TM Ventures

KHAIRUSSALEH RAMLI
CHIEF EXECUTIVE OFFICER
TM Ventures

TM Ventures Group was established as a Strategic Business Unit in 2006 under its own CEO, Khairussaleh Ramli, as part of the recommendations of the Performance Improvement Programme to streamline the various business activities under one group for better accountability and performance and to rationalise the non-core businesses. TM Ventures is supported by three key units – Financial Advisory, Subsidiary Management and Programme Management Office-cum-Business Support.

Facts at a Glance
Overview

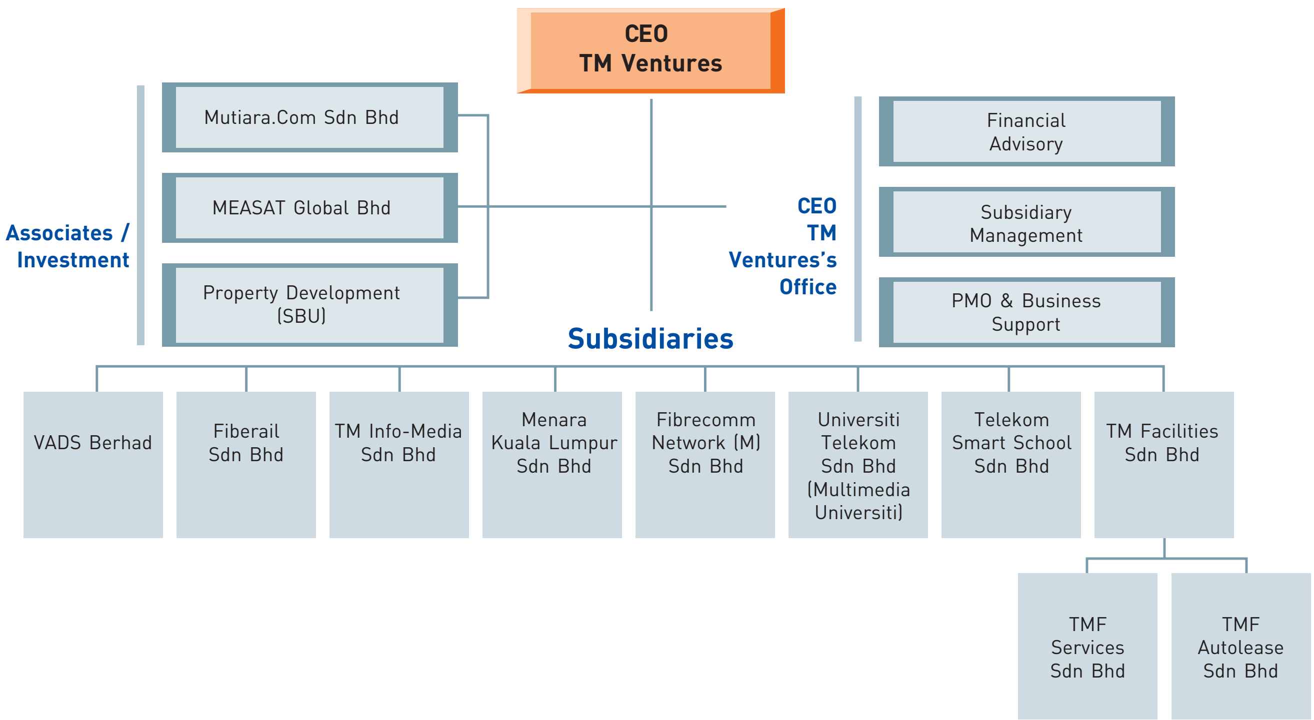
EBITDA

RM462.3 million + 114.6%

PATAMI

RM189.5 million + 247.1%

TM VENTURES
Portfolio of Companies and Assets



FINANCIAL OVERVIEW

For the year ending 2007, the TM Ventures Group recorded growth of 9.2% in revenue to RM1,326.6 million from RM1,214.5 million previously. The Group also achieved a higher EBITDA of RM462.3 million in 2007 which represented a significant increase of 114.6% from the previous year's of RM215.4 million. This was mainly attributable to the gain on disposal of Wisma TM in Kuala Lumpur for RM46.0 million. PATAMI grew 247.1% from RM54.6 million posted in 2006 to RM189.5 million in the year under review.

Operating costs (excluding depreciation) increased by 14.9% to RM1,148.0 million as compared to the previous year's RM999.1 million. In 2007, the Group also spent RM141.4 million on Capex as compared to RM302.3 million previously, with most of the investment coming under Property Development in respect of the TM Annex 2 and the TM R&D Complex as well as development of Phase II of the Multimedia University at Cyberjaya.

In the year under review, TM Ventures completed four strategic initiatives under its planned rationalisation of non-core businesses as follows:

- Disposal of its 16.2% stake in mySpeed.com Sdn Bhd to MyEg Services Berhad
- Integration of Telekom Applied Business Sdn Bhd (TAB) into TM Malaysia Business
- Integration of Meganet Sdn Bhd into VADS Berhad; and
- Disposal of TM Payphone Sdn Bhd to Pernec Corporation Berhad

In 2008, in line with the demerger exercise, TM Ventures will continue to rationalise non-core assets, enhance business performance of various businesses under its stable and reintegrate subsidiaries and affiliates to the respective businesses under FixedCo (TM), to support FixedCo's objective of creating a one-company mindset dedicated to achieving the excellence of a domestic champion.

VADS BERHAD

Managed Network Services – VADS

VADS continued to strengthen its position as a leading Managed ICT Services Provider focused on empowering companies to be more productive and efficient.
The winner of the coveted *PIKOM 2007 ICT Service Provider of the Year* award, VADS provides niche offerings from its three core business segments i.e. Managed Network Services (MNS), Systems Integration Services (SIS) and Contact Centre Services (CCS).

VADS is continuing its growth momentum by delivering healthy revenue growth for the 16th year in a row. VADS reached new heights when its revenue crossed the RM500 million mark, recording a turnover of RM523.3 million and PAT of RM54.1 million which represented significant increases of 42.2% and 67.0% respectively over the previous year.

All three VADS business segments recorded commendable performance in 2007. MNS continues to be the largest revenue contributor for VADS with RM263.5 million, an increase of 30.4%. Despite a very competitive SIS market, VADS managed to increase the revenue from this segment to RM78.4 million as compared to a lower RM57.6 million the year before, an increase of 36.1%. On the other hand, CCS maintained its past year's growth momentum as it chartered a 67.3% increase in revenue to RM181.4 million in 2007.

	2007		2006	
Revenue by Segment	**RM Mil**	**%**	**RM Mil**	**%**
MNS	**263.5**	**50.4**	202.1	54.9
SIS	**78.4**	**15.0**	57.6	15.6
CCS	**181.4**	**34.7**	108.4	29.4
Total	**523.3**	**100**	368.1	100

To improve the liquidity of the shares traded on Bursa Securities, the Company, pursuant to approval by the shareholders, undertook a share split on the basis of 1 share of RM1.00 each to RM0.50 each, hence increasing the number of shares to 128,307,800 as at October 2007. As at December 2007, the number of shares was 128,596,800. With improved liquidity, the market capitalisation of the company reached RM862 million as at end of 2007, a more than 10-fold increase since VADS was listed in 2002.

The Board of Directors is proposing a final tax-exempt dividend of 13 sen per share of RM0.50 par value, in addition to the interim tax-exempt dividend of 17 sen per share of RM1.00 par value already paid on 4 September 2007. The total tax-exempt dividend in the financial year ended 31 December 2007 was 72.0% higher than a year ago, reflecting a more generous dividend payout of 50.4% of PAT for the year compared to 47.8% in 2006. VADS's balance sheet was strengthened as the net cash position rose from RM29 million last year to almost RM110 million on 31 December 2007, or 85.7 sen per share of RM0.50 par value.

MANAGED NETWORK SERVICES (MNS)

VADS Managed Network Services, complemented by its host of value-added services, namely Managed Network Data Centre, Managed Business Internet Services, Managed Security Services, Managed WAN Accelerator Services (a new service introduced in 2007) and Managed IP Telephony, continued to successfully serve the enterprise market. VADS strengthened its synergistic relationship with TM Retail by supporting the TMPremier product, a move which saw a significant growth in the number of customers.

In line with its ongoing efforts to raise service standards, MNS launched its customer service portal to provide customers with easy access to reports and performance analyses. VADS was re-certified as Cisco's Silver Partner and received the following awards from CISCO in 2007:

- *Outstanding Leadership in Advance Services Sales* – Top performing partner
- *Outstanding Leadership in Managed Services* – 3rd consecutive year
- *Outstanding Leadership in Advance Technology* – Delivering the highest contribution to Cisco Advance Technology business

VADS acquired Meganet Communications Sdn Bhd on 1 June 2007 for a consideration of RM8.2 million from TM and NTT Communications Corporation of Japan. This was to expand the MNS product suite and strengthen its capabilities in the provision of LAN services.

SYSTEMS INTEGRATION SERVICES (SIS)

SIS's forte is in Microsoft Office Communications Server 2007 (OCS), Servers, Managed Storage and Software Tools.

In March 2007, as a National & Regional Systems Integrator for Microsoft Unified Communications, VADS was commissioned by a US-based multinational company to deploy the first Unified Communications implementation in ASEAN. The new solution provides features such as Voice Over IP (VoIP), instant messaging and Web conferencing. Such capabilities help the customer to reduce costs, facilitate communication, increase mobility, and accelerate productivity.

VADS's continued efforts to fortify its SIS capabilities were rewarded when it received the *Microsoft Gold Partner* award, *IBM Platinum* award and *IBM Premier Partner* award in 2007.

CONTACT CENTRE SERVICES (CCS)

2007 was a year of rapid growth for VADS Contact Centre Services. In January 2007, VADS was awarded an in-sourcing contract to manage the TM Retail Contact Centre (TMRC). This involved the handling of TM's inbound and outbound calls including the directory assistance services (103), domestic and international assistance services (101) and emergency services (999), TM 100 services (Sales and Service, Telephone Fault Management, Credit Management (inbound and outbound) and Telegraph), Maritime Operator assisted service and outbound Telemarketing which operate accross various locations accross the country. VADS succeeded in ensuring a seamless transition with undisrupted service for the TMRC services. As a result, VADS is now the largest contact centre service provider in Malaysia with over 3,700 Customer Service Representatives across 8 locations around the country.

Setting its sights to be a regional CCS player, VADS has been building its capabilities and expertise to meet international standards. VADS won 2 offshore contracts; Mobile One (Singapore) and Linksys (USA). VADS also tied up with AVAYA, a leading global provider of business communications applications, systems and services, to offer hosted contact centre solutions on a pay-as-you-use basis. This is aimed at reducing customer's capital outlay while still meeting their business objectives.

VADS managed contact centres received seven CCAM *(Contact Centre Association of Malaysia)* awards in 2007 while the VADS managed Celcom Contact Centre achieved the *Customer Operations Performance Centre (COPC) 2000* certification.

VADS is optimistic about 2008 as it is confident that managed ICT services will continue to be well received by businesses that are looking to increase their operational effectiveness and productivity while containing costs.

VADS will continue to aggressively drive business growth by keeping abreast of industry and technology developments so as to offer better innovations in service offerings, as well as leverage on the synergistic strengths within the TM Group.

VADS will also continue to explore new opportunities as it strives towards improving its services and offerings to meet customer expectations and the new challenges that growth inevitably brings.

FIBERAIL SDN BHD

Fiberail Sdn Bhd was incorporated in 1992 as a joint-venture between TM and Keretapi Tanah Melayu Berhad (KTM) to provide telecommunication network-related services. In 2006, Fiberail purchased Petrofibre Network (M) Sdn Bhd, as a result of which, the latter became a shareholder in Fiberail. The acquisition was designed to bring synergistic benefits to the parties and to give Fiberail usage of two corridors, namely the KTM railway corridor and Petronas' gas pipeline corridor. A "carrier's carrier", Fiberail owns fibre-optic cable networks alongside railway and gas pipelines. The company provides the backbone infrastructure in the form of dark fibre leasing, bandwidth services, Metro Ethernet, ancillary services and turnkey network solutions to Telco providers, managed network service providers, global operators, discounted voice operators and broadcasting operators.

Given its fibre network across the length and breadth of the country in both rural and urban locations, Fiberail plays a vital role in complementing TM Group's efforts in supporting the Government's aspirations to establish Malaysia as a global hub for communications and multimedia.

For the financial year ended 31 December 2007, Fiberail reported revenues of RM111.2 million, representing a growth of 12.6%, while PAT stood at a record RM15.0 million. The significant growth in profit of 135.2% was mainly attributable to the contribution from project management services provided to MMC Gamuda Joint Venture for the establishment of an Electrified Double Track Project between Ipoh and Padang Besar for KTM Berhad. This, coupled with a

steady growth in sales from core products mainly fibre optic core and bandwidth, as well as other contract services, ensured profitability.

Fiberail currently owns 140,525 km of fibre optic core network compared with 138,293 km in the preceding year. The network rides along KTM's and Petronas' railway and gas pipeline corridors respectively and stretches throughout the length of the peninsular with an additional network along the gas pipeline corridor to the east coast. This offers customers diversity, resilience, and wide coverage, which is of vital importance in the fast-expanding telecommunications arena.

In 2006, Fiberail was granted an extension of its operating licence by the Malaysian Communications and Multimedia Commission, a move which allows the delivery of additional value to its customers via a wider network reach in line with the Company's continuing effort to extend and improve its network coverage.

In furtherance of the objective to always boost customer confidence and enhance customer service, Fiberail has implemented its ISO 9002 certification which encompasses planning, development, operations and maintenance, business management and support services of the fibre optic network for telecommunications, as well as business development for new products. Fiberail's strict adherence to ISO 9002 procedures ensures consistency and customer satisfaction at all times.

To support its growing customer base, Fiberail has 20 operation centres nationwide, the National Control Centre at KTM Berhad's hub in Kuala Lumpur and a 24-hour Helpdesk.

The year 2007 was clearly a growth year for Fiberail, given its sterling performance, and the major opportunity it secured with MMC-Gamuda Joint Venture for the electrified double-tracking project. This is an initiative by the Malaysian Government and KTM Berhad under the Railway Infrastructure Development Project to convert the existing single-track railway infrastructure to a modern electrified double-tracking network which would offer increased line speed and throughput to Peninsular Malaysia's railway network. Work is in progress and due for completion in five years.

Fiberail will also see its resilient infrastructure and technical expertise supporting the WiMAX rollout. Asiaspace Sdn Bhd, one of the four companies awarded the WiMAX licence has selected Fiberail, together with TM, to provide the use of a fibre-optic network for Asiaspace's backhaul.

MENARA KUALA LUMPUR SDN BHD

The fourth tallest telecommunication tower in the world and the tallest in South-East Asia at 421 meters above ground level, Menara Kuala Lumpur offers a unique blend of culture, adventure and nature not easily found elsewhere in Kuala Lumpur. Situated within the landmark Bukit Nanas Forest Reserve, one of the oldest forest reserves in the country, the Tower blends into the natural surroundings and offers splendid panoramic views to those who venture up to the top.

Besides being a major tourist attraction, Menara Kuala Lumpur plays a vital role in broadcasting and telecommunications, of which its main partners are national broadcaster Radio Televisyen Malaysia (RTM) and its parent company, TM. Originally constructed to improve the quality of telecommunications and broadcasting transmission services in the country, Menara Kuala Lumpur has become a symbol of Malaysia as a progressive regional business hub.

The number of visitors to the tower has increased markedly from the day it was first opened in 1996. As at December 2007, Menara Kuala Lumpur received a total of 9,615,240 visitors. The year 2007 alone saw Menara Kuala Lumpur receiving 765,584 visitors comprising more than half a million foreign tourists who came mainly from India, Japan, United Kingdom, Hong Kong and Australia.

For the financial year ended 31 December 2007, Menara Kuala Lumpur recorded a revenue of RM93.3 million, representing a growth of 5.1% over the previous year's of RM88.8 million, while PAT was RM50.4 million compared to the RM47.2 million achieved in 2006, or an increase of 6.8%. A key factor for the improved performance was the success of the international tourism campaign under Visit Malaysia Year 2007 which saw an influx of inbound tourists into the country.

Additionally, in conjunction with Malaysia's 50th Independence Celebrations in 2007, Menara Kuala Lumpur introduced a 'Unity & Harmony' theme into its promotions which portrayed the beauty and strengths of Malaysia through the blending of cultures of people from different ethnic backgrounds, traditions and religions. These activities received widespread coverage from both local and international media and footage was also viewed worldwide through the Internet.

As an icon for Brand Malaysia, Menara Kuala Lumpur has contributed to the country's international profiling by introducing a number of signature events which are exclusive and have proven popular internationally. These are the *KL Tower International Jump Malaysia* and *the KL Tower International Forest Towerthon Challenge* where participants venture up the flight of 2,058 steps ending at 382 meters above sea level.

Having played host to the *KL Tower International Jump Malaysia* for the past nine years, Menara Kuala Lumpur has been acknowledged as the World Basejump Centre among those seeking adventure and thrills. The objective of this event is not only to cater for professional jumpers from all over the world who relish the opportunity to jump from tower to tower in Malaysia, but to promote every participating tower namely Menara Pelita (Sarawak), Menara Tun Mustapha (Sabah), Menara Alor Star (Kedah), Menara Komtar (Penang), Menara Kuala Lumpur and Menara TM (Kuala Lumpur).

Also for the first time, Menara Kuala Lumpur was given the honour of hosting the World Federation of Great Towers Conference from 3-8 September 2007, which involved participants from famous towers all over the world. Participants of the conference were exposed to Malaysian culture and heritage and made a visit to Putrajaya, the federal administrative capital. At this conference, Menara Kuala Lumpur recorded the largest number of participants since the Federation was formed in 1989, and history was made when Eiffel Tower was welcomed back into the Federation during the conference.

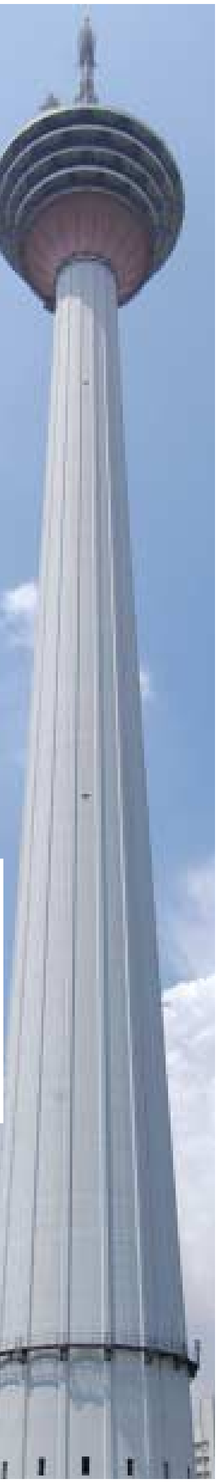
Sometimes referred to as the 'Tower of Hope', Menara Kuala Lumpur has always played its role in Corporate Social Responsibility. In 2007, Menara Kuala Lumpur responded with aid to flood victims and also organised a series of charity activities alongside the Down Syndrome Association and for cancer patients at hospital paediatric wards throughout six locations in Malaysia.

In line with the Government's initiative to promote Agro-Tourism, Menara Kuala Lumpur has organised activities with the Ministry of Agriculture, the Malaysian Pineapple Board and RISDA, among others, with the aim of creating awareness among visitors to the tower of some of Malaysia's best agro products that have left their mark in the international marketplace.

In 2007, Menara Kuala Lumpur also launched an international campaign in search of its 10th million visitor who stands a chance of visiting the Eiffel Tower Paris through a collaboration between Menara Kuala Lumpur and Eiffel Tower as members of the World Federation of Great Towers.

Moving forward, Menara Kuala Lumpur will continue to focus on Culture, Adventure and Nature (CAN). This is its unique offering to both local and international visitors. The tower is expected to receive another 1.5 million visitors in 2008.

Menara KL – providing a 'bird's eye view' of famous Malaysian hospitality



TM INFO-MEDIA SDN BHD (TMIM)

TM Info-Media Sdn Bhd (TMIM) is the publisher of the Yellow Pages, White Pages, Malaysian Chinese Pages, Malaysia Tourist Pages, Halal Pages, Oil & Gas Directory and Corporate Agriculture Pages. In 2006 the company embarked on a business transformation exercise involving the enhancement of Internet Yellow Pages (IYP) features and the revamping of several industry-based directories to create a new look and feel to the Yellow Pages main books. Successful collaboration with various government agencies and ministries were chartered in respect of its niche products.

Transiting into 2007, TMIM undertook to focus on improved distribution, marketing and sales for well-rounded and balanced progress. New strategies were put in place, especially in distribution, and a more competitive and incentive-driven sales strategy was devised to spur sales growth. All in all, the year 2007 was focused on enhancing operational capabilities and systems. With minimal capital expenditure in 2007, together with a well-planned and controlled operating expenditure, TMIM registered PAT of RM11.9 million, an increase of about 97.0% over 2006.

Highlights of 2007 included the introduction of a new product called the Mini YP (Mini Yellow Pages), designed for the consumer and positioned as a consumer directory-in-the-car. Given its targeted distribution strategies, Mini YP is set to be a winning product in 2008.

The IYP has also shown improvements in revenue and page views. Charting the highest revenue growth rate in 2007 at almost double the previous year, IYP is one of TMIM's most promising products. The growth of IYP is indicated by a monthly average number of visits of more than 300,000, a five-fold increase from the previous year. This is a result of richer content that also includes maps.

TMIM's initiatives to be a broad-based multi-channel company that offers a comprehensive electronic and print media solution will be fully realised in the near to medium term. Its current directions are to grow the traditional business while penetrating new markets that are technology driven such as mobile and the Internet. YellowPost, the Klang Valley's Free City Paper, is one initiative designed to ensure a positive value chain and new marketing platform for Yellow Pages advertisers.

A stable of consumer and business directories

FIBRECOMM NETWORK (M) SDN BHD

Fibrecomm Network (M) Sdn Bhd was incorporated as a joint-venture company between a subsidiary of Celcom (M) Bhd, Celcom Transmission (M) Sdn Bhd, and Tenaga Nasional Bhd. Fibrecomm's core business is in telecommunication network services provision with a focus on connectivity and application services designed to cater for the needs of service providers. To date, Fibrecomm has installed approximately 98,000 fibre kilometers (running on high speed capacity of up to 10 Gbps), that form a unique transport and access network throughout Peninsular Malaysia.

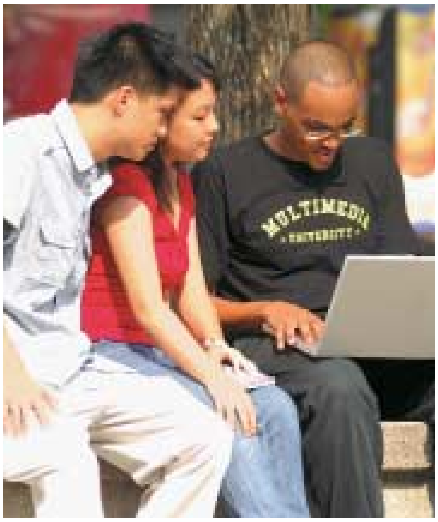
Fibrecomm offers a focused range of services including dark fibre, wavelength, bandwidth, IP, Ethernet and Co-location services. With its full-service offerings, Fibrecomm is well positioned to address the needs of customers for a reliable network performance, short time to market, cost-effective solutions and excellent service. In its effort to strengthen and establish Fibrecomm as the "network carrier of choice" in not only Malaysia but also the region, Fibrecomm has extended its network reach to Thailand, Singapore and East Malaysia.

At Fibrecomm, the company recognises that its customers demand nothing less than the best when it comes to reliability of the network, product innovations and quality service. From time to time customer satisfaction is measured through surveys. In this regard, Fibrecomm was ranked first in term of customer satisfaction based on a survey conducted by an independent research company in 2007.

The year 2007 was one of strong growth for Fibrecomm which saw its financial and market position within the industry further strengthened. Revenue grew from RM49.3 million to RM64.5 million, representing a 31.0% improvement year-on-year. In terms of profitability, Fibrecomm reached a new milestone with PAT at RM11.1 million, marking a year-on-year growth of a record 576.0%. The improved performance was attributed not only to effective cost management, aggressive efforts to acquire new customers from new markets and timely rollout of products and services, but also from the continued confidence of the customers in Fibrecomm's network and services.

Moving forward, Fibrecomm remains committed to boosting shareholder value by sustaining, if not improving, upon the growth momentum set in motion in 2007. This will be done by further enhancing customers' experiences, developing people and seizing opportunities to accelerate growth. The Company will continue to strive to bring state-of-the-art technologies and solutions to the marketplace, to live up to its core vision which is to be the "network carrier of choice" in Malaysia and the region.

UNIVERSITI TELEKOM SDN BHD (MULTIMEDIA UNIVERSITY)



As the first wholly-private university to be established in Malaysia, Multimedia University (MMU) strives to be a world-class academic institution in its chosen fields of engineering, information technology, management and multimedia technology. The year 2007 brought outstanding successes in MMU's ongoing mission to position itself as a major international institution as it engaged within the Asia-Pacific region across the full range of its responsibilities, including research, undergraduate and postgraduate education and community services.

Faculties in MMU have also stepped up their alliances with the best teaching resources in the world to offer compelling degree programmes. Such partnerships have brought a wealth of learning opportunities to MMU students and enhanced the market value of MMU degrees worldwide. Notable partnerships initiated or launched in the year included:

- Student Exchange and Staff Exchange, Proposed Joint R&D, Joint Research and Seminar Programmes (Dian Nuswantoro University, Semarang, Indonesia)
- Student Exchange and Staff Exchange, Proposed Joint R&D, Run IELP Programme (Lanzhou Foreign Languages and Vocational College, China)
- Student Exchange and Staff Exchange, Proposed Joint R&D (Payame Noor University, Iran)
- Student Exchange and Staff Exchange, Postgraduate Scholarships, Proposed Joint R&D (Tashkent State Technical University, Uzbekistan)
- Student Exchange and Staff Exchange, Proposed Joint R&D (Taiwan University of Science and Technology, Taiwan)
- Student Exchange and Staff Exchange, Proposed Joint R&D (Qazwin Azad Islamic University, Iran)
- Student Exchange and Staff Exchange, Proposed Joint R&D (Shariff University of Technology, Iran)
- Student Exchange and Staff Exchange, Proposed Joint R&D (Al-Hosn University, UAE)
- Student Exchange and Staff Exchange, Proposed Joint R&D (University of Science and Culture, Iran)
- To Run IELP Programme (Aryanpour Language Centre, Iran)

MMU graduates are renowned for their quality, as demonstrated in their achieving a consistently high employment rate in industry. In the year under review, the MMU produced a total of 461 diploma graduates, 2,603 bachelor degree graduates, 181 master degree graduates and 10 PhD degree graduates. Student postgraduate enrolment rose to 2,020. The number of MMU students in 2007 totalled 19,464, as compared to 19,144 in the previous year and comprised 15,693 local students and 3,771 international students. The international students came from 79 countries.

MMU – establishing strong international links

MMU – pushing quality education to new heights

Members of the Faculty and student body also received several noteworthy awards including:

- *CISCO Networks Innovation Awards 2007. Best Converged Campus Network Award. CISCO Networks Innovation Awards 2007*
- *2nd Prize - Altera InNoCom 2006. Altera InNoCom 2006*
- *Outstanding Engineering Achievement Award (IEM)*
- *18th International Invention, Innovation and Technology Exhibition (ITEX 07). Silver Medals*
- *Flat Gain Optical*
- *Best Student Chapter Website Award for 2006. The Institution of Engineering and Technology (Malaysia Branch) Awards*
- *IET Malaysia Leadership Award 2006/2007. The Institution of Engineering and Technology (Malaysia Branch) Awards*
- *IET Malaysia Best Student Chapter 2006/2007. The Institution of Engineering and Technology (Malaysia Branch) Awards*
- *SoftPedia 100% Clean Awards. SoftPedia Clean Awards*
- *1st Runner-up. Agilent Malaysia Innovator Award 2007*
- *ICRC International Humanitarian Law Moots Competition (National Level). ICRC International Humanitarian Law Moots Competition*
- *Universiti Malaya's (UM) Engineering Invention 'N' Innovation Challenge (EINIC) 2007 – 'Best Postgraduate Award'*

The Ministry of Education approved seven new courses in 2007. The new courses include Doctor of Engineering (Microelectronics), Doctor of Engineering (Telecommunications), Foundation in Engineering, Master of Computer Science in Software Engineering and Software Architecture, Foundation in Information Technology, Master of Accounting and Diploma in Business Administration. Under the Academic Quality Assurance, MMU promotes public confidence that quality of provision and standards of its academic programmes are continually safeguarded and enhanced. A newly-accredited course by the National Accreditation Board (LAN) is the MMU Diploma in Electronic Commerce.

The year 2007 saw the Centre for Commercialisation and Technopreneur Development (CCTD) of MMU making a serious commitment to infuse the entrepreneurial spirit throughout the MMU community. This centre also received several noteworthy awards which recognised innovative students and other projects.

The year saw MMU consolidating efforts to improve its facilities in support of the University's scholarly pursuits and research activities. In October 2007, MMU was awarded the MS ISO 9001:2000 Quality Management System for certification for both campuses in respect of the provision of Library Services and management of Student Records. In achieving ISO, MMU is better placed to be on par with other older reputable academic institutions in Malaysia who implemented ISO much earlier.

Financially, MMU continues to be a self-sustaining university and funding for the development of the Phase II Cyberjaya Campus came from internally-generated funds.

On 2 January 2008, MMU appointed Prof Dr Zaharin Yusoff as its new President. Dr. Zaharin, a Professor with experience in Computational Linguistics and Artificial Intelligence, was formerly the Dean of the College of Graduate Studies at Universiti Tenaga Nasional (UNITEN).

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS) was established on 22 July 1999 to develop and implement the Malaysian Smart School pilot project in collaboration with the Malaysian Ministry of Education (MOE) and Multimedia Development Corporation (MDeC). Since the completion of the project in December 2002, TSS, an MSC-Status Company, has established several key businesses in e-Education such as web-based school applications (eSkool - School Management System and eLearn - Learning and Content Management System) and content development services, both for the education and corporate sectors locally and abroad.

As Malaysia's foremost e-Education solutions provider, TSS has completed numerous content development projects for the Ministry of Education (MOE), Ministry of Higher Education (MOHE), Multimedia College (MMC) and Brunei Ministry of Education, amongst others.

In a sustained effort to reinforce itself as the leading e-Learning player in the market, TSS is also dynamically involved in promoting its products and services via exhibitions and seminars to targeted audiences and collaborating with both international and established local partners and associates, to offer a wider range of e-Learning products and services.

Widening the Smart School curriculum in schools

TM FACILITIES SDN BHD

TM Facilities Sdn Bhd (TMF), a wholly-owned subsidiary of TM established in 2002, is focused on performance improvement and transforming its businesses into profitable entities. The company has successfully undertaken two phases of transformation with the objective of streamlining its business activities.

TMF is the holding company of two wholly-owned subsidiaries, namely TMF Autolease Sdn Bhd (TMFA) and TMF Services Sdn Bhd (TMFS). TMFA provides auto-leasing and vehicle-related business, whilst TMFS provides facilities management services to TM Group.

For the financial year ended 31 December 2007, TMF Group recorded total revenue of RM237.6 million and PAT of RM29.9 million. The main contributor to revenue was TMFS (72.0%) and TMFA (24.9%).

The Group will continue to remain focussed on creating wealth and enhancing its shareholder value by providing better quality services and delivering operational efficiencies.

TMF AUTOLEASE SDN BHD

TMF Autolease Sdn Bhd (TMFA) oversees the fleet management of TM Group nationwide. The key tasks are to ensure all vehicles are roadworthy, utilised optimally and available at all times for the purpose of business operations and support. As at 31 December 2007, the total number of vehicles stood at 5,478 units with various makes and models ranging from utility vans, saloon cars, four-wheel drives and lorries. Besides its fleet, TMFA manages a total of seven zone offices and 30 service outlets nationwide.

Malaysia Business remains the major TMFA customer with 3,966 units leased, or 70%, while the remaining units are leased to related subsidiaries of TM.

In pursuit of quality, TMFA in 2007 conducted several quality programmes for its customers including safe driving. It also scored 88.5% in a Customer Satisfaction Index (CSI) based on a study completed in October 2007.

For the financial year ended 31 December 2007, TMFA registered a revenue of RM59.1 million. With operating costs at RM27.8 million, the PAT recorded was RM22.6 million. Most of the revenue or 99.0% was derived from the Management and Maintenance Package (MMP) fee for TM vehicles.

As for prospects in 2008, stakeholders will be assured of further improvements in performance and positive growth in shareholder value as TMFA strives to continue providing greater efficiency in its services to the TM Group.

TM's Fleet

TM Resort Cameron Highlands

TMF SERVICES SDN BHD

TMF Services Sdn Bhd (TMFS) provides services in relation to the daily operations and maintenance services for all TM facilities and installations nationwide, which include exchanges, telecommunication towers, masts, office buildings, AC & DC, generators, hill stations, cabins, retail outlets, museums, warehouses, staff quarters, multimedia colleges and resorts. TMFS comprises two primary units – the Operations & Maintenance Unit, responsible for daily operations, and the Project Management & Consultancy Unit, which is involved in project-related activities.

Throughout 2007, TMFS has taken various measures in improving service quality to customers. This was reflected in a significant improvement in its Customer Satisfaction Index of 92.4%, whereas power availability remained at a high level of 99.9%. In 2007, TMFS completed the EMS ISO 14001 and QMS ISO 9001:2000 exercise, as well as conducted a quality programme based on the 5S (Sort, Set in order, Shine, Standardise and Sustain).

In 2007, TMFS also constructed a total of 20 telecommunication towers worth RM15 million for the Malaysian Communication and Multimedia Commission (MCMC) in respect of its Universal Service Provision (USP) project along the East West Highway which is aimed at providing seamless network coverage along the highway.

For the financial year ended 31 December 2007, TMFS registered a revenue of RM171.0 million and PAT of RM5.5 million. A total of RM147.3 million or 86.1% of the revenue was generated from Comprehensive Facilities Management services rendered to TM, whilst the rest came from requested services, including project management fees.

In 2008, TMFS will continue to enhance its operating efficiencies and improve the quality of its services to the TM Group.

PROPERTY DEVELOPMENT

Property Development division or PD, the in-house adviser on land and building matters, manages TM's land bank and assets. PD contributes to the Company's bottom line by 'unlocking' TM's idle land bank through disposal or development of identified parcels of land jointly with reputable developers. As the custodian of all TM's non-network assets, PD is also responsible for property and land administration of these assets. Apart from creating value from the land bank, PD also proposes cost-savings options particularly in respect of utilities consumption and related property taxes.

In 2007, PD contributed savings of RM5.1 million in reduction of land lease expenses. In line with TM's objective to 'unlock' value of non-core assets, PD also concluded the sale of Wisma TM in Kuala Lumpur to Pesuruhjaya Tanah Persekutuan for a purchase consideration of RM70 million. To date, PD has successfully unlocked over 1,694 acres of land, of which 56 acres were disposed of, and the remaining jointly developed with partners over periods ranging from three to seven years.

In 2008, PD will continue on the initiatives to 'unlock' TM's Group land bank. Another key objective for 2008 would be the securitisation of non-network assets, which is in line with TM's rationalisation exercise.

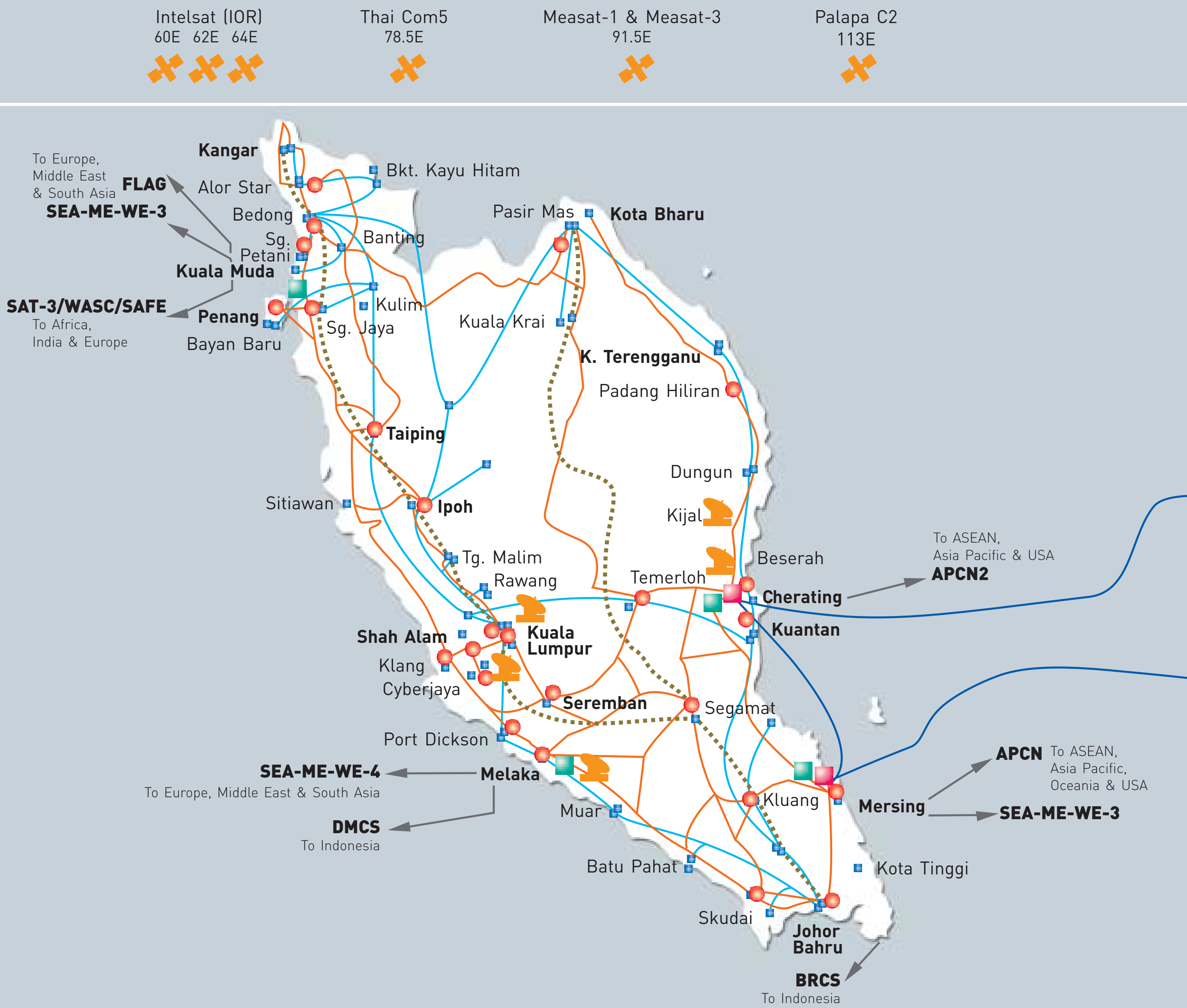
Enhancing value of TM's landbanks

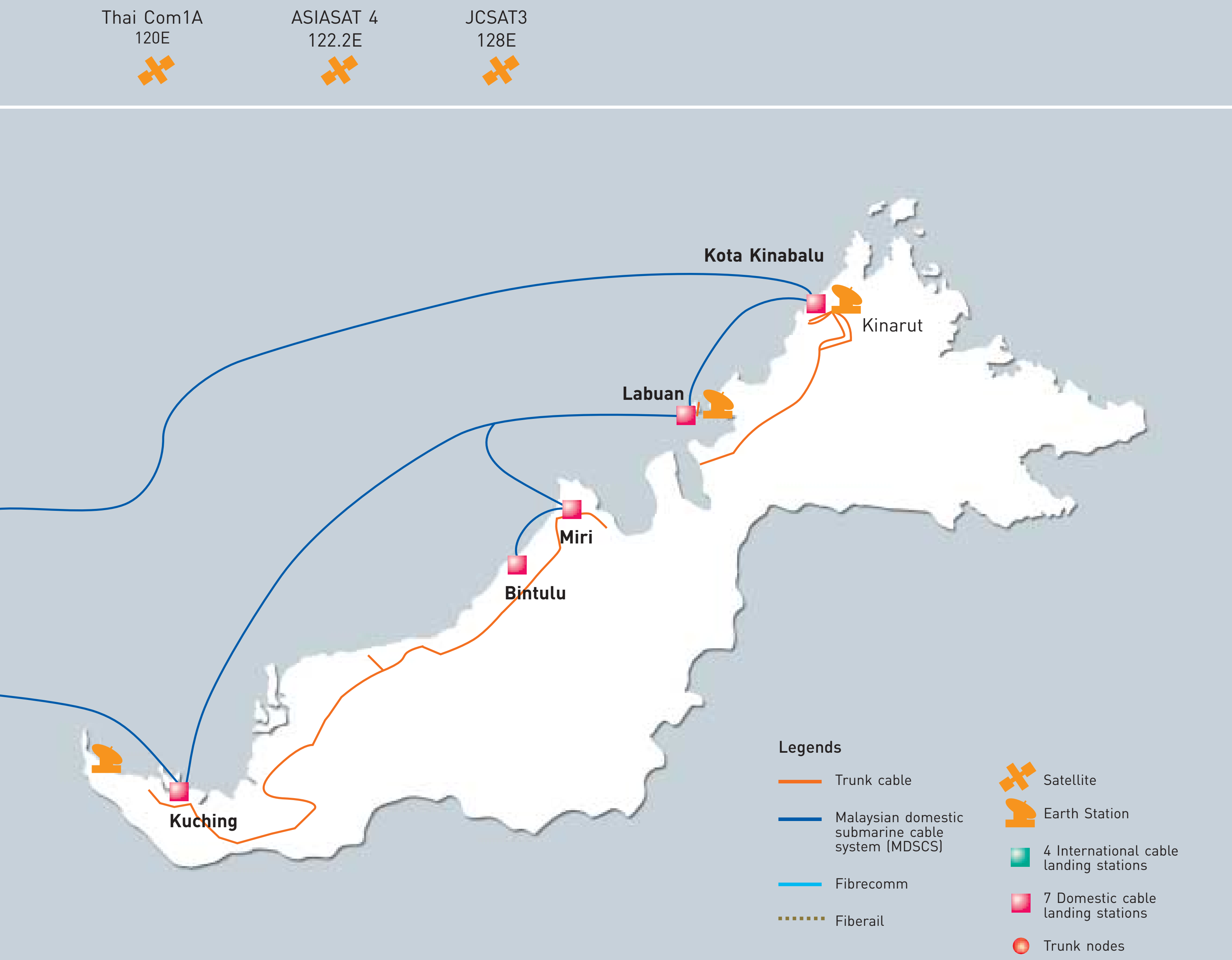
TM PAYPHONE SDN BHD

On 14 August 2007, in line with continued rationalisation of non-core assets, TM entered into a Sale and Purchase Agreement to dispose its entire equity interest in its wholly-owned subsidiary, TM Payphone Sdn Bhd (TM Payphone), to Pernec Corporation Berhad (Pernec), for a total consideration of RM22.0 million. The divestment which was completed on 31 December 2007 supports the strategic intention of TM to focus on its role as mainstream network facility and service provider. TM Payphone ceased to be a subsidiary of TM, effective from 1 January 2008 and is now wholly-owned by Pernec.

International & Domestic

Infrastructure & Trunk Fibre Optic Network





Thai Com1A
120E
ASIASAT 4
122.2E
JCSAT3
128E
Kota Kinabalu
Kinarut
Labuan
Miri
Bintulu
Kuching
Legends
Trunk cable
Malaysian domestic submarine cable system (MDSCS)
Fibrecomm
Fiberail
Satellite
Earth Station
4 International cable landing stations
7 Domestic cable landing stations
Trunk nodes

OVERVIEW 2007

The global economy saw growth in nearly all the major regions in 2007. China continued to be a growth engine for the Asia Pacific region, with its healthy growth rate of over 11.0% in 2007, while India, the second most-populous country, trailed behind with growth of over 9.0%. Malaysia itself recorded a robust 6.1% growth in 2007.

Comparatively, the year witnessed 2.6% growth in Europe, 2.1% in the United States and 1.9% in Japan. That economic growth continued to come primarily from emerging markets can be reinforced by a comparison of stock market indices globally. The S&P and the NASDAQ Composite indices improved by 4.8% and 10.6% respectively compared to more than 90.0% gains for the Shanghai stock market, and an average of over 40.0% for most of the other emerging markets.

Chart 1: GDP Growth Rates in 2007 (Estimates): Select Countries in Asia Pacific, Europe and the US

Source: Country Central Banks, Economic development units, The Economist and others

OUTLOOK 2008

The prospect of an economic slowdown in the US marked by a falling US dollar and continuing high oil and commodity prices have begun to temper growth prospects for 2008. The exposure to the sub-prime market for American financial institutions and its concomitant impact on the US economy is further exarcebated by the challenge of maintaining a high current account deficit. It is expected that global growth will trend downwards from 3.6% in 2007 to 3.3% in 2008 (Source: World Bank). Meanwhile, a falling US dollar will potentially result in lower margins for some of the export-led Asian and other emerging economies (outside of pegged exchange-rate countries), thereby impacting regional and global growth prospects. Such economies can be expected to quickly diversify their markets from the US to Europe and elsewhere, as evident in the decline of the US's share of world imports from 19.0% in 2000 to 14.0% in 2007.

Continuing high oil prices reinforced by high commodity prices as well as rising food costs globally can also be expected to increase input costs across all industries. The potential impact of all these factors could result in a re-rating of risk leading to a slowdown in investments and a drop in consumer spending in certain markets.

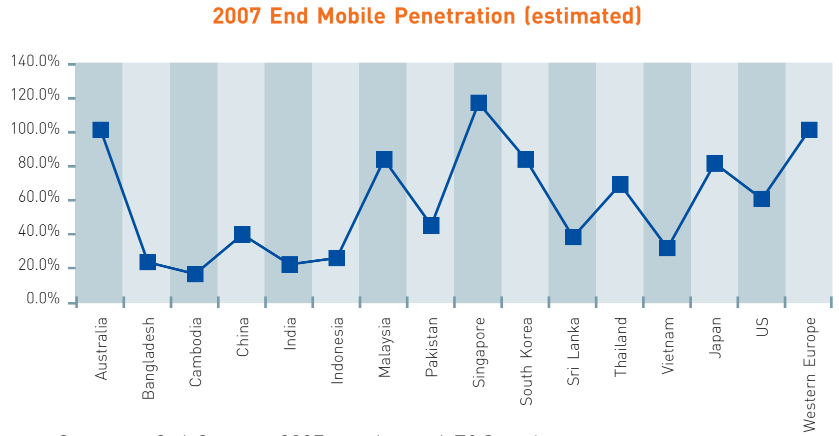
However, the risks of a global economic slowdown should be looked at in the context of growth drivers in the emerging markets. For a number of emerging markets, growth is led by endogenous factors (especially India, but also for Malaysia, Thailand, Indonesia and Vietnam). While ostensibly China can be expected to be impacted, given its status as the world's largest exporter, the risks are likely to be mitigated by strong domestic demand. The emerging markets led by China and India would be the key demand centres and a key focus of investments and growth for multinational and domestic firms, as witnessed recently by Vodafone's buyout of Hutchison's mobile play in India. The World Bank, for example, remains optimistic in its estimates of GDP growth for developing countries which is 7.1% in 2008, as compared to 2.2% for high-income countries. Moreover, non-traditional markets are now emerging as a key source of investment and capital both through the private sector, and increasingly, through sovereign funds.

TELECOMS OUTLOOK 2008

A critical measure of the development of any economy is the usage of telecommunication services in that country. Telecom services can be said to have a symbiotic relationship with the economic conditions in a particular country. While the growth in any economy is a causal factor for the increasing penetration of telecom services, given increasing disposable incomes to buy telecom services, the pervasiveness of telecom services is in itself a contributor to GDP growth by increasing the efficiency and productivity of transactions and business processes.

Critical to the growth of the global economy would be therefore the ability to bridge the "connectivity divide". The global mobile customer base has reached around 3 billion by the end of 2007 with about 1 billion people connected through home or office to some form of Internet connectivity, including dial-up and broadband. The key challenge would be to extend the mobile connectivity to more than 50.0% and 85.0% of global unconnected mobile and Internet populations respectively.

Chart 2: Estimated Mobile Penetration end 2007: Select Countries in Asia Pacific, Europe and the US



Source: Company 3rd Quarter 2007 results and F&S estimates

From Chart 2, it is apparent that mobile penetration growth was driven by Asian economies in 2007. Going forward, a critical aspect of the growth momentum would be the application of business models focusing on a scale strategy (in contrast to market skimming) which would mean lower end-user prices, sharing of infrastructure and in certain cases, sharing of end-user terminals.

The liberalisation of the telecoms sector has enabled market forces to derive optimal business models depending upon the socio-economic conditions in a said market to inevitably diffuse technologies in the country. Playing on the Bottom of the Pyramid strategies in India, for example, meant that while a mobile call at US 1 cent a minute is probably the cheapest in the world, the market is the fastest growing (adding around 5-6 million customers a month) and the players remain profitable.

The hunt for the next 500 million subscribers in the Asia-Pacific region would require innovative market penetration strategies in all emerging markets. Telecom service providers will need to figure out different ways to connect the unconnected at increasingly lower price points. This will involve both community level connectivity (e.g. a small village with one wireless based voice and or data connectivity) as well as concomitant pressure on vendors to continuously reduce equipment prices.

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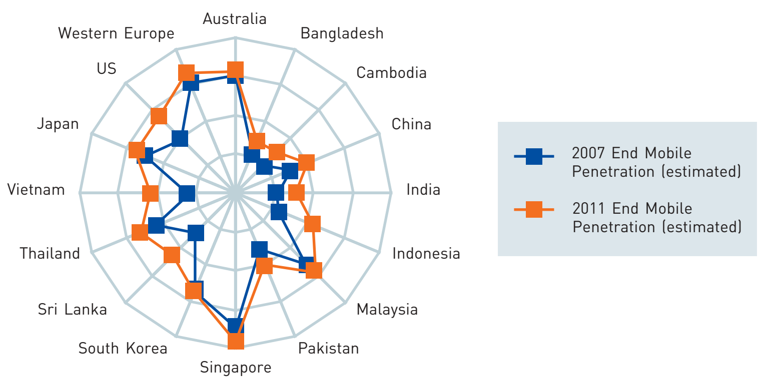
For provision of broadband access, the emerging markets would see a greater usage of mature technologies of the xDSL kind given the rapid equipment commoditisation advantages; in some markets, however, wireless connectivity through both GPRS/HSPA and or any of the WiMAX flavours could be used to bridge the gap.

More developed markets in the region (including Malaysia) would see higher penetration of data specific technologies (3G and HSPA in the wireless space, potential fibre rollout in the fixed space) to provide the infrastructure and an inevitable doubling of bandwidth year-on-year usage by the consumers (driven by growth in the Peer to Peer or P2P traffic along with the various Web 2.0 based video streams). 2008 will also see the provision of converged services so as to offer enhanced functionality through service blending – by blending voice, video, data and wireless technologies.

While the monetisation end-game of a variety of newer services (e.g. mobile TV, IPTV etc.) is still uncertain, given the twin imperatives of competition and the reality of no alternatives, telecom service providers will inevitably go on upgrading their last-mile access speeds. The expectation is that an availability of infrastructure would drive the growth of traffic and help deliver value for infrastructure providers.

Chart 3: Change in Mobile Penetration (2007-2011): Select Countries in Asia Pacific, Europe and the US



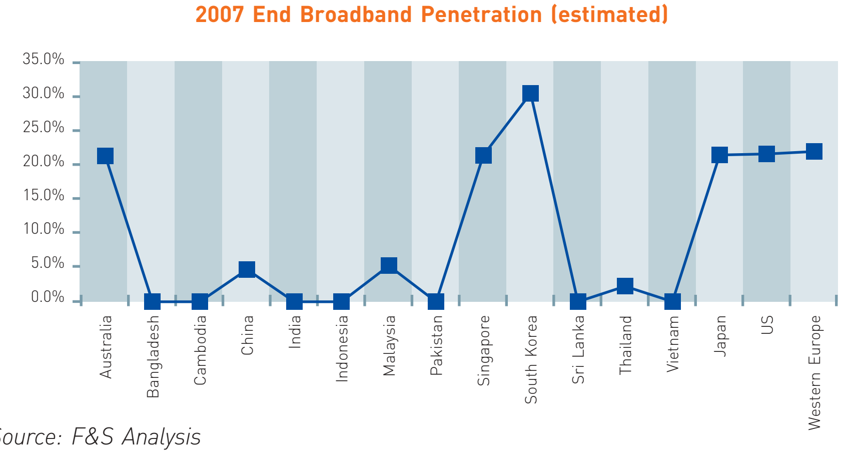
Source: F&S Analysis

The fixed line market on the other hand has been stagnant over the last two years globally at around 1.25 billion subscribers. The Asia-Pacific region accounts for about 500 million subscribers although the rate has been growing at less than 4.0% annually. The market growth had been primarily led by China although there are signs of a slowdown there as well. Not much growth has been evident in the South-East Asian and South Asian markets. Nevertheless, the mobile substitution of fixed has been to a certain extent tempered due to the growth of the fixed broadband market. It is thus expected that the total fixed line subscriber base would remain stable regionally and globally, for the next few years.

The global broadband access market stood at about 330 million subscribers at the end of the third quarter of 2007. The Asia-Pacific region accounted for about 125 million subscribers at the end of the same period. The biggest markets in Asia include China with about 63 million lines, Japan with 28 million and South Korea with 14 million lines. The South-East Asian market is still in broadband infancy with Malaysia, currently the largest market, registering around 1.2 million subscribers and the rest of the countries in the region with broadband subscriber bases of less than one million. The broadband market is being driven globally by changing consumption and lifestyle patterns on the one hand, and productivity enhancements to businesses consequent to high access Internet services on the other.

The South Asian markets have one of the lowest broadband penetrations in the region with India having a total of about 2.3 million subscribers and the rest of the countries having penetration rates of under 1.0%. The South-East Asian and South Asian markets are ripe for double-digit growth rates in their broadband subscriber base for the next few years.

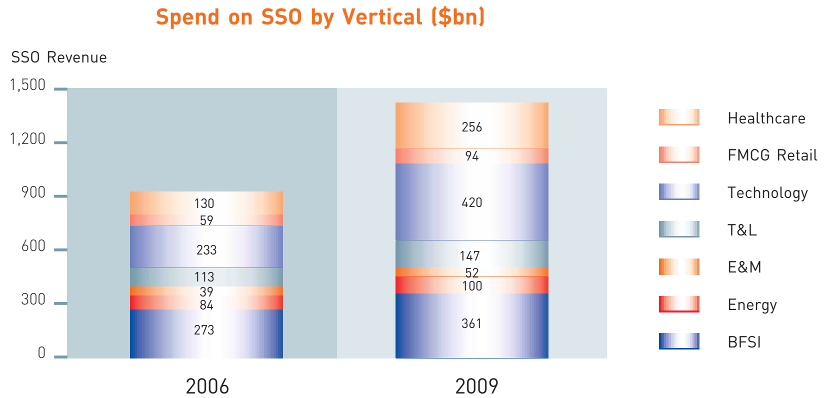
Chart 4: Estimated Broad Mobile Penetration end 2007: Select Countries in Asia Pacific, Europe and the US



Source: F&S Analysis

The global Shared Services and Outsourcing (SSO) market is estimated to be valued at around US$ 930 billion in 2006 and is projected to reach US$ 1,430 billion by 2009, growing at a compound annual growth rate or CAGR of 15.0%. Offshore SSO activity (defined here as including in-sourcing and out-sourcing) constituted around just 10% of the total pie, and is expected to grow at double the rate for the SSO industry. The key drivers for SSO have continued to be cost benefits through standardisation, leveraging of scale benefits, and cost arbitrage in countries like India, China and Malaysia. Other benefits include the ability to free up management time to allow companies to focus on their core competencies, the drive for more business innovation even in non-core areas and the ability to reap benefits from standardisation and resulting efficiencies. All of this has encouraged large corporations to explore further expansion of their current SSO operations.

Chart 5: Global SSO Spend across the various Industry Verticals (2006 and 2009)



In summary, it is expected that the prospect of a global slowdown consequent to the economic challenges faced in late 2007/early 2008 in the United States will be tempered by high expectations of sustained growth in the Asian economies. Led by China, followed by economies like India, and other emerging markets such as Vietnam, Asian economies will continue to realise their growth potential. Such growth will also have positive impact on prospects for the telecommunications sector especially in the mobile and broadband sectors.

SOUTH-EAST ASIAN MARKETS OUTLOOK 2008

The South-East Asian region is a mix of more developed countries like Singapore and just emerging economies like Cambodia and Laos. The disparity in economic development across the region can be seen in mobile penetration rate comparisons – above 100.0% in the case of Singapore and less than 10.0% in the case of Laos.

The Singapore economy maintained its robust expansion, growing in excess of 7.0% in 2007. Robust growth was recorded across most industries notably in the non-IT industries and asset market-related activities. Looking ahead, the Monetary Authority of Singapore (MAS) expects the economy to continue to expand in 2008, albeit at a more moderate pace. Strong domestic demand and improved prospects for trade in the Asian region will continue to provide support and drive GDP growth at a medium-term potential rate of 4.5% to 6.5% in 2008.

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With a penetration rate in excess of 110.0%, the mobile services market in Singapore can be considered as one of the most saturated markets in the region. The mobile subscriber base in Singapore is expected to grow at a CAGR of 7.4% between 2006 and 2011 on account of demand emanating from the prepaid segment which caters to the lower-end market as well as the foreign-worker population.

The Malaysian economy expanded by around 6.1% in 2007. On the supply side, the growth was attributed to the expanding services and manufacturing sectors. Robust domestic demand and a projected improvement in exports of electrical goods are expected to sustain the economy's momentum into 2008. Consumer spending will again be the main driver of growth, supported by expected increases in incomes. The Malaysian government budget announced in September 2007 is based on expectations of 6.0% to 6.5% growth in 2008.

With a mobile penetration in excess of 80.0%, the mobile market in Malaysia is maturing. It is expected that the total mobile subscriber market will sustain positive growth to reach 27.5 million subscribers by 2011 growing at a CAGR of 7.1% between 2006 and 2011. In line with impending market saturation, the mobile market is already showing signs of slow down in growth.

On the back of strong exports and higher consumer spending, the Indonesian economy continued to gain momentum in 2007 to register a growth in excess of 6.0% – its best performance since the Asian financial crisis of 1997. The growth was mainly supported by private consumption expenditure and a rapid expansion in net exports. Bank Indonesia recently revised its projection for GDP growth from 6.5% to 7.0% for 2008 in line with anticipated export gains from rising commodity prices and increased Government spending on infrastructure such as roads and ports.

Indonesia is one of the fastest-growing mobile markets in the South-East Asian region. The local mobile market comprises predominantly prepaid users, which accounted for approximately 96.0% of its total subscriber base as at the third quarter of 2007. Due to the disproportionately large prepaid segment and high price sensitivity, the ARPU in Indonesia is among the lowest in the region. However, mobile penetration is expected to reach about 67.0% by 2011, and will account for a staggering 175 million subscribers.

According to the Cambodian Ministry of Economy and Finance, the economy is estimated to have grown by 8.5% in 2007. Growth was expected to be lower than 2006 due mainly to the expected slowdown in the manufacturing of garments attributable to increased competition from other producers, including Vietnam, which was inducted into the World Trade Organisation in January 2007. For 2008, the Ministry of Economy and Finance projects a GDP growth of 7.0%.

Cambodia is another fast-growing mobile market in South-East Asia, having registered phenomenal CAGR of 36.6% between 2003 and 2006. At the end of 2007, its subscriber base was about 2.4 million, with a corresponding mobile penetration rate of 17.2%. The local mobile market comprised predominantly prepaid users, which accounted for close to 90.0% of its total subscriber base in 2006. The Cambodian mobile market is expected to achieve a penetration rate of around 38.0% by 2011 which will be accounted by about 6 million subscribers.

The prognosis for the rest of South-East Asia remains positive. In particular, Vietnam, Thailand and the Philippines can expect their mobile and broadband markets to grow at double-digit rates in 2008 and beyond.

SOUTH ASIAN MARKETS OUTLOOK 2008

South Asia with a population in excess of 1.5 billion has been one of the fastest growing mobile markets in the world, having recorded more than 6.0% economic growth in 2007. Given its sheer size, South Asia's telecoms industry for both fixed and mobile sectors can only be expected to grow in 2008 and beyond.

India, the largest South Asian market, achieved economic growth in excess of 9.0% in 2007. Most of the growth came from the services and manufacturing sectors. It is expected that the growth may marginally slip to 8.0% in 2008 on the back of higher interest rates which could adversely impact consumer spending. The rapid appreciation of the

Indian currency vis-à-vis the US dollar may also make Indian exports less competitive. While overall economic fundamentals look strong, India needs to remove infrastructure bottlenecks to fully realise its growth potential.

India's mobile industry is fast rising, with subscribers growing at a CAGR of over 73.7% between 2003 and 2006. The mobile subscriber base is expected to grow at a reduced CAGR of 28.1% from 2006 to 2011. A penetration of 44.2% is expected by 2011 leading the subscriber base to touch more than 500 million. GSM is the most widely-used standard, accounting for more than 70.0% of total subscribers as at the end of 2006. The Indian mobile market comprised predominantly prepaid users, which accounted for more than 85.0% of the total subscriber base. Due to the disproportionately large prepaid segment and their high price sensitivity, the ARPU in India is around US$7.

The Sri Lankan economy continued its upward trend, registering growth of more than 6.0% in 2007. The growth is mainly attributed to value-added agricultural products such as rubber and livestock. Growth from the service sector was attributed mostly to wholesale and retail trade. The economy is expected to expand by another 6.0% in 2008.

The mobile market in Sri Lanka has expanded very rapidly as a result of significant foreign investments in the telecommunications sector. The current penetration rate in Sri Lanka is around 27.0% and this is expected to grow to around 69.0% by 2011. The total subscriber base is 15 million mobile subscribers and the positive outlook is expected to be driven by its large addressable market, increased affordability of prepaid plans and a conducive regulatory environment for telecommunications operators. The Sri Lankan mobile market is largely dominated by the prepaid segment, with prepaid subscribers accounting for more than 90.0% of total subscriber base.

The Bangladesh GDP grew by 6.5% in 2007. Overall, the economic performance continued to remain strong, driven by improved domestic and external demand. The growth was fuelled by a dynamic garment sector, acceleration in private consumption, and a record increase in overseas workers' remittances. In the current year, GDP growth is forecast to be below 6.0%, partly as a result of a number of natural disasters that have affected the country recently.

The mobile industry in Bangladesh has been witnessing year-on-year growth of well over 100.0% in the past few years. The market has grown at a rapid pace of 113.1% CAGR between 2003 and 2006. At a penetration rate of 20.9%, there still remains room for growth considering its population size and economic growth. The mobile market comprised predominantly prepaid users, which accounted for approximately 94.2% of the total subscriber base in 2006. Due to the disproportionately large prepaid segment and high price sensitivity, the ARPU in Bangladesh was among the lowest at US$5. The number of mobile subscribers in Bangladesh is expected to reach 58.8 million by 2011 as it achieves a CAGR of 22.5%, bringing the mobile penetration rate to 36.0%.

The economy of Pakistan is expected to grow slightly below 7.0% in 2007. The growth came from the industrial and services sectors. The outlook for 2008 remains positive although there is some risk from political instability and anticipated slowdown in the manufacturing sector.

The mobile subscriber base in Pakistan is expected to grow at a CAGR of 26.8% from 2006 to 2011, to achieve a penetration of 63.9% accounted by around 112 million subscribers. Subscriber growth rate is likely to slow down as the market saturates. However factors such as expansion of rural market coverage, increasing competition and innovative cellular service packages, acceleration of fixed-to-mobile substitution, and lower costs of entry level handsets are likely to stimulate growth.

OTHER EMERGING MARKETS OUTLOOK 2008

While most of the South-East and South Asian markets have seen a huge growth in their telecoms sectors in the past few years, it is expected that West and Central Asia can be new engines of growth going forward. Countries like Iran, Iraq, Jordan, and Lebanon in West Asia and Kazakhstan and others in Central Asia present huge untapped potential, particularly in the mobile telephony sector, given existing levels of mobile penetration.

Asian Economies and the Telecommunications Sector: Review & Outlook

Taking Iran as an example, the Iranian economy expanded by around 5.4% in 2007. Economic growth is expected to taper slightly in 2008 as incremental oil revenues may not be as high as in 2007. The Iranian mobile market is still in an early growth stage, with a mobile penetration of approximately 30.0% as at 30 June 2007. The mobile subscriber base in Iran is expected to grow at a CAGR of 27.2% from 2006 to 2011, and reach a penetration rate of 61.9% to 46.6 million subscribers by 2011. Factors such as network coverage expansion, the acceleration of fixed-to-mobile substitution, increasing competition, the introduction of innovative cellular service packages and the anticipation of a third national service provider in 2008 are likely to encourage further growth.

CONCLUSION

Asian markets offer an eclectic mix of technologically-advanced markets like Japan and South Korea, top performers like India and China and infant markets like Cambodia and Laos. There is tacit agreement amongst the governments and the private sector that bridging the connectivity gap is not only desirable but can provide significant impetus to economic growth. Maturing individual markets in the region are driving industry players to achieve global economies of scale by diversifying their mobile asset base across the region.

Beyond mobile services, high-speed broadband or HSBB is the other major growth area in Asia where broadband penetration rates vary considerably. Generally, across Asia, broadband penetration rates are significantly lower than mobile penetration; and as the economies in Asia grow, there would be an increased demand for high-speed Internet connectivity. The broadband rollouts will see a mix of fixed (which will offer high-speed access) and wireless technologies (to fill gaps and cover under-served areas) playing to their individual strengths. A broadband revolution is on the cusp of replicating the mobile revolution of the last few years in Asia.

Overall, Asian markets with their growing populations and fuelled by growing consumer appetite for telecoms, will provide the scale and scope for not only industry growth but GDP growth as well. For sure, the global future telecoms market belongs to Asia.

Key Initiatives

Sustaining Life

The Paua shell's primary significance is not beauty but safety. Growing as the Paua reaches maturity it offers the otherwise vulnerable creature shelter from harsh conditions of the ocean as well as protection from numerous predators. Its natural design allows it a modicum of mobility as well. The shell is also highly durable as it can withstand constant wear and impact. Thus the true value of the shell is the preservation of life.

Securing Destiny

Although TM plays a leading role in propelling people towards a knowledge-based future, we have never forgotten our primary objective of Helping People Lead Better Lives. This we do not only in our country of domicile but also wherever we operate. Regionally, as well as locally, our extensive Corporate Responsibility efforts are delivered on a variety of platforms – Education, Sports, Nation & Community Building, and Humanitarian Aid. It is our hope that we respond to the needs of local communities wherever we are, so that we help secure their destinies.

Building Enduring Customer Relationships

Facts at a Glance

- 103 TMpoint outlets
- 12 TMpoint transformed as One-Stop Service Centres
- 29 e-Kiosks
- 2 Drive-Thru TMpoint facilities
- TM Online Customer Self-service Portal
- Single Number Access for call centres

In today's highly-competitive environment, customer relationship management or CRM is no longer a catch-phrase; it has become a necessary strategy that is widely adopted across industries. In the communications sector as with other industries, customers are the lifeblood of an organisation and efforts are geared towards building enduring and mutually-satisfying customer relationships based on trust. This is what TM believes in and strives for.

Each customer is unique, with different needs and expectations. Thus, our integrated and evolving CRM programme is focused on garnering customer insights and using the intelligence gained to better understand customers and meet their needs.

As part of the TM transformation exercise, CRM within the Group has evolved toward a more holistic approach that strives to make customer centricity a reality. Over the years, the Group has focused its energies and merged the effective deployment of appropriate strategies, processes, people and systems in acquiring, satisfying and retaining customers.

CONTINUOUS COMMITMENT TOWARD CUSTOMER CENTRICITY

As the Group moves ahead towards becoming the communications company of choice, one of the key aims of its CRM programme is to know, identify and target valued customers, generate quality sales leads, plan and implement marketing campaigns with clear goals and objectives that are aligned with enhancing customer relationships. At the same time, the programme aims to provide a better experience for the customer-in service interactions at the frontline. Notable CRM programmes implemented in 2007 are *iCARE* (Integrated Customer Allied Relationship System), *TMOnline* (customer self-service portal), *Single Number Access* (100) for call centres and *New Payment Collection Systems* at TMPoints.

Building relationships with customers

An integrated programme with far-reaching benefits, the iCARE project was implemented in three phases from May 2005. The system for Phase 1 was completed in December 2006 while the second and third phases were completed in April and October 2007 respectively.

Specifically, *iCARE* provides TM with a fully-integrated CRM programme to better serve its wide base of customers and to transform the entire customer value chain based on global best practices, guidelines and business processes.

The full deployment of *iCARE* will bring improvements in operational effectiveness while enhancing a customer's experience when in contact with TM. Customer interaction points now have the same 360-degree view of the customer across departments, enabling a consistent reponse and attention to the customer's requests.

In call centres, the Integrated Customer Interaction capabilities and Workforce Scheduling have resulted in improved efficiency in call handling. The Quality Management Assignment System monitors the quality of customer interactions resulting in improved management of customer interactions.

At the back office, the introduction of Field Service Workforce Scheduling and end-to-end visibility of order status has enabled tracking of the effectiveness of delivery service fulfilment and service restoration which is vital to customer satisfaction. With this new system, the most updated customer information is available to the field-force which enables them to address and resolve customers' complaints quickly.

The enhancement of the Sales Force Automation or SFA system was completed in December 2005, enabling sales personnel with the ability to access real-time customer information to pursue sales leads and conclude transactions effectively. They are now able to proactively identify valuable prospects and target them with sales efforts and campaigns to generate greater returns. The SFA system also comes equipped with a Marketing Encyclopaedia, which includes a product library with information on all TM's products and services.

In an effort to better understand the customer and equip the sales force with the intelligence needed to better service customers, the Business Intelligence Unit has continued with the second season of its RM1 Million Reward Programme, a Group-wide initiative to enrich the customer profile data. Launched on 25 May 2007, the target population was TM Fixed, Celcom and

TM Net customers. The campaign was successfully run and concluded on 31 December 2007 with a total of 1,163,821 application forms from customers.

The valuable customer insights generated coupled with the Business Analytics tools of *iCARE* will enable TM to conduct more effective and targeted marketing campaigns specific to customers' needs while improving customer retention through predictive churn analysis.

ENHANCING CUSTOMER CONTACT POINTS

The Call Centre Rationalisation programme has achieved economies of scale and effective management control over business process and human capital utilisation improvements while enhancing the skill levels of customer service representatives.

A key initiative to improving customer service and operational effectiveness was the transformation, rationalisation and consolidation of the call centre network. The physical relocation of 19 centres to four strategic locations, namely in Kuala Lumpur, Penang, Kuching and Malacca in the first quarter of 2006, was further enhanced with the introduction of the TM Single Number Access (SNA) across the Group.

SNA refers to the '100' number, which is one of the three key numbers that TM customers need to remember whenever they require customer services via the contact centres. SNA was introduced to cover the three Opcos in TM (Malaysia Business, Celcom and TM Net) on 22 May 2007. With this streamlining, customers have simpler and faster access to all services within the TM Group.

By just dialling "100" the call will be diverted automatically to the appropriate Call Centres.

SNA Number	Purpose
100 – TM's Products and Other Services	Customers can call the '**100**' number to enquire about products and services, fault reporting, payments and billing or to speak directly with TM customer service representatives.
101 – Domestic and International Call Assistance Services	Customers only need to dial '**101**' to be connected to either a domestic or an international number.
103 – Directory Services	The directory services number '**103**' remains unchanged.

FOCUS ON CUSTOMER SERVICE EXCELLENCE

As the transformation journey continues, each point where a customer comes into contact with the Group will shape his or her perception of TM. As such, in the pursuit of customer service delivery excellence, all TM customer service representatives in our contact centres are being re-trained continually in specific areas. TM subsidiary, VADS Bhd, has been assigned the task to manage the operations of TM Contact Centres. During the year 2007, VADS trained and retrained all TM Customer Service Representatives.

Throughout the year, the customer-centric programme ensured that two key modules were covered: CRM System Tools & Training and Competency Based Training. In the effort to change mindsets and improve customer management/servicing skills, the programme will be further enhanced with Business Process Training for all frontliners. This is a commitment by the management to further improve the customer service culture in TM.

BUSINESS WITH A CLICK ON TM ONLINE

TM Online is a customer interaction platform which is complementary to the CRM systems. Launched in 2005, the Business to Customer (B2C) functionality enables residential as well as small and medium enterprise customers to obtain information, download, make online payments or conduct transactions directly over the Internet, providing customer online convenience while lowering customer service costs. In June 2007, the Business to Business (B2B) functionality was added which extends these on-line services to business and corporate sector customers.

DELIVERING THE PROMISE AT TMPOINT

Following TM's rebranding exercise launched on 14 April 2005, all *Kedai Telekom* nationwide underwent a successful transformation aimed at improving efficiency, productivity, customer service and customer experience (convenience, reach, grade of service, and image). A total of 103 *Kedai Telekom* (now transformed as TMpoint) were rationalised at the end of 2007. This includes the conversion of TM Net service centres called Clickers into TMpoint. Remaining TMpoints will be transformed in 2008.

The transformation entailed a comprehensive identity change in terms of physical look and feel, relocation of stores, an evaluation and review of front and back-end processes and systems, and improved staff skills and competency levels.

E-kiosk facilities were deployed at selected TMpoints to provide convenience for customers to pay their bills around the clock. At the end of the year under review, 29 e-kiosks were made available nationwide. Additional e-kiosks will be deployed in 2008.

A Drive-Thru facility was deployed in selected TMpoints namely TMpoint Alor Setar and Jalan Burmah, Penang to provide added convenience for customers to pay their bills using drive through facilities at high traffic and congested areas. More Drive-Thru counters will be made available in 2008.

To expand TM channels and provide better reach for customer convenience, the TMpoint dealership programme was created for roll-out in 2008. This programme will support the entrepreneur development initiative embarked upon by Government-linked Companies or GLCs.

To enrich and upgrade TMpoint as a "One-Stop Service & Retail Centre", selected TMpoints will undergo further transformation aimed at integrating Celcom services as well as introducing mobile retail corners (known as Blue Cube) in order to offer a complete range of telecommunication products and services under one roof. A total of 12 TMpoints have been transformed under the One-Stop Service concept in 2007.

TM successfully launched the New Payment Collection System (Phase 1) for front-end Points of Sale. This has significantly improved the customer payment collection process at all TMpoints while rendering it able to handle larger volumes of transactions. The average customer waiting and serving time has improved significantly. Phase 2 of the system which involves the back-end payment clearing house is scheduled to be rolled out in 2008. When implemented, updating of customer payments will be done efficiently in real-time thereby providing updated customer billing.

At TMpoint, every effort is made to provide customers with solutions. In line with best practices and international standards of service, TM service personnel are accountable for every transaction, treating every appointment with customers as a top priority. Visitors to TMpoint can expect a friendly greeting and service that is efficient and knowledgeable. That is TM's promise to customers.

As a result of the transformation, Telekom Sales & Services Sdn Bhd (TSSSB) won the coveted TM Group Award 2006. Additionally, TSSSB won awards in two categories – Best Counter Service and Most Innovative Company in the KTAK Minister Award 2007.

Good customer relationships are at the heart of a successful business. At TM, CRM is not only a process but a commitment. CRM helps to gather customer information, sales information, and market trends, and use this data for greater effectiveness while establishing loyal relationships with customers that are not only profitable but enduring.

Fostering A Nation Through Capacity Building

Facts at a Glance

- MMU student enrolment in 2007:
  – 3,771 from 79 countries
- Courses conducted by MMC in 2007:
  – 2,988
- Web-based Smart School solutions of eSkool and eLearn introduced by TSS in 2007
  – 91 smart schools

PROF DR ZAHARIN YUSOFF
PRESIDENT
UNIVERSITI TELEKOM SDN BHD
(Multimedia University)

DATO' DR IR AHMAD ZAINI MOHD AMIN
CHIEF EXECUTIVE OFFICER
Multimedia College

DR NAS TAMIMI IBRAHIM
CHIEF EXECUTIVE OFFICER
Telekom Smart School Sdn Bhd

Malaysia's drive towards becoming a regional ICT hub requires a pool of talents to support the rapid development of the ICT industry. For the past 60 years, Malaysia has been at the forefront of telecommunications growth and change, having championed early on the privatisation of its telecommunications department which resulted in the creation of TM. As an employer of thousands of people, TM has long recognised the need for skills training and capacity-building – not only for its own needs but also for the industry, both in Malaysia and the region. There are a number of institutions that support TM's thirst for knowledge workers, the oldest of which is the Multimedia College, first established as a training wing in 1948. This is followed by the 10-year old Multimedia University, which enjoys the distinction of being the first private tertiary institution in Malaysia. Under the innovative Smart Schools programme, TM also helps to build a cadre of IT-savvy young Malaysians who are poised to launch their own careers in a competitive global marketplace. In these various ways, TM has also fulfilled a key social responsibility – that of fostering a nation through capacity-building at various levels.

MULTIMEDIA UNIVERSITY

Multimedia University (MMU), a tertiary education institution set up through Universiti Telekom Sdn Bhd (UTSB), a wholly-owned subsidiary of TM, fulfills the noblest of corporate social responsibilities – educating the next generation, the nation's leaders and knowledge workers of the future. As Malaysia's first private university, MMU's successful model paved the way for the establishment of several private universities in the country. It is the university at the heart of MSC Malaysia *(formerly known as Multimedia Super Corridor),* the country's dynamic ICT hub, and thereby serves as a catalyst for the development of the nation's ICT industry much as Stanford University does in Silicon Valley in the United States.

In 10 years, MMU has achieved an international student population of 20,000 and growing, on two campuses – the first, its original site in the historic city of Melaka, and the second in Cyberjaya, the intelligent city in MSC Malaysia. It has produced 13,110 graduates, most of whom have found employment within six months of graduation according to a recent survey. Building technological and managerial capacity not only for Malaysia but many markets in the region and elsewhere, MMU has been responsible for nurturing an outstanding pool of international talent. The current enrolment of students includes a record 3,771 from 79 countries as compared to 2,799 from 81 countries in 2006.

In 2007, MMU produced a total of 461 diploma graduates, 2,603 bachelor degree graduates, 181 masters degree graduates and 10 PhD degree graduates. MMU has 26 centres of excellence, establishing itself as a major player in research and development, and maintains excellent ties with the industry through collaboration and research partnerships.

MMU continues to innovate to differentiate itself in the field of education, and recent measures to promote a holistic education has resulted in the establishment of the Centre of Commercialisation and Technopreneur Development which promotes a spirit of enterprise among staff, students and alumni of the university. A new programme was launched in 2007 called *e-SILK* which promotes the development of soft-skills, innovation, leadership and knowledge among the undergraduate community. Although new, the Centre has already produced several award-winning projects including:

- The MSC-IHL Business Plan Competition 2006 (Business Idea Category) 2nd Runner-Up, Students Team called 'Nestkom'. Organised by Multimedia Development Corporation (MDeC) on 8 February 2007.

- Aogos Network Sdn Bhd (MMU start-up company) obtained the Red Herring Asia Top 100 Technology Companies Award in Hong Kong 29-31 August 2007.

- IP Creators Challenge Series 2006 Computer Game Category – organised by MDeC on 20 December 2006. MMU Start-up Company Team 'Hatchlings Games', FIT – Winner of RM50,000 Grant Fund from MDeC.

- IP Creators Challenge Series 2006 Mobile Content Category – organised by MDeC on 20 December 2006. New Start-up Team 'NexWave' – Winner of RM50,000 Grant Fund from MDeC.

MMU Library

- Xirien Sdn Bhd, an MMU start-up company successfully obtained the MDeC Pre-Seed Technopreneur Development Grant in 2007.
- Enveluv Sdn Bhd, an MMU start-up company successfully obtained the MDeC Pre-Seed Technopreneur Development Grant in 2007.
- MSC Malaysia APICTA 2007 Merit Award for Tertiary Student Projects – Software/Hardware Category for 'Mobile Interactive Television' project.
- Winner in the MSC Malaysia APICTA 2007 for Best of Tertiary Student Project – Creative Multimedia Category for 'Project 57'.

MULTIMEDIA COLLEGE

The nation's premier provider of telecommunications training, the Multimedia College (MMC) was founded in 1948 to train employees of the Telecommunications Department, of then Malaya. Having started life in a modest way, the next key milestone in its evolution was the establishment of a new telecommunications training centre in 1961 as a joint-venture between the United Nations and the Malaysian Government under the United Nations Development Programme. The need for specialised technical training grew as the provisioning of telecommunications services was privatised, and MMC responded by setting up, in 1980, five training schools throughout the country – in Taiping, Kuala Terengganu, Melaka, Kuching and Kota Kinabalu.

While delivering training courses for an increasing number of employees of TM year-on-year, MMC also rose to the challenge of being a training provider to other Commonwealth countries through an arrangement with the Commonwealth Telecommunications Organisation (CTO). The CTO, headquartered in London, has a membership of more than 130 countries.

MMC was also given the responsibility of spearheading the Malaysian Technical Cooperation Programme (MTCP) under the Prime Minister's Department with the objective of encouraging knowledge-sharing and facilitating capacity-building especially in the telecommunications and ICT industries of emerging markets. The participants came from such countries as Mauritius, Malawi, Indonesia, Bosnia Herzegovina, Laos, Vietnam, Gambia, Myanmar, Cambodia, Burkina Faso, Philippines, DPR Korea, Timor-Leste and Yemen. Today, MMC also collaborates with the Asia Pacific Telecommunity (APT) and Organisation of Islamic Countries (OIC) as a leading telecommunications training provider.

MMC – fostering education for all ages

In 1998, MMC was awarded the ISO 9002 certification by the Standards & Industrial Research Institute of Malaysia (SIRIM) in recognition of the quality of its training programmes. It received further recognition when it was subsequently appointed sole Certifying Agency for the Malaysian telecommunications industry by the Malaysian Communication & Multimedia Commission which regulates the industry under the Ministry of Energy, Water and Communications.

As the training wing of TM, headquartered in Kuala Lumpur, MMC is chiefly responsible to provide training and development for TM employees throughout the organisation. In the pursuit of excellence, TM continues to invest in MMC to ensure its many training initiatives and programmes are in line with current industry needs. TM's human resource development policies are focused on staff development through continuing professional and on-the-job training at all levels. MMC is the vehicle through which staff skills are delivered and upgraded.

In 2007, MMC conducted a total of 2,988 courses for over 51,273 participants compared to 2,475 courses for 41,364 participants in the previous year. Besides its popular core programmes, MMC has successfully innovated programmes for TM executives such as the *SmartOrange* and Structured Training Programmes. These are designed to enhance both behavioural and functional competencies of employees. The selection of participants for such programmes is based on a 360-degree Feedback Assessment conducted by the Group HR division whereby executives are prescribed courses to meet their specific skills-set requirements. MMC also works closely with the National Union of Telecommunication Employees (NUTE) in the provisioning of customised training programmes for non-executive employees. This ensures a growing pool of skilled workers throughout the organisation.

To ensure it keeps abreast with technological developments, MMC has invested in the provisioning of E-Learning facilities such as *Balanced Scorecard (BSC)* E-Learning module which has been well received.

In 1995, MMC was given college status under the Ministry of Higher Education in recognition of its track record and role. Since 2000, MMC has been operating as a Private Higher Educational Institution (PHEI) which puts it on par with the best educational and technical colleges in the country. As an educational institution, MMC now offers diploma-level courses that meet the exact requirements of the ICT and Knowledge economies. In 2007, MMC added three new programmes to its existing six diploma-level courses – the *Diploma in Creative Media, Diploma in Mobile & Wireless Communication,* and the *Diploma in Accounting with Multimedia.* The other six programmes offered are: *Diploma in Multimedia (Business & Computing), Diploma in Multimedia Technology, Diploma in Technology (Telecommunications Engineering), Diploma in Computer Science, Diploma in Marketing with Multimedia* and *Diploma in Management with Multimedia*. All six diploma-level courses have been recognised by the Malaysia Qualifications Agency (MQA) while the additional three courses are in the process of obtaining MQA certification. At MMC's 11th Convocation in 2007, 477 graduates received their diplomas.

Meanwhile, as a leading training provider, MMC has a clientele which includes TM vendor organisations, Malaysian companies, regional companies, the armed forces and the police force. With respect to its own Corporate Responsibility effort, MMC offers ICT training to teachers and their pupils under the PINTAR Project, while also initiating community programmes such as educational and learning camps for school-going children and welfare activities for orphanage homes.

On 30 January 2007, MMC introduced the *Training Reservation and Information System (TRIS)*, a friendly web-based system accessible via TM's intranet network to facilitate the management of training. It provides information from training requests to training evaluations. With TRIS, TM employees may also view training programmes and schedules, while management can request training and evaluation reports. The interactivity will help MMC to further improve its training offerings.

TM has also put in place a network upgrade plan to implement Next Generation Networks (NGN) and High Speed Broadband (HSBB). The entire network will evolve into an NGN/HSBB environment over the next five years and in line with this transition, MMC is poised to ensure that TM employees are equipped for change to a new operating environment and are fully able to meet their customers' expectations.

New courses and modules have been introduced already and in 2007, MMC delivered a range of new workforce programmes such as *Broadband Savvy TCP/IP, NGN Technology Evolution, Triple Play* and *IP Convergences*. More than 5,000 staff have been trained via these various programmes and in 2008, MMC is expected to train a further 12,500 employees under these specialised programmes.

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School (TSS) continues to support the implementation of Smart Schools as one of the flagship applications of MSC Malaysia. Recognised as one of the country's premier e-Education providers, TSS attained the Capability Maturity Model Integration (CMMI-SWV1.1) Maturity Level 3 in June 2006, in line with its mission to become a world-class multimedia education solutions provider. CMMI offers a process improvement approach that provides organisations with essential tools and is now being adopted worldwide as a quality methodology.

In addition, three of TSS's project managers were recently certified for Project Management Professional (PMP), which is a globally-recognised certification in project management, thereby giving TSS the edge to provide excellent and high quality project management services in delivering any project, locally and globally. The web-based Smart School solutions of *eSkool* (School Management System) and *eLearn* (Learning and Content Management System) introduced by TSS in 2006 to the 88 smart schools in Malaysia were further enhanced in 2007 to support additional user requirements. Continuous improvement is key in ensuring that TSS solutions are benchmarked globally and that TSS remains at the cutting edge of technological offerings to young and aspiring ICT professionals.

Besides the 88 smart schools, the *eSkool* and *eLearn* solutions were also introduced to three other schools in Kuala Lumpur in 2007 as part of TM Group's Corporate Responsibility effort in community relations initiatives under the *TM eSchool* project – SMK USJ 12, SMK (L) Methodist KL and SMK Seksyen 11 Shah Alam. In addition to the solutions given, the schools were also given touch-card access systems that are integrated to the *eSkool* application, giving the schools immediate real-time attendance updates. In order to encourage and expose teachers and students to novel ways of creating teaching and learning content using *eLearn*, a content creation competition was organised at these three schools. Depending on the feedback, more schools may be adopted by TM in the coming years for this CSR initiative and TSS will continue to take a lead in the provisioning of systems, maintenance and support services for the TM *eSchool* project.

To reinforce its position as the leading e-Learning player in local and regional markets, TSS collaborates with both international and established local partners and associates to enhance its product and service offerings. Under TSS, e-learning tools are marketed at exhibitions and TSS experts participate at seminars to share their knowledge and expertise. In this way, TM fulfils its obligations to the society in which it operates.

Enriching education in schools

Gearing Human Capital
Towards Business Excellence

Enhancing employee productivity through IT

Facts at a Glance

A new **3-year**

Collective Agreement with TM Unions was signed

348 employees

rewarded for PIP contributions

281 employees

received the Group CEO Merit Award

To bring TM closer towards its goal of greater efficiency and operational excellence, its Human Resource (HR) Division has been playing its role as a strategic business partner by emphasising and inculcating a performance-driven work culture with innovative performance management and rewards systems. The role of the HR Division is also to nurture the organisation's future leaders by identifying and developing a pool of high-potential employees that can be a source of future talents and resources.

DRIVING EMPLOYEES PERFORMANCE THROUGH STRATEGIC REWARD PLANS

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

- *Realising pay-for-performance* – **Performance-Linked Bonus** is derived from TM Group's overall achievement results and thus is distributed based on individual performance level using the factoring (f) approach.

- *Pay competitiveness (external equity) & compression (internal inequity)* – **Performance-Linked Increment** incorporates dimensions such as cost of living, individual performance as well as individual salary positioning against the market which are all included into the pay-matrix to serve as a two-pronged mechanism in addressing external and internal equity issues.

- *Honouring the "superstars"* – **The Group CEO Merit Award** was inspired to further recognise the unsung heroes in the organisation who have truly gone the extra mile to deliver on responsibilities entrusted to them. Furthermore, the scope of the award has also been widened to recognise those who uphold CSR/CR values by rendering their services to society. The complexities of today's business environment and the growing accountabilities for executives call for greater flexibility and promptness in TM's internal reward system. The Group CEO Merit Award recognises these challenges and provides a platform on which to reward exceptional achievements or recognise honourable deeds by employees. In 2007, a total of 348 employees were rewarded for their contributions under the Performance Improvement Programme and another 281 employees were rewarded directly through the Merit Award.

Based on tangible results from these reward systems, TM will continue with their implementation into 2008 and beyond, and work towards bringing the organisation a step closer to becoming a fully performance-based organisation.

Besides the above reward scheme, TM has also introduced a number of recognition plans in its effort to enhance the performance and contributions of their employees. Some of these plans are as follows:

MARKET PREMIUM

TM has completed a feasibility study across the organisation, which explores the possibility of offering special market premiums for employees categorised as "hot skills", where their skill sets are in high demand in the industry. This is seen as critical to allow TM to be able to retain employees with such skill sets via a structured mechanism. The implementation framework for the market premium principle has been endorsed and will be implemented in 2008.

SALES INCENTIVE SCHEME

In view of TM's aspiration to become a performance-driven organisation, HR is entering the second year of the differentiated rewards programme, namely the Sales Incentive Scheme (SIS). Looking at the performance of the Group, the scheme has successfully inculcated a performance-based culture among its Sales Personnel. For 2007, a total of 164 employees have enrolled in the programme, which represents 53.0% of the Sales workforce in the Malaysia Business. The scheme propagates rewards through sales achievement.

TM GROUP AWARDS NITE

In April 2007, TM continued its yearly recognition for its employees through the TM Group Awards Nite. The Awards Nite held in Putrajaya brought together a total of 3,500 employees, including those from regional subsidiaries. The best of the employees received awards for excellent performance, innovativeness and exemplary behaviour.

INNOVATIVE PERFORMANCE MANAGEMENT

TM has now built a credible and effective performance-management system which has adopted the Balanced Scorecard principle. The system has the ability to ensure that results across the organisation are aligned. Individual KPIs now have direct links with the Balanced Scorecard of the respective division. In the effort to ensure better understanding of Balanced Scorecard methodology, HR has introduced the Balanced Scorecard E-Learning to all employees. This is to allow consistency in the development and creation of KPIs amongst employees. To date, 92.0% of the workforce has completed the online programme.

Moving forward, the performance-management system is being enhanced to capture non-executive performance.

Employee Productivity Enhancement (EPE)

Employee Productivity Enhancement (EPE) is a programme designed to support the current Performance-Management System. The focal point of the programme is to enhance the performance levels of non-performers. In its second year, EPE has shown 58.0% performance improvement in those who have enrolled in the programme.

EXCELLENCE THROUGH LEADERSHIP & TALENT MANAGEMENT

Under the Strengthening Leadership Development Framework, the key initiatives have been to ensure that there is a clear plan for a strong current and future leadership in TM. The Leadership and Talent Management (LTM) unit has been established as its own unit under Group HR. Efforts have been focused on nurturing and retaining high-potential employees by giving them opportunities to fill up vacant key positions in Senior Management, while ensuring that their remuneration is well aligned to the market. From a longer-term perspective, pivotal positions have been identified and their succession plans completed.

Those employees who have been identified for succession plans have been targeted for further leadership development and mentoring to ensure that there is continuity in the leadership pipeline. Throughout the year, 327 Leaders and Talents attended 14 selected leadership development programmes by top Executive Development Institutions such as the Harvard Business School, INSEAD (in collaboration with Petronas), University of Melbourne, and the Corporate Leadership Council, Washington D.C.

The high-potential talent, currently numbering about 400 for the whole Group, were assessed through a structured methodology and endorsed by the Board of Directors. They are currently rated as to whether they have the potential to reach top leadership or senior management positions in the Group.

In addition, leadership practices have been strengthened by engaging about 150 members of Senior Management in the leadership and talent management process. This was done through a one and a half-day Talent Spotting exercise. In these sessions, besides

Best Manager Award, TM Group Awards Nite 2007 understanding the overall framework of Talent Management, they are specifically taught the skills of identifying leadership behaviour among their executive populations so that they can identify who are their high-potential reports for succession grooming, and at the same time, support their continuous development in the work place.

Alongside that strategy, as part of leadership's continuing direct engagement with employees on the ground, TM leaders regularly visited and met with employees from other functions and divisions, to discuss day-to-day or organisational issues they face in their work environment. These activities are coordinated through the Leaders Role Modelling – "Turun Padang" or grassroots programme.

Randomly-selected employees have also been given the opportunity to meet the Group CEO under the Employee Engagement Programme held bi-monthly. A total of 17 sessions were held in 2007, involving about 250 executives and non-executives. They were given the opportunity to share their personal and career aspirations with the Group CEO Dato' Sri Abdul Wahid Omar. This has helped to close gaps between the top leadership and the employees at large and has therefore contributed to better cultural alignment throughout the organisation. Based on the employees' feedback during these sessions, some initiatives have been implemented as part of the business improvement programme.

Inculcating a healthy lifestyle

Younger high-potential employees have also been engaged by Top Management to ensure there is better alignment between the business and their personal aspirations. Work has also started to ensure that this younger talented group is exposed to the appropriate leadership development programmes. Similarly, under the *Leaders Dialogue programme*, selected leaders were given the opportunity to present and share their work experiences and career growth with an audience of about 150-200 employees to provide exposure about personal career development experiences.

Another milestone in TM's search for leadership excellence was the *Leaders' Convention 2007*, where about 220 top and senior leaders of the entire Group, including those from regional subsidiaries, converged over two days in April 2007, to share their success stories and experiences. This gave them first-hand insights into how each leader has developed and handled issues facing their business.

PERFORMANCE IMPROVEMENT PROGRAMME (PIP)

In 2007, the HR Divison spearheaded the boosting execution capacity initiatives in the PIP. The role played by HR was to execute actions that support and build the execution capacity of other divisions involved in the turnaround of the fixed-line business and mobile business. Several strategic initiatives were implemented as follows:

- Communicated key messages related to PIP and other fixed-business and mobile business concerns to the entire organisation
- Intensified performance management for top management and revenue earners
- Accelerated leadership changes in pivotal positions and among GMs
- Revamped HR to become an effective strategic partner to the business
- Developed critical institutional capabilities (e.g. Regulatory, Sales and Marketing)
- Reinforced core execution disciplines (e.g. Project Management Office, Intra-Company governance)

Prompt execution of these initiatives help to yield positive results in the fixed-line and Celcom business turnaround for 2007.

MANAGEMENT-UNION RELATIONSHIP

In 2007, the long-standing relationship between the Management of TM and the three Unions, i.e. Kesatuan Kebangsaan Pekerja-Pekerja Telekomunikasi Semenanjung Malaysia (NUTE) representing non-executive employees in Peninsular Malaysia,

Towards a strong management-union relationship

Kesatuan Pekerja Telekom Malaysia Berhad Sarawak (UTES) representing non-executive employees in Sarawak and Kesatuan Pekerja-Pekerja Telekom Malaysia Berhad Sabah (SUTE) representing non-executive employees in Sabah, continued to improve with mutual respect and better understanding of each other's strengths and areas for growth.

The year also marked the successful negotiation of a new set of Collective Agreements (CA) with the three unions concerned.

First begun in November 2006, the CAs were signed with the respective Unions as follows:

1. 11 May 2007 with NUTE (7th CA);
2. 29 May 2007 with SUTE (4th CA); and
3. 31 May 2007 with UTES (7th CA).

A number of improvements in terms of salary and benefits were noticeable in the CAs which benefit the non-executive staff of TM. Some of the highlights are:

1. Effective from 1 January 2007 all non-executive employees within the ambit of the respective three CAs are given an "Across the Board" salary revision of 5.5% of their basic salary as at 31 December 2006;

2. Cost of Living Allowance (COLA) was introduced and the amount agreed with the respective Unions were RM50.00 for NUTE, RM35.00 for UTES and RM80.00 for SUTE. Adding this amount to the Housing Allowance which were agreed at RM120.00 per month with NUTE, RM135.00 with UTES and RM90.00 with SUTE, the total amount received by non-executives represented by the three Unions are the same, i.e RM170.00 per month.

All Unions have also agreed in principle to the introduction of Performance-Based Incentives for non-executive employees. The system is aimed at rewarding non-executive employees whose performance exceed the pre-set KPI targets. A Committee comprising members from both the Management and each Union was formed to ensure smooth implementation of the initiative.

TM continues to maintain a healthy and amiable working relationship with the Unions to ensure mutual trust, respect and understanding of each other's needs.

National Day

Worker's Day

Building Capabilities Through Development And Learning

TM continues to promote the development of staff capabilities as one of its important initiatives to support the Group's vision. As a key asset, the employees' dedication and competencies are crucial to ensure TM is competitive in the present and remains so in the future. At the same time, emphasis is placed on achieving excellence and delivering quality products and services. Hence, TM Group is committed to developing its strategic human capital assets, which are paramount to improving operational efficiency within the Group and to realising its vision of being the 'Communications Company of Choice'. Individually, TM employees are expected to continually learn, unlearn and relearn new technical and functional skills. Training is still an important intervention and treated as an on-going process to optimise manpower development and to improve productivity.

360-DEGREE FEEDBACK ASSESSMENT

To serve as a measurement tool to check on the health of employees' competencies, a *'360-Degree Feedback Assessment'* is used to measure the organisation's competency level. Also known as a multi-source assessment, an executive is rated by his/her subordinates, peers, supervisors as well as internal customers. Results obtained, known as the 'Competency Index' (CI), can determine the level of one's behavioural competencies. For the Balanced Scorecard set in 2007, the targeted rate was for 50.0% of the TM population to achieve a CI of 7.5 (on a scale of 1 – 10). Based on the annual 360-degree Feedback Assessment done for 8,259 executives in TM and local subsidiaries, 56.0% of the population successfully achieved a CI of 7.5 and above. The 2007 CI has shown significant improvement over 2006. In 2006, 44.0% of the population achieved a CI of 7.5 and above. Employees have clearly shown improvements in their behavioural competencies while performing their day-to-day tasks.

SMARTORANGE INITIATIVES

Another intervention programme as initiated by the management to continuously develop and enhance staff capabilities is called *SmartOrange*. Conducted initially for staff of Malaysia Business, it was newly introduced Group-wide for all TM subsidiaries in 2007 to support gaps in any employee competencies. *SmartOrange* is an initiative by Group Human Resource to identify and address those behavioural competencies that need to be acquired by all TM executives. The Transformation and Development Division (TDD), a division responsible for the overall structure of TM Competency-Based Development Framework and *SmartOrange* programmes have continuously receive testimonials from the participants as well as Heads of Units or Divisions recognising the effectiveness of the scheme. A senior manager from a local subsidiary remarked in praise of *SmartOrange*: *'Thank you for your effort in encouraging me to attend the programme. It is indeed an enriching programme and I highly recommend that others be sent, as I believe they will all benefit from it as well.'*

FUNCTIONAL COMPETENCIES

Besides behavioural competencies, functional competencies are also seen as crucial to develop skills, knowledge and abilities of an employee. Whilst behavioural competencies focus more towards soft skills for the executives, functional competencies covers the hard skills for both executives and non-executives. Sets of framework have been developed for employees at Sales, Marketing and Technical. These Structured Training Programmes, in the non-executive framework set, for example, a non-executive should be able to understand the type of fundamental and functional competencies that he/she should obtain while sitting in his/her current position and types of functional competencies he/she should acquire in order to be upgraded to a higher position. While behavioural competencies are assessed via on-line 360-Degree Feedback Assessment, functional competencies are assessed via one-to-one interviews, written questionnaires and live presentations.

INSTITUTIONALISE FUNCTIONAL CAPABILITIES

A thorough work study has been done for Group Regulatory, Legal and Compliance to assess their employees' functional capabilities in areas such as communication and strategic skills conducted through interviews, group discussions and presentations as well as tests. With the assessment findings, a set of training and development programmes are recommended. The other areas involved are Sales and Marketing and Technical Competency Framework. Acting on the framework, some work has been undertaken to assess the competencies of sales and marketing.

As a training arm of TM, the Multimedia College (MMC) is responsible for the delivery of both *SmartOrange* and the *Structured Training Programmes*. In 2007, 17,188 employees executives were trained at MMC which continues to play its part in ensuring that TM employees have every opportunity to acquire the skills, knowledge and expertise to carry out their duties effectively and to achieve their full potential.

INDUCTION PROGRAMMES

For newcomers in the organisation, Induction Programmes are conducted to give them an overview of the organisation, and to share the Company's vision and aspirations, business direction and environment, policies, procedures and systems and well as culture and values. A series of such programmes are also conducted for externally-recruited management groups at TM and subsidiaries, as well as front liners. Being very committed towards staff development and training, the Group CEO does make time to meet new employees and share his personal aspirations for the organisation.

National Day Parade

HIGH CONTRIBUTORS DEVELOPMENT PROGRAMME

This programme focuses on the development of those executives who are not in the talent pool list but have achieved desired work performance levels. A key aspect of the programme is coaching, job rotation, attachment to divisions in TM or subsidiaries, special assignments and training.

In 2007, TM Group continued to invest in several training and development initiatives to enhance staff capabilities in pursuit of excellence. Continuous education is critical to create a highly skilled and efficient workforce to give the Group a competitive advantage in the challenging telecommunications market.

TM SCHOLAR CAREER MANAGEMENT PROGRAMME

This was introduced to provide a framework for various engagement and development programmes that cover both new TM Scholars and also existing TM Ex-Scholars. The main focus of the programme is to provide emphasis on talent creation, improving their engagement level towards the Company, nurturing a sense of belonging towards their jobs, and also addressing their functional and behavioural competencies. For TM Scholars hired as new executives, it is compulsory for them to undergo the Management Trainee Programme which includes an induction programme known as *My TM Training Progamme* and on the job training known as TM Internship Programme.

EMPLOYEE ASSISTANCE PROGRAMME (EAP)

Group Human Resource is committed towards crystallising TM's Vision and Mission. With a high-performing workforce, TM can perform beyond expectation. With that in mind, Group HR through its Transformation and Development Division (TDD) has embarked on a journey formulating an Employee Assistance Programme (EAP) for all employees. EAP is a form of a human performance intervention tool for effective personnel management beyond training and development. Through it employees will be able to manage, overcome and avoid personal, career, family, interpersonal and work related problems that can impede their performance and productivity.

EAP is a confidential resource at no cost. It provides counseling, coaching and mentoring for TM's employees through our trained multi-discipline EAP Practitioner nationwide. It has been designed by incorporating the existing Human Resource as well as TM transformation initiatives. Thus EAP has been proven to be an effective mechanism in improving employees' performance, quality and productivity.

Given the dramatic developments in the telecommunications business either domestically or internationally, TM employees can face drastic change and become overwhelmed with their added responsibilities and market demands. This may affect their confidence, performance, health, motivation, and relationships. Hence the EAP programme's objectives are as follows:

- To enhance employee performance and productivity
- To create a harmonious work environment
- To reduce organisational cost by providing preventive education and early constructive intervention
- To encourage employees with personal problems to seek help

In the near future, it is the aspiration of Group HR to establish a platform for special learning and sharing of best practices in counseling, coaching and mentoring through benchmarking. TM intends to share resources through cross-organisational counseling and coaching with other willing partner organisations (especially amongst GLCs) to successfully implement such programmes Group-wide.

Facts at a Glance

27 research projects
successfully completed

Telekom Research & Development Sdn Bhd (TMR&D) was established in 2000 to harness technology and innovation for improved and new product development and to provide related services to existing and potential markets. With a clear focus on innovation, TMR&D is set on growing its competency in technology development and management, usage of knowledge-intensive applications, networking, and accelerated industrial skills upgrading of its most important asset, which is human capital.

As the research arm of TM, TMR&D has identified its priority research areas in ICT. All research initiatives are designed to match TM's business objectives and direction by considering emerging global technology trends, the national ICT blueprint, user requirements and market needs.

A total of 79 research projects were undertaken in 2007, of which 27 were successfully completed by year end as scheduled, with the rest planned for completion in 2008 and beyond.

In anticipation of the market demand for high speed broadband, in July 2007, TMR&D successfully showcased the Fibre-to-the-Home (FTTH) products as well as the digital homes concept to the Malaysian Communications and Multimedia Commission and the media at Sri Hartamas Kuala Lumpur. This was in support of TM's business plan which includes the implementation of high speed broadband (HSBB) infrastructure by the second half of 2008, which will allow users new lifestyle experiences with digital home services such as IPTV and HSBB internet access.

Enriching lifestyle through broadband

KEEPING UP WITH THE INDUSTRY THROUGH COMMERCIALISATION & QUALITY ASSURANCE

As part of the move towards greater commercialisation of its innovations, TMR&D successfully commercialised a total of four new products in 2007. Commercialisation initiatives called for TMR&D to participate actively in product exhibitions, roadshows and international conferences as well as submit entries for recognition at award competitions.

Continuing the trend of previous years, TMR&D collected several awards during the International Invention, Innovation, Industrial Design & Technology Exhibition (ITEX'07) in 2007. The awards included:

1. Platform for All-Service Multi-Access (PLASMA) – Gold Award & Innovative Product Award
2. XtreamX Home Media Centre – Gold Award
3. Vertical Cavity Surface Emitting Laser (VCSEL) – Gold Award
4. Advanced Tracking System Using RFID – Silver Award & Innovative Product Award
5. EDFA In-Line – Silver Award
6. Simple & Efficient Software Radio Development Platform – Bronze Award
7. Distribution Point (DP) – Innovative Product Award

Whilst focusing its research activities on niche technologies, TMR&D also placed emphasis on quality initiatives including Capability Maturity Model Integrated (CMMI) and Product Quality Assurance.

In August 2007, TMR&D successfully passed the SCAMPI 1.2 Class A appraisals for Capability Maturity Model® Integration (CMMI) and based on the model set by the Software Engineering Institute (SEI) of Carnegie Mellon University, USA, was successfully appraised to CMMI - Development Version 1.2 Staged Representation Maturity Level 3. TMR&D is the first company within the Group to be appraised under CMMI Version 1.2. Following the appraisal, TMR&D is set for the appraisal of the CMMI Maturity

Level 4, scheduled to take place in 2008 where all relevant activities will be intensified. Project managers will be inducted through training into the processes and guidelines as outlined in the CMMI Process Quality Manual and other process documents.

INTELLECTUAL PROPERTY & COLLABORATION TO ENHANCE CAPACITY BUILDING

In 2007, TMR&D successfully filed 16 patents, 13 industrial designs, 21 layout designs for integrated circuits and 65 copyrights. The realisation that Intellectual Property is a reflection of a company's competitive edge has brought about an increase of 3.0% of filed applications compared to the previous year.

Continuing the effort towards capacity building, TMR&D formed numerous partnership agreements with several organisations to collaborate on applications for next generation services, product prototyping and development, GEPON, new generation of optical fibre, cable and accessories for FTTH deployment, designs, fabrications, model development and manufacturing. Its partners include many local and international companies/institutions involved in equipment/component manufacturing, higher learning and research and development.

HUMAN & INTELLECTUAL CAPITAL

To provide a wider intellectual resource to meet current and expected market demand, TMR&D increased its research personnel strength from 270 in 2006 to 287 in 2007.

A Post-Graduate Scheme first introduced in 2004 to provide opportunities for MSc and PhD qualifications remains, and produces multi-skilled experts in specialised areas. As of 31 December 2007, 68 full-time employees were offered post-graduate opportunities as compared to 43 a year ago. In the year under review, 13 scholars completed their post-graduate studies while in full-time employment. As part of the continuing effort to build human and intellectual capital, researchers at TMR&D are also offered opportunities for industrial attachments through sabbatical and other programmes as a commitment towards individual skill enhancement.

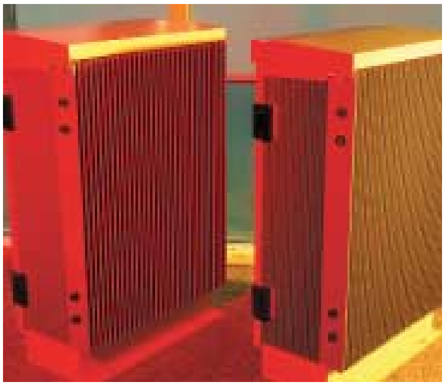
TMR&D also encourages scholarship in other ways. In 2007, 87 papers were submitted by researchers at TMR&D, out of which 61 were accepted at international conferences and for publication by journals. These included:

- Optical Express International Journal Volume 15(6), March 2007 published by Optical Society America.
- Journal of Optics & Laser Technology.
- International Symposium on Management Engineering, 10-12 March 2007, Japan.
- IASTED International Conference on Communication Systems, Networks and Applications, 8-10 October 2007, Beijing, China.
- Konferensi Nasional Sistem Informasi, 14-15 February 2007, Bandung, Indonesia.
- International Conference on Signal Processing, Communications and Networking, 22-24 February 2007, Chennai.
- Asia Modeling Symposium, 27-30 March 2007, Thailand.
- The Optoelectronics and Communications Conference, 9-13 July 2007, Yokohama, Japan.
- International Conference on the Optical Internet and the Australian Conference on Optical Fiber Technology, 24-37 June 2007, Melbourne, Australia.
- International Conference on Electrical Engineering and Informatics, 17-19 June 2007, Bandung, Indonesia.
- IEEE TENCON 2007, 30 October – 2 November 2007, Taipei, Taiwan.
- Twelfth Optoelectronics and Communications Conference/ 16th International Conference on Integrated Optics Fiber Communication 9-13 July 2007, Yokohama, Japan.

- The 7th Pacific Rim Conference on Lasers and Electro-Optics, 26-31 August 2007, Seoul, Korea.
- 7th International Symposium on Communications and Information Technologies, 16-19 October 2007, Sydney, Australia.
- SPIE APOC 2007 Asia Pacific Optical Communications, 1-5 November 2007, Wuhan, China.
- Ninth @WAS International Conference on Information Integration and Web-based Applications & Services for the Master and Doctor Colloquium, 3-5 December 2007, Jakarta, Indonesia.
- IASK International Conference E-Activity and Leading Technologies 2007, 3-6 December 2007, Oporto, Portugal.
- 12th WSEAS Conference on Applied Mathematics, 29-31 December 2007, Cairo, Egypt.
- The International conference on Information Networking 2008, 23-25 January 2008, Busan, Korea.

GIVING BACK TO SOCIETY THROUGH KNOWLEDGE & SKILLS ENHANCEMENT INITIATIVES

TMR&D continued to play a vital role in nation-building via its commitment to provide education and internship opportunities. During the year, 70 students at various levels participated in its internship programmes. Industrial training programmes were also conducted through collaboration with local universities throughout the country.



TM R&D's new premises

Occupational Safety, Health And Environment (OSHE)

Safety first

Facts at a Glance

Reduction of accidents:

6.2%

'Zero Accident'

in Terengganu & Pahang

The OSHE performance in TM for the year saw a reduction of 6.2% of accidents with continued efforts to create greater awareness and to step up improvements in the workplace from both the safety and health aspects.

In 2007, we exceeded our target for accident reduction by 6.2% (actual: 31.2% against target of 25.0%) but fell short of maintaining the "zero fatality" record we achieved in 2006. Nevertheless, in Malaysia, two states, Terengganu and Pahang, achieved 'zero accident' records. A single fatal accident was recorded in Kelantan, and Kuala Lumpur recorded the second-highest number of workdays lost due to major accidents.

A number of positive steps were taken during the year under review. They are described below.

1. The TM Group Occupational Safety, Health & Environment Management System which contains two separate management systems, was completed. The systems are:

   - ISO 14001:2000 – Environmental Management System Specification
   - OSHAS 18001: 1999 – Occupational Safety & Health Management System Specification.

   The ISO 14001:2000 provides tools for managing environmental impact consistently. It was succesfully developed and later implemented by Menara TM Operation and Maintenance Unit (MTOM) in 2007 in their day-to-day operations and maintenance activities at Menara TM. Certification is targetted for 2008.

   The implementation of the ISO system was a significant step towards having all TM properties and offices managed to the same standards.

   Meanwhile, the OSH Management System Specification was also officially rolled out.

The launch of TM's Safety Campaign

2. The NIOSH-TM safety passport training programmes for TM contractors and vendors were also implemented. These were initiated in late 2006 in collaboration with the National Institute of Occupational Safety and Health (NIOSH). About 400 contractors' personnel attended the programme. It will be continued in 2008.

3. Training for TM Group OSHE Steering Committee members to equip them with the requisite knowledge and understanding of various OSHE statutory and regulations requirements was inaugurated.

4. The OSHE Audit Programme was conducted at state level to ensure all activities and processes implemented were in compliance with the relevant statutory regulations.

5. The First OSHE Personnel Workshop was held to enhance skills and competency.

6. The OSHE Campaign & Exhibition, held annually since 2005, had its roadshow at Menara TM, Kedah/Perlis, Sarawak and Johor.

7. Celcom launched its new OSHE Policy in July in conjunction with a Health Carnival. The carnival provided a necessary platform for Celcom and TM employees to appreciate the merits of a healthy mind and body in increasing productivity.

8. An Environmental Awareness Campaign made its debut in August. This was organised by TMF Services Sdn Bhd at Menara TM based on the theme *'Creating Habits Today, Safe Environment for Tomorrow'*.

   A total of 10 organisations from different sectors participated in this event. Dialogues, lectures and distribution of pamphlets focusing on the 3Rs (Reduce, Recycle, Reuse) were the main activities and information was shared among the participants with an emphasis on the importance of protecting forests, planting trees, decreasing pollution and protecting the quality of drinking water.

9. TM has initiated other efforts to reduce emissions of ozone-depleting substances by phasing out the chlorofluorocarbons (CFCs) used in older, less-efficient chillers such as the large cooling systems of commercial office buildings, to ensure full compliance with regulations. As old inefficient chillers and air-conditioning equipment are replaced with new technology, it could mean more energy savings throughout the Company.

10. Radiation Safety Assessment at TM Hill Stations and Celcom Towers was conducted by the Non-Ionizing Radiation Group of the Malaysian Nuclear Agency (Nuclear Malaysia) on all telecommunication and broadcast towers at hill stations.

    The main objectives were as follows:

    - to identify work places around telecommunication and broadcast towers where the radiation levels may be perceived to be higher than exposure limits allowed by the Malaysian Communication and Multimedia Commission (MCMC), and
    - to determine the radiofrequency and microwave radiation exposure to employees located in the vicinity of telecommunication and broadcast towers.

    As at December 2007, three hill stations (Ulu Kali, Genting Highlands, Bukit Tampin, Negeri Sembilan and Gunung Pulai, Johor) had been assessed. Seven hill stations will be assessed in 2008. Meanwhile, continuing surveys by Celcom have indicated that the radiofrequency and microwave radiation present in the areas around the towers of a sample of sites were well below the exposure limits stipulated by the MCMC and ICNIRP guidelines for employees as well as the public.

Malaysian Business CSR Merit Awards 2007

Facts at a Glance

TM's contribution towards CR in community was in excess of RM73 million for 2007

Education:

RM32.05 million

Sports Development:

RM17.33 million

Community & Nation-Building:

RM24.03 million

Corporate Responsibility (CR) is relevant across all aspects of the Group's operations. It has always been an integral part of the Group's business strategies, creating value for the Group's different stakeholders over the years. TM's commitment is clearly outlined in its Corporate Responsibility (CR) Policy where it is stated that TM companies shall undertake a variety of programmes that are aligned with their business strategies or that benefit the broader interests of the community, while complementing the efforts of the Government in nation-building.

TM's scope of CR embraces a culture of good governance and accountability throughout the organisation. TM believes CR makes good business sense in the long run as it contributes towards building lasting goodwill and trust in the TM brand. A keen awareness of its corporate responsibility towards stakeholders in line with good corporate governance has also given TM the edge in attracting and retaining talent, enhancing customer loyalty and retaining its position as a leading responsible corporate citizen. In real terms, a culture of corporate responsibility has proven its worth in ensuring consistently-strong performance and delivering better returns to shareholders. TM's CR initiatives are evident through its engagement with all stakeholders including employees, customers, suppliers, investors, local communities and the host governments where it operates.

A FINANCIAL PERSPECTIVE

CORPORATE GOVERNANCE

Having been one of the first listed companies to respond to the call for greater corporate governance, TM has established positions for independent non-executive directors on its board. Out of a total of 9 Board members, more than one-third is made up of independent directors, while the Chairman is non-executive in line with best practice. The board oversees functions such as strategy, audit, risk management, nomination and remuneration of board members and top management, as well as corporate social responsibility. A Statement of Corporate Governance is available elsewhere in this annual report and it carries information about the remuneration of Board members.

A clear demarcation of the roles of the Board and the Management Committee has provided for smooth running of Group operations. Strict financial authority limits have been set for management personnel throughout the Group.

TM's high corporate governance standards are further consolidated by several codes of conduct that govern the way it conducts its business. These codes include a Corporate Social Responsibility or CSR Policy Manual, a Code of Business Ethics Manual, a guide to procurement called Procurement Ethics and a manual of its KRISTAL core values. To further consolidate its efforts, the Group has instituted a yearly asset declaration exercise for all employees.

In summary, TM has put in place an effective internal system of checks and balances governed by codes of best practice to ensure that its business is carried out in an ethical manner in line with the highest international benchmarks.

INVESTOR RELATIONS

In line with good corporate governance practice worldwide and the Malaysian Code of Corporate Governance, TM subscribes to the expectation of maintaining a high level of transparency vis-a-vis its dealings with the investing community. This is done via various communication channels such as regular face-to-face briefings and dialogue sessions, teleconferences, press releases, press conferences and briefings, frequent and timely disclosure to Bursa Securities, e-mails, investor conferences, annual general meeting, annual report and regular postings on the Company website.

ENTERPRISE RISK MANAGEMENT

In dealing with enterprise risk, the Company has established and embedded a TM Enterprise Risk Management Framework (ERM) and Guideline that allows the Group to identify, assess and report business risks from an enterprise perspective. In assessing corporate risk, the Company reviews all key and significant business drivers such as corporate governance, bribery/corruption, environmental issues, supply chain issues, human rights, employee relations, safety and health and other business-related risk exposure. In ensuring standardisation of risk management practices within the Group, the ERM framework has been embedded into daily business strategy and operations through the Group's Balanced Scorecard process. This will assist the Group to proactively identify key risks that may prejudice the achievement of business performance for the Group and the delivery of shareholder value.

PROCUREMENT PRACTICES

In managing issues related to procurement and to standardise practices across the Group, TM has launched a handbook called 'Procurement Ethics – Rules and Practices', consistent with the Procurement Red Book, published by Putrajaya Committee for the High Performing GLCs (PCG). TM's handbook outlines the principles, applications and Do's and Don'ts related to the procurement process. The handbook also complements TM's Code of Business Ethics which guides the Company's dealings with employees, customers, business partners, competitors and other parties. In conducting business with TM, all suppliers are also required to adhere to the Environmental Quality Act 1974, Factories and Machinery Act, 1967 and the Occupational Safety and Health Act 1994.

AN ENVIRONMENTAL PERSPECTIVE

ENVIRONMENTAL MANAGEMENT

TM Group's Occupational Safety, Health and Environmental (OSHE) Policy addresses the management of OSHE risk and the environmental impact of business activities. The Company's OSHE Policy is based on the standard requirements of OHSAS 18001:1999 and ISO14001:2004, designed to ensure consistency in environmental management.

A WORK ENVIRONMENT PERSPECTIVE

PERFORMANCE MEASUREMENT

TM has instituted a transparent on-line performance management system that is tied in with the Company's Balanced Scorecard. Through this system, Key Performance Indicators (KPIs) for all employees are directly related to the Company's key business performance targets. Individual KPIs are identified and keyed into the system at the beginning of the year and a mid-term evaluation is conducted at all levels to ensure that achievement of targets are on course and, where necessary, corrective actions are recommended. A final evaluation is then conducted at the end of the year. Payment of bonuses and increments are then decided, based on the outcome of the evaluation process.

EMPLOYEE SATISFACTION MONITORING

Since 1997, TM has conducted an annual Employee Satisfaction Index Survey (ESI) to gauge employees' perceptions of the Company on various matters such as management and leadership, compensation, communications and other workplace issues. For 2007, 40.0% of employees were covered by the ESI, with the index at 75.4% compared with 72.8% in 2006.

EMPLOYEE BENEFITS

TM has adopted a transparent and objective remuneration and benefits system for all employees. Company-wide benefits provided for all employees include the Employees Provident Fund pay-as-you-earn pension scheme, health and accident insurance, medical care for families, disability insurance, maternity and paternity leave, in-house sports sessions, two child-care centres (Menara TM and Multimedia College Taiping), employee counselling, employee volunteering options during work hours, on-going learning opportunities available at the Multimedia College and access to academic scholarships.

Remuneration and benefits for the unionised workforce are mutually agreed upon between TM and the trade unions via a Collective Agreement. In 2007, a new agreement was formalised and signed covering a 3 year period from January 2007 to December 2009.

STAFF TRAINING

Career development is one of the main priorities of the Group HR division. In 2007, each member of staff was required to attend at least 40 hours of training related to their functional areas of work and behavioural competencies, identified through a yearly competency assessment exercise. A total of 117,661 trainee days were registered for a total of 941,288 training hours in the year under review.

SAFETY & HEALTH

To govern safety and health, the Company has put in place a safety and health management system called OHSAS 18001. In 2007, the Company set an employee occupational safety and health target for a 25.0% reduction in accidents and zero fatalities. The year saw a 31.2% reduction in accidents. To raise awareness of safety and health procedures, the Company organises regular annual occupational safety and health campaigns at its head office as well as at state locations, offering free health screenings and health talks conducted by the Company's panel of medical doctors. Safety and Health training is provided to employees in furtherance of the Company's goals for better safety records and in 2007, 400 TM contractors underwent the NIOSH TM Safety Passport Programme, while 35 staff went through the OSH Personnel Workshop Programme and 240 staff received the OSHE MS Awareness Training Programme.

CHILDCARE & EARLY DEVELOPMENT FACILITY

Provision of childcare services for the families of employees has always been a feature of TM's responsibilities to stakeholders. At the end of 2007, there were 128 employees' children, between the age of 2 months and 6 years, registered with TM's childcare and early development facility, TM Taska. TM Taska was established to provide quality and affordable childcare services in close proximity to the work place for employees and is in line with the recommendations set by the Ministry of Women, Family & Community Development, Malaysia.

A SOCIAL PERSPECTIVE

STAKEHOLDER ENGAGEMENT

TM is continually engaged with its various stakeholders such as government departments and agencies, regulators, customers, local communities, the media, suppliers, trade unions, investors, shareholders and employees through planned and unplanned face-to-face meetings and briefings, dialogue sessions, information roadshows, newsletters, e-mails, video and audio conferencing, web streaming, media briefings/press conferences and press releases, annual general meeting, customer satisfaction surveys, newspaper advertorials and advertisements and on-line communication channels such as the website. TM maintains a highly communicative culture to ensure information is shared with stakeholders beyond the shareholders and financial community.

COMMUNITY & CHARITABLE ORGANISATIONS

CR efforts in the community supports one of the Group's strategic objectives, to be a responsible corporate citizen. TM has taken the effort to integrate CR in community into its business strategy and this is reflected in governance, policy, process and reporting. It is also included as one of the items in TM's annual budgeting process and a Key Performance Indicator (KPI) which is monitored as a performance measure in the Group's Balanced Scorecard.

Reaching out

Assisting the needy

Community service

To ensure responsible and ethical practices in the management of its community efforts, TM's Corporate Social Responsibility (CSR) and Donations/ Sponsorships Policy and Best Practices manual sets out the guidelines and the criteria for the award of donations and the approval of sponsorships, recommended allocations, limits of authority, approval process, budgeting, monitoring and evaluation of donations and sponsorships. The policy states that CSR opportunities and programmes shall be pursued with professionalism and guided by the core values of the TM Group. The CSR policy manual expects that decisions must be taken with integrity and the highest regard for good corporate governance and transparency. An overview of TM's CSR Policy is available at www.tm.com.my.

In line with the policy recommendations, TM's community efforts are summarised and analysed for presentation to the Board on a quarterly basis.

During 2007, TM also adopted PCG's Silver Book Guidelines incorporating the recommended assessment methodologies in evaluating value creation and impact of donations and sponsorships approved and conducting periodic reviews of contributions given for all of TM's community efforts. These guidelines include:

- Standardised monthly tracking of CSR activity by all CSR custodians in the Group.
- Adoption of standardised cost-benefits assessment tools on CSR contributions by all CSR custodians.
- Adoption of a standardised evaluation process by all CSR custodians.
- Submission of a consolidated quarterly CSR management report by the CSR project champion (Group Corporate Communications Division).
- Maintaining a CSR web-page on the Company's website.

TM launched its theme *"Reaching Out"* which encapsulated the essence of its corporate citizenship initiatives in year 2007, a year which saw TM re-invigorate and consolidate its commitment to its CSR practices with the aim of making a difference to people's lives both within and outside the country.

COMMUNITY CAUSES WE SUPPORT

Sustainability is an important element in TM's community efforts. Therefore the emphasis in TM's community efforts is towards providing the opportunity to acquire 'knowledge or skills'. These are the tools which will enable the community to sustain and improve their lives long after each TM-supported community project is completed. There are three key platforms through which TM's community efforts are directed:

- Education – the focus of which is to contribute towards human capital development and capacity building.
- Sports Development – the focus of which is contribution towards developing sporting talent at grassroots level, as well as promoting the nation as an international sporting destination.
- Community and Nation-Building – the focus of which is towards providing assistance to the needy and underprivileged as well as promoting community development and nation-building activities while bridging the digital divide between urban and rural communities.

TM Group spent in excess of RM73 million towards CR in community efforts in 2007 as highlighted below:

CR Platform	Amount (RM)
Education	RM32.05 million
Sports Development	RM17.33 million
Community and Nation-Building	RM24.03 million
Total	**RM73.41 million**

TM IN EDUCATION – PROVIDING OPPORTUNITY TO PURSUE KNOWLEDGE

In Education, TM's objective is to assist the nation in the development of human capital and capacity-building, and thereby meet its socio-economic developmental goals. Towards this end, TM has contributed and continues to contribute through the provision of scholarships from its foundation, Yayasan Telekom Malaysia (YTM), through its own training and staff development programmes and also through the establishment of the Multimedia University.

Education made up the major chunk of external social contributions, taking up 44.0% of total contributions. The TM foundation, YTM, was the major contributor in this area. Established in 1994 and having provided financial support valued at over RM350 million to more than 10,070 students to date, YTM provided over RM32 million in the form of scholarships and loans to 823 students in various academic level programmes in the year under review.

These scholarships and loans were awarded to students to follow academic programmes at Preparatory, Diploma, First Degree and Post-Graduate levels in recognised local and overseas institutes of higher learning. The financial support provided also included that for 700 needy secondary school students in government schools under YTM's Minor Secondary School Scheme which identifies deserving students for financial assistance to continue their studies up to SPM level.

Multimedia University (MMU), a tertiary education institution, was set up in 1997 by TM at a cost of more than RM800 million. Today, the university has 2 campuses – Melaka and Cyberjaya – with a current student enrolment of over 21,000. MMU offers programmes and degrees in creative multimedia, information technology, management and engineering from foundation to doctorate level.

To date, MMU has produced over 13,000 graduates with 96.0% of them gaining employment within 6 months of graduation. MMU has an outstanding pool of international students, totalling 3,771 from 79 countries and has established 26 centres of excellence. It is now a major player in research and development. The establishment of MMU as a research university also serves to benefit the nation's ICT aspirations which are for the industry to be a creator and not just a consumer of technology. Through the establishment of a local private university, the nation can have a pool of talented human resources within its borders, ensuring sustainability from the perspective of economic management and human capital development within the country.

TM IN SPORTS DEVELOPMENT – INSTILLING A HEALTHY AND POSITIVE LIFESTYLE

In Sports Development, TM seeks to identify and promote grassroots talent as well as assist in promoting the nation as an international sporting destination. Towards the latter, TM has contributed towards the sponsorship of several notable events including *Liga Malaysia*, the Le Tour de Langkawi, Monsoon Cup, the JB International Challenge and the Mount Kinabalu Climbathon, among others.

Le Tour de Langkawi

Liga Malaysia

Monsoon Cup

The year 2007 saw TM contribute RM17.33 million towards Sports Development, representing 24.0% of its total allocations to community, in support of various sports development causes that benefited individual sports as well as fulfilled the nation's objectives to promote the country as an international sports tourism destination.

In response to the Government's call for corporate support to help develop identified core sports in the country, TM continued to support football; it was the sport that received the most contributions from TM in 2007. *Liga Malaysia* received RM8.5 million in support and this has provided an injection of funds that has benefited the administration and development of the game at national and state level. Year 2007 also saw TM carry its support for football development even further by its major sponsorship support of RM1.2 million for the *TM Unileague*, a popular inter-varsity football league competition, TM's *Syoknya Bola Carnival* (RM2.4 million), TM's *Cage Futsal* (RM1.2 million) and the *TM ERA Ole K.O futsal tournament* (RM288,000).

Other major contributions from TM in 2007 for sports, that helped bring international sporting attention to the country, included cash and in-kind sponsorship support for the Le Tour de Langkawi, the premier international level bicycle race in Asia, the Monsoon

Cup, an international world-class professional match-race sailing regatta in Terengganu, the FEI World Cup Show Jumping event, the Mount Kinabalu International Climbathon and the KL Tower International Jump 2007.

TM IN COMMUNITY AND NATION-BUILDING – GIVING THE OPPORTUNITY TO LEARN NEW SKILLS AND IMPROVE LIVES

The major focus here is towards providing assistance to the needy and underprivileged through donations to welfare homes, NGOs and charitable organisations as well as promoting community development and nation-building activities while bridging the digital divide between urban and rural communities.

The year 2007 saw TM contributing RM24.03 million towards various community and nation-building initiatives and social activities. This comprised 33.0% of the total allocation for CR in the community for the year.

a. Graduate Employment Programme

TM initiated a graduate re-training programme to retrain unemployed graduates and equip them with skills relevant to current employment needs. Called the Certificate in Business English & Communication Skills Programme or *CiBEC*, the program was carried out in collaboration with the Business Advanced Technology Centre of UTM. Kicking off in 2006 and continuing on in 2007 with a budget of RM2 million, TM targeted a total of 1,000 graduates and provided them with intensive English language, communication and other soft-skills training relevant to the needs of the business environment. In 2007, TM spent in excess of RM500,000 to provide this training and as of end 2007, a total of 1,053 graduates were re-trained out of which, 72.1% gained employment upon completing the programme.

b. School Adoption Programme

This initiative saw TM contributing cash and in-kind resources in the adoption of 2 rural schools, namely, *Sekolah Kebangsaan Bukit Indera Muda* and *Sekolah Kebangsaan Seri Penanti*, both in Bukit Mertajam, Penang under the national *PINTAR* programme. The PINTAR programme, an initiative of the Ministry of Finance and implemented by Khazanah Nasional, is an effort to bridge the digital divide between rural and urban schools and to enhance their academic performance.

With an allocation of RM1 million in cash and in-kind to be utilised over a 3-year period beginning 2007, TM's involvement in these schools has been through the provision of ICT infrastructure such as broadband connectivity and PC equipment, ICT training and instruction, study visits, motivational talks, IT camps, financial assistance and scholarships to students with academic potential as well as school maintenance and repair. All these activities were carried out with the involvement of students, teachers, parents and the local communities. Several TM subsidiaries also played a significant role to ensure the programme's success.

PINTAR Programme

c. Broadband in Schools

TM kicked off its 3-year broadband initiative for schools in 2007 through its *TM eSchool* project with an allocation of RM2 million. Having as its goal a target of adopting 50 schools nation-wide over this period, TM commenced a pilot project in the Klang Valley by adopting 3 schools, namely, *SMK USJ 12 Subang Jaya*, Selangor, *SMK Seksyen 11*, Shah Alam, Selangor and *SM(Laki-laki) Methodist* Kuala Lumpur. A further 4 schools have been identified for the project in and around Kuala Lumpur.

Providing these schools with broadband access, applications, services and specialised training for students and teachers at a cost of over RM781,000, the project aims to raise awareness of the benefits and usage of broadband to enhance learning and research and improve lifestyles. A TM eSchool web portal incorporating the Web School Management System (WSMS) and the Learning Content Management System (LMCS) was introduced in the schools involved to help facilitate the broadband assimilation process.

d. Blue Ribbon Campaign

TM lent its hand to this nationwide mobilisation awareness and fund-raising campaign to improve the lives of children suffering from cancer in 2007. The campaign is focused on brightening the lives of terminally-ill children in order to allow them to forget their pain, fear and isolation of their illnesses. The Blue Ribbon Campaign is part of the Rainbow of Life Forces (ROLF) which is a seven-year community CSR campaign initiated to give hope to all children regardless of race, religion, background and nationality. ROLF consists of seven campaigns, with each campaign tagged a different colour for each year denoting support for children in different situations. The year 2007 was the year of the blue ribbon. TM weighed in with RM5.35 million in financial assistance for the campaign.

TM Scholars

e. Other Community Initiatives

In keeping with its yearly practice, TM continued its sponsorship of school students to the Formula 1 race in Sepang. Year 2007 saw TM sponsoring the full cost of tickets, F&B and transport for 152 underprivileged students from 5 welfare homes in and around Kuala Lumpur and Selangor to witness the world class sporting event.

The TM Group has always been sensitive towards the plight of the less fortunate and the needy. In view of this, TM continued to provide financial contributions to NGOs, charitable and welfare organisations. Groups receiving aid included senior citizens, the disabled, the orphaned and the abused.

Other notable contributions from the Group included cash and in-kind contributions (prepaid cards) to the Armed Forces for the *Hari Raya* celebrations, assistance to *Tabung Haji* pilgrims in the form of prepaid cards and prayer amenities, cash contributions for Workers Day and Warriors Day celebrations as well as sponsorship support for Federation of Malaysian Consumer Association's (FOMCA) consumer education activities.

NATION-BUILDING INITIATIVES

a. 50th Year National Day (Merdeka) Celebrations

For the nation's 50th year National Day events in August 2007, the TM Group spent in excess of RM10 million through sponsorships and distribution of the national flag, parade celebrations, TV commercials, banners and buntings to celebrate the milestone achievement of the nation's independence and development as well as to help instil a sense of pride and patriotism amongst staff, stakeholders and the general public.

b. Khazanah Global Lecture Series 2007

Initiated by Khazanah Nasional in conjunction with the 50th *Merdeka* celebrations, the lecture series was designed to encourage debate and share intellectual thinking at a global level for the benefit of the general Malaysian public. Lectures by prominent Nobel laureates such as Kofi Annan, Professor Muhammad Yunus of Grameen Bank and Professor Joseph Stiglitz were beamed to selected public and private universities nationwide via live video-conferencing and web-streaming facilities with the support of TM's in-kind sponsorship assistance valued at about RM500,000.

c. Langkawi International Maritime & Aerospace Exhibition 2007

This international biennial event returned to Langkawi in 2007. Over 500 international and local companies participated in the event which saw the display of the latest technologies in the aerospace and maritime industries in Langkawi, helping yet again to put the island on the world map as a major tourist attraction. TM contributed to this effort by providing sponsorship of communications infrastructure worth about RM500,000.

TelCo Industry Leaders participation in the 50th Merdeka Day celebration

d. Other Nation-Building Initiative

Other major sponsorships for the year undertaken by TM in cash and in-kind contributions in excess of RM2 million in total were the MSC Asia Pacific ICT Awards (MSC APICTA) 2007, 10th MSC International Advisory Panel (IAP) Meeting, 3rd World Islamic Economic Forum (WIEF), Langkawi International Dialogue 2007, Kuala Lumpur International Film Festival 2007 (KLIFF 2007), GK3 Global Knowledge Partnership and the Pekan Fest.

TM in Community – Beyond Malaysian Shores

CSR initiatives continue to be extensively pursued in countries abroad where TM International has business operations and investments, namely Sri Lanka, Indonesia, Bangladesh, Cambodia, Thailand, Singapore, India, Pakistan and Iran.

In Sri Lanka, Dialog Telekom PLC (Dialog) continued through its Change Trust Fund to help disadvantaged communities across the island through community projects based on 5 themes — digital inclusion, empowering the differently-abled, youth and education, environment and humanitarianism. Dialog's community projects included:

- Dialog's Digital Learning Bridge, a joint project with the Ministry of Education to minimise differences in education standards between urban and rural areas;
- Disaster and Emergency Warning Network (DEWN), a cost effective, multi-modal mass alert system which can be used to alert the general public in the event of a disaster; and

- State-of-the-art Ratmalana Audiology Centre for the Hearing Impaired.

Dialog has now joined the steering committee of the United Nations Global Compact (UNGC), the world's largest CR network comprising 4,400 organisations, to influence other Sri Lankan companies to adopt UNGC principles.

TM International's Indonesian subsidiary, PT Excelcomindo Pratama Tbk (XL), also launched a broad range of programmes to address community needs in the critical areas of education and community service. In 2007, XL's CSR projects included the building of kindergartens and schools in rural areas and the establishment of a much-needed mobile library to service children from underprivileged communities. XL also donated multiplexer equipment to several universities and provided Internet connection for the Indonesian Olympiad Physic Team. In terms of disaster relief, XL provided free public telephones and Internet services for flood victims in Jakarta as well as earthquake survivors in Yogyakarta and Bengkulu. XL wrapped up its CSR initiatives for the year by conferring the Indonesia Achievement Award to 4 Indonesian citizens under the categories of Science, Technology, Education and Culture.

In Bangladesh, TM International (Bangladesh) Limited (TMIB) focused on four core values — Education, Health, Environment and Poverty Eradication – under its continuing CSR programme. Besides awarding annual scholarships to deserving students, improving the lives of street children in the greater metropolitan areas and distributing winter necessities to underprivileged citizens, the year saw the company coming to the aid of Cyclone STDR survivors in the Patuakhali district.

TM International's Cambodian operations, TM International (Cambodia) Company Limited (TMIC), also initiated several activities under its CSR efforts in 2007. A key activity was the provision of 35 hotline numbers to the Military Police Headquarters to promote national security. TMIC also provided financial aid to thousands of needy Muslim families in villages throughout Cambodia in the month of *Ramadan*.

In Thailand, the Samart Group continued with its CSR initiatives by planting 3 million trees under the I-mobile Stop Global Warming Campaign, providing scholarships worth 195,000 baht, establishing the Samart Telecom Technician School and sponsoring a number of sporting events.

Other subsidiaries and affiliates initiated their respective CSR programmes for the year in the areas of education, sports development as well as community and regional projects, to help continue the tradition of good corporate citizenry and in furtherance of good corporate governance.

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

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

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

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2007

1. The Directors have pleasure in submitting their annual report and the audited financial statements of the Group and the Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

2. The principal activities of the Company during the year are the establishment, maintenance and provision of telecommunication and related services under the licence issued by the Ministry of Energy, Water and Communications. The principal activities of the subsidiaries are set out in note 50 to the financial statements.

   There was no significant change in the nature of these activities during the year except that the Group disposed its national payphone network and related services following the sale of its wholly owned subsidiary, TM Payphone Sdn Bhd (now known as Pernec Paypoint Sdn Bhd). In addition, a subsidiary, TM Net Sdn Bhd transferred the Internet and broadband business to the Company with effect from 1 January 2007 to focus on content and application development for Internet services.

RESULTS

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

	The Group RM million	The Company RM million
Profit for the year attributable to:		
– Equity holders of the Company	2,547.7	998.9
– Minority interests	83.9	—
Profit for the year	2,631.6	998.9

4. In the opinion of the Directors, the results of the operations of the Group and the Company during the 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 year, the dividends paid, declared or proposed on ordinary shares by the Company are as follows:

		RM million
(a)	In respect of the year ended 31 December 2006, a final gross dividend of 30.0 sen per share less tax at 27.0% was paid on 12 June 2007	749.5
(b)	In respect of the year ended 31 December 2007	
	(i) an interim gross dividend of 26.0 sen per share less tax at 27.0% was paid on 4 September 2007	652.9
	(ii) a special dividend of 65.0 sen per share less tax at 26.0% was paid on 31 January 2008	1,654.5

(c) In respect of the year ended 31 December 2007, the Directors now recommend a final gross dividend of 22.0 sen per share less tax at 26.0% subject to the shareholders' approval at the forthcoming Twenty-Third Annual General Meeting (23rd AGM) of the Company.

EMPLOYEES' SHARE OPTION SCHEME

6. Details of the Company's Employees' Share Option Scheme (ESOS 3), which expired on 31 July 2007, are as disclosed in note 12(a) to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 18 February 2008 from having to disclose in this report the names of the persons to whom options have been granted during the year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965, except for information on employees who were granted options representing 100,000 ordinary shares and above.

The Company has not granted any options during the year ended 31 December 2007. However, the following employees who were granted options under the Performance Linked Option Scheme (PLES) in 2005 have more than 100,000 of the PLES options vested during the year.

Name	Designation	Number of options granted/ vested as at 1.1.2007	Options vested during 2007	Number of options exercised during 2007	Lapsed on 31.7.2007 #	Balance as at 31.12.2007
Dato' Sri Abdul Wahid Omar	Group Chief Executive Officer	53,700 [2]	652,500 [2]	250,000	456,200	—
Datuk Bazlan Osman	Group Chief Financial Officer	27,000 [1] 34,700 [2]	116,600 [2]	27,000	151,300	—

EMPLOYEES' SHARE OPTION SCHEME (continued)

Name	Designation	Number of options granted/ vested as at 1.1.2007	Options vested during 2007	Number of options exercised during 2007	Lapsed on 31.7.2007#	Balance as at 31.12.2007
Dato' Yusof Annuar Yaacob	Chief Executive Officer TM International Berhad	27,000 [1]	116,700 [2]	27,000	116,700	—
Hashim Mohammed	Group Chief Auditor	27,000 [1] 34,700 [2]	116,600 [2]	27,000	151,300	—
Dennis Koh Seng Huat	Chief Executive Officer VADS Berhad	34,700 [2]	116,600 [2]	—	151,300	—
Prof Datuk Dr Ghauth Jasmon	Former President, Universiti Telekom Sdn Bhd (resigned on 31.12.2007)	34,700 [2]	116,600 [2]	—	151,300	—

[1] These options were granted at RM9.22 per share
[2] These options were granted at RM10.24 per share under the PLES
These options have expired on 31 July 2007 and any unexercised options were deemed lapsed

SHARE CAPITAL

7. On 8 May 2007, the authorised share capital of the Company was increased to include 2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each and 1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each.

8. During the year, the issued and fully paid-up share capital of the Company was increased by the issuance of 42,152,800 ordinary shares of RM1.00 each for cash under ESOS 3 and PLES, detailed as follows:

Number of ordinary shares of RM1.00 each issued	Exercise price per share
18,934,000	RM7.09
13,000	RM8.02
2,170,000	RM9.32
15,838,300	RM9.22
4,864,000	RM8.69
333,500	RM10.24

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

SHARE CAPITAL (continued)

9. On 20 July 2007, the Company redeemed 1,000 Class A Redeemable Preference Shares (RPS) (TM RPS A) and 1,000 Class B RPS (TM RPS B) that was issued in 2003 to Rebung Utama Sdn Bhd, a special purpose entity of the Company, as part of the exchange of TM Islamic Stapled Income Securities with the existing Tekad Mercu bonds as explained in paragraph 10 below.

NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES (NCRPS)

10. 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:

    (a) (i) 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;

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

    (b) (i) 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;

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

    Details of TM NCRPS C, TM NCRPS D, Sukuk Ijarah Class A and B are set out in note 14(g)(I) and (II) to the financial statements.

11. The TM NCRPS shall rank pari-passu among 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.

    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 Ijarah Class A and B are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

    The issuance of the TM ISIS was made in exchange for the existing RM3,000.0 million redeemable unsecured bonds (Tekad Mercu bonds) issued by a special purpose entity Tekad Mercu Berhad. Details of the exchange transaction is explained in note 14(g) to the financial statements.

    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.

MOVEMENTS ON RESERVES AND PROVISIONS

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

13. 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.

14. 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.

15. In the interval between the end of the 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 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 45(c)(i) to the financial statements.

16. 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 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.

17. 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

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

Directors	Alternate Director
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	
Dato' Sri Abdul Wahid Omar	
Datuk Zalekha Hassan *(appointed on 9 January 2008)*	Dyg Sadiah Abg Bohan *(appointed on 9 January 2008)*
Dato' Ahmad Hj Hashim *(resigned on 7 January 2008)*	Dyg Sadiah Abg Bohan *(ceased on 7 January 2008)*
Dato' Azman Mokhtar	
Dato' Ir Dr Abdul Rahim Daud	
Dato' Lim Kheng Guan	
YB Datuk Nur Jazlan Tan Sri Mohamed	
Ir Prabahar NK Singam	
Rosli Man	

19. In accordance with the Article 98 (2) of the Company's Article of Association, Datuk Zalekha Hassan who was appointed to the Board before the general meeting, shall retire from the Board at the Company's 23rd AGM and being eligible, offers herself for re-election.

20. According to Article 103 of the Company's Articles of Association, Dato' Ir Dr Abdul Rahim Daud, YB Datuk Nur Jazlan Tan Sri Mohamed and Dato' Azman Mokhtar shall retire by rotation from the Board at the Company's 23rd AGM and being eligible offer themselves for re-election.

21. Dato' Sri Abdul Wahid Omar who is also retiring by rotation pursuant to Article 103, will not seek re-election and will therefore retire as a Director of the Company upon conclusion of the 23rd AGM of the Company. However, he will remain as Group Chief Executive Officer thereafter.

DIRECTORS' INTEREST

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

	Number of ordinary shares of RM1.00 each			
Interest in the Company	**Balance at 1.1.2007**	**Bought**	**Sold**	**Balance at 31.12.2007**
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	123,500	—	1,500	122,000
Dato' Sri Abdul Wahid Omar	—	250,000[@]	—	250,000
Dato' Ir Dr Abdul Rahim Daud	145,000	—	—	145,000

[@] Being options under PLES exercised during the year

DIRECTORS' INTEREST (continued)

Interest in the Company	Number of options over ordinary shares of RM1.00 each Balance at 1.1.2007	Vested	Exercised	Lapsed*	Balance at 31.12.2007
Dato' Sri Abdul Wahid Omar	53,700 [1]	652,500 [2]	250,000	456,200	—

[1] Options granted and vested under PLES on 6 September 2005 as detailed in note 12(a) to the financial statements
[2] Options granted in 2005 under PLES and vested on 24 April 2007
* These options have expired on 31 July 2007 and any unexercised options were deemed lapsed

Interest in VADS Berhad	Number of ordinary shares of RM1.00 each Balance at 1.1.2007	Bought	Sold	of RM0.50 each [#] Share split	Balance at 31.12.2007
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	15,000	—	—	15,000 [3]	30,000
Dato' Ir Dr Abdul Rahim Daud	15,000	—	—	15,000 [3]	30,000

[#] On 25 October 2007, VADS Berhad's existing ordinary shares of RM1.00 each was subdivided into 2 ordinary shares of RM0.50 each following a share split exercise
[3] Additional shares created due to share split exercise carried out by VADS Berhad

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

DIRECTORS' BENEFITS

24. Since the end of the previous year, none of the Directors have received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 5(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 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

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

In accordance with a resolution of the Board of Directors dated 26 February 2008.

TAN SRI DATO' Ir MUHAMMAD RADZI HJ MANSOR
Chairman

DATO' SRI ABDUL WAHID OMAR
Group Chief Executive Officer

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 years presented, unless otherwise stated.

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the Malaysian Accounting Standards Board (MASB) approved accounting standards in Malaysia for Entities Other Than Private Entities. The Group and the Company had adopted new and revised Financial Reporting Standards which are mandatory for the Group's and the Company's financial year beginning on 1 January 2007 as described in (a) below.

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in note 2 to the financial statements.

(a) Standards and amendments to published standards that are effective

The new accounting standards and amendments to published standards effective for the Group's and the Company's financial year beginning on 1 January 2007 are as follows:

- FRS 6 — Exploration for and Evaluation of Mineral Resources
- FRS 117 — Leases
- FRS 124 — Related Party Disclosures
- Amendments to FRS 119 — Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the option of an alternative recognition approach for actuarial gains and losses.
- TR i-1 — Accounting for Zakat on Business
- TR i-2 — Ijarah

All changes in the accounting policies, where applicable have been made in accordance with the transitional provisions in the respective standards and amendments to the published standards. All standards and amendments to the published standards, where applicable adopted by the Group require retrospective application.

A summary of the impact of the new accounting standards and amendments to the published standards on the financial statements of the Group and the Company is set out in note 53 to the financial statements.

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

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

The new standards, amendments to published standards and IC Interpretations which are effective for accounting periods beginning on or after 1 July 2007 and hence are mandatory for the Group's and the Company's financial year beginning on 1 January 2008, which the Group and the Company have not early adopted, are as follows:

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

- FRS 107 — Cash Flow Statements
- FRS 112 — Income Taxes
- FRS 118 — Revenue
- FRS 120 — Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134 — Interim Financial Reporting
- FRS 137 — Provisions, Contingent Liabilities and Contingent Assets
- FRS 139 — Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB)
- Amendments to FRS 121 — The Effects of Changes in Foreign Rates – Net Investment in Foreign Operations
- IC Interpretation 1 — Changes in Existing Decommissioning Restoration & Similar Liabilities
- IC Interpretation 8 — Scope of FRS 2

FRS 107, FRS 118, FRS 134 and FRS 137 have no significant changes compared to the original standards.

FRS 112 removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances.

FRS 120 allows the alternative treatment of recording non-monetary government grant at nominal amount on initial recognition.

Amendment to FRS 121 requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in.

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Company. The Group will apply this standard when effective.

IC Interpretation 1 deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation or a change in the discount rate.

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

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

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

IC Interpretation 8 clarifies that FRS 2 "Share-based Payment" applies even in the absence of specifically identifiable goods or services.

With the exception of FRS 139, the above standards, amendments to published standards and Interpretations to existing standards are not anticipated to have any significant impact to the financial position of the Group and the Company.

The Group and the Company will apply the above revised standards, amendments to published standards and IC Interpretations where applicable from financial year beginning on 1 January 2008.

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

- FRS 111 — Construction Contracts
- IC Interpretation 2 — Members' Shares in Co-operative Entities & Similar Instruments
- IC Interpretation 5 — Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
- IC Interpretation 6 — Liabilities arising from Participating in a Specific Market-Waste Electrical & Electronic Equipment
- IC Interpretation 7 — Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"

FRS 111 has no significant changes compared to the original standards.

IC Interpretation 2 deals with liability or equity classification of financial instruments which give the holder the right to request redemption, but subject to limits on whether it will be redeemed.

IC Interpretation 5 deals with accounting in the financial statements of a contributor for its interests arising from decommissioning funds.

IC Interpretation 6 provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union Directive in respect of sales of historical household equipment.

IC Interpretation 7 provides guidance on how to apply the requirements of FRS 129 in a reporting period in which an entity identifies the existence of hyperinflationary in the economy of its functional currency, when that economy was not hyperinflationary in the prior period.

2. ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

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

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

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

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

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

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

2. ECONOMIC ENTITIES IN THE GROUP (continued)

(a) 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.

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

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

(b) Transactions with Minority Interests

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

2. ECONOMIC ENTITIES IN THE GROUP (continued)

(c) Jointly Controlled Entities

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

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

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

Equity accounting is discontinued when the Group ceases to have joint control in the jointly controlled entities.

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

(d) Associates

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

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

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

2. ECONOMIC ENTITIES IN THE GROUP (continued)

(d) Associates (continued)

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.

3. INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Balance Sheet as an intangible asset.

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

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

Goodwill on acquisition of jointly controlled entities and associates occurring on or after 1 January 2002 is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall balance.

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

3. INTANGIBLE ASSETS (continued)

(b) Licences

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

4. PROPERTY, PLANT AND EQUIPMENT

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

(a) Cost

Cost of telecommunication network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset.

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

(b) Depreciation

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunication network	3 – 20
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

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

(c) Impairment

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (see Significant Accounting Policies note 8 on Impairment of Assets).

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Gains or Losses on Disposal

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

(e) Asset Exchange Transaction

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

(i) the exchange transaction lacks commercial substance; or

(ii) the fair value of neither the assets received nor the assets given up can be measured reliably.

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

(f) Repairs and Maintenance

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

5. INVESTMENT PROPERTIES

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

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

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

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of the retirement or disposal.

6. LAND HELD FOR PROPERTY DEVELOPMENT

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

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

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

7. INVESTMENTS

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

Investments in International Satellite Organisations, quoted shares within non-current assets and other unquoted shares are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such allowance for diminution in value is recognised as an expense in the period in which the diminution is identified.

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

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

8. IMPAIRMENT OF ASSETS

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

8. IMPAIRMENT OF ASSETS (continued)

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

9. GOVERNMENT GRANTS

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

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

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

10. INVENTORIES

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

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

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

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

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

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

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

12. TRADE RECEIVABLES

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

13. CASH AND CASH EQUIVALENTS

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

Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

14. SHARE CAPITAL

(a) Classification

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

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

(b) Share issue costs

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

(c) Dividend to shareholders of the Company

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

15. BONDS, NOTES, DEBENTURES AND BORROWINGS

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

Interests, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is 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 balance sheet date.

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

16. OPERATING LEASES

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

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

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

17. INCOME TAXES

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

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

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

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

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

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

18. PROVISIONS

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

18. PROVISIONS (continued)

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

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

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

20. REVENUE RECOGNITION

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of the products or services.

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

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

21. EMPLOYEE BENEFITS

(a) Short Term Employee Benefits

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

(b) Contribution to Employees Provident Fund (EPF)

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

(c) Termination Benefits

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

(d) Share-Based Compensation

The Group operates an equity settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the Income Statement over the vesting periods of the grant with a corresponding increase in equity.

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

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.

22. FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

22. FOREIGN CURRENCIES (continued)

(b) Transactions and Balances

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

(c) Group Companies

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

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

(ii) income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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

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

(d) Closing Rates

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

Foreign Currency	31.12.2007	31.12.2006
US Dollar	3.30500	3.52700
Japanese Yen	0.02969	0.02964
Sri Lanka Rupee	0.03043	0.03284
Bangladesh Taka	0.04843	0.05107
Indonesian Rupiah	0.00035	0.00039
Pakistani Rupee	0.05370	0.05807

Foreign Currency	31.12.2007	31.12.2006
Singapore Dollar	2.29307	2.29967
Thai Baht	0.11054	0.09958
Indian Rupee	0.08393	0.07996
Special Drawing Rights	5.22510	5.30659

23. FINANCIAL INSTRUMENTS

(i) Description

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

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

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

(ii) Financial Instruments Recognised on the Balance Sheet

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

(iii) Financial Instruments Not Recognised on the Balance Sheet

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

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

(iv) Fair Value Estimation for Disclosure Purposes

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

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

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

24. SEGMENT REPORTING

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

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

These accounting policies form an integral part of the financial statements set out on pages 279 to 408.

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

All amounts are in millions unless otherwise stated	Note	The Group 2007 RM	The Group 2006 RM	The Company 2007 RM	The Company 2006 RM
OPERATING REVENUE	4	**17,842.9**	16,399.2	**7,418.9**	6,753.5
OPERATING COSTS					
– depreciation, impairment and amortisation	5(a)	**(4,143.5)**	(4,001.5)	**(2,087.6)**	(2,199.6)
– other operating costs	5(b)	**(10,676.6)**	(9,085.6)	**(4,656.4)**	(3,954.1)
OTHER OPERATING INCOME	6	**460.5**	178.5	**656.7**	292.8
OPERATING PROFIT BEFORE FINANCE COST		**3,483.3**	3,490.6	**1,331.6**	892.6
FINANCE INCOME	7	**203.9**	234.0	**95.3**	100.5
FINANCE COST	7	**(820.9)**	(621.9)	**(408.6)**	(376.0)
NET FINANCE COST	7	**(617.0)**	(387.9)	**(313.3)**	(275.5)
JOINTLY CONTROLLED ENTITIES					
– share of results (net of tax)		**175.5**	10.6	**—**	—
– gain on dilution of equity interest		**71.3**	—	**—**	—
ASSOCIATES					
– share of results (net of tax)		**29.5**	19.9	**—**	—
PROFIT BEFORE TAXATION		**3,142.6**	3,133.2	**1,018.3**	617.1
TAXATION	8	**(511.0)**	(830.9)	**(19.4)**	(82.4)
PROFIT FOR THE YEAR		**2,631.6**	2,302.3	**998.9**	534.7
ATTRIBUTABLE TO:					
– equity holders of the Company		**2,547.7**	2,068.8	**998.9**	534.7
– minority interests		**83.9**	233.5	**—**	—
PROFIT FOR THE YEAR		**2,631.6**	2,302.3	**998.9**	534.7
EARNINGS PER SHARE (sen)					
– basic	9	**74.4**	61.0		
– diluted	9	**74.4**	60.8		

The above Income Statements are to be read in conjunction with the Significant Accounting Policies on pages 261 to 278 and the Notes to the Financial Statements on pages 286 to 408.

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Balance Sheets

AS AT 31 DECEMBER 2007

All amounts are in millions unless otherwise stated	Note	The Group 2007 RM	The Group 2006 RM	The Company 2007 RM	The Company 2006 RM
SHARE CAPITAL	11	**3,439.8**	3,397.6	**3,439.8**	3,397.6
SHARE PREMIUM		**4,262.1**	3,941.9	**4,262.1**	3,941.9
OTHER RESERVES	13	**12,100.2**	12,571.6	**6,172.6**	8,243.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**19,802.1**	19,911.1	**13,874.5**	15,582.9
MINORITY INTERESTS		**849.4**	836.5	**—**	—
TOTAL EQUITY		**20,651.5**	20,747.6	**13,874.5**	15,582.9
Borrowings	14	**9,747.2**	10,282.8	**4,913.1**	2,368.0
Payable to subsidiaries	15	**—**	—	**1,652.5**	4,747.0
Deferred tax liabilities	17	**2,313.2**	2,261.9	**1,411.8**	1,434.0
Provision for liabilities	18	**87.2**	64.6	**—**	—
DEFERRED AND LONG TERM LIABILITIES		**12,147.6**	12,609.3	**7,977.4**	8,549.0
		32,799.1	33,356.9	**21,851.9**	24,131.9
INTANGIBLE ASSETS	19	**7,460.9**	7,059.1	**39.7**	43.6
PROPERTY, PLANT AND EQUIPMENT	20	**23,983.3**	23,680.3	**10,620.5**	11,893.9
PREPAID LEASE PAYMENTS	21	**387.0**	346.2	**52.9**	38.0
INVESTMENT PROPERTY	22	**—**	—	**—**	179.8
LAND HELD FOR PROPERTY DEVELOPMENT	23	**165.4**	168.4	**—**	—
SUBSIDIARIES	24	**—**	—	**9,398.9**	9,836.8
JOINTLY CONTROLLED ENTITIES	25	**1,024.4**	807.5	**141.2**	141.2
ASSOCIATES	26	**252.5**	220.6	**—**	—
INVESTMENTS	27	**138.9**	226.7	**138.9**	220.5
LONG TERM RECEIVABLES	28	**511.5**	557.7	**511.1**	557.3
DEFERRED TAX ASSETS	17	**179.4**	115.6	**—**	—

All amounts are in millions unless otherwise stated	Note	The Group 2007 RM	The Group 2006 RM	The Company 2007 RM	The Company 2006 RM
Non-current assets held for sale	29	**988.4**	24.0	**988.4**	24.0
Inventories	30	**181.1**	172.8	**82.3**	68.4
Trade and other receivables	31	**4,398.6**	3,464.1	**3,092.5**	2,498.0
Short term investments	32	**378.1**	320.1	**376.4**	318.4
Cash and bank balances	33	**4,171.8**	4,680.4	**1,528.1**	2,035.3
CURRENT ASSETS		**10,118.0**	8,661.4	**6,067.7**	4,944.1
Trade and other payables	34	**6,702.7**	5,740.9	**2,606.9**	2,348.7
Customer deposits	35	**732.6**	718.9	**590.2**	590.3
Borrowings	14	**2,177.2**	1,803.1	**244.1**	736.0
Current tax liabilities		**155.2**	223.7	**23.3**	48.3
Dividend payable		**1,654.5**	—	**1,654.5**	—
CURRENT LIABILITIES		**11,422.2**	8,486.6	**5,119.0**	3,723.3
NET CURRENT (LIABILITIES)/ASSETS		**(1,304.2)**	174.8	**948.7**	1,220.8
		32,799.1	33,356.9	**21,851.9**	24,131.9

The above Balance Sheets are to be read in conjunction with the Significant Accounting Policies on pages 261 to 278 and the Notes to the Financial Statements on pages 286 to 408.

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Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

		Attributable to equity holders of the Company						
		Issued and Fully Paid of RM1 each Special Share*/ Ordinary Shares						
All amounts are in millions unless otherwise stated	Note	Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2007		3,397.6	3,941.9	(282.4)	25.0	12,829.0	836.5	20,747.6
Currency translation differences arising during the year								
– subsidiaries		—	—	(243.6)	—	—	(85.8)	(329.4)
– jointly controlled entities		—	—	81.6	—	—	—	81.6
– associates		—	—	14.2	—	—	—	14.2
Net loss not recognised in the Income Statement		—	—	(147.8)	—	—	(85.8)	(233.6)
Profit for the year		—	—	—	—	2,547.7	83.9	2,631.6
Total recognised (expense)/ income for the year		—	—	(147.8)	—	2,547.7	(1.9)	2,398.0
Acquisition of additional equity interest in subsidiaries		—	—	—	—	—	(44.7)	(44.7)
Dilution, disposal and partial disposal of equity interest in subsidiaries		—	—	17.6	—	—	23.3	40.9
Increase in net assets due to rights issue of a subsidiary		—	—	—	—	—	67.7	67.7
Reclassification to intangible assets	19(b)	—	—	—	—	180.8	—	180.8
Final dividends paid for the year ended 31 December 2006	10	—	—	—	—	(749.5)	—	(749.5)
Interim dividends paid for the year ended 31 December 2007	10	—	—	—	—	(652.9)	—	(652.9)
Special dividends payable for the year ended 31 December 2007	10	—	—	—	—	(1,654.5)	—	(1,654.5)
Dividends paid to minority interests		—	—	—	—	—	(36.0)	(36.0)
Employees' share option scheme (ESOS)								
– shares issued		42.2	304.2	—	—	—	—	346.4
– options granted		—	—	—	3.2	—	4.5	7.7
– options exercised		—	16.0	—	(16.0)	—	—	—
– ESOS expired		—	—	—	(12.2)	12.2	—	—
At 31 December 2007		3,439.8	4,262.1	(412.6)	—	12,512.8	849.4	20,651.5

All amounts are in millions unless otherwise stated	Note	Attributable to equity holders of the Company: Issued and Fully Paid of RM1 each Special Share*/ Ordinary Shares Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2006		3,391.5	3,904.2	(251.2)	—	11,942.9	654.0	19,641.4
Currency translation differences arising during the year								
– subsidiaries		—	—	(134.4)	—	—	(2.5)	(136.9)
– jointly controlled entities		—	—	18.5	—	—	—	18.5
– associates		—	—	84.3	—	—	—	84.3
Net loss not recognised in the Income Statement		—	—	(31.6)	—	—	(2.5)	(34.1)
Profit for the year		—	—	—	—	2,068.8	233.5	2,302.3
Total recognised (expense)/ income for the year		—	—	(31.6)	—	2,068.8	231.0	2,268.2
Acquisition of equity interest in subsidiaries		—	—	—	—	—	28.1	28.1
Dilution of equity interest in subsidiaries		—	—	0.4	—	—	23.6	24.0
Transaction with minority interests		—	—	—	—	(180.8)	(77.4)	(258.2)
Final dividends paid for the year ended 31 December 2005	10	—	—	—	—	(610.9)	—	(610.9)
Interim dividends paid for the year ended 31 December 2006	10	—	—	—	—	(391.0)	—	(391.0)
Dividends paid to minority interests		—	—	—	—	—	(33.6)	(33.6)
Employees' share option scheme (ESOS)								
– shares issued		6.1	37.7	—	—	—	—	43.8
– options granted		—	—	—	25.0	—	10.8	35.8
At 31 December 2006		3,397.6	3,941.9	(282.4)	25.0	12,829.0	836.5	20,747.6

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 11 to the financial statements for details of the terms and rights attached to Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 261 to 278 and the Notes to the Financial Statements on pages 286 to 408.

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Company
Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

All amounts are in millions unless otherwise stated	Note	Issued and Fully Paid of RM1 each	Non-Distributable		Distributable	
		Special Share*/ Ordinary Shares				
		Share Capital RM	Share Premium RM	ESOS Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2007		**3,397.6**	**3,941.9**	**25.0**	**8,218.4**	**15,582.9**
Profit for the year		**—**	**—**	**—**	**998.9**	**998.9**
Final dividends paid for the year ended 31 December 2006	10	**—**	**—**	**—**	**(749.5)**	**(749.5)**
Interim dividends paid for the year ended 31 December 2007	10	**—**	**—**	**—**	**(652.9)**	**(652.9)**
Special dividends payable for the year ended 31 December 2007	10	**—**	**—**	**—**	**(1,654.5)**	**(1,654.5)**
Employees' share option scheme (ESOS)						
– shares issued		**42.2**	**304.2**	**—**	**—**	**346.4**
– options granted to employees of the Company		**—**	**—**	**2.5**	**—**	**2.5**
– options granted to employees of the subsidiaries	24	**—**	**—**	**0.7**	**—**	**0.7**
– options exercised		**—**	**16.0**	**(16.0)**	**—**	**—**
– ESOS expired		**—**	**—**	**(12.2)**	**12.2**	**—**
At 31 December 2007		**3,439.8**	**4,262.1**	**—**	**6,172.6**	**13,874.5**
At 1 January 2006		3,391.5	3,904.2	—	8,685.6	15,981.3
Profit for the year		—	—	—	534.7	534.7
Final dividends paid for the year ended 31 December 2005	10	—	—	—	(610.9)	(610.9)
Interim dividends paid for the year ended 31 December 2006	10	—	—	—	(391.0)	(391.0)
Employees' share option scheme (ESOS)						
– shares issued		6.1	37.7	—	—	43.8
– options granted to employees of the Company		—	—	8.0	—	8.0
– options granted to employees of the subsidiaries	24	—	—	17.0	—	17.0
At 31 December 2006		3,397.6	3,941.9	25.0	8,218.4	15,582.9

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 11 to the financial statements for details of the terms and rights attached to Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 261 to 278 and the Notes to the Financial Statements on pages 286 to 408.

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Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

All amounts are in millions unless otherwise stated	Note	The Group 2007 RM	The Group 2006 RM	The Company 2007 RM	The Company 2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES	36	**5,947.0**	5,233.8	**2,303.7**	2,592.7
CASH FLOWS USED IN INVESTING ACTIVITIES	37	**(5,878.7)**	(6,397.2)	**(939.0)**	(1,531.9)
CASH FLOWS USED IN FINANCING ACTIVITIES	38	**(586.3)**	(501.8)	**(1,852.0)**	(1,205.0)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(518.0)**	(1,665.2)	**(487.3)**	(144.2)
EFFECT OF EXCHANGE RATE CHANGES		**(55.5)**	(69.4)	**(19.9)**	(31.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**4,666.4**	6,401.0	**2,035.3**	2,210.5
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33	**4,092.9**	4,666.4	**1,528.1**	2,035.3

The above Cash Flow Statements are to be read in conjunction with the Significant Accounting Policies on pages 261 to 278 and the Notes to the Financial Statements on pages 286 to 408.

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Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

All amounts are in millions unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year are the establishment, maintenance and provision of telecommunication and related services under the licence issued by the Ministry of Energy, Water and Communications. The principal activities of the subsidiaries are set out in note 50 to the financial statements.

There was no significant change in the nature of these activities during the year except that the Group disposed its national payphone network and related services following the sale of its wholly owned subsidiary, TM Payphone Sdn Bhd (now known as Pernec Paypoint Sdn Bhd). In addition, a subsidiary, TM Net Sdn Bhd transferred the Internet and broadband business to the Company with effect from 1 January 2007 to focus on content and application development for Internet services.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

2.1 Critical judgements in applying the entity's accounting policies

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

(i) Intangible Assets

The Group has applied judgement in determining the treatment of the annual fees payable over 10 years in respect of a 3G spectrum licence granted to a foreign subsidiary. The annual fee is charged to the Income Statement when incurred based on management's judgement that future annual fees will no longer be payable upon the decision by the subsidiary to return the licence. The Directors consider the annual payment to be usage fees based on interpretation of the licence conditions, written confirmation from the Directorate General of Post and Telecommunication, Indonesia and current year assessment of 3G operations. The annual fees are therefore not considered part of the acquisition cost of the licence.

Should the regulations and conditions with regards to the payment of the annual fees be amended in the future with the consequence that payment of the remaining outstanding annual fees cannot be avoided upon the subsidiary surrendering the licence, the Group will recognise an intangible asset and a corresponding liability at the present value of the remaining annual fees at that point in time.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.1 Critical judgements in applying the entity's accounting policies (continued)

(ii) *Sale and Leaseback*

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

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

The carrying value of the Properties involved was reclassified as non-current assets held for sale at the balance sheet date as disclosed in note 29 to the financial statements, as the criteria for reclassification was met.

2.2 Critical accounting estimates and assumptions

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

(i) *Impairment of Goodwill*

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or change in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 19 to the financial statements.

(ii) *Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investments*

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.2 Critical accounting estimates and assumptions (continued)

(iii) *Estimated Useful Lives of Property, Plant and Equipment*

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

(iv) *Taxation*

(a) Income taxes

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

(b) Deferred tax assets

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

(v) *Share-based Payments*

Equity settled share-based payments (share options) are measured at fair values at the grant dates. In addition, the Group revises the estimated number of performance linked share options that participants are expected to receive based on non-market conditions at each balance sheet date. The assumptions used in the valuation to determine these fair values are explained in note 12 to the financial statements.

(vi) *Contingent Liabilities*

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Please refer to note 42(b) to (m) to the financial statements for legal proceedings that the Group is involved in as at 31 December 2007.

3. SIGNIFICANT ACQUISITIONS AND DISPOSALS

(I) Acquisitions

(a) Acquisition of additional interest in PT Excelcomindo Pratama Tbk (XL)

On 19 April 2007, the Group through TM International (L) Limited (TMIL), a wholly owned subsidiary, entered into an agreement with AIF (Indonesia) Limited (AIF) to purchase 523,532,100 ordinary shares of Indonesian Rupiah 100 each in XL, representing approximately 7.38% of the issued and paid-up share capital of XL from AIF (the AIF Purchased Shares) for a cash consideration of USD113.0 million. The acquisition of the AIF Purchased Shares was completed on 4 June 2007. Consequently, the Group's effective equity interest in XL increased to 67.02%.

	RM
Purchase consideration	384.1
Carrying value of net assets acquired	(97.8)
Goodwill	286.3

The goodwill on acquisition arising from the above transaction was included in intangible assets.

The Group's equity interest in XL reduced to 66.99% as at 31 December 2007 following the disposal of 2,050,000 shares of XL through the open market in December 2007.

(b) During the year, the Group also acquired the following companies for a total consideration of RM15.0 million:

(i) Additional 11.0% equity interest in a subsidiary, Multinet Pakistan (Private) Limited (Multinet) for USD2.42 million (RM8.8 million). Consequently, the Group's equity interest in Multinet increased from 78.0% to 89.0% as at 31 December 2007.

(ii) Additional 30.0% equity interest in a subsidiary, Meganet Communications Sdn Bhd (Meganet) for RM2.5 million, making Meganet a wholly owned subsidiary.

(iii) Additional 10.0% equity interest in a subsidiary, Dialog Television (Private) Limited (formerly known as Asset Media (Private) Limited) (DTV) for a consideration of USD0.35 million (RM1.2 million), making DTV a wholly owned subsidiary.

(iv) 49.0% equity interest in C-Mobile Sdn Bhd for RM2.5 million representing 2,450,000 ordinary shares of RM1.00 each.

The above acquisitions have no material effect to the results of the Group in the current year.

3. SIGNIFICANT ACQUISITIONS AND DISPOSALS (continued)

(I) Acquisitions (continued)

(c) Acquisition of 49.0% equity interest in Spice Communications Limited (Spice) through the acquisition of TMI India Ltd (TMI India)

On 10 May 2006, the Group through TMI Mauritius Ltd completed the acquisition of 100.0% equity interest in TMI India. TMI India is an investment holding company having a 49.0% equity interest in Spice.

The provisional goodwill on acquisition arising from the above transaction was INR8,654.7 million (RM691.1 million) as at 31 December 2006, being the excess of the purchase price over the Group's share of the provisional fair value of Spice's identifiable assets and liabilities as at 10 May 2006. Following the completion of the fair value determination during the year, the goodwill on acquisition increased by INR1,461.4 million (RM116.7 million) to INR10,116.1 million (RM807.8 million).

The above goodwill has been included in the cost of investment in jointly controlled entities.

(II) Disposals

(a) Disposal of Telekom Networks Malawi Limited (TNM)

On 5 April 2007, the Company disposed its entire 60.0% shareholding in TNM to MTL Mobile Ltd for a total cash consideration of USD16.0 million. The disposal resulted in a net gain on disposal to the Group of RM6.9 million.

(b) Disposal of Dialog Telekom PLC (formerly known as Dialog Telekom Limited) (Dialog)

During the year, the Group through TMIL, disposed its 4.62% equity interest in Dialog through various transactions as summarised below:

(i) Disposal of 277,000,000 ordinary shares equivalent to 3.82% equity interest in Dialog through market placement on 17 and 21 May 2007 for a total cash consideration of RM227.3 million.

(ii) Disposal of 64,086,800 ordinary shares equivalent to 0.8% equity interest in Dialog to International Finance Corporation (IFC), a member of the World Bank Group, on 24 September 2007 for a total cash consideration of RM51.1 million.

The above disposals resulted in a net gain on disposal to the Group of RM234.8 million.

The above disposals reduced the Group's equity interest in Dialog to 85.6%. The Group's equity interest in Dialog was further reduced to 84.8% following issuance of shares under Dialog's Employees' Share Option Scheme.

(c) Dilution of equity interest in Spice Communications Limited (Spice)

On 5 June 2007, Spice, a 49.0% owned jointly controlled entity, held through TMI India Limited, concluded a Pre-Initial Public Offering (Pre-IPO) placement of 24,873,889 shares at INR45 per shares. On completion of the Pre-IPO placement, the Group's equity interest in Spice reduced from 49.0% to 46.89%.

Pursuant to the IPO, 113,111,111 equity shares were issued at INR46 per share and Spice commenced trading on the Bombay Stock Exchange (BSE) on 19 July 2007 with a debut price of INR55.75 per share. Consequently, the Group's shareholding was further diluted from 46.89% to 39.2%.

3. SIGNIFICANT ACQUISITIONS AND DISPOSALS (continued)

(II) Disposals (continued)

(c) Dilution of equity interest in Spice Communications Limited (Spice) (continued)

The dilution of equity interest in Spice from the initial public offering resulted in a net gain of RM71.3 million to the Group in the current year.

The Group's shareholding in Spice remained unchanged at 39.2% as at 31 December 2007.

(d) Disposal of TM Payphone Sdn Bhd (TMP)

On 14 August 2007, the Company entered into a Sale and Purchase Agreement to dispose its entire equity interest in TMP to Pernec Corporation Berhad for a total consideration of RM22.0 million. The disposal was completed on 31 December 2007. This disposal has no significant effect to the results of the Group in the current year.

Subsequent to the disposal, the name of TMP was changed to Pernec Paypoint Sdn Bhd.

4. OPERATING REVENUE

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Calls/usage	**2,849.3**	2,966.8	**2,851.0**	2,933.6
Rentals	**1,322.1**	1,415.6	**1,337.0**	1,435.6
Interconnect and international inpayment	**553.5**	615.4	**586.4**	576.8
Others	**102.3**	128.7	**103.2**	129.3
Total voice	**4,827.2**	5,126.5	**4,877.6**	5,075.3
Data services	**1,091.8**	870.4	**1,186.7**	1,374.8
Internet and multimedia	**1,067.4**	869.9	**1,080.3**	—
Other telecommunication related services	**701.3**	606.2	**274.3**	303.4
Non-telecommunication related services	**253.9**	351.2	**—**	—
Total Malaysia Business and TM Ventures segments	**7,941.6**	7,824.2	**7,418.9**	6,753.5
Calls/usage	**6,126.3**	5,402.4	**—**	—
Rentals	**137.2**	171.8	**—**	—
Interconnect and international inpayment	**934.3**	957.5	**—**	—
Messaging and roaming	**2,193.4**	1,801.7	**—**	—
Other services	**510.1**	241.6	**—**	—
Total cellular segment	**9,901.3**	8,575.0	**—**	—
TOTAL OPERATING REVENUE	**17,842.9**	16,399.2	**7,418.9**	6,753.5

5(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Depreciation of property, plant and equipment (PPE)	**4,004.8**	3,979.8	**2,030.9**	2,186.4
Depreciation of investment property	**—**	—	**11.6**	11.6
Impairment of PPE	**85.9**	4.1	**9.9**	—
Reversal of impairment of PPE	**(5.5)**	(7.4)	**—**	(3.9)
Write off of PPE	**33.3**	2.0	**31.3**	1.7
Amortisation of intangible assets	**25.0**	23.0	**3.9**	3.8
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**4,143.5**	4,001.5	**2,087.6**	2,199.6

5(b) OTHER OPERATING COSTS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Allowance for amount owing by subsidiaries	**—**	—	**—**	134.7
Allowance for diminution in value of a subsidiary	**—**	—	**13.2**	0.2
Allowance for/(reversal of) diminution in value of long term investments	**80.0**	(10.3)	**80.0**	(10.3)
Allowance for doubtful debts (net of bad debt recoveries)	**377.1**	303.9	**222.0**	111.2
Business licence – current year	**282.7**	135.7	**8.8**	8.5
– prior year	**5.6**	(26.1)	**5.6**	(26.1)
Charges and agencies commissions	**156.4**	132.0	**168.2**	165.1
Domestic interconnect and international outpayment	**2,039.3**	1,962.1	**1,174.5**	1,183.7
Impairment of goodwill	**23.8**	—	**—**	—
Maintenance	**840.3**	731.8	**480.6**	310.1
Marketing, advertising and promotion	**1,357.9**	1,133.7	**287.0**	142.6
Net loss/(gain) on foreign exchange – realised	**28.2**	72.3	**(7.4)**	(0.3)
Net gain on foreign exchange – unrealised	**(66.8)**	(433.3)	**(190.2)**	(260.4)
Outsourcing costs	**28.2**	25.6	**115.9**	—
Rental – equipment	**67.9**	42.9	**46.3**	29.5
Rental – land and buildings	**314.2**	243.0	**96.0**	92.7
Prepaid rental – leasehold land	**42.7**	34.7	**0.9**	0.2
Rental – others	**37.4**	44.1	**0.8**	6.1
Research and development	**—**	—	**80.0**	76.9
Reversal of diminution in value of quoted investments	**(49.1)**	(28.7)	**(49.1)**	(28.1)

5(b) OTHER OPERATING COSTS (continued)

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Reversal of impairment of land held for property development	**—**	(3.6)	**—**	—
(Reversal of)/allowance for diminution in value of an associate	**—**	—	**(1.5)**	1.5
Staff costs	**2,107.1**	1,991.4	**1,116.0**	1,126.1
Staff costs capitalised into property, plant and equipment	**(79.7)**	(74.9)	**(68.1)**	(60.6)
Supplies and inventories	**667.3**	619.1	**283.2**	273.5
Transportation and travelling	**132.7**	128.7	**40.6**	42.3
Universal Service Provision contribution	**347.4**	398.4	**94.7**	113.7
Utilities	**369.8**	295.3	**192.2**	172.9
Waiver of amount due from a subsidiary (trading and non-trading)	**—**	—	**61.3**	—
Others	**1,566.2**	1,367.8	**404.9**	348.4
TOTAL OTHER OPERATING COSTS	**10,676.6**	9,085.6	**4,656.4**	3,954.1
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,673.8**	1,555.0	**884.0**	875.2
– termination benefit	**49.5**	38.8	**31.1**	37.2
– contribution to Employees Provident Fund (EPF)	**220.0**	209.8	**139.7**	145.1
– other staff benefits	**153.1**	149.4	**56.4**	58.7
– ESOS expense	**7.2**	35.5	**2.0**	7.7
– remuneration of an Executive Director of the Company				
– salaries, allowances and bonus	**1.4**	0.9	**1.4**	0.9
– contribution to EPF	**0.3**	0.2	**0.3**	0.2
– ESOS expense	**0.5**	0.3	**0.5**	0.3
– remuneration of Non-Executive Directors of the Company				
– fees	**0.7**	0.8	**0.3**	0.4
– salaries, allowances and bonus	**0.6**	0.7	**0.3**	0.4
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**2.4**	2.2	**1.0**	0.9
– Member firms of PricewaterhouseCoopers International Limited	**1.3**	1.1	**—**	—
– others	**0.2**	0.3	**—**	—
– audit related fees	**4.0**	2.7	**3.3**	1.0
– tax and other non-audit services	**3.4**	2.3	**1.1**	1.0

(a) Estimated money value of benefits of Directors amounted to RM220,733 (2006: RM125,141) for the Group and RM87,766 (2006: RM40,729) for the Company.

6. OTHER OPERATING INCOME

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Dividend income from subsidiaries	—	—	250.8	142.4
Dividend income from a jointly controlled entity	—	—	71.2	—
Dividend income from quoted shares	3.8	4.5	3.8	3.3
Dividend income from unquoted shares	30.2	2.7	30.2	2.7
Gain on dilution and disposal of subsidiaries	248.0	13.8	60.2	—
Income from subsidiaries – interest	—	—	6.6	8.0
– others	—	—	17.9	16.7
Penalty on breach of contract	18.4	10.7	1.6	6.4
Profit on disposal of property, plant and equipment	6.1	12.4	20.2	11.7
Profit on disposal of non-current asset held for sale	46.0	—	46.0	—
Profit/(loss) on disposal of an associate	0.2	—	(1.3)	—
Profit/(loss) on disposal of fixed income securities	0.4	(0.2)	0.4	(0.2)
Profit/(loss) on disposal of long term investments	1.6	68.5	0.6	(8.9)
Profit/(loss) on disposal of short term investments	17.3	(1.7)	17.3	(1.7)
Rental income from buildings	21.9	9.2	44.3	39.7
Rental income from vehicles	—	—	21.7	14.7
Revenue from training and related activities	11.6	13.2	12.2	14.1
Sale of scrap stores	8.1	7.4	8.0	7.2
Others	46.9	38.0	45.0	36.7
TOTAL OTHER OPERATING INCOME	**460.5**	178.5	**656.7**	292.8

7. NET FINANCE COST

	2007				2006			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
The Group								
Finance income	48.5	116.1	39.3	203.9	80.9	110.5	42.6	234.0
TOTAL FINANCE INCOME	48.5	116.1	39.3	203.9	80.9	110.5	42.6	234.0

7. NET FINANCE COST (continued)

	2007				2006			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
The Group								
Finance cost from								
– Borrowings	**(680.4)**	**(93.2)**	**(46.3)**	**(819.9)**	(500.4)	(90.6)	(79.0)	(670.0)
– Rated Cumulative Redeemable Preference Shares (note 14(f))	**(4.0)**	**—**	**—**	**(4.0)**	—	—	—	—
– TM Islamic Stapled Income Securities (note 14(g))	**—**	**—**	**(64.9)**	**(64.9)**	—	—	—	—
Amortisation of fair value adjustment on borrowings	**19.2**	**8.7**	**—**	**27.9**	19.2	18.6	—	37.8
Accretion of finance income	**41.2**	**0.5**	**—**	**41.7**	10.8	1.0	—	11.8
Amortisation of discounts	**—**	**(1.7)**	**—**	**(1.7)**	—	(1.5)	—	(1.5)
TOTAL FINANCE COST	**(624.0)**	**(85.7)**	**(111.2)**	**(820.9)**	(470.4)	(72.5)	(79.0)	(621.9)
NET FINANCE COST	**(575.5)**	**30.4**	**(71.9)**	**(617.0)**	(389.5)	38.0	(36.4)	(387.9)
The Company								
Finance income	**15.2**	**63.4**	**16.7**	**95.3**	30.5	52.7	17.3	100.5
TOTAL FINANCE INCOME	**15.2**	**63.4**	**16.7**	**95.3**	30.5	52.7	17.3	100.5
Finance cost from								
– Borrowings	**(257.2)**	**—**	**(19.8)**	**(277.0)**	(285.3)	—	(22.4)	(307.7)
– Redeemable Preference Shares	**—**	**(106.7)**	**—**	**(106.7)**	—	(78.6)	—	(78.6)
– TM Islamic Stapled Income Securities (note 14(g))	**—**	**—**	**(64.9)**	**(64.9)**	—	—	—	—
Accretion of finance income	**41.2**	**0.5**	**—**	**41.7**	10.8	1.0	—	11.8
Amortisation of discounts	**—**	**(1.7)**	**—**	**(1.7)**	—	(1.5)	—	(1.5)
TOTAL FINANCE COST	**(216.0)**	**(107.9)**	**(84.7)**	**(408.6)**	(274.5)	(79.1)	(22.4)	(376.0)
NET FINANCE COST	**(200.8)**	**(44.5)**	**(68.0)**	**(313.3)**	(244.0)	(26.4)	(5.1)	(275.5)

8. TAXATION

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**560.6**	413.7	**208.1**	255.3
Prior year	**(187.8)**	269.8	**(166.4)**	87.9
Deferred Tax (net)				
Current year	**21.0**	(95.7)	**3.9**	(141.5)
Prior year	**(33.4)**	(54.3)	**(26.2)**	(119.3)
	360.4	533.5	**19.4**	82.4
Overseas				
Income Tax				
Current year	**19.9**	31.1	**—**	—
Prior year	**(3.6)**	(0.4)	**—**	—
Deferred Tax (net)				
Current year	**134.3**	266.7	**—**	—
	150.6	297.4	**—**	—
TOTAL TAXATION	**511.0**	830.9	**19.4**	82.4
Current taxation:				
Current year	**580.5**	444.8	**208.1**	255.3
Under/(over) accrual in prior years (net)	**(191.4)**	269.4	**(166.4)**	87.9
Deferred taxation:				
Origination and reversal of temporary differences	**238.9**	393.0	**64.6**	(89.6)
Benefit from previously unrecognised deductible temporary differences and tax losses	**(7.7)**	(157.2)	**—**	—
Change in tax rate	**(75.9)**	(64.8)	**(60.7)**	(51.9)
Over accrual of deferred tax	**(33.4)**	(54.3)	**(26.2)**	(119.3)
	511.0	830.9	**19.4**	82.4

8. TAXATION (continued)

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

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

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Profit Before Taxation	**3,142.6**	3,133.2	**1,018.3**	617.1
Taxation calculated at the applicable Malaysian taxation rate of 27.0% (2006: 28.0%)	**848.5**	877.3	**274.9**	172.8
Tax effects of:				
– shares of results of jointly controlled entities and associates	**(55.3)**	1.0	**—**	—
– different taxation rates in other countries	**40.0**	45.4	**—**	—
– expenses not deductible for taxation purposes	**190.0**	192.7	**70.1**	107.9
– income not subject to taxation	**(190.3)**	(260.2)	**(50.5)**	(86.6)
– expenses allowed for double deduction	**(18.4)**	(11.4)	**(18.4)**	(11.4)
– previously unrecognised temporary differences	**(7.7)**	(157.2)	**—**	—
– tax incentives	**(3.4)**	(17.0)	**(3.4)**	(17.0)
– change in tax rate	**(75.9)**	(64.8)	**(60.7)**	(51.9)
– current year tax losses not recognised	**8.3**	10.0	**—**	—
– over accrual of deferred tax (net)	**(33.4)**	(54.3)	**(26.2)**	(119.3)
– (over)/under accrual of income tax (net)	**(191.4)**	269.4	**(166.4)**	87.9
TOTAL TAXATION	**511.0**	830.9	**19.4**	82.4

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares of the Company in issue during the year.

	The Group	
	2007	**2006**
Profit attributable to equity holders (RM million)	**2,547.7**	2,068.8
Weighted average number of ordinary shares in issue (million)	**3,426.2**	3,394.0
Basic earnings per share (sen)	**74.4**	61.0

9. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

For the diluted earnings per share calculation in 2006, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

For ESOS 3 offered since 2002 and PLES offered since 2005, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the unexercised shares to be added to the ordinary shares in issue for the purpose of computing the dilution. No adjustment is made to profit attributable to equity holders for the share options calculation.

The Company's Employees' Share Option Scheme (ESOS 3) expired on 31 July 2007 and the remaining options unexercised as at 31 July 2007 had lapsed and became null and void. There is no dilutive potential ordinary shares as at 31 December 2007. Thus, diluted earnings per share is equal to basic earnings per share.

For details of the Company's Employees' Share Option Scheme, please refer to note 12(a) to the financial statements.

	The Group	
	2007	**2006**
Profit attributable to equity holders (RM million)	**2,547.7**	2,068.8
Weighted average number of ordinary shares in issue (million)	**3,426.2**	3,394.0
Adjustment for ESOS 3 (million)	**—**	7.3
Weighted average number of ordinary shares for computation of diluted earnings per share (million)	**3,426.2**	3,401.3
Diluted earnings per share (sen)	**74.4**	60.8

10. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid/payable in respect of ordinary shares:

	The Group and Company				
	2007			2006	
	Gross dividend per share Sen	Amount of dividend, net of 27.0% tax RM	Amount of dividend, net of 26.0% tax RM	Gross dividend per share Sen	Amount of dividend, net of 28.0% tax RM
Interim dividends paid in respect of the year ended:					
– 31 December 2007	**26.0**	**652.9**	**—**	—	—
– 31 December 2006	**—**	**—**	**—**	16.0	391.0
Final dividends paid in respect of the year ended:					
– 31 December 2006	**30.0**	**749.5**	**—**	—	—
– 31 December 2005	**—**	**—**	**—**	25.0	610.9
Special dividend payable in respect of the year ended:					
– 31 December 2007	**65.0**	**—**	**1,654.5**	—	—
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**121.0**	**1,402.4**	**1,654.5**	41.0	1,001.9

The special gross dividend of 65.0 sen per share less tax at 26.0% was paid on 31 January 2008.

The Board now recommends a final gross dividend of 22.0 sen per share less tax at 26.0% (2006: a final gross dividend of 30.0 sen per share less tax at 27.0%) for shareholders' approval at the forthcoming Annual General Meeting of the Company.

The total dividend payout for the current year (excluding special dividend) based on issued share capital as at 31 December 2007 is approximately RM1,212.9 million, representing 47.6% of the profit attributable to equity holders. This is in line with the dividend payout policy of between 40.0% to 60.0% of profit attributable to equity holders. These financial statements do not reflect this final dividend which will only be accrued as a liability when approved by shareholders.

11. SHARE CAPITAL

	The Group and Company			
	2007		2006	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM1.00 each	**5,000.0**	**5,000.0**	5,000.0	5,000.0
Special share of RM1.00 (sub-note a)	**—**	**—**	—	—
Class A Redeemable Preference Shares of RM0.01 each (sub-note b)	**—**	**—**	—	—
Class B Redeemable Preference Shares of RM0.01 each (sub-note b)	**—**	**—**	—	—
Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note c)	**—**	**—**	—	—
Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note c)	**—**	**—**	—	—
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,397.6**	**3,397.6**	3,391.5	3,391.5
Exercise of share options	**42.2**	**42.2**	6.1	6.1
At 31 December	**3,439.8**	**3,439.8**	3,397.6	3,397.6
Special share of RM1.00 (sub-note a)				
At 1 January and 31 December	**—**	**—**	—	—
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,439.8**	**3,439.8**	3,397.6	3,397.6

(a) The Special Rights Redeemable Preference Share (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.

11. SHARE CAPITAL (continued)

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

TM RPS A and TM RPS B rank pari-passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM RPS A and TM RPS B have been classified as liabilities.

The details of TM RPS A and TM RPS B are set out in note 15(a) to the financial statements.

On 20 July 2007, the Company redeemed these 1,000 TM RPS A and 1,000 TM RPS B as part of the exchange of TM Islamic Stapled Income Securities with the existing Tekad Mercu Bonds as explained in note 14(g) to the financial statements.

(c) On 8 May 2007, the authorised share capital of the Company was increased to include 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each.

(d) During the year, the issued and fully paid-up share capital of the Company was increased by the issuance of 42,152,800 ordinary shares of RM1.00 each for cash under ESOS 3 and PLES, detailed as follows:

Number of ordinary shares of RM1.00 each issued	**Exercise price per share**
18,934,000	RM7.09
13,000	RM8.02
2,170,000	RM9.32
15,838,300	RM9.22
4,864,000	RM8.69
333,500	RM10.24

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

(e) 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 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 14(g)(I) to the financial statements.

12. EMPLOYEES' SHARE OPTION SCHEME

Total expense recognised arising from share-based payments amounted to RM7.7 million and RM2.5 million for the Group and the Company respectively as disclosed in note 5(b) to the financial statements.

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

The Company's existing Employees' Share Option Scheme (ESOS 3) was approved by the shareholders at an Extraordinary General Meeting held on 21 May 2002. ESOS 3 expired on 31 July 2007. Options to subscribe for ordinary shares of RM1.00 each under ESOS 3 was granted in various phases, as follows:

Scheme	Grant date	Exercise price (RM)	Eligibility	Number of options granted
ESOS 3 (phase 1)	1 August 2002	7.09	Executives and Non-Executives of the Company and its subsidiaries	259,014,000
	20 May 2004	8.02	Non-Executives of the Company	48,000
ESOS 3 (phase 2)	10 March 2005	9.32	Executives of the Company	3,365,000
	6 September 2005	9.22	Executives and Non-Executives of the Company and its subsidiaries	19,439,000
ESOS 3 (phase 3)	18 December 2006	8.69	Executives and Non-Executives of the Company and its subsidiaries	5,470,000

On 6 September 2005, the Company also implemented a Performance Linked Employee Options Scheme (PLES) for Senior Management of the Company and its subsidiaries. The scheme is an extension of the existing ESOS 3 and has expired on 31 July 2007.

The maximum number of PLES options granted and the vesting period is as follows:

	Vesting Period/Maximum Options Granted		
Performance Condition	**6 September 2005**	**1 May 2006**	**24 April 2007**
Performance for year:			
– 2004	5,991,200	—	—
– 2005	—	5,991,200	—
– 2006	—	—	5,991,200
Aggregated performance for 2004-2006	—	—	11,982,400
Total	5,991,200	5,991,200	17,973,600

Options granted under PLES are conditional grants and are based on the performance of the Group and individuals for the respective years. Options under PLES have an exercise price of RM10.24. The number of options a grantee may exercise will be notified to the grantee through a letter of notification after the end of the respective years. Options to which the grantees are not qualified to exercise shall lapse, be null and void.

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

General features of ESOS 3 and PLES

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

(ii) The total number of shares to be offered shall not exceed 10.0% of the total issued and paid-up shares of the Company.

(iii) No option shall be granted for less than 100 shares nor more than 1,200,000 shares unless so adjusted pursuant to item (v) below.

(iv) The subscription price of each RM1.00 share shall be the average of the middle market quotation of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the 5 trading days preceding the date of offer with a 10.0% discount, except for PLES options, which were granted without discount.

(v) In the event of any alteration in capital structure of the Company during the option period which expires on 31 July 2007, such corresponding alterations shall be made in:

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

(ii) and/or the subscription price.

Specific features of ESOS 3

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

(a) In respect of any options granted and remained unexercised prior to 17 May 2005, being the effective date of the 2005 amendments to the ESOS by-law:

Number of options granted	Percentage of options exercisable (%)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 20,000	100	—	—	—	—
20,000 – 99,999	*40	30	**30	—	—
100,000 and above	20	20	20	20	20

* 40.0% or 20,000 options, whichever is higher

** 30.0% or the remaining number of options unexercised

(b) In respect of options granted after 17 May 2005 (not inclusive of PLES options), the number of options which a grantee may exercise in a relevant year shall be evenly distributed over the number of unexpired years of the scheme, as calculated on the date of acceptance of the option, save as determined otherwise by the Option Committee.

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

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

The movement during the year in the number of options over the ordinary shares of RM1.00 each of the Company is as follows:

Option Scheme (ESOS 3)	Exercise Price (RM)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	Lapsed# ('000)	At 31 December ('000)	Fair value at grant date (RM)
2007								
Phase 1	**7.09**	**22,803.0**	**—**	**(18,934.0)**	**—**	**(3,869.0)**	**—**	**— ***
Phase 1	**8.02**	**13.0**	**—**	**(13.0)**	**—**	**—**	**—**	**— ***
Phase 2	**9.32**	**3,092.0**	**—**	**(2,170.0)**	**—**	**(922.0)**	**—**	**— ***
Phase 2	**9.22**	**18,838.0**	**—**	**(15,838.3)**	**(63.0)**	**(2,936.7)**	**—**	**1.61**
Phase 3	**8.69**	**5,143.0**	**—**	**(4,864.0)**	**(28.0)**	**(251.0)**	**—**	**1.07**
Total		**49,889.0**	**—**	**(41,819.3)**	**(91.0)**	**(7,978.7)**	**—**	
2006								
Phase 1	7.09	28,798.0	—	(5,995.0)	—	—	22,803.0	— *
Phase 1	8.02	14.0	—	(1.0)	—	—	13.0	— *
Phase 2	9.32	3,176.0	—	(46.0)	(38.0)	—	3,092.0	— *
Phase 2	9.22	19,356.5	—	(97.5)	(421.0)	—	18,838.0	1.61
Phase 3	8.69	—	5,470.0	—	(327.0)	—	5,143.0	1.07
Total		51,344.5	5,470.0	(6,139.5)	(786.0)	—	49,889.0	

Option Scheme (PLES)	Exercise Price (RM)	At 1 January Vested ('000)	At 1 January Not yet vested ('000)	Exercised ('000)	Forfeited ('000)	Lapsed# ('000)	At 31 December Vested ('000)	At 31 December Not yet vested ('000)	Fair value at grant date (RM)
2007									
Performance for:									
– 2004	**10.24**	**1,602.2**	**—**	**—**	**—**	**(1,602.2)**	**—**	**—**	**—***
– 2006	**10.24**	**—**	**5,991.2**	**—**	**—**	**(5,991.2)**	**—**	**—**	**1.14**
Aggregate	**10.24**	**—**	**11,982.4**	**(333.5)**	**—**	**(11,648.9)**	**—**	**—**	**1.14**
Total		**1,602.2**	**17,973.6****	**(333.5)**	**—**	**(19,242.3)**	**—**	**—**	

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

Option Scheme (PLES)	Exercise Price (RM)	At 1 January Vested ('000)	At 1 January Not yet vested ('000)	Exercised ('000)	Forfeited ('000)	Lapsed# ('000)	At 31 December Vested ('000)	At 31 December Not yet vested ('000)	Fair value at grant date (RM)
2006 Performance for:									
– 2004	10.24	1,629.0	—	—	(26.8)	—	1,602.2	—	—*
– 2005	10.24	—	5,991.2	—	(5,991.2)	—	—	—	1.14
– 2006	10.24	—	5,991.2	—	—	—	—	5,991.2	1.14
Aggregate	10.24	—	11,982.4	—	—	—	—	11,982.4	1.14
Total		1,629.0	23,964.8	—	(6,018.0)	—	1,602.2	17,973.6	

* FRS 2 not applicable for these tranches
** 6,573,600 options were vested during the year
\# ESOS 3 has expired on 31 July 2007 and any unexercised option were deemed lapsed

Details relating to options exercised during the year are as follows:

Exercise date	Fair value of shares at exercise date RM/share	Exercise price/Number of options exercised ('000) RM7.09	RM8.02	RM9.32	RM9.22	RM8.69	RM10.24
2007							
January	**10.10**	**2,182.0**	**1.0**	**7.0**	**183.0**	**236.0**	**—**
February	**10.40**	**3,167.0**	**3.0**	**168.0**	**1,501.0**	**1,390.2**	**—**
March	**9.90**	**2,618.0**	**2.0**	**225.0**	**4,305.0**	**1,510.8**	**—**
April	**10.45**	**1,566.0**	**2.0**	**105.0**	**1,102.1**	**362.1**	**—**
May	**10.40**	**2,223.0**	**—**	**485.0**	**5,196.1**	**752.5**	**5.0**
June	**10.50**	**2,325.0**	**—**	**357.0**	**1,385.5**	**262.1**	**—**
July	**9.65**	**4,853.0**	**5.0**	**823.0**	**2,165.6**	**350.3**	**328.5**
		18,934.0	**13.0**	**2,170.0**	**15,838.3**	**4,864.0**	**333.5**

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

Exercise date	Fair value of shares at exercise date RM/share	Exercise price/Number of options exercised ('000) RM7.09	RM8.02	RM9.32	RM9.22
2006					
January to May	9.50-9.95	2,292.0	—	42.0	41.5
June to October	8.90-9.10	1,687.0	1.0	—	—
November to December	9.30-9.70	2,016.0	—	4.0	56.0
		5,995.0	1.0	46.0	97.5

	2007 RM million	2006 RM million
Ordinary share capital – at par	**42.2**	6.1
Share premium	**304.2**	37.7
Proceeds received on exercise of share options	**346.4**	43.8
Fair value at exercise date of shares issued	**427.7**	58.0

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

There were no new options granted in 2007. The fair values of options granted at the date of grant in which FRS 2 applies, were determined using the Black Scholes Valuation model. The significant inputs into the model are as follows:

	Phase 2	ESOS 3 Phase 3	PLES
Exercise price	RM9.22	RM8.69	RM10.24
Option life (number of days to expiry)	649	225	649
Weighted average share price at grant date	RM10.10	RM9.65	RM10.10
Expected dividend yield	3.00%	3.00%	3.00%
Risk free interest rates (Yield of Malaysian Government securities)	3.18%	3.21%	3.18%
Expected volatility	23.27%	15.74%	23.27%
TM share historical volatility period:			
From	24.10.2003	18.12.2004	24.10.2003
To	14.10.2005	18.12.2006	14.10.2005

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

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

(b) ESOS of VADS Berhad (VADS)

The ESOS was approved by VADS's shareholders at an Extraordinary General Meeting held on 28 January 2005.

The principal features of ESOS are as follows:

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

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

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

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

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

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

(vi) In the event of any alteration in capital structure of VADS during the option period which expires on 31 March 2010, such corresponding alterations shall be made in:

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

(b) and/or the subscription price.

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

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

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

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

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

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

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

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

Grant date	Exercise Price (RM)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (RM)
2006							
14 April 2005	2.65	4,761.0	—	(1,242.0)	(344.0)	3,175.0	0.62
31 August 2005	2.76	400.0	—	(104.0)	(40.0)	256.0	0.86
30 November 2005	2.94	220.0	—	(82.0)	—	138.0	0.74
19 January 2006	3.08	—	800.0	(248.0)	(200.0)	352.0	0.63
28 April 2006	3.69	—	848.0	(136.0)	(54.0)	658.0	1.02
28 July 2006	3.82	—	504.0	(100.0)	(24.0)	380.0	0.88
20 October 2006	5.75	—	628.0	(18.0)	(56.0)	554.0	1.41
Total		5,381.0	2,780.0	(1,930.0)	(718.0)	5,513.0	

The above unexercised options remain in force until 31 March 2010.

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

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

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

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

(c) ESOS of Dialog Telekom PLC (Dialog)

On 11 July 2005, the Board of Directors of Dialog resolved and issued 199,892,741 ordinary shares of Dialog at the Initial Public Offering (IPO) price of Sri Lanka Rupee (SLR)12 to an ESOS Trust, being 2.7% of the issued share capital of Dialog.

Of the total ESOS shares that were transferred to the ESOS Trust, 88,841,218 shares (44.4%) were granted at the point of the IPO with the exercise price equals to IPO price. The balance 111,051,523 shares (56.6%) together with the forfeited portion were accounted as treasury shares of Dialog as at 31 December 2007 and shall be granted to employees as an ongoing performance incentive mechanism in 4 further tranches.

The principal features of ESOS are as follows:

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

(ii) Except the existing tranche, the exercise price of the ESOS shares will be based on the 5 days weighted average market price of Dialog's shares immediately preceding the offer date for options, with the ESOS Committee having the discretion to set an exercise price up to 10.0% lower than that derived weighted average market price.

(iii) Options are conditional on an employee satisfying the following:
- has attained the age of 18 years;
- is employed full-time by and on the payroll of a company within Dialog Group; and
- has been in the employment of Dialog Group for a period of at least 1 year of continuous service prior to and up to the offer date, including service during the probation period.

(iv) No options shall be granted for more than 8.0 million shares.

(v) An employee may exercise his options subject to the following limits:

	Percentage of options exercisable (%)		
Number of options granted	**Year 1**	**Year 2**	**Year 3**
Support and Operative	100	—	—
Supervisory and Middle Management	50	50	—
Management and Senior Management	50	30	20

12. EMPLOYEES' SHARE OPTION SCHEME (continued)

(c) ESOS of Dialog Telekom PLC (Dialog) (continued)

The movement during the year in the number of ESOS shares outstanding is as follows:

Grant date	Exercise Price (SLR)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited* ('000)	At 31 December ('000)	Fair value at grant date (SLR)
2007							
11 July 2005	**12**	**48,735.0**	**—**	**(10,853.0)**	**(353.0)**	**37,529.0**	**4.4**
2006							
11 July 2005	12	87,725.0	—	(38,341.0)	(649.0)	48,735.0	4.4

* Options forfeited are allocated to the ESOS Trust for future reallocation

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

Exercise price	SLR12
Option life (number of days to expiry)	1,826
Weighted average share price at grant date	SLR12
Expected dividend yield	2.10%
Risk free interest rates (Yield of treasury bond of Central Bank of Sri Lanka)	10.00%
Expected volatility	28.24%

The above volatility rate was derived after considering the patent and level of historical volatility of entities in the same industry since Dialog does not have sufficient information on historical volatility as it was only listed on the Colombo Stock Exchange in July 2005.

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

13. OTHER RESERVES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Retained profits	**12,512.8**	12,829.0	**6,172.6**	8,218.4
ESOS reserve	**—**	25.0	**—**	25.0
Currency translation differences arising from translation of:				
– subsidiaries	**(530.7)**	(304.7)	**—**	—
– jointly controlled entities	**100.2**	18.6	**—**	—
– associates	**17.9**	3.7	**—**	—
TOTAL OTHER RESERVES	**12,100.2**	12,571.6	**6,172.6**	8,243.4

Under the full dividend imputation system, subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt income under Section 8 of the Income Tax (Amendment) Act, 1999 at 31 December 2007 to frank the payment of net dividends out of all (2006: all) its retained profits without incurring additional taxation.

The Malaysian Budget 2008 introduced a single tier company income tax system 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. Unutilised 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.

14. BORROWINGS

	2007				2006			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
The Group								
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note a)	**—**	**—**	**—**	**—**	5.70%	—	113.8	113.8
Borrowings under Islamic principles								
– Banking facilities (sub-note a)	**8.23%**	**—**	**201.6**	**201.6**	8.10%	210.3	400.0	610.3
	8.23%	**—**	**201.6**	**201.6**	7.72%	210.3	513.8	724.1

14. BORROWINGS (continued)

	2007				2006			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
The Group								
DOMESTIC								
Unsecured								
Redeemable Bonds (note 15(c))	**—**	**—**	**—**	**—**	5.88%	3,000.0	—	3,000.0
Borrowings from financial institutions	**4.93%**	**15.0**	**21.7**	**36.7**	4.74%	10.0	50.2	60.2
Borrowings under Islamic principles								
– Banking facilities	**6.20%**	**—**	**243.0**	**243.0**	5.07%	243.0	207.9	450.9
– TM Islamic Stapled Income Securities (sub-note g)	**4.34%**	**2,925.0**	**—**	**2,925.0**	—	—	—	—
Other borrowings	**5.90%**	**6.9**	**—**	**6.9**	—	—	—	—
	4.49%	**2,946.9**	**264.7**	**3,211.6**	5.76%	3,253.0	258.1	3,511.1
Total Domestic	**4.71%**	**2,946.9**	**466.3**	**3,413.2**	6.10%	3,463.3	771.9	4,235.2
FOREIGN								
Secured								
Borrowings from financial institutions (sub-note b)	**9.70%**	**392.6**	**76.1**	**468.7**	7.90%	498.0	301.4	799.4
Other borrowings (sub-note c)	**1.97%**	**370.0**	**40.0**	**410.0**	1.96%	200.9	12.0	212.9
Bank overdrafts (sub-note d & note 33)	**—**	**—**	**—**	**—**	14.00%	—	1.7	1.7
	6.10%	**762.6**	**116.1**	**878.7**	6.66%	698.9	315.1	1,014.0

14. BORROWINGS (continued)

	2007				2006			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
The Group								
FOREIGN								
Unsecured								
Notes and Debentures (sub-note e)	**6.96%**	**4,975.1**	**1,175.0**	**6,150.1**	7.00%	6,013.6	—	6,013.6
Rated Cumulative Redeemable Preference Shares (sub-note f)	**18.43%**	**136.9**	**15.2**	**152.1**	—	—	—	—
Borrowings from financial institutions	**7.91%**	**917.6**	**401.4**	**1,319.0**	6.72%	98.3	712.7	811.0
Other borrowings	**1.21%**	**8.1**	**1.1**	**9.2**	1.26%	8.7	1.4	10.1
Bank overdrafts (note 33)	**19.74%**	**—**	**2.1**	**2.1**	17.34%	—	2.0	2.0
	7.50%	**6,037.7**	**1,594.8**	**7,632.5**	6.96%	6,120.6	716.1	6,836.7
Total Foreign	**7.35%**	**6,800.3**	**1,710.9**	**8,511.2**	6.92%	6,819.5	1,031.2	7,850.7
TOTAL BORROWINGS	**6.58%**	**9,747.2**	**2,177.2**	**11,924.4**	6.63%	10,282.8	1,803.1	12,085.9

	2007			2006		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's long term borrowings are repayable as follows:						
After one year and up to five years	**21.9**	**3,079.7**	**3,101.6**	463.3	3,078.2	3,541.5
After five years and up to ten years	**2,000.0**	**2,729.3**	**4,729.3**	2,000.0	2,680.4	4,680.4
After ten years and up to fifteen years	**925.0**	**0.9**	**925.9**	1,000.0	0.8	1,000.8
After fifteen years	**—**	**990.4**	**990.4**	—	1,060.1	1,060.1
	2,946.9	**6,800.3**	**9,747.2**	3,463.3	6,819.5	10,282.8

14. BORROWINGS (continued)

	2007				2006			
	Weighted Average Rate of Finance	**Long Term RM**	**Short Term RM**	**Total RM**	**Weighted Average Rate of Finance**	**Long Term RM**	**Short Term RM**	**Total RM**
The Company								
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– Banking facilities	**6.20%**	**—**	**243.0**	**243.0**	5.16%	243.0	200.0	443.0
– TM Islamic Stapled Income Securities (sub-note g)	**4.34%**	**2,925.0**	**—**	**2,925.0**	—	—	—	—
Total Domestic	**4.49%**	**2,925.0**	**243.0**	**3,168.0**	5.16%	243.0	200.0	443.0
FOREIGN								
Unsecured								
Notes and Debentures (sub-note e)	**6.87%**	**1,979.9**	**—**	**1,979.9**	7.80%	2,116.3	—	2,116.3
Borrowings from financial institutions	**—**	**—**	**—**	**—**	5.55%	—	534.6	534.6
Other borrowings	**1.21%**	**8.2**	**1.1**	**9.3**	1.26%	8.7	1.4	10.1
Total Foreign	**6.84%**	**1,988.1**	**1.1**	**1,989.2**	7.32%	2,125.0	536.0	2,661.0
TOTAL BORROWINGS	**5.39%**	**4,913.1**	**244.1**	**5,157.2**	7.02%	2,368.0	736.0	3,104.0

14. BORROWINGS (continued)

	2007			2006		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's long term borrowings are repayable as follows:						
After one year and up to five years	—	**995.1**	**995.1**	243.0	1,062.0	1,305.0
After five years and up to ten years	**2,000.0**	**1.7**	**2,001.7**	—	2.1	2.1
After ten years and up to fifteen years	**925.0**	**0.9**	**925.9**	—	0.8	0.8
After fifteen years	—	**990.4**	**990.4**	—	1,060.1	1,060.1
	2,925.0	**1,988.1**	**4,913.1**	243.0	2,125.0	2,368.0

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	**3,413.2**	4,235.2	**3,168.0**	443.0
US Dollar	**7,071.7**	7,259.3	**1,979.9**	2,650.9
Indonesian Rupiah	**666.4**	—	—	—
Bangladesh Taka	**432.6**	322.7	—	—
Sri Lanka Rupee	**202.3**	188.8	—	—
Other currencies	**138.2**	79.9	**9.3**	10.1
	11,924.4	12,085.9	**5,157.2**	3,104.0

14. BORROWINGS (continued)

(a) Syndicated term loan facilities and Islamic Private Debt securities issued by Celcom (Malaysia) Berhad (Celcom), a wholly owned subsidiary. The borrowings are secured by deed of assignment over Celcom's key bank collection accounts and designated bank accounts which requires Celcom to deposit a proportion of its cash flows into designated bank accounts from which funds can be utilised only for interest and principal repayments on these borrowings. Only the syndicated term loan facilities have been fully paid in the current year.

Under the respective debt covenants, Celcom is required to comply with certain conditions which includes not to be in breach of certain agreed financial ratios summarised as follows:

- debt equity ratio of not more than 1.25;
- debt over EBITDA ratio of not more than 2.5;
- EBITDA over finance cost ratio of more than 5; and
- finance service coverage ratio of more than 1.2.

(b) Secured by way of fixed charge on property, plant and equipment of subsidiaries (note 20 to the financial statements).

(c) Consists of USD122.9 million (2006: USD60.0 million) supplier credit that bears 0% interest during the first 2 years and is repayable from 2007 to 2014. This supplier credit is secured by way of fixed charge on property, plant and equipment of TM International (Bangladesh) Limited (note 20 to the financial statements).

(d) The bank overdrafts for the previous year were secured by way of fixed charge over property, plant and equipment of Dialog Telekom PLC and interests were payable at rates which varied according to the lenders' prevailing base lending rates. Interest rate during the previous year was 14.0% per annum (note 20 to the financial statements).

(e) Notes and Debentures consist of the following:

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
USD250.0 million 7.125% Notes due 2013 (sub-note i)	**817.0**	868.0	**—**	—
USD350.0 million 8.0% Notes due 2009 (sub-note i & note 45(c)(ii))	**1,175.1**	1,265.8	**—**	—
USD300.0 million 8.0% Guaranteed Notes due 2010	**991.5**	1,058.2	**991.5**	1,058.2
USD500.0 million 5.25% Guaranteed Notes due 2014	**1,652.5**	1,763.5	**—**	—
USD300.0 million 7.875% Debentures due 2025	**988.4**	1,058.1	**988.4**	1,058.1
IDR1,500 billion 10.35% Notes due 2012 (sub-note ii)	**525.6**	—	**—**	—
	6,150.1	6,013.6	**1,979.9**	2,116.3

14. BORROWINGS (continued)

(e) Notes and Debentures consist of the following: (continued)

(i) Issued by Excelcomindo Finance Company BV, a wholly owned subsidiary of PT Excelcomindo Pratama Tbk (XL). XL is required to comply with certain conditions, such as limitations on asset sale and/or leaseback transactions, and Consolidated Leverage Ratio not exceeding as follows:

Notes	Consolidated Leverage Ratio
USD250.0 million 7.125% Notes	– 5.0 to 1.0 prior to 27 January 2007 – 4.5 to 1.0 thereafter
USD350.0 million 8.0% Notes	– 5.0 to 1.0 prior to 27 January 2007 – 4.5 to 1.0 from 27 January 2007 and prior to 27 January 2008 – 4.0 to 1.0 from 27 January 2008 and thereafter

(ii) Issued by XL. XL is required to comply with certain conditions, such as limitations on asset sale and/or leaseback transactions, and XL should not get another debt which may cause its Debt to EBITDA Ratio to exceed 4.5 to 1.0.

(f) Consists of 5,000 million Rated Cumulative Redeemable Preference Shares (RCRPS) of SLR1 each issued by Dialog Telekom PLC (Dialog) during the year, redeemable at par. The shares are mandatorily redeemable on 31 May 2012 with redemption schedule as set out below:

	Redemption Value per RCRPS
2008	**10%**
2009	**15%**
2010	**25%**
2011	**25%**
2012	**25%**

The dividend is on cumulative basis and payable semi-annually, at the prevailing local base lending rate less a discount of 0.9%. The RCRPS issued by Dialog have been classified as liabilities and accordingly, dividends on these RCRPS are recognised in the Income Statement as finance cost.

(g) 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:

(a) (i) 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;

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

(b) (i) 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;

(ii) 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".

14. BORROWINGS (continued)

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

The issuance of the TM ISIS was made in exchange for the existing Tekad Mercu bonds (Exchange Offer). Holders of RM2,925.0 million of the existing Tekad Mercu bonds accepted the Exchange Offer. The Company purchased the remaining RM75.0 million Tekad Mercu bonds which were cancelled subsequently. Refer to note 15(i) and 15(c) for details of Tekad Mercu bonds.

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

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS (which comprises Class C and Class D NCRPS respectively) are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will held by Primary Subscribers until redeemed by the Company (anticipated to be concurrent with Sukuk maturity).

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari-passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

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

(ii) Class B Sukuk comprising of Class B1 Sukuk and Class B2 Sukuk (collectively referred to as "Class B Sukuk")

14. BORROWINGS (continued)

(g) **(II) Sukuk Ijarah (continued)**

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:

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

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

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

(d) 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.

(e) 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:

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

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

The Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk will be reset in December 2008 and December 2013.

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

15. PAYABLE TO SUBSIDIARIES

(i) On 12 December 2003, the Company issued for cash 1,000 Class A Redeemable Preference Shares (RPS) (TM RPS A) and 1,000 Class B RPS (TM RPS B) to Rebung Utama Sdn Bhd (RUSB), a special purpose entity of the Company, at a premium of RM0.99 each over the par value of RM0.01 each.

Subsequently, on 30 December 2003, the Company issued RM1,983.5 million nominal value 10-year redeemable unsecured bonds due 2013 (Tranche 1) and RM1,000.0 million nominal value 15-year redeemable unsecured bonds due 2018 (Tranche 2) (collectively referred to as TM bonds) to RUSB.

As part of an overall cost efficient funding structure, the funds for the subscription of the Company's RPS and bonds were raised by RUSB vide the issuance of RM2,987.0 million RPS (RUSB RPS) to Tekad Mercu Berhad (Tekad Mercu), another special purpose entity of the Company.

Tekad Mercu had, in turn, issued RM2,000.0 million nominal value 10-year redeemable unsecured bonds due 2013 (Tranche 1) and RM1,000.0 million nominal value 15-year redeemable unsecured bonds due 2018 (Tranche 2) (collectively referred to as Tekad Mercu bonds) to investors on 30 December 2003 to finance the subscription of the RUSB RPS (sub-note c).

All TM RPS A, TM RPS B, TM bonds, RUSB RPS and Tekad Mercu bonds have been fully redeemed, purchased and cancelled during the year pursuant to the completion of the Exchange Offer as explained in note 14(g) to the financial statements.

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

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

Listed below are the effects and salient terms of the above transactions to the Company:

	2007 RM	**2006 RM**
The Company		
(i) Payable to a subsidiary company, RUSB		
TM RPS A of RM1,000 (sub-note a)	**—**	—
TM RPS B of RM1,000 (sub-note a)	**—**	—
10-year redeemable unsecured bonds due 2013 (Tranche 1) (sub-note b)	**—**	1,983.5
15-year redeemable unsecured bonds due 2018 (Tranche 2) (sub-note b)	**—**	1,000.0
(ii) Payable to a subsidiary company, TM Global Incorporated	**1,652.5**	1,763.5
	1,652.5	4,747.0

15. PAYABLE TO SUBSIDIARIES (continued)

(a) TM RPS A and TM RPS B

TM RPS A and TM RPS B issued by the Company to RUSB have been classified as liabilities and accordingly, dividends on these preference shares are recognised in the Income Statement as finance cost.

The salient terms of the RPS are as follows:

(i) The preference shares, 1,000 RPS A and 1,000 RPS B are both issued at RM0.01 par value and a premium of RM0.99 each.

(ii) TM RPS A and TM RPS B rank pari-passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company.

(iii) The non-cumulative dividends, when declared by the Board of Directors of the Company, are payable in arrears at the end of every 6 months period commencing from the date of issue of the RPS of 12 December 2003, the amount of which will be at the discretion of the Directors.

(iv) The RPS is not convertible and shall not confer on the holder thereof any right to participate on a return in excess of capital on liquidation, winding up or otherwise of the Company, other than on redemption, up to the redemption price of RM1.00 for each RPS A and RPS B.

(v) Both RPS A and RPS B do not have fixed maturity dates and may be redeemed in cash at the option of the Company at any time, at a redemption price of RM1.00 per share.

(b) TM Bonds

The principal features of the bonds issued by the Company to RUSB are as follows:

(i) Unless previously redeemed, purchased and cancelled, the bonds are redeemable by the Company on 30 December 2013 and 28 December 2018 respectively at nominal amount together with accrued and unpaid interest. The bonds may also be redeemed by the Company at any time after the issue date by private arrangement with RUSB.

(ii) Payment of coupon on the bonds may either be:

(a) – interest of 6.25% per annum payable semi-annually in arrears on the Tranche 1 bonds, and
– interest of 5.25% per annum payable semi-annually in arrears on the Tranche 2 bonds, with the option to reset these rates after the fifth year; or

(b) – net dividends on both TM RPS A and TM RPS B, which shall be equal to the interest on Tranche 1 and Tranche 2 of the bonds less any amounts in the Designated Accounts, being accounts designated to capture all collections of dividends and tax refunds by the authorities, and
– a nominal interest of 0.01% per annum payable semi-annually.

(iii) The bonds will constitute direct, unconditional and unsecured obligations of the Company and will 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.

(iv) The bonds are not convertible, not transferable and not tradable.

15. PAYABLE TO SUBSIDIARIES (continued)

(c) Tekad Mercu Bonds

The principle features of the bonds issued by Tekad Mercu are as follows:

(i) Unless previously redeemed, purchased and cancelled, the bonds are redeemable by Tekad Mercu on 30 December 2013 and 28 December 2018 respectively at nominal amount together with accrued and unpaid interest.

(ii) In respect of Tranche 2 only,

(a) Tekad Mercu has the right to redeem all of the outstanding Tekad Mercu bonds (Tranche 2) on the tenth and the twentieth coupon payment date (Optional Redemption Date) with advance notice to the bondholders at nominal amount together with accrued and unpaid interest (up to but excluding the relevant Optional Redemption Date) in respect thereof.

(b) If on the day falling 20 business days prior to any Optional Redemption Date, the rating of the Tekad Mercu bonds (Tranche 2) shall be below AAA or its equivalent as confirmed by the Calculation Agent, then Tekad Mercu shall be obliged to redeem all outstanding Tekad Mercu bonds (Tranche 2) on the relevant Optional Redemption Date. Redemption of the Tekad Mercu bonds (Tranche 2) shall be at their nominal value together with all accrued interest (up to but excluding the relevant Optional Redemption Date) in respect thereof.

(iii) The bonds may also be purchased, in whole or in part, by the Company, at any time at any price in the open market or by private treaty.

(iv) Payment of coupon on the bonds
Interest rate of 6.20% per annum payable semi-annually in arrears on the Tranche 1 bonds and interest rate of 5.25% per annum payable semi-annually in arrears on the Tranche 2 bonds with the option to reset these rates after the fifth year.

(v) The bonds will constitute direct, unconditional and unsecured obligations of Tekad Mercu and will 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 Tekad Mercu, subject to those preferred by law or the transaction documents.

(vi) The bonds are not convertible but transferable, subject to certain selling restrictions.

(vii) The Company has granted a Put Option in favour of the security trustee of the bonds for the benefit of the holders of the bonds. The Put Option will allow the holders of the bonds to have direct recourse on the Company for the following circumstances:

(a) on a pre-agreed time frame, there is insufficient amounts in the relevant Designated Account to meet coupon payments and/or principal redemption of the bonds on the relevant due date for payment;

(b) an event of default has been declared under the bonds; and

(c) an event of default has been declared under the Put Option.

16. HEDGING TRANSACTIONS

(a) Long Dated Swap
Underlying Liability
USD300.0 million 7.875% Debentures due in 2025

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

Hedging Instrument

The Company made a payment of USD5.0 million and is obliged to pay fixed amounts of JPY209.9 million semi-annually on each 1 February and 1 August, up to and including 1 August 2025.

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

On 1 August 2025, the Company will receive RM750.0 million from the counterparty. These proceeds will be swapped for USD300.0 million at a predetermined exchange rate of RM2.5 to USD1.0, which will be used for the repayment of the USD300.0 million 7.875% redeemable unsecured Debentures. The effect of this transaction is to effectively build up a sinking fund with an assured value of USD300.0 million on 1 August 2025 for the repayment of the Debentures.

(b) Interest Rate Swap (IRS)
Underlying Liability
USD300.0 million 8.0% Guaranteed Notes due in 2010

In year 2000, the Company issued USD300.0 million 8.0% Guaranteed Notes due in 2010. The Notes are redeemable in full on 7 December 2010.

Hedging Instrument

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

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

16. HEDGING TRANSACTIONS (continued)

(c) Interest Rate Swap (IRS)
Underlying Liability
USD300.0 million 7.875% Debentures due in 2025

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

Hedging Instrument

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

The Company restructured twice on the existing USD150.0 million IRS into a range accrual swap. Under this structure, the Company will receive interest at a rate of 7.875% times N1/N2 (where N1 is the number of the days when the reference floating rate, i.e. the 6 months USD LIBOR in this transaction, stays within a predetermined range, while N2 is the total number of days in the calculation period). Under the latest restructure, on 5 December 2005, the Company will pay interest at a floating rate of 6 months USD LIBOR plus 2.24% for a new predetermined range. The restructured swap will mature on 1 August 2010.

On 9 July 2007, the Company entered into another IRS range accrual swap with trigger feature agreement for the balance notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 7.875% times N1/N2 (where N1 is the number of the days when the reference floating rate, i.e. the 6 months USD LIBOR in this transaction, stays within a predetermined range, while N2 is the total number of days in the calculation period). In exchange, the Company is obliged to pay interest at a floating rate of 6 months USD LIBOR plus 1.05%. This transaction will automatically terminate in whole, but not in part, on an Auto-Put Date, i.e. 1 August 2009, where the LIBOR rate fixes at or below the trigger level. The swap is due to mature on 1 August 2010.

(d) Cross-Currency Swap (CCS)
Underlying Liability
USD100.0 million Term Loan due in 2010

On 8 January 2007, PT Excelcomindo Pratama Tbk (XL) entered into a credit agreement with a financial institution amounting to USD50.0 million. On 18 April 2007, XL signed the credit agreement amendment to increase the credit facility to USD100.0 million. The loan will be based on a floating rate of interest at quarterly intervals of 3 months SIBOR plus 1.05% margin per annum. The loan will mature 36 months from each drawdown date.

Hedging Instrument

On 18 April 2007, XL entered into a CCS contract with a financial institution. Based on the contract, XL would swap, at the final exchange date (termination date) on 16 April 2010, a total of IDR90.88 million for USD10.0 million. XL will make quarterly payments in IDR on every 18 January, 18 April, 18 July and 18 October up to termination date, at the amount of USD10.0 million times fixed interest rate of 9.65% per annum with strike rate of IDR9,088 per USD, and will receive payment in USD amounting to USD10.0 million times floating rate of interest at quarterly intervals of 3 months SIBOR plus 1.05%.

16. HEDGING TRANSACTIONS (continued)

(e) Cross-Currency Swap (CCS)
Underlying Liability
USD50.0 million Term Loan due in 2010

On 15 January 2007, XL entered into a credit agreement with a financial institution amounting to USD50.0 million. The loan will be based on a floating rate of interest at quarterly intervals of 3 months LIBOR plus 0.95% margin per annum. The loan will mature on 29 January 2010.

Hedging Instrument

On 23 April 2007, XL entered into a CCS contract with a financial institution. Based on the contract, XL would swap, at the final exchange date (termination date) on 29 January 2010, a total of IDR225.0 million for USD25.0 million. XL will make quarterly payments in IDR on every 30 January, 30 April, 30 July and 30 October up to termination date, at the amount of USD25.0 million times fixed interest rate of 9.99% per annum with strike rate of IDR9,000 per USD, and will receive payment in USD amounting to USD25.0 million times floating rate of interest at quarterly intervals of 3 months LIBOR plus 0.95%.

On 10 May 2007, XL entered into another CCS contract with a financial institution. Based on the contract, XL would swap, at the final exchange date (termination date) on 29 January 2010, a total of IDR112.5 million for USD12.5 million. XL will make quarterly payments in IDR on every 28 June, 28 September, 28 December and 28 March up to termination date, at the amount of USD12.5 million times fixed interest rate of 7.73% per annum with strike rate of IDR9,000 per USD, and will receive payment in USD amounting to USD12.5 million times floating rate of interest at quarterly intervals of 3 months LIBOR plus 0.95%.

(f) Cross-Currency Swap (CCS)
Underlying Liability
USD50.0 million Term Loan due in 2010

On 19 April 2007, XL signed a credit facility agreement with a financial institution amounting to USD50.0 million. The loan will be based on a floating rate of interest at quarterly intervals of 3 months LIBOR plus 1.00% margin per annum. The loan will mature 36 months from the first drawdown date.

Hedging Instrument

On 26 April 2007, XL entered into a CCS contract with a financial institution. Based on the contract, XL would swap, at the final exchange date (termination date) on 26 April 2010, a total of IDR135.0 million for USD15.0 million. XL will make quarterly payments in IDR on every 26 January, 26 April, 26 July and 26 October up to termination date, at the amount of USD15.0 million times fixed interest rate of 9.825% per annum with strike rate of IDR9,000 per USD, and will receive payment in USD amounting to USD15.0 million times floating rate of interest at quarterly intervals of 3 months LIBOR plus 1.00%.

On 9 May 2007, XL entered into another CCS contract with a financial institution. Based on the contract, XL would swap, at the final exchange date (termination date) on 26 April 2010, a total of IDR135.0 million for USD15.0 million. XL will make quarterly payments in IDR on every 26 January, 26 April, 26 July and 26 October up to termination date, at the amount of USD15.0 million times fixed interest rate of 8.20% per annum with strike rate of IDR9,000 per USD, and will receive payment in USD amounting to USD15.0 million times floating rate of interest at quarterly intervals of 3 months LIBOR plus 1.00%.

16. HEDGING TRANSACTIONS (continued)

(g) Forward Foreign Currency Contracts

During the current year, XL entered into forward foreign currency contracts with financial institutions to hedge the payment of long term loans in USD.

The details of forward foreign currency contracts are as follows:

Type of contracts	Notional amount (in USD Million)	Strike rate (full amount)
Deliverable	175.0	USD1= IDR9,000
Non-Deliverable	125.0	USD1= IDR9,000
Total	300.0	

The premium on the forward foreign currency contracts will be paid semi-annually based on contracted rates.

On the deliverable contract, XL would swap, at the final exchange date, a total of IDR1,575.0 million for USD175.0 million.

On the non-deliverable contract, XL would swap, at the final exchange date:

- If settlement rate at expiry time is less than IDR9,000, XL would pay the banks the USD notional amount times the excess of strike rate over settlement rate.
- If settlement rate at expiry time is more than IDR9,000, the banks would pay XL the USD notional amount times the excess of settlement rate over strike rate.
- If settlement rate at expiry time is equal to IDR9,000, no exchange payments between the banks and XL will be required.

(h) Other foreign exchange transactions

XL regularly purchases USD currency to meet monthly obligations by using Spot (2 days settlement) or Tom (1 day settlement) transactions. In addition to this regular USD purchase, XL entered into foreign currency forward contracts with 2 financial institutions for the period of May 2007 until December 2007.

The strike rates of foreign exchange forwards entered into in 2007 are as follows:

- USD1.0 million per month at IDR8,999
- USD1.0 million per month at IDR8,995

The terms and conditions for these contracts are as follows:

- If the spot rate is higher than IDR9,225, the contracts will cease to exist and no USD should be bought at the respective month.
- If the spot rate is between strike rate and IDR9,225, XL will buy USD1.0 million at the strike rate at the respective month.
- If the spot rate is below the strike rate, XL is obliged to buy USD2.0 million at the strike rate at the respective month.

17. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are disclosed in the balance sheet:

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Subject to income tax:				
Deferred tax assets	**179.4**	115.6	**—**	—
Deferred tax liabilities	**2,313.2**	2,261.9	**1,411.8**	1,434.0
TOTAL DEFERRED TAX	**2,133.8**	2,146.3	**1,411.8**	1,434.0
At 1 January	**2,146.3**	2,172.2	**1,434.0**	1,694.8
Current year charged/(credited) to Income Statement arising from:				
– property, plant and equipment	**(1.3)**	395.0	**(17.3)**	(129.4)
– tax losses	**(11.6)**	180.2	**—**	—
– provisions and others	**134.8**	(458.5)	**(4.9)**	(131.4)
	121.9	116.7	**(22.2)**	(260.8)
– acquisition of subsidiaries	**—**	(120.6)	**—**	—
– under accrual of deferred tax assets for minority interests	**(97.1)**	—	**—**	—
– disposal of a subsidiary	**(5.6)**	—	**—**	—
– currency translation differences	**(31.7)**	(22.0)	**—**	—
At 31 December	**2,133.8**	2,146.3	**1,411.8**	1,434.0

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

The Group	**2007 RM**	**2006 RM**
Deductible temporary differences	**11.8**	45.1
Unutilised tax losses	**148.5**	180.3
Unabsorbed capital/other tax allowances	**193.3**	200.5
	353.6	425.9

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.

17. DEFERRED TAX (continued)

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
(a) Deferred Tax Assets				
Property, plant and equipment	**431.8**	96.2	**—**	—
Tax losses	**29.9**	18.3	**—**	—
Provisions and others	**608.2**	731.1	**370.2**	365.3
	1,069.9	845.6	**370.2**	365.3
Offsetting	**(890.5)**	(730.0)	**(370.2)**	(365.3)
Total Deferred Tax Assets After Offsetting	**179.4**	115.6	**—**	—
(b) Deferred Tax Liabilities				
Property, plant and equipment	**3,193.0**	2,984.4	**1,782.0**	1,799.3
Provisions and others	**10.7**	7.5	**—**	—
	3,203.7	2,991.9	**1,782.0**	1,799.3
Offsetting	**(890.5)**	(730.0)	**(370.2)**	(365.3)
Total Deferred Tax Liabilities After Offsetting	**2,313.2**	2,261.9	**1,411.8**	1,434.0

18. PROVISION FOR LIABILITIES

	2007 RM	**2006 RM**
The Group		
At 1 January	**64.6**	65.0
Current year provision	**19.3**	8.0
Over accrual of provision in respect of prior year	**—**	(7.6)
Accretion of interest	**4.2**	—
	88.1	65.4
Utilised during the year	**(0.9)**	(0.8)
At 31 December	**87.2**	64.6

The provision for liabilities relates to provision for dismantling costs of existing telecommunication network and equipment of subsidiaries.

19. INTANGIBLE ASSETS

	Goodwill RM	Licences RM	Other Intangible* RM	Total RM
The Group				
Net Book Value				
At 1 January 2007	6,826.1	233.0	—	7,059.1
Additions	—	0.6	2.3	2.9
Additional interest in subsidiaries	295.1	—	—	295.1
Partial disposal of a subsidiary	(3.8)	—	—	(3.8)
Amortisation	—	(23.7)	(1.3)	(25.0)
Impairment (sub-note a)	(23.8)	—	—	(23.8)
Currency translation differences	(3.3)	(21.1)	—	(24.4)
Reclassified from equity (sub-note b)	180.8	—	—	180.8
At 31 December 2007	**7,271.1**	**188.8**	**1.0**	**7,460.9**
Net Book Value				
At 1 January 2006	6,891.3	80.4	—	6,971.7
Additions	—	184.5	—	184.5
Acquisition of subsidiaries	(63.7)	—	—	(63.7)
Amortisation	—	(23.0)	—	(23.0)
Currency translation differences	(1.5)	(8.9)	—	(10.4)
At 31 December 2006	**6,826.1**	**233.0**	**—**	**7,059.1**
At 31 December 2007				
Cost	7,339.6	238.1	2.3	7,580.0
Accumulated amortisation	—	(49.3)	(1.3)	(50.6)
Accumulated impairment	(68.5)	—	—	(68.5)
Net Book Value	**7,271.1**	**188.8**	**1.0**	**7,460.9**
At 31 December 2006				
Cost	6,870.8	258.6	—	7,129.4
Accumulated amortisation	—	(25.6)	—	(25.6)
Accumulated impairment	(44.7)	—	—	(44.7)
Net Book Value	**6,826.1**	**233.0**	**—**	**7,059.1**

19. INTANGIBLE ASSETS (continued)

	Goodwill RM	Licences RM	Other Intangible* RM	Total RM
The Company				
Net Book Value				
At 1 January 2007	—	43.6	—	43.6
Amortisation	—	(3.9)	—	(3.9)
At 31 December 2007	**—**	**39.7**	**—**	**39.7**
Net Book Value				
At 1 January 2006	—	47.4	—	47.4
Amortisation	—	(3.8)	—	(3.8)
At 31 December 2006	**—**	**43.6**	**—**	**43.6**
At 31 December 2007				
Cost	—	50.0	—	50.0
Accumulated amortisation	—	(10.3)	—	(10.3)
Net Book Value	**—**	**39.7**	**—**	**39.7**
At 31 December 2006				
Cost	—	50.0	—	50.0
Accumulated amortisation	—	(6.4)	—	(6.4)
Net Book Value	**—**	**43.6**	**—**	**43.6**

The remaining amortisation period of acquired licences ranged from 1 year to 9 years.

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

(a) Impairment tests for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. Based on the impairment test, an impairment loss of RM23.8 million has been recorded in the Consolidated Income Statement for the goodwill arising from acquisition of an overseas subsidiary. No impairment loss was required for the carrying amounts of the remaining goodwill assessed as at 31 December 2007 as their recoverable amounts were in excess of their carrying amounts.

19. INTANGIBLE ASSETS (continued)

(b) Reclassification of goodwill

In 2006, the Group had undertaken the following transactions with minority interests where the difference between the consideration paid and the Group's share of carrying value of net assets acquired had been treated as a movement in equity:

(i) The acquisition of 2.8% equity interest in PT Excelcomindo Pratama Tbk from AIF (Indonesia) Limited on 12 June 2006.

(ii) The acquisition of 49.0% equity interest in Telekom Malaysia International (Cambodia) Company Limited from Samart Corporation Public Company Limited on 27 March 2006.

(iii) The acquisition of 20.0% equity interest in Celcom Timur (Sabah) Sdn Bhd from Hugold Success Sdn Bhd on 24 November 2006.

Goodwill totalling RM180.8 million arising from the above transactions previously recorded in equity has now been reclassified as intangible assets to reflect the Group's accounting policy on transactions with minority interests.

Goodwill is allocated to the Group's cash-generating units identified according to business segment and the country of operations.

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

	2007 RM	2006 RM
Cellular		
Malaysia	**4,022.7**	4,022.7
Indonesia	**3,121.2**	2,722.9
	7,143.9	6,745.6
Cellular and Others		
Multiple units without significant goodwill	**151.0**	80.5
Impairment	**(23.8)**	—
	7,271.1	6,826.1

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 judgement.

19. INTANGIBLE ASSETS (continued)

(i) Key assumptions used in the value-in-use calculations

The recoverable amounts of the cash-generating units including goodwill in these tests are determined based on value-in-use calculations.

These value-in-use calculations apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by management covering a five-year period for the cellular business in Malaysia and a ten-year period for the cellular business in Indonesia. These forecasts and projections reflect management's expectation of revenue growth, operating costs and margins for each cash-generating unit based on past experience. Cash flows beyond the fifth year for the cellular business in Malaysia and tenth year for the cellular business in Indonesia are extrapolated using estimated terminal growth rates. These rates have been determined with regards to projected growth rates for the respective markets in which the cash-generating units participate and are not expected to exceed the long term average growth rates for those markets.

The value-in-use calculation for the Group's cash-generating unit in Indonesia reflects the low penetration of mobile telecommunications in that country and the expectation of strong revenue growth throughout the ten-year plan.

Discount rates applied to the cash flow forecasts are derived from the cash-generating unit's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of the assessment of the respective cash-generating units.

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

	2007		**2006**	
	Malaysia %	**Indonesia %**	**Malaysia %**	**Indonesia %**
Pre-tax discount rate	**14.5**	**16.3**	13.1	18.5
Terminal growth rate	**1.5**	**3.0**	1.5	4.0

(ii) Impact of possible change in key assumptions

Changing the assumptions selected by management, in particular the discount rate assumptions used in the discounted cash flow model could significantly affect the results 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 amounts of the cash-generating units to exceed their recoverable amounts.

If the following pre-tax discount rates are applied to the cash flow forecasts and projections of the Group's cash-generating units, the carrying amounts of the cash-generating units including goodwill will equal the corresponding recoverable values, assuming all other variables remain unchanged.

	2007		**2006**	
	Malaysia %	**Indonesia %**	**Malaysia %**	**Indonesia %**
Pre-tax discount rate	**36.5**	**18.6**	26.7	20.0

20. PROPERTY, PLANT AND EQUIPMENT

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note f) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Group							
Net Book Value							
At 1 January 2007	16,445.5	589.8	817.0	326.7	3,061.6	2,439.7	23,680.3
Additions	1,716.8	157.5	79.0	11.7	17.9	4,083.4	6,066.3
Assetisation	2,827.2	19.9	293.6	—	117.4	(3,258.1)	—
Disposals	(24.4)	(7.1)	—	—	(14.6)	—	(46.1)
Disposal of subsidiaries	(67.4)	(4.2)	(1.9)	(0.1)	(7.4)	(3.3)	(84.3)
Write off	(2.9)	(0.2)	(0.2)	—	(0.3)	(29.7)	(33.3)
Depreciation	(3,224.2)	(203.6)	(341.9)	—	(235.1)	—	(4,004.8)
Impairment	(70.7)	(2.0)	(0.7)	—	—	(12.5)	(85.9)
Reversal of impairment	—	—	—	—	—	5.5	5.5
Currency translation differences	(421.3)	(5.6)	(3.4)	(0.9)	(4.5)	(96.9)	(532.6)
Reclassified to prepaid lease payments (note 21)	—	—	—	(0.7)	—	—	(0.7)
Reclassified as non-current assets held for sale (note 29)	—	—	—	(7.9)	(973.2)	—	(981.1)
Reclassification	(17.4)	38.7	(25.0)	(16.3)	16.6	3.4	—
At 31 December 2007	**17,161.2**	**583.2**	**816.5**	**312.5**	**1,978.4**	**3,131.5**	**23,983.3**
At 31 December 2007							
Cost	46,952.9	2,520.2	4,347.7	323.1	3,636.1	3,190.0	60,970.0
Accumulated depreciation	(29,226.1)	(1,929.8)	(3,514.3)	(0.9)	(1,634.1)	—	(36,305.2)
Accumulated impairment	(565.6)	(7.2)	(16.9)	(9.7)	(23.6)	(58.5)	(681.5)
Net Book Value	**17,161.2**	**583.2**	**816.5**	**312.5**	**1,978.4**	**3,131.5**	**23,983.3**

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note f) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Group							
Net Book Value							
At 1 January 2006	15,132.3	581.0	801.6	321.6	3,273.6	1,960.9	22,071.0
Acquisition of subsidiaries	147.0	3.7	1.8	—	—	3.8	156.3
Additions	1,716.9	91.1	72.4	0.3	35.6	3,716.0	5,632.3
Assetisation	2,740.1	47.6	389.6	3.5	63.0	(3,243.8)	—
Disposals	(27.1)	(0.9)	—	—	(0.7)	—	(28.7)
Write off	(0.1)	(0.3)	(1.6)	—	—	—	(2.0)
Depreciation	(3,155.7)	(150.7)	(444.9)	(0.1)	(228.4)	—	(3,979.8)
Impairment	(3.5)	—	—	—	—	(0.6)	(4.1)
Reversal of impairment	—	—	—	3.9	—	3.5	7.4
Currency translation differences	(110.3)	(13.3)	(1.9)	(1.4)	(3.1)	—	(130.0)
Reclassified to prepaid lease payments (note 21)	—	—	—	(0.3)	(21.0)	(0.1)	(21.4)
Transferred from land held for property development (note 23)	—	—	—	3.3	—	—	3.3
Reclassified as non-current assets held for sale (note 29)	—	—	—	—	(24.0)	—	(24.0)
Reclassification	5.9	31.6	—	(4.1)	(33.4)	—	—
At 31 December 2006	**16,445.5**	**589.8**	**817.0**	**326.7**	**3,061.6**	**2,439.7**	**23,680.3**
At 31 December 2006							
Cost	43,824.9	1,822.6	4,572.3	338.2	4,719.3	2,494.6	57,771.9
Accumulated depreciation	(26,728.5)	(1,226.7)	(3,738.0)	(0.9)	(1,622.2)	—	(33,316.3)
Accumulated impairment	(650.9)	(6.1)	(17.3)	(10.6)	(35.5)	(54.9)	(775.3)
Net Book Value	**16,445.5**	**589.8**	**817.0**	**326.7**	**3,061.6**	**2,439.7**	**23,680.3**

20. PROPERTY, PLANT AND EQUIPMENT (continued)

Net book value of property, plant and equipment of certain subsidiaries pledged as security for borrowings (note 14(b), (c) and (d) to the financial statements):

	2007 RM	2006 RM
Telecommunication network	**1,500.5**	1,838.2
Movable plant and equipment	**72.0**	75.2
Computer support systems	**7.3**	23.9
Land	**5.0**	4.2
Buildings	**23.6**	51.3
	1,608.4	1,992.8

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note f) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Company							
Net Book Value							
At 1 January 2007	8,097.8	371.8	466.4	169.9	2,171.4	616.6	11,893.9
Additions @	14.7	52.2	63.8	—	3.9	1,519.4	1,654.0
Assetisation	976.7	8.3	233.3	—	96.9	(1,315.2)	—
Disposals #	(9.2)	(10.6)	—	—	(14.6)	—	(34.4)
Write off	(0.9)	(0.2)	(0.2)	—	(0.3)	(29.7)	(31.3)
Depreciation	(1,586.1)	(125.2)	(199.5)	—	(120.1)	—	(2,030.9)
Impairment	(9.9)	—	—	—	—	—	(9.9)
Reclassified to prepaid lease payments (note 21)	—	—	—	(0.7)	—	—	(0.7)
Reclassified as non-current assets held for sale (note 29)	—	—	—	(7.9)	(812.3)	—	(820.2)
Reclassification	(17.4)	42.4	(25.0)	—	—	—	—
At 31 December 2007	**7,465.7**	**338.7**	**538.8**	**161.3**	**1,324.9**	**791.1**	**10,620.5**
At 31 December 2007							
Cost	30,624.3	1,817.3	3,051.7	164.8	2,560.7	791.1	39,009.9
Accumulated depreciation	(22,932.9)	(1,478.6)	(2,512.9)	(0.9)	(1,235.8)	—	(28,161.1)
Accumulated impairment	(225.7)	—	—	(2.6)	—	—	(228.3)
Net Book Value	**7,465.7**	**338.7**	**538.8**	**161.3**	**1,324.9**	**791.1**	**10,620.5**

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note f) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
The Company							
Net Book Value							
At 1 January 2006	8,481.0	339.6	430.1	175.2	2,258.4	797.2	12,481.5
Additions @	15.3	78.9	21.4	2.1	—	1,503.3	1,621.0
Assetisation	1,292.5	31.3	311.7	—	48.4	(1,683.9)	—
Disposals	—	(0.1)	—	—	—	—	(0.1)
Write off	—	(0.2)	(1.5)	—	—	—	(1.7)
Depreciation	(1,691.0)	(77.7)	(295.3)	(0.1)	(122.3)	—	(2,186.4)
Reversal of impairment	—	—	—	3.9	—	—	3.9
Reclassified to prepaid lease payments (note 21)	—	—	—	(0.3)	—	—	(0.3)
Reclassified as non-current assets held for sale (note 29)	—	—	—	—	(24.0)	—	(24.0)
Reclassification	—	—	—	(10.9)	10.9	—	—
At 31 December 2006	**8,097.8**	**371.8**	**466.4**	**169.9**	**2,171.4**	**616.6**	**11,893.9**
At 31 December 2006							
Cost	30,073.4	1,201.8	3,321.8	173.4	3,503.8	616.6	38,890.8
Accumulated depreciation	(21,759.8)	(830.0)	(2,855.4)	(0.9)	(1,332.4)	—	(26,778.5)
Accumulated impairment	(215.8)	—	—	(2.6)	—	—	(218.4)
Net Book Value	**8,097.8**	**371.8**	**466.4**	**169.9**	**2,171.4**	**616.6**	**11,893.9**

@ Included in additions was RM59.4 million (2006: RM22.3 million) being telecommunication network assets, movable plant and equipment, computer support systems and buildings transferred from subsidiaries.

\# Included in disposals for 2007 was RM8.6 million being telecommunication network assets, movable plant and equipment and computer support systems transferred to subsidiaries. There was no disposal to subsidiaries in 2006.

(a) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM21,205.5 million (2006: RM19,100.6 million) and RM17,004.3 million (2006: RM15,359.2 million) respectively.

(b) During the year, a wholly owned subsidiary, Celcom (Malaysia) Berhad (Celcom) recognised impairment losses amounting to RM52.4 million due to asset buyback plans in which these assets have been written down to its recoverable amount.

20. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) During the year, Celcom reversed impairment losses amounting to RM5.5 million in relation to capital work-in-progress which was previously impaired on long outstanding projects which have been completed.

(d) During the year, there has been a change in the expected pattern of consumption of future economic benefits embodied in certain telecommunication network and equipment of Celcom due to asset replacement plans. The revision was accounted for as a change in accounting estimates and had increased the current year depreciation charge by RM63.7 million.

(e) On 11 January 2007, an overseas subsidiary, PT Excelcomindo Pratama Tbk (XL) received a notification letter from the Yogyakarta District Court regarding the execution of North Jakarta District Court Decision relating to an individual claim over the ownership of the XL's land located in Yogyakarta that was purchased in 2002.

XL lodged a counter claim at the Yogyakarta District Court on the legality of this claim. The Yogyakarta District Court subsequently issued a ruling in favour of XL, reaffirming its rightful ownership to the land, and absolving previous court decisions which ruled otherwise.

On 27 June 2007, the North Jakarta District Court also issued a new ruling which nullified all and any execution rulings by the Yogyakarta District Court in respect of this matter. On 16 January 2008, Yogyakarta High Court issued a ruling which supported the Yogyakarta District Court ruling.

The Directors believe that this matter will not affect the daily operations of XL in Yogyakarta offices.

(f) Details of land are as follows:

	Freehold RM	Other RM	Total RM
The Group			
Net Book Value			
At 1 January 2007	252.2	74.5	326.7
Additions	11.7	—	11.7
Disposal of a subsidiary	(0.1)	—	(0.1)
Currency translation differences	(0.9)	—	(0.9)
Reclassified to prepaid lease payments (note 21)	—	(0.7)	(0.7)
Reclassified as non-current assets held for sale (note 29)	(7.9)	—	(7.9)
Reclassified to property, plant and equipment	(16.3)	—	(16.3)
Reclassification	13.0	(13.0)	—
At 31 December 2007	**251.7**	**60.8**	**312.5**
At 31 December 2007			
Cost	261.4	61.7	323.1
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(9.7)	—	(9.7)
Net Book Value	**251.7**	**60.8**	**312.5**

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold RM	Other RM	Total RM
The Group			
Net Book Value			
At 1 January 2006	235.3	86.3	321.6
Additions	0.3	—	0.3
Assetisation	3.5	—	3.5
Depreciation	—	(0.1)	(0.1)
Reversal of impairment	3.9	—	3.9
Currency translation differences	(1.4)	—	(1.4)
Reclassified to prepaid lease payments (note 21)	—	(0.3)	(0.3)
Transferred from land held for property development (note 23)	3.3	—	3.3
Reclassified from/(to) buildings	6.8	(10.9)	(4.1)
Reclassification	0.5	(0.5)	—
At 31 December 2006	**252.2**	**74.5**	**326.7**
At 31 December 2006			
Cost	262.8	75.4	338.2
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(10.6)	—	(10.6)
Net Book Value	**252.2**	**74.5**	**326.7**
The Company			
Net Book Value			
At 1 January 2007	95.4	74.5	169.9
Reclassified to prepaid lease payments (note 21)	—	(0.7)	(0.7)
Reclassified as non-current assets held for sale (note 29)	(7.9)	—	(7.9)
Reclassification	13.0	(13.0)	—
At 31 December 2007	**100.5**	**60.8**	**161.3**
At 31 December 2007			
Cost	103.1	61.7	164.8
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(2.6)	—	(2.6)
Net Book Value	**100.5**	**60.8**	**161.3**

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold RM	Other RM	Total RM
The Company			
Net Book Value			
At 1 January 2006	88.9	86.3	175.2
Additions	2.1	—	2.1
Depreciation	—	(0.1)	(0.1)
Reversal of impairment	3.9	—	3.9
Reclassified to prepaid lease payments (note 21)	—	(0.3)	(0.3)
Reclassified to buildings	—	(10.9)	(10.9)
Reclassification	0.5	(0.5)	—
At 31 December 2006	**95.4**	**74.5**	**169.9**
At 31 December 2006			
Cost	98.0	75.4	173.4
Accumulated depreciation	—	(0.9)	(0.9)
Accumulated impairment	(2.6)	—	(2.6)
Net Book Value	**95.4**	**74.5**	**169.9**

The title deeds pertaining to other land have not yet been registered in the name of the Company and a subsidiary. Pending finalisation with the relevant authorities, these land have not been classified according to their tenure.

During the year, certain title deeds pertaining to other land have been registered and hence, the land has been reclassified accordingly.

21. PREPAID LEASE PAYMENTS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Net Book Value				
At 1 January	**346.2**	249.9	**38.0**	37.9
Additions	**113.7**	106.0	**15.2**	—
Disposals	**(0.1)**	(0.3)	**(0.1)**	—
Amortisation	**(42.7)**	(34.7)	**(0.9)**	(0.2)
Currency translation differences	**(23.5)**	3.9	**—**	—
Reclassified from property, plant and equipment (note 20)	**0.7**	21.4	**0.7**	0.3
Reclassified as non-current assets held for sale (note 29)	**(7.3)**	—	**—**	—
At 31 December	**387.0**	346.2	**52.9**	38.0

21. PREPAID LEASE PAYMENTS (continued)

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At 31 December				
Cost	**535.6**	477.7	**57.5**	41.7
Accumulated amortisation	**(132.3)**	(123.9)	**(4.6)**	(3.7)
Accumulated impairment	**(16.3)**	(7.6)	**—**	—
Net Book Value	**387.0**	346.2	**52.9**	38.0
The prepaid lease rentals were payment for rights to use the followings:				
Long term leasehold land	**65.7**	82.0	**41.2**	32.3
Short term leasehold land	**321.3**	264.2	**11.7**	5.7
At 31 December	**387.0**	346.2	**52.9**	38.0

The prepaid lease payments comprise upfront payments for long term leasehold land and short term leasehold land which were previously classified under property, plant and equipment.

22. INVESTMENT PROPERTY

	2007 RM	2006 RM
The Company		
Net Book Value		
At 1 January	**179.8**	191.4
Depreciation	**(11.6)**	(11.6)
Reclassified as non-current assets held for sale (note 29)	**(168.2)**	—
At 31 December	**—**	179.8
At 31 December		
Cost	**229.1**	229.1
Accumulated depreciation	**(60.9)**	(49.3)
Reclassified as non-current assets held for sale (note 29)	**(168.2)**	—
Net Book Value	**—**	179.8

22. INVESTMENT PROPERTY (continued)

The fair value of the property in 2006 was estimated at RM180.0 million based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

The office building which was classified as investment property is subsequently reclassified as non-current assets held for sale. Please refer to note 29 to the financial statements for details.

23. LAND HELD FOR PROPERTY DEVELOPMENT

	2007 RM	2006 RM
The Group		
Net Book Value		
At 1 January	**168.4**	170.7
Transferred to property, plant and equipment (note 20)	**—**	(3.3)
Transferred to land held for sale	**(3.0)**	(2.6)
Reversal of impairment	**—**	3.6
At 31 December	**165.4**	168.4
At 31 December		
Land at cost	**176.1**	179.1
Accumulated impairment	**(10.7)**	(10.7)
Net Book Value	**165.4**	168.4

24. SUBSIDIARIES

	2007			2006		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
The Company						
Quoted investment, at cost	**19.5**	**—**	**19.5**	19.5	—	19.5
Unquoted investments, at cost	**1,121.0**	**22.0**	**1,143.0**	1,116.8	37.1	1,153.9
Allowance for diminution in value	**—**	**(13.2)**	**(13.2)**	(9.0)	—	(9.0)
Options granted to employees of subsidiaries	**17.7**	**—**	**17.7**	17.0	—	17.0
	1,158.2	**8.8**	**1,167.0**	1,144.3	37.1	1,181.4
Unquoted investments, at written down value (sub-note a)	**—**	**—**	**—**	—	—	—
Net investments	**1,158.2**	**8.8**	**1,167.0**	1,144.3	37.1	1,181.4
Amount owing by subsidiaries (sub-note b)	**8,690.3**	**103.9**	**8,794.2**	9,216.1	111.7	9,327.8
Allowance for loans and advances	**(562.3)**	**—**	**(562.3)**	(672.4)	—	(672.4)
Amount owing by subsidiaries after allowance (note 43(g)(i))	**8,128.0**	**103.9**	**8,231.9**	8,543.7	111.7	8,655.4
TOTAL INTEREST IN SUBSIDIARIES	**9,286.2**	**112.7**	**9,398.9**	9,688.0	148.8	9,836.8
Market value of quoted investment	**279.5**	**—**	**279.5**	266.9	—	266.9

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

(b) The amount owing by subsidiaries represents shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 0% to 8.1% (2006: 0% to 8.9%) and are principally with no fixed repayment terms. However, the Company has indicated that it will not demand substantial repayment within the next 12 months. Shareholder loans and advances provided to overseas subsidiaries are in US Dollar.

The Group's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 50 to the financial statements.

25. JOINTLY CONTROLLED ENTITIES

	2007			2006		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
The Group						
Share of net assets of jointly controlled entities						
Quoted investment (sub-note a)	**—**	**877.5**	**877.5**	—	—	—
Unquoted investment	**146.9**	**—**	**146.9**	175.5	632.0	807.5
TOTAL	**146.9**	**877.5**	**1,024.4**	175.5	632.0	807.5
Market value of quoted investment	**—**	**1,427.0**	**1,427.0**	—	—	—
The Company						
Unquoted investment, at cost	**141.2**	**—**	**141.2**	141.2	—	141.2

(a) During the year, a jointly controlled entity, Spice Communications Limited has completed its initial public offerings and became listed on the Bombay Stock Exchange.

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

	2007 RM	2006 RM
Revenue	**358.7**	227.5
Other income	**167.6**	6.7
Expenses excluding tax	**(393.1)**	(281.4)
Share of results of an associate (net of tax)	**59.3**	57.8
Profit before taxation	**192.5**	10.6
Taxation	**(17.0)**	—
Profit after taxation	**175.5**	10.6

Included in other income and taxation above is the Group's share of the gain arising from the disposal of towers during the year amounting to RM145.3 million and RM16.5 million respectively.

25. JOINTLY CONTROLLED ENTITIES (continued)

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

	2007 RM	2006 RM
Non-current assets	**1,876.0**	1,807.8
Current assets	**169.8**	203.8
Current liabilities	**(148.3)**	(98.2)
Non-current liabilities	**(873.1)**	(1,105.9)
Net assets	**1,024.4**	807.5

The Group's share of contingent liabilities of a jointly controlled entity amounted to RM37.9 million (2006: RM Nil).

The Group's equity interest in the jointly controlled entities, their respective principal activities and countries of incorporation are listed in note 51 to the financial statements.

26. ASSOCIATES

	2007			2006		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
The Group						
Share of net assets of associates Quoted investments	**—**	**218.6**	**218.6**	—	197.2	197.2
Unquoted investments (sub-note a)	**22.4**	**11.5**	**33.9**	15.1	8.3	23.4
TOTAL	**22.4**	**230.1**	**252.5**	15.1	205.5	220.6
Market value of quoted investments	**—**	**378.1**	**378.1**	—	361.5	361.5
The Company						
Unquoted investment, at cost	**—**	**—**	**—**	1.5	—	1.5
Allowance for diminution in value	**—**	**—**	**—**	(1.5)	—	(1.5)
TOTAL	**—**	**—**	**—**	—	—	—

(a) During the year, the Group had disposed its entire 16.22% equity interest in mySPEED.com Sdn Bhd to MY E.G. Services Berhad for a total consideration of RM1.

26. ASSOCIATES (continued)

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

	2007 RM	2006 RM
Revenue	**781.4**	537.8
Profit after taxation	**29.5**	19.9

The Group's share of assets and liabilities of associates is as follows:

	2007 RM	2006 RM
Non-current assets	**269.7**	250.7
Current assets	**355.1**	350.5
Current liabilities	**(239.9)**	(250.7)
Non-current liabilities	**(132.4)**	(129.9)
Net assets	**252.5**	220.6

The Group has excluded the amount that would otherwise have been accounted for in respect of the current and cumulative year share of losses after taxation of associates amounting to RM# (2006: RM0.3 million) and RM2.2 million (2006: RM2.2 million) respectively from the financial statements as the carrying amount of these investments have been fully eroded. The Group has no obligation to finance any further losses.

Amount less than RM0.1 million

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

27. INVESTMENTS

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Investments in International Satellite Organisations, at cost	**79.1**	79.1	**79.1**	79.1
Allowance for diminution in value	**(77.7)**	(77.7)	**(77.7)**	(77.7)
	1.4	1.4	**1.4**	1.4
Investments in quoted shares, at cost	**250.3**	251.9	**250.3**	251.9
Allowance for diminution in value (sub-note a)	**(155.0)**	(75.0)	**(155.0)**	(75.0)
	95.3	176.9	**95.3**	176.9
Investments in unquoted shares, at cost	**72.5**	78.7	**192.8**	192.8
Allowance for diminution in value	**(30.3)**	(30.3)	**(150.6)**	(150.6)
	42.2	48.4	**42.2**	42.2
	138.9	226.7	**138.9**	220.5
Investments in unquoted shares, at written down value (sub-note b)	**—**	—	**—**	—
TOTAL INVESTMENTS AFTER ALLOWANCE	**138.9**	226.7	**138.9**	220.5
Market value of quoted investments	**102.8**	159.7	**102.8**	159.7

(a) During the year, the Company has assessed the carrying value of its investment in quoted shares. Consequent from the assessment, an allowance for diminution in value of RM80.0 million was made.

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

Held by the Company
– Societe Des Telecommunications De Guinee

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

In view of the above, the financial statements of the respective companies have not been consolidated nor equity accounted for. The Directors are of the view that the amounts would be insignificant to the Group results.

* On 13 March 2006, the Group through a subsidiary had obtained an order from the High Court of Zanzibar to wind up the company.

28. LONG TERM RECEIVABLES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Staff loans under Islamic principles	**419.9**	441.4	**419.9**	441.4
Staff loans	**89.5**	120.1	**88.2**	119.0
Total staff loans (sub-note a)	**509.4**	561.5	**508.1**	560.4
Other long term receivables (sub-note b)	**67.8**	66.8	**67.8**	66.8
Allowance for other long term receivables	**(9.0)**	(7.4)	**(9.0)**	(7.4)
	568.2	620.9	**566.9**	619.8
Staff loans receivable within twelve months included under other receivables (note 31)	**(56.7)**	(63.2)	**(55.8)**	(62.5)
TOTAL LONG TERM RECEIVABLES	**511.5**	557.7	**511.1**	557.3

(a) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost are repayable in equal monthly instalments as follows:

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

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

(iii) Computer loans – 3 years

(b) Other long term receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are interest free and if not converted to scholarship will be repayable over a period of not more than 8 years.

During the year, RM4.6 million (2006: RM3.9 million) was converted to scholarship and expensed off to the Income Statement.

29. NON-CURRENT ASSETS HELD FOR SALE

On 25 May 2007, the Company announced a proposal for an Islamic sale and leaseback transaction involving the issuance of up to RM1,100.0 million Islamic Asset Backed Sukuk Ijarah (Sukuk) by a special purpose vehicle.

The sale and leaseback transaction involves the sale of 4 of the Company's property assets (Properties) with carrying value of RM988.4 million at 31 December 2007 to Menara ABS Berhad (MAB), a special purpose vehicle with the objective of implementing the transaction. The Properties identified are Menara TM, Menara Celcom, Cyberjaya Complex and Wisma TM Taman Desa. Subsequent to the sale, the Properties will be leased back to the Company on a portfolio basis, under the Ijarah principle, for a lease term of up to 15 years.

The sale and leaseback will facilitate the issuance of 3 different classes of Sukuk in tranches by MAB. The funds to be raised from the issuance of such Sukuk will be utilised by MAB to pay the Company for the purchase of the Properties.

As discussed in note 2.1(ii) to the financial statements, the Directors considered the sale and subsequent leaseback a true sale transaction with respect to the Properties and an operating lease with respect to the leaseback arrangement. The carrying value of the Properties involved was reclassified as non-current assets held for sale at the balance sheet date as the criteria for reclassification was met.

The sale and leaseback was completed on 15 January 2008, which involved the issuance of RM1,000.0 million Sukuk by MAB.

	2007			2006		
	Carrying amount immediately before classification RM	Allocation of remeasure-ment RM	Carrying amount as at 31 December RM	Carrying amount immediately before classification RM	Allocation of remeasure-ment RM	Carrying amount as at 31 December RM
The Group						
Land and buildings (note 20)	**981.1**	**—**	**981.1**	24.0	—	24.0
Prepaid leasehold payments (note 21)	**7.3**	**—**	**7.3**	—	—	—
	988.4	**—**	**988.4**	24.0	—	24.0
The Company						
Land and buildings (note 20)	**820.2**	**—**	**820.2**	24.0	—	24.0
Investment property (note 22)	**168.2**	**—**	**168.2**	—	—	—
	988.4	**—**	**988.4**	24.0	—	24.0

29. NON-CURRENT ASSETS HELD FOR SALE (continued)

The above non-current assets held for sale are disclosed under unallocated corporate assets in note 40 to the financial statements, Segmental Reporting.

In 2006, non-current asset held for sale comprised a 25 storey office building known as Wisma TM. The disposal of Wisma TM was completed in the current year.

30. INVENTORIES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cables and wires	**38.6**	39.1	**38.6**	39.1
Network materials	**49.5**	33.8	**31.0**	19.0
Telecommunication equipment	**21.2**	14.1	**9.3**	7.3
Spares and others*	**67.8**	84.8	**3.4**	3.0
Land held for sale	**4.0**	1.0	**—**	—
TOTAL INVENTORIES	**181.1**	172.8	**82.3**	68.4

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

31. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Receivables from telephone customers	**2,659.0**	2,639.8	**1,766.1**	1,522.1
Receivables from non-telephone customers	**2,160.9**	1,805.1	**1,524.9**	1,073.1
Receivables from subsidiaries	**—**	—	**308.9**	562.6
	4,819.9	4,444.9	**3,599.9**	3,157.8
Advance rental billings	**(330.4)**	(394.9)	**(334.6)**	(368.9)
	4,489.5	4,050.0	**3,265.3**	2,788.9
Allowance for doubtful debts	**(1,496.9)**	(1,557.0)	**(882.8)**	(763.2)
Total trade receivables after allowance	**2,992.6**	2,493.0	**2,382.5**	2,025.7

31. TRADE AND OTHER RECEIVABLES (continued)

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Prepayments	**227.5**	246.0	**52.8**	29.0
Tax recoverable	**432.6**	15.1	**227.3**	15.1
Staff loans (note 28)	**56.7**	63.2	**55.8**	62.5
Other receivables from subsidiaries	**—**	—	**31.6**	27.1
Other receivables from associates	**19.0**	19.0	**1.1**	1.1
Other receivables (sub-note a)	**845.4**	787.2	**469.2**	465.4
Allowance for doubtful debts	**(175.2)**	(159.4)	**(127.8)**	(127.9)
Total other receivables after allowance	**1,406.0**	971.1	**710.0**	472.3
TOTAL TRADE AND OTHER RECEIVABLES AFTER ALLOWANCE	**4,398.6**	3,464.1	**3,092.5**	2,498.0
The currency exposure profile of trade and other receivables after allowance is as follows:				
Ringgit Malaysia	**2,857.8**	2,079.2	**2,234.8**	1,694.6
US Dollar	**839.7**	690.6	**826.7**	670.3
Sri Lanka Rupee	**245.6**	166.2	**—**	—
Indonesian Rupiah	**240.6**	202.0	**—**	—
Bangladesh Taka	**95.6**	114.7	**—**	—
Special Drawing Rights	**58.0**	137.9	**15.2**	132.1
Other currencies	**61.3**	73.5	**15.8**	1.0
	4,398.6	3,464.1	**3,092.5**	2,498.0
The following table represents credit risk exposure of trade receivables, net of allowances for doubtful debts and without taking into account any collateral taken:				
Business	**2,369.0**	1,838.3	**1,765.6**	1,217.9
Residential	**623.6**	654.7	**308.0**	245.2
Subsidiaries	**—**	—	**308.9**	562.6
	2,992.6	2,493.0	**2,382.5**	2,025.7

31. TRADE AND OTHER RECEIVABLES (continued)

(a) Included in other receivables are amounts owing from a former subsidiary amounting to RM83.9 million (2006: RM83.9 million) and RM70.0 million (2006: RM70.0 million) for the Group and the Company respectively as at 31 December 2007, which has been fully provided for.

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

Credit terms of trade receivables excluding advance rental billing range from 30 to 90 days (2006: 30 to 90 days).

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

32. SHORT TERM INVESTMENTS

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Shares quoted on the Bursa Malaysia Securities Berhad	**177.6**	125.3	**175.9**	123.6
Quoted fixed income securities	**200.5**	194.8	**200.5**	194.8
TOTAL SHORT TERM INVESTMENTS	**378.1**	320.1	**376.4**	318.4
Market value of quoted shares	**177.6**	125.3	**175.9**	123.6
Market value of quoted fixed income securities	**200.5**	194.8	**200.5**	194.8

33. CASH AND BANK BALANCES

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Deposits with:				
Licensed banks	**2,475.8**	2,388.0	**1,023.0**	1,197.8
Licensed finance companies	**18.2**	20.1	**—**	—
Other financial institutions	**245.6**	392.1	**51.9**	259.3
Deposits under Islamic principles	**631.3**	1,096.0	**211.2**	296.2
Total deposits	**3,370.9**	3,896.2	**1,286.1**	1,753.3
Cash and bank balances	**646.7**	705.2	**242.0**	282.0
Cash and bank balances under Islamic principles	**154.2**	79.0	**—**	—
TOTAL CASH AND BANK BALANCES	**4,171.8**	4,680.4	**1,528.1**	2,035.3
Less:				
Bank overdrafts (note 14)	**(2.1)**	(3.7)	**—**	—
Deposits pledged	**(76.8)**	(10.3)	**—**	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**4,092.9**	4,666.4	**1,528.1**	2,035.3
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**3,150.6**	3,537.8	**1,292.3**	1,510.3
US Dollar	**611.6**	817.8	**235.8**	525.0
Indonesian Rupiah	**203.9**	143.2	**—**	—
Sri Lanka Rupee	**114.0**	15.3	**—**	—
Bangladesh Taka	**7.6**	77.8	**—**	—
Other currencies	**84.1**	88.5	**—**	—
	4,171.8	4,680.4	**1,528.1**	2,035.3

Deposits of the Group included RM181.6 million (2006: RM377.3 million) being funds earmarked for principal and interest repayments under terms of borrowings of Celcom as mentioned in note 14(a) to the financial statements. Cash and bank balances of the Group included RM11.2 million (2006: RM11.2 million) of a subsidiary which is restricted due to ongoing litigation.

33. 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. Deposits have maturity range from overnight to 360 days (2006: from overnight to 365 days) and from overnight to 112 days (2006: from overnight to 91 days) for the Group and the Company respectively. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits (excluding deposits under Islamic principles) as at 31 December 2007 is 4.08% (2006: 4.14%) and 3.93% (2006: 3.85%) for the Group and the Company respectively.

34. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Trade payables	**4,058.7**	3,683.7	**1,365.8**	1,344.5
Accruals for Universal Service Provision	**387.3**	294.6	**164.5**	183.2
Deferred revenue	**550.0**	386.6	**62.7**	—
Finance cost payable	**157.1**	182.8	**70.2**	91.3
Duties and other taxes payable	**65.9**	48.0	**52.1**	53.2
Deposits and trust monies	**65.8**	42.1	**41.2**	20.9
Payables to subsidiaries	**—**	—	**339.8**	212.1
Other payables (sub-note a)	**1,417.9**	1,103.1	**510.6**	443.5
TOTAL TRADE AND OTHER PAYABLES	**6,702.7**	5,740.9	**2,606.9**	2,348.7
The currency exposure profile of trade and other payables is as follows:				
Ringgit Malaysia	**4,092.0**	3,696.5	**2,055.5**	1,798.1
US Dollar	**1,421.6**	970.9	**487.0**	399.4
Indonesian Rupiah	**526.1**	445.4	**—**	—
Bangladesh Taka	**249.5**	160.3	**—**	—
Sri Lanka Rupee	**203.8**	165.7	**—**	—
Special Drawing Rights	**112.5**	178.5	**58.5**	147.8
Other currencies	**97.2**	123.6	**5.9**	3.4
	6,702.7	5,740.9	**2,606.9**	2,348.7

(a) Included in other payables is government grant of RM59.5 million (2006: RM27.2 million) for the Group and RM46.2 million (2006: RM11.6 million) for the Company.

Credit terms of trade and other payables vary from 30 to 90 days (2006: from 30 to 180 days) depending on the terms of the contracts.

35. CUSTOMER DEPOSITS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Telephone	**559.0**	559.4	**558.9**	559.4
Cellular services	**114.8**	128.6	**—**	—
Data services	**58.8**	30.9	**31.3**	30.9
TOTAL CUSTOMER DEPOSITS	**732.6**	718.9	**590.2**	590.3

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

36. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Receipts from customers	**17,065.1**	16,180.9	**6,866.5**	6,897.0
Payments to suppliers and employees	**(9,475.2)**	(8,893.4)	**(3,861.4)**	(3,632.9)
Payment of compensation	**—**	(874.0)	**—**	—
Payment of finance cost	**(887.7)**	(648.8)	**(469.9)**	(386.6)
Payment of income taxes (net of tax refunds)	**(755.2)**	(530.9)	**(231.5)**	(284.8)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**5,947.0**	5,233.8	**2,303.7**	2,592.7

37. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Disposal of property, plant and equipment	**45.1**	41.4	**29.2**	11.8
Purchase of property, plant and equipment	**(6,197.1)**	(5,592.7)	**(1,979.3)**	(1,699.1)
Disposal of non-current assets held for sale	**70.0**	—	**70.0**	—
Payment of intangible asset (telecommunication and spectrum licence)	**(8.6)**	(192.5)	**(8.0)**	(8.0)
Disposal of long term investments	**9.4**	157.3	**2.2**	1.7
Disposal of short term investments	**213.1**	147.0	**213.1**	147.0
Purchase of short term investments	**(205.2)**	(166.2)	**(205.2)**	(166.2)
Disposal of subsidiaries (net of cash disposed)	**51.7**	—	**83.0**	—
Partial disposal of a subsidiary	**280.4**	3.5	**—**	—
Acquisition of subsidiaries (net of cash acquired)	**—**	(39.4)	**—**	—
Additional interest in subsidiaries	**(396.6)**	(265.4)	**—**	—
Disposal of an associate	**0.2**	—	**0.2**	—
Acquisition of an associate	**(2.5)**	(124.8)	**—**	—
Investment in a jointly controlled entity	**—**	(659.4)	**—**	—
Payments to subsidiaries	**—**	—	**(71.5)**	(30.6)
Repayments from subsidiaries	**—**	—	**956.1**	1,043.1
Advances to subsidiaries	**—**	—	**(482.2)**	(1,113.3)
Advances from subsidiaries	**—**	—	**—**	9.3
Repayments of loans by employees	**108.7**	112.2	**108.7**	112.2
Loans to employees	**(50.5)**	(52.2)	**(50.5)**	(51.3)
Interest received	**180.7**	226.8	**96.7**	99.1
Dividend received	**22.5**	7.2	**298.5**	112.4
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(5,878.7)**	(6,397.2)	**(939.0)**	(1,531.9)

38. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Issue of share capital	**346.4**	43.8	**346.4**	43.8
Issue of share capital to minority interests	**83.2**	20.7	**—**	—
Proceeds from borrowings	**2,636.6**	2,344.9	**—**	—
Repayments of borrowings	**(2,214.1)**	(1,875.7)	**(796.0)**	(246.9)
Dividends paid to shareholders	**(1,402.4)**	(1,001.9)	**(1,402.4)**	(1,001.9)
Dividends paid to minority interests	**(36.0)**	(33.6)	**—**	—
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(586.3)**	(501.8)	**(1,852.0)**	(1,205.0)

39. SIGNIFICANT NON-CASH TRANSACTIONS

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
(a) Contra settlements with a subsidiary between amount owing by subsidiaries and other payables	**—**	—	**211.5**	—
(b) Contra settlements with subsidiaries between receivables and payables	**—**	—	**157.9**	105.2
(c) Conversion of amount owing into paid-up capital of a subsidiary	**—**	—	**—**	13.2
(d) Exchange of Tekad Mercu Bonds with TM Islamic Stapled Income Securities (note 14(g) & 15(i))	**2,925.0**	—	**2,983.5**	—
(e) Purchase of business and business assets by a subsidiary satisfied by the issuance of shares	**—**	12.8	**—**	—
(f) Transfer of telecommunication network assets, movable plant and equipment, computer support systems and buildings from subsidiaries	**—**	—	**59.4**	22.3
(g) Waiver of amount due from a subsidiary (trading and non-trading)	**—**	—	**61.3**	—

40. SEGMENTAL REPORTING

By Business

During the year, the Group reviewed and changed the grouping of segmental reporting information to reflect the change in the business structure. The comparatives have been restated to conform with the current year's presentation.

The Group is organised on a worldwide basis in 4 main business segments:

- Malaysia Business is a Strategic Business Unit (SBU) consolidating all domestic fixed line services. It comprises TM Wholesale, TM Retail, TM Net Sdn Bhd, GITN Sdn Berhad, Telekom Sales and Services Sdn Bhd, Telekom Research & Development Sdn Bhd, Telekom Applied Business Sdn Bhd, Mobikom Sdn Bhd, Telekom Malaysia (UK) Limited, Telekom Malaysia (Hong Kong) Limited, Telekom Malaysia (S) Pte Ltd and Telekom Malaysia (USA) Inc. This is intended to align businesses with a common agenda and maximise synergies.
- Celcom is made up of Celcom (Malaysia) Berhad, a domestic subsidiary involved in the cellular business and its group of companies.
- International Operations comprises all overseas operations of the Group except those companies that fall within the ambit of Malaysia Business.
- TM Ventures is a SBU established to separately manage the large number of non-core businesses with the objective of rationalising and streamlining the non-core businesses in maximising the Group assets/entities' value proposition, whilst growing the business that offers potentials.

Segment results represent segment operating revenue less segment expenses. Unallocated income includes interest income, dividend income and gain or loss on disposal of investments. Unallocated costs represent corporate centre expenses and net foreign exchange differences arising from revaluation of corporate borrowings. 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, inventories and cash and bank balances. Unallocated corporate assets mainly include staff loans, other long term receivables, investments, deferred tax assets and property, plant and equipment of the Company's training centre and office buildings.

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

Segment capital expenditure comprises additions to intangibles, property, plant and equipment, including additions resulting from acquisition of subsidiaries as disclosed in note 19 and 20 to the financial statements.

Significant non-cash expenses comprise mainly allowances and unrealised foreign exchange losses (excluding net foreign exchange differences arising from revaluation of borrowings) as disclosed in note 5(b) to the financial statements.

40. SEGMENTAL REPORTING (continued)

	Malaysia Business RM	Celcom RM	International Operations RM	TM Ventures RM	Total RM
Year Ended 31 December 2007					
Operating Revenue					
Total operating revenue	7,643.2	5,127.0	4,987.2	1,265.7	19,023.1
Inter-segment*	(341.3)	(161.9)	(51.0)	(626.0)	(1,180.2)
External operating revenue	7,301.9	4,965.1	4,936.2	639.7	17,842.9
Results					
Segment results	1,431.4	1,345.7	790.7	53.3	3,621.1
Unallocated income					446.9
Corporate expenses					(847.0)
Foreign exchange gains					262.3
Operating profit before finance cost					3,483.3
Finance income					203.9
Finance cost					(820.9)
Jointly controlled entities					
– share of results (net of tax)	—	—	175.5	—	175.5
– gain on dilution of equity interest	—	—	71.3	—	71.3
Associates					
– share of results (net of tax)	—	5.1	24.5	(0.1)	29.5
Profit before taxation					3,142.6
Taxation	2.9	(344.2)	(145.5)	(24.2)	(511.0)
Profit for the year					2,631.6
At 31 December 2007					
Segment assets	15,526.9	9,715.7	13,523.9	1,856.6	40,623.1
Jointly controlled entities	—	—	1,024.4	—	1,024.4
Associates	—	22.0	230.2	0.3	252.5
Unallocated corporate assets					2,321.3
Total assets					44,221.3
Segment liabilities	3,035.1	2,060.4	1,890.2	379.7	7,365.4
Borrowings					11,924.4
Unallocated liabilities					4,280.0
Total liabilities					23,569.8

40. SEGMENTAL REPORTING (continued)

	Malaysia Business RM	Celcom RM	International Operations RM	TM Ventures RM	Total RM
Year Ended 31 December 2007					
Other Information					
Capital expenditure					
– additions during the year	**1,634.5**	**753.2**	**3,885.5**	**91.1**	**6,364.3**
Depreciation and amortisation	**2,085.1**	**854.6**	**933.0**	**157.1**	**4,029.8**
Write off of property, plant and equipment	**31.5**	**—**	**1.8**	**—**	**33.3**
Impairment of property, plant and equipment	**11.9**	**62.9**	**4.5**	**6.6**	**85.9**
Reversal of impairment of property, plant and equipment	**—**	**(5.5)**	**—**	**—**	**(5.5)**
Significant non-cash expenses	**324.1**	**68.2**	**185.5**	**36.1**	**613.9**
Year Ended 31 December 2006					
Operating Revenue					
Total operating revenue	7,495.9	4,528.6	4,165.4	989.4	17,179.3
Inter-segment*	(347.3)	(104.6)	(14.4)	(313.8)	(780.1)
External operating revenue	7,148.6	4,424.0	4,151.0	675.6	16,399.2
Results					
Segment results	1,344.8	1,132.7	1,212.2	64.8	3,754.5
Unallocated income					155.5
Corporate expenses					(721.8)
Foreign exchange gains					302.4
Operating profit before finance cost					3,490.6
Finance income					234.0
Finance cost					(621.9)
Jointly controlled entities					
– share of results (net of tax)	—	—	10.6	—	10.6
Associates					
– share of results (net of tax)	—	(8.6)	28.5	—	19.9
Profit before taxation					3,133.2
Taxation	(116.1)	(398.7)	(296.8)	(19.3)	(830.9)
Profit for the year					2,302.3

40. SEGMENTAL REPORTING (continued)

	Malaysia Business RM	Celcom RM	International Operations RM	TM Ventures RM	Total RM
At 31 December 2006					
Segment assets	16,033.6	9,587.2	10,920.0	1,993.3	38,534.1
Jointly controlled entities	—	—	807.5	—	807.5
Associates	—	14.5	205.6	0.5	220.6
Unallocated corporate assets					2,281.3
Total assets					41,843.5
At 31 December 2006					
Segment liabilities	2,740.0	1,792.3	1,482.6	326.7	6,341.6
Borrowings					12,085.9
Unallocated liabilities					2,668.4
Total liabilities					21,095.9
Year Ended 31 December 2006					
Other Information					
Capital expenditure					
– additions during the year	1,664.4	857.1	3,087.2	208.1	5,816.8
– acquisition of subsidiaries	—	146.6	(54.0)	—	92.6
Depreciation and amortisation	2,258.0	807.8	785.1	151.9	4,002.8
Write off of property, plant and equipment	1.6	0.2	0.1	0.1	2.0
Impairment of property, plant and equipment	0.1	0.5	3.5	—	4.1
Reversal of impairment of property, plant and equipment	(3.9)	(3.5)	—	—	(7.4)
Significant non-cash expenses	210.2	77.5	(113.4)	12.9	187.2

* Inter-segment operating revenue has been eliminated at the respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms.

40. SEGMENTAL REPORTING (continued)

By Geographical Location

The Group operates in many countries as disclosed in note 50 to the financial statements. Accordingly, the segmentisation of Group operation by geographical location is segmentised to Malaysia and overseas. The overseas operation is further segregated into Indonesia and others as no other individual overseas country contributed more than 10.0% of consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**	**2007 RM**	**2006 RM**
Malaysia	**12,706.5**	12,087.4	**29,214.6**	29,357.6	**2,470.7**	2,865.2
Overseas						
– Indonesia	**2,962.8**	2,296.1	**8,143.3**	6,081.2	**2,738.3**	1,793.2
– Others	**2,173.6**	2,015.7	**3,265.2**	3,095.3	**1,155.3**	1,251.0
	17,842.9	16,399.2	**40,623.1**	38,534.1	**6,364.3**	5,909.4
Jointly controlled entities			**1,024.4**	807.5		
Associates			**252.5**	220.6		
Unallocated corporate assets			**2,321.3**	2,281.3		
Total assets			**44,221.3**	41,843.5		

41. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**3,832.1**	3,817.2	**1,181.7**	1,594.3
Commitments in respect of expenditure approved but not contracted for	**921.5**	1,226.7	**—**	—
(b) Donation to Yayasan Telekom				
Amount approved and committed	**49.1**	62.4	**49.1**	62.4

41. CAPITAL AND OTHER COMMITMENTS (continued)

	The Company	
	2007 Future minimum lease payments RM	2006 Future minimum lease payments RM
(c) Non-cancellable operating lease commitments		
Not later than one year	**54.9**	52.4
Later than one year and not later than five years	**81.4**	74.3
	136.3	126.7

The above lease payments relate to the non-cancellable operating lease of a telecommunication tower from a wholly owned subsidiary.

(d) Other commitments

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

42. CONTINGENT LIABILITIES (UNSECURED)

(a) On 6 October 2005, TM International (L) Limited (TMIL) had executed a blanket counter indemnity in favour of a financial institution in Labuan for all facilities offered. As at 31 December 2007, the amount outstanding is USD26.5 million (2006: USD16.6 million). A summary of the facilities offered by the financial institution is as follows:

(i) Issuance of USD10.0 million Standby Letter of Credit (SBLC) to a financial institution in Karachi on behalf of TMIL on 6 October 2005 to counter guarantee a USD10.0 million SBLC to Pakistan Telecommunication Authority (PTA) on behalf of a subsidiary, Multinet Pakistan (Private) Limited (Multinet).

This SBLC was part of a requirement in awarding a long distance international licence to Multinet. The tenure of the SBLC is 3 years and is subject to an annual review.

(ii) Offering of an additional SBLC facility of up to USD33.0 million to TMIL on 18 December 2006, to counter guarantee a financial institution in Karachi for Bank Guarantee (BG) issuances on behalf of Multinet to Telenor Pakistan (Private) Limited (Telenor).

Multinet and Telenor had entered into a 20 years Indefeasible Right of Use agreement which requires a BG favouring Telenor to be issued by Multinet. A financial institution in Karachi has issued a BG to Telenor on behalf of Multinet. The BG is to be issued in 3 tranches. As at 31 December 2007, a USD16.5 million (2006: USD6.6 million) SBLC was issued, being the first and second tranche. The tenure of the SBLC is 1 year and is subject to an annual review.

(b) On 11 August 2003, the Company jointly with Telekom Publications Sdn Bhd (now known as TM Info-Media Sdn Bhd) (TMIM), the Company's wholly owned subsidiary, instituted legal proçeedings against Buying Guide (M) Sdn Bhd (BGSB) relating to the infringement of TMIM's and the Company's copyright and passing off.

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

On 27 July 2004, BGSB filed their notice of appeal against the Assistant Registrar's decision which was dismissed on 8 April 2005 with cost. On 10 June 2005, TMIM and the Company filed their reply to BGSB's statement of defence and the Company's defence to BGSB's counterclaim.

The case was heard on 14 February 2007, 11 June 2007, 14 September 2007 and 5 November 2007 respectively, and TMIM and the Company had filed and served the tentative list of witness and tentative list of documents. The next hearing is on 17 March 2008.

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

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

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

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

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

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

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

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

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

On 23 January 2006, the Court granted an order in terms for the Company's application to transfer this matter from Kuala Lumpur High Court to Johor Bahru High Court and as directed by the High Court, the Company filed its statement of defence in the Kuala Lumpur High Court on 21 February 2006.

On 10 November 2006, the plaintiff's solicitors had served the Company with the unsealed notice to attend pre-trial case management. However, the plaintiff's solicitors have yet to serve the Company with the sealed copy of the said notice.

On 16 November 2007, the plaintiff's solicitors had served the Company with an application to strike out the Company's Statement of Defence. The said striking out application is fixed for hearing on 12 May 2008.

The Directors, based on legal advice, are of the view that the Company has a reasonably good chance of success in defending its case against BLDSB.

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

(d) Acres & Hectares Sdn Bhd (AHSB) had instituted legal proceeding against the Company by way of a writ of summons dated 22 April 2005 and statement of claim dated 7 April 2005 in the High Court of Malaya at Kuala Lumpur.

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

On 15 June 2005, the Company filed its statement of defence disputing the appointment of AHSB as the Company's consultant in relation to the said project and put AHSB to strict proof thereof. In addition, the Company contended that the preliminary reports prepared by AHSB were part of the requirements to be fulfilled by AHSB prior to the selection of the appointment of a consultant to be approved by TMF Board of Directors.

On 7 July 2005, the Company filed an interlocutory application to strike out AHSB's claim and the matter was originally fixed for hearing on 29 September 2005. The Court heard the said application on 17 October 2005 and then adjourned the said hearing to 22 December 2005.

On 22 December 2005, the Court directed the Company and AHSB to file their written submission on 6 January 2006 and 20 January 2006 respectively and the decision was fixed on 10 February 2006. However, on 10 February 2006, the Court dismissed the Company's application with costs on grounds that there were triable issues to be decided before a full and proper hearing. Meanwhile, AHSB had served a notice to attend for pre-trial case management on the Company and this notice is fixed for hearing on 6 March 2006.

On 6 March 2006, the Court had fixed this matter for hearing on 10 December 2007 to 12 December 2007 as the trial date of this case. The Court has also directed the parties to file the necessary cause papers before the said hearing dates. On 10 December 2007, the Court has postponed the case to 10 March 2008 for mention pending the outcome of an application by AHSB's solicitors to discharge themselves from representing AHSB in the case.

The Directors, based on legal advice, are of the view that the Company has a reasonably good chance of success in defending its case against AHSB.

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

(e) By a Joint Venture Agreement dated 13 September 1993 (JVA), Technology Resources Industries Berhad (TRI) and VIP Engineering and Marketing Limited (VIPEM) agreed to establish TRI Telecommunications Tanzania Limited (Tritel) as a joint venture company, to provide telecommunications services in Tanzania.

On 10 December 2001, vide Civil Case No. 427 of 2001 (the Suit) VIPEM is claiming a sum of USD18.6 million from TRI as its share of loss of profits for mismanagement of Tritel. TRI through its solicitors asserted that the Court has no jurisdiction to hear the Suit because of the arbitration clause in the JVA and applied for a stay of proceedings. The Court concurred with TRI's contention and TRI then filed a petition to stay the proceedings pending reference of the dispute to arbitration. Subsequently, on 17 July 2003 the Court adjourned the Suit sine die pending completion of the liquidation of Tritel. In light of the winding up order made against Tritel, on 22 July 2003, TRI filed its claims of RM123.4 million with the liquidator of Tritel.

The Directors, based on legal opinion received, are of the view that on the allegations of mismanagement, unless more evidence can be produced, the allegations are rhetorical and unsubstantiated. In view of the winding up proceedings, there is also a possibility that VIPEM will not pursue its claim. Hence, no provision has been made in the financial statements for the claim made by VIPEM.

(f) In 2005, Rego Multi-Trades Sdn Bhd (Rego), a wholly owned subsidiary of Celcom (Malaysia) Berhad (Celcom) commenced proceedings in the High Court against Aras Capital Sdn Bhd (Aras Capital) and Tan Sri Dato' Tajudin Ramli (TSDTR) for amounts due to Rego pursuant to an investment agreement with Aras Capital and an indemnity letter given by TSDTR. The sum claimed in the proceedings is RM261.8 million as at 30 November 2004 together with interests and costs. On 13 May 2005, TSDTR filed its defence and instituted a counterclaim against Rego, TRI and its directors to void and rescind the indemnity letter and also claim damages. Subsequently, Rego, TRI and its directors filed their respective applications to strike out TSDTR's counterclaim on 19 July 2005 but their respective applications were dismissed by the Registrar on 18 May 2006. Rego, TRI and its directors then filed their respective appeals and the same are fixed for mention on 4 March 2008.

The Directors, based on legal advice received, are of the view that it has good prospects of succeeding on the claim and successfully defending the counterclaim if the same were to proceed to trial.

(g) On 24 November 2005 and 29 November 2005, Celcom was served with 2 Writs of Summons and Statement of Claim by MCAT GEN Sdn Bhd (MCAT). The claims instituted were for (i) libel based on certain alleged press releases made by Celcom which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian (First Suit) and (ii) breach of contract on an alleged Resellers Agreement between Celcom and MCAT (Second Suit).

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

(g) Subsequently on 13 December 2005, Celcom was served with a Writ of Summons and Statement of Claim by MCAT's directors, whereby the directors have pleaded a cause of action for libel against Celcom based on certain alleged press releases which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian. The directors are seeking, amongst others, damages for libel totalling RM1.01 billion, aggravated and exemplary damages, an injunction restraining Celcom from further publishing any similar defamatory words, a public apology, interests and costs (Third Suit).

In the First Suit, MCAT is seeking, amongst other remedies, damages for libel in the sum of RM1.0 billion, aggravated and exemplary damages, an injunction restraining Celcom from further publishing any similar allegedly defamatory words, a public apology, interests and costs. Celcom then filed a defence on the grounds that there was no concluded contract between the parties and, furthermore, that its statements were published by third parties and, in any event, not defamatory of MCAT. It also instituted a counterclaim against MCAT for passing off its products and services as those of Celcom's, implying a trade association with Celcom when no such association exists and for misrepresenting itself as a reseller of its products and services, and filed an application to strike out MCAT's claim.

In December 2006, at the Court's direction, Celcom successfully applied to consolidate this action with the Third Suit, which MCAT appealed against. Subsequently MCAT has withdrawn the appeal with no order as to costs.

On 22 March 2007, Celcom's striking out application was dismissed with costs and Celcom subsequently filed an appeal to the Judge in Chambers against the dismissal. On 29 January 2008, the High Court dismissed Celcom's appeal. Celcom is presently considering whether to file a notice of appeal to the Court of Appeal. The notice of appeal to the Court of Appeal must be filed within 30 days from 29 January 2008.

In respect of the Second Suit, MCAT is seeking, amongst other remedies, specific performance of the Reseller Agreement, damages in the sum of RM765.1 million and damages in lieu or in addition to specific performance. Celcom's position is that it did not enter into the Reseller Agreement and there is no agreement between the parties. In 2006, MCAT unsuccessfully applied for an injunction to restrain Celcom from entering into a similar agreement with any other party that would be detrimental to MCAT's alleged rights under the Reseller Agreement and from disclosing any confidential information to third parties.

Celcom applied to the High Court for security of costs and to strike out parts of MCAT's statement of claim on the basis that the statement did not satisfy the Court's direction to furnish further and better particulars to Celcom. The High Court granted Celcom's application for security for costs and MCAT has paid an aggregate of RM250,000 into the Court. Celcom's striking out application was however dismissed by the Court. The matter commenced to trial in June 2007 and hearings are scheduled to continue in May 2008.

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

(g) In respect of the Third Suit, the MCAT's directors are seeking, amongst other remedies, an aggregate amount of RM1.01 billion in damages, aggravated and exemplary damages, a retraction of the allegedly defamatory statements and an injunction restraining Celcom from further publishing any similar allegedly defamatory words. Celcom filed its defence and striking out application on the same grounds as its defence in the First Suit. It also filed a counterclaim against Mohd Razi bin Adam for a breach of his employment contract with Celcom and his fiduciary duties as an employee of Celcom prior to his joining MCAT as its chief executive officer. Celcom also applied for an injunction to restrain him from disclosing confidential information acquired by him as an employee of Celcom. Celcom's striking out application was allowed with costs on 12 November 2007. The MCAT's directors have filed an appeal and no dates have been fixed. On 9 March 2007, Celcom successfully applied to consolidate this suit with the First Suit. Consequently, this proceeding shall only be heard after the First Suit has been disposed off.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the 3 cases above is remote.

(h) In June 2006, the Company, Telekom Enterprise Sdn Bhd (TESB), Celcom and TRI (TM Group) were served with a defence and counterclaim by TSDTR in connection with proceedings initiated against him by Pengurusan Danaharta Nasional Berhad (Danaharta) and 2 others. The TM Group and the other 20 defendants were joined in these proceedings via the counterclaim.

TSDTR is seeking from Celcom, TRI and 9 others jointly and/or severally the following relief in the counterclaim:

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

(ii) general damages to be assessed;

(iii) aggravated and exemplary damages to be assessed;

(iv) damages for conspiracy to be assessed;

(v) an Account of all sums paid under the Facility Agreement and/or to Danaharta by TSDTR including all such sums received by Danaharta including as a result of the sale of the TRI shares and the Naluri shares;

(vi) an assessment of all sums due to be repaid by Danaharta to TSDTR as a result of overpayment by TSDTR to Danaharta;

(vii) an Order that Danaharta forthwith pays all sums adjudged to be paid to TSDTR under prayer (vi);

(viii) an Account of all dividends and/or payments received by the Company arising out of or in relation to the TRI (now Celcom) Shares;

(ix) an Order that the Company forthwith pays all sum adjudged to be paid to TSDTR under prayer (viii);

(x) damages for breach of contract against Danaharta to be assessed.

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

(h) In addition, TSDTR is also seeking, inter alia, from all the 24 Defendants to the counterclaim the following relief:

(i) the sum of RM7.2 billion;

(ii) damages for conspiracy to be assessed;

(iii) a declaration that the Vesting Certificates are illegal and ultra vires that the Danaharta Act and/or unconstitutional against the provisions of the Federal Constitution and/or against Public Policy and void;

(iv) a declaration that the Settlement Agreement is illegal and ultra vires the Danaharta Act and/or the Federal Constitution and is void and unenforceable pursuant to S.24 of the Contracts Act 1950 inter alia as being against Public Policy;

(v) a declaration that all acts and deeds carried out and all agreements executed by Danaharta is illegal and unenforceable;

(vi) an order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta hereby declared as null and void and set aside;

(vii) all necessary and fit orders and directions as may be required to give full effect to the aforesaid declarations and orders;

(viii) damages to be assessed;

(ix) aggravated and exemplary damages to be assessed;

(x) interest at the rate of 8.0% per annum on all sums adjudged to be paid by the respective Defendants to the counterclaim to TSDTR from the date such loss and damage was incurred to the date of full payment;

(xi) costs.

In July 2006, the TM Group's solicitors filed applications on behalf of the Company/TESB and Celcom/TRI respectively to strike out the counterclaim. Both applications were dismissed on 28 August 2007 with costs. The Company/TESB appeal against the dismissal is fixed for hearing on 16 July 2008 and Celcom/TRI appeal is fixed for hearing on 26 September 2008.

TSDTR has also applied to re-amend the counterclaim to include 14 additional defendants, 11 of whom are present or former directors/officers of the TM Group. This application is fixed for hearing on 14 March 2008. The TM Group is opposing it on the grounds it is, amongst others, frivolous and an abuse of the process of court.

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

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

(i) In July 2006, Celcom was served with a Writ of Summons and Statement of Claim by the Plaintiff, Dato' Saizo Abdul Ghani (trading under the name and style of Airtime Telecommunication). The Plaintiff seeks against Celcom and Kamsani bin Hj Ahmad (Kamsani), an employee of Celcom at the material time, general damages in the sum of RM15.0 million for the alleged libel and breach of contract, a further sum of RM15.0 million in exemplary and aggravated damages for the alleged libel and an injunction to prevent Celcom and Kamsani from distributing or publishing any letters or content similar thereto, interest and costs.

A Memorandum of Appearance and a Statement of Defence was filed on 7 July 2006 and 21 July 2006 respectively on behalf of Celcom and Kamsani (Defendants). On 28 August 2006, the Defendants filed a striking out application and on 17 May 2007, the Court dismissed the striking out application. Notice of appeal to the Judge in Chambers was filed by the Defendants. Subsequently, on 13 September 2007, the Court allowed the Defendants' appeal with costs. On 11 October 2007, the Plaintiff filed a notice of appeal to the Court of Appeal against the whole of the Court's decision. No date has been fixed for the appeal.

The Directors, based on legal advice, are of the view that the Defendants have a reasonably good chance of success in defending the claims by the Plaintiff.

(j) On 6 July 2006, Celcom was served with a Writ of Summons and Statement of Claim by the Plaintiff, Asmawi bin Muktar (trading under the name and style of GM Telecommunication & Trading). The Plaintiff seeks against Celcom and Kamsani, general damages in the sum of RM10.0 million for the alleged libel and breach of contract, a further sum of RM9.0 million in exemplary and aggravated damages for the alleged libel and an injunction to prevent Celcom and Kamsani from distributing or publishing any letters or content similar thereto, and interest and costs.

A Memorandum of Appearance and a Statement of Defence was filed on 7 July 2006 and 21 July 2006 respectively on behalf of Celcom and Kamsani (Defendants). On 28 August 2006, the Defendants filed a striking out application and on 22 February 2007, the Court dismissed the striking out application. Notice of appeal to the Judge in Chambers was filed by the Defendants. On 17 September 2007, the Court dismissed the Defendants' appeal with costs. On 11 October 2007, the Defendants filed a notice of appeal to the Court of Appeal against the whole of the Court's decision. No date has been fixed for the appeal.

The Plaintiff has filed an application to amend its Writ of Summons and Statement of Claim and the said application is fixed for hearing on 26 February 2008.

The Directors, based on legal advice, are of the view that the Defendants have a reasonably good chance of success in defending the claims by the Plaintiff.

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

(k) TRI filed a claim against TSDTR, Bistamam Ramli and Dato' Lim Kheng Yew (Defendants), being former directors of TRI for the recovery of a total sum of RM55.8 million which was paid to the Defendants as compensation for loss of office and incentive payment and also the return of 2 luxury vehicles which were transferred to the first 2 Defendants.

On 18 September 2006, TRI was served with a copy of the first and second Defendants' Defence and Counterclaim. This matter is fixed for hearing on 2, 3, 4 and 5 March 2009.

The Directors have been advised that TRI has good prospect of success in respect of the claim.

(l) On 26 November 2007, the Company, Celcom and TESB (collectively referred to in this paragraph (l) as TM Group) had been 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 TM Group and 11 others (including the former and existing directors of TM Group) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the TM Group; and

(v) various damages to be assessed.

The TM Group has as of 30 November 2007 obtained leave to enter conditional appearance and subsequently on 17 December 2007, TM Group filed the relevant applications to strike out the suit. All of the striking out applications have been fixed for mention on 15 May 2008.

The Directors, based on legal advice, are of the view that claims made by MSI are not sustainable and accordingly will take steps to strike out the action.

(m) On 15 November 2007, PT Excelcomindo Pratama Tbk (XL) received a notice letter from KPPU (the Commission for Fair Business Practices) concerning the investigation on potential cartelistic practices allegedly involving GSM operators in Indonesia in relation to the perceived price SMS charges. If XL is found guilty of price fixing, based on Article 47 of Law No. 5 of 1999 concerning Anti Monopolistic Practices and Unfair Business Competition (the Anti Monopoly Law), XL may be ordered to amend the agreement that forms the basis of existing prices and to pay certain fines and other sanctions as deemed enforceable by the Anti Monopoly Law.

The investigation is still in process and consequently, the Directors are of the view that the outcome cannot be determined reliably.

42. CONTINGENT LIABILITIES (UNSECURED) (continued)

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.

43. SIGNIFICANT RELATED PARTY DISCLOSURES

The related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries, jointly controlled entities and associates namely the following:

Celcom (Malaysia) Berhad
Dialog Telekom PLC
Fiberail Sdn Bhd
GITN Sdn Berhad
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
MobileOne Limited*
PT Excelcomindo Pratama Tbk
Rebung Utama Sdn Bhd
SunShare Investments Ltd#
Telekom Applied Business Sdn Bhd
Telekom Enterprise Sdn Bhd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
Telekom Smart School Sdn Bhd
TMF Autolease Sdn Bhd
TMF Services Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM International (Bangladesh) Limited
TM International (L) Limited
TM International Berhad
TM Net Sdn Bhd
TM Payphone Sdn Bhd (now known as Pernec Paypoint Sdn Bhd)
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd

* An associate of the Company held through SunShare Investments Ltd
\# A jointly controlled entity of the Company

The related party transactions with associates also include transactions between Celcom (Malaysia) Berhad and MobileOne Limited and its associates, namely Sacofa Sdn Bhd and C-Mobile Sdn Bhd and between PT Excelcomindo Pratama Tbk and MobileOne Limited.

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 36.14% equity interest and is a related party of the Company.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company or the Group either directly or indirectly. Key management personnel of the Company are the directors (executive and non-executive) of the Company and heads or senior management officers who report directly to the Group Chief Executive Officer whereas the key management personnel of the Group also includes all Group Executive Committee members.

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

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties:

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
(a) Sales of goods and services				
– Subsidiaries				
– telecommunication related services	**—**	—	**469.9**	947.2
– lease/rental of buildings and vehicles	**—**	—	**45.2**	46.1
– other income*	**—**	—	**20.7**	16.7
– less waiver/allowance	**—**	—	**(61.1)**	(3.2)
– Associates				
– telecommunication related services	**52.2**	15.6	**11.7**	8.5
* Included management fees, royalties, charges for security, shared services, training and related activities.				
(b) Dividend and interest income				
– Subsidiaries	**—**	—	**257.4**	150.4
– Jointly controlled entity	**—**	—	**71.2**	—
(c) Purchases of goods and services				
– Subsidiaries				
– telecommunication related services	**—**	—	**578.0**	273.1
– lease/rental of buildings	**—**	—	**52.4**	52.4
– maintenance of vehicles and buildings	**—**	—	**186.2**	—
– other expenses	**—**	—	**118.8**	140.2
– Associates				
– telecommunication related services	**46.0**	21.2	**10.3**	3.1

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
(d) Finance cost				
– Subsidiaries	**—**	—	**262.2**	262.8
(e) Key management compensation				
– Short term employee benefits				
– Fees	**0.7**	0.8	**0.3**	0.4
– Salaries, allowances and bonus	**9.1**	6.6	**7.3**	5.1
– Contribution to Employees Provident Fund (EPF)	**1.5**	1.0	**1.2**	0.8
– Estimated money value of benefits	**0.7**	0.4	**0.4**	0.2
– Other staff benefits	**0.6**	0.2	**0.5**	0.2
– Share-based payment				
– ESOS expense	**1.0**	0.9	**0.9**	0.8
Included in key management compensation is the Directors' remuneration (whether executive or otherwise) as disclosed in note 5(b) to the financial statements				
(f) Year-end balances arising from sales/purchases of goods/services				
(i) Receivables from related parties				
– Subsidiaries	**—**	—	**340.5**	589.7
– Associates	**33.8**	11.9	**18.5**	8.2
(ii) Payables to related parties				
– Subsidiaries	**—**	—	**339.8**	212.1
– Associates	**21.1**	7.0	**5.8**	3.0

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

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

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

	The Group		The Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
(g) Loans and advances extended to related parties				
(i) Loans and advances to subsidiaries				
At 1 January	**—**	—	**8,655.4**	8,797.7
Advanced during the year	**—**	—	**482.2**	1,113.3
Repayments during the year	**—**	—	**(956.1)**	(1,043.1)
Foreign exchange differences	**—**	—	**24.8**	(9.9)
Transfer of property, plant and equipment	**—**	—	**19.2**	—
Conversion of advances into paid-up capital	**—**	—	**—**	(13.2)
Adjustment	**—**	—	**—**	(65.9)
Waiver/allowances	**—**	—	**(0.2)**	(131.5)
Interest charged	**—**	—	**6.6**	8.0
At 31 December (note 24)	**—**	—	**8,231.9**	8,655.4
(ii) Advances to associates				
At 1 January	**8.9**	8.9	**—**	1.1
Allowances	**(8.9)**	—	**—**	(1.1)
At 31 December	**—**	8.9	**—**	—
(iii) Loans to key management personnel of the Company				
At 1 January	**—**	—	**0.3**	0.4
Repayments during the year	**—**	—	**(0.1)**	(0.1)
Interest charged	**—**	—	**#**	#
Interest received	**—**	—	**#**	#
At 31 December	**—**	—	**0.2**	0.3
Total loans and advances to related parties				
At 1 January	**8.9**	8.9	**8,655.7**	8,799.2
Advanced during the year	**—**	—	**482.2**	1,113.3
Repayments during the year	**—**	—	**(956.2)**	(1,043.2)
Foreign exchange differences	**—**	—	**24.8**	(9.9)
Transfer of property, plant and equipment	**—**	—	**19.2**	—
Conversion of advances into paid-up capital	**—**	—	**—**	(13.2)
Adjustment	**—**	—	**—**	(65.9)
Waiver/allowances	**(8.9)**	—	**(0.2)**	(132.6)
Interest charged	**—**	—	**6.6**	8.0
At 31 December	**—**	8.9	**8,232.1**	8,655.7

Amount less than RM0.1 million

44. SIGNIFICANT EVENT DURING THE YEAR

On 28 September 2007, the Company announced the proposed demerger of the Group to create 2 separate entities with distinct business strategies and aspirations (Proposed Demerger) and the proposed listing of the entire issued and paid-up ordinary share capital of TM International Berhad (TM International) on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities) (Proposed Listing).

The Company has further announced on 10 December 2007, that the Board of Directors has approved the final terms of the Proposed Demerger which comprises the proposed internal restructuring of the Group to group the assets for the mobile and non-Malaysian businesses under TM International and the assets for the fixed line voice, data and broadband businesses under the Company (which includes the transfer of the 3G Spectrum Assignment from the Company to Celcom (Malaysia) Berhad) (Proposed Internal Restructuring), and the proposed distribution by the Company to the Entitled Shareholders of the entire holding of and rights to ordinary shares of RM1.00 each in TM International (TM International Shares) (Proposed Distribution).

Accordingly, the Company had, on the same date, entered into a Demerger Agreement with its wholly owned subsidiaries, Telekom Enterprise Sdn Bhd, TM International, Celcom (Malaysia) Berhad and Celcom Transmission (M) Sdn Bhd to give effect to the Proposed Internal Restructuring. Following the Proposed Internal Restructuring, the Company proposes to distribute its entire holdings in and rights to TM International Shares to the entitled shareholders of the Company (Proposed Distribution). The entire issued and paid-up ordinary share capital of TM International is proposed to be listed on the Main Board of Bursa Securities.

On 10 December 2007, the Board of Directors also proposed the following:

(i) to obtain a shareholders' mandate for the issuance of up to 10.0% of the share capital of TM International (Proposed Shareholders' Mandate); and

(ii) to have in place an employees' share option scheme for eligible employees and Executive Director(s) of the Group (Proposed Option Scheme).

The Board of Directors has also approved a payment of a special gross dividend of 65.0 sen per share less tax of 26.0% in respect of the year ended 31 December 2007, to the shareholders of the Company. The special net dividend of 48.1 sen per share amounting to RM1,654.5 million was paid on 31 January 2008.

44. SIGNIFICANT EVENT DURING THE YEAR (continued)

The Proposals are subject to the following:

(i) approval of the Minister of Finance, Incorporated for the Proposed Internal Restructuring and Proposed Distribution, which was obtained on 22 January 2008;

(ii) approval of the Securities Commission (SC) and SC (on behalf of the Foreign Investment Committee (FIC)) for the Proposed Demerger, Proposed Listing and issuance of TM International Shares pursuant to the Proposed Shareholders' Mandate, which was obtained on 30 January 2008 subject to certain conditions as stipulated in our announcement to Bursa Securities on 4 February 2008;

(iii) approval of Bursa Securities for the Proposed Listing, and listing of and quotation for the TM International Shares to be issued pursuant to the Proposed Shareholders' Mandate;

(iv) approval of the Malaysian Communications and Multimedia Commission for the transfer of the 3G Spectrum Assignment under the Proposed Internal Restructuring, which was obtained on 21 February 2008;

(v) approval of the Company's shareholders, which will be sought at the Company's Extraordinary General Meeting (EGM) to be held on 6 March 2008;

(vi) approval of the Group's creditors/lenders (where applicable) for the Proposed Demerger;

(vii) approval of the Group's counterparties with respect to shareholders' agreements and joint venture agreements (where applicable) for the Proposed Demerger; and

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

Further to the above, the Company is also seeking the shareholders' approval at the EGM for the Employees Provident Fund Board (EPF), the Company's major shareholder to subscribe up to 30.0% of the number of new TM International Shares which may be made available and issued under the Proposed Shareholders' Mandate.

Consequent to the Proposed Option Scheme, which is subject to the shareholders' approval and approval of Bursa Securities for the listing of and quotation for the Company's Shares, the Company also proposes to grant options to Dato' Sri Abdul Wahid Omar, the Group Chief Executive Officer and Director, and an employee, Mohd Azizi Rosli, son of Rosli Man, a Director of the Company (Proposed Grant of Options). The Proposed Grant of Options is subject to the shareholders' approval at the forthcoming EGM.

Barring any unforeseen circumstances, the Proposals are expected to complete by end of the second quarter of 2008. The proposed issuance of TM International Shares under the Proposed Shareholders' Mandate (if implemented) will be implemented over the Mandate Period.

There were no other significant events during the year that have not been reflected in the audited financial statements.

45. SIGNIFICANT SUBSEQUENT EVENTS

(a) Islamic Sale and Leaseback Transaction of RM1,000.0 million

On 2 January 2008, the Company entered into the conditional Sale and Purchase Agreements and Master Ijarah Agreement with Menara ABS Berhad (MAB) as well as a Supplemental Agreement to the Sale and Purchase Agreement for Menara Celcom dated 28 August 2007, in relation to the sale and leaseback transaction as mentioned in note 29 to the financial statements, for a total consideration of RM1,000.0 million.

The sale and leaseback that involved the issuance of RM1,000.0 million Islamic Asset Backed Sukuk Ijarah by MAB was completed on 15 January 2008. MAB accordingly issued 3 classes of Sukuk: Class A totalled RM345.0 million; Class B totalled RM155.0 million, while Class C totalled RM500.0 million. Rating Agency Malaysia Bhd has rated Class A and B, with Class C being un-rated.

(b) Proposed Acquisition by TM International Berhad (TM International) and Indocel Holding Sdn Bhd (Indocel), both wholly owned subsidiaries of the Company, from Khazanah Nasional Berhad (Khazanah) of Equity Interests in SunShare Investments Ltd (SunShare) and PT Excelcomindo Pratama Tbk (XL) (Proposed Acquisition)

On 6 February 2008, TM International and Indocel had entered into a Sale and Purchase Agreement (SPA) with Khazanah (collectively referred to as the "Parties") to acquire all of Khazanah's equity interests in SunShare and XL for an aggregate purchase consideration of RM1,580.0 million which will be satisfied through the issuance of new ordinary shares of RM1.00 each in TM International under the Proposed Acquisition (Consideration Shares).

If the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement, Khazanah's equity interest in TM International after the Proposed Demerger would increase by more than 2.0% from 34.75% to 37.81% (based on Khazanah's shareholdings in the Company as at 31 January 2008 adjusted for effects of the Proposed Option Scheme) as a result of the Proposed Acquisition. In accordance with Section 6, Part II of the Malaysian Code on Take-Overs and Mergers, 1998 (Code), Khazanah would then be required to carry out a mandatory take-over offer to acquire the remaining voting shares in TM International not held by Khazanah.

Consequently, on 15 February 2008, an application to the Securities Commission (SC) had been made for an exemption for Khazanah under Practice Note 2.9.1 of the Code, from the obligation to carry out a mandatory take-over offer to acquire the remaining voting shares in TM International not held by Khazanah pursuant to the issuance of new TM International Shares under the Proposed Acquisition (Proposed Exemption). The SC had through its letter dated 18 February 2008, stated that it will consider the Proposed Exemption upon various conditions being met.

The Proposed Acquisition is subject to the following:

(i) approval of the SC;

(ii) approval of the SC (on behalf of the Foreign Investment Committee (FIC));

(iii) approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Board of Bursa Securities in conjunction with the Proposed Listing (if applicable);

(iv) approval of the Company's shareholders, which will be sought at the Company's Extraordinary General Meeting (EGM) to be held on 6 March 2008;

(v) approval of the TM International Group's creditors/lenders (where applicable); and

(vi) approvals/consents of any other relevant authorities.

Applications to the SC and SC (on behalf of the FIC) were made on 22 February 2008.

45. SIGNIFICANT SUBSEQUENT EVENTS (continued)

(b) Proposed Acquisition by TM International Berhad (TM International) and Indocel Holding Sdn Bhd (Indocel), both wholly owned subsidiaries of the Company, from Khazanah Nasional Berhad (Khazanah) of Equity Interests in SunShare Investments Ltd (SunShare) and PT Excelcomindo Pratama Tbk (XL) (Proposed Acquisition) (continued)

In addition, the Proposed Acquisition is subject to the Proposed Exemption being approved by the SC and the Company's shareholders at the Company's EGM.

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the end of the second quarter of 2008.

(c) Other Significant Subsequent Events

(i) On 4 February 2008, Celcom was served with a sealed Originating Summons (Summons) by Mohd Shuaib Ishak (MSI) seeking leave to bring a derivative action in Celcom's name under Section 181A(1) of the Companies Act 1965 (the Proposed Action).

The Proposed Action is against, inter alia, the former and existing directors of Celcom and the Company for failing to obtain the consent of DeTeAsia Holding GmbH (DeTeAsia) pursuant to the Amended and Restated Agreement (ARSA) dated 4 April 2002 with DeTeAsia prior to Celcom entering into the Sale and Purchase Agreement dated 28 October 2002 with the Company for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd (now known as Celcom Mobile Sdn Bhd).

MSI alleges that the directors are liable for damages calculated by reference to the difference between the Buy Out Offer price of RM7.00 per Celcom's share under the ARSA and the price of RM2.75 per Celcom's share under the Mandatory General Offer undertaken by the Company through Telekom Enterprise Sdn Bhd in respect of Celcom. The Summons has been fixed for hearing on 22 April 2008.

The Directors are advised by its solicitors that it has reasonably good prospects of resisting the Summons and will take vigorous steps to defend the same.

(ii) On 25 January 2008, PT Excelcomindo Pratama Tbk (XL) through its wholly owned subsidiary, Excelcomindo Finance Company BV bought back the USD350.0 million Bond at a price of 100.0% of nominal value.

(iii) On 18 January 2008, XL entered into a credit agreement amendment with a foreign bank as follows:

- to amend the availability period of an existing credit arrangement to 31 August 2008 and automatically extend for another 6 months period unless otherwise amended.
- to add bridging loans facility to retire existing USD bonds and/or other debt amounting to USD110.0 million and a maximum of IDR1,000.0 billion (full amount), which can be drawdown in USD and IDR. The facility is subject to floating rate of interest at monthly intervals of Sertifikat Bank Indonesia (SBI) rate plus 1.10% margin per annum.

On 22 January 2008, XL made drawdown on this credit facility amounting to IDR1,000.0 billion (full amount).

45. SIGNIFICANT SUBSEQUENT EVENTS (continued)

(c) Other Significant Subsequent Events (continued)

(iv) In January 2008, XL undertook further financing and hedging activities as follows:

- made drawdowns on credit facilities amounting to IDR600.0 billion (full amount) and USD50.0 million.
- entered into a credit facility agreement and made drawdown amounting to USD50.0 million whereby XL will pay a floating rate of interest at quarterly intervals of 3 months SIBOR plus 1.75% margin per annum. The loan will mature 1 year from the first drawdown date.
- entered into a credit facility agreement of USD50.0 million whereby XL will pay a floating rate of interest at quarterly intervals of 3 months LIBOR plus 1.20% margin per annum. The loan will mature 1 year from the first drawdown date.
- withdrew a credit facility amounting to IDR700.0 billion (full amount).
- entered into a foreign currency contract to hedge the payment of quarterly interest of a long term loan in USD amounting to USD97.5 million.
- terminated one of the forward foreign currency contracts amounting to USD25.0 million used to hedge the payment of long term loan in USD.

There were no other material events subsequent to the end of the year that have not been reflected in the audited financial statements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign Exchange Risk

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

The Group also has subsidiaries and associates operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The main currency exposures are Sri Lanka Rupee, Bangladesh Taka and Indonesian Rupiah.

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest Rate Risk

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

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

Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk are primarily trade receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

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

The Group places its cash and cash equivalents and marketable securities with a number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution.

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

Liquidity Risk

In the management of liquidity and cash flow risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

47. INTEREST RATE RISK

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

47. INTEREST RATE RISK (continued)

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
The Group											
2007											
Financial Assets											
Investments	—	—	—	—	—	—	—	—	138.9	—	138.9
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	419.9	419.9
– non-interest sensitive	—	—	—	—	—	—	—	—	60.1	—	60.1
– fixed interest rate	4.00%	0.1	5.0	3.8	6.6	9.7	63.0	88.2	—	—	88.2
Trade and Other Receivables (excluding short term staff loans)	—	—	—	—	—	—	—	—	4,341.9	—	4,341.9
Short Term Investments											
– non-interest sensitive	—	—	—	—	—	—	—	—	177.6	—	177.6
– fixed interest rate	4.83%	200.5	—	—	—	—	—	200.5	—	—	200.5
Cash and Bank Balances											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	785.5	785.5
– non-interest sensitive	—	—	—	—	—	—	—	—	612.6	—	612.6
– fixed interest rate	4.13%	2,773.7	—	—	—	—	—	2,773.7	—	—	2,773.7
Total		2,974.3	5.0	3.8	6.6	9.7	63.0	3,062.4	5,331.1	1,205.4	9,598.9
Financial Liabilities											
Borrowings											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	3,369.6	3,369.6
– non-interest sensitive	—	—	—	—	—	—	—	—	4.8	—	4.8
– floating interest rate	5.67%	150.5	—	1,258.7	39.1	364.6	1,601.6	3,414.5	—	—	3,414.5
– fixed interest rate	8.10%	1,503.5	6.9	497.5	113.0	540.6	2,474.0	5,135.5	—	—	5,135.5
Customer Deposits	—	—	—	—	—	—	—	—	732.6	—	732.6
Trade and Other Payables	—	—	—	—	—	—	—	—	6,702.7	—	6,702.7
Total		1,654.0	6.9	1,756.2	152.1	905.2	4,075.6	8,550.0	7,440.1	3,369.6	19,359.7

47. INTEREST RATE RISK (continued)

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM
The Group							
On-balance-sheet interest sensitivity gap		**1,320.3**	**(1.9)**	**(1,752.4)**	**(145.5)**	**(895.5)**	**(4,012.6)**
Off-balance-sheet interest sensitivity gap		**—**	**—**	**—**	**—**	**—**	**—**
Total interest sensitivity gap		**1,320.3**	**(1.9)**	**(1,752.4)**	**(145.5)**	**(895.5)**	**(4,012.6)**

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
The Group											
2006											
Financial Assets											
Investments	–	–	–	–	–	–	–	–	226.7	–	226.7
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	441.4	441.4
– non-interest sensitive	–	–	–	–	–	–	–	–	60.5	–	60.5
– fixed interest rate	4.00%	0.8	2.0	11.2	5.8	9.8	89.4	119.0	–	–	119.0
Trade and Other Receivables (excluding short term staff loans)											
– non-interest sensitive	–	–	–	–	–	–	–	–	3,350.2	–	3,350.2
– floating interest rate	7.37%	50.7	–	–	–	–	–	50.7	–	–	50.7
Short Term Investments											
– non-interest sensitive	–	–	–	–	–	–	–	–	125.3	–	125.3
– fixed interest rate	4.67%	194.8	–	–	–	–	–	194.8	–	–	194.8
Cash and Bank Balances											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	1,175.0	1,175.0
– non-interest sensitive	–	–	–	–	–	–	–	–	705.2	–	705.2
– fixed interest rate	4.14%	2,800.2	–	–	–	–	–	2,800.2	–	–	2,800.2
Total		3,046.5	2.0	11.2	5.8	9.8	89.4	3,164.7	4,467.9	1,616.4	9,249.0

47. INTEREST RATE RISK (continued)

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
The Group											
2006											
Financial Liabilities											
Borrowings											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	1,061.2	1,061.2
– non-interest sensitive	—	—	—	—	—	—	—	—	5.0	—	5.0
– floating interest rate	7.04%	724.9	5.5	—	611.2	127.2	972.1	2,440.9	—	—	2,440.9
– fixed interest rate	6.46%	409.5	119.1	1,329.7	529.1	25.9	6,165.5	8,578.8	—	—	8,578.8
Customer Deposits	—	—	—	—	—	—	—	—	718.9	—	718.9
Trade and Other Payables	—	—	—	—	—	—	—	—	5,740.9	—	5,740.9
Total		1,134.4	124.6	1,329.7	1,140.3	153.1	7,137.6	11,019.7	6,464.8	1,061.2	18,545.7
On-balance-sheet interest sensitivity gap		1,912.1	(122.6)	(1,318.5)	(1,134.5)	(143.3)	(7,048.2)				
Off-balance-sheet interest sensitivity gap		—	—	—	—	—	—				
Total interest sensitivity gap		1,912.1	(122.6)	(1,318.5)	(1,134.5)	(143.3)	(7,048.2)				

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

The table below summarises the weighted average rate of finance as at 31 December by major currencies for each class of financial asset and liability:

	2007 USD	2007 RM	2006 USD	2006 RM
The Group				
Financial Assets				
Staff Loans	**—**	**4.00%**	—	4.00%
Trade and Other Receivables (excluding short term staff loans)	**—**	**—**	7.37%	—
Short Term Investments	**—**	**4.83%**	—	4.67%
Cash and Bank Balances	**4.75%**	**3.52%**	4.90%	3.52%
Financial Liabilities				
Borrowings	**6.28%**	**5.08%**	6.47%	5.86%

47. INTEREST RATE RISK (continued)

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
The Company											
2007											
Financial Assets											
Amount Owing by Subsidiaries, net of allowances											
– non-interest sensitive	—	—	—	—	—	—	—	—	8,090.0	—	8,090.0
– floating interest rate	8.10%	—	—	31.2	—	—	—	31.2	—	—	31.2
– fixed interest rate	2.97%	—	7.7	—	—	—	103.0	110.7	—	—	110.7
Investments	—	—	—	—	—	—	—	—	138.9	—	138.9
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	419.9	419.9
– non-interest sensitive	—	—	—	—	—	—	—	—	58.8	—	58.8
– fixed interest rate	4.00%	0.1	5.0	3.8	6.6	9.7	63.0	88.2	—	—	88.2
Trade and Other Receivables (excluding short term staff loans)	—	—	—	—	—	—	—	—	3,036.7	—	3,036.7
Short Term Investments											
– non-interest sensitive	—	—	—	—	—	—	—	—	175.9	—	175.9
– fixed interest rate	4.83%	200.5	—	—	—	—	—	200.5	—	—	200.5
Cash and Bank Balances											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	211.2	211.2
– non-interest sensitive	—	—	—	—	—	—	—	—	242.0	—	242.0
– fixed interest rate	3.93%	1,074.9	—	—	—	—	—	1,074.9	—	—	1,074.9
Total		1,275.5	12.7	35.0	6.6	9.7	166.0	1,505.5	11,742.3	631.1	13,878.9

47. INTEREST RATE RISK (continued)

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
The Company											
2007											
Financial Liabilities											
Borrowings											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	3,168.0	3,168.0
– non-interest sensitive	—	—	—	—	—	—	—	—	4.8	—	4.8
– floating interest rate	6.49%	—	—	495.8	—	—	988.3	1,484.1	—	—	1,484.1
– fixed interest rate	7.88%	—	—	495.8	—	—	4.5	500.3	—	—	500.3
Payable to Subsidiaries											
– fixed interest rate	5.25%	—	—	—	—	—	1,652.5	1,652.5	—	—	1,652.5
Customer Deposits	—	—	—	—	—	—	—	—	590.2	—	590.2
Trade and Other Payables	—	—	—	—	—	—	—	—	2,606.9	—	2,606.9
Total		—	—	991.6	—	—	2,645.3	3,636.9	3,201.9	3,168.0	10,006.8
On-balance-sheet interest sensitivity gap		1,275.5	12.7	(956.6)	6.6	9.7	(2,479.3)				
Off-balance-sheet interest sensitivity gap		—	—	—	—	—	—				
Total interest sensitivity gap		1,275.5	12.7	(956.6)	6.6	9.7	(2,479.3)				

47. INTEREST RATE RISK (continued)

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
The Company											
2006											
Financial Assets											
Amount Owing by Subsidiaries, net of allowances											
– non-interest sensitive	–	–	–	–	–	–	–	–	8,500.9	–	8,500.9
– floating interest rate	8.87%	–	–	9.1	34.7	–	–	43.8	–	–	43.8
– fixed interest rate	2.97%	–	–	7.7	–	–	103.0	110.7	–	–	110.7
Investments	–	–	–	–	–	–	–	–	220.5	–	220.5
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	441.4	441.4
– non-interest sensitive	–	–	–	–	–	–	–	–	59.4	–	59.4
– fixed interest rate	4.00%	0.8	2.0	11.2	5.8	9.8	89.4	119.0	–	–	119.0
Trade and Other Receivables (excluding short term staff loans)											
– non-interest sensitive	–	–	–	–	–	–	–	–	2,384.8	–	2,384.8
– floating interest rate	7.37%	50.7	–	–	–	–	–	50.7	–	–	50.7
Short Term Investments											
– non-interest sensitive	–	–	–	–	–	–	–	–	123.6	–	123.6
– fixed interest rate	4.67%	194.8	–	–	–	–	–	194.8	–	–	194.8
Cash and Bank Balances											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	296.2	296.2
– non-interest sensitive	–	–	–	–	–	–	–	–	282.0	–	282.0
– fixed interest rate	3.85%	1,457.1	–	–	–	–	–	1,457.1	–	–	1,457.1
Total		1,703.4	2.0	28.0	40.5	9.8	192.4	1,976.1	11,571.2	737.6	14,284.9

47. INTEREST RATE RISK (continued)

	W.A.R.F.*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
The Company											
2006											
Financial Liabilities											
Borrowings											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	443.0	443.0
– non-interest sensitive	–	–	–	–	–	–	–	–	5.0	–	5.0
– floating interest rate	6.96%	534.6	–	–	529.1	–	529.1	1,592.8	–	–	1,592.8
– fixed interest rate	7.87%	–	–	–	529.1	–	534.1	1,063.2	–	–	1,063.2
Payable to Subsidiaries											
– fixed interest rate	5.67%	–	–	–	–	–	4,747.0	4,747.0	–	–	4,747.0
Customer Deposits	–	–	–	–	–	–	–	–	590.3	–	590.3
Trade and Other Payables	–	–	–	–	–	–	–	–	2,348.7	–	2,348.7
Total		534.6	–	–	1,058.2	–	5,810.2	7,403.0	2,944.0	443.0	10,790.0
On-balance-sheet interest sensitivity gap		1,168.8	2.0	28.0	(1,017.7)	9.8	(5,617.8)				
Off-balance-sheet interest sensitivity gap		–	–	–	–	–	–				
Total interest sensitivity gap		1,168.8	2.0	28.0	(1,017.7)	9.8	(5,617.8)				

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

47. INTEREST RATE RISK (continued)

The table below summarises the weighted average rate of finance as at 31 December by major currencies for each class of financial asset and liability:

	2007		2006	
	USD	RM	USD	RM
The Company				
Financial Assets				
Amount Owing by Subsidiaries, net of allowances	**8.10%**	**2.97%**	8.87%	2.97%
Staff Loans	**—**	**4.00%**	—	4.00%
Trade and Other Receivables (excluding short term staff loans)	**—**	**—**	7.37%	—
Short Term Investments	**—**	**4.83%**	—	4.57%
Cash and Bank Balances	**5.33%**	**3.56%**	5.31%	3.52%
Financial Liabilities				
Borrowings	**6.86%**	**—**	7.35%	—
Payable to Subsidiaries	**5.25%**	**—**	5.25%	5.91%

48. CREDIT RISK

For on-balance-sheet financial instruments, the main credit risk exposure has been disclosed elsewhere in the financial statements.

Off-balance-sheet financial instruments

The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination. The following table summarises the favourable fair values of the contracts, indicating the credit risk exposure.

	The Group				The Company			
	2007		2006		2007		2006	
	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM
Long dated swap	**988.4**	**208.6**	1,058.1	201.0	**988.4**	**208.6**	1,058.1	201.0
Cross-currency swaps	**257.0**	**7.1**	—	—	**—**	**—**	—	—
Forward foreign currency contracts	**994.6**	**37.2**	—	—	**—**	**—**	—	—
Total	**2,240.0**	**252.9**	1,058.1	201.0	**988.4**	**208.6**	1,058.1	201.0

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 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 judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

(a) On-balance-sheet

The carrying amounts of the financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below:

	The Group				The Company			
	2007		2006		2007		2006	
	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								
Investments	**138.9**	**223.0**	226.7	290.6	**138.9**	**223.0**	220.5	284.4
Staff loans	**89.5**	**72.2**	119.0	110.0	**88.2**	**70.9**	119.0	110.0
Financial liabilities								
Borrowings (excluding redeemable bonds)	**8,554.8**	**8,558.3**	8,024.7	8,255.5	**1,989.2**	**2,036.6**	2,661.0	2,821.4
Redeemable bonds/ Payable to subsidiaries	**—**	**—**	3,000.0	3,164.2	**1,652.5**	**1,621.6**	4,747.0	4,898.7

The above carrying amounts and net fair values of borrowings exclude swaps, which are disclosed in sub-note (b).

49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(a) On-balance-sheet (continued)

Financial assets

The fair value of publicly traded financial instruments is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where allowances of permanent diminution in value or impairment, where applicable, is made in respect of any investment, the carrying amount net of allowance made is deemed to be a close approximation of its fair value.

The fair value of staff loans have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. The fair value of staff loans is lower than carrying amount at the balance sheet date as the Company and its subsidiaries charged interest rates on staff loans at below current market rates. The Directors consider the carrying amount fully recoverable as they do not intend to realise the financial asset via exchange with another counterparty but to hold it to contract maturity. Collaterals are taken for these loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

For educational loans, amount owing by subsidiaries and associates and customer deposits which are mainly interest free and do not have fixed repayment terms, the carrying amounts recorded are anticipated to approximate their fair values at the balance sheet date.

Financial liabilities

The fair value of quoted bonds has been estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. For unquoted borrowings with floating interest rate, the carrying values are generally reasonable estimates of their fair values.

The financial liabilities will be realised at their carrying values and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term on-balance-sheet financial instruments maturing within 1 year or are repayable on demand, the carrying values are assumed to approximate their fair values.

49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Off-balance-sheet

The financial derivative instruments are used to hedge foreign exchange and interest rate risks associated with certain long term foreign currency borrowings. The contract notional principal amounts of the derivative and the corresponding fair value adjustments are analysed as below:

	2007			2006		
	Contract or notional principal amount RM	Net fair value Favourable RM	Unfavourable RM	Contract or notional principal amount RM	Net fair value Favourable RM	Unfavourable RM
The Group						
Off-balance-sheet financial derivative instruments						
Long dated swap	**988.4**	**208.6**	**—**	1,058.1	201.0	—
Interest rate swaps	**1,484.1**	**—**	**(61.3)**	1,058.1	—	(55.0)
Cross-currency swaps	**257.0**	**7.1**	**—**	—	—	—
Forward foreign currency contracts	**994.6**	**37.2**	**—**	—	—	—
The Company						
Off-balance-sheet financial derivative instruments						
Long dated swap	**988.4**	**208.6**	**—**	1,058.1	201.0	—
Interest rate swaps	**1,484.1**	**—**	**(61.3)**	1,058.1	—	(55.0)

Fair values of financial derivative instruments are the present values of their future cash flows and are arrived at based on valuations carried out by the Company's bankers. Favourable fair value indicates amount receivable by the Company if the contracts are terminated as at 31 December 2007 or vice versa.

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Paid-up Capital 2007 Million	Paid-up Capital 2006 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Installation and maintenance of optic fibre telecommunication system in Malaysia and provision of consultancy services in relation to telecommunications
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
Hijrah Pertama Berhad *(formerly known as Hijrah Pertama Sendirian Berhad) (formerly known as Malaysian Logistics Sdn Bhd)*	**100**	—	**RM#**	RM–	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Ceased operation
Mediatel (Malaysia) Sdn Bhd	**100**	100	**RM#**	RM#	Investment holding
Meganet Communications Sdn Bhd	**—**	70	**RM–**	RM11.0	Provision of interactive multimedia communication services and solution
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM91.0**	RM91.0	Management and operation of the telecommunication and tourism tower of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM260.0**	RM260.0	Provision/transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	2006	Paid-up Capital 2007 Million	2006 Million	Principal Activities
Rebung Utama Sdn Bhd	**100**	100	**RM#**	RM#	Special purpose entity
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Consultancy Sdn Bhd	**51**	51	**RM#**	RM#	Ceased operation
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Malaysia-Africa Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Investment holding
Telekom Malaysia (Hong Kong) Limited**	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunication services
Telekom Malaysia (S) Pte Ltd**	**100**	100	**SGD#**	SGD#	Provision of international telecommunication services
Telekom Malaysia (UK) Limited**	**100**	100	**STR#**	STR#	Provision of international telecommunication services
Telekom Malaysia (USA) Inc**	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunication services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding and provision of interactive multimedia communication services and solutions
Telekom Networks Malawi Limited**	**—**	60	**MKW–**	MKW350.0	Provision of telecommunication and related services in the Republic of Malawi
Telekom Payphone Sdn Bhd >	**100**	100	**RM9.0**	RM9.0	Investment holding

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Paid-up Capital 2007 Million	Paid-up Capital 2006 Million	Principal Activities
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of telecommunication and multimedia, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Trading and rental of customer premises telecommunication equipment and provision of management of customers care services
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operation
Telesafe Sdn Bhd >	**100**	100	**RM4.0**	RM4.0	Ceased operation
TM Cellular (Holdings) Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of facilities management services and property development activities
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Provision of printing and publications services
TM International (Cayman) Ltd	**100**	100	**USD#**	USD#	Dormant
TM International Berhad	**100**	100	**RM35.7**	RM35.7	Investment holding and provision of telecommunication and consultancy services on an international scale
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
TM Payphone Sdn Bhd (now known as Pernec Paypoint Sdn Bhd)	**—**	100	**RM–**	RM65.0	Provision of national payphone network and related services
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Paid-up Capital 2007 Million	Paid-up Capital 2006 Million	Principal Activities
VADS Berhad	**64.87**	67.16	**RM62.1**	RM62.1	Provision of international and national managed network services for businesses and organisations
Subsidiaries held through Telekom Enterprise Sdn Bhd					
Celcom (Malaysia) Berhad	**100**	100	**RM1,237.5**	RM1,767.9	Provision of network capacity and services
Mobitel Sdn Bhd >	**100**	100	**RM8.0**	RM8.0	Dormant
Subsidiary held through Telekom Multi-Media Sdn Bhd					
Telekom Smart School Sdn Bhd	**51**	51	**RM15.0**	RM15.0	Implementation of government smart school project, provision of multimedia education systems and software, portal services and other related services
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operation
Subsidiaries held through TM Facilities Sdn Bhd					
TM Land Sdn Bhd	**100**	100	**RM#**	RM#	Property development activities
TMF Autolease Sdn Bhd	**100**	100	**RM#**	RM#	Provision of fleet management and services
TMF Services Sdn Bhd	**100**	100	**RM#**	RM#	Provision of facilities management services
Subsidiaries held through TM International Berhad					
TM International (L) Limited	**100**	100	**USD78.4**	USD78.4	Investment holding
Telekom Management Services Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Provision of consultancy and engineering services in telecommunication and related area
TMI Mauritius Ltd##	**100**	100	**USD#**	USD#	Investment holding
G-Com Limited**	**100**	100	**CED455.0**	CED455.0	Investment holding
Telekom Malaysia International (Cambodia) Company Limited	**100**	100	**USD8.5**	USD8.5	Provision of mobile telecommunication services in Cambodia

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Paid-up Capital 2007 Million	Paid-up Capital 2006 Million	Principal Activities
Subsidiary held through TMI Mauritius Ltd					
TMI India Ltd ##	**100**	100	**USD72.7**	USD72.7	Investment holding
Subsidiaries held through TM International (L) Limited					
Dialog Telekom PLC ## *(formerly known as Dialog Telekom Limited)*	**84.81**	89.62	**SLR33,056.4^**	SLR12,680.4^	Provision of mobile telecommunication services in Sri Lanka
TESS International Ltd	**100**	100	**USD#**	USD#	Dormant
TM International (Bangladesh) Limited**	**70**	70	**BDT3,060.0**	BDT3,060.0	Provision of mobile telecommunication services in Bangladesh
TM International Lanka (Private) Limited##	**100**	100	**SLR222.0^**	SLR222.0^	Investment holding
Indocel Holding Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Investment holding
Multinet Pakistan (Private) Limited**	**89**	78	**PKR992.5**	PKR992.5	Provision of cable television services, information technology (including software development), telecommunication and multimedia services in Pakistan
Subsidiary held through Indocel Holding Sdn Bhd					
PT Excelcomindo Pratama Tbk##	**66.99**	59.63	**IDR709,000**	IDR709,000	Provision of mobile telecommunication services in Republic of Indonesia
Subsidiaries held through Dialog Telekom PLC					
Dialog Broadband Networks (Private) Limited	**84.81**	89.62	**SLR823.7^**	SLR823.7^	Provision of infrastructure facilities for voice and data communication systems, radio and television broadcasting systems and mobile radio communication systems and the provision of telecommunication services in Sri Lanka

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Paid-up Capital 2007 Million	Paid-up Capital 2006 Million	Principal Activities
Subsidiaries held through Dialog Telekom PLC (continued)					
Dialog Television (Private) Limited *(formerly known as Asset Media (Private) Limited)* ##	**84.81**	80.66	**SLR#^**	SLR#^	Provision of television broadcasting station and television broadcasting network including cable and pay television transmission
Subsidiaries held through Dialog Television (Private) Limited					
Communiq Broadband Network (Private) Limited ##	**84.81**	80.66	**SLR50.0^**	SLR50.0^	Provision of information technology including data, content transmission services, audio visual services and television programmes services
CBN Sat (Private) Limited ##	**84.81**	80.66	**SLR#^**	SLR#^	Provisions of manufacturing, assembling, importing and exporting of electronic consumer products and audio visual goods
Subsidiaries held through PT Excelcomindo Pratama Tbk					
Excel Phoneloan 818 BV	**66.99**	59.63	**EUR#**	EUR#	Dormant
Excelcomindo Finance Company BV	**66.99**	59.63	**EUR#**	EUR#	Investment holding
GSM One (L) Limited	**66.99**	59.63	**USD#**	USD#	Dormant
GSM Two (L) Limited	**66.99**	59.63	**USD#**	USD#	Dormant
Subsidiary held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Paid-up Capital 2007 Million	Paid-up Capital 2006 Million	Principal Activities
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**64.87**	–	**RM11.0**	RM–	Provision of intelligent building and security systems integrated telecommunication and technology solutions
VADS e-Services Sdn Bhd	**64.87**	67.16	**RM1.0**	RM1.0	Contact centre and related services
VADS Professional Services Sdn Bhd	**64.87**	67.16	**RM#**	RM#	Provision of personnel for contact centre services
VADS Solutions Sdn Bhd	**64.87**	67.16	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS e-Services Sdn Bhd					
VADS Contact Centre Services Sdn Bhd	**64.87**	67.16	**RM#**	RM#	Provision of managed contact centre services
Subsidiaries held through Celcom (Malaysia) Berhad					
Celcom Academy Sdn Bhd+	**—**	100	**RM–**	RM#	Inactive
Celcom Multimedia (Malaysia) Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
Celcom Technology (M) Sdn Bhd	**100**	100	**RM2.0**	RM2.0	Provision of telecommunication value added services through cellular or other forms of telecommunications network
Celcom Timur (Sabah) Sdn Bhd	**80**	80	**RM7.0**	RM7.0	Provision of fibre optic transmission network
Celcom Transmission (M) Sdn Bhd	**100**	100	**RM25.0**	RM25.0	Provision of network transmission related services
Celcom Trunk Radio (M) Sdn Bhd	**100**	100	**RM#**	RM#	Ceased operation
CT Paging Sdn Bhd++	**100**	100	**RM0.5**	RM0.5	Provision of strategic and business development, management, administrative and support services and investment holding

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Paid-up Capital 2007 Million	Paid-up Capital 2006 Million	Principal Activities
Subsidiaries held through Celcom (Malaysia) Berhad (continued)					
Technology Resources Industries Berhad	**100**	100	**RM#**	RM#	Investment holding
Celcom Mobile Sdn Bhd	**100**	100	**RM1,565.0**	RM1,565.0	Provision of mobile communication services, network services, application services and content
Alpha Canggih Sdn Bhd	**100**	100	**RM#**	RM#	Property investment
Subsidiary held through Celcom Transmission (M) Sdn Bhd					
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
Subsidiaries held through Technology Resources Industries Berhad					
Alpine Resources Sdn Bhd	**100**	100	**RM2.5**	RM2.5	Inactive
Freemantle Holdings (M) Sdn Bhd+	**—**	100	**RM–**	RM13.5	Investment holding
Rego Multi-Trades Sdn Bhd	**100**	100	**RM2.0**	RM2.0	Dealing in marketable securities
Technology Resources Management Services Sdn Bhd	**100**	100	**RM#**	RM#	Inactive
Technology Resources (Nominees) Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TR Components Sdn Bhd	**100**	100	**RM#**	RM#	Investment holding
TR International Limited**	**100**	100	**HKD#**	HKD#	Investment holding
Subsidiary held through TR Components Sdn Bhd					
Aseania Plastics Sdn Bhd +	**—**	99	**RM–**	RM0.3	Inactive

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
CBN Sat (Private) Limited	– Sri Lanka
Communiq Broadband Network (Private) Limited	– Sri Lanka
Dialog Broadband Networks (Private) Limited	– Sri Lanka
Dialog Telekom PLC	– Sri Lanka
Dialog Television (Private) Limited	– Sri Lanka
Excelcomindo Finance Company BV	– Netherlands
Excel Phoneloan 818 BV	– Netherlands
G-Com Limited	– Ghana
GSM One (L) Limited	– Federal Territory, Labuan
GSM Two (L) Limited	– Federal Territory, Labuan
Multinet Pakistan (Private) Limited	– Pakistan
PT Excelcomindo Pratama Tbk	– 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
Telekom Malaysia International (Cambodia) Company Limited	– Cambodia
Telekom Networks Malawi Limited	– Republic of Malawi
TESS International Ltd	– Republic of Mauritius
TM International (Bangladesh) Limited	– Bangladesh
TM International (Cayman) Ltd	– British West Indies, USA
TM International (L) Limited	– Federal Territory, Labuan
TM International Lanka (Private) Limited	– Sri Lanka
TMI India Ltd	– Republic of Mauritius
TMI Mauritius Ltd	– Republic of Mauritius
TR International Limited	– Hong Kong

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

** Audited by a firm other than member firm of PricewaterhouseCoopers International Limited

> Undergoing members' voluntary winding up pursuant to Section 254(1) of the Companies Act, 1965 (CA) since 17 December 2007

+ Dissolved during the year pursuant to members' voluntary winding up under Section 272(5) of the CA

++ Inactive as at 31 December 2007

^ Refers to stated capital. Pursuant to the new Companies Act, No. 7 of Sri Lanka, the concept of authorised and paid-up share capital has been replaced with the concept of stated capital, effective from 3 May 2007. The stated capital comprises the total amounts received in respect of the issue of shares. For accounting purposes, the share premium is also included and expenses relating to the issuance are deducted.

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2007 (continued)

BDT	Bangladesh Taka
CED	Ghanaian Cedi
EUR	Euro Dollar
HKD	Hong Kong Dollar
IDR	Indonesian Rupiah
MKW	Malawi Kwacha
PKR	Pakistani Rupee
SGD	Singapore Dollar
SLR	Sri Lanka Rupee
STR	Pound Sterling
USD	US Dollar

During the year, the Group had disposed its entire 60.0% and 100.0% equity interest in Telekom Networks Malawi Limited and TM Payphone Sdn Bhd respectively. Details as disclosed on note 3(II)(a) and (d) to the financial statements.

51. LIST OF JOINTLY CONTROLLED ENTITIES AS AT 31 DECEMBER 2007

The jointly controlled entities are as follows:

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Principal Activities
SunShare Investments Ltd (sub-note a)	**51**	51	Investment holding
Jointly controlled entity held through TMI India Ltd			
Spice Communications Limited	**39.2**	49	Licensed mobile and cellular telecommunications service provider in the state of Punjab and Karnataka in India

Name of Company	Place of Incorporation
SunShare Investments Ltd	– Federal Territory, Labuan
Spice Communications Limited	– India

51. LIST OF JOINTLY CONTROLLED ENTITIES AS AT 31 DECEMBER 2007 (continued)

(a) The Group has an 80.0% interest in the ordinary shares of SunShare Investments Ltd (SunShare), a jointly controlled entity incorporated in the Federal Territory of Labuan, which is an investment holding company. Notwithstanding the ordinary shareholding, the economic benefit of the Group in SunShare is 51.0%.

In 2006, SunShare owned a 29.78% stake in an associate, MobileOne Limited (M1), a company incorporated in Singapore and listed on the Singapore Stock Exchange. M1 provides mobile and other related telecommunication services as well as development of mobile telecommunication products and services. During the year, the equity interest has decreased to 29.69% following the issuance of shares under M1's Employees' Share Option Scheme. The dilution has no material effect to the results of the Group.

All jointly controlled entities have co-terminous financial year end with the Company.

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2007

The associates are as follows:

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Principal Activities
mySPEED.com Sdn Bhd (sub-note a)	—	16.22	Creating, implementing and operating e-business activities including electronic commerce delivery services, multimedia related activities and other computerised or electronic services
Sistem Iridium Malaysia Sdn Bhd	**40**	40	Dormant
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd	**49**	49	Development, management and marketing of educational products offered by local and overseas educational institutions electronically
Mutiara.Com Sdn Bhd	**30**	30	Provision of promotion of Internet-based communication services
Associates held through TM International Berhad			
Samart Corporation Public Company Limited	**18.97**	18.98	Design, implementation and installation of telecommunication systems and the sale and distribution of telecommunication equipment in Thailand
Samart I-Mobile Public Company Limited (sub-note b)	**35.58**	35.32	Mobile phone distributor accessories and bundled with content and administration of the distribution channels for and management of customer care and billing system of I900MHz mobile phone

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2007 (continued)

Name of Company	Group's Effective Interest 2007	Group's Effective Interest 2006	Principal Activities
Associate held through TM International (L) Limited			
Mobile Telecommunications Company of Esfahan	**49**	49	Planning, designing, installing, operating and maintaining a GSM cellular telecommunication network to customers in the province of Esfahan, Iran
Associate held through Celcom (Malaysia) Berhad			
Sacofa Sdn Bhd	**20**	20	Trade or business of a telecommunications infrastructure and services company
Associate held through CT Paging Sdn Bhd			
C-Mobile Sdn Bhd	**67.15**	–	Setting up a distribution network of dealers and concept retail stores based on intellectual property rights owned by Celcom (Malaysia) Berhad

All associates are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
Mobile Telecommunications Company of Esfahan	– Iran
Samart Corporation Public Company Limited	– Thailand
Samart I-Mobile Public Company Limited	– Thailand

All associates have co-terminous financial year end with the Company except for Mobile Telecommunications Company of Esfahan with financial year end of 20 March.

(a) On 2 February 2007, the Company had entered into a share Sale and Purchase Agreement to sell its entire equity interest of 16.22% in mySPEED.com Sdn Bhd to MY E.G. Services Berhad. The disposal was completed on 16 July 2007.

(b) TM International Berhad (TM International) held directly 24.42% equity interest in Samart I-Mobile Public Company Limited (SIM). TM International also held indirect equity interest in SIM of 11.16% (2006: 10.90%) by virtue of its equity interest in Samart Corporation Public Company Limited.

53. CHANGES IN ACCOUNTING POLICIES AND RECLASSIFICATIONS

The comparative financial statements were restated to reflect the effects of changes in accounting policies during the year as well as to conform with current year presentation as summarised below:

(a) Changes in accounting policies in the current year

The following describes the impact of the new accounting standards adopted by the Group for the financial year beginning 1 January 2007 as listed in note 1(a) of the Significant Accounting Policies on the Basis of Preparation of the Financial Statements.

(i) Irrelevant or immaterial effect on financial statements

The adoption of FRS 6, amendments to FRS 119, FRS 124, TR i-1 and TR i-2 did not result in significant changes to the Group's accounting policies. In summary:

- FRS 6, amendments to FRS 119, TR i-1 and TR i-2 are not relevant or material to the Group's operations.
- FRS 124 has no material financial impact on the Group's accounting policies. This standard affects the identification of related parties and other similar related party disclosures. This standard requires the disclosure of related party transactions and outstanding balances with other entities in a group. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

(ii) Reclassification of prior year comparatives

Prior to 1 January 2007, lease of land and buildings held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss.

FRS 117 requires that lease of land and buildings to be classified as operating or finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Upfront payments of leasehold interests are allocated between land and building elements in proportion to their relative fair values at the inception of the leases.

Consequent to the changes in accounting policies arising from the adoption of FRS 117, the Group has reclassified upfront payments of leasehold land as prepaid lease payments. These payments are amortised on a straight line basis over the remaining lease period.

The Group has applied the new accounting policy with respect to leasehold land retrospectively. Consequently, certain comparatives within the Consolidated Balance Sheet as at 31 December 2006, Consolidated Income Statement for the year ended 31 December 2006 and Consolidated Cash Flow Statement for the year ended 31 December 2006 have been restated as set out in sub-note (c) below.

(b) Reclassifications

During the year, the Group had reviewed and changed the presentation of write offs and impairment of property, plant and equipment for the year ended 31 December 2006. These expenditure items which were previously included in other operating costs are now presented with depreciation, impairment and amortisation to conform with current year presentation which better reflects the nature of expenses.

53. CHANGES IN ACCOUNTING POLICIES AND RECLASSIFICATIONS (continued)

(c) Effects of changes in accounting policies and reclassifications

The effects of the changes in accounting policies and reclassifications as described in sub-note (a)(ii) and (b) above are illustrated below:

	As previously reported RM	Effects of change in accounting policy FRS 117 RM	Reclassi-fications RM	As restated RM
The Group				
Income statement for the year ended 31 December 2006				
Depreciation, impairment and amortisation	(4,039.0)	34.7	2.8	(4,001.5)
Other operating costs	(9,048.1)	(34.7)	(2.8)	(9,085.6)
Balance sheet as at 1 January 2006				
Property, plant and equipment	22,320.9	(249.9)	—	22,071.0
Prepaid lease payments	—	249.9	—	249.9
Balance sheet as at 31 December 2006				
Property, plant and equipment	24,026.5	(346.2)	—	23,680.3
Prepaid lease payments	—	346.2	—	346.2
Cash Flow Statement for the year ended 31 December 2006				
Purchase of property, plant and equipment	(5,698.7)	106.0	—	(5,592.7)
Payments to suppliers and employees	(8,787.4)	(106.0)	—	(8,893.4)
Cash flows used in investing activities	(6,503.2)	106.0	—	(6,397.2)
Cash flows from operating activities	5,339.8	(106.0)	—	5,233.8
The Company				
Income statement for the year ended 31 December 2006				
Depreciation, impairment and amortisation	(2,202.0)	0.2	2.2	(2,199.6)
Other operating costs	(3,951.7)	(0.2)	(2.2)	(3,954.1)
Balance sheet as at 1 January 2006				
Property, plant and equipment	12,519.4	(37.9)	—	12,481.5
Prepaid lease payments	—	37.9	—	37.9
Balance sheet as at 31 December 2006				
Property, plant and equipment	11,931.9	(38.0)	—	11,893.9
Prepaid lease payments	—	38.0	—	38.0

53. CHANGES IN ACCOUNTING POLICIES AND RECLASSIFICATIONS (continued)

(d) Other reclassifications

The presentation of operating revenue in note 4 to the financial statements has been changed and comparatives restated in line with the change of grouping of segmental reporting information as mentioned in note 40 to the financial statements.

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 26 February 2008.

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Ir Muhammad Radzi Hj Mansor and Dato' Sri Abdul Wahid Omar being two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 261 to 408 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 2007 and of the results and the cash flows of the Group and the Company for the year ended on that date in accordance with Financial Reporting Standards, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 26 February 2008.

TAN SRI DATO' Ir MUHAMMAD RADZI HJ MANSOR
Chairman

DATO' SRI ABDUL WAHID OMAR
Group Chief Executive Officer

Statutory Declaration

I, Datuk Bazlan bin Osman, being the Officer 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 261 to 408 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 26 February 2008.)

DATUK BAZLAN BIN OSMAN

Before me:

PESURUHJAYA SUMPAH
No. W 036
T. Thanapalasingam
MALAYSIA
Bilik 302, Tingkat 3
Bangunan Loke Yew,
Jalan Mahkamah Persekutuan
50050 Kuala Lumpur.
Tel: 03-26938528

T. THANAPALASINGAM
Commissioner for Oaths
Kuala Lumpur

Report of the Auditors

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
(COMPANY NO. 128740-P)

We have audited the financial statements set out on pages 261 to 408. These financial statements are the responsibility of the Company's Directors. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Auditing Standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:

  (i) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

  (ii) the state of affairs of the Group and the Company as at 31 December 2007 and of the results and the cash flows of the Group and the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in note 50 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any material qualification and did not include any comment made under subsection (3) of section 174 of the Act.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(AF: 1146)
Chartered Accountants

Johan

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
[1867/09/08(J)]
Partner

Kuala Lumpur
Date: 26 February 2008

General Information

AS AT 31 DECEMBER 2007

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

2. The address of the registered office of the Company is:

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

3. The principal office and place of business of the Company is:

   Menara TM
   Jalan Pantai Baharu
   50672 Kuala Lumpur

4. The number of employees at the end of the year amounted to:

	2007	2006
Group	**36,242**	35,824
Company	**18,235**	19,094

Other Information

Shareholding Statistics

AS AT 20 FEBRUARY 2008

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital	:	5,000,003,021
Issued and Paid-up Capital	:	RM3,439,812,606 comprising of 3,439,809,680 ordinary shares of RM1 each, 1 (one) Special Rights Redeemable Preference Share (Special Share) of RM1, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS C) of RM1 each and 925 Class D Non-Convertible Redeemable Preference Shares (NCRPS D) of RM1 each
Voting Rights	:	One vote per ordinary share. The Special Share, NCRPS C & NCRPS D has no voting right other than those referred to in notes 11(a) and 14(g)(I) respectively to the financial statements.

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
Size of Shareholdings	No.	%	No.	%	No.	%	No.	%
Less than 100	492	3.03	7	0.04	3,272	0.00	156	0.00
100 – 1,000	6,156	37.87	219	1.35	5,275,166	0.15	160,262	0.00
1,001 – 10,000	7,465	45.92	315	1.94	24,789,523	0.72	1,218,472	0.04
10,001 – 100,000	802	4.93	202	1.24	22,680,315	0.66	7,836,440	0.23
100,001 – 170,398,253 (less than 5% of paid-up capital)	233	1.43	360	2.21	424,581,826	12.34	835,928,751	24.30
170,398,253 and above	5	0.03	0	0.00	2,117,338,423	61.56	0	0.00
TOTAL	**15,153**	**93.21**	**1,103**	**6.78**	**2,594,668,525**	**75.43**	**845,144,081**	**24.57**

DIRECTORS' DIRECT AND DEEMED INTERESTS IN THE COMPANY AND ITS RELATED CORPORATION

In accordance with the Register of Directors' Shareholdings, the directors' direct and deemed interests in shares in the Company and its related corporation are as follows:-

	Telekom Malaysia Berhad			VADS Berhad		
Name of Directors	Direct	Indirect	%	Direct	Indirect	%
Tan Sri Dato' Ir Muhammad Radzi Hj Mansor	122,000	—	0.003*	30,000	—	0.023*
Dato' Sri Abdul Wahid Omar	250,000	—	0.007*	—	—	—
Dato' Ir Dr Abdul Rahim Daud	145,000	—	0.004*	30,000	—	0.023*

** negligible (less than 0.1%)*

List of Top 30 Shareholders

AS AT 20 FEBRUARY 2008

No.	Name	Share Held	Percentage (%)
1.	Khazanah Nasional Berhad	988,817,541	28.75
2.	Employees Provident Fund Board	325,013,050	9.45
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Skim Amanah Saham Bumiputera*	297,588,200	8.65
4.	Khazanah Nasional Berhad *Exempt An*	254,239,632	7.39
5.	Bank Negara Malaysia	251,680,000	7.32
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for JPMorgan Chase Bank, National Association (U.S.A)*	156,184,300	4.54
7.	Lembaga Tabung Haji	80,093,036	2.33
8.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Morgan Stanley & Co. International PLC (IPB Client ACCT)*	50,342,232	1.46
9.	Kumpulan Wang Persaraan (Diperbadankan)	39,875,800	1.16
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Amanah Saham Wawasan 2020*	37,615,100	1.09
11.	HSBC Nominees (Asing) Sdn Bhd *TNTC for Saudi Arabian Monetary Agency*	33,534,188	0.97
12.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Amanah Saham Malaysia*	31,395,000	0.91
13.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Morgan Stanley & Co Incorporated*	24,431,500	0.71
14.	Citigroup Nominees (Asing) Sdn Bhd *GSI for Perry Partners Inter Inc*	23,272,505	0.68
15.	Valuecap Sdn Bhd	20,017,300	0.58
16.	Cartaban Nominees (Asing) Sdn Bhd *Investors Bank and Trust Company for Ishares Inc.*	16,456,000	0.48
17.	Citigroup Nominees (Asing) Sdn Bhd *UBS AG*	15,579,087	0.45
18.	Permodalan Nasional Berhad	15,478,800	0.45
19.	Citigroup Nominees (Asing) Sdn Bhd *GSCO for Drawbridge Global Macro Master Fund Ltd*	15,212,400	0.44
20.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	14,500,000	0.42
21.	HSBC Nominees (Asing) Sdn Bhd *Morgan Stanley & Co. International PLC (Firm A/c)*	14,090,693	0.41

No.	Name	Share Held	Percentage (%)
22.	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels for JF Asean Fund*	14,000,000	0.41
23.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt an for Prudential Fund Management Berhad*	13,672,300	0.40
24.	Citigroup Nominees (Asing) Sdn Bhd *Goldman Sachs International*	12,752,245	0.37
25.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for the Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT Acct)*	12,650,100	0.37
26.	Citigroup Nominees (Asing) Sdn Bhd *GSI for OZ Asia Master Fund, Ltd*	12,514,100	0.36
27.	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for American International Assurance Company Limited*	12,010,900	0.35
28.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for JP Morgan Chase Bank, National Association (UK)*	11,129,924	0.32
29.	Cartaban Nominees (Asing) Sdn Bhd *Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)*	10,687,000	0.31
30.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for JPMorgan Chase Bank, National Association (U.A.E)*	10,515,889	0.31
	TOTAL	**2,815,348,822**	**81.84**

SUBSTANTIAL SHAREHOLDERS' HOLDING 5% AND ABOVE

As per register of substantial shareholders

No.	Name	Shares Held		Percentage (%)	
		Direct	Indirect	Direct	Indirect
1.	Khazanah Nasional Berhad	1,243,057,173	—	36.14	—
2.	Employees Provident Fund Board	335,006,950	36,657,100*	9.74	0.11
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd – *Skim Amanah Saham Bumiputera*	297,588,200	—	8.65	—
4.	Bank Negara Malaysia	251,680,000	—	7.32	—
	TOTAL	**2,127,332,323**	**36,657,100**	**61.85**	**0.11**

* Employees Provident Fund Board (EPF) is deemed to have indirect interest by virtue of TM Shares managed by other portfolio managers on behalf of EPF under Section 6A of the CA 1965.

Authorised and Issued Share Capital

1. AUTHORISED SHARE CAPITAL

The authorised share capital as at 20 February 2008 is RM5,000,003,021 divided into 5,000,000,000 ordinary shares of RM1.00 each; One (1) Special Rights Redeemable Preference Share of RM1.00; 1,000 Class A Redeemable Preference Shares (RPS) of RM0.01 each, 1,000 Class B RPS of RM0.01 each, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Type of Share	Total Authorised Share Capital (RM)
12/10/1984	1,000,000.00	Ordinary shares	1,000,000.00
06/08/1984	4,999,000,000.00	Ordinary shares	5,000,000,000.00
11/09/1990	1.00	Special Share	5,000,000,001.00
31/03/2003	10.00	Class A RPS	5,000,000,011.00
31/03/2003	10.00	Class B RPS	5,000,000,021.00
08/05/2007	2,000.00	Class C NCRPS	5,000,000,021.00
08/05/2007	1,000.00	Class D NCRPS	5,000,003,021.00

2. ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up capital as at 20 February 2008 is RM3,439,812,606.00 comprising 3,439,809,680 ordinary shares of RM1.00 each; One (1) Special Rights Redeemable Preference Share of RM1.00; 2,000 Class C NCRPS of RM1.00 each and 925 Class D NCRPS of RM1.00 each.

The changes in the issued and paid-up share capital are as follows on annual basis:-

Date	No. of Shares Allotted	Description	Total (RM)
31/12/1984	2	Cash	2
31/12/1986	9,999,998	Cash	10,000,000
31/12/1987	490,000,000	Bonus issue on the basis of 49 ordinary shares for every 1 existing ordinary share held	500,000,000
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary shares held	1,500,000,000
11/09/1990	1	Special Rights Redeemable Preference Share	1,500,000,001
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001
31/12/1992	9,249,000	Cash	1,979,749,001

Date	No. of Shares Allotted	Description	Total (RM)
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds Due 2004	1,999,090,921
20/06/1997	999,545,460	Bonus issue on the basis of one (1) ordinary shares for every two (2) existing ordinary shares held	2,998,636,381
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381
12/12/2003	1,000	Class A RPS of RM0.01 each	3,238,510,391
12/12/2003	1,000	Class B RPS of RM0.01 each	3,238,510,401
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881
20/07/2007	2,000	Class C NCRPS of RM1.00 each	3,435,263,881
20/07/2007	925	Class D NCRPS of RM1.00 each	3,435,264,806
23/07/2007 – 31/12/2007	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606
	3,439,812,606		

Net Book Value of Land & Buildings

AS AT 31 DECEMBER 2007

	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	1,410	6	409	8	667	–	–	109.6	1,451.7
	b. Labuan	–	–	2	443	4	427	–	–	–	–
2.	Selangor	13	10,280	22	25,040	5	324	78	15,473	195.4	554.3
3.	Perlis	–	–	4	52	–	–	11	595	0.5	3.6
4.	Perak	5	61	17	679	5	297	109	7,938	5.9	76.3
5.	Pulau Pinang	8	18	19	1,049	–	–	32	7,366	7.9	62.3
6.	Kedah	8	438	15	1,404	–	–	37	2,432	8.8	83.1
7.	Johor	11	148	27	1,325	16	538	103	11,145	9.7	106.8
8.	Melaka	9	1,086	22	62,293	2	152	24	4,047	16.4	144.6
9.	Negeri Sembilan	10	47,523	9	321	6	317	55	3,305	2.9	34.7
10.	Terengganu	–	–	21	1,585	3	121	40	4,976	1.4	47.1
11.	Kelantan	–	–	11	463	4	173	34	2,058	1.0	24.9
12.	Pahang	4	80	45	2,095	16	664	72	4,412	8.2	89.2
13.	Sabah	–	–	19	786	5	219	68	26,514	7.4	103.0
14.	Sarawak	7	522	29	858	9	342	90	9,388	25.8	89.8
15.	Sri Lanka	15	509	–	–	–	–	–	–	11.8	43.4
16.	Bangladesh	204	1,254	–	–	–	–	–	–	5.0	23.5
17.	Cambodia	–	–	–	–	–	–	–	–	–	1.3
18.	Indonesia	–	–	9,052	25,045	–	–	–	–	297.0	12.0
	TOTAL	**322**	**63,329**	**9,320**	**123,847**	**83**	**4,241**	**753**	**99,649**	**714.7**	**2,951.6**

No revaluation has been made on any of the land and buildings

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the land have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these land to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

Usage of Properties

AS AT 31 DECEMBER 2007

	Location	Exchanges	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	Kedai TM/ Primatel/ Business Centre	University	Telecom-munication/ Tourism Tower
1.	Federal Territory										
	a. Kuala Lumpur	28	6	24	39	19	1	–	–	–	1
	b. Labuan	3	2	1	4	12	2	–	–	–	–
2.	Selangor	85	11	20	–	43	–	–	3	1	–
3.	Perlis	10	–	–	2	1	–	–	1	–	–
4.	Perak	68	22	32	81	44	–	–	2	–	–
5.	Pulau Pinang	29	–	19	33	26	2	1	3	–	–
6.	Kedah	48	11	5	26	11	–	1	2	–	1
7.	Johor	90	17	6	51	22	1	–	6	–	–
8.	Melaka	19	2	5	23	6	2	–	1	1	–
9.	Negeri Sembilan	31	15	4	16	–	1	4	1	–	–
10.	Terengganu	33	17	5	15	6	2	–	–	–	–
11.	Kelantan	23	6	7	18	13	–	–	1	–	–
12.	Pahang	45	34	15	49	19	3	4	1	–	–
13.	Sabah	45	33	21	22	22	2	1	3	–	–
14.	Sarawak	72	43	23	47	25	1	–	1	–	–
15.	Sri Lanka	–	12	6	–	–	–	–	–	–	–
16.	Bangladesh	–	203	–	–	1	–	–	–	–	–
17.	Cambodia	1	–	–	–	–	–	–	–	–	–
18.	Indonesia	–	–	11	–	–	–	–	–	–	–

Group Directory

HEAD OFFICE

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

MALAYSIA BUSINESS

Head Office
Level 5 (South Wing), Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 9494
Fax : 03-2283 2415/03-7958 5533

Customer Care
Level 3, Menara TM Annex 1
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 100
Fax : 03-7960 6020

Service Assurance Centre
Ground Floor, Bangunan IDC
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : 1-800-88-9947

TM Regional Office (TMRO)

UNITED KINGDOM
Telekom Malaysia (UK) Limited
St.Martin's House
16 St. Martin's Le Grand
London EC1A 4EN
Tel : +44 (0) 207 397 8579
Fax : +44 (0) 207 397 8400

USA
Telekom Malaysia (USA) INC
8320 Old Courthouse Road
Suite 420, Vienna VA 22182
Tel : +1 703 467 5962
Fax : +1 703 467 5962

HONG KONG
Telekom Malaysia (Hong Kong) Limited
Room 1612, 16/Floor
Tower 1 Silvercord
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong
Tel : +852 2992 0190
Fax : +852 2992 0570

SINGAPORE
Telekom Malaysia (S) Pte Ltd
1754 Bencoolen Street
#07-05/06 – Burlington Square
Singapore 189650
Tel : +65 6532 6369
Fax : +65 6532 3742

MB Subsidiaries:

GITN Sdn Bhd

Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2245 0000
Fax : 03-2240 0709

Network Operation Centre
2nd Floor, TM IT Complex
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : 1-300-88-2888
Fax : 03-8319 4775

TM Applied Business Sdn Bhd

Head Office
Level 16, Menara 2, Faber Tower
Jalan Desa Bahagia, Taman Desa
Off Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7984 4989
Fax : 03-7980 1605

Cyberjaya Office
2nd Floor, TM IT Complex
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : 03-8318 1706
Fax : 03-8318 1721

TM Research & Development Sdn Bhd

Head Office
Idea Tower, UPM-MTDC
Technology Incubation Centre
Lebuh Silikon
43400 Serdang, Selangor
Tel : 03-8944 1820
Fax : 03-8945 1591

Customer Service Centre
Marketing & Business Development Division
TM Research & Development
Idea Tower, UPM – MTDC
Technology Incubation Centre
Lebuh Silikon
43400 Serdang, Selangor
Tel : 03-8944 1820
Fax : 03-8944 1246

TM Sales & Services Sdn Bhd

Head Office
Level 18, Menara Mutiara Bangsar
Jalan Liku off Jalan Riong, Bangsar
59100 Kuala Lumpur
Tel : 03-2297 1200
Fax : 03-2282 7799

TMpoint

KUALA LUMPUR

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

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 Kelang, 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

Group Directory

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, TM IT Complex
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

JOHOR

Johor Bahru
Jalan Abdullah Ibrahim
80672 Johor Bahru, Johor

Plaza Pelangi
Unit 1.19A, Ground Floor
(Main Entrance)
Plaza Pelangi Jalan Kuning
80400 Johor Bahru, Johor

Skudai
Ground Floor, Ibusawat TM
Batu 9½, Jalan Skudai
81300 Skudai, Johor

Pontian
1st Floor, Ibusawat TM
Jalan Alsagoff
82000 Pontian, Johor

Kluang
No. 1 & 2, Jalan Dato' Teoh Siew Khor
56000 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. 23A, Ground Floor
Jalan Bandar Pusat Perdagangan
81700 Pasir Gudang, Johor

NEGERI SEMBILAN

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

Melaka
527 & 529A, 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

Kangar
Jalan Bukit Lagi
Pekan Kangar
01000 Kangar, Perlis

Alor Star
Kompleks Kristal
Jalan Kolam Air
05672 Alor Star, 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

Bayan Baru
No. 68, Jalan Mahsuri
11950 Bayan Baru, Pulau Pinang

Jalan Burmah
Jalan Burmah
10150 Georgetown, Pulau Pinang

Butterworth
Wisma TM Butterworth
Ground Floor, Jalan Bagan Luar
12000 Butterworth, Pulau Pinang

Bukit Mertajam
Jalan Arumugam Pillai
14000 Bukit Mertajam, Pulau Pinang

Sungai Bakap
1282, Jalan Besar
14200 Sungai Bakap, Pulau Pinang

PERAK

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

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

Group Directory

TERENGGANU

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

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

Batu Lintang
Jalan Batu Lintang
93200 Kuching, Sarawak

Padang Merdeka
Ground Floor
Bangunan Yayasan Sarawak
Lot 2, Section 24 Jalan Barrack/Masjid
93000 Kuching, Sarawak

Pending
Jalan Gedong
93450 Pending, Sarawak

Sri Aman
Jalan Club
95000 Sri Aman, Sarawak

Miri
Jalan Post
98000 Miri, Sarawak

Limbang
Jalan Kubu
98700 Limbang, Sarawak

Lawas
Jalan Punang
98850 Lawas, Sarawak

Bintulu
Jalan Law Gek Soon
97000 Bintulu, Sarawak

Sibu
Persiaran Brooke
96000 Sibu, Sarawak

Sarikei
Jalan Berek
96100 Sarikei, Sarawak

Kapit
Jalan Kapit By Pass
96800 Kapit, Sarawak

SABAH

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, Block 35
Fajar Complex
Jalan Perbandaran
91000 Tawau, Sabah

Lahad Datu
Ground Floor, MDLD 3307
Fajar Complex
Jalan Segama
91100 Lahad Datu, Sabah

Sandakan
6th Floor, Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah

Mailing address:-
Locked Bag 44
90009 Sandakan, Sabah

Keningau
Commercial Centre
Jalan Arusap, Off Jln Masak
Blok B7, Lot 13 & 14
89007 Keningau, Sabah

Beaufort
Choong Street
P.O. Box 269
89807 Beaufort, Sabah

Kudat
Jalan Wan Siak
P.O. Box 340
89058 Kudat, Sabah

CELCOM (MALAYSIA) BERHAD

HEAD OFFICE

Menara Celcom
82, Jalan Raja Muda Abdul Aziz
50300 Kuala Lumpur
Tel : 03-2687 3838
Fax : 03-2681 0421

CENTRAL REGIONAL OFFICE

Menara Naluri, 161B, Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2848 1201
Fax : 03-2848 1202

WILAYAH PERSEKUTUAN

Cheras Branch (Taman Segar)
62, Jalan Manis 3
Taman Segar, Cheras
56100 Kuala Lumpur

Selayang Branch
No. 101, Jalan 2/3A
Pusat Bandar Utara, Selayang
68100 Kuala Lumpur

Jalan Ampang Branch
Level 1 & 2, Podium Block
161B, Menara Naluri
Jalan Ampang
50450 Kuala Lumpur

Pekeliling Branch
Pekeliling Business Centre
Ground Floor, Pharmacare Building
Lot 14 (129), Jalan Pahang Barat
Off Jalan Pahang
53000 Kuala Lumpur

Taman Tun Dr Ismail Branch
No AB 40, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur

SELANGOR

Petaling Jaya Branch
Ground Floor, Menara PKNS PJ
No. 17 Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor

Kajang Branch
Lot No 1, Taman Sri Saga
Jalan Sungai Chua
43000 Kajang
Selangor

Bandar Baru Klang Branch
No. 1 Lorong Tiara 1A
Bandar Baru Klang
41150 Klang
Selangor

Shah Alam Branch
No 1
Jalan Tengku Ampuan Zabedah B,
9/B, Section 9
40000 Shah Alam
Selangor

Port Klang Service Centre
Lot 1-3, Tingkat 1
Hentian Pelabuhan Klang
42000 Klang
Selangor

KLIA Service Centre
Lot MTBAP NA 1
Arrival Hall (Level 3)
Main Terminal Buiding
KL International Airport
64000 Sepang
Selangor

NEGERI SEMBILAN

Seremban Branch
Lot 1520 & 1521, Ground Floor
Jalan Tun Dr Ismail
70200 Seremban
Negeri Sembilan

NORTHERN REGION

Northern Regional Office
8th Floor Bangunan KWSP
Jalan Sultan Ahmad Shah
10000 Penang
Tel : 04-2421 902 / 010-4016 011
Fax : 04-2288 903

PENANG

Penang Branch
Ground & 1st Floor, Wisma Celcom
No. 245, Jalan Burmah
10350 Penang

Seberang Jaya Branch
No. 31, Jalan Todak 4
Bandar Seberang Jaya
13700 Seberang Perai
Penang

Bayan Baru Branch
No. 29, Persiaran Mahsuri 1/3
Sunway Tunas, Bayan Lepas
11900, Penang

Bukit Mertajam Branch
No. 22, Tingkat Ciku 1, Taman Ciku
14000 Bukit Mertajam
Penang

KEDAH

Alor Star Branch
Level 2 & 3
Menara Bina Darul Aman Berhad
Lebuhraya Darul Aman
05100 Alor Star, Kedah

Sungai Petani Branch
No 23-D, Jalan Kampung Baru
08000 Sungai Petani
Kedah

Langkawi Branch
No. 53, Langkawi Mall, Jalan Kelibang
07000 Kuah, Langkawi
Kedah

PERAK

Ipoh Branch
No. 2, Persiaran Greentown 3
Greentown Business Centre
30450 Ipoh, Perak

Teluk Intan Service Centre
Lot 12, Medan Sri Intan
Jalan Sekolah, 36000 Teluk Intan
Perak

Group Directory

Taiping Service Centre
No. 430, Ground & 1st Floor
Jalan Kemunting, Taman Saujana
34600 Kemunting, Taiping
Perak

PERLIS

Kangar Service Centre
Lot 1, Ground & 1st Floor
Taman Simpang Tiga
Persiaran Jubli Emas
01000 Kangar
Perlis

SOUTHERN REGION

Southern Regional Office
Lot G1, 1st Floor, Bangunan Ang
No. 1, Jalan Jeram, Taman Tasek
80200 Johor Bahru, Johor
Tel : 07-2346 200
Fax : 07-2373 631

JOHOR

Johor Bahru Branch
Lot G-1, Ground Floor, Bangunan Ang
No. 1, Jalan Jeram, Taman Tasek
80200 Johor Bahru
Johor

Taman Molek Branch
1-3 Jalan Molek 1/9
Taman Molek
81100 Johor Bahru
Johor

Taman Pelangi Service Centre
No. 1, Jalan Kuning 2
Taman Pelangi
80400 Johor Bahru
Johor

Batu Pahat Branch
No. 22, Jalan Maju, Taman Maju
83000 Batu Pahat
Johor

MELAKA

Melaka Branch
No. 233, Taman Melaka Raya
75000 Melaka

EASTERN REGION

Eastern Regional Office
No. 7, Persiaran Sultan Abu Bakar
Kawasan Perindustrian Ringan IM3
Bandar Indera Mahkota
25200 Kuantan
Pahang
Tel : 09-5723 330
Fax : 09-5732 019

PAHANG

Kuantan Branch
A93 & A95
Sri Dagangan Business Centre
Jalan Tun Ismail
25000 Kuantan
Pahang

Temerloh Branch
No. 62, Jalan Ahmad Shah 1
28000 Temerloh
Pahang

KELANTAN

Kota Bharu Branch
Lot 825 & 826, Seksyen 27
Jalan Seri Cemerlang
15300, Kota Bharu
Kelantan

Tanah Merah Branch
Bangunan Merdeka Jaya
Jalan Taman Hiburan
17500 Tanah Merah
Kelantan

TERENGGANU

Kuala Terengganu Branch
6C & 6D, Jalan Air Jernih
20300 Kuala Terengganu
Terengganu

Kemaman Branch
K 9709 & 9710
Taman Chukai Utama
Jalan Kubang Kurus
24000 Kemaman
Terengganu

SABAH REGION

Sabah Regional Office
Lot 2-7-1/2
Level 7, Plaza Wawasan
88000 Kota Kinabalu, Sabah
Tel : 088-291 701
Fax : 088-317 261

Kota Kinabalu Branch
Wawasan Plaza
Level 1 & 2
88000 Kota Kinabalu, Sabah

Damai Branch
Wisma CTF, Lot 4
Block B, Damai Plaza Phase 3
P. O. Box 20005
88757 Damai Plaza Luyang
Kota Kinabalu, Sabah

Sandakan Branch
Lot 9 &10, Ground & Mezzanine Floor
Block B, Phase 2, Taman Grand View
90000 Sandakan, Sabah

Labuan Branch
Ground to 2nd Floor
Lot 6, Jalan Anggerik
87007 Wilayah Persekutuan Labuan

Tawau Branch
TB 309, Ground to 3rd Floor
Block 36, Jalan St Patrick
Fajar Complex
91000 Tawau, Sabah

SARAWAK REGION

Sarawak Regional Office
Level 2, Wisma NAIM
Lot 2679, Block 10
KCLD, Jalan Rock
93200 Kuching, Sarawak
Tel : 082-211 190/082-211 112
Fax : 082-418 292/082-211 122

Central Park Branch
Ground Floor, No. 322, Lot 2734
Central Park Commercial Centre
3rd Mile, Jln Tun Ahmad Zaidi Adruce
93150 Kuching, Sarawak

Kuching Branch
Wisma Lim Kim Soon
Lot 609, Block 195, Jalan Satok
93400 Kuching, Sarawak

Jln DAAR Branch
Ground Floor, Lot 445
Sub Lot 6, Seksyen 64, KTLD
Jln Dato Abang Abdul Rahim
93450 Kuching, Sarawak

Miri Branch
Ground Floor & 3rd Floor, Lot 935
Block 9, MCLD Jalan Asmara
98000 Miri, Sarawak

Bintulu Branch
Ground – 3rd Floor, Lot 22
Park City Commercial Square
Phase 3, Jln Tun Ahmad Zaidi
97000 Bintulu, Sarawak

Sibu Branch
No. 44, Lot 1557, Jalan Keranji
Off Jalan Tuanku Osman
96000 Sibu, Sarawak

INTERNATIONAL SUBSIDIARIES & AFFILIATES

DIALOG TELEKOM PLC (DIALOG)
No. 475, Union Place
Colombo 2
Sri Lanka
Tel : +94-11-267 8700
Fax : +94-11-267 8703

TM INTERNATIONAL (BANGLADESH) LIMITED (TMIB)
Brac Centre, 9th Floor
75 Mohakhali Commercial Area
Dhaka 1212
Bangladesh
Tel : +880-2-988 7149/50/51/52
Fax : +880-2-988 5463

SAMART CORPORATION PUBLIC COMPANY LIMITED (SAMART)
99/1 Moo 4 Software Park
35th Floor, Chaengwattana Road
Klong Gluar, Pak-kred
Nonthaburi
11120 Thailand
Tel : +66-2-502 6000
Fax : +66-2-502 6043

TELEKOM MALAYSIA INTERNATIONAL (CAMBODIA) COMPANY LIMITED (TMIC)
#56-58, Preah Norodom Blvd
Sangkat Chey Chumneah
Khan Doun Penh
Phnom Penh
Kingdom of Cambodia
Tel : +855-16-810 001/2/3
Fax : +855-16-810 004,
+855-23-219 090

SOCIETE DES TELECOMMUNICATIONS DE GUINEE (SOTELGUI s.a.)
B.P. 2066, Conakry
Republic of Guinea
Tel : +224-450 200
Fax : +224-411 535

PT EXCELCOMINDO PRATAMA TBK (XL)
GRHAXL, Jl. Mega Kuningan, Lot E4-7
No. 1, Kawasan Mega Kuningan
Jakarta 12950
Indonesia
Tel : +62-21-576 1881
Fax : +62-21-575 61880

MULTINET PAKISTAN (PRIVATE) LIMITED (MULTINET)
239, Staff Lines, Fatima Jinnah Road
Karachi 75530
Pakistan
Tel : +92-21-111-021 021
Fax : +92-21-565 6480

SPICE COMMUNICATIONS LIMITED (SPICE)
D-1, Sector-3, Noida-201 301
Uttarpradesh
India
Tel : +91-120-4363 600
Fax : +91-120-5320 467

MOBILEONE LTD (M1)
10 International Business Park
609928 Singapore
Tel : (65) 6895 1111
Fax : (65) 6899 3200

MOBILE TELECOMMUNICATIONS COMPANY OF ESFAHAN (MTCE)
P.O. Box 81655-1446
Esfahan
Iran
Tel : +98-311 324 040
Fax : +98-311 324 0032

SAMART I-MOBILE PUBLIC COMPANY LIMITED (SIM)
99/3 Moo 4 Software Park
33rd Floor, Chaengwattana Road
Klong Gluar, Pak-kred
Nonthaburi
11120 Thailand
Tel : +66-2-502 6000
Fax : +66-2-502 6900

TM VENTURES – SUBSIDIARIES & ITS ASSOCIATE/AFFILIATE COMPANY

TM VENTURES
Level 11, South Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 1355
Fax : 03-7960 3359

TM FACILITIES SDN BHD
6th Floor, Wisma TM Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5400
Fax : 03-7987 4303

TMF SERVICES SDN BHD
Lot 1, Persiaran Jubli Perak
Section 17, 40000 Shah Alam
Tel : 03-5548 9400
Fax : 03-5541 2141

TMF AUTOLEASE SDN BHD
Lot 1, Persiaran Jubli Perak
Section 17, 40000 Shah Alam
Tel : 03-5548 9412
Fax : 03-5510 0286

PROPERTY DEVELOPMENT
11th Floor, Wisma TM Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5040
Fax : 03-7983 6390

MENARA KUALA LUMPUR SDN BHD
No. 2 Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax : 03-2072 8409

TM INFO-MEDIA SDN BHD
10th Floor, Menara D
Persiaran MPAJ
Jalan Pandan Utama, Pandan Indah
55100 Kuala Lumpur
Tel : 03-4292 1111/03-4289 1222
Fax : 03-4291 9191

UNIVERSITI TELEKOM SDN BHD
Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : 03-8312 5018/5000
Fax : 03-8312 5022

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

VADS BERHAD
15th Floor, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7712 8888
Fax : 03-7728 2584

TELEKOM SMART SCHOOL SDN BHD
45-8, Level 3, Block C
Plaza Damansara
Jalan Medan Setia 1
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2092 5252
Fax : 03-2093 4993

FIBRECOMM NETWORK (M) SDN BHD
Level 37, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 1843
Fax : 03-2240 5001

ASSOCIATE/AFFILIATE COMPANY

MUTIARA.COM SDN BHD
114-F, Bangunan JKPSB
Jalan Sungai Pinang
10150 Pulau Pinang
Tel : 04-281 1600/2600
Fax : 04-281 8600

MEASAT GLOBAL BERHAD
Level 39, Menara Maxis
50088 Kuala Lumpur
Tel : 03-8213 2188
Fax : 03-8213 2233

Glossary

3G
Third Generation Mobile System. The generic term for the next generation of wireless mobile communications networks

ADSL
Asymmetric Digital Subscriber Line, which is designed to deliver more bandwidth from the central office to the customer site

APCN
Asia Pacific Cable Network

ARPU
Average Revenue Per User. The average revenue generated per customer unit per month

ARPM
Average Revenue Per Minute

ATM
Asynchronous Transfer Mode. A protocol for integrated transmission over a Broadband Integrated Services Digital Network

Bandwidth
The width of a communications channel. In digital communications, bandwidth is typically measured in bits per second

Broadband
Any circuit significantly faster than a dial-up phone line

BTS
Base Transceiver Station

CAGR
Compounded Annual Growth Rate

CDMA
Code Division Multiple Access is a digital, spread spectrum, packet-based access technique generally used in radio frequency systems

CJ
China Japan

CMC
Chikura-Miyazaki Cable

CRM
Customer Relationship Management

CUCN
China-US Cable Network

DMCS
Dumai-Malacca Cable System

DSL
Digital Subscriber Line

EBITDA
Earning Before Interest, Taxes, Depreciation and Amortisation

ESOS
Employee Share Option Scheme

FLAG
Fibre Link Around the Globe

FLAG-ATLANTIC
Fibre Link Around the Globe – Atlantic

GLC
Government-Linked Companies

GPRS
General Packet Radio Service. It is the always-on packet data service for GSM, which is the cell phone standard that is used by most countries in the world. GPRS will be most useful for data applications such as mobile internet, browsing and e-mail

Group
Telekom Malaysia Berhad and its Local & International Subsidiaries/ Associated Companies/Affiliates

GSM
Global System for Mobile communications. It is the standard digital cellular phone service that is commonly used in Europe, Japan, Australia and elsewhere – a total of 85 countries

HSDPA
High Speed Downlink Packet Access

HSUPA
High Speed Uplink Packet Access

IBSS
Industrial Business Solution Seminar

ICT
Information and Communication Technology

IDD
International Direct Dialing. The capability to directly dial an overseas phone number from one's own home or office telephone

IP
Internet Protocol. A software that keeps track of the internet's addresses for different nodes, routes outgoing messages and recognises incoming messages

IPLC
International Private Leased Circuit

IPVPN
Internet Protocol Virtual Private Network. It is a private network for a corporation or an institution connecting any number of end points using a combination of private and public circuits

ISDN
Integrated Services Digital Network. ISDN is a set of international standards set by the ITU-T (International Telecommunications Services Sector for a circuit-switched digital network that supports access to any type of service (e.g. voice, data and video) over a single, integrated local loop from the customer premises to the network edge

ISP
Internet Service Provider. A vendor who provides access for customers (companies and private individuals) to the internet and the World Wide Web

JUCN
Japan-US Cable Network

LAN
Local Area Network. A communication network connecting personal computer workstations, printer, file servers and other devices inside a building

Glossary

MB
Malaysia Business. A Strategic Business Unit that consolidates all TM's domestic fixed services under a single leadership team

Mbps
Million bits per second, the speed of a telecommunications, networking or local area networking transmission facility

MCMC
Malaysian Communications and Multimedia Commission

MDSCS
Malaysia Domestic Submarine Cable System

MMS
Multimedia Messaging Service, a service that allows cell phone users to send pictures, movie clips, cartoons and other graphic materials from one cell phone to another

MNP
Mobile Number Portability

MoU
Minutes of Use

MPLS
Multi Protocol Label Switching

MVNO
Mobile Virtual Network Operator

NIOSH
National Institute of Occupational Safety and Health

NPC
North Pacific Cable

Opco
Operating Company

OSH
Occupational Safety and Health

OSHA
Occupational Safety and Health Association

PATAMI
Profit after tax and minority interest

PIP
Performance Improvement Programme

R-J-K
Russia-Japan-Korea

ROCE
Return on Capital Employed

SAT3-WASC-SAFE
South Atlantic 3-Western Africa Submarine Cable-South Asia Far East

SBU
Strategic Business Unit

SEA-ME-WE
South East Asia-Middle East-Western Europe Submarine Cable System

SME
Small and Medium Enterprise

SMIDEC
Small and Medium Industries Development Corporation

SMS
Short Message Service. A means to send or receive short messages to or from mobile telephones

SOHO
Small Office and Home Office

TAT
Trans Atlantic

TM
Telekom Malaysia Berhad (Company No. 128740-P)

TMR
TM Retail

TMW
TM Wholesale

TPC
Trans Pacific Cable

TVH
Thailand, Vietnam, Hong Kong

USF
Unified Sales Force

VoIP
Voice Over Internet Protocol. The technology used to transmit voice conversations over a data network using the internet protocol

VPN
Virtual Private Network. With VPN an individual can lock into a distant corporate local area network, server or corporate intranet over the internet

VSAT
Very Small Aperture Terminal. A relatively small satellite antenna, typically 1.5 to 3.0 metres in diameter used for satellite-based point-to-multipoint data communications applications

VSS
Voluntary Separation Scheme

WAN
Wide Area Network. A public voice or data network that extends beyond the metropolitan area

WCDMA
Wideband CDMA. A high speed 3G mobile wireless technology that works by transmitting the input signals in a coded, spread spectrum mode over a range of frequencies

Wi-Fi
Wireless Fidelity. Wi-Fi runs in the 2.4GHz wireless range at speeds of up to 11 Mbps

WiMAX
Worldwide Interoperability For Microwave Access

WLL
Wireless Local Loop

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

Proxy Form

I/We ____
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________________ (OLD NRIC NO.) ______________________

(PASSPORT NO.) ______________________ (COMPANY NO.) ______________________

of ____
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** hereby appoint ______________________

____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ____
(FULL ADDRESS)

or failing him/her of ____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Twenty-Third Annual General Meeting of Telekom Malaysia Berhad (128740-P) [Company] to be held at Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 17 April 2008 at 10:00 a.m. or at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below:
(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion)

	Resolutions		**For**	**Against**
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2007	– Ordinary Resolution 1		
2.	Declaration of a final gross dividend of 22 sen per share (less 26% Malaysian Income Tax)	– Ordinary Resolution 2		
3.	Re-election of Datuk Zalekha Hassan pursuant to Article 98(2)	– Ordinary Resolution 3		
4.	Re-election of Dato' Ir Dr Abdul Rahim Daud pursuant to Article 103	– Ordinary Resolution 4		
5.	Re-election of YB Datuk Nur Jazlan Tan Sri Mohamed pursuant to Article 103	– Ordinary Resolution 5		
6.	Re-election of Dato' Azman Mokhtar pursuant to Article 103	– Ordinary Resolution 6		
7.	Approval of payment of Directors' fees	– Ordinary Resolution 7		
8.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration	– Ordinary Resolution 8		
9.	**Special Business:** (i) Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares	– Ordinary Resolution 9		
	(ii) Proposed Shareholders' Mandate	– Ordinary Resolution 10		
	(iii) Proposed Amendments to the Articles of Association	– Special Resolution		

Signed this ______________ day of ______________2008

No. of shares held	CDS* Account No. of Authorised Nominee

** Applicable to shares held through a nominee account*

____
Signature(s)/Common Seal of Member(s)

Notes:

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation have been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation have been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. This instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tenaga Koperat Sdn Bhd, G-01 Ground Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

1. Fold here

2. Fold here

AFFIX
STAMP

THE SHARE REGISTRARS
TENAGA KOPERAT SDN BHD
G-01 Ground Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

3. Fold here