malaysia, Johor. TM also collaborated with Multimedia Development Corporation (MDeC) on the ICONapps Job Attachment Programme, which took on fresh graduates seeking to gain exposure and experience in a working environment.

connect
communicate
collaborate

building capabilities through learning and development

Facts at a Glance

29,517
Number of participants trained in HSBB and IP-related programmes in 2010. *100% increment as compared to 2009*

70,860
Total number of participants in all courses in 2010. *29.7% increment as compared to 2009*

RM12.3 Million
Amount of training cost claimed under the HRDF. *Over-achievement of 136.6% as compared to 2009*

As TM evolves into a new-generation telecommunications provider, it is crucial that its employees are in tune with the exciting business environment it has entered. Learning and development play a significant role in maximising TM's human potential, which in turn ensures it maintains its competitive edge.

Where it all began... TWP initial session with the General Managers & Group Leadership Team members.

Session conducted for the Consumer Sales team.

TWP session for front liners.

A considerable amount of resources has been invested into improving the knowledge, skills and competency levels of TM employees. The number of participants in HSBB and IP-related courses almost doubled from 14,840 in 2009 to 29,517 in 2010. Overall, the total number of participants attending all courses, including those for soft skills and behavioural enhancement, increased 29.7% from the previous year.

PROMOTING CAMARADERIE AND PASSIONATE DELIVERY

TM believes that a cohesive Group in which employees feel connected to one another and in the overarching goals of the Company is key to business success. Therefore, in 2010, emphasis was placed on heightening the spirit of oneness and passion in work delivery. While the vast and wide-ranging workforce continued to carry out their individual roles and responsibilities, the Company introduced a programme targeted at creating a 1TM mindset. This was called *Teaming with Passion*.

Teaming with Passion (TWP) had initially been introduced in late 2009 to promote positivity in leadership among senior management and align them to the Company's new strategic direction. However, the session made such an impression on the senior management that it was felt Group-wide sessions would lead to the entire workforce moving forward in the same direction and with the same indomitable spirit. Towards this end, 20 Master Trainers were certified and within a period of eight months, had conducted TWP for no less than 12,368 employees.

The outcome has been encouraging; significant improvements have been reported in employees' attitude and in the level of motivation with an accompanying positive change in their mindset.

TWP session for State.

INNOVATIVE TRAINING DELIVERY

Another novel change adopted over the year has been added emphasis on e-learning, which has the considerable benefit of being able to accommodate the tight and often conflicting schedules of individual employees within the Group. With e-learning, it is now possible to train an employee anywhere and anytime while accruing significant savings on the travel and delivery costs associated with the traditional classroom sessions.

E-learning at TM began with a pilot programme involving 1,000 employees, mainly from Network Operations and Network Development, who were provided access to 24-hour online technical training. Successful results led to a total of 13 modules being introduced via e-learning, including one on product knowledge.

TM's e-learning platform has even been utilised for easy reference of all employees to the Group's Code of Business Ethics (CBE). This marks a first among all government-linked companies in the country.

TM is satisfied with the positive outcome of its new mode of training and plans to introduce a wider variety of e-learning modules to cover more areas of expertise in the near future.

ON-the-JOB ASSESSMENT OF HSBB INSTALLERS

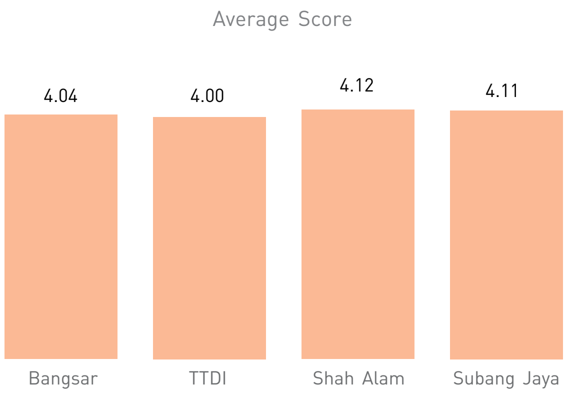
On-the-Job Assessments (OJA) are conducted among HSBB installers to measure their post-training competency. A total of 44 installers (40% of the total trained in Batch 1 from the exchanges of TTDI, Bangsar, Shah Alam and Subang) were assessed at the customers' site based on the following 15 competencies:

Product Knowledge	Politeness	Self Confidence
Installation Knowledge	Empathy	Assertiveness
Process Knowledge	System Knowledge (NOVA)	Body Language
Good Listener	Patience	Language Fluency
Friendliness	Respectfulness	Personal Grooming

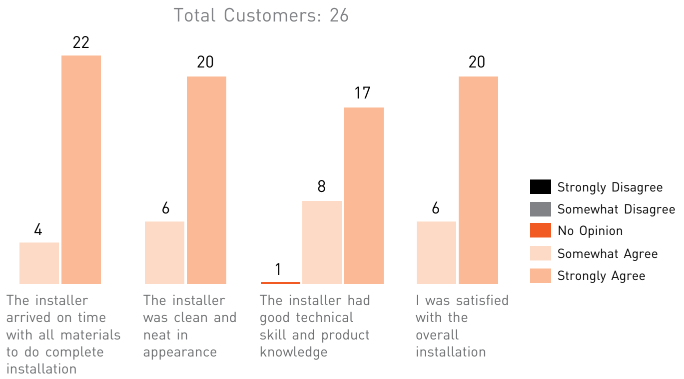
Customised assessment and feedback forms were used as assessment tools.

What Do The Customers Say?

Input from the customers has been positive, with the average competency ratings of personnel from all four exchanges exceeding 4 on the scale of 0-5. The customers strongly agreed that TM personnel had provided good customer service.



The following chart, meanwhile, indicates feedback obtained from 26 customers on the level of professionalism and knowledge of the installers.



connect
communicate
collaborate

occupational safety, health and environment (oshe)

Facts at a Glance

A showcase of greater Contractor Engagement

1st TM OSHE Seminar

NIOSH-TM Safety Passport Programme

131.0%

increase in participants

Menara TM

EMS ISO 140001:2004

certification extended

TM's commitment to excellence in Occupational Safety, Health and Environmental (OSHE) management and performance produced excellent results in 2010. We recorded zero fatal accidents nationwide, as compared to one death in 2009, while our Incident Rate (IR) of one injury per 1,000 workers marked a 54.0% improvement from 2009 and was the lowest ever achieved. It is also significantly better than the 2009 national average of 3.4 injuries per 1,000 workers.

This exemplary performance can be attributed in part to the setting up of the Occupational Safety, Health and Environment (OSHE) framework, which focuses on compliance, promotion and recognition, workplace safety, training and contractors management.

SAFETY PERFORMANCE

A total of 28 Recordable Accidents were noted last year, marking a significant drop of 48.0% from 2009 and surpassing our target of a 30.0% reduction [refer to Figure 1]. As a result of stringent adherence to safety and health regulations, we also achieved the lowest Lost Work Days in five years (since 2005) wherein we recorded 62.0% reduction as against 50.0% reduction target [refer to Figure 2].

Recordable Accidents

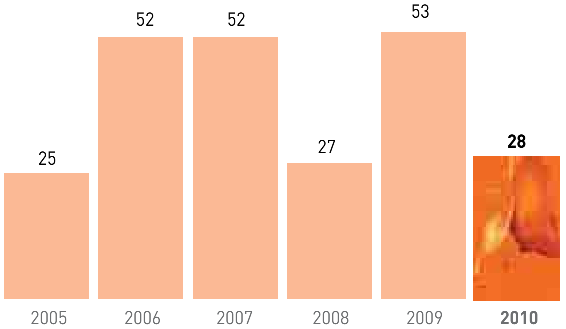


Figure 1

Lost Work Days

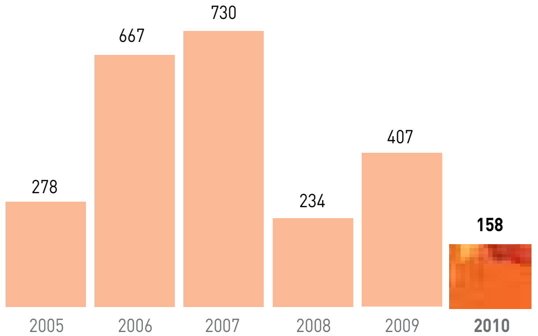
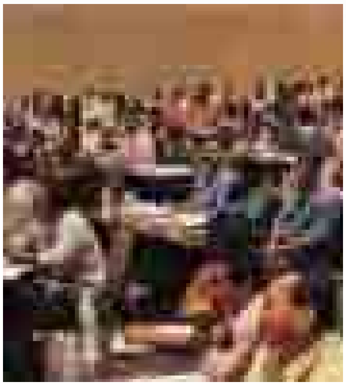


Figure 2

Regrettably, there were three fatalities among TM contractors in two separate accidents last year, an increase from one case in 2009. Together with our contractors, OSHE Unit will intensify efforts to create a zero fatality environment.

Most of the accidents last year were due to persons falling or employees being caught in or between objects. A number of TM employees are required to work on high structures, for example on telecommunications towers, poles/roofs and ladders. Although since 2007 TM has been using a BS 2037:1994 certified ladder with additional safety features such as bottom and top harness, v-bucket and step extender, falls from ladders still accounted for more than 90.0% of the accidents. On a more positive note, targeted trainings helped reduce the total number of ladder-related accidents from 13 in 2008 to only four last year.



OSHE Seminars for Contractors Personnel.

Emergency Response Training.

ACTIVITIES & PROGRAMMES

NIOSH TM Safety Passport

The NIOSH TM Safety Passport is a joint programme between the National Institute of Occupational Safety and Health (NIOSH) and TM, initiated in 2006. In February 2010, revised modules were introduced, taking into account feedback from contractors. This was followed by a training the trainers session before they delivered the revised modules, commencing in May 2010. As of April 2010, 10,330 contractor employees had obtained their safety passports. TM is the only telco in Malaysia to enforce this customised OSHE induction programme for contractors' personnel.

OSHE Seminars for Contractors Personnel

A series of OSHE Seminars for TM Contractors Personnel was held in all the six regions namely Southern, Northern, Eastern, Central, Sabah and Sarawak regions from April to October 2010. The focus was on safety whilst working by the roadside. Experts from NIOSH, Department of Occupational Safety and Health (DOSH), Public Works Department (JKR), our OSHE Consultant and the OSHE Unit were invited to share their views and experiences with the participants. More than 1,000 contractors' personnel participated in these seminars.

Emergency Response Training

To ensure all TM Building Committee members are well prepared for any emergency, the OSHE Unit in collaboration with the Academy of Safety and Emergency Care (ASEC) conducted training modules on Basic Occupational First-Aid (BOFA); Basic Fire Fighting (BFF); Emergency Response Plan (ERP); and Combined Emergency Drill (CED). In 2010, a total of 636 Building Committee members from Menara TM Complex, Kuala Lumpur, MSC, Selangor, Melaka, Perak, Terengganu, Sabah and Sarawak underwent this training, which will be extended to the remaining states in 2011.

No-Accident Awards.

Confined Space Medical Surveillance & Training.

Hazard Identification, Risk Assessment & Risk Control (HIRARC) Programme

The HIRARC programme, initiated in 2009 for the Network Development (ND) Division, was completed in 2010. The Project Team, comprising OSHE-GHCM, PPM-ND, Facilities & JKH Management, regional NDs and Productivity & Quality Management (PQM) personnel, had in 2009 identified more than 100 potential risks. In 2010, action plans to control or minimise these were implemented. A total of 10 Work Instructions, nine Checklists and three Procedures have been produced. Moving forward, ND is gearing towards OSH Management System (OSH-MS) development in 2011.

No-Accident Awards

The 100 Days Accident-Free, 200 Days Accident-Free and 365 Days Accident-Free Awards were introduced in 2009 with the broad objective of creating healthy competition among all state operations to strive for an accident-free environment. Constant reminders and encouragement are given to staff to work safely and keep accidents at bay. The winners in 2010 were:

No	Award Category	2010	2009
1.	365 Days Accident-Free – Premier Award	Currently under evaluation	Kedah/Perlis
	365 Days Accident-Free – Special Mention	Perak, Kuala Lumpur, Pahang & Terengganu	MSC & Pulau Pinang
2.	200 Days Accident-Free Awards	Kedah/Perlis, Pulau Pinang, Perak, Kuala Lumpur; Pahang, Terangganu, Johor & Sabah	Kedah/Perlis, MSC, Pulau Pinang & Kelantan
3.	The 200-Days Accident-Free Awards	Kedah/Perlis, Pulau Pinang, Perak, Kuala Lumpur, Pahang, Terengganu, Johor & Sabah	Kedah/Perlis, MSC, Pulau Pinang & Kelantan

Confined Space Medical Surveillance & Training

An Industry Code of Practice (ICOP) for Safe Working in Confined Space was gazetted in July 2010, putting forward regulations for personnel required to enter and work in confined spaces. For medical reasons, such personnel have to be certified physically and mentally fit by an Occupational Health Doctor (OHD). The fitness certification is valid for two years. To comply with this new ICOP, TM will commence a Confined Space Medical Surveillance (CSMS) Programme in March 2011 for about 1,400 Network Operations and Network Development personnel.

The ICOP also stipulates training for all employees and contractors involved in work in confined spaces. This Confined Space Training is divided into two parts, *Authorised Entrant and Stand-by Person* (AESP) and *Authorised Gas Tester and Entry Supervisor*. Once certified, an employee has to undergo a refresher course every two years. TM, in collaboration with NIOSH, has already developed a customised AESP training module which is awaiting approval from the Department of Occupational Safety & Health (DOSH). Training is expected to begin in April 2011.

OSHE Bulletin

Under the year in review, TM launched a bilingual online bulletin, OSHE@TM, to disseminate OSHE information, stimulate discussion and motivate all TM employees to participate in OSHE activities.

Health Campaign.

Waste Management Campaign.

The inaugural issue was posted on 28 June 2010, and was followed by two more bulletins before end 2010.

Health Campaign

In its efforts to promote a healthy lifestyle and reduce health risks among employees, OSHE Unit organised a *Love Your Body, For Life...* programme at Menara TM in October 2010. This comprised health exhibitions, talks, a blood donation drive, free medical check-ups, reflexology sessions and sale of health food and products. The talks, delivered by speakers from Prince Court Medical Centre, PMCare and Pusat Perubatan Menara, ranged in topics from Healthy Diet and Ergonomics to Mental Health, Cervical Cancer and Erectile Dysfunction.

The main attraction was the *Quarter D Pounder*, TM's own version of the Biggest Loser, which attracted 183 participants. Only 50 of them, however, passed the medical screening and fitness test for the three-month session. Halfway through the programme, the highest weight loss of 10kg had been recorded among three participants.

Waste Management

Every year, tonnes of customer premise equipment (CPE) such as faulty telephone sets and modems are returned and kept at TMpoint outlets and exchanges. Such CPE is classified as Electronic Waste (Code:SW 110) under the Environmental Quality Act, 1974. In August 2010, to ensure compliance, OSHE Unit initiated a holistic approach to manage the disposal of this e-waste, in collaboration with Telekom Sales & Services Sdn Berhad, Customer Service Management, Regional Network Operation and Malaysian Logistics. As a result, e-waste disposal has picked up momentum and a total of 64,000kg of e-waste has been disposed off since October 2010, with Perak topping the list with 15,480kg of e-waste disposed of.

MOVING FORWARD

Along with HSBB implementation, the presence of OSHE personnel on the ground will be more apparent as an increasing number of scheduled and unscheduled site inspections are carried out to ensure the safety of staff and contractors' personnel. Three themes have been identified to further drive OSHE plans and initiatives:

- Prevention, Reduction and Compliance
- Improving Safety Statistics
- Creating an OSHE Work Culture

In 2011, TM will work on and enhance current projects while exploring new areas of OSHE implementation which will benefit employees the most.

connect
communicate
collaborate

corporate responsibility

Facts at a Glance

ACHIEVEMENTS

- Multiple awards including the **Platinum** for CSR Reporting in NACRA 2010

ENVIRONMENT

- **9.77%** reduction in electricity consumption
- **970** participants in TM Earth Camps
- **83,000 kg** recyclables collected at Menara TM

COMMUNITY

- **RM16.53 million** spent on **2,174** scholarships
- More than **RM408 million** spent on over **12,345** scholarships since Yayasan TM's inception in 1994
- **7,569** lives touched by school adoption programmes

MARKETPLACE

- **7.7** achieved in Transparency Index
- **500** companies trained under TM's Vendor Development Programme (VDP)

WORKPLACE

- **639** executives identified for the Talent Pool
- **150** employees enjoying the flexibility of the telework scheme
- **3** Collective Agreements signed by Unions – NUTE, SUTE, UTES

Corporate Responsibility (CR) at TM is integral to the way we operate at every level, underpinned by a strong pledge to corporate integrity. It is reflected in our policies and strategies, our conduct with employees, customers and other stakeholders, as well as in our commitment to supporting the Government in bridging the digital divide and further promoting its social and national development agenda. We are privileged to be able to do this, as a leading telecommunications service provider with an extensive network that reaches out to every corner and almost every citizen of the country.

TM has a long history of giving back to communities, and enjoys the reputation of being one of the largest corporate sponsors in Malaysia. However, our CR goes beyond donations and sponsorships. Since 2006, we have adopted the CR guidelines for government-linked companies (GLCs) as contained in the *Silver Book – Achieving Value Through Social Responsibility*, which reinforces the idea of corporate responsibility as a core business strategy, a way of doing business that generates socially and ethically-considered profits.

We have since formulated our own CR Strategy which supports our transformation into a next-generation telco with a strong focus on sustainability – sustaining customer retention through product innovation and service excellence; sustaining a high level of productivity and

TM was honoured with the award for Best Workplace Practices and an Honourable Mention for Environment in the Prime Minister's CSR Awards 2010.

motivation among employees via a conducive work environment; sustaining shareholder confidence through uncompromising corporate governance; and sustaining our reputation in the marketplace by responding to the needs of society.

While our Code of Business Ethics and Kristal Values of total commitment to customers, uncompromising integrity, and respect & care ensure our employees are imbued with a strong sense of ethics, we further encourage our staff to take part in CR initiatives, as we believe this adds to their personal development. At the same time, the spirit of volunteerism enhances Group cohesion and the sense of belonging.

CONSERVATION OF THE ENVIRONMENT

TM is concerned about protecting the environment and reducing our carbon footprint to ensure the sustainability of the world's natural resources. Operationally, we are guided by a comprehensive Environmental Policy, supplemented by an Environmental Manual, which together ensure all our activities – from laying cables to installing or replacing telephone poles – are conducted with minimal damage to the environment. To ensure the entire organisation supports our green movement, we have implemented various programmes to create greater awareness of conservation among our employees, and are proud to say that our initiatives have borne fruit.

Waste Management

Our Waste Management Procedures ensure all solid and scheduled waste generated by TM are properly identified, segregated, handled, transported and disposed of in line with our environmental policy, legal and other requirements. These waste management processes are regularly audited, in compliance with set standards. At the same time, a 3R programme to reduce, reuse and recycle waste, introduced in Menara TM in 2009 together with Unilever (Malaysia) Holdings Sdn Bhd (Unilever), a Menara TM tenant with the same concerns and objectives, continues to influence employees' behaviour and has led to a significant reduction in waste generated. As at end 2010, no less than 83,000kg of recyclables was collected.

TM rises to mountain bike challenge

Telekom helps to complete widow's unfinished house

Getting closer to nature

Environment activities during TM Earth Camp and BumiKu programmes include mangrove tree planting and beach clean-ups.

Energy Efficiency

Menara TM is an intelligent building certified with Environmental Management System (EMS) ISO 14001 and Quality Management System ISO 9001:2000 standards. While designed to be energy efficient by maximising natural daylight and keeping heat out, electricity consumption is further reduced by energy-saving systems and devises such as pumping chilled water throughout the building to reduce the need for air-conditioning; installing power controllers and retrofit chillers; and switching to energy-saving bulbs.

Using electric meters, we regularly monitor the amount of electricity consumed. In 2010, we set the target of reducing electricity usage by 3.0% from 2009. Having already begun the process of switching off air-conditioners during lunch breaks and after work at 5.30pm, in 2010, we further improved on this energy-saving initiative by also switching off lights during these down times, and ensuring that all mechanical and electrical systems were running efficiently. This helped to reduce our total electricity usage by 9.77% from 22.32 MkWh in 2009 to 21.69 MkWh in 2010.

TM Earth Camp

On 13 March 2010, we launched the TM Earth Camp at PNB Ilham Resort, Tanjung Tuan, Melaka. The three-day, two-night nature camp is specially designed by Malaysian Nature Society (MNS) for students who are members of their schools' nature clubs. A total of six camps were organised in 2010 at different zones throughout the country, involving 520 students, 100 teachers, 323 community members and 27 TM volunteers. Through TM Earth Camp, the students are made aware of the importance of different ecosystems, and get to experience the wonders of nature first-hand. This inevitably generates excitement, interest and a keen appreciation for the environment. TM Earth Camp 2010 notched some significant achievements, such as the planting of 500 mangrove seedlings in a community programme held in Kampung Pasir Puteh, Kuching; and the collection of 139kg of waste within an hour at Teluk Burau beach in Langkawi. Students also spent time getting to understand and appreciate the orang utan at the Sepilok Orang Utan Rehabilitation Centre in Sandakan, Sabah.

BumiKu Programme

BumiKu is a staff awareness programme launched in October 2009 to immerse our employees in a 'world of green'. Under this programme, we 'planted' an Idea Tree at the Menara TM Lobby on which good eco-friendly ideas put forward by staff are hung. Those that are feasible are subsequently implemented. Staff are also encouraged to carpool via a Share-A-Ride programme, which generated such positive response that the number of parking bays allocated for carpoolers had to be increased from 10 to 30 within a year. Riding on the crest of heightened environmental awareness, a BumiKu Camp was organised with MNS at the Awana Genting Highlands from 13-15 October 2010 at which 120 TM employees brainstormed on novel ways in which TM can further contribute to environment conservation. TM also organised a beach clean-up at Bagan Lalang, Sepang, in December 2010 during which 69 employees collected 329kg of rubbish and planted 200 mangrove seedlings. The interest shown by TM employees in environmental issues has led to the establishment of Kelab Pencinta Alam TM, or 'Tapir Malaya = TM', launched on 5 March 2011.

Green Community Project

Having taken on the green challenge ourselves, TM feels ready to spread the message among our neighbours. On 24 July 2010, we launched a green project in the Kondo Rakyat Pantai Dalam community, in collaboration with Unilever and University of Malaya. The objective is to help this community kick-start environmental activities, in the hope that the residents will sustain the momentum by integrating these activities into their social and economic routines. At the project's soft launch, a *gotong royong* was held to clean up the Kondo area, and a used clothes recycling centre was set up. A van-load of clothes collected was cleaned and donated to the Baitul Ehsan Orphanage in Cheras. Subsequently, a Cooking Oil Recycling drive collected 19kg of used cooking oil. Three more initiatives are in the pipeline: composting, planting herbs and vegetables, and a Green Bazaar.

Partnering with stakeholders such as Unilever and KPKK in environmental efforts proved effective in spreading the 'green' message.

COMMUNITY

TM's sense of social responsibility goes beyond giving back to the communities that support us, to giving back to the nation in which we have been able to flourish. Our community initiatives – categorised into the two pillars of education and nation-building – are inspired by the desire to support the Government in its nation-building endeavours. These programmes serve to narrow the gap between the haves and have-nots and of progressing the nation thus ensure the rakyat are able to enjoy a better quality of life.

Reaching out to students from rural schools, TM's PINTAR programmes exposed the students to extracurricular activities in addition to instilling academic excellence.

Yayasan TM

Most of TM's education initiatives and charitable donations are funded through our foundation, Yayasan TM (YTM). Since 1994, YTM has awarded more than RM408 million deserving Malaysian students with 12,345 scholarships to pursue their secondary and tertiary studies in Malaysia and abroad. In 2010, it supported the academic aspirations of 2,174 students, providing a total of RM16.53 million for this purpose. The total disbursed by YTM for sponsorships and various community related projects in 2010 amounted to RM18.16 million.

Multimedia University

Within Malaysia, TM offers quality tertiary education at the Multimedia University (MMU), the first private university in the country. So far, the university has produced 26,070 graduates, 90.0% of whom have gained employment within six months of completing their studies. The university serves to promote the nation's technological development, encouraging its research students to undertake research and development activities and to enter into collaboration with third parties.

PINTAR

At the grassroots level, TM has been promoting educational excellence in local schools through the PINTAR programme, initiated by the Ministry of Finance and led by Khazanah Nasional Berhad through the PINTAR Foundation. The aim is for GLCs to adopt schools and provide them with academic assistance and reward incentives. To ensure success, local communities are encouraged to get involved, and special parenting seminars are organised to inspire greater involvement of parents in their children's scholastic achievements.

TM's commitment to adopt rural schools is aimed at bridging the digital divide.

In 2009, TM completed the first phase of its PINTAR programme in which it had adopted two schools from Penang. Motivated by the positive results obtained, the Company launched phase two of PINTAR on 21 January 2010 with another two schools: Sekolah Kebangsaan Seri Bandan in Johor; and Sekolah Kebangsaan Tembak in Kedah. Phase two is marked by the introduction of TM-developed Bestari-Ed software that makes learning more interactive and fun, as well as by a Computer Education programme for the community. A total of 888 students, 77 teachers and support staff and 533 community members have benefited from this initiative.

Projek Sekolah Angkat Bersama KPKK & TM

Projek Sekolah Angkat Bersama KPKK & TM is a collaboration between TM and the Ministry of Information, Communications and Culture to upgrade the IT facilities and telecommunications infrastructure in suburban schools. As of July 2009, TM has adopted Sekolah Kebangsaan Teriang and Sekolah Menengah Rendah Agama Repah in Negeri Sembilan and Sekolah Menengah Kebangsaan Pakan in Sarawak, where it is applying the PINTAR curriculum to facilitate learning by the students and effective teaching by the teachers. To ensure the project's success, students, teachers and the surrounding community are being trained for computer skills via facilities provided by TM. This project involves a total of 1,767 students, 123 teachers and support staff and 1,138 members of the community, facilitated by 120 TM volunteers.

Program Sejahtera

Program Sejahtera, launched in September 2009 by YAB Prime Minister of Malaysia, is a community programme driven by Khazanah Nasional Berhad together with GLCs to improve the standard of living of the poor in the country. Starting in 2010, TM has adopted three single-mother families in Pahang under this programme, whom it supplies with daily essentials donated from its clubs – Tiaranita, Kelab TM and BAKIT – as well as from individual volunteers.

The Company also provided the single mothers with entrepreneurship training,

TM's school adoption programme also benefited the teachers through teambuilding activities.

Dato' Wan Danial State General Manager and his team from TM Pahang volunteered to improve the residence of one of the single mothers under Program Sejahtera.

Nik Adiana Taty Zainin from Yayasan Sejahtera handing over the 'key' of the improved home of Lar Faizah, one of the single mothers under TM's Program Sejahtera.

following which they were given capital funding to run their businesses, while their homes were spruced up to ensure they had the basic necessities and presented a safe living environment. The home rebuilding was supported by TM volunteers from Pahang, as well as the local villagers. It proved to be beneficial not only to the adopted families but also to their neighbourhoods, as TM teamed up with Tenaga Nasional Berhad to supply electric power to these villages. Meanwhile, three children from the adopted families who qualified for tertiary education have been given scholarships and free accommodation to pursue Diplomas at the Multimedia College in Kuala Lumpur.

Giving Back

TM has always been a company with a heart, and has continued to address the needs of the underprivileged and socially disadvantaged. In 2010, the Company contributed to various causes such as the Persatuan untuk Orang Kurang Upaya Akal Selangor dan Wilayah Persekutuan, Shelter, Malaysian AIDS Foundation and Pertubuhan Orang Cacat Penglihatan Malaysia, to name a few. TM also continued to support the charity-driven annual KL Rat Race. In addition, it lent a helping hand to victims of natural disasters, such as the floods in Kedah and Johor, acting either via its dedicated team of volunteers or by providing financial assistance. In 2010, TM contributed more than RM2 million towards its community initiatives.

MARKETPLACE

TM has established itself as an undisputed leader in the marketplace with the HSBB project in which we are not only supplying the country with a world-class, cutting-edge service but are also enabling other service providers to access the platform being developed to increase competition within the HSBB ecosystem. We have invested almost four times the Government in this RM11.3 billion initiative, in which we target to pass 1.3 million premises nationwide by end 2012. What motivates us in this endeavour is the provision of best-in-class products and services to our customers, and the nation. In many ways, HSBB encapsulates perfectly our commitment to our various stakeholders, and our corporate responsibility in the marketplace.

Suppliers

We are guided in our interactions with suppliers by the Code of Business Ethics and our Procurement Rules and Guidelines, which ensure our personnel behave with the utmost integrity in their dealings so as to protect the Company and its reputation. In 2010, we achieved a Transparency Index of 7.7 out of 10.0.

To further improve relations with our suppliers, TM conducts briefings and training on the TM Business Ethics Programme, so that our suppliers understand the policies that guide our processes and are able to voice any concerns they may have with our team. One of our requirements, for example, is that suppliers comply with all relevant environmental laws while executing work for TM.

TM is always looking for ways to help customers understand more about our products and services via public roadshows and exhibitions.

TM does not only ensure our suppliers comply with our policies and business ethics, we also help to nurture their capabilities. Since 1993, in collaboration with the Ministry of Finance and Perbadanan Usahawan Nasional Berhad, we have enrolled a succession of suppliers in three-year training in which we facilitate them in accessing funds, product development, testing and certification, while also inculcating leadership and soft skills among their employees. In 2010, a total of 500 companies underwent training under the TM's Vendor Development Programme (VDP), fully sponsored by TM.

Customers

TM has cultivated a strong customer-centric culture that ensures the best possible customer experience at every interface. To facilitate better, more targeted customer service, the Company realigned our business model according to the four principal customer segments, namely consumers, SMEs, enterprises and the Government. While our Customer Service Management division is accountable for the whole process of service delivery, activation, service assurance and fault management, the respective Lines of Business (LOBs) support other accountability areas such as pre-sales, infrastructure management, billing, complaints management and termination process. All their actions are overseen by a Customer Centricity Committee.

In 2010, a Customer Relationship Management (CRM) Practitioner programme was designed to develop a pool of technically and behaviourally competent CRM users to help TM achieve Operational Excellence & Customer Centricity. This programme is aimed at instilling a greater sense of customer-centricity among CRM users, especially frontline staff.

TM employs a customer complaints management system to handle requests or complaints by customers. Called iCARE (integrated Customer Allied Relationship), the system is used by all touch points and back-end support staff, enabling each complaint to be tracked through its cycle from recording and initiation to investigation, reporting and closure. In 2009, a process to make iCARE more comprehensive was initiated. Migration to the enhanced iCARE Prime was completed in December 2010.

To gauge customer satisfaction on the availability and reliability of our services, we monitor indicators such as the mean time to respond to customer enquiries and the mean time to respond to calls for repairs. TM's Group Marketing Division and the Lines of Business go one step further by conducting a survey on Customer Satisfaction.

WORKPLACE

TM is committed to providing our 26,743 employees a workplace that fosters personal and professional development. We believe that investing in our people leads to superior performance, helping the Group maintain its leading edge while also ensuring our employees stay with us for the long haul.

Training and Development

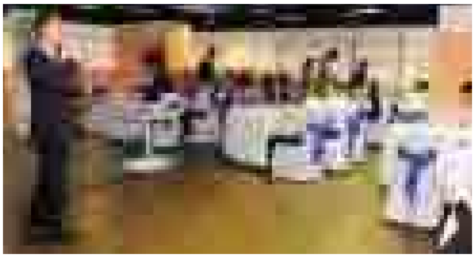
Staff development is given high priority at TM, and training begins from the time new recruits step into the organisation, when they spend three weeks on an Induction Training Programme which gives them a broad understanding of what TM does and how we go about our business. From then on, employees are required to spend at least 40 hours of training a year. Structured courses for all level of staff are conducted at the five TM Training Centres and, beginning last year, e-learning modules have also been made available.

Rising up the ranks, selected project managers are sent for Master's programmes; and outstanding executives undergo a High Contributors Development Programme which involves coaching, job rotation, special assignments and training.

Specialised programmes have been developed for employees who display leadership potential, focusing on the technical and non-technical skills they require, as well as behavioural skills. The most elite of TM's employees – those who belong to the Talent Pool – receive the most intense and targeted training in order to fast-track their career progression. Identified based on their academic qualifications, performance at work and in a specially-developed Talent Assessment, these individuals are placed in a highly structured development programme to groom them to be future leaders in the organisation. To date, about 639 executives have been identified for entry into TM's talent pool, 50% of whom are below the age of 35 years.

Today, as TM rolls out the ambitious HSBB programme, emphasis is being placed on ensuring employees receive appropriate technical and non-technical training so they are up to speed with the products, processes, systems and technologies involved. Realising that teamwork and a high level of collaboration are essential for TM's success at this important juncture in our transformation journey, we have also introduced the Teaming With Passion programme, which not only heightens morale but also the spirit of oneness among employees.

In addition to the wide range of training and development courses offered by TM, we are open to supporting the professional development of employees who wish to pursue a diploma, degree or postgraduate programme relevant to their areas of expertise. In 2010, we awarded 26 scholarships to employees who went on to pursue their studies at local universities and abroad.

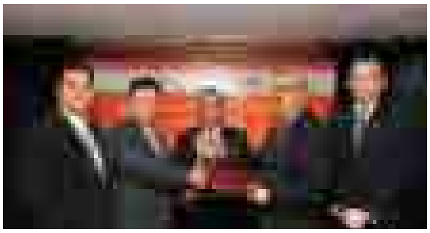


Vendors' Programme conducted by TM.

TM also engages its employees in national events, such as the National Day Parade.

The launch of e-learning for CBE and Jom Bersama sessions are some of the activities to instill an open communication culture among employees.

The spirit of 1TM is evident from the support of top management in many of the events involving TM, including the signing of the Collective Agreements with the Unions.



Staff Engagement and Internal Communication

TM engages in constant two-way communication with employees, offering staff ample opportunity to channel feedback to their immediate supervisors and top management. Employees are kept up-to-date with developments in the Group via print and electronic newsletters. Group Corporate Communications also encourages staff to email any query, comment or suggestion they may have, and these are duly responded to. An Intranet chat forum further promotes employee engagement and discourse. The newly rebranded and highly interactive intranet site, 1Intra, streamlined with the rest of the internal communication channels, was launched in 2010, providing comprehensive information about TM. Employees can even communicate and share their views with the Group CEO at Zam's Corner.

Other than through this web, the Group CEO and Group CFO engage directly with employees via several different platforms. Along with other senior management, they regularly visit state offices, and hold monthly Teh Tarik sessions with groups of about 20 staff. In addition, the Group CEO briefs employees on the Group's financial results every quarter, these briefings streamed live to all state offices nationwide. Senior management, meanwhile, hold court at Leaders Dialogues, at which they share with employees best practices and knowledge in their respective areas or talk about their career achievements.

In 2010, the Employee Engagement Division embarked on a new initiative called Leaders Communication Programme, through which simple, clear and consistent messages from top management are cascaded down and across the organisation. Inter-divisional Teh Tarik sessions, meanwhile, improve employees' understanding of processes and allow the different parties to talk to each other to create greater operational efficiency and effectiveness.

Health and Safety at Work

Health and safety issues are taken very seriously at TM and are governed by a well-established Occupational Safety, Health and Environment (OSHE) Policy. Regular occupational safety and health campaigns are held, when medical practitioners give talks and free screenings. Training is also provided for staff and contractors' personnel involved in hazardous occupations. In addition, TM sends Safety & Health Officers for specific training under OSHA 1994-Safety & Health Officer Regulations 1996.

Engagement with Unions

TM has fostered a good working relationship with the three unions that represent our non-executive employees – the National Union of Telecommunication Employees (NUTE), Sabah Union of Telekom Malaysia Berhad Employees (SUTE) and Union of Telekom Malaysia Berhad Sarawak Employee (UTES). We engage in continuous dialogue with these unions, discussing collective agreements, operational and industrial matters and providing updates on major business changes.

In 2010, new collective agreements (CAs) were signed with all three unions covering three years from 2010 to 2012. The new CAs reflect improvements on certain articles such as the introduction of Performance Linked Wages System (PLWS), private (in-patient) medical facility eligibility, as well as the flexi rest day and working hours. They also introduce quarantine leave in the event of pandemics, and a strengthened provision in relation to OSHE.

Work-Life Balance

Catering to employees' need to better manage their work and personal obligations, TM has introduced flexible work hours and rest days, and teleworking. Employees can now choose one of three official working hours: 8:00am – 5:00pm; 8:30am – 5:30pm;

or 9:00am – 6:00pm; and are entitled to take their weekly off days on Thursday and Friday; or the more conventional Saturday and Sunday. Members of the Sales team, meanwhile, are given the option of teleworking from the customers' premises or from home. Since its introduction in June 2009, 150 employees have been identified for telework.

Welfare and Employees Benefits

A number of benefits and facilities are provided to employees at the workplace, to improve their social, emotional and physical well-being. Among these are:

- Social and recreational facilities, including a gymnasium, at Menara TM
- Housing, car and computer loans
- Childcare centres at Menara TM and in the Multimedia College Taiping
- Disability and health insurance for employees, as well as medical care for their families
- Cafeteria services, both indoor and outdoor, at all TM buildings
- Social Clubs – Badan Kebajikan Islam TM (BAKIT), PAKAR Semboyan (voluntary uniformed armed services) and Toastmasters
- Kelab TM Malaysia, which organises a host of activities such as the TM Amazing Race, Treasure Hunt, Regatta, Annual Family Day, Annual Sports, futsal, bowling and golf
- TIARANITA, a women's organisation for employees and wives of TM employees

In addition, TM boasts an Employee Assistance Programme (EAP) designed to provide support to staff facing any form of personal or work-related problems. Trained EAP practitioners are on hand to serve as counselors, coaches or consultants.

RECOGNITION OF TM'S CR EFFORT

TM is quickly establishing itself as a leader in CR. The Company has won numerous awards in recognition of its commitment to attaining high levels of integrity in its dealings with the different stakeholders. Its workplace practices have been named the best by the prestigious Prime Minister's CSR Awards for two years running – 2009 and 2010. In 2010, TM also received an Honourable Mention by the Prime Minister's CSR Awards for its efforts in the Environment category. In addition, TM won in the Community category of the StarBiz-ICRM Corporate Responsibility Awards for its 2009 initiatives.

TM is also regularly recognised for high standards of Corporate Governance. It won three awards in the Malaysian Corporate Governance Index Award 2010 organised by the Minority Shareholders Watchdog Group (MSWG); emerged first runner-up for the Overall Malaysian Business-CIMA Corporate Governance Awards 2010; and won the Platinum Award for its CSR reporting in the National Annual Corporate Report Awards (NACRA) 2010, amongst others.

TM is widely recognised for its best practices in CR by various parties.

financial statements

statement of responsibility by directors

In respect of the preparation of the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which have been made out in accordance with the applicable approved accounting standards in Malaysia and give a true and fair view of the state of affairs of the Group and the Company at the end of the year and of the results and cash flows of the Group and the Company for the year.

In preparing the financial statements, the Directors have:

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

The Directors have the responsibility to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure the financial statements comply with the Companies Act, 1965.

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

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 2010.

PRINCIPAL ACTIVITIES

2. The principal activities of the Company during the financial year were the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 52 to the financial statements. There was no significant change in the principal activities of the Group during the financial year.

RESULTS

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

	The Group RM million	The Company RM million
Profit for the financial year attributable to:		
– equity holders of the Company	1,206.5	928.4
– minority interests	38.5	—
Profit for the financial year	1,245.0	928.4

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

DIVIDENDS

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

	The Company RM million
(a) In respect of the financial year ended 31 December 2009, a final gross dividend of 13.0 sen per share less tax at 25.0% was paid on 9 June 2010	348.8
(b) In respect of the financial year ended 31 December 2010, an interim gross dividend of 13.0 sen per share less tax at 25.0% was paid on 24 September 2010	348.8

In respect of the financial year ended 31 December 2010, the Directors now recommend a final gross dividend of 13.1 sen per share less tax at 25.0% subject to shareholders' approval at the forthcoming Twenty-Sixth Annual General Meeting (26th AGM) of the Company.

EMPLOYEES' SHARE OPTION SCHEME

6. Details of the Company's Employees' Share Option Scheme (Special ESOS), which was approved by shareholders at an Extraordinary General Meeting held on 6 March 2008, are described in note 15 to the financial statements.

   No additional option was granted during the financial year up to the expiry of the Special ESOS on 16 September 2010.

SHARE CAPITAL

7. During the financial year, 23,414,111 ordinary shares of RM1.00 each were issued pursuant to employees exercising their share options under Special ESOS, detailed as follows:

Number of issued and paid-up ordinary shares of RM1.00 each	Exercise price per share
20,579,511	RM1.91
1,721,000	RM2.22
1,113,600	RM2.91

   In addition, 1,249,600 ordinary shares of RM1.00 each were issued upon disposals of ordinary shares attributable to lapsed options by TM ESOS Management Sdn Bhd. As explained under the features of Special ESOS in note 15 to the financial statements, the excess unallocated shares and shares attributable to lapsed options will be sold to the open market upon expiration of the Special ESOS at the discretion of the Special ESOS Option Committee.

   The above shares ranked pari passu in all respects with the existing issued ordinary shares of the Company.

MOVEMENTS ON RESERVES AND PROVISIONS

8. 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

9. 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.

10. 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.

11. 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 except as disclosed in note 46(g) to the financial statements.

12. 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.

13. 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

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

Directors	**Alternate Director**
Datuk Dr Halim Shafie	
Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Zalekha Hassan	Eshah Meor Suleiman
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Dr Farid Mohamed Sani
Dato' Danapalan T.P. Vinggrasalam	
YB Datuk Nur Jazlan Tan Sri Mohamed	
Dato' Ir Abdul Rahim Abu Bakar	
Quah Poh Keat	
Ibrahim Marsidi	
Riccardo Ruggiero	

15. According to Article 103 of the Company's Articles of Association, the following directors shall retire by rotation from the Board at the forthcoming 26th AGM of the Company and being eligible, offer themselves for re-election:

(i) Dato' Sri Zamzamzairani Mohd Isa

(ii) Datuk Bazlan Osman

(iii) Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

(iv) Dato' Danapalan T.P. Vinggrasalam

(v) Dato' Ir Abdul Rahim Abu Bakar

(vi) Quah Poh Keat

(vii) Ibrahim Marsidi

(viii) Riccardo Ruggiero

DIRECTORS' INTEREST

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

	Number of ordinary shares of RM1.00 each			
Interest in the Company	**Balance at 1.1.2010**	**Bought**	**Sold**	**Balance at 31.12.2010**
Datuk Dr Halim Shafie	5,000+	3,000	–	8,000+
Dato' Sri Zamzamzairani Mohd Isa	9,000*	–	–	9,000*
Datuk Bazlan Osman	2,000	–	–	2,000

Note:

+ Deemed interest in shares of the Company held by spouse
* Inclusive of shares held by spouse

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

DIRECTORS' BENEFITS

18. Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 7(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

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

In accordance with a resolution of the Board of Directors dated 25 February 2011.

DATUK DR HALIM SHAFIE
Director/Chairman

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

income statements

for the financial year ended 31 December 2010

All amounts are in million unless otherwise stated	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
OPERATING REVENUE	6	**8,791.0**	8,608.0	**7,822.3**	7,596.3
OPERATING COSTS					
– depreciation, impairment and amortisation	7(a)	**(1,995.8)**	(2,039.5)	**(1,831.8)**	(1,864.5)
– other operating costs	7(b)	**(6,019.6)**	(5,753.2)	**(5,496.4)**	(5,225.9)
OTHER OPERATING INCOME (net)	8	**152.9**	128.8	**349.3**	299.4
OTHER GAINS (net)	9	**373.3**	120.5	**149.7**	53.0
OPERATING PROFIT BEFORE FINANCE COST		**1,301.8**	1,064.6	**993.1**	858.3
FINANCE INCOME		**120.0**	172.2	**111.4**	162.9
FINANCE COST		**(365.2)**	(356.3)	**(368.1)**	(388.0)
FOREIGN EXCHANGE GAIN ON BORROWINGS		**303.7**	40.5	**303.7**	40.5
NET FINANCE INCOME/(COST)	10	**58.5**	(143.6)	**47.0**	(184.6)
ASSOCIATES					
– share of results (net of tax)	30	**(0.1)**	0.6	**—**	—
PROFIT BEFORE TAXATION AND ZAKAT		**1,360.2**	921.6	**1,040.1**	673.7
TAXATION AND ZAKAT	11	**(115.2)**	(248.3)	**(111.7)**	(192.7)
PROFIT FOR THE FINANCIAL YEAR		**1,245.0**	673.3	**928.4**	481.0
ATTRIBUTABLE TO:					
– equity holders of the Company		**1,206.5**	643.0	**928.4**	481.0
– minority interests		**38.5**	30.3	**—**	—
PROFIT FOR THE FINANCIAL YEAR		**1,245.0**	673.3	**928.4**	481.0
EARNINGS PER SHARE (sen)					
– basic	12(a)	**33.9**	18.3		
– diluted	12(b)	**33.9**	18.2		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 218 to 351.

Independent Auditors' Report – Pages 354 to 355.

statements of comprehensive income

for the financial year ended 31 December 2010

All amounts are in million unless otherwise stated	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
PROFIT FOR THE FINANCIAL YEAR		**1,245.0**	673.3	**928.4**	481.0
OTHER COMPREHENSIVE INCOME:					
Increase in fair value of available-for-sale investments	31(a)	**352.5**	46.0	**53.5**	–
Increase in fair value of available-for-sale receivables	32(a)	**2.5**	–	**2.5**	–
Reclassification adjustments relating to available-for-sale investments disposed	9	**(278.5)**	(1.5)	**(75.6)**	–
Currency translation differences - subsidiaries		**(0.4)**	9.4	**—**	–
Other comprehensive income/(loss) for the financial year, net of tax		**76.1**	53.9	**(19.6)**	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,321.1**	727.2	**908.8**	481.0
ATTRIBUTABLE TO:					
– equity holders of the Company		**1,282.6**	696.9	**908.8**	481.0
– minority interests		**38.5**	30.3	**—**	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,321.1**	727.2	**908.8**	481.0

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 218 to 351.

Independent Auditors' Report – Pages 354 to 355.

statements of financial position

as at 31 December 2010

All amounts are in million unless otherwise stated	Note	The Group 2010 RM	The Group 2009 RM	The Group 2008 RM	The Company 2010 RM	The Company 2009 RM	The Company 2008 RM
SHARE CAPITAL	14	**3,568.1**	3,543.5	3,456.0	**3,568.1**	3,543.5	3,456.0
SHARE PREMIUM		**1,055.1**	1,011.8	4,305.4	**1,055.1**	1,011.8	4,305.4
OTHER RESERVES	16	**366.8**	210.0	183.5	**316.8**	783.8	1,251.1
RETAINED PROFITS	17	**2,719.4**	2,222.2	2,303.2	**1,996.9**	1,335.6	1,581.5
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,709.4**	6,987.5	10,248.1	**6,936.9**	6,674.7	10,594.0
MINORITY INTERESTS		**150.8**	142.5	226.5	**–**	–	–
TOTAL EQUITY		**7,860.2**	7,130.0	10,474.6	**6,936.9**	6,674.7	10,594.0
Borrowings	19	**5,506.0**	5,796.9	6,965.1	**4,069.0**	4,178.3	5,204.1
Payable to a subsidiary	20	**–**	–	–	**1,434.0**	1,594.2	1,734.6
Derivative financial instruments	21	**28.0**	–	–	**28.0**	–	–
Deferred tax liabilities	22	**1,664.2**	1,588.7	1,362.0	**1,513.4**	1,517.6	1,328.0
Deferred income	23	**1,432.1**	985.9	260.2	**1,432.1**	985.9	260.2
DEFERRED AND NON-CURRENT LIABILITIES		**8,630.3**	8,371.5	8,587.3	**8,476.5**	8,276.0	8,526.9
		16,490.5	15,501.5	19,061.9	**15,413.4**	14,950.7	19,120.9
Property, plant and equipment	24	**13,112.1**	12,404.3	11,839.6	**11,782.5**	11,125.7	10,516.1
Investment property	25	**–**	–	–	**93.0**	91.6	91.9
Land held for property development	26	**107.4**	163.7	164.3	**–**	–	–
Intangible assets	27	**312.3**	313.4	1.8	**–**	–	–
Subsidiaries	28	**–**	–	–	**1,623.4**	2,545.8	2,709.0
Loans and advances to subsidiaries	29	**–**	–	–	**236.7**	–	–
Associates	30	**0.5**	0.6	–	**–**	–	–
Available-for-sale investments	31(a)	**114.6**	608.2	496.0	**114.6**	–	–
Other investments	31(b)	**–**	152.8	137.8	**–**	152.8	137.8
Available-for-sale receivables	32(a)	**14.9**	–	–	**14.9**	–	–
Other non-current receivables	32(b)	**89.4**	108.9	472.4	**89.4**	108.9	472.4
Derivative financial instruments	21	**3.6**	–	–	**3.6**	–	–
Deferred tax assets	22	**86.7**	10.6	8.9	**–**	–	–
NON-CURRENT ASSETS		**13,841.5**	13,762.5	13,120.8	**13,958.1**	14,024.8	13,927.2

All amounts are in million unless otherwise stated	Note	The Group 2010 RM	2009 RM	2008 RM	The Company 2010 RM	2009 RM	2008 RM
Inventories	33	**174.0**	110.6	123.3	**103.8**	82.9	71.5
Customer acquisition costs		**87.1**	–	–	**87.1**	–	–
Trade and other receivables	34	**2,329.3**	2,284.0	2,891.3	**2,185.4**	2,060.6	2,656.3
Amount owing by Axiata Group Berhad		**–**	–	4,025.0	**–**	–	4,025.0
Available-for-sale investments	31(a)	**838.1**	–	–	**356.2**	–	–
Financial assets at fair value through profit or loss	35	**21.5**	–	–	**21.5**	–	–
Short term investments	35	**–**	294.7	277.6	**–**	294.7	277.6
Cash and bank balances	36	**3,488.5**	3,490.7	2,095.2	**3,077.7**	2,901.2	1,447.2
CURRENT ASSETS		**6,938.5**	6,180.0	9,412.4	**5,831.7**	5,339.4	8,477.6
Trade and other payables	37	**3,639.2**	2,934.6	2,812.6	**3,725.4**	2,926.9	2,682.4
Customer deposits	38	**580.5**	575.7	588.8	**580.1**	575.5	588.5
Borrowings	19	**26.0**	916.6	34.9	**4.6**	897.6	3.0
Taxation and zakat		**43.8**	14.1	35.0	**66.3**	13.5	10.0
CURRENT LIABILITIES		**4,289.5**	4,441.0	3,471.3	**4,376.4**	4,413.5	3,283.9
NET CURRENT ASSETS		**2,649.0**	1,739.0	5,941.1	**1,455.3**	925.9	5,193.7
		16,490.5	15,501.5	19,061.9	**15,413.4**	14,950.7	19,120.9

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 218 to 351.

Independent Auditors' Report – Pages 354 to 355.

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 Reserves RM	Capital Redemption Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2010										
As previously stated		3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139	51	–	–	–	–	100.4	–	(18.0)	–	82.4
At 1 January 2010, as restated		3,543.5	1,011.8	(1.0)	19.7	255.9	35.8	2,204.2	142.5	7,212.4
Profit for the financial year		–	–	–	–	–	–	1,206.5	38.5	1,245.0
Other comprehensive (loss)/income for the financial year, net of tax		–	–	(0.4)	–	76.5	–	–	–	76.1
Total comprehensive (loss)/income for the financial year		–	–	(0.4)	–	76.5	–	1,206.5	38.5	1,321.1
Transactions with owners:										
Final dividends paid for the financial year ended 31 December 2009	13	–	–	–	–	–	–	(346.4)	–	(346.4)
Interim dividends paid for the financial year ended 31 December 2010	13	–	–	–	–	–	–	(347.4)	–	(347.4)
Dividends paid to minority interests		–	–	–	–	–	–	–	(30.2)	(30.2)
Employees' share option scheme (ESOS)										
– shares issued upon exercise of options	14(d)(i)&15	23.4	23.0	–	–	–	–	–	–	46.4
– transfer of reserve upon exercise of options		–	17.2	–	(17.2)	–	–	–	–	–
– transfer of reserve upon expiry of options		–	–	–	(2.5)	–	–	2.5	–	–
Shares issued upon disposal of shares attributed to lapsed options	14(d)(ii)	1.2	3.1	–	–	–	–	–	–	4.3
Total transactions with owners		24.6	43.3	–	(19.7)	–	–	(691.3)	(30.2)	(673.3)
At 31 December 2010		3,568.1	1,055.1	(1.4)	–	332.4	35.8	2,719.4	150.8	7,860.2

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 Reserves RM	Capital Redemption Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2009		3,456.0	4,305.4	(10.4)	82.9	111.0	–	2,303.2	226.5	10,474.6
Profit for the financial year		–	–	–	–	–	–	643.0	30.3	673.3
Other comprehensive income for the financial year, net of tax		–	–	9.4	–	44.5	–	–	–	53.9
Total comprehensive income for the financial year		–	–	9.4	–	44.5	–	643.0	30.3	727.2
Transactions with owners:										
Acquisition of remaining equity interest in a subsidiary	5(c)	–	–	–	–	–	–	–	(103.9)	(103.9)
Bonus issue of Redeemable Preference Shares (RPS)	14(c)	35.8	(35.8)	–	–	–	–	–	–	–
Redemption of RPS	14(c)	(35.8)	(3,470.0)	–	–	–	–	43.1	–	(3,462.7)
Creation of capital redemption reserve upon redemption of RPS	14(c)	–	–	–	–	–	35.8	(35.8)	–	–
Final dividends paid for the financial year ended 31 December 2008	13	–	–	–	–	–	–	(377.2)	–	(377.2)
Interim dividends paid for the financial year ended 31 December 2009	13	–	–	–	–	–	–	(354.1)	–	(354.1)
Dividends paid to minority interests		–	–	–	–	–	–	–	(10.4)	(10.4)
Employees' share option scheme (ESOS)										
– options granted		–	–	–	7.0	–	–	–	–	7.0
– shares issued upon exercise of options	14&15	87.5	142.0	–	–	–	–	–	–	229.5
– transfer of reserve upon exercise of options		–	70.2	–	(70.2)	–	–	–	–	–
Total transactions with owners		87.5	(3,293.6)	–	(63.2)	–	35.8	(724.0)	(114.3)	(4,071.8)
At 31 December 2009		3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 218 to 351.

Independent Auditors' Report – Pages 354 to 355.

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	Non-distributable Fair Value Reserves RM	Non-distributable Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2010									
As previously stated		3,543.5	1,011.8	19.7	728.3	–	35.8	1,335.6	6,674.7
Adjustments on application of FRS 139	51	–	–	–	–	100.4	–	(18.0)	82.4
At 1 January 2010, as restated		3,543.5	1,011.8	19.7	728.3	100.4	35.8	1,317.6	6,757.1
Profit for the financial year		–	–	–	–	–	–	928.4	928.4
Other comprehensive loss for the financial year, net of tax		–	–	–	–	(19.6)	–	–	(19.6)
Total comprehensive (loss)/income for the financial year		–	–	–	–	(19.6)	–	928.4	908.8
Transactions with owners:									
Final dividends paid for the financial year ended 31 December 2009	13	–	–	–	–	–	–	(348.8)	(348.8)
Interim dividends paid for the financial year ended 31 December 2010	13	–	–	–	–	–	–	(348.8)	(348.8)
Employees' share option scheme (ESOS)									
– shares issued upon exercise of options	14(d)(i)&15	23.4	23.0	–	–	–	–	–	46.4
– transfer of reserve upon exercise of options		–	17.2	(17.2)	(59.1)	–	–	–	(59.1)
– transfer of reserve upon expiry of options		–	–	(2.5)	–	–	–	2.5	–
– repayment of capital contribution by TM ESOS Management Sdn Bhd (TEM) due to shareholder transaction	14(d)(i) &28(a)	–	–	–	(446.0)	–	–	446.0	–
– impairment in investment in TEM due to shareholder transaction	14(d)(i) &28(a)	–	–	–	(19.9)	–	–	–	(19.9)
Shares issued upon disposal of shares attributed to lapsed options	14(d)(ii)	1.2	3.1	–	(3.1)	–	–	–	1.2
Total transactions with owners		24.6	43.3	(19.7)	(528.1)	–	–	(249.1)	(729.0)
At 31 December 2010		3,568.1	1,055.1	–	200.2	80.8	35.8	1,996.9	6,936.9

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	ESOS Reserve RM	Special ESOS Reserve RM	Fair Value Reserves RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2009		3,456.0	4,305.4	82.9	1,168.2	–	–	1,581.5	10,594.0
Profit for the financial year		–	–	–	–	–	–	481.0	481.0
Total comprehensive income for the financial year		–	–	–	–	–	–	481.0	481.0
Transactions with owners:									
Bonus issue of RPS	14(c)	35.8	(35.8)	–	–	–	–	–	–
Redemption of RPS	14(c)	(35.8)	(3,470.0)	–	–	–	–	–	(3,505.8)
Creation of capital redemption reserve upon redemption of RPS	14(c)	–	–	–	–	–	35.8	(35.8)	–
Final dividends paid of the financial year ended 31 December 2008	13	–	–	–	–	–	–	(382.3)	(382.3)
Interim dividends paid for the financial year ended 31 December 2009	13	–	–	–	–	–	–	(357.7)	(357.7)
Employees' share option scheme (ESOS)									
– options granted to employees of the Company		–	–	4.1	–	–	–	–	4.1
– options granted to employees of the subsidiaries		–	–	0.9	–	–	–	–	0.9
– options granted to employees of former subsidiaries		–	–	2.0	–	–	–	–	2.0
– shares issued upon exercise of options	14&15	87.5	142.0	–	–	–	–	–	229.5
– transfer of reserve upon exercise of options		–	70.2	(70.2)	(292.0)	–	–	–	(292.0)
– repayment of capital contribution by TEM due to shareholder transaction	14(d)(i) &28(a)	–	–	–	(48.9)	–	–	48.9	–
– impairment in investment in TEM due to shareholder transaction	14(d)(i) &28(a)	–	–	–	(99.0)	–	–	–	(99.0)
Total transactions with owners		87.5	(3,293.6)	(63.2)	(439.9)	–	35.8	(726.9)	(4,400.3)
At 31 December 2009		3,543.5	1,011.8	19.7	728.3	–	35.8	1,335.6	6,674.7

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 218 to 351.

Independent Auditors' Report – Pages 354 to 355.

statements of cash flows

for the financial year ended 31 December 2010

All amounts are in million unless otherwise stated	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES	39	**2,973.4**	3,056.0	**2,659.3**	2,587.4
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	40	**(1,446.9)**	2,546.4	**(998.9)**	3,097.0
CASH FLOWS USED IN FINANCING ACTIVITIES	41	**(1,534.2)**	(4,205.9)	**(1,489.6)**	(4,233.0)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7.7)**	1,396.5	**170.8**	1,451.4
EFFECT OF EXCHANGE RATE CHANGES		**5.5**	(1.0)	**5.7**	2.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**3,490.2**	2,094.7	**2,901.2**	1,447.2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**3,488.0**	3,490.2	**3,077.7**	2,901.2

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 218 to 351.

Independent Auditors' Report – Pages 354 to 355.

notes to the financial statements

for the financial year ended 31 December 2010

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 52 to the financial statements. There was no significant change in the principal activities of the Group during the financial year.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The new and revised standards, amendments to published standards and IC Interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2010, are as follows:

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The new and revised standards, amendments to published standards and IC Interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2010, are as follows: (continued)

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

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

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All new and revised FRSs adopted by the Group and the Company require retrospective application except for FRS 139 where its transitional provisions only require the recognition and remeasurement of all financial assets and financial liabilities as at 1 January 2010 as appropriate. The adjustments related to the previous carrying amounts are made to the opening retained profits and fair value reserves as appropriate. Comparatives are not restated.

A summary of the changes and impact of the new standards, amendments to the published standards and IC Interpretations to existing standards on the financial statements of the Group and the Company is set out in note 51 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

		Effective date
Amendment to FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 3 (revised)	Business Combinations	1 July 2010
FRS 127 (revised)	Consolidated and Separate Financial Statements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendment to FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendment to FRS 7	Financial Instruments: Disclosures	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
FRS 124 (revised)	Related Party Disclosures	1 January 2012

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

FRS 2	Share-based Payment	1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138	Intangible Assets	1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
FRS 3	Business Combinations	1 January 2011
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 132	Financial Instruments: Presentation	1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Amendment to FRS 132 "Financial Instruments: Presentation" on classification of rights issues addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities.

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

- The revised FRS 127 "Consolidated and Separate Financial Statements" requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the Income Statement.

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

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

- Amendment to FRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Transactions" clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 – Group and Treasury Share Transactions", which shall be withdrawn upon application of this amendment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Amendment to FRS 7 "Financial Instruments: Disclosures" requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by the three-level fair value hierarchy.

- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease" requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement.

- IC Interpretation 18 "Transfers of Assets from Customers" provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue".

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

  – the name of the government and the nature of their relationship;

  – the nature and amount of each individually significant transactions; and

  – the extent of any collectively significant transactions, qualitatively or quantitatively.

- Improvement to FRS 2 "Share-based Payment" clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- Improvement to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Improvement to FRS 138 "Intangible Assets" clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.

- Improvement to IC Interpretation 9 "Reassessment of Embedded Derivatives" clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

- Improvement to FRS 3 "Business Combinations" clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS. It also clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

- Improvement to FRS 101 "Presentation of Financial Statements" clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- Improvement to FRS 134 "Interim Financial Reporting" requires disclosure of additional significant events and transactions in the entity's interim financial report.

All the above standards, amendments to published standards and IC Interpretations will be effective for the Group's and the Company's financial year beginning 1 January 2011 except the revised FRS 124 which will be effective for the financial year beginning 1 January 2012.

The adoption of the above standards, amendments to published standards and IC Interpretations are not expected to have a material impact on the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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 MASB 21 "Business Combinations"
- internal group reorganisations, as defined in MASB 21, 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 MASB 21 and FRS 3 to apply these Standards prospectively.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill (see Significant Accounting Policies note 2(g)(i)). 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

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.

(ii) 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.

(iii) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

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

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

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

Dilution gains and losses are recognised in the Income Statement.

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

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

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceases become its cost on initial measurement as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment

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

(i) Cost

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

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.

(ii) Depreciation

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

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

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on 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 reporting date.

(iii) Impairment

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(iv) Gains or Losses on Disposal

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

(v) Asset Exchange Transaction

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

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

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

(vi) Repairs and Maintenance

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

(e) Investment Properties

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 2(h) on Impairment of Non-Financial Assets).

Land held for property development is transferred to property development cost (within 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.

(g) Intangible Assets

(i) Goodwill

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

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

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

(ii) Software

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of Non-Financial Assets

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

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

(i) Financial Assets

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

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

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

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

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

(ii) Loans and Receivables

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets (continued)

(iii) Available-for-sale Financial Assets

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

Fixed income securities (within current assets), previously measured at lower of cost and market value, certain non-current equity investments and convertible education loans (within non-current receivables), previously measured at cost and subject to impairment, are now classified as available-for-sale investments and available-for-sale receivables respectively. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

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

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

(iv) Derecognition

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

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

(v) Offsetting Financial Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

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

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

- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of customers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

(ii) Assets Classified as Available-for-sale

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

- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments were previously not recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

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

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

Fair value hedge

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

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

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Customer Acquisition Costs

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

(n) Cash and Cash Equivalents

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

(o) Share Capital

(i) Classification

Ordinary 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 debited directly to equity.

(ii) Share Issue Costs

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

(iii) Dividend to Shareholders of the Company

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

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

(p) Financial Liabilities

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

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Liabilities (continued)

(ii) Bonds, Notes, Debentures and Borrowings

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

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

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

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

(q) Leases

(i) Finance Leases

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (continued)

(ii) Operating Leases

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

(r) Government Grants

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

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

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

(s) Income Taxes

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income Taxes (continued)

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

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

(t) Provisions

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

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

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

(u) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent Liabilities and Contingent Assets (continued)

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.

(v) Revenue Recognition

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

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

Dividend income from investment in subsidiaries, associates and equity investments is recognised when a right to receive payment is established.

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

(w) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plans

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

(iii) Termination Benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee Benefits (continued)

(iv) Share-based Compensation

- Equity-settled Share-based Compensation

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

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

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

The total amount to be expensed (or capitalised as cost of investment in subsidiaries) over the vesting periods is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each reporting 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.

- Cash-settled Share-based Compensation

Share-based compensation that are settled with equity instruments of a former subsidiary, Axiata Group Berhad (Axiata), which became a non-Group entity pursuant to the demerger in April 2008, is accounted for as cash-settled.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(iii) Group Companies

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

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

(y) Segment Reporting

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

Further disclosures on Segment Reporting are set out in note 45 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES

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

Critical Accounting Estimates and Assumptions

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

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

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

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

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

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

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and reduce the carrying amount of property, plant and equipment.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 27 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(d) Impairment of Trade Receivables

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

(e) Taxation

(i) 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.

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

(f) 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 reporting date. The assumptions used in the valuation to determine these fair values are explained in note 15 to the financial statements.

(g) 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 46 to the financial statements for legal proceedings that the Group is involved in as at 31 December 2010.

(h) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of derivatives is the present value of their future cash flows. The Group used net tangible assets method and discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

The carrying amount of available-for-sale financial assets would be approximately RM9.7 million lower or RM11.3 million higher if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

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

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

(i) Market Risk

- Foreign Exchange Risk

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

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

The foreign exchange risk of the Group is predominantly from borrowings denominated in foreign currencies mainly US Dollar. During the financial year, the Group enters into US Dollar forward contracts and option structures that are primarily used to hedge selected US Dollar borrowings to reduce its foreign currency exposures on these borrowings. The Group has also repaid the US Dollar borrowing amounting to USD260.3 million during the financial year. After hedging and repayment of the US Dollar borrowing, the foreign currency borrowing composition is reduced to 37.1% of the Group's total borrowings as at 31 December 2010.

Based on the borrowing position as at 31 December 2010, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM118.0 million (before hedging) and RM102.0 million (after hedging) as a result of foreign exchange losses or gains on translation of US dollar denominated borrowings.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk

  The Group is exposed to equity and fixed income securities price risk arising from investments classified on the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To reduce its price risk arising from investments in equity securities, the Group has been winding down its quoted equity securities portfolio during the financial year.

  Certain portion of the Group's investments in equity of other entities are publicly traded and included in Bursa Malaysia Security index. As at 31 December 2010, if the Bursa Malaysia equity index had increased/decreased by 5.0% with all other variables held constant and all the Group's equity securities moved according to the historical correlation with the index, post-tax profit for the financial year would have been RM1.5 million higher/lower. Moving forward, the impact will be much lesser due to continuous effort towards total closure of equity portfolio.

  Post-tax profit for the financial year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

- Interest Rate Risk

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

  The Group's investment in money market and fixed income securities as at 31 December 2010 are RM3,051.3 million and RM356.2 million respectively. For an increase of 0.25% per annum of Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the interest income from the money market portfolio will increase by approximately RM7.5 million while its fixed income portfolio (net asset value) will reduce by approximately RM3.3 million.

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

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

  The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2010, if there is a hike in the OPR by 0.25% per annum, the interest expense will be higher by approximately RM3.5 million.

  As at 31 December 2010, the Group's fixed:floating interest rate profile, after hedging, was 62:38.

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk

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

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

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

The Group has appointed various fixed income fund managers to manage its fixed income portfolio. In managing the portfolio's credit risks, its investment parameter is restricted to a minimum of A rating and predominantly AA and above in accordance to the Group's Treasury Investment Policies and Guidelines.

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

In the risk management policies, all counterparties must maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

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

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

Cash flow forecasts are performed in the operating entities of the Group on rolling basis and aggregated by Group Treasury to ensure sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed credit facilities at all times. As at 31 December 2010, the Group held deposits with financial institutions of RM3,051.3 million and cash and bank balances of RM437.2 million that are expected to be readily available to meet any payment obligation when its due.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(iii) Liquidity Risk (continued)

Refinancing risk is managed by limiting the amount of borrowing that matures within any specific period and having appropriate strategies in place to manage refinancing needs as they arise. The Group has no significant debt maturities until December 2013.

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

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or return capital to shareholders vis-à-vis its debt-equity ratio (gearing level).

The Group also monitors its gearing level in comparison to its peers in the industry while maintaining the desired level of credit rating. During 2010, the Group's credit rating remains unchanged at AAA by RAM, A- by S&P and A3 by Moody's.

5. SIGNIFICANT DISPOSALS AND ACQUISITION

(a) Disposal of investment in Axiata shares during the financial year ended 31 December 2010

On 2 December 2010, the Company announced the proposal to undertake the disposal via TM ESOS Management Sdn Bhd (TEM), a wholly owned subsidiary, of up to 191,458,007 Axiata shares (representing approximately 2.27% equity interest in Axiata), being the remaining unexercised share options and excess unallocated shares held by TEM. TEM was the trustee for Special ESOS as explained in note 15 to the financial statements.

The proposed disposal is to be satisfied entirely by cash and undertaken through the following modes:

(i) private placements via a bookbuilding process to eligible third-party institutional/sophisticated investors; and/or

(ii) open market disposals.

On 3 December 2010, the Company, via TEM, completed the initial bookbuilding exercise for 90 million Axiata shares to successful third-party institutional investors at a price of RM4.60 per Axiata share.

In addition, during the financial year, there were also disposal of 5.9 million Axiata shares attributed to lapsed options in open market and another 2.1 million Axiata shares pursuant to the exercise of options under Special ESOS. The above disposals give rise to a gain of RM223.6 million and net cash inflow of RM446.0 million.

	RM
Net proceed	**446.0**
Carrying value (note 31(a))	**(425.3)**
Reclassification adjustment on fair value gain from reserve to Income Statement	**202.9**
Gain on disposal	**223.6**

5. SIGNIFICANT DISPOSALS AND ACQUISITION (CONTINUED)

(b) Disposal of investment in MEASAT Global Berhad (MEASAT) during the financial year ended 31 December 2010

On 28 July 2010, the Company received a notice of conditional take-over offer of its investment in MEASAT, from CIMB Investment Bank Berhad and Maybank Investment Bank Berhad on behalf of MEASAT Global Network Systems Sdn Bhd (MGNS), to acquire all the ordinary shares of RM0.78 each in MEASAT not already held by MGNS (Offer Shares) for a cash offer price of RM4.20 per Offer Share (the Offer).

On 6 September 2010, the Company accepted the Offer. The disposal of the Company's entire holding of 60,024,010 Offer Shares, representing 15.39% equity interest in MEASAT vide the acceptance of the Offer, was completed on 7 September 2010. Arising from the disposal, the Group netted a gain on disposal of RM141.7 million as illustrated below, and cash inflow of RM252.1 million in the current financial year.

	RM
Sales proceed	**252.1**
Carrying value of MEASAT (note 31(a))	**(185.4)**
Reclassification adjustment on fair value gain from reserve to Income Statement	**75.0**
Gain on disposal	**141.7**

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

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

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

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

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

6. OPERATING REVENUE

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Voice services	**3,862.9**	4,046.0	**3,864.6**	4,052.6
Data services	**1,754.3**	1,519.4	**1,743.0**	1,492.9
Internet and multimedia services	**1,652.8**	1,561.3	**1,667.5**	1,572.6
Other telecommunications related services	**1,223.4**	1,175.3	**547.2**	478.2
Non-telecommunications related services	**297.6**	306.0	**–**	–
TOTAL OPERATING REVENUE	**8,791.0**	8,608.0	**7,822.3**	7,596.3

7(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Depreciation of property, plant and equipment (PPE)	**1,922.9**	1,999.5	**1,759.7**	1,824.1
Depreciation of investment property	**–**	–	**1.9**	1.9
Impairment of PPE	**0.7**	0.1	**–**	–
Write off/retirement of PPE	**71.1**	38.7	**70.2**	38.5
Amortisation of intangible assets	**1.1**	1.2	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**1,995.8**	2,039.5	**1,831.8**	1,864.5

7(b) OTHER OPERATING COSTS

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Agency commissions and charges	**59.5**	73.1	**143.0**	145.5
Domestic interconnect and international outpayment	**929.9**	989.5	**993.0**	1,069.7
Impairment of trade and other receivables (net of bad debt recoveries)	**66.9**	166.0	**65.3**	149.0
Impairment for loans and advances to a subsidiary	**–**	–	**–**	4.3
Impairment of an investment in a subsidiary	**–**	–	**1.7**	–
Impairment of available-for-sale receivables	**17.7**	–	**17.7**	–
Maintenance	**555.0**	523.7	**598.1**	591.4
Marketing, advertising and promotion	**326.2**	290.7	**315.1**	272.8
Net loss/(gain) on foreign exchange on settlements and placements				
– realised	**55.1**	4.2	**48.0**	2.6
– unrealised	**(33.4)**	(27.3)	**(33.6)**	(27.3)
Outsourcing costs	**64.9**	57.2	**344.9**	205.7
Rental – equipment	**84.7**	75.7	**104.9**	100.0
Rental – land and buildings	**162.5**	142.5	**130.5**	143.8
Rental – others	**6.2**	7.3	**15.0**	11.9
Research and development	**–**	–	**66.5**	72.7
Staff costs	**1,783.0**	1,631.5	**1,420.7**	1,284.5
Staff costs capitalised into PPE	**(90.1)**	(76.8)	**(93.9)**	(76.8)
Supplies and inventories	**514.1**	441.6	**406.4**	316.5
Transportation and travelling	**67.8**	68.7	**53.4**	52.3
Universal Service Provision contribution	**230.9**	194.3	**210.0**	182.5
Utilities	**278.8**	281.7	**249.6**	255.3
Others	**939.9**	909.6	**440.1**	469.5
TOTAL OTHER OPERATING COSTS	**6,019.6**	5,753.2	**5,496.4**	5,225.9

7(b) OTHER OPERATING COSTS (CONTINUED)

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,452.2**	1,332.5	**1,148.7**	1,044.8
– termination benefit	**10.6**	5.7	**10.2**	5.7
– contribution to Employees Provident Fund (EPF)	**201.5**	178.1	**163.0**	144.8
– other staff benefits	**102.6**	100.0	**84.7**	75.9
– ESOS costs	**11.5**	10.2	**9.7**	8.4
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**2.5**	2.1	**2.5**	2.1
– contribution to EPF	**0.5**	0.4	**0.5**	0.4
– ESOS costs	**0.1**	1.1	**0.1**	1.1
– remuneration of Non-Executive Directors of the Company				
– fees	**1.3**	1.1	**1.1**	1.0
– allowances and bonus	**0.2**	0.2	**0.2**	0.2
– remuneration of former Non-Executive Directors of the Company				
– fees	**–**	0.1	**–**	0.1
– allowances	**–**	#	**–**	#
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**2.4**	2.0	**1.7**	1.3
– member firms of PricewaterhouseCoopers International Limited	**0.2**	0.3	**–**	–
– audit related fees	**0.9**	1.0	**0.5**	0.8
– tax and other non-audit services	**0.7**	0.5	**0.5**	0.5

Estimated money value of benefits of Directors amounted to RM773,219 (2009: RM433,312) for the Group and the Company.

Amount less than RM0.1 million

8. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Dividend income from subsidiaries	**–**	–	**166.9**	163.1
Dividend income from equity securities – quoted	**1.4**	2.8	**1.4**	2.8
– unquoted	**8.9**	11.0	**8.9**	11.0
Income from sales of scraps	**22.6**	11.1	**22.6**	11.1
Income from subsidiaries – interest	**–**	–	**13.0**	4.2
– others	**–**	–	**4.9**	6.2
Insurance claims	**13.9**	–	**13.9**	–
Loss on disposal of staff loans	**(2.1)**	(18.2)	**(2.1)**	(18.2)
Profit on disposal of PPE	**4.0**	16.9	**3.7**	17.1
Penalty on breach of contract	**3.6**	1.0	**3.4**	1.0
Rental income from buildings	**39.8**	38.7	**55.4**	49.2
Rental income from vehicles	**6.7**	7.1	**8.5**	10.4
Revenue from training and related activities	**1.8**	5.5	**2.2**	6.7
Others	**52.3**	52.9	**46.6**	34.8
TOTAL OTHER OPERATING INCOME (net)	**152.9**	128.8	**349.3**	299.4

9. OTHER GAINS (net)

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Financial assets at fair value through profit or loss				
– fair value gains	**6.1**	–	**6.1**	–
– gains/(losses) on disposal	**1.2**	(31.2)	**1.2**	(31.2)
– reversal of allowances for diminution in value	**–**	66.0	**–**	66.0
Available-for-sale investments				
– gains on disposal	**87.5**	1.0	**66.8**	1.0
– reclassified from fair value reserves	**278.5**	1.5	**75.6**	–
	366.0	2.5	**142.4**	1.0
– gain on disposal of Axiata's rights	**–**	66.0	**–**	–
– reversal of allowances for diminution in value	**–**	17.2	**–**	17.2
TOTAL OTHER GAINS (net)	**373.3**	120.5	**149.7**	53.0

10. NET FINANCE INCOME/(COST)

The Group	2010 Foreign RM	2010 Domestic RM	2010 Islamic Principles RM	2010 Total RM	2009 Foreign RM	2009 Domestic RM	2009 Islamic Principles RM	2009 Total RM
Finance income from								
– short term bank deposits	**0.1**	**69.7**	**35.7**	**105.5**	0.1	57.3	25.8	83.2
– other deposits	**–**	**–**	**1.1**	**1.1**	–	–	2.4	2.4
– staff loans	**–**	**5.7**	**4.8**	**10.5**	–	7.0	11.6	18.6
– amount owing by Axiata	**–**	**–**	**–**	**–**	–	68.0	–	68.0
– available-for-sale receivables	**–**	**2.9**	**–**	**2.9**	–	–	–	–
TOTAL FINANCE INCOME	**0.1**	**78.3**	**41.6**	**120.0**	0.1	132.3	39.8	172.2
Finance cost from								
– borrowings (net of returns)	**(216.9)**	**(2.3)**	**–**	**(219.2)**	(241.7)	28.8	–	(212.9)
– TM Islamic Stapled Income Securities (note 19(a))	**–**	**–**	**(162.8)**	**(162.8)**	–	–	(162.6)	(162.6)
– fair value gain on interest rate swaps - realised (note 19(b))	**–**	**–**	**22.9**	**22.9**	–	–	8.1	8.1
– accretion of finance cost	**–**	**–**	**–**	**–**	–	(6.8)	–	(6.8)
– finance lease (note 19(d))	**–**	**(4.0)**	**–**	**(4.0)**	–	(4.2)	–	(4.2)
– premium on bonds repurchased (note 19(e))	**–**	**–**	**–**	**–**	(18.6)	–	–	(18.6)
– gain on unwinding of swaps (note 21(e),(f),(g))	**–**	**–**	**–**	**–**	41.2	–	–	41.2
– accretion of finance income	**–**	**–**	**–**	**–**	–	0.7	–	0.7
– amortisation of discounts	**–**	**–**	**–**	**–**	–	(1.2)	–	(1.2)
– amortisation of interest subsidy on staff loan	**–**	**(1.2)**	**(0.9)**	**(2.1)**	–	–	–	–
TOTAL FINANCE COST	**(216.9)**	**(7.5)**	**(140.8)**	**(365.2)**	(219.1)	17.3	(154.5)	(356.3)

10. NET FINANCE INCOME/(COST) (CONTINUED)

The Group	2010 Foreign RM	2010 Domestic RM	2010 Islamic Principles RM	2010 Total RM	2009 Foreign RM	2009 Domestic RM	2009 Islamic Principles RM	2009 Total RM
Foreign exchange gain on borrowings								
– realised	169.7	–	–	169.7	5.4	–	–	5.4
– unrealised	162.6	–	–	162.6	35.1	–	–	35.1
Fair value loss on forward foreign currency contracts								
– realised	(8.8)	–	–	(8.8)	–	–	–	–
– unrealised (note 21)	(19.8)	–	–	(19.8)	–	–	–	–
TOTAL FOREIGN EXCHANGE GAIN ON BORROWINGS	303.7	–	–	303.7	40.5	–	–	40.5
NET FINANCE INCOME/(COST)	86.9	70.8	(99.2)	58.5	(178.5)	149.6	(114.7)	(143.6)
The Company								
Finance income from								
– short term bank deposits	0.1	64.3	32.5	96.9	0.1	52.4	21.4	73.9
– other deposits	–	–	1.1	1.1	–	–	2.4	2.4
– staff loans	–	5.7	4.8	10.5	–	7.0	11.6	18.6
– amount owing by Axiata	–	–	–	–	–	68.0	–	68.0
– available-for-sale receivables	–	2.9	–	2.9	–	–	–	–
TOTAL FINANCE INCOME	0.1	72.9	38.4	111.4	0.1	127.4	35.4	162.9
Finance cost from								
– borrowings	(216.9)	(0.5)	–	(217.4)	(241.7)	(1.3)	–	(243.0)
– TM Islamic Stapled Income Securities (note 19(a))	–	–	(162.8)	(162.8)	–	–	(162.6)	(162.6)
– fair value gain on interest rate swaps - realised (note 19(b))	–	–	22.9	22.9	–	–	8.1	8.1
– accretion of finance cost	–	–	–	–	–	(6.8)	–	(6.8)
– finance lease (note 19(d))	–	(4.0)	–	(4.0)	–	(4.2)	–	(4.2)
– premium on bonds repurchased (note 19(e))	–	–	–	–	(18.6)	–	–	(18.6)
– gain on unwinding of swaps (note 21(e),(f),(g))	–	–	–	–	41.2	–	–	41.2
– Inter-Company Fund Optimisation (note 43(f))	–	(4.7)	–	(4.7)	–	(1.6)	–	(1.6)
– accretion of finance income	–	–	–	–	–	0.7	–	0.7
– amortisation of discounts	–	–	–	–	–	(1.2)	–	(1.2)
– amortisation of interest subsidy on staff loan	–	(1.2)	(0.9)	(2.1)	–	–	–	–
TOTAL FINANCE COST	(216.9)	(10.4)	(140.8)	(368.1)	(219.1)	(14.4)	(154.5)	(388.0)

10. NET FINANCE INCOME/(COST) (CONTINUED)

The Company	2010 Foreign RM	2010 Domestic RM	2010 Islamic Principles RM	2010 Total RM	2009 Foreign RM	2009 Domestic RM	2009 Islamic Principles RM	2009 Total RM
Foreign exchange gain on borrowings								
– realised	169.7	–	–	169.7	5.4	–	–	5.4
– unrealised	162.6	–	–	162.6	35.1	–	–	35.1
Fair value loss on forward foreign currency contracts								
– realised	(8.8)	–	–	(8.8)	–	–	–	–
– unrealised (note 21)	(19.8)	–	–	(19.8)	–	–	–	–
TOTAL FOREIGN EXCHANGE GAIN ON BORROWINGS	303.7	–	–	303.7	40.5	–	–	40.5
NET FINANCE INCOME/(COST)	86.9	62.5	(102.4)	47.0	(178.5)	113.0	(119.1)	(184.6)

11. TAXATION AND ZAKAT

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	113.3	31.6	102.3	16.3
Prior year	1.3	(9.6)	13.6	(8.2)
Deferred Tax (net)	9.7	228.2	(4.2)	189.6
	124.3	250.2	111.7	197.7
Overseas				
Income Tax				
Current year	1.5	4.1	–	–
Prior year	0.3	1.0	–	–
Deferred Tax (net)	(10.3)	(3.2)	–	–
	(8.5)	1.9	–	–
TOTAL TAXATION	115.8	252.1	111.7	197.7
Zakat	(0.6)	(3.8)	–	(5.0)
TAXATION AND ZAKAT	115.2	248.3	111.7	192.7

11. TAXATION AND ZAKAT (CONTINUED)

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Current taxation:				
Current year	**114.8**	35.7	**102.3**	16.3
Under/(over) accrual in prior years (net)	**1.6**	(8.6)	**13.6**	(8.2)
Deferred taxation:				
Origination and reversal of temporary differences	**58.9**	225.0	**53.0**	189.6
Benefit from previously unrecognised deductible temporary differences and tax losses	**(59.5)**	–	**(57.2)**	–
	115.8	252.1	**111.7**	197.7

The relationship between taxation expense and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Profit Before Taxation and Zakat	**1,360.2**	921.6	**1,040.1**	673.7
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	**340.1**	230.4	**260.0**	168.4
Tax effects of:				
– different taxation rates in other countries	**(0.7)**	(2.8)	**–**	–
– expenses not deductible for taxation purposes	**64.8**	73.6	**47.5**	73.4
– income not subject to taxation	**(199.4)**	(68.3)	**(120.0)**	(52.2)
– expenses allowed for double deduction	**(13.0)**	(17.8)	**(13.0)**	(17.8)
– tax incentives	**–**	(1.3)	**–**	(1.3)
– benefit from previously unrecognised deductible temporary differences and tax losses	**(59.5)**	–	**(57.2)**	–
– reversal of previously recognised benefit no longer recoverable	**–**	28.9	**–**	25.9
– current year tax losses not recognised	**15.4**	4.4	**–**	–
– under/(over) accrual of income tax (net)	**1.6**	(8.6)	**13.6**	(8.2)
– adjustment of previously recognised temporary differences	**(33.5)**	13.6	**(19.2)**	9.5
TOTAL TAXATION	**115.8**	252.1	**111.7**	197.7

12. 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 and unallocated on the basis as described in note 14(d) to the financial statements.

	The Group 2010 RM	The Group 2009 RM
Profit attributable to equity holders of the Company (RM million)	**1,206.5**	643.0
Weighted average number of ordinary shares (million)	**3,556.1**	3,515.8
Basic earnings per share (sen) attributable to equity holders of the Company	**33.9**	18.3

(b) Diluted earnings per share

Diluted earnings per share calculation in 2009 was based on the weighted average number of ordinary shares in issue and was adjusted to assume conversion of all dilutive potential ordinary shares from the share options granted to employees under Special ESOS.

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

The Company's Special ESOS expired on 16 September 2010 and the remaining options unexercised as at that date had lapsed and became null and void. There is no dilutive potential ordinary shares as at 31 December 2010. Thus, diluted earnings per share is equal to basic earnings per share.

For details of the Company's Special ESOS, please refer to note 15 to the financial statements.

	The Group 2010 RM	The Group 2009 RM
Profit attributable to equity holders of the Company (RM million)	**1,206.5**	643.0
Weighted average number of ordinary shares (million)	**3,556.1**	3,515.8
Adjustment for dilutive effect of Special ESOS (million)	**–**	15.6
Weighted average number of ordinary shares (million)	**3,556.1**	3,531.4
Diluted earnings per share (sen) attributable to equity holders of the Company	**33.9**	18.2

13. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	The Company				
	2010		2009		
	Gross dividend per share Sen	Amount of dividend, net of 25.0% tax RM	Gross dividend per share Sen	Amount of dividend, net of 25.0% tax RM	Amount of dividend, tax exempt RM
Final dividends paid in respect of the financial years ended:					
– 31 December 2009	**13.0**	**348.8**	–	–	–
– 31 December 2008	**–**	**–**	14.25	382.3	–
Interim dividends paid in respect of the financial years ended:					
– 31 December 2010	**13.0**	**348.8**	–	–	–
– 31 December 2009	**–**	**–**	10.0	–	357.7
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**26.0**	**697.6**	24.25	382.3	357.7

The above dividends include dividends paid on shares held by TM ESOS Management Sdn Bhd amounted to RM3.8 million (2009: RM8.7 million) which was adjusted on consolidation.

In respect of the financial year ended 31 December 2010, the Directors now recommend a final gross dividend of 13.1 sen per share less tax at 25.0% amounting to RM351.5 million (2009: a final gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million) subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

14. SHARE CAPITAL

	The Group and Company			
	2010		2009	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM1.00 each	**5,000.0**	**5,000.0**	5,000.0	5,000.0
Special Share of RM1.00 (sub-note (a))	**–**	**–**	–	–
1,000 Class A Redeemable Preference Shares of RM0.01 each	**–**	**–**	–	–
1,000 Class B Redeemable Preference Shares of RM0.01 each	**–**	**–**	–	–
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**–**	**–**	–	–
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**–**	**–**	–	–
Class E Redeemable Preference Shares of RM0.01 each (sub-note (c))	**4,000.0**	**40.0**	4,000.0	40.0
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,543.5**	**3,543.5**	3,456.0	3,456.0
Exercise of share options (sub-note (d)(i))	**23.4**	**23.4**	87.5	87.5
Disposal of shares attributed to the lapsed options (sub-note (d)(ii))	**1.2**	**1.2**	–	–
At 31 December	**3,568.1**	**3,568.1**	3,543.5	3,543.5
Class E Redeemable Preference Shares of RM0.01 each				
Bonus issue of Redeemable Preference Shares (sub-note (c))	**–**	**–**	3,577.4	35.8
Redemption of Redeemable Preference Shares (sub-note (c))	**–**	**–**	(3,577.4)	(35.8)
At 31 December	**–**	**–**	–	–
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**–**	**–**	–	–
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,568.1**	**3,568.1**	3,543.5	3,543.5

14. SHARE CAPITAL (CONTINUED)

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise of 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities.

The details of TM NCRPS C and TM NCRPS D are set out in note 19(a)(I) to the financial statements.

(c) Class E Redeemable Preference Shares (RPS)

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

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

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

14. SHARE CAPITAL (CONTINUED)

(d) Special ESOS Shares

(i) On 17 March 2008, the Company issued 137,592,300 shares (Special ESOS Shares) at fair value to TEM, a newly incorporated trust company, under Special ESOS (note 15) 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, 23,414,111 ordinary shares of RM1.00 each were issued pursuant to employees exercising their share options under Special ESOS, detailed as follows:

Number of issued and paid-up ordinary shares of RM1.00 each	Exercise price per share
20,579,511	RM1.91
1,721,000	RM2.22
1,113,600	RM2.91

(ii) In addition, 1,249,600 ordinary shares of RM1.00 each were issued upon disposals of ordinary shares attributable to lapsed options by TEM. As explained under the features of Special ESOS in note 15 to the financial statements, the excess unallocated shares and shares attributable to lapsed options will be sold to the open market upon expiration of the Special ESOS at the discretion of the Special ESOS Option Committee.

The above shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

15. EMPLOYEES' SHARE OPTION SCHEME

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

Features of Special ESOS

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

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

(ii) Eligibility

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

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

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

(iii) Duration of the Special ESOS

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

The Special ESOS expired on 16 September 2010 and the remaining options unexercised on that date had lapsed and became null and void.

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. As at 31 December 2010, the balance of shares in the Company and Axiata Group Berhad (Axiata) under the Special ESOS held by TEM, and remained unsold was 9.2 million and 101.5 million respectively.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Features of Special ESOS (continued)

(iv) Maximum allowable allocation

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

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

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

(v) Subscription price

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

(vi) Alteration in capital structure

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

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

(b) and/or the subscription price.

(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 is 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 appointed by the Board. Excess unallocated shares will be sold in the open market at fair market value upon 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.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Allocation and Exercise Price of Special ESOS

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

Employees of	Grant date	Number of options granted '000
The Company		
– initial allocation	31 March 2008*	82,365.0
– additional allocation to non-executive employees	22 April 2008	5,496.5
– additional allocation to promotees**	16 October 2008	2,805.0
– additional allocation to promotees***	17 September 2009	1,203.6
Subsidiaries		
– initial allocation	31 March 2008*	18,588.0
– additional allocation to non-executive employees	22 April 2008	640.0
– additional allocation to promotees**	16 October 2008	262.8
– additional allocation to promotees***	17 September 2009	100.8
Subtotal		111,461.7
Axiata Group of companies		
– initial allocation	31 March 2008*	23,473.0
– additional allocation to non-executive employees	22 April 2008	134.0
– additional allocation to promotees**	16 October 2008	0.6
Total		135,069.3

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

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

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Allocation and Exercise Price of Special ESOS (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 were vested as follows:

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

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

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

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

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

(i) Capital repayment as disclosed in note 14(c) to the financial statements.

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

n.a. not applicable

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Valuation of Special ESOS

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

Special ESOS over the ordinary shares of:		**The Company**			**Axiata**	
Exercise price	RM2.71*^	RM3.14^	RM2.91	RM6.99^	RM6.56^	RM3.99
Estimated option life (number of days)						
– tranche 1	183	n.a.	n.a.	183	n.a.	n.a
– tranche 2	350	182	n.a.	350	182	n.a.
– tranche 3	534	335	180	534	335	180
Weighted average share price at grant date	RM3.58	RM3.32	RM3.14	RM7.25	RM5.00	RM3.16
Expected dividend yield	5.60%	5.60%	6.23%	1.80%	1.80%	1.61%
Risk free interest rates						
(Yield of Malaysian Government Securities)	3.38%	3.67%	2.01%	3.38%	3.67%	2.01%
Expected volatility	21.48%	27.14%	25.12%	24.62%	23.15%	38.38%
Historical volatility period for the shares of:						
– from	31.03.2006	16.10.2007	17.09.2008	@	@	17.09.2008
– to	31.03.2008	16.10.2008	17.09.2009	@	@	17.09.2009
Option value						
– tranche 1	0.82	n.a.	n.a.	0.66	n.a.	n.a.
– tranche 2	0.80	0.32	n.a.	0.86	0.02	n.a.
– tranche 3	0.79	0.38	0.28	1.03	0.08	0.10

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

* The valuation parameters for the grant on 31 March 2008 and 22 April 2008 are similar due to the proximity of grant dates.
^ There is no change in fair value of these options as a result of change in exercise prices following the alteration in capital structure of the respective companies.
@ The volatility rate for options over Axiata shares for 2008 was derived after considering the pattern and level of historical volatility of entities within the same industry since information on historical volatility of Axiata shares was not available as it was only listed on the Bursa Malaysia Securities Berhad on 28 April 2008.
n.a. not applicable

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Valuation of Special ESOS (continued)

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

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

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

Amount less than 0.01 sen.

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Movement during the Financial Year

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

Grant date	Exercise price RM	At 1 January '000	Granted during the financial year '000	Exercised '000	Forfeited/ Lapsed '000	At 31 December '000	Fair value at grant date RM
2010							
31 March/22 April 2008	1.91	22,904.4	–	(20,579.5)	(2,324.9)#	–	0.79 – 0.82
16 October 2008	2.22	1,906.8	–	(1,721.0)	(185.8)#	–	0.32 – 0.38
17 September 2009	2.91	1,296.3	–	(1,113.6)	(182.7)#	–	0.28
Total		26,107.5	–	(23,414.1)	(2,693.4)	–	

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

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Movement during the Financial Year (continued)

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

Grant date	Exercise price** RM	At 1 January '000	Additional options pursuant to Axiata rights issue '000	Granted during the financial year '000	Exercised '000	Forfeited/ Lapsed '000	At 31 December '000	Fair value at grant date RM
2010								
31 March/22 April 2008	4.77	144,695.5	n.a.	–	(10.3)	(144,685.2)#	–	0.66 – 1.03
16 October 2008	4.47	4,481.9	n.a.	–	(699.3)	(3,782.6)#	–	0.02 – 0.08
17 September 2009	3.99	1,910.1	n.a.	–	(1,371.6)	(538.5)#	–	0.10
Total		151,087.5	n.a.	–	(2,081.2)	(149,006.3)	–	
2009								
31 March/22 April 2008	4.77	125,126.9	57,756.6	–	–	(38,188.0)^	144,695.5	0.66 – 1.03
16 October 2008	4.47	3,065.4	1,422.1	–	–	(5.6)^	4,481.9	0.02 – 0.08
17 September 2009	3.99	–	–	1,910.1	–	–	1,910.1	0.10
Total		128,192.3	59,178.7	1,910.1	–	(38,193.6)	151,087.5	

Include options granted to employees of the Group which remained unexercised on expiry of Special ESOS on 16 September 2010 and therefore, considered lapsed.

* The exercise price was adjusted on 27 May 2009 pursuant to the capital repayment exercise.

** The exercise price was adjusted in April 2009 pursuant to Axiata rights issue exercise.

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

n.a. not applicable

Fair Value of Shares at Exercise Date

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

Exercise date	Fair value of shares at exercise date RM/share	TM Options Exercise price/Number of options exercised ('000) RM2.71	RM3.14	RM1.91	RM2.22	RM2.91
2010						
January	3.13	–	–	1,100.1	75.6	4.5
February	3.23	–	–	1,657.6	62.7	2.9
March	3.34	–	–	2,381.0	170.1	25.1
April	3.47	–	–	1,514.6	97.0	52.9
May to July	3.32 – 3.37	–	–	3,770.8	249.8	109.2
August	3.48	–	–	5,119.2	361.9	319.9
September	3.46	–	–	5,036.2	703.9	599.1
		–	–	20,579.5	1,721.0	1,113.6

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Value of Shares at Exercise Date (continued)

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

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

Exercise date	Fair value of shares at exercise date RM/share	Axiata Options Exercise price/Number of options exercised ('000) RM4.77	RM4.47	RM3.99
2010				
August	**4.37**	**0.3**	**–**	**139.8**
September	**4.51**	**10.0**	**699.3**	**1,231.8**
		10.3	**699.3**	**1,371.6**

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Special ESOS Cost/Liability

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

	The Group		The Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Cost of options granted to employees of the Company and its subsidiaries				
Equity-settled	**–**	5.0	**–**	4.1
Cash-settled	**11.6**	1.9	**9.8**	1.8
– incremental charge arising from modification	–	4.4	**–**	3.6
Total ESOS costs (note 7(b))	**11.6**	11.3	**9.8**	9.5
Cost of options granted to employees of Axiata Group				
Equity-settled	**–**	2.0	**–**	2.0
Cash-settled	**–**	0.2	**–**	–
Total ESOS costs	**–**	2.2	**–**	2.0
The liability recognised in the Statement of Financial Position for cash-settled arrangement as at 31 December	**–**	6.5	**–**	6.5

16. OTHER RESERVES

	The Group		The Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Fair value reserves	**332.4**	155.5	**80.8**	–
ESOS reserve	**–**	19.7	**–**	19.7
Special ESOS reserve (note 14(d))	**–**	–	**200.2**	728.3
Capital redemption reserve (note 14(c))	**35.8**	35.8	**35.8**	35.8
Currency translation differences arising from translation of subsidiaries	**(1.4)**	(1.0)	**–**	–
TOTAL OTHER RESERVES	**366.8**	210.0	**316.8**	783.8

17. RETAINED PROFITS

Pursuant to the Finance Act, 2007, the single tier company income tax system was introduced with effect from the year of assessment 2008. Under the single tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. The Company did not elect for the irrevocable option to disregard the unutilised Section 108 balances as at 31 December 2007. The Section 108 balances as at 31 December 2007 will be available until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

As at 31 December 2010, the Company has a credit balance of RM120.8 million (2009: RM353.3 million) in its Section 108 account and a tax exempt profits of RM138.6 million (2009: RM143.1 million), subject to the agreement by the Inland Revenue Board.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Total RM
2010					
Assets as per Statement of Financial Position					
Available-for-sale investments (note 31(a))	–	–	–	952.7	952.7
Available-for-sale receivables (note 32(a))	–	–	–	14.9	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits) (note 32(b))	90.6	–	–	–	90.6
Derivative financial instruments (note 21)	–	–	3.6	–	3.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	2,074.2	–	–	–	2,074.2
Financial assets at fair value through profit or loss (note 35)	–	21.5	–	–	21.5
Cash and bank balances (note 36)	3,488.5	–	–	–	3,488.5
Total	5,653.3	21.5	3.6	967.6	6,646.0

18. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Group	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Other financial liabilities at amortised cost RM	Total RM
2010				
Liabilities as per Statement of Financial Position				
Borrowings (excluding finance lease liabilities) (note 19)	–	–	5,470.4	5,470.4
Finance lease liabilities (note 19)	–	–	61.6	61.6
Derivative financial instruments (note 21)	22.8	5.2	–	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	3,107.1	3,107.1
Customer deposits (note 38)	–	–	580.5	580.5
Total	22.8	5.2	9,219.6	9,247.6

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Total RM
2010					
Assets as per Statement of Financial Position					
Loans and advances to subsidiaries (note 29)	236.7	–	–	–	236.7
Available-for-sale investments (note 31(a))	–	–	–	470.8	470.8
Available-for-sale receivables (note 32(a))	–	–	–	14.9	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits) (note 32(b))	90.3	–	–	–	90.3
Derivative financial instruments (note 21)	–	–	3.6	–	3.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	1,967.5	–	–	–	1,967.5
Financial assets at fair value through profit or loss (note 35)	–	21.5	–	–	21.5
Cash and bank balances (note 36)	3,077.7	–	–	–	3,077.7
Total	5,372.2	21.5	3.6	485.7	5,883.0

18. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Other financial liabilities at amortised cost RM	Total RM
2010				
Liabilities as per Statement of Financial Position				
Borrowings (excluding finance lease liabilities) (note 19)	–	–	4,012.0	4,012.0
Finance lease liabilities (note 19)	–	–	61.6	61.6
Payable to a subsidiary (note 20)	–	–	1,434.0	1,434.0
Derivative financial instruments (note 21)	22.8	5.2	–	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	3,285.1	3,285.1
Customer deposits (note 38)	–	–	580.1	580.1
Total	22.8	5.2	9,372.8	9,400.8

19. BORROWINGS

The Group	2010 Weighted Average Rate of Finance	2010 Non-current RM	2010 Current RM	2010 Total RM	2009 Weighted Average Rate of Finance	2009 Non-current RM	2009 Current RM	2009 Total RM
DOMESTIC								
Unsecured								
Borrowings from financial institutions	5.70%	3.0	21.4	24.4	4.66%	24.4	16.0	40.4
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (a) and (b))	5.57%	2,925.0	–	2,925.0	4.93%	2,925.0	–	2,925.0
– Fair value of hedged risk (sub-note (b))	–	(1.6)	–	(1.6)	–	–	–	–
Other borrowings (sub-note (c))	4.69%	160.8	1.0	161.8	4.58%	163.1	5.1	168.2
Finance lease (sub-note (d))	6.34%	58.2	3.4	61.6	6.33%	61.5	4.1	65.6
Total Domestic	5.54%	3,145.4	25.8	3,171.2	4.94%	3,174.0	25.2	3,199.2
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (e))	6.28%	2,356.9	–	2,356.9	6.72%	2,618.9	891.2	3,510.1
Other borrowings	–	3.7	0.2	3.9	–	4.0	0.2	4.2
Total Foreign	6.27%	2,360.6	0.2	2,360.8	6.71%	2,622.9	891.4	3,514.3
TOTAL BORROWINGS	5.85%	5,506.0	26.0	5,532.0	5.87%	5,796.9	916.6	6,713.5

19. BORROWINGS (CONTINUED)

	2010 Domestic RM	2010 Foreign RM	2010 Total RM	2009 Domestic RM	2009 Foreign RM	2009 Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	2,099.1	1,434.7	3,533.8	2,090.1	1,594.9	3,685.0
After five years and up to ten years	1,029.9	0.8	1,030.7	1,060.5	0.8	1,061.3
After ten years and up to fifteen years	16.3	923.7	940.0	22.8	0.8	23.6
After fifteen years	0.1	1.4	1.5	0.6	1,026.4	1,027.0
	3,145.4	2,360.6	5,506.0	3,174.0	2,622.9	5,796.9

The Company	2010 Weighted Average Rate of Finance	2010 Non-current RM	2010 Current RM	2010 Total RM	2009 Weighted Average Rate of Finance	2009 Non-current RM	2009 Current RM	2009 Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (a) and (b))	5.57%	2,925.0	–	2,925.0	4.93%	2,925.0	–	2,925.0
– Fair value of hedged risk (sub-note (b))	–	(1.6)	–	(1.6)	–	–	–	–
Other borrowings (sub-note (c))	4.69%	160.8	1.0	161.8	4.64%	163.1	3.0	166.1
Finance lease (sub-note (d))	6.34%	58.2	3.4	61.6	6.34%	61.5	3.2	64.7
Total Domestic	5.54%	3,142.4	4.4	3,146.8	4.95%	3,149.6	6.2	3,155.8
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (e))	7.89%	922.9	–	922.9	7.94%	1,024.7	891.2	1,915.9
Other borrowings	–	3.7	0.2	3.9	–	4.0	0.2	4.2
Total Foreign	7.86%	926.6	0.2	926.8	7.93%	1,028.7	891.4	1,920.1
TOTAL BORROWINGS	6.07%	4,069.0	4.6	4,073.6	6.07%	4,178.3	897.6	5,075.9

19. BORROWINGS (CONTINUED)

	Domestic RM	2010 Foreign RM	Total RM	Domestic RM	2009 Foreign RM	Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**2,096.1**	**0.7**	**2,096.8**	2,065.7	0.7	2,066.4
After five years and up to ten years	**1,029.9**	**0.8**	**1,030.7**	1,060.5	0.8	1,061.3
After ten years and up to fifteen years	**16.3**	**923.7**	**940.0**	22.8	0.8	23.6
After fifteen years	**0.1**	**1.4**	**1.5**	0.6	1,026.4	1,027.0
	3,142.4	**926.6**	**4,069.0**	3,149.6	1,028.7	4,178.3

The currency exposure profile of borrowings is as follows:

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Ringgit Malaysia	**3,171.2**	3,199.2	**3,146.8**	3,155.8
US Dollar	**2,356.9**	3,510.1	**922.9**	1,915.9
Other currencies	**3.9**	4.2	**3.9**	4.2
	5,532.0	6,713.5	**4,073.6**	5,075.9

(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 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.

19. 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 be 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.

19. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

Features of the Sukuk are summarised as follows: (continued)

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

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

The respective tenure of the Sukuk are as follows:

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

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

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

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

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

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

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

19. BORROWINGS (CONTINUED)

(b) A portion of this security has been hedged with interest rate swaps which has been accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.

(c) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

(d) Minimum lease payments at the reporting date are as follows:

	The Group		The Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Not later than one year	**7.1**	8.0	**7.1**	7.1
Later than one year and not later than five years	**28.6**	28.6	**28.6**	28.6
Later than five years and not later than ten years	**35.7**	35.7	**35.7**	35.7
Later than ten years and not later than fifteen years	**17.3**	24.3	**17.3**	24.3
	88.7	96.6	**88.7**	95.7
Future finance charges	**(27.1)**	(31.0)	**(27.1)**	(31.0)
Present value of finance lease liabilities	**61.6**	65.6	**61.6**	64.7
Present value of finance lease liabilities at the reporting date is as follows:				
Not later than one year	**3.4**	4.1	**3.4**	3.2
Later than one year and not later than five years	**15.8**	14.9	**15.8**	14.9
Later than five years and not later than ten years	**26.3**	24.7	**26.3**	24.7
Later than ten years and not later than fifteen years	**16.1**	21.9	**16.1**	21.9
	61.6	65.6	**61.6**	64.7

The finance lease refers to a leasing arrangement for an office building of the Company in Melaka. The comparative amount includes leasing arrangement for equipments of a subsidiary.

(e) Notes and Debentures consist of the following:

	The Group		The Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
USD260.3 million 8.0% Guaranteed Notes due 2010	**–**	891.2	**–**	891.2
USD465.1 million 5.25% Guaranteed Notes due 2014 (note 20)	**1,434.0**	1,594.2	**–**	–
USD300.0 million 7.875% Debentures due 2025	**922.9**	1,024.7	**922.9**	1,024.7
	2,356.9	3,510.1	**922.9**	1,915.9

On 4 December 2009, the Company repurchased USD39.7 million (RM134.3 million equivalent) of USD300.0 million 8.0% Guaranteed Notes due 2010 issued by TM Global Incorporated (TM Global), a wholly owned subsidiary. On the same day, the Company also repurchased USD34.9 million (RM118.1 million equivalent) of USD500.0 million 5.25% Guaranteed Notes due 2014 issued by TM Global. On 6 December 2010, the Company redeemed in full at its nominal value, the USD260.3 million (RM828.1 million) 8.0% Guaranteed Notes due 2010.

None of the remaining Guaranteed Notes due 2014 or Debentures due 2025 has been redeemed, purchased or cancelled during the current financial year.

20. PAYABLE TO A SUBSIDIARY

On 22 September 2004, the Company's wholly owned subsidiary, TM Global, a company incorporated in the Federal Territory of Labuan, under the Offshore Companies Act, 1990, issued a 10-year USD500.0 million Guaranteed Notes. The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and September commencing in March 2005. The Notes will mature on 22 September 2014. Proceeds from the transaction were utilised to refinance the Company's maturing debt and general working capital. The Notes are unconditional and irrevocably guaranteed by the Company.

During the last financial year, the Company repurchased USD34.9 million nominal value of the above Guaranteed Notes. None of the remaining Guaranteed Notes has been redeemed, purchased or cancelled during the current financial year.

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group and Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2010				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts – cash flow hedge (sub-note (b))				
– more than 3 years	344.3	–	(22.8)	(19.8)
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	1,500.0	–	(5.2)	1.5
– more than 3 years (sub-note (d))	500.0	3.6	–	2.0
	2,000.0	3.6	(5.2)	3.5
TOTAL	2,344.3	3.6	(28.0)	(16.3)

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 19 to the financial statements.

There is no ineffectiveness to be recorded from fair value hedges accounted for under hedge accounting.

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Prior to the adoption of FRS 139, financial derivatives have not been accounted for as on-balance-sheet financial derivative instruments. The contract or notional principal amounts of the derivatives and the corresponding fair value as at 31 December 2009 were as below:

The Group and Company	Contract or notional principle RM	Net fair value Favourable RM	Un-favourable RM
2009			
Forward foreign currency contracts	344.3	0.6	(3.6)
Interest rate swaps	2,000.0	1.6	(6.7)

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Forward Foreign Currency Contracts

Underlying Liability
USD260.3 million 8.00% Guaranteed Notes due in 2010

In 2000, the Company issued USD300.0 million 8.00% Guaranteed Notes due in 2010, redeemable in full on 7 December 2010. On 4 December 2009, the Company repurchased USD39.7 million of the Notes.

Hedging Instrument
During the financial year, the Company entered into several forward foreign currency contract transactions which matured on 6 December 2010. On the maturity date, the Company would receive USD180.0 million for the contracts from the counterparty in return for a payment of RM574.9 million.

On 30 July 2010, the Company also entered into a structured forward contract which was subject to the USD/MYR rate prevailing in the market at the settlement date of 6 December 2010. On maturity date, the Company would purchase USD50.0 million at a rate which vary between a pre-determined floor and an adjusted market rate.

All the above forward foreign currency contracts have matured on 6 December 2010 and the Company received a total of USD230.0 million for the contracts from the counterparty in return for a total payment of RM732.9 million.

The objective of both forward foreign currency and structured forward foreign currency contracts was to effectively convert the USD liability into a RM principal liability.

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(b) Forward Foreign Currency Contracts

Underlying Liability
USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due in 2014. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

Hedging Instrument
On 10 March 2009, the Company entered into a forward foreign currency contract transaction which matures on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment of RM174.5 million. The objective of this transaction is to effectively convert the USD liability into a RM principal liability.

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

(c) Interest Rate Swap (IRS)

Underlying Liability
RM2,000.0 million 6.20% TM Islamic Stapled Income Securities (TM ISIS) due in 2013

In 2007, the Company issued RM2,000.0 million 6.20% TM ISIS due in 2013.

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

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

(d) Interest Rate Swap (IRS)

Underlying Liability
RM925.0 million 4.193% TM ISIS due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and will be reset again in December 2013.

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

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(e) Interest Rate Swap (IRS)

Underlying Liability
USD300.0 million 7.875% Debentures due in 2025

In 1998, the Company issued USD300.0 million 7.875% Debentures due in 2025.

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

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

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

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

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

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

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

(f) Interest Rate Swap (IRS)

Underlying Liability
USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due in 2014. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(g) Cross-Currency Interest Rate Swap (CCIRS)

Underlying Liability
USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due in 2014. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

Hedging Instrument
On 9 October 2008, the Company entered into a CCIRS agreement with a notional amount of USD150.0 million that entitles it to receive interest at a fixed rate of 5.25% per annum on USD Notional Amount and obliges it to pay interest at a fixed rate of 4.15% on RM Notional Amount (calculated at a pre-determined 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 pre-determined exchange rate.

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

22. 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 Statements of Financial Position:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Subject to income tax:				
Deferred tax assets	**86.7**	10.6	**–**	–
Deferred tax liabilities	**1,664.2**	1,588.7	**1,513.4**	1,517.6
TOTAL DEFERRED TAX	**1,577.5**	1,578.1	**1,513.4**	1,517.6
At 1 January	**1,578.1**	1,353.1	**1,517.6**	1,328.0
Current year (credited)/charged to Income Statement arising from:				
– property, plant and equipment	**(102.4)**	170.1	**(60.8)**	131.9
– tax losses	**4.8**	1.3	**–**	–
– provisions and others	**97.0**	53.6	**56.6**	57.7
	(0.6)	225.0	**(4.2)**	189.6
– currency translation differences	**#**	–	**–**	–
At 31 December	**1,577.5**	1,578.1	**1,513.4**	1,517.6

Amount less than RM0.1 million

22. DEFERRED TAX (CONTINUED)

The tax effects of unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset is recognised in the Statement of Financial Position are as follows:

The Group	2010 RM	2009 RM
Unutilised tax losses	**125.1**	130.9
Unabsorbed capital/other tax allowances	**301.0**	288.5
	426.1	419.4

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	
		2010 RM	2009 RM	2010 RM	2009 RM
(a)	**Deferred Tax Assets**				
	Property, plant and equipment	**370.7**	56.6	**353.5**	33.4
	Tax losses	**0.6**	5.4	**–**	–
	Provisions and others	**299.5**	361.3	**290.3**	334.1
		670.8	423.3	**643.8**	367.5
	Offsetting	**(584.1)**	(412.7)	**(643.8)**	(367.5)
	Total Deferred Tax Assets After Offsetting	**86.7**	10.6	**–**	–
(b)	**Deferred Tax Liabilities**				
	Property, plant and equipment	**2,205.7**	1,994.0	**2,137.0**	1,877.7
	Provisions and others	**42.6**	7.4	**20.2**	7.4
		2,248.3	2,001.4	**2,157.2**	1,885.1
	Offsetting	**(584.1)**	(412.7)	**(643.8)**	(367.5)
	Total Deferred Tax Liabilities After Offsetting	**1,664.2**	1,588.7	**1,513.4**	1,517.6

23. DEFERRED INCOME

	The Group and Company 2010 RM	2009 RM
At 1 January	**985.9**	260.2
Additions	**546.8**	780.1
Credited to the Income Statement	**(100.6)**	(54.4)
At 31 December	**1,432.1**	985.9

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

24. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (e)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2010	7,782.9	324.6	674.2	364.2	1,873.8	1,384.6	12,404.3
Additions	73.3	77.3	15.0	0.7	3.6	2,563.2	2,733.1
Assetisation	1,594.3	90.7	437.9	–	174.7	(2,297.6)	–
Disposals	(30.1)	–	–	(0.9)	(2.2)	(0.1)	(33.3)
Write off	(66.6)	(3.9)	(0.6)	–	–	–	(71.1)
Depreciation	(1,378.9)	(123.5)	(295.6)	(1.0)	(123.9)	–	(1,922.9)
Impairment	(0.4)	(0.3)	–	–	–	–	(0.7)
Currency translation differences	(4.3)	–	–	–	–	–	(4.3)
Reclassification	1.9	(1.9)	–	0.2	(0.2)	–	–
Capitalisation of borrowing costs (sub-note (c))	7.0	–	–	–	–	–	7.0
At 31 December 2010	**7,979.1**	**363.0**	**830.9**	**363.2**	**1,925.8**	**1,650.1**	**13,112.1**
At 31 December 2010							
Cost	35,031.3	2,099.2	4,080.5	376.7	3,606.3	1,650.1	46,844.1
Accumulated depreciation	(26,803.3)	(1,734.2)	(3,243.2)	(10.9)	(1,680.4)	–	(33,472.0)
Accumulated impairment	(248.9)	(2.0)	(6.4)	(2.6)	(0.1)	–	(260.0)
Net Book Value	**7,979.1**	**363.0**	**830.9**	**363.2**	**1,925.8**	**1,650.1**	**13,112.1**

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (e)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2009							
– as previously reported	7,635.9	333.1	495.0	282.9	1,860.9	1,164.3	11,772.1
– change in accounting policy (note 51)	–	–	–	67.5	–	–	67.5
– as restated	7,635.9	333.1	495.0	350.4	1,860.9	1,164.3	11,839.6
Additions	38.1	74.9	9.9	–	5.8	2,477.8	2,606.5
Assetisation	1,732.5	12.6	340.4	14.9	155.6	(2,256.0)	–
Disposals	–	(0.6)	–	(1.5)	–	–	(2.1)
Write off	(33.9)	(4.3)	(0.5)	–	–	–	(38.7)
Depreciation	(1,479.6)	(128.1)	(243.8)	(1.2)	(146.8)	–	(1,999.5)
Impairment	–	–	–	–	(0.1)	–	(0.1)
Currency translation differences	(0.1)	0.2	–	–	–	(1.5)	(1.4)
Reclassification	(110.0)	36.8	73.2	1.6	(1.6)	–	–
At 31 December 2009	**7,782.9**	**324.6**	**674.2**	**364.2**	**1,873.8**	**1,384.6**	**12,404.3**
At 31 December 2009							
Cost	33,738.3	1,985.2	3,663.1	376.9	3,752.5	1,384.6	44,900.6
Accumulated depreciation	(25,692.7)	(1,658.9)	(2,982.5)	(10.1)	(1,878.6)	–	(32,222.8)
Accumulated impairment	(262.7)	(1.7)	(6.4)	(2.6)	(0.1)	–	(273.5)
Net Book Value	**7,782.9**	**324.6**	**674.2**	**364.2**	**1,873.8**	**1,384.6**	**12,404.3**

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (e)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2010	7,390.7	246.6	626.5	187.2	1,342.5	1,332.2	11,125.7
Additions	9.4	58.3	9.0	0.7	2.1	2,449.9	2,529.4
Assetisation	1,551.6	81.1	389.1	–	136.3	(2,158.1)	–
Disposals#	(42.3)	(2.3)	(4.2)	–	(0.9)	–	(49.7)
Write off	(65.9)	(3.9)	(0.4)	–	–	–	(70.2)
Depreciation	(1,302.7)	(84.5)	(273.4)	(0.9)	(98.2)	–	(1,759.7)
Reclassification	1.9	(1.9)	–	0.2	(0.2)	–	–
Capitalisation of borrowing costs (sub-note (c))	7.0	–	–	–	–	–	7.0
At 31 December 2010	**7,549.7**	**293.4**	**746.6**	**187.2**	**1,381.6**	**1,624.0**	**11,782.5**
At 31 December 2010							
Cost	33,948.2	1,702.0	3,707.7	198.8	2,888.1	1,624.0	44,068.8
Accumulated depreciation	(26,187.0)	(1,408.6)	(2,961.1)	(9.0)	(1,506.5)	–	(32,072.2)
Accumulated impairment	(211.5)	–	–	(2.6)	–	–	(214.1)
Net Book Value	**7,549.7**	**293.4**	**746.6**	**187.2**	**1,381.6**	**1,624.0**	**11,782.5**
Net Book Value							
At 1 January 2009							
– as previously reported	7,257.7	258.7	441.7	118.1	1,365.0	1,019.9	10,461.1
– change in accounting policy (note 51)	–	–	–	55.0	–	–	55.0
– as restated	7,257.7	258.7	441.7	173.1	1,365.0	1,019.9	10,516.1
Additions	–	45.1	5.9	–	5.8	2,416.9	2,473.7
Assetisation	1,678.7	7.0	334.5	14.9	69.5	(2,104.6)	–
Disposals*	–	–	–	(1.5)	–	–	(1.5)
Write off	(33.9)	(4.3)	(0.3)	–	–	–	(38.5)
Depreciation	(1,401.8)	(96.7)	(228.5)	(0.9)	(96.2)	–	(1,824.1)
Reclassification	(110.0)	36.8	73.2	1.6	(1.6)	–	–
At 31 December 2009	**7,390.7**	**246.6**	**626.5**	**187.2**	**1,342.5**	**1,332.2**	**11,125.7**
At 31 December 2009							
Cost	32,765.9	1,612.8	3,333.4	197.8	2,755.8	1,332.2	41,997.9
Accumulated depreciation	(25,149.5)	(1,366.2)	(2,706.9)	(8.0)	(1,413.3)	–	(30,643.9)
Accumulated impairment	(225.7)	–	–	(2.6)	–	–	(228.3)
Net Book Value	**7,390.7**	**246.6**	**626.5**	**187.2**	**1,342.5**	**1,332.2**	**11,125.7**

Disposals include RM19.1 million being telecommunications network assets, movable plant and equipment and computer support systems disposed to subsidiaries.

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

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM20,919.9 million (2009: RM19,761.3 million) and RM20,816.1 million (2009: RM19,735.6 million) respectively.

(b) Included in the property, plant and equipment of the Group and the Company are assets with net book value of RM61.1 million (2009: RM67.6 million) and RM61.1 million (2009: RM64.2 million) respectively under the finance lease arrangement. The asset under finance lease is an office building of the Company. The comparative amount includes equipments under finance lease of a subsidiary.

(c) Included in the property, plant and equipment of the Group and the Company is borrowing costs directly attributable to the construction of qualifying assets of RM7.0 million.

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

(e) Details of land are as follows:

The Group	Freehold RM	Leasehold RM	Other Land RM	Total RM
Net Book Value				
At 1 January 2010	226.3	74.4	63.5	364.2
Additions	–	0.7	–	0.7
Disposals	–	(0.9)	–	(0.9)
Depreciation	–	(1.0)	–	(1.0)
Reclassified from building	–	0.2	–	0.2
Reclassification (sub-note (ii))	–	0.7	(0.7)	–
At 31 December 2010	**226.3**	**74.1**	**62.8**	**363.2**
At 31 December 2010				
Cost	228.9	84.4	63.4	376.7
Accumulated depreciation	–	(10.3)	(0.6)	(10.9)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	**226.3**	**74.1**	**62.8**	**363.2**

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The Group	Freehold RM	Leasehold RM	Other Land RM	Total RM
Net Book Value				
At 1 January 2009				
– as previously reported	225.5	–	57.4	282.9
– change in accounting policy (note 51)	–	67.5	–	67.5
– as restated	225.5	67.5	57.4	350.4
Assetisation	–	–	14.9	14.9
Disposals	–	(1.5)	–	(1.5)
Depreciation	–	(1.2)	–	(1.2)
Reclassification	0.8	9.6	(8.8)	1.6
At 31 December 2009	**226.3**	**74.4**	**63.5**	**364.2**
At 31 December 2009				
Cost	228.9	83.6	64.4	376.9
Accumulated depreciation	–	(9.2)	(0.9)	(10.1)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	**226.3**	**74.4**	**63.5**	**364.2**

The Company	Freehold RM	Leasehold RM	Other Land RM	Total RM
Net Book Value				
At 1 January 2010	61.5	62.2	63.5	187.2
Additions	–	0.7	–	0.7
Depreciation	–	(0.9)	–	(0.9)
Reclassified from building	–	0.2	–	0.2
Reclassification (sub-note (ii))	–	0.7	(0.7)	–
At 31 December 2010	**61.5**	**62.9**	**62.8**	**187.2**
At 31 December 2010				
Cost	64.1	71.3	63.4	198.8
Accumulated depreciation	–	(8.4)	(0.6)	(9.0)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	**61.5**	**62.9**	**62.8**	**187.2**

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The Company	Freehold RM	Leasehold RM	Other Land RM	Total RM
Net Book Value				
At 1 January 2009				
– as previously reported	60.7	–	57.4	118.1
– change in accounting policy (note 51)	–	55.0	–	55.0
– as restated	60.7	55.0	57.4	173.1
Assetisation	–	–	14.9	14.9
Disposals	–	(1.5)	–	(1.5)
Depreciation	–	(0.9)	–	(0.9)
Reclassification	0.8	9.6	(8.8)	1.6
At 31 December 2009	**61.5**	**62.2**	**63.5**	**187.2**
At 31 December 2009				
Cost	64.1	69.3	64.4	197.8
Accumulated depreciation	–	(7.1)	(0.9)	(8.0)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	**61.5**	**62.2**	**63.5**	**187.2**

(i) Leasehold land comprise of the followings:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Long term leasehold land	**55.4**	52.7	**53.9**	50.1
Short term leasehold land	**18.7**	21.7	**9.0**	12.1
At 31 December	**74.1**	74.4	**62.9**	62.2

Long term leasehold land has an expiry lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these 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.

25. INVESTMENT PROPERTY

The Company	2010 RM	2009 RM
Net Book Value		
At 1 January	**91.6**	91.9
Additions	**3.3**	1.6
Depreciation	**(1.9)**	(1.9)
At 31 December	**93.0**	91.6
At 31 December		
Cost	**97.6**	94.3
Accumulated depreciation	**(4.6)**	(2.7)
Net Book Value	**93.0**	91.6

The fair value of the property in 2010 is RM103.8 million (2009: RM101.3 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

26. LAND HELD FOR PROPERTY DEVELOPMENT

The Group	2010 RM	2009 RM
Net Book Value		
At 1 January	**163.7**	164.3
Additions	**–**	2.6
Transferred to land held for sale	**(56.3)**	(3.2)
At 31 December	**107.4**	163.7
At 31 December		
Cost	**118.1**	174.4
Accumulated impairment	**(10.7)**	(10.7)
Net Book Value	**107.4**	163.7

27. INTANGIBLE ASSETS

The Group	Goodwill RM	Other Intangible* RM	Total RM
Net Book Value			
At 1 January 2010	309.6	3.8	313.4
Amortisation	–	(1.1)	(1.1)
At 31 December 2010	**309.6**	**2.7**	**312.3**
Net Book Value			
At 1 January 2009	1.2	0.6	1.8
Additional interest in a subsidiary (note 5(c))	308.4	–	308.4
Additions	–	4.4	4.4
Amortisation	–	(1.2)	(1.2)
At 31 December 2009	**309.6**	**3.8**	**313.4**
At 31 December 2010			
Cost	314.6	6.7	321.3
Accumulated amortisation	–	(4.0)	(4.0)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	**309.6**	**2.7**	**312.3**
At 31 December 2009			
Cost	314.6	6.7	321.3
Accumulated amortisation	–	(2.9)	(2.9)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	**309.6**	**3.8**	**313.4**

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

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2010 as their recoverable amounts were in excess of their carrying amounts.

27. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill (continued)

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	2010 RM	2009 RM
VADS Berhad	**308.4**	308.4
Others	**1.2**	1.2
	309.6	309.6

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

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

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

This value-in-use calculation applies a discounted cash flow model using cash flow projection based on forecast and projection approved by management covering a four-year period for VADS. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS are extrapolated using estimated terminal growth rate. The rate has been determined with regards to projected growth rate for the market in which the cash-generating unit participates.

The discount rate applied to the cash flow forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2010	2009
Pre-tax discount rate	**12.4%**	11.5%
Terminal growth rate	**1.5%**	1.5%

27. INTANGIBLE ASSETS (CONTINUED)

(ii) Impact of possible change in key assumptions used for VADS

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

If the following pre-tax discount rate is applied to the cash flow forecast and projection of the Group's cash-generating unit, the carrying amount of the cash-generating unit including goodwill will equal the corresponding recoverable value, assuming all other variables remain unchanged.

	2010	**2009**
Pre-tax discount rate	**24.0%**	30.5%

28. SUBSIDIARIES

The Company	**2010 Malaysia RM**	**2010 Overseas RM**	**2010 Total RM**	**2009 Malaysia RM**	**2009 Overseas RM**	**2009 Total RM**
Unquoted investments, at cost	**1,391.5**	**22.0**	**1,413.5**	1,358.5	22.0	1,380.5
Impairment	**(1.7)**	**(13.2)**	**(14.9)**	–	(13.2)	(13.2)
	1,389.8	**8.8**	**1,398.6**	1,358.5	8.8	1,367.3
Investment in TM ESOS Management Sdn Bhd (sub-note (a))						
– at cost	**1,431.0**	**–**	**1,431.0**	1,431.0	–	1,431.0
– exercised of options	**(411.1)**	**–**	**(411.1)**	(352.0)	–	(352.0)
– repayment of capital contribution	**(494.9)**	**–**	**(494.9)**	(48.9)	–	(48.9)
– impairment	**(321.7)**	**–**	**(321.7)**	(301.8)	–	(301.8)
– disposal of shares attributed to lapsed options	**(3.1)**	**–**	**(3.1)**	–	–	–
	200.2	**–**	**200.2**	728.3	–	728.3
Options granted to employees of subsidiaries	**24.6**	**–**	**24.6**	24.6	–	24.6
Unquoted investments, at written down value (sub-note (b))	**–**	**–**	**–**	–	–	–
Net investments	**1,614.6**	**8.8**	**1,623.4**	2,111.4	8.8	2,120.2
Loans and advances to subsidiaries	**–**	**–**	**–**	394.2	46.0	440.2
Provision for impairment	**–**	**–**	**–**	(14.6)	–	(14.6)
Loans and advances to subsidiaries (net) (sub-note (c))	**–**	**–**	**–**	379.6	46.0	425.6
TOTAL INTEREST IN SUBSIDIARIES	**1,614.6**	**8.8**	**1,623.4**	2,491.0	54.8	2,545.8

28. SUBSIDIARIES (CONTINUED)

(a) This represents the fair value of Special ESOS shares issued to TM ESOS Management Sdn Bhd (TEM) as explained in note 14(d) to the financial statements, thereby making TEM a subsidiary as well as a shareholder of the Company.

During the financial year, TEM made a repayment of capital contribution of RM446.0 million comprise mainly the proceeds from the disposal of Axiata shares attributed to the lapsed options under Special ESOS. In 2009, the RM48.9 million repayment of capital distribution comprised of RM43.1 million being TEM's entitlement to the Company's capital repayment as explained in note 14(c) to the financial statements, and proceeds of RM5.8 million from the disposal of Axiata shares attributed to the lapsed options under Special ESOS.

The Company has assessed the carrying value of its investment in TEM. Impairment of RM19.9 million (2009: RM99.0 million) was made to equity as it represents a transaction with a shareholder.

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

(c) During the financial year, loans and advances to subsidiaries were restructured and subsequently classified as loans and receivables in accordance with FRS 139 as disclosed in note 29 to the financial statements.

The Group's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements.

29. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 4.16% to 5.35% (2009: 2.50% to 5.82%) and will mature between 4 to 6 years.

30. ASSOCIATES

The Group	2010 RM	2009 RM
Share of net assets of associates		
Unquoted investments	**0.5**	0.6
TOTAL	**0.5**	0.6
The Group's share of revenue and profit of associates is as follows:		
Revenue	**3.3**	5.4
(Loss)/profit after taxation	**(0.1)**	0.6
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**0.1**	0.1
Current assets	**1.6**	3.0
Current liabilities	**(1.2)**	(2.5)
Net assets	**0.5**	0.6

The Group has not recognised the share of losses after taxation of an associate amounting to nil (2009: RM# million) and RM1.1 million (2009: RM1.1 million) in respect of the current and cumulative year respectively.

Amount less than RM0.1 million

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

31. AVAILABLE-FOR-SALE/OTHER INVESTMENTS

(a) Available-for-sale investments

The Group	Investment in Axiata Shares RM	Investment in Equity Securities Quoted RM	Investment in Equity Securities Unquoted RM	Investment in Fixed Income Securities RM	Total RM
2010					
At 1 January	608.2	–	–	–	608.2
Reclassified from other investments	–	110.4	42.4	–	152.8
Reclassified from short term investments	–	–	–	224.5	224.5
Adjustment to restate at fair value on adoption of FRS 139 (note 51)					
– fair value reserve	–	–	99.4	–	99.4
– retained profits	–	–	–	1.1	1.1
Adjusted at 1 January	608.2	110.4	141.8	225.6	1,086.0
Additions	–	–	–	351.9	351.9
Fair value changes transferred to other comprehensive income	299.0	75.0	(27.2)	5.7	352.5
Disposal of Axiata shares attributed to lapsed options (sub-note (i) & note 5(a))	(416.7)	–	–	–	(416.7)
Disposal (sub-note (ii) & note 5(a))	(8.6)	–	–	–	(8.6)
	(425.3)	–	–	–	(425.3)
Other disposals	–	(185.4)	–	(227.0)	(412.4)
At 31 December	481.9	–	114.6	356.2	952.7
Current portion	481.9	–	–	356.2	838.1
Non-current portion	–	–	114.6	–	114.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	481.9	–	114.6	356.2	952.7
2009					
At 1 January	496.0	–	–	–	496.0
Subscription of Axiata rights	72.0	–	–	–	72.0
Fair value changes transferred to other comprehensive income	46.0	–	–	–	46.0
Disposal of Axiata shares attributed to lapsed options (sub-note (i))	(5.8)	–	–	–	(5.8)
At 31 December	608.2	–	–	–	608.2

(i) Disposal of Axiata shares attributed to lapsed options granted to the employees of the Group and Axiata Group under the Employees' Share Option Scheme (Special ESOS), as described in note 15 to the financial statements.

(ii) Disposal of Axiata shares pursuant to the exercise of options under the Special ESOS.

The maximum exposure to credit risk at the reporting date is the carrying value of the fixed income securities.

31. AVAILABLE-FOR-SALE/OTHER INVESTMENTS (CONTINUED)

(a) Available-for-sale investments (continued)

The Company	Investment in Equity Securities Quoted RM	Investment in Equity Securities Unquoted RM	Investment in Fixed Income Securities RM	Total RM
2010				
At 1 January	–	–	–	–
Reclassified from other investments	110.4	42.4	–	152.8
Reclassified from short term investments	–	–	224.5	224.5
Adjustment to restate at fair value on adoption of FRS 139 (note 51)				
– fair value reserve	–	99.4	–	99.4
– retained profits	–	–	1.1	1.1
Adjusted at 1 January	110.4	141.8	225.6	477.8
Additions	–	–	351.9	351.9
Fair value changes transferred to other comprehensive income	75.0	(27.2)	5.7	53.5
Other disposals	(185.4)	–	(227.0)	(412.4)
At 31 December	–	114.6	356.2	470.8
Current portion	–	–	356.2	356.2
Non-current portion	–	114.6	–	114.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	–	114.6	356.2	470.8

The currency exposure profile of available-for-sale investments is as follows:

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Ringgit Malaysia	841.7	608.2	359.8	–
US Dollar	60.6	–	60.6	–
Singapore Dollar	50.4	–	50.4	–
	952.7	608.2	470.8	–

The credit quality of investment in fixed income securities is as follows:

The Group and Company	2010 RM
AAA	120.1
AA	187.3
A	34.6
BBB (sub-note (a))	0.9
Malaysian Government Securities	13.3
	356.2

(a) The credit rating of the issuer was downgraded from AA to BBB subsequent to the Company's investment.

31. AVAILABLE-FOR-SALE/OTHER INVESTMENTS (CONTINUED)

(b) Other investments

The Group and Company	2009 RM
Investments in International Satellite Organisations, at cost	79.1
Allowance for diminution in value	(77.7)
	1.4
Investments in quoted equity securities, at cost	250.3
Allowance for diminution in value (sub-note (i))	(139.9)
	110.4
Investments in unquoted equity securities, at cost	41.0
Allowance for diminution in value	–
	41.0
TOTAL OTHER INVESTMENTS (net)	152.8
Market value of quoted investments	110.4

(i) In the last financial year, the Company has assessed the carrying value of its investment in quoted equity securities. Following the assessment, it was concluded that there was an increase in net recoverable amount and consequently the excess allowance for diminution in value was reversed in the last financial year.

Pursuant to the adoption of FRS 139 on 1 January 2010, other investments were reclassified as available-for-sale investments.

32. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES

(a) Available-for-sale receivables

The Group and Company	**2010 RM**
At 1 January	**–**
Reclassified from other non-current receivables	**56.8**
Adjustment to restate at fair value on adoption of FRS 139 (note 51)	
– fair value reserve	**1.0**
– retained profits	**(18.0)**
Adjusted at 1 January	**39.8**
Additions (including interest)	**3.0**
Repayments	**(4.0)**
Conversion to scholarship	**(5.2)**
Fair value changes transferred to other comprehensive income	**2.5**
At 31 December	**36.1**
Provision for impairment	**(21.2)**
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**14.9**

Movement in the provision for impairment is as follows:

At 1 January	**–**
Reclassified from other non-current receivables	**(3.5)**
Adjusted at 1 January	**(3.5)**
Provision for impairment during the financial year	**(17.7)**
At 31 December	**(21.2)**

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

As of 31 December 2010, all overdue amount has been impaired.

During the financial year, RM5.2 million (2009: RM12.0 million) was converted to scholarship and expensed off to the Income Statement under other operating costs.

The Company does not hold any collateral for security in respect of education loans.

32. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Staff loans at amortised cost				
– under Islamic principles	**41.3**	54.6	**41.3**	54.6
– under conventional principles	**5.5**	12.5	**5.2**	12.2
Total staff loans (sub-note (i))	**46.8**	67.1	**46.5**	66.8
Other non-current receivables				
– convertible education loans (sub-note (iii))	**–**	56.8	**–**	56.8
– other deposits	**43.8**	–	**43.8**	–
Provision for impairment of other non–current receivables	**–**	(3.5)	**–**	(3.5)
	90.6	120.4	**90.3**	120.1
Prepaid employee benefits	**5.3**	–	**5.3**	–
	95.9	120.4	**95.6**	120.1
Staff loans receivable within twelve months included under other receivables (note 34)	**(6.5)**	(11.5)	**(6.2)**	(11.2)
TOTAL OTHER NON-CURRENT RECEIVABLES	**89.4**	108.9	**89.4**	108.9

(i) 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:

- Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans – 3 years

In last financial year, pursuant to a Sale and Purchase Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly owned subsidiary of AmBank (M) Berhad (AmBank), the Company disposed its employees housing loans for a total cash consideration of RM398.6 million. In tandem with the sale transaction, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. This arrangement will see the outsourcing of the Company's mortgage servicing operations to AmBank.

During the financial year, the Company disposed additional RM21.4 million of its employees housing loan to AmMortgage One for a total cash consideration of RM19.3 million.

(ii) Credit risk arising from staff loan is mitigated by the enforcement of salary deduction as a mode of repayment. In addition, collaterals are obtained for the followings:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicle financed

(iii) Pursuant to the adoption of FRS 139 on 1 January 2010, convertible education loans were reclassified as available-for-sale receivables.

33. INVENTORIES

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Cables and wires	**27.3**	31.8	**27.3**	31.8
Network materials	**42.2**	50.0	**25.5**	28.5
Telecommunications equipment	**34.0**	10.9	**34.0**	10.9
Spares and others*	**18.6**	14.0	**17.0**	11.7
Land held for sale	**51.9**	3.9	**–**	–
TOTAL INVENTORIES	**174.0**	110.6	**103.8**	82.9

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

34. TRADE AND OTHER RECEIVABLES

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Receivables from telephone customers	**1,291.3**	1,301.9	**998.3**	1,004.6
Receivables from non-telephone customers	**1,653.0**	1,801.6	**1,029.7**	1,285.7
Receivables from subsidiaries	**–**	–	**216.5**	189.9
	2,944.3	3,103.5	**2,244.5**	2,480.2
Provision for impairment of trade receivables	**(1,139.9)**	(1,298.3)	**(689.2)**	(845.2)
	1,804.4	1,805.2	**1,555.3**	1,635.0
Accrued earnings	**291.6**	270.7	**267.2**	244.3
Advance rental billings	**(299.0)**	(294.9)	**(278.6)**	(296.1)
Total trade receivables (net)	**1,797.0**	1,781.0	**1,543.9**	1,583.2
Prepayments	**124.3**	115.5	**88.6**	81.9
Tax recoverable	**124.3**	185.0	**123.1**	182.4
Staff loans (note 32(b))	**6.5**	11.5	**6.2**	11.2
Other receivables from subsidiaries	**–**	–	**157.8**	27.9
Other receivables from associates	**1.1**	1.1	**1.1**	1.1
Other receivables	**341.6**	258.5	**321.7**	231.9
Provision for impairment of other receivables	**(65.5)**	(68.6)	**(57.0)**	(59.0)
Total other receivables (net)	**532.3**	503.0	**641.5**	477.4
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,329.3**	2,284.0	**2,185.4**	2,060.6

34. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision for impairment of trade and other receivables are as follows:

	2010	The Group RM	The Company RM
(a)	Trade receivables		
	At 1 January	1,298.3	845.2
	Provision for impairment during the financial year	40.7	36.3
	Receivables written off during the financial year as uncollectible	(197.0)	(192.3)
	Foreign exchange difference	(2.1)	–
	At 31 December	1,139.9	689.2
(b)	Other receivables		
	At 1 January	68.6	59.0
	Provision for impairment during the financial year	33.0	31.4
	Receivables written off during the financial year as uncollectible	(36.1)	(33.4)
	At 31 December	65.5	57.0

The creation and release of provision for impaired receivables has been included in 'other operating costs' in the Income Statement (note 7(b) to the financial statements). Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2010, trade receivables of RM918.9 million and RM910.1 million for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

		Past due but not impaired			
2010	**Not past due RM**	**1 to 3 months RM**	**4 to 6 months RM**	**> 6 months RM**	**Total RM**
The Group					
Collectively assessed	375.0	104.1	56.0	18.8	553.9
Individually assessed	510.5	344.5	262.0	133.5*	1,250.5
	885.5	448.6	318.0	152.3	1,804.4
The Company					
Collectively assessed	331.7	78.7	49.3	10.5	470.2
Individually assessed	269.7	287.6	192.4	118.9*	868.6
Amount due from subsidiaries	43.8	70.6	80.1	22.0	216.5
	645.2	436.9	321.8	151.4	1,555.3

* Includes renegotiated balances amounting to RM24.3 million which are under renegotiated terms and therefore has not been impaired. Renegotiated terms mainly refers to scheduled payment arrangements which extend beyond initial credit period.

34. TRADE AND OTHER RECEIVABLES (CONTINUED)

An analysis of trade receivables that are neither past due nor impaired is as follows:

2010	The Group RM	The Company RM
Global	**71.3**	**67.8**
Wholesale	**60.3**	**35.1**
Retail – Consumer	**186.4**	**182.7**
Retail – SME	**149.0**	**149.0**
Retail – Enterprise	**107.1**	**57.0**
Retail – Government	**262.3**	**109.8**
Amount due from subsidiaries	**–**	**43.8**
Others*	**49.1**	**–**
	885.5	**645.2**

*Others mainly comprise student debtors of a subsidiary

The table below represents the credit risk exposure as at 31 December 2009:

2009	The Group RM	The Company RM
Business	1,295.3	1,005.0
Residential	485.7	388.3
Subsidiaries	–	189.9
	1,781.0	1,583.2

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 38 to the financial statements) and bankers' guarantee obtained from customers amounting to RM11.4 million as at 31 December 2010. The Group and the Company consider the provision for impairment at reporting date to be adequate to cover the potential financial loss.

Trade receivables that are individually assessed for impairment are those under Global, Wholesale, Retail – Enterprise and Retail – Government lines of business.

Credit terms of trade receivables excluding accrued earnings and advance rental billing, range from 30 to 90 days (2009: 30 to 90 days).

The maximum exposure to credit risk at reporting date is the carrying value of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after provision for impairment is as follows:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	**1,770.6**	1,873.6	**1,577.8**	1,589.9
US Dollar	**534.8**	380.3	**594.4**	444.6
Special Drawing Rights	**7.5**	10.2	**7.5**	10.2
Other currencies	**16.4**	19.9	**5.7**	15.9
	2,329.3	2,284.0	**2,185.4**	2,060.6

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	The Group and Company	
	2010	2009
	RM	RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**21.5**	70.2
Quoted fixed income securities	**–**	224.5
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ SHORT TERM INVESTMENTS	**21.5**	294.7
Market value of quoted equity securities	**21.5**	70.2
Market value of quoted fixed income securities	**–**	224.5

Pursuant to the adoption of FRS 139 on 1 January 2010, the investment in quoted equity securities was classified as financial assets at fair value through profit or loss whereas the quoted fixed income securities were reclassified as available-for-sale investments (note 31(a) to the financial statements).

36. CASH AND BANK BALANCES

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Deposits with:				
Licensed banks	**1,719.2**	1,761.6	**1,656.8**	1,604.0
Licensed finance companies	**–**	5.7	**–**	–
Other financial institutions	**116.5**	83.0	**96.3**	29.9
Deposits under Islamic principles	**1,215.6**	1,212.0	**1,124.0**	1,137.1
Total deposits	**3,051.3**	3,062.3	**2,877.1**	2,771.0
Cash and bank balances	**423.8**	416.0	**200.6**	130.2
Cash and bank balances under Islamic principles	**13.4**	12.4	**–**	–
TOTAL CASH AND BANK BALANCES	**3,488.5**	3,490.7	**3,077.7**	2,901.2
Less:				
Deposits pledged	**(0.5)**	(0.5)	**–**	–
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**3,488.0**	3,490.2	**3,077.7**	2,901.2
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**3,379.8**	3,313.1	**3,037.1**	2,838.5
US Dollar	**99.6**	153.6	**40.6**	62.7
Other currencies	**9.1**	24.0	**–**	–
	3,488.5	3,490.7	**3,077.7**	2,901.2

36. CASH AND BANK BALANCES (CONTINUED)

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

2010	The Group RM	The Company RM
AAA	**1,294.4**	**987.9**
AA	**1,243.8**	**1,162.6**
A	**832.4**	**821.4**
NR (sub-note (a))	**117.9**	**105.8**
	3,488.5	**3,077.7**

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

Deposits have maturities range from overnight to 90 days (2009: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2010 is 3.22% (2009: 2.38%) and 3.22% (2009: 2.34%) for the Group and the Company respectively.

37. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	**2,403.2**	2,020.7	**2,171.3**	1,765.6
Payable for Universal Service Provision	**419.0**	195.7	**392.5**	182.5
Deferred revenue	**98.1**	70.4	**35.8**	34.9
Finance cost payable	**51.5**	58.4	**51.4**	58.3
Duties and other taxes payable	**15.0**	(8.3)	**12.0**	(15.3)
Deposits and trust monies	**62.7**	59.2	**36.7**	36.9
Payables to subsidiaries	**–**	–	**620.2**	490.1
Other payables	**589.7**	538.5	**405.5**	373.9
TOTAL TRADE AND OTHER PAYABLES	**3,639.2**	2,934.6	**3,725.4**	2,926.9

The currency exposure profile of trade and other payables is as follows:

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Ringgit Malaysia	**3,191.0**	2,487.1	**3,299.3**	2,498.1
US Dollar	**435.7**	432.6	**419.1**	420.1
Special Drawing Rights	**4.0**	3.4	**4.0**	3.4
Other currencies	**8.5**	11.5	**3.0**	5.3
	3,639.2	2,934.6	**3,725.4**	2,926.9

Credit terms of trade and other payables vary from 30 to 90 days (2009: from 30 to 90 days) depending on the terms of the contracts.

38. CUSTOMER DEPOSITS

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Telephone services	**559.3**	554.7	**559.2**	554.6
Data services	**21.2**	21.0	**20.9**	20.9
TOTAL CUSTOMER DEPOSITS	**580.5**	575.7	**580.1**	575.5

Telephone customer deposits are subject to rebate at 2.5% effective 1 April 2010 (2009: 5.0%) per annum in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

39. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Receipts from customers	**8,600.1**	8,808.5	**7,786.6**	7,814.0
Payments to suppliers and employees	**(5,226.6)**	(5,400.7)	**(4,793.1)**	(4,919.2)
Payment of finance cost	**(372.1)**	(393.5)	**(372.1)**	(425.2)
(Payment)/refund of income taxes (net)	**(23.6)**	41.7	**41.9**	117.8
Payment of zakat	**(4.4)**	–	**(4.0)**	–
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**2,973.4**	3,056.0	**2,659.3**	2,587.4

40. CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Contribution for purchase of property, plant and equipment	**597.0**	810.2	**597.0**	810.2
Disposal of property, plant and equipment	**37.3**	19.0	**53.4**	18.6
Purchase of property, plant and equipment	**(2,864.3)**	(2,516.2)	**(2,660.1)**	(2,339.2)
Repayment from Axiata Group Berhad (Axiata)	**–**	4,025.0	**–**	4,025.0
Disposal of Axiata's rights	**–**	66.0	**–**	–
Subscription of Axiata's rights	**–**	(72.0)	**–**	–
Disposal of other investments	**–**	0.1	**–**	0.1
Disposal of available-for-sale investments/short term investments	**925.2**	130.3	**479.2**	124.5
Purchase of available-for-sale investments/short term investments	**(351.9)**	(140.0)	**(351.9)**	(140.0)
Disposal of financial assets at fair value through profit or loss/ short term investments	**75.8**	95.1	**75.8**	95.1
Purchase of financial assets at fair value through profit or loss/ short term investments	**(20.0)**	(58.4)	**(20.0)**	(58.4)
Acquisition of remaining interest in a subsidiary*	**–**	(412.3)	**–**	(312.0)
Repayments of capital contribution from subsidiaries	**–**	–	**447.9**	48.9
Repayments from subsidiaries – loans and advances	**–**	–	**30.6**	119.3
– other receivables	**–**	–	**63.4**	–
Advances to subsidiaries	**–**	–	**(54.9)**	(82.7)
Payments to subsidiaries	**–**	–	**(231.0)**	(84.5)
Advances from subsidiaries	**–**	–	**301.3**	93.1
Repayments of loans by employees	**32.5**	50.7	**32.5**	50.6
Loans to employees	**(23.1)**	(30.7)	**(23.1)**	(30.7)
Disposal of housing loan	**19.3**	398.6	**19.3**	398.6
Interest received	**115.0**	167.5	**106.3**	158.2
Dividend received	**10.3**	13.5	**135.4**	202.3
TOTAL CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(1,446.9)**	2,546.4	**(998.9)**	3,097.0

* Cash consideration for the acquisition of VADS Berhad (VADS) as explained in note 5(c) to the financial statements was funded by the Company and VADS.

41. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Issue of share capital	**50.7**	229.5	**50.7**	229.5
Redemption of Redeemable Preference Shares (note 14(c))	**–**	(3,462.7)	**–**	(3,505.8)
Proceeds from termination of swaps	**–**	41.2	**–**	41.2
Proceeds from borrowings	**–**	180.0	**–**	150.0
Repayments of borrowings	**(857.7)**	(449.2)	**(839.5)**	(404.9)
Repayments of finance lease	**(3.2)**	(3.0)	**(3.2)**	(3.0)
Dividends paid to shareholders	**(693.8)**	(731.3)	**(697.6)**	(740.0)
Dividends paid to minority interests	**(30.2)**	(10.4)	**–**	–
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(1,534.2)**	(4,205.9)	**(1,489.6)**	(4,233.0)

42. SIGNIFICANT NON-CASH TRANSACTIONS

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

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**–**	–	**30.9**	63.5
(b) Contra settlements with a customer cum supplier between trade receivables and trade payables	**16.4**	–	**16.4**	–
(c) Consideration for transfer of equity interest in Fibrecomm Network (M) Sdn Bhd from Telekom Enterprise Sdn Bhd to the Company (note 52(a)), contra with loans and advances to subsidiaries	**–**	–	**33.0**	–

43. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries namely the following:

Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

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 33.93% (2009: 41.78%) equity interest and is a related party of the Company.

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

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

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties:

		The Company	
		2010	2009
		RM	RM
(a)	**Sales of goods and rendering of services to subsidiaries:**		
	– telecommunications related services	**296.9**	275.2
	– lease/rental of buildings and vehicles	**17.4**	13.8
	– other income*	**15.1**	14.4
	– impairment for loans and advances to a subsidiary	**–**	4.3
(b)	**Dividend and interest income from subsidiaries**	**179.9**	167.3
(c)	**Purchases of goods and services from subsidiaries:**		
	– telecommunications related services	**652.5**	554.1
	– lease/rental of buildings	**7.8**	30.5
	– maintenance of vehicles and buildings	**48.1**	85.6
	– other expenses	**109.6**	102.6
(d)	**Finance cost paid/payable to a subsidiary**	**139.8**	192.7

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

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties: (continued)

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
(e) Key management compensation @				
– short term employee benefits				
– fees	**1.3**	1.2	**1.1**	1.1
– salaries, allowances and bonus	**7.7**	6.5	**7.7**	6.5
– contribution to Employees Provident Fund (EPF)	**1.0**	0.9	**1.0**	0.9
– gratuity	**#**	0.1	**#**	0.1
– other staff benefits	**0.4**	0.4	**0.4**	0.4
– estimated money value of benefits	**1.1**	0.6	**1.1**	0.6
– ESOS costs	**0.2**	1.2	**0.2**	1.2

@ Included in key management compensation is the Directors' remuneration (whether executive or otherwise) as disclosed in note 7(b) to the financial statements.

Amount less than RM0.1 million

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.5 million (2009: RM0.5 million).

	The Company 2010 RM	The Company 2009 RM
(f) Year end balances arising from:		
(i) Sales/purchases of goods/services		
– receivables from subsidiaries	**374.3**	217.8
– payables to subsidiaries	**419.0**	360.2
(ii) Other payables		
– subsidiaries	**201.2**	129.9

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

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 2.25% to 3.11%.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties: (continued)

	The Company 2010 RM	The Company 2009 RM
(g) Loans and advances extended to related parties		
(i) Loans and advances to subsidiaries		
At 1 January	**425.6**	462.7
Cash advanced	**–**	82.7
Repayments (note 40)	**(30.6)**	(119.3)
Consideration for transfer of equity interest of a subsidiary (note 42(c))	**(33.0)**	–
Interest charged (note 8)	**13.0**	4.2
Reclassified as other receivables	**(138.6)**	–
Impairment	**–**	(4.3)
Foreign exchange differences	**0.3**	(0.4)
At 31 December (note 29)	**236.7**	425.6

	The Group and Company 2010 RM	The Group and Company 2009 RM
(ii) Loans to key management personnel of the Company		
At 1 January	**–**	0.1
Repayments received	**–**	#
Interest charged	**–**	#
Interest received	**–**	#
Disposal of staff loans (note 32(b))	**–**	(0.1)
At 31 December	**–**	–

\# Amount less than RM0.1 million

44. CAPITAL AND OTHER COMMITMENTS

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
(a) Property, plant and equipment (sub-note (i))				
Commitments in respect of expenditure approved and contracted for	**4,499.5**	5,325.6	**4,414.0**	5,247.5
Commitments in respect of expenditure approved but not contracted for	**4,752.4**	6,779.5	**4,722.7**	6,761.8

(i) Includes expenditure in relation to High Speed Broadband project.

44. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll out will be covering 1.3 million premises by 2012.

Under the above arrangement, the Company shall claim from GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred related to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

	The Group and Company	
	2010 RM	2009 RM
(c) Donation to Yayasan Telekom		
Amount approved and committed	**33.1**	36.3

	The Group and Company	
	Future minimum lease payments 2010 RM	Future minimum lease payments 2009 RM
(d) Non-cancellable operating lease commitments		
Not later than one year	**65.4**	65.4
Later than one year and not later than five years	**291.0**	281.2
Later than five years	**582.8**	658.0
	939.2	1,004.6

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

45. SEGMENT REPORTING

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

  In the first quarter 2009, Retail Business has been further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers need. The presentation for the Retail Business segment for the first quarter 2009 was not segregated into the four specific segments as the establishment of these new segments within Retail Business was only effective in April 2009 and the level of estimation and extrapolation required to segregate the comparatives would not have provided sufficiently objective and reliable information.
- Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of telecommunications services delivered over the Group's networks to other licensed network operators namely Network Facilities Providers (NFP), Network Service Providers (NSP) and Application Service Providers (ASP).
- Global Business is responsible for the provision of inbound and outbound services for a wide range of telecommunications services including the fixed network operations of the Group's overseas subsidiaries.
- Shared Services/Others include all shared services divisions, all business functions division such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Segment results represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment 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 available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

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

Segment capital expenditure comprises additions to property, plant and equipment, intangibles, including additions resulting from acquisition of subsidiaries as disclosed in note 27 to the financial statements.

Significant non-cash expenses comprise mainly provision for impairment and unrealised foreign exchange gains or losses on settlement as disclosed in note 7(b) to the financial statements.

45. SEGMENT REPORTING (CONTINUED)

	Retail Business Consumer RM	Retail Business SME RM	Retail Business Enterprise RM	Retail Business Government RM	Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2010									
Operating revenue									
Total operating revenue	2,291.8	1,772.2	1,758.9	1,316.8	7,139.7	1,096.8	1,145.8	4,253.5	13,635.8
Inter-segment[@]	(28.0)	–	(328.2)	(0.3)	(356.5)	(341.4)	(231.0)	(3,915.9)	(4,844.8)
External operating revenue	2,263.8	1,772.2	1,430.7	1,316.5	6,783.2	755.4	914.8	337.6	8,791.0
Results									
Segment results	(36.3)	249.3	316.6	333.5	863.1	212.4	221.4	(150.4)	1,146.5
Unallocated income/other gains									408.2
Unallocated costs									(252.9)
Operating profit before finance cost									1,301.8
Finance income									120.0
Finance cost									(365.2)
Foreign exchange gain on borrowings									303.7
Associates – share of results (net of tax)									(0.1)
Profit before taxation and zakat									1,360.2
Taxation and zakat									(115.2)
Profit for the financial year									1,245.0
At 31 December 2010									
Segment assets	502.2	213.5	901.2	864.9	2,481.8	667.8	596.1	12,506.5	16,252.2
Associates									0.5
Unallocated assets									4,527.3
Total assets									20,780.0
Segment liabilities	331.4	304.4	274.3	351.3	1,261.4	219.9	271.4	3,847.6	5,600.3
Borrowings									5,532.0
Unallocated liabilities									1,787.5
Total liabilities									12,919.8

45. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail	Wholesale	Global	Shared Services/	
	Consumer RM	SME RM	Enterprise RM	Government RM	Business RM	Business RM	Business RM	Others RM	Total RM
Financial year ended 31 December 2010									
Other information									
Capital expenditure – additions during the financial year	2.9	1.1	53.2	144.9	202.1	49.2	128.2	2,353.6	2,733.1
Depreciation and amortisation	3.4	0.4	34.8	66.5	105.1	51.9	8.8	1,758.2	1,924.0
Write off of property, plant and equipment	0.1	–	0.8	–	0.9	–	–	70.2	71.1
Impairment of property, plant and equipment	0.3	–	–	–	0.3	–	0.4	–	0.7
Significant non-cash expenses	27.5	60.7	(8.1)	(27.3)	52.8	4.7	(33.7)	35.0	58.8
Financial year ended 31 December 2009									
Operating revenue									
Total operating revenue									
– January to March	*	*	*	*	1,628.0	288.2	277.0	1,095.9	3,289.1
– April to December	1,756.2	1,318.2	1,309.7	900.0	5,284.1	878.5	855.3	3,202.2	10,220.1
					6,912.1	1,166.7	1,132.3	4,298.1	13,509.2
Inter-segment[@]	(14.0)	–	(238.3)	–	(252.3)	(380.7)	(247.6)	(4,020.6)	(4,901.2)
External operating revenue					6,659.8	786.0	884.7	277.5	8,608.0

45. SEGMENT REPORTING (CONTINUED)

	Retail Business								
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2009									
Results									
Segment results									
– January to March	*	*	*	*	240.6	40.8	70.2	(10.2)	341.4
– April to December	49.0	289.7	184.4	120.1	643.2	148.4	123.9	(26.8)	888.7
					883.8	189.2	194.1	(37.0)	1,230.1
Unallocated income/other gains									145.7
Unallocated costs									(311.2)
Operating profit before finance cost									1,064.6
Finance income									172.2
Finance cost									(356.3)
Foreign exchange gain on borrowings									40.5
Associates									
– share of results (net of tax)									0.6
Profit before taxation and zakat									921.6
Taxation and zakat									(248.3)
Profit for the financial year									673.3
At 31 December 2009									
Segment assets	506.2	236.3	877.9	536.9	2,157.3	716.3	410.5	12,308.3	15,592.4
Associates									0.6
Unallocated assets									4,349.5
Total assets									19,942.5
Segment liabilities	250.2	278.4	250.2	292.1	1,070.9	224.3	236.3	2,906.3	4,437.8
Borrowings									6,713.5
Unallocated liabilities									1,661.2
Total liabilities									12,812.5

45. SEGMENT REPORTING (CONTINUED)

	Retail Business Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2009									
Other information									
Capital expenditure									
– additions during the financial year	9.8	0.5	360.5	96.9	467.7	47.3	22.8	2,381.5	2,919.3
Depreciation and amortisation									
– January to March	*	*	*	*	21.0	14.3	3.5	478.6	517.4
– April to December	10.6	4.0	36.1	63.3	114.0	39.9	6.1	1,323.3	1,483.3
Write off of property, plant and equipment									
– January to March	*	*	*	*	0.2	#	–	2.4	2.6
– April to December	#	#	#	0.2	0.2	#	–	35.9	36.1
Impairment of property, plant and equipment	–	–	–	–	–	–	–	0.1	0.1
Significant non-cash expenses									
– January to March	*	*	*	*	33.3	0.4	(3.0)	(0.7)	30.0
– April to December	38.1	(51.7)	58.1	40.7	85.2	13.0	11.5	11.7	121.4

@ 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 transactions were entered into in the normal course of business and at prices available to third parties or at negotiated terms. These inter-segment trading arrangements are subject to periodic review.

* Not applicable

\# Amount less than RM0.1 million

45. SEGMENT REPORTING (CONTINUED)

By Geographical Location

The Group operates in a few countries as disclosed in note 52 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 the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Malaysia	**7,876.2**	7,723.3	**15,642.6**	14,960.3	**2,700.7**	2,768.4
Other countries	**914.8**	884.7	**610.1**	632.7	**32.4**	150.9
Unallocated assets	**–**	–	**4,527.3**	4,349.5	**–**	–
	8,791.0	8,608.0	**20,780.0**	19,942.5	**2,733.1**	2,919.3

46. CONTINGENT LIABILITIES (UNSECURED)

(a) Acres & Hectares Sdn Bhd (AHSB) had instituted legal proceeding against the Company by way of a Writ of Summons dated 22 April 2005 and Statement of Claim dated 7 April 2005 in the Kuala Lumpur High Court.

In the said Statement of Claim, AHSB claimed that the Company was indebted to AHSB in the sum of RM2.9 million being alleged fees incurred for consultancy works rendered to TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Company in relation to the management and development of the Company's land (the Project). Further, AHSB claimed for damages in the sum of RM26.9 million for alleged losses suffered by AHSB due to the Company's failure to proceed with the Project.

On 15 June 2005, the Company filed its statement of defence disputing the appointment of AHSB as the Company's consultant in relation to the Project and put AHSB to strict proof thereof. In addition, the Company contended that the works undertaken by AHSB were merely preliminary reports forming part of the requirements to be fulfilled by AHSB prior to the selection of a consultant for the Project by the Board of Directors of TMF.

On 16 September 2009, the High Court dismissed AHSB's claim against the Company. AHSB's application to set aside the Court Order has been disallowed by the court on 8 April 2010. AHSB had not filed any appeal against the abovesaid decision within the period allowed under the law.

Based on legal advice, the Directors are of the view that the legal suit against the Company has effectively ended.

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(b) On 29 June 2006, the Company and Telekom Enterprise Sdn Bhd (TESB), the Company's wholly owned subsidiary, were served with a defence and counterclaim by Tan Sri Dato' Tajudin Ramli (TSDTR) in connection with proceedings initiated against him by Pengurusan Danaharta Nasional Berhad (Danaharta) and 2 others. 22 other defendants were also joined in these proceedings via the counterclaim.

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

(i) the sum of RM6.2 billion;

(ii) general damages to be assessed;

(iii) aggravated and exemplary damages to be assessed;

(iv) damages for conspiracy to be assessed;

(v) an Account of all sums paid under the Facility Agreement and/or to Danaharta by TSDTR including all such sums received by Danaharta including as a result of the sale of the TRI (now Celcom) 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.

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;

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(b) (vi) an order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta hereby declared as null and void and set aside;

(vii) all necessary and fit orders and directions as may be required to give full effect to the aforesaid declarations and orders;

(viii) damages to be assessed;

(ix) aggravated and exemplary damages to be assessed;

(x) interest at the rate of 8.0% per annum on all sums adjudged to be paid by the respective defendants to the counterclaim to TSDTR from the date such loss and damage was incurred to the date of full payment;

(xi) costs.

In July 2006, the Company's appointed solicitors filed applications on behalf of the Company and TESB respectively to strike out the counterclaim. The application was dismissed by the Senior Assistant Registrar of the High Court on 28 August 2007 with costs. The Company and TESB filed an appeal against the dismissal to the High Court Judge and the appeal was allowed on 12 November 2009. On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against the decision of the High Court Judge. The Court of Appeal has yet to fix a hearing date for TSDTR's appeal as above stated.

TSDTR has also applied to re-amend the counterclaim to include 14 additional defendants, 8 of whom are present or former directors/officers of the Company and TESB. On 20 October 2008, the Senior Assistant Registrar of the High Court has allowed TSDTR's application to re-amend the counterclaim. The Company and TESB filed an appeal against the decision to the High Court Judge and the appeal was allowed on 12 November 2009.

On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against both the decisions of the High Court Judge dated 12 November 2009. The above stated appeals have been fixed for Case Management on 25 March 2011.

Based on legal advice received, the Directors are of the view that the Company and TESB have a good defence to TSDTR's counterclaim.

(c) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(c) (iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

(v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit. The striking out application is now fixed for mentioned on 24 March 2011.

Based on legal advice received, the Directors are of the view that the Company and TESB have a good chance of success in defending the legal suit.

(d) On 29 July 2008, the Company and TESB have, through their solicitors, been served with a copy of the Writ and Statement of Claim dated 10 July 2008 (the Suit) by Celcom.

The Suit is a statutory derivative action brought in the name of Celcom, pursuant to Section 181A (1) of the Companies Act, 1965. By a Court Order dated 9 July 2008, leave was granted to Mohd Shuaib Ishak (MSI), a former shareholder of Celcom, to bring the Suit on behalf of Celcom. The Suit arises from the Amended and Restated Supplemental Agreement dated 4 April 2002 entered into between among others Celcom and DeTeAsia Holding GmbH (DeTeAsia), the acquisition of Celcom shares by TESB, the consequent Mandatory General Offer exercise implemented by the Company and the demerger exercise of the mobile and fixed line businesses of the Group.

In the Suit, Celcom seeks from the defendants; the Company, TESB and 19 others, including the former and existing directors of the Company, Celcom and TESB, jointly and severally, the following principal reliefs:

(i) the sum of USD233.0 million, being the amount paid by Celcom to DeTeAsia under the International Arbitration Award dated 2 August 2005;

(ii) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 (SPA) between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all other matters undertaken thereunder including but not limited to the issuance of shares by Celcom is illegal and void and of no effect;

(iii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of Mandatory Offer dated 3 April 2003 issued by CIMB is illegal and void and of no effect;

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(d) (iv) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court thinks fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003 and the repayment of all dividends and distributions made by Celcom after the completion of the SPA;

(v) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals set out in the Announcements by the Board of Directors of the Company to Bursa Malaysia Bhd dated 28 September 2007 relating to the proposed demerger of the mobile and fixed line businesses of the Group or in the event that any such proposals have been completed that the Company by itself, its servants and agents take all such steps as shall be required to rescind such completed proposals;

(vi) general damages to be assessed;

(vii) damages for conspiracy to be assessed;

(viii) damages for fraud to be assessed;

(ix) damages for fraudulent misrepresentation and/or negligence to be assessed;

(x) damages for the breach of statutory duty to be assessed;

(xi) aggravated damages and exemplary damages to be assessed;

(xii) punitive damages;

(xiii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations and Orders and/or as the Court thinks fit;

(xiv) interest;

(xv) costs;

(xvi) such further and/or other relief as the Court thinks fit and just to grant in the circumstances.

On 19 September 2008, the High Court has granted a stay of all proceedings in the Suit pending the disposal of Celcom's appeal to the Court of Appeal against the High Court's decision in granting leave to MSI to commence the statutory derivative action in the name of Celcom. On 27 March 2009, Celcom's appeal to the Court of Appeal was allowed. MSI subsequently filed an application for leave to appeal to the Federal Court against the Court of Appeal's decision. On 10 August 2010, the Federal Court heard and dismissed MSI's application for leave to appeal.

Based on legal advice, the Directors are of the view that the suit against the Company, TESB and 19 others has effectively been brought to an end.

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(e) On 11 August 2009, the Company and its wholly owned subsidiary, TM Net Sdn Bhd (TM Net) were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd (NGSB) in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

On 10 December 2009, the Company and TM Net filed an application to strike out NGSB's claim. The striking out application was dismissed by the High Court on 9 August 2010. On 3 September 2010, the Company and TM Net filed an appeal to the Court of Appeal against the abovestated decision of the High Court. On 11 January 2011, the Court of Appeal has dismissed the Company and TM Net's appeal.

On 12 January 2011, the High Court allowed NGSB's application to re-amend its Amended Statement of Claim. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

The reliefs sought by NGSB against the Company and TM Net in the Re–amended Claim are as follows:

(a) a declaration that:

(i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);

(ii) the Company breached the Agreement;

(iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.

(b) an order that the Company and TM Net pay NGSB the following special damages:

(i) RM150,000 for the services of Fiberail Sdn Bhd;

(ii) RM300,000 for the services of "MYLOCA" and/or the rental space of TM Net;

(iii) RM1.0 million for the cost of the tests conducted;

(iv) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;

(v) RM3.0 million for license fees for the use of software;

(vi) RM3.0 million for license fees for the use of content;

(vii) RM500,000 for legal fees;

(viii) RM4.0 million for overheads;

(ix) loan of RM7.0 million from Eurofine Sdn Bhd.

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(e) (c) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;

(d) an order that the Company and TM Net pay general damages;

(e) an order that the general damages be assessed by the court;

(f) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;

(g) cost;

(h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd. The legal suit is now fixed for Case Management on 30 March 2011.

Based on legal advice, the Directors are of the view that the Company has a good defence to NGSB's claim.

(f) On 3 January 2011, the Company was served with a Judgment in Default by AINB Tech (M) Sdn Bhd (AINB) dated 2 December 2010 and based on the Judgment, AINB has been awarded the following reliefs by the High Court:

(i) RM25.0 million being AINB's expenses incurred for the purpose of a project known as "Supply, Delivery, Installation, Testing, Commissioning and Support of One Number Service" entered into between both parties (the Project);

(ii) general damages to be assessed by the Court;

(iii) interest at the rate of 5% per annum calculated from the date of the Judgment until the date of the full settlement;

(iv) legal costs of RM225; and

(v) other relief as deemed fit by the Court.

On 14 January 2011, the Company filed an application in Court to set aside the Judgment in Default. On 21 January 2011, the Court allowed the Company's application for a stay of all execution proceedings against the Company in respect of the Judgment in Default pending the final disposal of the Company's application to set aside the Judgment in Default.

On 23 February 2011, the Court allowed the Company's application to set aside the Judgment in Default with cost. The legal suit is now fixed for case management on 16 March 2011.

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

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(g) On 24 February 2011, the Company's solicitors was served with a Writ of Summons and Statement of Claim dated 26 November 2010 from the solicitors for Acres & Hectares Sdn Bhd (AHSB). Based on the Statement of Claim, AHSB is seeking from the Company the following reliefs:

(i) judgment in the sum of RM3.0 million;

(ii) damages of RM26.9 million;

(iii) interest at the rate of 8% per annum on the judgment sum and damages calculated from the date of the notice of demand until full settlement;

(iv) cost; and

(v) further or other reliefs that the Court deems fit.

In the said Statement of Claim, AHSB claims that the Company is indebted to AHSB in the sum of RM3.0 million being alleged fees for consultancy works rendered to the Company in relation to the management and development of the Company's landed properties at different locations in Malaysia (the Project). In addition, AHSB also claims damages in the sum of RM26.9 million for alleged losses suffered by AHSB due to the Company's failure to proceed with the Project.

Based on legal advice, the Directors are of the view that the Company has a good defence to AHSB's claim.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

47. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk after taking into account the effects of interest rate swaps. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates except for borrowings with floating interest rates which are repriced within 1 year or less and have been shown to reflect the maturity dates. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2010										
Financial assets										
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	596.5	596.5
– fixed interest rate	4.60%	356.2	–	–	–	–	–	356.2	–	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	–	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits)										
– floating interest rate	2.50%	43.8	–	–	–	–	–	43.8	–	43.8
– fixed interest rate										
– conventional	7.98%	0.5	0.8	0.1	2.3	0.9	0.9	5.5	–	5.5
– balances under Islamic principles	6.17%	0.7	2.2	2.8	3.4	3.0	29.2	41.3	–	41.3
Derivative financial instruments	–	3.6	–	–	–	–	–	3.6	–	3.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,074.2	2,074.2
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	21.5	21.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	437.2	437.2
– fixed interest rate										
– conventional	3.24%	1,835.7	–	–	–	–	–	1,835.7	–	1,835.7
– balances under Islamic principles	3.18%	1,215.6	–	–	–	–	–	1,215.6	–	1,215.6
Total		3,456.2	3.3	3.4	6.6	5.3	41.8	3,516.6	3,129.4	6,646.0

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	WARF*	1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	Maturing or repriced (whichever is earlier)									
2010										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.9	3.9
– fixed interest rate										
– conventional	6.18%	22.5	88.3	–	1,434.0	–	1,059.9	2,604.7	–	2,604.7
– balances under Islamic principles	5.57%	(1.6)	–	2,000.0	–	–	925.0	2,923.4	–	2,923.4
Derivative financial instruments	–	5.2	–	–	–	–	–	5.2	22.8	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	3,107.1	3,107.1
Customer deposits	–	–	–	–	–	–	–	–	580.5	580.5
Total		**26.1**	**88.3**	**2,000.0**	**1,434.0**	**–**	**1,984.9**	**5,533.3**	**3,714.3**	**9,247.6**
Interest sensitivity gap		**3,430.1**	**(85.0)**	**(1,996.6)**	**(1,427.4)**	**5.3**	**(1,943.1)**			

The Group	WARF*	1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	Maturing or repriced (whichever is earlier)									
2009										
Financial assets										
Available-for-sale investments	–	–	–	–	–	–	–	–	608.2	608.2
Other investments	–	–	–	–	–	–	–	–	152.8	152.8
Staff loans and other non-current receivables										
– non-interest sensitive	–	–	–	–	–	–	–	–	53.6	53.6
– fixed interest rate										
– conventional	4.00%	0.4	1.0	2.3	2.9	2.8	2.8	12.2	–	12.2
– balances under Islamic principles	4.00%	1.0	2.8	4.5	4.8	5.1	36.4	54.6	–	54.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,972.0	1,972.0
Short term investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	70.2	70.2
– fixed interest rate	4.93%	224.5	–	–	–	–	–	224.5	–	224.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	428.4	428.4
– fixed interest rate										
– conventional	2.35%	1,850.3	–	–	–	–	–	1,850.3	–	1,850.3
– balances under Islamic principles	2.44%	1,212.0	–	–	–	–	–	1,212.0	–	1,212.0
Total		3,288.2	3.8	6.8	7.7	7.9	39.2	3,353.6	3,285.2	6,638.8

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2009										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	6.3	6.3
– floating interest rate										
– balances under Islamic principles	4.77%	–	–	–	1,500.0	–	500.0	2,000.0	–	2,000.0
– fixed interest rate										
– conventional	6.60%	908.1	22.6	5.4	2.8	1,636.6	1,206.7	3,782.2	–	3,782.2
– balances under Islamic principles	5.28%	–	–	–	500.0	–	425.0	925.0	–	925.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	2,676.8	2,676.8
Customer deposits	–	–	–	–	–	–	–	–	575.7	575.7
Total		908.1	22.6	5.4	2,002.8	1,636.6	2,131.7	6,707.2	3,258.8	9,966.0
Interest sensitivity gap		2,380.1	(18.8)	1.4	(1,995.1)	(1,628.7)	(2,092.5)			

* WARF – Weighted Average Rate of Finance as at 31 December

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Group	2010 USD	2010 RM	2009 USD	2009 RM
Financial assets				
Available-for-sale investments (sub-note (a))	**–**	**4.60%**	–	–
Available-for-sale receivables (sub-note (a))	**–**	**7.52%**	–	–
Staff loans	**–**	**6.37%**	–	4.00%
Short term investments	**–**	**–**	–	4.93%
Cash and bank balances	**–**	**2.90%**	0.26%	2.41%
Financial liabilities				
Borrowings	**6.28%**	**5.54%**	6.72%	4.94%

(a) The WARF as at 31 December 2009 was based on contractual rate. With the adoption of FRS 139 on 1 January 2010, the WARF is the effective interest rate applicable to the respective financial instruments as at the reporting date.

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2010										
Financial assets										
Loans and advances to subsidiaries (net)										
– floating interest rate	4.16%	–	–	–	52.5	–	–	52.5	–	52.5
– fixed interest rate	5.35%	–	–	–	–	–	184.2	184.2	–	184.2
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	114.6	114.6
– fixed interest rate	4.60%	356.2	–	–	–	–	–	356.2	–	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	–	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits)										
– floating interest rate	2.50%	43.8	–	–	–	–	–	43.8	–	43.8
– fixed interest rate										
– conventional	7.98%	0.2	0.8	0.1	2.3	0.9	0.9	5.2	–	5.2
– balances under Islamic principles	6.17%	0.7	2.2	2.8	3.4	3.0	29.2	41.3	–	41.3
Derivative financial instruments	–	3.6	–	–	–	–	–	3.6	–	3.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,967.5	1,967.5
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	21.5	21.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	200.6	200.6
– fixed interest rate										
– conventional	3.24%	1,753.1	–	–	–	–	–	1,753.1	–	1,753.1
– balances under Islamic principles	3.19%	1,124.0	–	–	–	–	–	1,124.0	–	1,124.0
Total		3,281.7	3.3	3.4	59.1	5.3	226.0	3,578.8	2,304.2	5,883.0
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.9	3.9
– fixed interest rate										
– conventional	7.34%	1.1	85.3	–	–	–	1,059.9	1,146.3	–	1,146.3
– balances under Islamic principles	5.57%	(1.6)	–	2,000.0	–	–	925.0	2,923.4	–	2,923.4
Payable to a subsidiary										
– fixed interest rate	5.25%	–	–	–	1,434.0	–	–	1,434.0	–	1,434.0
Derivative financial instruments	–	5.2	–	–	–	–	–	5.2	22.8	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	3,285.1	3,285.1
Customer deposits	–	–	–	–	–	–	–	–	580.1	580.1
Total		4.7	85.3	2,000.0	1,434.0	–	1,984.9	5,508.9	3,891.9	9,400.8
Interest sensitivity gap		3,277.0	(82.0)	(1,996.6)	(1,374.9)	5.3	(1,758.9)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

		Maturing or repriced (whichever is earlier)								
The Company	**WARF***	**1 year or less RM**	**>1 – 2 years RM**	**>2 – 3 years RM**	**>3 – 4 years RM**	**>4 – 5 years RM**	**More than 5 years RM**	**Total interest sensitive RM**	**Non-interest sensitive RM**	**Total RM**
2009										
Financial assets										
Loans and advances to subsidiaries (net)										
– non-interest sensitive	–	–	–	–	–	–	–	–	150.7	150.7
– fixed interest rate	4.80%	7.7	–	–	5.0	65.5	196.7	274.9	–	274.9
Other investments	–	–	–	–	–	–	–	–	152.8	152.8
Staff loans and other non-current receivables										
– non-interest sensitive	–	–	–	–	–	–	–	–	53.3	53.3
– fixed interest rate										
– conventional	4.00%	0.4	1.0	2.3	2.9	2.8	2.8	12.2	–	12.2
– balances under Islamic principles	4.00%	1.0	2.8	4.5	4.8	5.1	36.4	54.6	–	54.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,785.1	1,785.1
Short term investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	70.2	70.2
– fixed interest rate	4.93%	224.5	–	–	–	–	–	224.5	–	224.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	130.2	130.2
– fixed interest rate										
– conventional	2.32%	1,633.9	–	–	–	–	–	1,633.9	–	1,633.9
– balances under Islamic principles	2.37%	1,137.1	–	–	–	–	–	1,137.1	–	1,137.1
Total		3,004.6	3.8	6.8	12.7	73.4	235.9	3,337.2	2,342.3	5,679.5
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	4.2	4.2
– floating interest rate										
– balances under Islamic principles	4.77%	–	–	–	1,500.0	–	500.0	2,000.0	–	2,000.0
– fixed interest rate										
– conventional	7.64%	891.2	1.2	2.4	2.8	42.4	1,206.7	2,146.7	–	2,146.7
– balances under Islamic principles	5.28%	–	–	–	500.0	–	425.0	925.0	–	925.0
Payable to a subsidiary										
– fixed interest rate	5.25%	–	–	–	–	1,594.2	–	1,594.2	–	1,594.2
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	2,724.8	2,724.8
Customer deposits	–	–	–	–	–	–	–	–	575.5	575.5
Total		891.2	1.2	2.4	2,002.8	1,636.6	2,131.7	6,665.9	3,304.5	9,970.4
Interest sensitivity gap		2,113.4	2.6	4.4	(1,990.1)	(1,563.2)	(1,895.8)			

* WARF – Weighted Average Rate of Finance as at 31 December

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2010		2009	
The Company	**USD**	**RM**	**USD**	**RM**
Financial assets				
Loans and advances to subsidiaries (net)	**–**	**5.09%**	5.82%	4.78%
Available-for-sale investments	**–**	**4.60%**	–	–
Available-for-sale receivables	**–**	**7.52%**	–	–
Staff loans	**–**	**6.37%**	–	4.00%
Short term investments	**–**	**–**	–	4.93%
Cash and bank balances	**–**	**3.05%**	0.26%	2.36%
Financial liabilities				
Borrowings	**7.88%**	**5.54%**	7.94%	4.95%
Payable to a subsidiary	**5.25%**	**–**	5.25%	–

The WARF as at 31 December 2009 was based on contractual rate. With the adoption of FRS 139 on 1 January 2010, the WARF is the effective interest rate applicable to the respective financial instruments as at the reporting date.

48. LIQUIDITY RISK

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on undiscounted cash flows:

2010	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total undiscounted cash flow RM	Discounting RM	As per Statement of Financial Position RM
The Group							
Borrowings	(29.7)	(11.5)	(3,552.0)	(2,007.4)	(5,600.6)	68.6	(5,532.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	–	(5.7)	0.5	(5.2)
Unfavourable forward contracts	–	–	(24.7)	–	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,107.1)	–	–	–	(3,107.1)	–	(3,107.1)
Customer deposits	(580.5)	–	–	–	(580.5)	–	(580.5)
	(3,706.7)	(12.9)	(3,584.7)	(2,012.7)	(9,317.0)	73.0	(9,244.0)
The Company							
Borrowings	(8.3)	(8.5)	(2,118.0)	(2,007.4)	(4,142.2)	68.6	(4,073.6)
Payable to a subsidiary	–	–	(1,434.0)	–	(1,434.0)	–	(1,434.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	–	(5.7)	0.5	(5.2)
Unfavourable forward contracts	–	–	(24.7)	–	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,285.1)	–	–	–	(3,285.1)	–	(3,285.1)
Customer deposits	(580.1)	–	–	–	(580.1)	–	(580.1)
	(3,862.9)	(9.9)	(3,584.7)	(2,012.7)	(9,470.2)	73.0	(9,397.2)

49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

Quoted market prices, when available, are used as the measure of fair values. However, for a significant portion of the Group's and the Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

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

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date approximated their fair values except as set out below:

	The Group				The Company			
	2010		2009		2010		2009	
	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								
Loans and advances to subsidiaries	**–**	**–**	–	–	**236.7**	**204.5**	–	–
Other investments	**–**	**–**	152.8	252.3	**–**	**–**	152.8	252.3
Staff loans	**46.8**	**47.1**	67.1	63.7	**46.5**	**46.9**	66.8	63.4
Other non-current receivables	**–**	**–**	53.3	42.7	**–**	**–**	53.3	42.7
Financial liabilities								
Borrowings	**5,532.0**	**6,075.4**	6,713.5	7,537.1	**4,073.6**	**4,515.3**	5,075.9	5,813.0
Payable to a subsidiary	**–**	**–**	–	–	**1,434.0**	**1,535.7**	1,594.2	1,680.7

The above carrying amounts and net fair values of borrowings for 2009 exclude the fair value of interest rate swaps (IRS), which were classified as off-balance-sheet then. Refer to note 21 to the financial statements for the details and fair value of IRS.

Financial assets

The fair value of publicly traded financial instruments is based on quoted market prices at the reporting 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 reporting date. Where impairment is made in respect of any investment, the carrying amount net of provision for impairment made is deemed to be a close approximation of its fair value.

The fair value of loans and advances to subsidiaries, staff loans and other non-current receivables have been estimated by discounting estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

The fair value of staff loans as at 31 December 2009 is lower than the carrying amount at the reporting date as the Group charges interest on staff loans at below current market rates. Subsequent to the adoption of FRS 139, staff loans are recognised at fair value at inception and subsequently, at amortised cost. 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.

The fair value of other non-current receivables as at 31 December 2009 which consist of convertible educational loans, is lower than the carrying amount at the reporting date as the Company does not charge interest on the loans.

For customer deposits which are repayable on demand, the carrying amounts recorded are anticipated to approximate their fair values at the reporting date.

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

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 financial instruments maturing within 1 year or are repayable on demand, the carrying values are assumed to approximate their fair values.

50. SIGNIFICANT SUBSEQUENT EVENT

Proposed Capital Distribution to Shareholders of Approximately RM1,037.4 million (Proposed Capital Distribution)

On 25 February 2011, the Company announced the Proposed Capital Distribution involving a capital distribution to its shareholders of approximately RM1,037.4 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 Distribution of RM0.29 for each ordinary share of RM1.00 each in the Company (TM Share) held as at the Entitlement Date.

To facilitate the Proposed Capital Distribution, the following is 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 on the Entitlement Date. The RPS shall be issued at its par value of RM0.01 each by way of capitalisation of the Company's share premium account; and

(ii) redemption of the RPS at a redemption price of RM0.29 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 profits, whereas the premium on redemption of RM0.28 per RPS, representing approximately RM1,001.6 million in total, will be redeemed out of the Company's share premium account. This will result in a cash payment of RM0.29 for each TM Share held or a total cash payment of approximately RM1,037.4 million to the Company's shareholders.

The Proposed Capital Distribution is subject to the following:

(i) approval of the Company's shareholders at an Extraordinary General Meeting to be convened;

(ii) Bank Negara Malaysia for the issuance of the RPS to the Company's non-resident shareholders; and

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

The Proposed Capital Distribution is expected to be completed in the second quarter of 2011.

51. CHANGES IN ACCOUNTING POLICIES

The following describes the impact of the new standards, amendments to the published standards and IC interpretations adopted by the Group and the Company for financial year beginning on 1 January 2010 as listed in note 2(a) to the financial statements.

(a) Immaterial effect on financial statements

The adoption of FRS 7 "Financial Instruments: Disclosures" and Amendments to FRS 132 "Financial Instruments: Presentation" does not impact the financial results of the Group and the Company as the changes introduced are on presentation and disclosures.

Under FRS 8 "Operating Segments", operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The adoption of FRS 8 has not resulted in any changes to the reportable segments presented by the Group as the Group has been reporting its segment information based on customer segments, which is also the basis of presenting its monthly internal management reports. The basis of measurement of segment results and segment assets are also unaffected as the Group has been using the same basis of measurement for its internal and external reporting.

The revised FRS 101 "Presentation of Financial Statements" requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group and the Company has elected to present the statement of comprehensive income in two statements.

FRS 123 "Borrowing Costs" which replaces FRS 123_{2004} Borrowing Costs, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The adoption of the revised FRS 123 has not resulted in any change to the Group's and the Company's policy as the Group's and the Company's existing policy is in line with the revised standard.

(b) Reclassification of prior year comparatives

The improvement to FRS 117 "Leases" clarifies that the default classification of land elements in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. The Group and the Company has reassessed and determined that all leasehold land are in substance finance leases and has reclassified these leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods. In line with the requirement of the revised FRS 101 "Presentation of Financial Statements", the restated Statements of Financial Position as at 31 December 2008 is presented. The retrospective restatement on property, plant and equipment is also presented in note 24 to the financial statements. Other notes to the accounts which have not been impacted by the reclassification are not presented.

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies

The Group and the Company has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 "Financial Instruments: Recognition and Measurement" on 1 January 2010.

Previously, investments in non-current investments are shown at cost; marketable securities (within current assets) are carried at the lower of cost and market value; and trade receivables are carried at invoice amount. The Group and the Company has applied the new policy according to the transitional provision of FRS 139 by remeasuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year.

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired. Set out below are the changes in classifications and the recognition and measurement for the respective category of financial assets:

(i) Fair value through profit or loss

Quoted equity securities (within current assets), previously carried at the lower of cost and market value, determined on an aggregate portfolio basis, are now classified as financial assets at fair value through profit or loss, where changes in fair value are recognised in the Income Statement under other gains at each reporting date.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

(iv) Derivative financial instruments and hedging activities

Derivative financial instruments were previously not recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date.

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies (continued)

(v) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings.

The Group and the Company classify trade and other payables, customer deposits and borrowings as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The adoption of FRS 139 has no significant impact to these financial liabilities.

The Group and the Company has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognising and remeasuring all financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained profits and fair value reserves as appropriate. Comparatives are not restated.

(d) Other reclassifications

On adoption of FRS 139, the Group and the Company had reclassified certain items in operating costs and other operating income to other gains to enhance the comparability of comparatives.

The following note (i) to (v) disclose the impacts of the above changes on the financial statements of the Group and the Company.

(i) Impact on the Group's Statement of Financial Position

	Balances as at 31 December 2008		
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM
Property, plant and equipment	11,772.1	67.5	11,839.6
Prepaid lease payments	67.5	(67.5)	–

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's Statement of Financial Position (continued)

	Balances as at 31 December 2009			Balances as at 1 January 2010		
				FRS 139 (sub-note (c))		
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM	Reclassi-fication RM	Adjust-ments RM	As adjusted RM
Fair value reserves	155.5	–	155.5	–	100.4	255.9
Retained profits	2,222.2	–	2,222.2	–	(18.0)	2,204.2
Non-current borrowings	5,796.9	–	5,796.9	–	(7.0)	5,789.9
Derivative financial liabilities	–	–	–	–	10.3	10.3
Property, plant and equipment	12,329.9	74.4	12,404.3	–	–	12,404.3
Prepaid lease payments	74.4	(74.4)	–	–	–	–
Available-for-sale non-current investments	608.2	–	608.2	152.8	99.4	860.4
Other investments	152.8	–	152.8	(152.8)	–	–
Available-for-sale receivables	–	–	–	53.3	(17.0)	36.3
Other non-current receivables	108.9	–	108.9	(53.3)	1.0	56.6
Derivative financial assets	–	–	–	–	2.2	2.2
Trade and other receivables	2,284.0	–	2,284.0	–	(1.0)	2,283.0
Available-for-sale current investments	–	–	–	224.5	1.1	225.6
Financial assets at fair value through profit or loss	–	–	–	70.2	–	70.2
Short term investments	294.7	–	294.7	(294.7)	–	–

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Impact on the Group's Income Statement

	For the financial year ended 31 December 2009				
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM	FRS 139 (sub-note (d)) RM	As adjusted RM
Operating costs					
– depreciation, impairment and amortisation	(2,038.3)	(1.2)	(2,039.5)	–	(2,039.5)
– other operating costs	(5,671.2)	1.2	(5,670.0)	(83.2)	(5,753.2)
– reversal of allowance for diminution in value of short term quoted investments	68.1	–	68.1	(68.1)	–
– reversal of allowance for diminution in value of other investment	15.1	–	15.1	(15.1)	–
Other operating income (net)	166.1	–	166.1	(37.3)	128.8
– loss on disposal of short term quoted investments	(31.2)	–	(31.2)	31.2	–
– profit on disposal of fixed income securities	1.0	–	1.0	(1.0)	–
– profit on disposal of available-for-sale investment	1.5	–	1.5	(1.5)	–
– gain on disposal of Axiata's rights	66.0	–	66.0	(66.0)	–
Other gains (net)	–	–	–	120.5	120.5

(iii) Impact on the Company's Statement of Financial Position

	Balances as at 31 December 2008		
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM
Property, plant and equipment	10,461.1	55.0	10,516.1
Prepaid lease payments	55.0	(55.0)	–

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iii) Impact on the Company's Statement of Financial Position (continued)

	Balances as at 31 December 2009			Balances as at 1 January 2010		
				FRS 139 (sub-note (c))		
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM	Reclassi-fication RM	Adjust-ments RM	As adjusted RM
Fair value reserves	–	–	–	–	100.4	100.4
Retained profits	1,335.6	–	1,335.6	–	(18.0)	1,317.6
Non-curent borrowings	4,178.3	–	4,178.3	–	(7.0)	4,171.3
Derivative financial liabilities	–	–	–	–	10.3	10.3
Property, plant and equipment	11,063.5	62.2	11,125.7	–	–	11,125.7
Prepaid lease payments	62.2	(62.2)	–	–	–	–
Available-for-sale non-current investments	–	–	–	152.8	99.4	252.2
Other investments	152.8	–	152.8	(152.8)	–	–
Available-for-sale receivables	–	–	–	53.3	(17.0)	36.3
Other non-current receivables	108.9	–	108.9	(53.3)	1.0	56.6
Derivative financial assets	–	–	–	–	2.2	2.2
Trade and other receivables	2,060.6	–	2,060.6	–	(1.0)	2,059.6
Available-for-sale current investments	–	–	–	224.5	1.1	225.6
Financial assets at fair value through profit or loss	–	–	–	70.2	–	70.2
Short term investments	294.7	–	294.7	(294.7)	–	–

(iv) Impact on the Company's Income Statement

	For the financial year ended 31 December 2009				
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM	FRS 139 (sub-note (d)) RM	As adjusted RM
Operating costs					
– depreciation, impairment and amortisation	(1,863.6)	(0.9)	(1,864.5)	–	(1,864.5)
– other operating costs	(5,143.6)	0.9	(5,142.7)	(83.2)	(5,225.9)
– reversal of allowance for diminution in value of short term quoted investments	68.1	–	68.1	(68.1)	–
– reversal of allowance for diminution in value of other investment	15.1	–	15.1	(15.1)	–
Other operating income (net)	269.2	–	269.2	30.2	299.4
– loss on disposal of short term quoted investments	(31.2)	–	(31.2)	31.2	–
– profit on disposal of fixed income securities	1.0	–	1.0	(1.0)	–
Other gains (net)	–	–	–	53.0	53.0

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(v) Impact of the adoption of FRS 139 to the financial position and results for the financial year ended 31 December 2010 is set out as below:

The Group and Company	Increase/(decrease) to balances as at 31 December 2010
Statements of Financial Position	
Fair value reserves	80.8
Non-current borrowings	(1.6)
Derivative financial liabilities	(28.0)
Available-for-sale non-current investments	72.2
Available-for-sale receivables	(11.6)
Derivative financial assets	3.6
Available-for-sale current investments	1.1

The Group and Company	Increase/(decrease) for the financial year ended 31 December 2010
Income Statements	
Net finance income/(cost)	
– finance income	5.0
– finance cost	(2.1)
– fair value loss on forward foreign currency contracts	(19.8)

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2010 %	Group's Effective Interest 2009 %	Paid-up Capital 2010 Million	Paid-up Capital 2009 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd (sub-note (a))	**51**	–	**RM75.0**	–	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunications and information technology services
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Ceased operations
Mediatel (Malaysia) Sdn Bhd (sub-note (b))	**–**	100	**–**	RM#	Investment holding
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM91.0**	RM91.0	Management and operation of the telecommunications and tourism tower of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM260.0**	RM260.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Rebung Utama Sdn Bhd (sub-note (b))	**–**	100	**–**	RM#	Special purpose entity
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Consultancy Sdn Bhd@ (in liquidation)	**51**	51	**RM#**	RM#	Ceased operations
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

Name of Company	Group's Effective Interest 2010 %	2009 %	Paid-up Capital 2010 Million	2009 Million	Principal Activities
Telekom Malaysia-Africa Sdn Bhd< (in liquidation)	**100**	100	**RM0.1**	RM0.1	Dormant
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**STR#**	STR#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunications equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TM Cellular (Holdings) Sdn Bhd< (in liquidation)	**100**	100	**RM0.1**	RM0.1	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM#**	RM#	Special purpose entity to manage the Company's Special ESOS scheme
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

Name of Company	Group's Effective Interest 2010 %	2009 %	Paid-up Capital 2010 Million	2009 Million	Principal Activities
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM International (Cayman) Ltd	**100**	100	**USD#**	USD#	Dormant
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
TM SPV Sdn Bhd<< (in liquidation)	**100**	100	**RM#**	RM#	Special purpose entity
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of international and national managed network services for businesses and organisations
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd (sub-note (b))	**100**	–	**RM#**	–	Investment holding
Rebung Utama Sdn Bhd (sub-note (b))	**100**	–	**RM#**	–	Special purpose entity
Subsidiary held through Telekom Enterprise Sdn Bhd					
Fibrecomm Network (M) Sdn Bhd (sub-note (a))	**–**	51	**–**	RM75.0	Provision of fibre optic transmission network services
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 operations

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

Name of Company	Group's Effective Interest 2010 %	2009 %	Paid-up Capital 2010 Million	2009 Million	Principal Activities
Subsidiaries held through TM Facilities Sdn Bhd					
TM Land Sdn Bhd>	**–**	100	**–**	RM0.25	Wound up on 26 July 2010
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	Provision of intelligent building and security systems integrated telecommunications and technology solutions
VADS Business Process Sdn Bhd	**100**	100	**RM#**	RM#	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of contact centre and related services
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Provision of personnel for contact centre services
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services in Indonesia

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	**Place of Incorporation**
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
STR	Pound Sterling
USD	US Dollar

Amounts less than 0.1 million in their respective currency

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

@ Granted order for winding up pursuant to Section 217(1)(c) and 218(1)(c) and (i) of the Companies Act, 1965 on 5 October 2009 including appointment of liquidator

< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 1 December 2010 including appointment of liquidator

<< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 11 October 2010 including appointment of liquidator

> Dissolved pursuant to Section 272(5) of the Companies Act, 1965

^ VADS Berhad and VADS Business Process Sdn Bhd holds a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia

(a) During the financial year, Telekom Enterprise Sdn Bhd (TESB) transferred its entire holding in Fibrecomm Network (M) Sdn Bhd (Fibrecomm), comprising 38,250,000 ordinary shares of RM1.00 each, representing TESB's 51.0% equity interest in Fibrecomm for a consideration of RM33.0 million to the Company.

(b) During the financial year, the Company transferred its entire holding in Mediatel (Malaysia) Sdn Bhd and Rebung Utama Sdn Bhd, comprising 1,000 and 2 ordinary shares of RM1.00 each respectively, representing the Company's 100% equity interest in both companies, for a consideration of RM1,000 and RM2 respectively to Tekad Mercu Berhad.

53. LIST OF ASSOCIATES AS AT 31 DECEMBER 2010

The associates are as follows:

Name of Company	Group's Effective Interest 2010 %	Group's Effective Interest 2009 %	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 and promotion of Internet-based communications services

All associates are incorporated in Malaysia.
All associates have co-terminous financial year end with the Company.

54. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 25 February 2011.

56. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

2010	The Group RM	The Company RM
Retained profits:		
– realised	2,008.9	3,126.4
– unrealised – in respect of deferred tax recognised in the Income Statement	(1,577.5)	(1,513.4)
– in respect of other items of income and expense	384.1	383.9
Share of accumulated losses from associates		
– realised	(1.0)	–
	814.5	1,996.9
Add: consolidation adjustments	1,904.9	–
TOTAL RETAINED PROFITS	**2,719.4**	**1,996.9**

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Dr Halim Shafie and Dato' Sri 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 209 to 351 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 2010 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.

The supplementary information set out in note 56 on page 352 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 25 February 2011.

DATUK DR HALIM SHAFIE
Director/Chairman

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

statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Datuk Bazlan Osman, 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 209 to 351 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 25 February 2011.)

DATUK BAZLAN OSMAN

Before me:

Commissioner for Oaths
Kuala Lumpur

independent auditors' report

to the Members of Telekom Malaysia Berhad
(Company No. 128740-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Telekom Malaysia Berhad on pages 209 to 217 which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 218 to 351.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material mistatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of all subsidiaries of which we have not acted as auditors, which are indicated in note 52 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 56 on page 352 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. 1867/09/12 (J))
Chartered Accountant

Kuala Lumpur
Date: 25 February 2011

connect
communicate
collaborate

shareholding statistics

as at 18 March 2011

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital	:	RM5,040,003,021
Issued and Paid-up Capital	:	RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each, 1 Special Rights Redeemable Preference Share of RM1.00 each, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS C) of RM1.00 each and 925 Class D Non-Convertible Redeemable Preference Shares (NCRPS D) of RM1.00 each.
Voting Rights	:	1 vote per ordinary share. The Special Share, NCRPS C and NCRPS D have no voting rights other than those referred to in notes 14(a) and 19(a) to the financial statements.

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
Size of Shareholdings	No	%	No	%	No	%	No	%
Less than 100	737	2.40	6	0.02	4,944	0.00	28	0.00
100 – 1,000	9,314	30.20	121	0.39	8,266,214	0.23	99,681	0.00
1,001 – 10,000	17,299	56.09	328	1.06	66,530,862	1.86	1,476,770	0.04
10,001 – 100,000	2,254	7.31	189	0.61	60,432,106	1.69	6,396,326	0.18
100,001 – 178,870,098 (less than 5% of paid-up capital)	347	1.13	242	0.78	1,236,600,353	34.57	401,724,608	11.23
178,870,099 and above	3	0.01	0	0.00	1,795,870,088	50.20	0	0.00
TOTAL	**29,954**	**97.14**	**886**	**2.86**	**3,167,704,567**	**88.55**	**409,697,413**	**11.45**

DISTRIBUTION OF PREFERENCE SHARES IN ACCORDANCE TO ITS RESPECTIVE CLASSES

	Special Share				NCRPS C				NCRPS D			
	Shareholder		Share		Shareholder		Share		Shareholder		Share	
Category	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%
Less than 100	1	100.00	1	100.00	1	33.33	25	1.25	0	0.00	0	0.00
100 – 1,000	0	0.00	0	0.00	1	33.33	400	20.00	2	100.00	925	100.00
1,001 – 10,000	0	0.00	0	0.00	1	33.33	1,575	78.75	0	0.00	0	0.00
TOTAL	**0**	**100.00**	**0**	**100.00**	**3**	**100.00**	**2,000**	**100.00**	**2**	**100.00**	**925**	**100.00**

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY AND ITS RELATED CORPORATION AS AT 18 MARCH 2011

The Directors' direct and deemed interest in shares in the Company based on the Register of Directors' Shareholdings are as follows:-

Interest in the Company	Number of ordinary shares of RM1.00 each		
	Direct	Deemed Interest	%
Datuk Dr Halim Shafie	–	8,000#	*
Dato' Sri Zamzamzairani Mohd Isa	5,000	4,000#	*
Datuk Bazlan Osman	2,000	–	*

Note:

Deemed interest in TM shares held by spouse.
* *less than 0.01%*

list of top 30 shareholders

as at 18 March 2011

No.	Name	No. of Shares Held	Percentage (%)
1.	Khazanah Nasional Berhad	1,000,188,088	27.96
2.	AmanahRaya Trustees Berhad – *Skim Amanah Saham Bumiputera*	400,948,900	11.21
3.	Citigroup Nominees (Tempatan) Sdn Bhd – *Employees Provident Fund Board*	394,733,100	11.03
4.	Kumpulan Wang Persaraan (Diperbadankan)	144,829,700	4.05
5.	Khazanah Nasional Berhad – *Exempt An*	144,539,027	4.04
6.	Valuecap Sdn Bhd	113,875,700	3.18
7.	Lembaga Tabung Haji	80,913,036	2.26
8.	HSBC Nominees (Asing) Sdn Bhd – *Exempt An for the Bank of New York Mellon (Mellon Acct)*	59,302,714	1.65
9.	Mayban Nominees (Tempatan) Sdn Bhd – *Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)*	51,083,900	1.43
10.	AmanahRaya Trustees Berhad – *Amanah Saham Wawasan 2020*	47,893,800	1.34
11.	AmanahRaya Trustees Berhad – *Amanah Saham Malaysia*	45,568,100	1.27
12.	AmanahRaya Trustees Berhad – *Amanah Saham Didik*	39,622,800	1.11
13.	Mayban Nominees (Tempatan) Sdn Bhd – *Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)*	37,693,100	1.05
14.	AmanahRaya Trustees Berhad – *Public Islamic Dividend Fund*	32,901,000	0.92
15.	Cartaban Nominees (Asing) Sdn Bhd – *Exempt An for State Street Bank & Trust Company (West CLT OD67)*	28,928,587	0.80
16.	AmanahRaya Trustees Berhad – *AS 1Malaysia*	27,898,100	0.77
17.	Permodalan Nasional Berhad	27,619,400	0.77
18.	Citigroup Nominees (Tempatan) Sdn Bhd – *Exempt An for Prudential Fund Management Berhad*	27,127,400	0.76
19.	AmanahRaya Trustees Berhad – *Public Islamic Sector Select Fund*	22,723,000	0.64
20.	HSBC Nominees (Asing) Sdn Bhd – *BBH and Co Boston for Matthews Asian Growth and Income Fund*	20,245,551	0.57

No.	Name	No. of Shares Held	Percentage (%)
21.	AmanahRaya Trustees Berhad *– Public Islamic Equity Fund*	19,657,600	0.55
22.	Malaysia Nominees (Tempatan) Sendirian Berhad *– Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	19,546,800	0.55
23.	HSBC Nominees (Asing) Sdn Bhd *– BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	17,305,440	0.48
24.	HSBC Nominees (Asing) Sdn Bhd *– Exempt An for JPMorgan Chase Bank, National Association (Norges Bk Lend)*	14,377,900	0.40
25.	HSBC Nominees (Asing) Sdn Bhd *– Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	13,698,500	0.38
26.	Citigroup Nominees (Tempatan) Sdn Bhd *– Exempt An for American International Assurance Berhad*	13,150,200	0.37
27.	AmanahRaya Trustees Berhad *– Public Growth Fund*	12,875,000	0.36
28.	Pertubuhan Keselamatan Sosial	11,956,900	0.33
29.	AmanahRaya Trustees Berhad *– Public Equity Fund*	11,813,000	0.33
30.	AmanahRaya Trustees Berhad *– Public Islamic Optimal Growth Fund*	11,619,100	0.32
	TOTAL	**2,894,635,443**	**80.91**

SUBSTANTIAL SHAREHOLDERS' HOLDINGS OF 5% AND ABOVE AS AT 18 MARCH 2011

As per Register of Substantial Shareholders

No.	Name	No. of Shares Held		Percentage (%)	
		Direct	Indirect	Direct	Indirect
1.	Khazanah Nasional Berhad	1,153,860,758	–	32.25	–
2.	Employees Provident Fund Board	426,827,300	–	11.93	–
3.	AmanahRaya Trustees Berhad *– Skim Amanah Saham Bumiputera*	399,948,900	–	11.18	–
	TOTAL	**1,980,636,958**	**–**	**55.36**	**–**

authorised and issued share capital

1. AUTHORISED SHARE CAPITAL

The authorised share capital as at 18 March 2011 is RM5,040,003,021 divided into 5,000,000,000 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 1,000 Class A Redeemable Preference Shares (RPS) of RM0.01 each, 1,000 Class B RPS of RM0.01 each, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each, 1,000 Class D NCRPS of RM1.00 each and 4,000,000,000 Class E RPS of RM0.01 each.

The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Type of Share	Total Authorised Share Capital (RM)
12/10/1984	1,000,000.00	Ordinary shares	1,000,000.00
06/08/1984	4,999,000,000.00	Ordinary shares	5,000,000,000.00
11/09/1990	1.00	Special Share	5,000,000,001.00
31/03/2003	10.00	Class A RPS	5,000,000,011.00
31/03/2003	10.00	Class B RPS	5,000,000,021.00
08/05/2007	2,000.00	Class C NCRPS	5,000,002,021.00
08/05/2007	1,000.00	Class D NCRPS	5,000,003,021.00
07/05/2009	4,000,000,000.00	Class E RPS	5,040,003,021.00

2. ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 18 March 2011 is RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 2,000 Class C NCRPS of RM1.00 each and 925 Class D NCRPS of RM1.00 each.

The changes in the issued and paid-up share capital are as follows:-

Date	No. of Shares Allotted	Description	Total (RM)
31/12/1984	2	Cash	2
31/12/1986	9,999,998	Cash	10,000,000
31/12/1987	490,000,000	Bonus issue on the basis of 49 ordinary shares for every 1 existing ordinary share held	500,000,000
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary share held	1,500,000,000
11/09/1990	1	Special Rights Redeemable Preference Share	1,500,000,001
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001
31/12/1992	9,249,000	Cash	1,979,749,001
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001

Date	No. of Shares Allotted	Description	Total (RM)
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 1 ordinary shares for every 2 existing ordinary shares held	2,998,636,381
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381
12/12/2003	1,000	Class A RPS of RM0.01 each	3,238,510,391
12/12/2003	1,000	Class B RPS of RM0.01 each	3,238,510,401
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401
31/12/2004	131,708,0000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881
20/07/2007	2,000	Class C NCRPS of RM1.00 each	3,435,263,881
20/07/2007	925	Class D NCRPS of RM1.00 each	3,435,264,806
23/07/2007 – 31/12/2007	4,547,820	Issued pursuant to the exercise of options under the ESOS	3,439,812,606
17/03/2008	137,592,300	Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906
02/06/2009	3,577,401,980	Class E RPS of RM0.01 each	3,613,178,925.80
02/06/2009	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	3,577,404,906

Note: Increases in the issued and paid-up share capital pursuant to the ESOS are disclosed on annual basis.

net book value of land & buildings

as at 31 December 2010

	Location	Freehold No. of Lots	Freehold Area ('000 sq ft)	Leasehold No. of Lots	Leasehold Area ('000 sq ft)	Other Land* No. of Lots	Other Land* Area ('000 sq ft)	Excepted land** No. of Lots	Excepted land** Area ('000 sq ft)	Net Book Value of Land*** (RM million)	Net Book Value of Buildings (RM million)
1.	Federal Territory										
	a. Kuala Lumpur	28	1,413	4	196	3	402	–	–	120.3	1,065.5
	b. Labuan	–	–	6	511	1	175	–	–	–	–
	c. Putrajaya	–	–	–	–	1	20	–	–	–	–
2.	Selangor	12	10,245	24	25,382	4	283	70	15,124	211.5	441.5
3.	Perlis	–	–	4	52	–	–	8	572	0.3	0.8
4.	Perak	4	17	19	926	5	126	88	5,431	4.1	23.9
5.	Pulau Pinang	1	3	15	919	–	–	39	6,838	4.7	18.4
6.	Kedah	8	488	15	1,579	–	–	45	2,553	10.9	37.0
7.	Johor	4	106	29	1,455	14	305	95	9,079	6.5	33.5
8.	Melaka	3	15	27	59,220	–	–	23	4,039	96.9	172.4
9.	Negeri Sembilan	7	36,911	10	330	2	176	49	2,186	35.2	18.1
10.	Terengganu	–	–	16	797	1	44	43	5,082	0.7	20.5
11.	Kelantan	–	–	9	418	4	123	35	2,058	0.5	4.9
12.	Pahang	3	43	30	1,703	12	1,105	65	6,256	2.6	18.3
13.	Sabah	–	–	15	619	4	117	63	25,617	5.5	28.2
14.	Sarawak	5	202	26	925	9	62	96	11,203	22.8	42.8
	Total	**75**	**49,443**	**249**	**95,032**	**60**	**2,938**	**719**	**96,038**	**522.5**	**1,925.8**

No revaluation has been made on any of the land and buildings

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the land have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these land to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

*** Includes land held for property development and land held for sale of a wholly owned subsidiary.

usage of properties

as at 31 December 2010

	Location	Exchanges	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom-munications/ Tourism Tower
1.	Federal Territory										
	a. Kuala Lumpur	13	2	6	6	–	–	–	–	1	–
	b. Labuan	1	–	1	–	–	2	–	–	–	–
2.	Selangor	75	8	7	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	–

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

Network Operations Centre
Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
63000 Cyberjaya
Tel : 1-300-882-888
1-300-884-377
Fax : 03-8319 4775

TM Info-Media Sdn Bhd
9th Floor, Block A
Mines Waterfront Business
Park
No. 3, Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor
Tel : 03-8949 8228
Fax : 03-8949 8338

Telekom Applied Business Sdn Bhd
Head Office
Level 16, Menara 2
Faber Tower
Jalan Desa Bahagia
Taman Desa
Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7984 4989
Fax : 03-7980 1605

Cyberjaya Office
Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
63000 Cyberjaya, Selangor
Tel : 03-8318 1706
Fax : 03-8318 1721

TM Research & Development
Head Office
TM Innovation Centre
Lingkaran Teknokrat Timur
63000 Cyberjaya
Selangor
Tel : 03-8883 9595
Fax : 03-8883 9596

VADS Berhad
Level 15, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7712 8888
Fax : 03-7728 2584

Telekom Sales & Services Sdn Bhd
Head Office
Level 18
Menara Mutiara Bangsar
Jalan Liku Off Jalan Riong
Bangsar
59100 Kuala Lumpur
Tel : 03-2297 1200
Fax : 03-2282 6120

TMpoint

Kuala Lumpur (8)

Muzium
Bangunan Muzium TM
Jalan Raja Chulan
50200 Kuala Lumpur

Jalan TAR
No. 374, Ground Floor
Wisma CS Holiday
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

Pandan Indah
L1/02, Ground Floor
Menara Maxisegar
Jalan Pandan Indah 4/2
Pandan Indah
55100 Kuala Lumpur

Menara TM
Ground Floor, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur

Bangsar
No. 8 & 10, Ground Floor
Jalan Telawi 5
Bangsar Baru
59100 Kuala Lumpur

Setapak
Ibusawat TM Setapak
44, Persiaran Kuantan
53200 Kuala Lumpur

Kepong
No. 67
Jalan Metro Perdana Barat 1
Taman Usahawan
Kepong Utara
52100 Kepong
Kuala Lumpur

Taman Desa
Ground Floor
Wisma TM Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur

Selangor (18)

Shah Alam
Bangunan TM Shah Alam
Persiaran Damai
Seksyen 11
40000 Shah Alam
Selangor

Ampang
42, Jalan Mamanda 7
Ampang Point
68000 Ampang
Selangor

Rawang
Lot 21, Jalan Maxwell
48000 Rawang
Selangor

Kuala Kubu Bahru
Bangunan TM
Jalan Dato' Balai
44000 Kuala Kubu Bahru
Selangor

Bukit Raja
Jalan Meru
41050 Klang
Selangor

Banting
No. 1-1-1A, Jalan Suasa 1
42700 Banting
Selangor

Kuala Selangor
Bangunan TM, Jalan Klinik
45000 Kuala Selangor
Selangor

Sabak Bernam
27, Jalan Raja Chulan
45200 Sabak Bernam
Selangor

Port Klang
No. 57 & 59, Jalan Cungah
42000 Port Klang
Selangor

Damansara Utama
No. 91-93, Jalan SS 21/1A
Damansara Utama
47400 Petaling Jaya
Selangor

Petaling Jaya
No. 22 & 24
Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor

Kajang
No. 37 & 38
Jalan Tun Abdul Aziz
43000 Kajang
Selangor

Cyberjaya
Ground Floor
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
60000 Cyberjaya
Selangor

Serdang
No. 36, Jalan Dagang SB 4/2
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor

Kelana Jaya
Unit 109B, Ground Floor
Kelana Park View Tower
No. 1, Jalan SS 6/2
47301 Kelana Jaya
Selangor

Taipan
No. 27 & 29
Jalan USJ 10/1A
47620 Subang Jaya
Selangor

Puchong
No. 12 & 13, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Selangor

Sunway Damansara
Ground Floor & 1st Floor
Unit C-08, Jalan PJU 5/17
Dataran Sunway
47810 Kota Damansara
Selangor

Johor (13)

Johor Bahru
Jalan Abdullah Ibrahim
80672 Johor Bahru
Johor

Skudai
No. 17 & 19
Jalan Laksamana 1
Taman Ungku Tun Aminah
81300 Skudai
Johor

Pontian
1st Floor, Ibusawat TM
Jalan Alsagoff
82000 Pontian
Johor

Kluang
No. 1 & 2
Jalan Dato' Teoh Siew Khor
86000 Kluang
Johor

Segamat
No. 22, Jalan Sultan
85000 Segamat
Johor

Batu Pahat
39, Jalan Rahmat
83000 Batu Pahat
Johor

Muar
No. 5-5 & 5-6, Ground Floor
Jalan Ibrahim
84000 Muar
Johor

Kota Tinggi
No. 2 & 4, Jalan Indah
Taman Medan Indah
81900 Kota Tinggi
Johor

Kulai
Lot 435
Jalan Kenanga 29/11
Taman Indah Putra
81100 Kulai
Johor

Pelangi
Wisma TM Pelangi
Jalan Sutera 3
Taman Sentosa
80150 Johor Bahru
Johor

Mersing
Lot 384, Jalan Ismail
86800 Mersing
Johor

Yong Peng
No. 18, Ground Floor
Jalan Bayan
Taman Semberong
83700 Yong Peng
Johor

Pasir Gudang
No. 23 A, Ground Floor
Jalan Bandar Pusat
Perdagangan
81700 Pasir Gudang
Johor

Negeri Sembilan (4)

Seremban
No. 176 & 177, Ground Floor
Jalan Dato' Bandar Tunggal
70000 Seremban
Negeri Sembilan

Port Dickson
No. 25, Jalan Mahajaya
PD Center Point
71000 Port Dickson
Negeri Sembilan

Kuala Pilah
Jalan Bahau
72000 Kuala Pilah
Negeri Sembilan

Tampin
Jalan Besar
73000 Tampin
Negeri Sembilan

Melaka (3)

Melaka
527 & 529 A, Plaza Melaka
Jalan Gajah Berang
75200 Melaka

Alor Gajah
Batu 14½
Jalan Melaka Kendong
78000 Alor Gajah
Melaka

Menara Pertam
Ground Floor
Menara Pertam
Jalan Batu Berendam BBP 2
Taman Batu Berendam Putra
75350 Melaka

Kedah/Perlis (6)

Kangar
Jalan Bukit Lagi
Pekan Kangar
01000 Kangar
Perlis

Alor Setar
Kompleks Kristal
Jalan Kolam Air
05672 Alor Setar
Kedah

Jitra
19A, Jalan PJ 1
Pekan Jitra 2
06000 Jitra
Kedah

Langkawi
Jalan Pandak Mayah 6
07000 Pekan Kuah
Langkawi
Kedah

Sungai Petani
Bangunan TM, Jalan Petani
08000 Sungai Petani
Kedah

Kulim
No. 4 & 5
Jalan Tunku Asaad
09000 Kulim
Kedah

Pulau Pinang (5)

Bayan Baru
No. 68, Jalan Mahsuri
11950 Bayan Baru
Pulau Pinang

Jalan Burmah
Jalan Burmah
10050 Georgetown
Pulau Pinang

Butterworth
Wisma TM Butterworth
Ground Floor
Jalan Bagan Luar
12000 Butterworth
Pulau Pinang

Bukit Mertajam
Lot G-33, G-34 & G-35
Jalan Perda Selatan
Bandar Perda
14000 Bukit Mertajam
Pulau Pinang

Sungai Bakap
1282, Jalan Besar
14200 Sungai Bakap
Pulau Pinang

Perak (13)

Ipoh Wisma
Wisma TM
Jalan Sultan Idris Shah
30672 Ipoh
Perak

Batu Gajah
Bangunan TM
Jalan Dewangsa
31000 Batu Gajah
Perak

Ipoh Tasek
Jalan Sultan Azlan Shah Utara
31400 Ipoh
Perak

Kampar
Bangunan TM
Jalan Baru
31900 Kampar
Perak

Taiping
Bangunan TM
Jalan Berek
34672 Taiping
Perak

Teluk Intan
Bangunan TM
Jalan Jawa
36672 Teluk Intan
Perak

Parit Buntar
36, Persiaran Perwira
Pusat Bandar
34200 Parit Buntar
Perak

Kuala Kangsar
Bangunan TM
Jalan Raja Chulan
33000 Kuala Kangsar
Perak

Gerik
Wisma Kosek
Jalan Takong Datoh
33300 Gerik
Perak

Sungai Siput
No. 188, Jalan Besar
31100 Sungai Siput
Perak

Sitiawan
179 & 180
Taman Sitiawan Maju
32000 Sitiawan
Perak

Tapah
Bangunan TM
Jalan Stesyen
35672 Tapah
Perak

Tanjung Malim
No. 27, Jalan Cahaya
Taman Anggerik Desa
35900 Tanjung Malim
Perak

Kelantan (5)

Kota Bharu
Jalan Doktor
15000 Kota Bharu
Kelantan

Pasir Mas
606, Jalan Masjid Lama
17000 Pasir Mas
Kelantan

Tanah Merah
4088, Jalan Ismail Petra
17500 Tanah Merah
Kelantan

Kuala Krai
Lot 1522
Jalan Tengku Zainal Abidin
18000 Kuala Krai
Kelantan

Pasir Puteh
258B
Jalan Sekolah Laki-laki
16800 Pasir Puteh
Kelantan

Terengganu (4)

Kuala Terengganu
1st Floor, Bangunan TM
Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu

Kemaman
Jalan Masjid, Chukai
24000 Kemaman
Terengganu

Dungun
Jalan Nibong
23000 Dungun
Terengganu

Jerteh
Ground Floor, Lot 174
Jalan Tuan Hitam
22000 Jerteh
Terengganu

Pahang (6)

Kuantan
G08 & G09, Ground Floor
Bangunan Mahkota Square
Jalan Mahkota
25000 Kuantan
Pahang

Pekan
No. 87
Jalan Sultan Abdullah
26600 Pekan
Pahang

Mentakab
Jalan Tun Razak
28400 Mentakab
Pahang

Bentong
111, Bangunan Persatuan Bola Sepak
Jalan Ah Peng
28700 Bentong
Pahang

Kuala Lipis
10, Jalan Bukit Bius
27200 Kuala Lipis
Pahang

Raub
Jalan Kuala Lipis
27600 Raub
Pahang

Sarawak (11)

Batu Lintang
Jalan Batu Lintang
93200 Kuching
Sarawak

Padang Merdeka
Ground Floor
Bangunan Yayasan Sarawak
Lot 2, Section 24
Jalan Barrack/Masjid
93000 Kuching
Sarawak

Pending
Jalan Gedong
93450 Pending
Sarawak

Sri Aman
Jalan Club
95000 Sri Aman
Sarawak

Miri
Jalan Post
98000 Miri
Sarawak

Limbang
Jalan Kubu
98700 Limbang
Sarawak

Lawas
Jalan Punang
98850 Lawas
Sarawak

Bintulu
No. 7, Medan Sentral
Commercial Centre
Jalan Tanjung Kidurong
97000 Bintulu
Sarawak

Sibu
Persiaran Brooke
96000 Sibu
Sarawak

Sarikei
Jalan Berek
96100 Sarikei
Sarawak

Kapit
Jalan Kapit Bypass
96800 Kapit
Sarawak

Sabah (9)

Sadong Jaya
Ground Floor
Lot 68 & 69, Block J
Sadong Jaya, Karamunsing
88100 Kota Kinabalu
Sabah

Tanjung Aru
Lot B3, B3A & B5
Ground Floor
Plaza Tanjung Aru
Jalan Mat Salleh
Tanjung Aru
88100 Kota Kinabalu
Sabah

Tawau
TB 307, Blok 35
Kompleks Fajar
Jalan Perbandaran
91000 Tawau
Sabah

Lahad Datu
Ground Floor, MDLD 3307
Kompleks Fajar
Jalan Segama
91100 Lahad Datu
Sabah

Sandakan
Ground Floor, Lot 6 & 7
Bandar Maju
Sandakan Commercial Center
Batu 1½, Jalan Utara
90000 Sandakan
Sabah

Mailing Address:-
Locked Bag 44
90000 Sandakan
Sabah

Keningau
Commercial Centre
Jalan Arusap
Off Jalan Masak
Block B7, Lot 13 & 14
89007 Keningau
Sabah

Beaufort
Choong Street
P.O. Box 269
89807 Beaufort
Sabah

Kudat
Lot No. 3
Jaya Shopping Center
Jalan Datu
89050 Kudat
Sabah

Labuan
Bangunan TM
Jalan Dewan
87000 Wilayah Persekutuan
Labuan

WHOLESALE BUSINESS

WHOLESALE
Level 14 (North), Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 03-2240 4499
Fax : 03-2240 8590
www.tm.com.my

FIBERAIL
FIBERAIL SDN BHD
7th Floor, Wisma TM
Jalan Desa Utama
Pusat Bandar Taman Desa
58100 Kuala Lumpur
Tel : 03-7980 9696
Fax : 03-7980 9900
www.fiberail.com.my

FIBRECOMM
FIBRECOMM NETWORK (M) SDN BHD
Level 37, Menara TM
Jalan Pantai Baharu
59200 Kuala Lumpur
Malaysia
Tel : 03-2240 1843
Fax : 03-2240 5001
www.fibrecomm.net.my

GLOBAL BUSINESS

Head Office
TM Global
Level 53, North Wing,
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 5500
03-2240 5501
Fax : 03-7956 0208

TM REGIONAL OFFICES (TMRO)

USA
Mohd Hafiz Lockman
Country Director
Telekom Malaysia (USA) Inc
8320 Old Courthouse Road
Suite 201
Vienna, VA 22182 USA
Tel : +1 703 467 5962
Fax : +1 703 467 5966
hafiz@usa-tm.com

UNITED KINGDOM
Bhavin Chimanlal Shah
Country Director
Telekom Malaysia (UK) Limited
St. Martin's House
16 St. Martin's Le Grand
London, EC1A 4EN, UK
Tel : +44 (0) 207 397 8579
Fax : +44 (0) 207 397 8400
bhavin@tmeurope.co.uk

SINGAPORE
Lina Wang Ai Lee
Regional Country Director
(Oceania And North Asia)
Telekom Malaysia (S) Pte Ltd
175A Bencoolen Street
#07-05/06, Burlington Square
Singapore 189650
Tel : +65 6532 6369
Fax : +65 6532 3742
lina.wang@tmro.com.sg

HONG KONG
Lina Wang Ai Lee
Regional Country Director
(Oceania And North Asia)
Telekom Malaysia (Hong Kong) Limited
Suite 1502, 15th Floor
Malaysia Building, 50
Gloucester Road
Wanchai, Hong Kong
SAR-China
Tel : +852 2992 0190
Fax : +852 2992 0570
lina.wang@tmro.com.sg

SUPPORT BUSINESS

Head Office
Level 12, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 4869
Fax : 03-7960 3359

Universiti Telekom Sdn Bhd
Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : 03-8312 5018
03-8312 5000
Fax : 03-8312 5022

Menara Kuala Lumpur Sdn Bhd
No. 2, Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax : 03-2072 8409

Telekom Smart School Sdn Bhd
45-8, Aras 3, Blok C
Plaza Damansara
Jalan Medan Setia 1
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2092 5252
Fax : 03-2093 4993

TMF Autolease Sdn Bhd
Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9412
Fax : 03-5510 0286

Property Management
Level 11, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5040
Fax : 03-7983 6390

Property Operations
Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9400
Fax : 03-5541 2141

Security Management
Level 1, TM Annexe 2
No. 1, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel : 03-2240 5499
Fax : 03-2240 0996

glossary

AA
Access Agreement

AAG
Asia-America Gateway

ABAC
Audit and Business Assurance Committee

ALD
Access List Determination

APCN2
Asia Pacific Cable Network 2

APG
Asia-Pacific Gateway*

ARD
Access Reference Document

ASE
Asia Submarine Express

ASP
Application Service Provider

AWT
Average Waiting Time

BBGP
Broadband for General Population

BOD
Board of Directors

BPM
Business Performance Management

BPO
Business Process Outsourcing

BRCS
Batam Rengit Cable System

BSC
Balanced Score Card

CAD
Computer Aided Despatch

CBC
Community Broadband Centre

CBD
Critical Business District

CBL
Community Broadband Library

CCEM
Conference of Commonwealth Education Ministers

CCI
Communications Content and Infrastructure

CEP
Continuous Education Programmes

COSO
Committee of the Sponsoring Organisations of the Treadway Commission

CPEO
Customer Premises Equipment Ownership

CR
Corporate Responsibility

CRM
Customer Relationship Management

CSA
Control Self-Assessment

CSDP
Content and Service Delivery Platform

CSI
Customer Satisfaction Index

CTI
Computer Telephony Information

CUSCN
China United States Cable Network

DCS 1 CLICK
Digital Subscriber Line Service Provisioning

DDN
Digital Data Network

DEL
Direct Exchange Line

DECT
Digital Enhanced Cordless Telecommunications

DID
Department of Irrigation and Drainage

DIS
Domestic Investment Seminar

DMCS
Dumai (Sumatera) Melaka Cable System

DOSH
Department of Occupational Safety & Health

DSL
Digital Subscribers Line*

DWDM
Dense Wavelength Division Multiplexing

EAP
Employee Assistance Programme

EPPs
Entry Point Projects

ERM
Enterprise Risk Management

ESOS
Employee Share Option Scheme

ETP
Economic Transformation Programme

EVPL
Ethernet Virtual Private Line

FCS
Full Channel Service

FGTC
Frontliner Goes To Customer

FTTB
Fibre-to-the Building

FTTH
Fibre-to-the Home

FTTS
Fibre-to-the School

GIS
Geographic Information System

GLT
Group Leadership Team

GoM
Government of Malaysia

GES
Global Ethernet Services

GPON
Gigabit Passive Optical Network

GRI
Global Reporting Initiative

GVS
Global Voice Solutions

GTM
Go-To-Market

HIRARC
Hazard Identification, Risk Assessment and Risk Control Programme

HSBB
High Speed Broadband

IBS
In-Building Broadband Service

ICOP
Industry Code of Practice

ICI
Internal Control Incident

ICNIRP
International Committee on Non-Ionising Radiation Protection

ICT
Information & Communications Technology

IEPL
International Ethernet Private Line

IFS
International Freephone Services

INFORMS
Integrated Fulfillment Order Management Systen

IP
Internet Protocol

IPLC
International Private Leased Circuit

IPPF
International Professional Practices Framework

IPR
Intellectual Property Rights

IPTV
Internet Protocol Television

IPVPN
Internet Protocol Virtual Private Network

IPVS
International Premium Voice Services

IR
Incident Rates

IRU
Indefeasible Right of Use

ISMS
Information Security Management System

ISP
Internet Service Provider

ITFS
International TollFree Services

ITG
IT Governance

IT&NT
IT and Network Technology

JKH
Jadual Kadar Harga

JPM
Jabatan Bomba dan Penyelamat

JUSCN
Japan United States Cable Network

KPI
Key Performance Indicator

KTS
Key Telephone System

LAN
Local Area Network

LOA
Limit of Authority

MBK
Majlis Bersama Kebangsaan

MBN
Majlis Bersama Negeri

MCMC
Malaysian Communications & Multimedia Commission

MDeC
Multimedia Development Corporation

MERS
Malaysia Emergency Response Services

MIDA
Malaysia Industrial Development Authorities

MMP
Management and Maintenance Package

MOE
Ministry of Education

MPLS
Multi Protocol Label Switching

MQA
Malaysian Qualification Agency

MSA
Mandatory Standard on Access

MSAP
Mandatory Standard on Access Pricing

MSC
Multimedia Super Corridor

MSS
Managed Security Services

MTCP
Malaysian Technical Cooperation Programme

MTTI
Mean Time to Install

MTTR
Mean Time to Restore

NFP
Network Facility Provider

NGN
New Generation Network

NIOSH
National Institute of Occupational Safety & Health

NKEAs
National Key Economic Areas

NSP
Network Service Provider

NTMSP – NIOSH
TM Safety Passport

NUTE
National Union of Telecommunications Employees

OJT
On the Job Training

OLNO
Other Licensed Network Operator

OSHE
Occupational Safety, Health and Environment

OSS
One Stop Shopping

OVAS
Online Value - Added Services

PFN
Petrofibre Network

PIP
Performance Improvement Programme

PM
Property Management

POD
Point of Delivery

POI
Point of Interconnect

PRI
Primary Rate Interface

PQM
Productivity & Quality Management

PSTN
Public Switched Telephone Network

QMS
Quality Management System

RFID
Radio Frequency Identification

SAFE
South Africa Far East Cable System

SAMS
Streamyx Activation Management System

SAT-3
South Atlantic-3 Cable System

SBU
Strategic Business Unit

SCCP
Signaling Connection Control Part

SCM
Sales Channel Management

SCPC
Single Channel Per Carrier

SEA-ME-WE3 (SMW3)
South East Asia-Middle East-Western Europe Cable System 3

SEA-ME-WE4 (SMW4)
South East Asia-Middle East-Western Europe Cable System 4

SHO
Safety & Health Officers

SI
System Integrator

SMU
Security Management Unit

SOHO
Small Office Home Office

SP
Subsidiaries Policy

SSAI
Security Service Availability Index

SSQS
Smart School Qualification Standards

SUTE
Sabah Union of Telekom Malaysia Berhad Employees

TAD
TMpoint Authorised Dealer

TDM
Time-Division Multiplexing

TMOW
TMpoint on Wheels

TMUC
TM UniFi Centre

TOP
Towards Operational Perfection

USP
Universal Service Provision

USP BBPC
Universal Service Provision Broadband PC

UTES
Union of Telekom Malaysia Berhad Employees Sarawak

VAS
Value-Added Services

VDSL
Very High Bit Rate Digital Subscriber Line

VoIP
Voice over Internet Protocol

VPN
Virtual Private Network

VSAT
Very Small Aperture Terminal

WANs
Wide Area Networks

WASC
Western Africa Submarine Cable System

proxy form

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

"A" I/We ______________________________
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________

(PASSPORT NO.) ______________ (COMPANY NO.) ______________

of ______________________________
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) (Company) hereby appoint ______________

____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her ______________________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy/proxies to vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at the Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 10 May 2011 at 10:00 a.m. and at any adjournment thereof.

"B" If you wish to appoint a second proxy, please complete this section.

I/We ______________________________
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________

(PASSPORT NO.) ______________ (COMPANY NO.) ______________

of ______________________________
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) (Company) hereby appoint ______________

____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her ______________________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ______________________________
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy/proxies to vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at the Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 10 May 2011 at 10:00 a.m. and at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

	%
Proxy "A"	
Proxy "B"	
	100%

My/Our proxy/proxies is/are to vote as indicated below:
(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion)

No.	Resolutions		Proxy "A" For	Proxy "A" Against	Proxy "B" For	Proxy "B" Against
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2010	– Ordinary Resolution 1				
2.	Declaration of a final gross dividend of 13.1 sen per share (less 25% Income Tax)	– Ordinary Resolution 2				
3.	Re-election of Dato' Sri Zamzamzairani Mohd Isa pursuant to Article 103	– Ordinary Resolution 3				
4.	Re-election of Datuk Bazlan Osman pursuant to Article 103	– Ordinary Resolution 4				
5.	Re-election of Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin pursuant to Article 103	– Ordinary Resolution 5				
6.	Re-election of Dato' Danapalan T.P. Vinggrasalam pursuant to Article 103	– Ordinary Resolution 6				
7.	Re-election of Dato' Ir Abdul Rahim Abu Bakar pursuant to Article 103	– Ordinary Resolution 7				
8.	Re-election of Quah Poh Keat pursuant to Article 103	– Ordinary Resolution 8				
9.	Re-election of Ibrahim Marsidi pursuant to Article 103	– Ordinary Resolution 9				
10.	Re-election of Riccardo Ruggiero pursuant to Article 103	– Ordinary Resolution 10				
11.	Approval of payment of Directors' fees	– Ordinary Resolution 11				
12.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration	– Ordinary Resolution 12				

Signed this ______________ day of ______________ 2011.

No. of shares held	CDS Account No. of the Authorised Nominee*

**Applicable to shares held under nominee account only*

____
Signature(s)/Common Seal of Member(s)

Notes:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If this proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading *"signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation have been received"*. If this proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading *"signed under a Power of Attorney which is still in force, no notice of revocation have been received"*. A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this proxy form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. This instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tricor Investor Services Sdn Bhd, 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.

Fold this flap for sealing

AFFIX
STAMP

THE SHARE REGISTRARS
TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Then fold here

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