



2010 Annual Report

everyone connects

CONNECT COMMUNICATE COLLABORATE

ANNUAL REPORT 2010



connect

www.tm.com.my

Group Corporate Communications
TELEKOM MALAYSIA BERHAD (128740-P)
Level 8 (South Wing), Menara TM
Jalan Pantai Baharu, 50672 Kuala Lumpur
Malaysia

TELEKOM MALAYSIA BERHAD (128740-P)



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communicate



collaborate





connect . communicate . collaborate .

We bring people together by bridging divides and creating cohesion in diversity. We provide seamless connectivity, where knowledge flows unimpeded, turning dreams and passion into reality. Whether for personal, entertainment or business purposes, the possibilities are infinite. With UniFi high speed broadband, we are breaking barriers. We are enriching the nation and the people. We are opening up possibilities. Connections make anything possible.

facts at a glance



No.

1

Broadband provider in Malaysia

760,000

premises passed by HSBB network by end December

87.6%

increase in PATAMI from RM643.0 million to RM1,206.5 million

2.1%

growth in revenue from RM8,608.0 million to RM8,791.0 million

249,000

new broadband customers, bringing the total to 1.68 million broadband customers

10,982

Streamyx hotspots across the country

Taking Success Further with



In line with being Malaysia's Leading New-Generation Communications Provider, we have introduced and implemented a Performance Improvement Programme (Pip 2.0) to embrace our customers' needs through constant innovation and execution excellence.

The four strategic thrusts of Pip 2.0:

Customer

Centricity and Quality Improvements

We constantly push boundaries to remain ahead in the industry. By focusing on customer satisfaction, we enhance the quality of experience for our valued customers at all touch points.

One

Company Mindset with Execution Orientation

With a seamless transition of human capital geared towards the expansion of High Speed Broadband (HSBB), we are poised to function as an organisation focused on enhancing skills development to better serve our customers.



Operational

Excellence and Capital Productivity

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

Leadership

Through Innovation and Commercial Excellence

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

contents



notice of annual general meeting

DATE 10 May 2011, Tuesday
TIME 10.00 a.m.
VENUE Multi Purpose Hall
Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur, Malaysia

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vision

“To be Malaysia’s leading new generation communications provider,
embracing customer needs through innovation and execution excellence”

kristal song

Essentially committed to our customers
We strive to do our very best
Showing great understanding
Keeping an open mind at all times

Honesty, sincerity and trustworthy
To friends, colleagues and all
Always respecting one another
Immensely dedicated to our work

Chorus:
Let us march on together
Providing excellence in service
Overcoming all obstacles
Surely we will excel at all times

TM continues to succeed
Led by an esteemed leadership
Armed with a solid foundation
TM is the pride of the Nation

Chorus:
Let us march on together
Providing excellence in service
Overcoming all obstacles
Surely we will excel at all times



mission

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

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

kristal values

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

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY-SIXTH ANNUAL GENERAL MEETING (26TH AGM) OF THE COMPANY WILL BE HELD AT 10:00 A.M. ON TUESDAY, 10 MAY 2011, AT THE MULTI PURPOSE HALL, MENARA TM, JALAN PANTAI BAHARU, 50672 KUALA LUMPUR, MALAYSIA, FOR THE FOLLOWING PURPOSES:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**
2. To declare a final gross dividend of 13.1 sen per share (less 25.0% Income Tax) in respect of the financial year ended 31 December 2010. **(Ordinary Resolution 2)**
3. To re-elect the following Directors, who retire by rotation pursuant to Article 103 of the Company's Articles of Association:-
 - i. Dato' Sri Zamzamzairani Mohd Isa **(Ordinary Resolution 3)**
 - ii. Datuk Bazlan Osman **(Ordinary Resolution 4)**
 - iii. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin **(Ordinary Resolution 5)**
 - iv. Dato' Danapalan T.P. Vinggrasalam **(Ordinary Resolution 6)**
 - v. Dato' Ir Abdul Rahim Abu Bakar **(Ordinary Resolution 7)**
 - vi. Quah Poh Keat **(Ordinary Resolution 8)**
 - vii. Ibrahim Marsidi **(Ordinary Resolution 9)**
 - viii. Riccardo Ruggiero **(Ordinary Resolution 10)**
4. To approve the payment of Directors' fees of RM1,116,000.00 for the financial year ended 31 December 2010. **(Ordinary Resolution 11)**
5. To re-appoint Messrs PricewaterhouseCoopers having consented to act as Auditors of the Company for the financial year ending 31 December 2011 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 12)**
6. To transact any other business of the Company of which due notice has been received.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 26th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd (Bursa Depository) in accordance with Article 74(3)(a) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors (ROD) as at 29 April 2011. Only a depositor whose name appears on the Register of Members/ROD as at 29 April 2011 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 26th AGM to be held on 10 May 2011, a final gross dividend of 13.1 sen (less 25.0% Income Tax) for the financial year ended 31 December 2010 will be paid on 15 June 2011 to Depositors whose names appear in the ROD on 26 May 2011.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 24 May 2011 (in respect of shares which are exempted from Mandatory Deposit);
- b. Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 26 May 2011 (in respect of Ordinary Transfers); and
- c. Shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

Shareholders are reminded that pursuant to SICDA, all shares not deposited with Bursa Depository by 12:30 p.m. on 1 December 1998 and not exempted from Mandatory Deposit, have been transferred to the Ministry of Finance (MoF). Accordingly, the dividend for such undeposited shares will be paid to MoF.

By Order of the Board

Idrus Ismail (LS0008400)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
15 April 2011

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
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. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation has been received". If the proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body 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. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

statement accompanying the notice of annual general meeting

DIRECTORS RANKING FOR RETIREMENT AND RE-ELECTION AT THE 26TH ANNUAL GENERAL MEETING.

The following Directors are retiring pursuant to Article 103 of the Company's Articles of Association:-

Article 103: Retirement by rotation

- Dato' Sri Zamzamzairani Mohd Isa
- Datuk Bazlan Osman
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
- Dato' Danapalan T.P. Vinggrasalam
- Dato' Ir Abdul Rahim Abu Bakar
- Quah Poh Keat
- Ibrahim Marsidi
- Riccardo Ruggiero

The profiles of the respective Directors are set out in the Profile of the Board of Directors on pages 61 to 66 inclusive, of this Annual Report. Their securities holdings in the Company and its related corporation are disclosed on page 356 of this Annual Report.



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financial calendar

22 FEBRUARY 2010

Announcement of the audited consolidated results and the declaration of final gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2009.

12 APRIL 2010

Issuance of Notice of the 25th AGM together with the Annual Report for the financial year ended 31 December 2009 and Circular to Shareholders.

6 May 2010

25th AGM of the Company.

20 MAY 2010

Date of entitlement to the final gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2009.

27 MAY 2010

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2010.

9 JUNE 2010

Date of payment of the final gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2009.

23 AUGUST 2010

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2010 and the declaration of an interim gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

7 SEPTEMBER 2010

Date of entitlement to the interim gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

24 SEPTEMBER 2010

Date of payment of the interim gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

26 NOVEMBER 2010

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2010.

25 FEBRUARY 2011

Announcement of the audited consolidated results and the declaration of final gross dividend of 13.1 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

15 APRIL 2011

Issuance of the 26th AGM and EGM Notices together with the Annual Report for the financial year ended 31 December 2010 and Circular to Shareholders.

10 MAY 2011

26th AGM and EGM the Company.

26 MAY 2011

Date of entitlement to the final gross dividend of 13.1 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

15 JUNE 2011

Date of payment of the final gross dividend of 13.1 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

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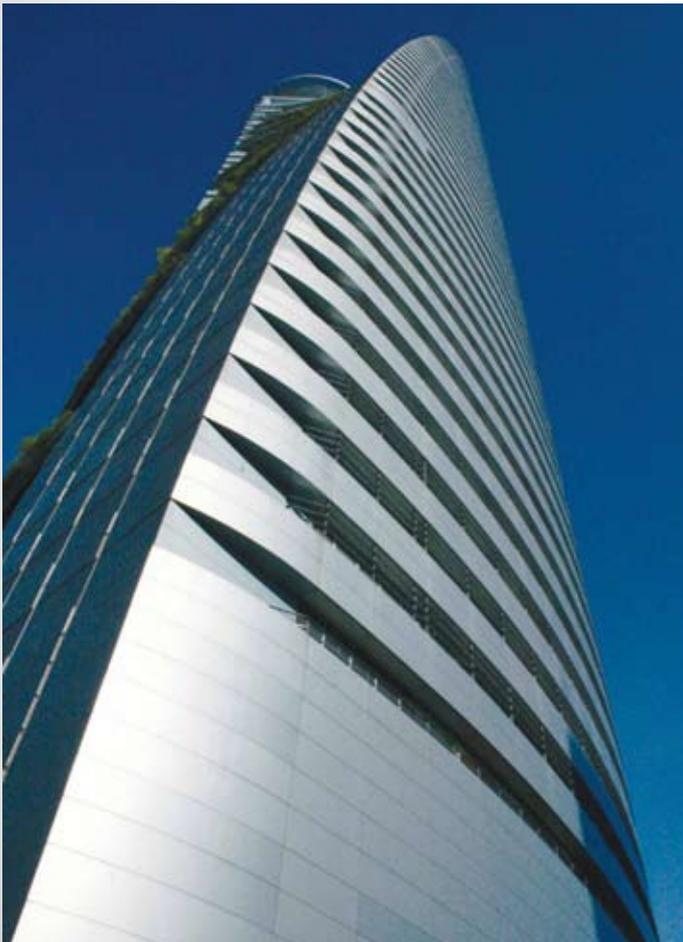
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TM is the largest integrated communications solutions provider in Malaysia, and one of Asia's leading communications companies, with a market capitalisation of RM13.9 billion and a workforce of 26,629 employees. Established as the Telecommunications Department of Malaya in 1946, it was privatised in 1987, and listed on Bursa Securities in 1990. Phenomenal growth that followed led to a demerger in 2008 of TM's mobile and fixed services, allowing TM to focus more intently on its core businesses of Internet and multimedia, data and the fixed line.



Today, the Company is Malaysia's broadband champion, fuelling the Government's vision of nurturing a knowledge driven economy. TM played an integral role in achieving 55.0% household broadband penetration by 2010, under the National Broadband Initiative (NBI), via Streamyx, the broadband for general population it introduced to the nation in 2001. In September 2008, the Company took on a bigger role in broadband development when it signed a private public partnership with the Government to launch a premier High Speed Broadband (HSBB) service in Malaysia.

In record-breaking time of seven months, the Company launched its wholesale HSBB transmission service; and in March 2010, rolled out the country's first retail HSBB service, brand named UniFi, in four areas in the Klang Valley. The service has since been

expanded to Iskandar Malaysia in the south and the Northern Corridor Economic Region. As of 18 March 2011, the total number of UniFi subscribers had exceeded 60,000, with coverage extending to 60 exchanges and more than 800,000 premises passed. The aim is to pass 1.3 million premises by end 2012.

To support its HSBB vision, TM is migrating its legacy Public Switched Telephone Network (PSTN) network into an all IP-based core. Significantly, it has opened its HSBB network to other service providers, signing a landmark agreement on the provision of wholesale HSBB access to a major telco player in December 2010. The Company believes in providing fair and equitable opportunities to other service providers for the benefit of the end user. Open access also supports the Government's agenda of nurturing a thriving ICT and multimedia hub in Malaysia.

Other than local connectivity, this necessitates global capacity which TM is able to provide via a continuously expanding network of submarine cable systems. With nine international networks already in its stable, the Company in 2010 entered into a partnership with Japan-based NTT Communication Corporation to develop its first private cable, Cahaya Malaysia, connecting Malaysia with Hong Kong and Japan. It also invested in the new Batam-Dumai-Melaka Cable System.

Internally, TM is streamlining its systems and processes so as to achieve greater cost efficiencies and promote a culture of sustainability. It is collapsing the 700 systems currently employed to 300 and eventually, to just 70. At the same time, employees are being trained with the knowledge and skills required of a new generation communications provider focused on information exchange. TM's ultimate objective is to connect Malaysians, and enable them to communicate and collaborate. Towards this end, the customer-centric organisation continues to enhance its customer service delivery while bringing to market a series of innovative and value-add products.

With UniFi, TM has been able to introduce yet another industry first with its triple play offering of video, Internet and phone (VIP) services.

The entire business model of the organisation has been realigned according to TM's six principal customer segments of Consumer, SME, Enterprise, Government, Wholesale and Global. In 2010, a seventh segment – New Media – was added, focusing on the fast-growing ICT and multimedia market that TM is spearheading. The new business structure enables greater synergies to be created between the various divisions, and allows TM to target its product and service offerings more specifically to the needs of the different niches. To further enhance the customer experience, TM strives to make its services ever more accessible and convenient via a growing network of TMpoint outlets and the secure, customised self-service portal parked under www.tm.com.my. In 2010, it also launched 15 mobile TMpoint on Wheels (TMOWs) to cater to customers in rural and remote areas.

TM's commitment to serving the people reflects a deep-rooted sense of Corporate Responsibility (CR) that

underlines all the Company's actions. TM's CR initiatives are mapped against Bursa Malaysia's CSR Framework for Public Listed Companies and Triple Bottomline Reporting, which takes into consideration the Economic, Social and Environmental impact of a company. As a former state-owned enterprise, TM continues to bridge the digital divide. It also places much emphasis on education, which has been the focus on its foundation, Yayasan TM (YTM), since this was established in 1994. To date, YTM has supported the academic ambitions of 12,345 Malaysians, disbursing a total of RM408 million on their education. At the same time, the Multimedia University, set up 14 years ago as the country's first private university, has produced a total of 26,070 graduates. As a responsible corporate citizen, TM is also conscious of its duty to reduce its carbon footprint and takes into consideration the environmental impact of all its business decisions to ensure a sustainable future. The greening of TM won it an Honourable Mention in the Prime Minister's CSR Awards 2010, while its Workplace Practices were judged the best in the same prestigious awards, two years running.

Excellence in TM is an ongoing theme that cuts across the board, and is reflected in numerous awards for almost every aspect of the Company's operations – from human resources policies to innovative products and the quality of its leadership. In 2010, Group CEO Dato' Sri Zamzamairani Mohd Isa was honoured at the Asia HRD Congress for the Company's human capital development programmes.

Such excellence positions TM well to continue to deliver the nation's communications needs. Today, more than ever, TM's extensive resources, its unmatched expertise and unparalleled reach are essential in propelling the country as it enters the next phase of its economic development. The Government has mapped out an ambitious Economic Transformation Programme that endeavours to increase the country's per capita income from US\$6,700 to more than US\$15,000 by year 2020. And TM is proud to be able to partner the Government in this transformation. Once again, both country and Company are moving ahead together, into an infinitely better and brighter future.

1800s

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

1900s

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

- 1980** Malaysia commissions its own submarine cable linking Kuantan and Kuching
- 1982** Introduction of Telefax and International Maritime Service
- 1983** Introduction of data communications
- 1984** Introduction of packet switch technology, leading to Malaysia's own public data network
- 1985**
 - Commissioning of the ATUR service using 450 analog cellular radio technology, a first in Asia
 - Introduction of the Multi Access Radio System, providing rural customers with easier access to telephone services
- 1987** Jabatan Telekom Malaysia (JTM) is corporatised, forming Syarikat Telekom Malaysia Berhad (STMB), the nation's first privatised entity
- 1988** Introduction of digital INTELSAT Business Service
- 1989** Introduction of the 800 toll-free service
- 1990**
 - Introduction of international toll-free and prepaid cardphone (Kadfon)
 - Listing of STMB on the Main Board of Bursa Malaysia Securities Berhad and introduction of the new company logo
- 1991**
 - The Company is rebranded as Telekom Malaysia
 - Introduction of Malaysia Direct, Home Country Direct
- 1992** Introduction of Video Conferencing and CENTREX
- 1993** Introduction of ISDN services
- 1996** Introduction of 1800 MHz digital TMTouch cellular services
- 1997** Introduction of Corporate Information Superhighway (COINS), Telekom Malaysia's state-of-the-art, high-capacity enterprise solution

2000

- 2001**
 - Launch of BlueHyppo.com, Telekom Malaysia's lifestyle Internet portal, which records more than 290 million searches a year
 - Introduction of broadband services
 - Telekom Malaysia becomes a major partner in the launch of the state-of-the-art submarine cable Asia Pacific Cable Network 2 (APCN2)
 - Establishment of TM Net as the largest Internet Service Provider in the South-East Asian region
 - Launch of CDMA fixed wireless telephony service
- 2002** Award of the 3G spectrum to Telekom Malaysia
- 2003** Merger of Celcom and TMTouch, forming Malaysia's largest cellular operator
- 2004** Restructuring of TM TelCo into two Strategic Business Units (SBUs) – TM Wholesale and TM Retail
- 2005**
 - Telekom Malaysia undergoes a major rebranding exercise and TM is adopted as the new brand
 - Launch of 3G Services – first in Malaysia
 - Acquisition of 27.3% interest in PT Excelcomindo Pratama Tbk of Indonesia
- 2006**
 - TM forges strategic partnership with Vodafone, becoming a Vodafone Partner Network with a global reach of an estimated 179 million mobile customers worldwide
 - TM implements the second phase of its restructuring exercise, organising the Group's business into Malaysia Business, Celcom, TM International and TM Ventures

- XL, TM's Indonesian subsidiary, secures a 3G licence while Dialog, TM's subsidiary in Sri Lanka, launches South Asia's first 3G service
- Acquisition of the remaining 49.0% in Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Smart Communications Ltd), Cambodia and 49.0% interest in Spice Communications Private Limited, India
- TM initiates a consortium to develop an undersea cable system, Asia-America Gateway, linking South-East Asia and USA
- 2007**
 - TM becomes the first Malaysian company to be named Service Provider of the Year at 2007 Frost & Sullivan Asia Pacific ICT Awards
 - The first commemorative book titled *Transforming a Legacy*, is launched by Dato' Seri Abdullah Hj Ahmad Badawi, Prime Minister of Malaysia
 - Divestment of TM's Payphone business to Perneq Corporation Berhad
 - TM's affiliate in India, Spice Communications Limited, commences trading on the Bombay Stock Exchange and receives the National and International Long Distance licences
 - TM Group undertakes a Demerger exercise resulting in two distinct entities – TM and TM International (TMI)
- 2008**
 - TM Group is officially demerged in April and TMI listed as a separate entity on Bursa Securities
 - IRDA and TM sign an MOU for TM to be the preferred Telecommunications Provider for the Iskandar Malaysia region
- TM privatises VADS as part of its strategic growth plan
 - TM bags three awards at 2008 Frost & Sullivan Malaysia Telecom Awards including The Alternative Voice Service Provider of The Year for the first time
 - TM signs a Public-Private Partnership (PPP) agreement with the Government to roll out the High Speed Broadband (HSBB) project
 - TM grabs five NACRA 2008 awards, including the Gold Award for Overall Excellence, Silver for Corporate Social Responsibility and Best Designed Annual Report
 - TM and Verizon collaborate to develop and improve Local IP capabilities
- 2009**
 - TM discloses Indicative Terms & Conditions for HSBB (Wholesale) service
 - TM wins three awards at the 2009 Frost & Sullivan Malaysia Telecom Awards, including Broadband Service Provider of the Year for the fifth year
 - MMU makes the Top 200 Asian Universities in QS.com Asia Universities Rankings 2009
 - TM signs Wi-Net on as its first HSBB (Wholesale) customer
 - TM joins a new submarine cable consortium to develop the Asia Pacific Gateway (APG)
 - TM's core network infrastructure is upgraded to Next-Generation-Network (NGN) technology
 - TM commences physical work for HSBB access infrastructure
 - Asia-America Gateway (AAG), a new undersea cable linking South-East Asia to USA, starts commercial traffic
- 2010**
 - TM wins four awards at NACRA 2009, including Gold for Overall Excellence, Corporate Social Responsibility and Best Annual Report in Bahasa Malaysia
 - TMpoint On Wheels is launched for added convenience of customers in under-served areas
 - TM signs a pact with Manchester United to be the Official Integrated Telecommunications Partner of the English football club in Malaysia
 - 20 content partners join hands with TM to provide a diverse mix of content for TM's IPTV service
 - TM delivers its promise of launching the next generation High Speed Broadband (HSBB) service with the brand name UniFi
 - The inaugural TM Earth Camp for school children, organised in collaboration with the Malaysian Nature Society (MNS), is held
 - TM is conferred the *Anugerah Majikan Prihatin* from the Ministry of Human Resources for the first time, in conjunction with the 2010 Labour Day celebration
 - Hypp TV, TM's IPTV service, offers UniFi customers linear, premium and VoD titles
 - TM wins the First Runner Up Overall award at the Malaysian Business – CIMA Enterprise Governance Awards 2010
 - TM signs Maxis on as the first service provider to subscribe to TM's HSBB (Access) service
 - Deployment of TM's HSBB service, UniFi, reaches more than 750,000 premises passed and 48 coverage areas
 - TM wins five awards at NACRA 2010, including Golds for Overall Excellence and Best Design and Platinum for Corporate Social Responsibility



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media milestones in 2010

HSBB coverage on track

TM expects exponential growth in three years with more exchange areas

By JEVVA APULAMPALAM

A Telekom Malaysia Bhd (TM) builds an ecosystem of the information services industry with the roll-up of its high-speed broadband (HSBB), it hopes to entice customer engagement by offering better customer service and changing the way customers communicate.

Since its HSBB launch in March, TM has also been introducing the way it approaches its business and customer expectations. TM group chief executive officer Datuk Seri Zamzanzairani said in an interview with *the Star*.

He expects exponential growth for HSBB to come in the next two to three years, as TM rolls out its more exchange areas.

"We have already seen how our new line of service has been a success story since launch eight months ago and we commercially available in June. We are hoping that it will take up next year and beyond," he adds.

HSBB will cover some 30 exchange areas by next month and is



to help our customers enhance their experience when they log on to our site," said Zamzanzairani.

TM will increase its Streamyx bandwidth and delivers to 50,000 from 8,000 by the year-end.

"Right now most of the time when people are mobile and want to access the internet, they would be using mobile phones, either in a cafe, hotel lobby or at an airport," Zamzanzairani says.

"This means that people are located in a building and that gives us the opportunity to serve these customers using our HSBB service."

However, TM believes customers will not be mobile and fixed broadband solutions, depending on their needs. Customer access outside

the office will be the main focus. The latter is expected to be the main focus of TM's service in 2010.

According to IDC data, TM's market share for data was 77% and 34% for voice.

TM recently reported its third quarter results, which saw its net profit margin 147% to RM433.4 million from RM170 million a year ago thanks to its higher operating margin and higher gain on disposal of investments.

Revenue for the quarter ended Sept 30 increased to RM2.17 billion from RM2.06 billion a year earlier mainly on higher premium from data and other telecommunications related services, which mitigated the impact of lower revenue from voice and non-telecom services.

Its data revenue increased by 24% in the third quarter to RM640 million compared with RM512 million in the same quarter



Datuk Seri Zamzanzairani, Prime Minister Datuk Seri Najib Abdul Razak, Minister Datuk Seri Dr Rais Yatim, ministry secretary Datuk Kamaruddin Sifar, a Communication & Multimedia Commission chairman Tan Sri Khalid Ahmad and TM chairman Datuk Hakim Apudera during the launch at Merdeka on Wednesday night.

Enter TM UniFi high speed broadband

KUALA LUMPUR: Telekom Malaysia's new UniFi high speed broadband packages will come in three prices - RM149, RM199 and RM249 a month, depending on the two-year package chosen.

for the same speeds, at RM199 a month for 5Mbps, RM599 (10Mbps) and RM899 (20Mbps). TM group chief executive officer Datuk Zamzanzairani Mohd Isa said at a media briefing at the company's headquarters yesterday, the packages will include an 8Mbps connection for a set-top or IPTV (Internet Protocol

reduction of the UniFi package, launched yesterday, would bring about price reductions of current Streamyx packages. "The cheapest package is 5Mbps at RM149, which should be compared with Streamyx's 4Mbps. We need to adjust the

TM, MU kick off partnership

Telecom making MUTV available to Malaysians under deal

A Telekom Malaysia Bhd (TM) has signed a deal with Multimedia Super Centre (MSC) to provide Malaysian viewers with access to the pay-per-view (PPV) service of the United States-based pay-per-view (PPV) service, the company said.



TM group chief executive officer Datuk Zamzanzairani Mohd Isa (left) and MSC chief executive officer Datuk Seri Mohd Haniffa Juhari (right) during the launch of the partnership.



TMPOINT GOES MOBILE

Telekom Malaysia Bhd (TM) has rolled out its mobile service counter, the TMPOINT, to its customers. The counter is a mobile service counter that can be used in various locations, including at the office, home, and in public places.



TM group chief executive officer Datuk Zamzanzairani Mohd Isa (left) and Man Utd chief executive officer Sir Alex Ferguson (right) during the launch of the partnership.

Man U, TM sign deal

Man Utd and Telekom Malaysia Bhd (TM) have signed a deal for the latter to provide mobile broadband services to the former's fans. The deal is expected to be a significant boost for TM's mobile broadband service.

TM launches Office in a Box for SOHO, SME market

KUALA LUMPUR: Telekom Malaysia Bhd (TM) has Saturday launched its latest SME broadband and solutions packages. Office in a Box, aimed at helping small office/home office (SOHO) operators and small and medium enterprises (SMEs) to reap more efficiency.



TM group chief executive officer Datuk Zamzanzairani Mohd Isa (left) and TM SME marketing and solutions general manager Mohamad Yusoff (right) during the launch of Office in a Box.

Maxis, TM sign 10-year 'milestone' agreement

Maxis and Telekom Malaysia Bhd (TM) have signed a 10-year agreement for the latter to provide mobile broadband services to the former's customers. The agreement is expected to be a significant boost for TM's mobile broadband service.



Maxis chief executive officer Datuk Seri Mohd Haniffa Juhari (left) and TM group chief executive officer Datuk Zamzanzairani Mohd Isa (right) during the launch of the agreement.

TM maintains dividend payout

Telekom Malaysia Bhd (TM) has announced that it will maintain its dividend payout ratio for the year-end. The company is expected to continue its commitment to its shareholders.

UniFi next-gen HSBB

by T VIGNESH

TELEKOM Malaysia Bhd, the country's integrated information and communications provider, aims to have UniFi, its newly-launched high-speed broadband (HSBB) service, in 750,000 premises by the end of this year.

Its chief executive officer, Datuk Zamzamzairani Mohd Isa said by end-2012, some 1.3 million premises nationwide would have access to UniFi

Its UniFi delivers faster network access speed for bandwidth hungry applications and superior end-to-end performance

ers at the media briefing in Kuala Lumpur yesterday. Zamzamzairani added that with IPTV, customers can be in control of their television as they can watch the programs according to their

Meanwhile, Zamzamzairani said that UniFi offers a compelling valued proposition for businesses to exploit the full potential of already familiar enterprise-class communication tools such as hosted web-based group messaging, customer relationship management, enterprise resource planning and supply chain management.

He said that in the near future, UniFi subscribers would be able to enjoy a wide varie-

TM beefs up WiFi service

It intends to increase Streamyx hotspots and hotzones to 10,000 by year-end

By JEVY ANGLAMPILAM

KUALA LUMPUR: Telekom Malaysia (TM) will focus on strengthening its wireless solution by growing its WiFi hotspots and other wireless services to its mobile broadband plan. "We are moving to the next generation, both in copper and fibre, but alongside this network, we will need some form of a wireless solution to help our customers enhance their experience when they log on to our services," TM group chief executive officer Datuk Zamzamzairani Mohd Isa said in an interview with the Star on Tuesday.



Datuk Zamzamzairani Mohd Isa. "We are strong in the fixed network, both in copper and fibre."

He said TM would focus on increasing its WiFi hotspots and hotzones to 10,000 from 5,000 by year-end.

Communications Side Bhd, which launched its 4G Mobile Internet service with video last month. TM, which recently demonstrated the local internet market share with Streamyx, has seen its small market share erode with the entry of other mobile and wireless players. "Market share is important to us and when you start at 40%, the way to get it down, is the challenge for us to try to come down that direction," Zamzamzairani said. "While we note that the pie has gotten bigger we have gone down to 30% (in market share) and will continue to see erosion."

TM rises to mountain bike challenge



TM staff and athletes participating in the Telekom Malaysia Mountain Bike Challenge.

HyppTV may have over 30 channels by year-end



Ahmad Azhar Yahya, programme manager of HSBB.

sign up at 1 M WISAPU or visit the selected six TMpoints within four exchange areas. A flagship project of the national broadband initiative, HSBB aims to boost the country's competitiveness.

TM sets UniFi connection target for premises

By LEE KIAN SEONG
lkian@thestar.com.my

KUALA LUMPUR: Telekom Malaysia Bhd (TM) expects 6% to 8% of the 750,000 premises to be connected to UniFi by year-end to become subscribers, said HSBB programme manager Ahmad Azhar Yahya.

During the press conference for UniFi July Rollout yesterday, Ahmad said the subscribers growth would be gradual and supported by its wider UniFi coverage as well as

'HSBB will provide us with tremendous growth opportunities'

TM group CEO Datuk Zamzamzairani Mohd Isa talks to the Edge about the group's impending launch of its triple-play HSBB service this month and its growth's road map. An excerpt of the interview follows.



TM group CEO Datuk Zamzamzairani Mohd Isa (left) talking to the Edge at 'UniFi' last night. Also present were Deputy Group Manager Yusof Ibrahim, Senior Vice President, Sales and Marketing, Datuk Zamzamzairani's wife, Zamzamzairani and his children.

TM to announce UniFi pricing today

Broadband service competition triple play of high-speed internet, IPTV and phone

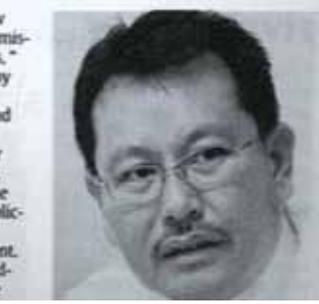


Catch the latest Blockbuster

TM scores deal with FA of England

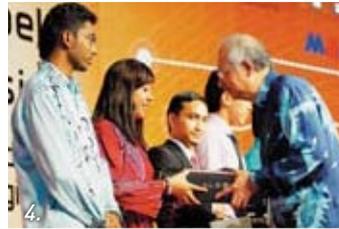


TM has secured a deal with the Football Association of England (FA) to become the official broadband provider for the national football team. The deal is part of a wider partnership between TM and the FA.



A representative of the FA or TM.

2010 corporate events



1. 11 January

Supporting Local Content

In collaboration with Multimedia Development Corporation (MDeC), TM organised a multimedia educational programme, Digital Story Telling, to create greater awareness among school children of the benefits of ICT and its applications.

2. 17-20 January

Pacific Telecommunications Council (PTC) 2010

As Platinum Sponsor for the PTC 2010 Awards Luncheon, TM was able to expand its brand exposure in the Americas region as well as create extensive business networks with over 30 carriers.

3. 22 January

Towering Collaboration

TM inked five-year Partnership Agreements with five state-backed telecommunications tower facility operators in Kelantan, Perak, Perlis, Negeri Sembilan and Kedah for the provision of connectivity services.

4. 30 January

Cool UNI Pack Launch

Together with the Government, TM launched a broadband package for first and second-year university undergraduates, consisting of free broadband access and netbook from only RM50 per month for 24 months.

5. 30 January

Digital Pekan Launch

TM extended the ultimate experience of its broadband through Digital Pekan, which included the setting up of an Experience Centre and Free WiFi for the public.

6. 23 February

TMpoint on Wheels

TMpoint on Wheels was launched to reach out to customers in new and developing areas where TMpoint is not available.

7. 27 February

Packaging Telephony and Broadband

Blockbuster Deals were unveiled to reveal a bundled broadband service and call plan that enables mobility at home.

8. 1-5 March

APRICOT 2010

As the Platinum Sponsor of APNIC 29, held in conjunction with the Asia Pacific Regional Internet Conference on Operational Technologies (APRICOT) 2010, TM was able to promote its data services, especially IP-related products, and establish new links with technology suppliers from all over the region.

9. 6 March

Box Office Hit

Office in a Box was launched as the latest broadband and telephony combo providing a complete and simple communications solution for SOHO operators and SMEs.

10. 9-10 March

Global Carrier Community London 2010

TM was the Premium Sponsor for the third consecutive year of the Global Carrier Community London, building a strong mindshare among members of the Community, especially in the European region. The meeting was held again from 11-12 October 2010.

11. 12 March

Man U Deal

TM sealed a deal with Manchester United to act as the English football club's official integrated telecommunications partner in Malaysia.





12.



13.



14.



16.

**12.
13 March**

For Children of the Earth

TM teamed up with the Malaysian Nature Society (MNS) to organise a year-long series of six environment-themed TM Earth Camps for school children all over the country.

**13.
16 March**

World Cup Fever

In the run-up to the 2010 FIFA World Cup in June, TM signed a license agreement with the England Football Association to be the Official England Telco Licensee in Malaysia.

**14.
24 March**

Enter the New Digital Age

TM launched its next-generation High Speed Broadband (HSBB) service, UniFi, at a gala event featuring broadband lifestyle showcases, interactive exhibitions and a live concert for members of the public.

**15.
2-4 April**

Building Better Relationships

TM feted its partners with a hospitality programme during the Formula One Petronas Malaysia Grand Prix.

**16.
5 April**

Better Terms for Non-Execs in Sabah

TM signed collective agreements with the Sabah Union of Telekom Malaysia Berhad Employees (SUTE) which include enhanced terms for non-executive staff in Sabah.

**17.
9 April**

Empowering Staff in Melaka

The Southern TM Training Centre (TMTC) was officially opened at Menara TM Melaka by TM Chairman Datuk Dr Halim Shafie, underlining the Group's commitment to staff development.

**18.
6 May**

Annual General Meeting

More than 500 shareholders and guests attended the 25th Annual General Meeting (AGM) at Menara TM and voted on nine resolutions presented.

**19.
20 May**

Better Terms for Non-Execs in Peninsular and Labuan

TM inked collective agreements with the National Union of Telecommunication Employees – Peninsular

(NUTE) which included enhanced terms for non-executive staff in Peninsular Malaysia and the Federal Territory of Labuan.

**20.
24-26 May**

ITW Week 2010

TM participated in the annual International Telecommunications Week (ITW) with the objective of exploring business opportunities in the Americas region. ITW was attended by decision makers of key telcos from around the world. Over 1,890 companies from over 149 countries were represented.

**21.
28 May**

Enhancing Broadband Penetration

In collaboration with the Government, TM launched a broadband and netbook package for lower-income Malaysians, called *Pakej Jalur Lebar TM dengan Komputer 1Malaysia*.



17.



18.



19.



21.



22.
6 June

Digital Pagoh Launch

The local community in Pagoh was able to benefit from the Experience Centre, showcasing TM's latest products and services, and free WiFi.

23.
15 June

Global Ethernet Launch

TM launched its Global Ethernet Services (GES) in CommunicAsia 2010, held in Singapore. GES is a secured and reliable integrated networking solution designed to deliver high and flexible bandwidth requirements.

24.
18 June

Hosting ACASIA Directors

TM hosted the 58th ACASIA Board of Directors and 17th ASEAN Telecom Holdings (ATH) meeting in Kuala Lumpur, where the delegates reviewed ACASIA's and ATH's overall strategies and performance. Among the participants was TM's Group CEO Dato' Sri Zamzamzairani Mohd Isa.

25.
26 June

Better Terms for Non-Execs in Sarawak

TM signed collective agreements with the Union of Telekom Malaysia Berhad Employees Sarawak (UTES) which included enhanced terms for non-executive staff in Sarawak.

26.
3 July

Singular Aid

TM staff joint forces in a *gotong royong* to complete the construction of a house for single mother Lar Faizah, in Pahang.

27.
6 July

TM Global ISO Certified

TM Global received the ISO 9001:2008 certificate from SIRIM QAS International Sdn Bhd for the provision of quality in customer service management.

28.
21 July

Jakarta IP Hub Launch

TM launched the Jakarta IP Hub, and appointed PT Global Inti Copratama as its agent in

Indonesia. Jakarta IP Hub provides customised cost-effective solutions of flexible bandwidth increments up to 1Gbps, catering to the needs of business enterprises.

29.
21 July

Excellent Entrepreneurs Recognised

Outstanding entrepreneurs received due recognition at the TM Entrepreneur Awards 2010. The Company has committed to developing local entrepreneurship, especially in the telco industry.

30.
3-6 August

Promoting BATIC

TM was invited to partner with PT Telkom at the Bali Telkom International Conference (BATIC) 2010, and hosted a luncheon which served to strengthen its ties with key Indonesian partners, while increasing its presence in the Indonesian market.

31.
4-6 August

Pacific Partners' Meeting 2010

TM hosted the Pacific Partners' Meeting (PPM) in Kota Kinabalu, Sabah, which was attended by prime chairs from 14 different carriers to discuss industry issues. PPM members take turns to host the annual event.

32.
6 August

PINTAR Enters Second Phase

The second phase of the PINTAR programme was launched at Sekolah Kebangsaan Tembak in Kuala Ketil, Kedah.

33.
9 August

Safer Putrajaya

MSAFE Putrajaya was launched in collaboration with the Ministry of Information, Communications and Culture, Ministry of Home Affairs (MOHA) and Perbadanan Putrajaya.





**34.
1 September**

Road Safety Campaign
TM, in collaboration with Polis DiRaja Malaysia (PDRM), launched the annual Ops Sikap campaign, which ran from 3-17 September 2010. In conjunction with the launch, PDRM also unveiled the Ops Sikap toll-free number, 1-800-88-1412, courtesy of TM.

**35.
TM's PINTAR School in Johor**
TM extended its PINTAR School adoption programme to Sekolah Kebangsaan Seri Bandan, Ayer Hitam, Johor.

**36.
25 September**

Muar School Gets Wired
Deputy Prime Minister Tan Sri Dato' Haji Muhyiddin Haji Mohd Yassin visited Sekolah Menengah Kebangsaan Bukit Pasir in Muar to view the school's ICT infrastructure and facilities under the SchoolNet project by TM.

**37.
2 October**
Celebrating with Corporate Clients

More than 3,000 of TM's corporate customers thronged the Multipurpose Hall in Menara TM for the *Majlis Jalinan Mesra Aidilfitri Bersama Pelanggan Korporat TM 2010*.

**38.
5 October**

Wireless in Negeri Sembilan
TM launched the 1NS*Net and 1NS Wireless City projects in Seremban, making Negeri Sembilan the first state to provide such comprehensive wireless broadband services.

**39.
9 October**

More on HyppTV
TM added seven new Premium channels to its HyppTV service: MUTV (Manchester United TV channel), Universal Channel, SyFy Universal, Warner TV, BabyFirst TV, Screen RED and a new HD channel, iConcerts HD.

**40.
15 October**

Total Integrity, Daily
A new Code of Business Ethics (CBE) e-Learning Programme was launched for all executive staff, making TM the first government-linked company to inculcate ethical business behaviour online.

**41.
25 October**

Expanding WiFi Service
TM signed an agreement to expand PERNEC PayPoint Sdn Bhd's Streamyx Zone WiFi coverage at strategic PerneC Payphone locations nationwide.

**42.
28 October**

International Solution for Axiata
TM continued to strengthen its leadership position in the industry with the provision of international bandwidth solutions to the Axiata Group.

**43.
2-3 November**

Sponsoring Capacity Asia 2010
TM was the Platinum Sponsor of Capacity Asia for the fourth year. The pan-Asian wholesale telecommunications meeting and conference brought together about 400 delegates from over 130 different carriers across the globe. TM also hosted the main Networking Reception held on the first day of the event.

**44.
14 December**

Strengthening HSBB Wholesale Commitment
TM inked a deal to provide HSBB (Access) Services to Maxis Broadband Sdn Bhd (Maxis).



awards & recognition

"Anugerah Pelancongan
Kebangsaan Malaysia"
2008-2009

- Tarikan Pelancongan
Terbaik - Tarikan
Berinovasi (Buatan
Malaysia)

9 January 2010

PC.COM Award
- Best Fixed Broadband
9 February 2010

12th Annual Chinese New Year
(CNY) Greeting Advertisement
Awards

- Grand Prize
3 March 2010

Starbiz-ICR Malaysia
Corporate Responsibility (CR)
Awards 2009

- Community Category
5 March 2010

Prime Minister's CSR Awards
2009

- Best Workplace Practices
Category
8 March 2010

Putra Brand Awards

- Best Communication
Network
24 March 2010



NACRA AWARDS 2010:

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

BrandLaureate Top 10
Masterbrand Awards
2009-2010

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

26 March 2010

Reader's Digest Trusted
Brand 2010

- Streamyx – Platinum

5 May 2010

Labour Day Celebrations 2010

- "Anugerah Majikan Prihatin"

8 May 2010

2010 Frost & Sullivan
Malaysia Telecoms Awards

- Data Communications Service Provider of the Year

12 May 2010

International Invention,
Innovation and Technology
Exhibition (ITEX)

- Most Innovative Products Award
- Three Golds Awards
- Two Silvers Awards
- Six Bronzes Awards

14 May 2010

Malaysian Media Awards

- Advertiser of the Year
- Three Golds Awards
- Two Silvers Awards
- Two Bronzes Awards

25 May 2010

Asia HRD Congress

- Award for Company's Human Capital Development programmes

8 July 2010

2010 Top Ranking Performers
Awards APAC Region Final

- Highly Commended Award
- Gold Award
- Silver Award

10 July 2010

10th Malaysia HR Awards 2010

- HR Excellence – Gold Award

20 July 2010

Share Guide Association
Malaysia (SGAM) 21st Annual
Conference and ICT Awards

- Unified Communications Excellence

20 July 2010

Malaysian Business-CIMA
Enterprise Governance
Awards 2010

- 1st Runner Up Overall

1 October 2010

Computerworld Reader's
Choice Awards

- Managed Connectivity Services Provider

13 October 2010

IT Inspiration Awards

- CIO of the year
- CIO of the CIOs

10 November 2010

Prime Minister's CSR Awards

- Best Workplace Practices
- Honourable Mention in the Environment Category

1 December 2010

"Malam Penghargaan Jalur
Lebar 1Malaysia"

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

13 December 2010

Malaysian Corporate
Governance Index 2010 Awards

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

14 December 2010



9 January 2010

KL Tower was awarded the *Tarikan Pelancongan Terbaik – Tarikan Berinovasi (Buatan Manusia)* at the Anugerah Pelancongan Kebangsaan Malaysia 2008/2009, for its contribution to tourism in the country.

9 February 2010

TM proved to be the consumer's choice by winning the PC.com Award for Best Fixed Broadband. Winners of this award are determined by a public survey conducted by the PC.com magazine.

3 March 2010

TM's Chinese New Year print advertisement won the Grand Prize at the 12th Annual Chinese New Year (CNY) Greeting Advertisement Awards, organised by China Press and Nanyang Siang Pau newspapers.

5 March 2010

TM won the Starbiz-ICR Malaysia Corporate Responsibility (CR) Awards 2009 for its community initiatives.

8 March 2010

TM made a Company first by winning the Best Workplace Practices category of the Prime Minister's CSR Awards 2009.

24 March 2010

TM won the best Communication Network category at the inaugural Putra Brand Awards, an extension of Malaysia's Most Valuable Brands (MMVB) initiated by the Association of Accredited Advertising Agents Malaysia.

26 March 2010

TM was announced the BrandLaureate Top 10 Masterbrand Awards 2009-2010 in the Communications category, while subsidiary TM Info Media was presented the BrandLaureate Product Branding – Media: Digital Directory award for its Yellow Pages.

5 May 2010

TM continued to be one of the most trusted brands in the country, winning a Platinum for Streamyx at the Reader's Digest Trusted Brand 2010.

8 May 2010

Positioning itself as one of the best employers in Malaysia, TM was awarded the *Anugerah Majikan Prihatin* in conjunction with National Labour Day Celebrations 2010.

12 May 2010

TM was acknowledged as the Data Communications Service Provider of the Year and Managed Service Provider of the Year at the 2010 Frost & Sullivan Malaysia Telecoms Awards.

14 May 2010

TM won three Golds, two Silvers and six Bronzes as well as the Most Innovative Products award at the International Invention, Innovation and Technology Exhibition (ITEX). Twelve out of the 14 products submitted by TM Research and Development (TMR&D) won prizes at the event.

25 June 2010

TM clinched three Golds, two Silvers and two Bronzes, and was named Advertiser of the Year at the Malaysian Media Awards.

8 July 2010

TM Group CEO Dato' Sri Zamzamzairani Mohd Isa received an award from the Asia HRD Congress for the company's human capital development programmes.

10 July 2010

VADS represented the Asia Pacific Region at the Contact Centre World Awards 2010 World Final in Las Vegas and bagged 4 gold and 1 silver awards.

20 July 2010

TM received a Gold for HR Excellence at the 10th Malaysia HR Awards 2010, organised by the Malaysian Institute of Human Resource Management in partnership with JobStreet.com.

20 July 2010

TM Group IT's NOVA team won the Unified Communications Excellence at the Share Guide Association Malaysia (SGAM) 21st Annual Conference and ICT Awards.

2009

THE BRANDLAUREATE AWARDS 2008-2009

- Best Brands

HEWITT BEST EMPLOYERS

- 10 Best Employers in Malaysia 2009

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

READER'S DIGEST AWARD

- Trusted Brand (Platinum)

MALAYSIAN ASSOCIATION OF RISK AND INSURANCE MANAGEMENT (MARIM) AWARD

- Risk Management Award of Excellence

ABU ASIA-PACIFIC ROBOT CONTEST 2009 TOKYO – TOYOTA AWARD

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

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

CONTACTCENTERWORLD.COM AWARD

- Best Contact Center (250 + Agents)

CISCO AWARD

- Managed Services Partner of the Year (Revenue)

INTERNATIONAL BUSINESS REVIEW AWARDS

- Excellence in the Telecommunications Sector

ANUGERAH PELANCUNGAN LIBUR

- The Best Monument Award

NACRA AWARDS FOR

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

MALAYSIAN CORPORATE GOVERNANCE INDEX AWARD

- Distinction
- Best AGM Conducted in 2009

STARBIZ-ICRM CR AWARDS 2009

- Community Category

2009 PRIME MINISTER'S CSR AWARD

- Workplace Category

2008

STRATEGIC PARTNERSHIP & ENTREPRENEURSHIP DEVELOPMENT FOR ICMIC BUSINESS AWARD

- Fixed Telephone Line Category

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

- 2008 Broadband Service Provider of the Year Award
- 2008 Alternative Service Provider of the Year Award

MSC MALAYSIA 'CYBERCENTRE'

- TM's operational headquarters, Menara TM, was awarded MSC Malaysia 'Cybercentre' status

MALAM ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN PEKERJAAN 2007

- TM Sarawak was presented with a Gold Award for the telecommunications sector

THE BRAND LAUREATE AWARDS 2007-2008

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

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS 2008

- Merit Award winner
- Corporate Social Responsibility Category winner

MALAYSIA 1000 TOP TEN AWARDS

- TM received recognition for its outstanding financial performance

STARBIZ-ICR MALAYSIA CORPORATE RESPONSIBILITY AWARD 2008

- TM came out top in the Workplace category

COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS

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

THE TECHNOLOGY BUSINESS REVIEW ASEAN AWARDS 2008

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

DEWAN BAHASA DAN PUSTAKA
ANUGERAH CITRA WANGSA MALAYSIA
2007

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

NATIONAL ANNUAL CORPORATE REPORT
AWARDS (NACRA) 2008

- Overall Excellence Award for the most outstanding Annual Report – Gold Award
- Industry Excellence Award under the Trading & Services sector
- Best Designed Annual Report – Silver Award
- Best Annual Report in Bahasa Malaysia – Gold Award
- Corporate Social Responsibility Report – Silver Award

“CORPORATE GOVERNANCE SURVEY 2008
AWARD” FROM THE MINORITY
SHAREHOLDERS WATCHDOG GROUP
(MSWG)

- TM was named the Most Excellent in the Trading/Services Sector
- Third place for Overall Excellence

MULTIMEDIA DEVELOPMENT
CORPORATION (MDEC)

- TSSSB was one of the recipients of Capability Development Programme (CDP) Software Testing Recipients Year 2008

LIBUR MAGAZINE

- Menara KL won the award for The Best Monument

2007

THE BRAND LAUREATE AWARD
2006-2007

- Corporate Brand
 - Telecommunications Industry Category

PC.COM MAGAZINE

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

GSM GLOBAL MOBILE AWARDS

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

LANKA MONTHLY DIGEST

- Dialog won top spot in the Finance Brand Index

STANDARD CHARTERED-FINANCIAL
EXPRESS CSR AWARD 2006

- Won by TM International Bangladesh Ltd

FROST & SULLIVAN MALAYSIA
TELECOMS AWARDS

- 2007 Data Communications Service Provider of the Year
- 2007 Service Provider of the Year Award
- TM Net won the 2007 Broadband Service Provider of the Year Award

READER'S DIGEST TRUSTED BRANDS
2007 SURVEY

- Trusted Brand in Telecommunications – Platinum Award

TM R&D INTERNATIONAL INVENTION,
INNOVATION, INDUSTRIAL DESIGN AND
TECHNOLOGY EXHIBITION (I-TEX) 2007

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

MALAYSIA BRAND EQUITY AWARD 2007

- Celcom took 4th place for the Brand Visibility Award category

2007 FROST & SULLIVAN ASIA PACIFIC
ICT AWARDS

- Service Provider of the Year Award

ADASIA

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

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

- Dialog won the Outstanding Achievement in Customer Relationship Excellence

MOST ADMIRED KNOWLEDGE
ENTERPRISE (MAKE) AWARD

- Won by PT Excelcomindo Pratama Tbk (XL)

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

DEWAN BAHASA DAN PUSTAKA – ANUGERAH CITRA WANGSA MALAYSIA 2006

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

UNI-APRO OUTSTANDING EMPLOYEE-PARTNER AWARD

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

RED HERRING ASIA TOP 100 TECHNOLOGY COMPANIES AWARD

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

BEST OUTSOURCED SERVICE CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM)

- Gold Award for the Celcom Customer Premier Service Team
- Bronze Award for the TM Net Customer Interaction Centre Management Team
- Additionally, VADS secured five individual achievements:
 - Best Contact Centre Manager – Bronze and Gold Awards
 - Best Contact Centre Team Leader – Silver Award
 - Best Contact Centre Professional Outsourced – Gold and Bronze Awards

MINISTER OF ENERGY, WATER AND COMMUNICATIONS, MALAYSIA

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

SIXTH OSKAR AWARDS 2007 – FILM WORKERS ASSOCIATION OF MALAYSIA

- Best cinematography for TM Merdeka 2007 TVC
- Best TVC for TM Chinese New Year 2007 advertisement

MALAYSIA'S MOST VALUABLE BRANDS 2007

- Celcom secured fifth place

CORPORATE GOVERNANCE SURVEY REPORT 2007

- TM was ranked second

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2007

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

PIKOM ICT SERVICE PROVIDER OF THE YEAR AWARD

- Won by VADS Berhad

NATIONAL AWARD FOR MANAGEMENT ACCOUNTING (NAFMA) EXCELLENCE AWARD

2006

PC.COM MAGAZINE

TM Net won:

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

THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

READER'S DIGEST "TRUSTED BRAND PLATINUM AWARD 2006"

- Telecom Company Category

THE READER'S DIGEST TRUSTED BRANDS AWARD

- Mobile Service Provider Category – Gold Award

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

- 2006 Data Communications Service Provider of the Year
- 2006 Service Provider of the Year

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

INTERNATIONAL INVENTION INNOVATION INDUSTRIAL DESIGN & TECHNOLOGY EXHIBITION (I-TEX) AWARD 2006

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

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

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

MALYSIAN BUSINESS MAGAZINE

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

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

- Won by TMpoint in Alor Star, Kedah

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2006

- Overall Excellence Award for the most outstanding Annual Report
- Industry Excellence Award under the Trading & Services sector for the tenth consecutive time
- Best Designed Annual Report – Gold Award
- Best Annual Report in Bahasa Malaysia – Silver Award

THE BRAND LAUREATE AWARDS 2006-2007

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

TELELINK TELECOMMUNICATION AWARD 2006

- Best Mobile Service Provider in Bangladesh, won by AKTEL

JFB PERFORMANCE AWARD 2005

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

GSM GLOBAL MOBILE AWARDS

- Commendation Award won by Dialog Telekom, Sri Lanka

2005

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA 2005

- Anugerah Citra Iklan Radio won by Celcom

GSM ASSOCIATION AWARDS 2005

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

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

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

ASIAMONEY MALAYSIA'S BEST ANNUAL AWARD CEREMONY

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

ACCA MALAYSIA ENVIRONMENTAL AND SOCIAL REPORTING AWARDS 2004

- Commended for Social Corporate Reporting in Annual Report

EUROMONEY MAGAZINE

- Asian Deals of the Year 2005
- Asia's Best Managed Companies 2005

FROST & SULLIVAN AWARD 2005

- TM won the Data Communications Provider Category
- TM Net won the Broadband Service Provider Category

INNOVATIVE LEARNING & DEVELOPMENT AWARD 2004

- Won by TM R&D

MALYSIAN BOOK OF RECORDS

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

16TH INTERNATIONAL INVENTION INNOVATION INDUSTRIAL DESIGN & TECHNOLOGY EXHIBITION (I-TEX) AWARDS 2005

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

INTERNATIONAL REAL ESTATE FEDERATION (FIABCI) PRIX D'EXCELLENCE 2005

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

ARTHAKANTA BUSINESS MAGAZINE

- Arthakanta Business Award for Most Outstanding Company won by AKTEL

IBM AWARDS

- IBM Platinum Club Award
- IBM Strategic Win Award

MICROSOFT IMAGINE CUP MALAYSIA 2005 – SOFTWARE DESIGN CHALLENGE

- Top 3 prizes won by Multimedia University

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

- New and Existing Building Category – 2nd place

BEST INTERNAL AUDIT PRACTICE AWARD (BIAPA)

- Company with Shareholders Equity of more than RM200 million

ASEAN COMMUNICATIONS EXPO AND FORUM 2005

- Best Booth Design Award

CISCO BEST MANAGED SERVICES PARTNER AWARD FOR MALAYSIA

- Won by VADS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2005

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

10 AWARDS WON BY TM REGIONAL COMPANY – AKTEL:

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

2004

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

- Largest Paymaster of Service Taxes Award

CHINA PRESS AND THE NANYANG SIANG PAU

- Award for Corporate Chinese New Year Advertisement – Moved

READER'S DIGEST

- Superbrands of 2004 – Gold Award

SUPERBRANDS MALAYSIA MAGAZINE

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

CISCO SYSTEMS

- Silver Certification

THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA (IIA MALAYSIA)

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

COMPUTERWORLD MAGAZINE – CORPORATE BROADBAND SERVICE READERS CHOICE AWARD 2004

- Won by TM Net

2003

INTERNATIONAL ARCH OF EUROPE AWARD

- Platinum Award by Telekom Networks Malawi Limited (TNM)

GSM AWARD FOR BEST USE OF WIRELESS FOR EMERGENCY SITUATIONS

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

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

- 9th among the 20 Best Employers in Asia 2003
- 3rd among the Top 10 Employers in Malaysia

LAUNCH OF THE MALAYSIA 1,000 DIRECTORY

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2003

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA IKLAN

- Bill Board Advertisement Good 2 Talk

PUSPAKOM (PUSAT PEMERIKSAAN KENDERAAN BERKOMPUTER SDN BHD)

- TM Facilities Sdn Bhd won the Anugerah Emas Juara Keseluruhan

MALAYSIAN ROYAL CUSTOMS MAJLIS PERASMIAN SAMBUTAN HARI KASTAM SEDUNIA XXII

- Largest Paymaster of Service Taxes Award

ANUGERAH KUALITI MENTERI TENAGA KOMUNIKASI & MULTIMEDIA

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

2002

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

- Highest Service Tax Payer

GSM WORLD AWARDS 2002

- Won by MTN Network

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA

- Most Outstanding Award for the Private Sector Annual Report 2001

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2002

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

2001

GSM ASSOCIATION WORLD AWARD 2001

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2001

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA

Laporan Tahunan Sektor Swasta 2001

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

2000

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2000

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA

Laporan Tahunan Sektor Swasta 2000

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

KLSE CORPORATE SECTOR AWARD 2000

- Main Board Trading and Services Category



BOARD OF DIRECTORS

Datuk Dr Halim Shafie

Chairman
(Non-Independent
Non-Executive Director)

Dato' Sri Zamzamzairani Mohd Isa

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

Datuk Bazlan Osman

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

Dato' Zalekha Hassan

(Non-Independent
Non-Executive Director)

Tunku Dato' Mahmood Fawzy

Tunku Muhiyiddin
(Non-Independent
Non-Executive Director)

Dato' Danapalan T.P. Vinggrasalam

(Senior Independent
Non-Executive Director)

YB Datuk Nur Jazlan Tan Sri Mohamed

(Independent Non-Executive
Director)

Dato' Ir Abdul Rahim Abu Bakar

(Independent Non-Executive
Director)

Ibrahim Marsidi

(Independent Non-Executive
Director)

Quah Poh Keat

(Independent Non-Executive
Director)

Riccardo Ruggiero

(Independent Non-Executive
Director)

Eshah Meor Suleiman

(Alternate Director to
Dato' Zalekha Hassan)
(Non-Independent Non-Executive
Alternate Director)

Dr Farid Mohamed Sani

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

SENIOR INDEPENDENT DIRECTOR

Dato' Danapalan T.P. Vinggrasalam

Email: sid@tm.com.my

SECRETARIES

Idrus Ismail
(LS0008400)

Zaiton Ahmad
(MAICSA 7011681)

REGISTERED OFFICE

Level 51, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 603-2240 1221/1225
Fax : 603-2283 2415

HEAD OFFICE

Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 603-2240 9494

WEBSITE

www.tm.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (Listed since 7 November 1990)

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens, North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : 603-2264 3883
Fax : 603-2282 1886
Website: www.tricorglobal.com

AUDITORS

Messrs PricewaterhouseCoopers
(Chartered Accountants)
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Malaysia
Tel : 603-2173 1188
Fax : 603-2173 1288
Website: www.pwc.com

PRINCIPAL BANKERS

- CIMB Bank Berhad
- Malayan Banking Berhad

HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir
Responsible for investor relations and reporting to the Executive Director/Group Chief Financial Officer
Tel : 603-2240 4848
Fax : 603-2240 0433
Email : rohailabasir@tm.com.my

CHIEF INTERNAL AUDITOR

Hashim Mohammed
Responsible for management of internal control and review of its effectiveness, adequacy and integrity. Profile as disclosed on page 72 of this annual report
Tel : 603-2240 1919
Fax : 603-7955 6235
Email : hashimhm@tm.com.my

CHIEF LEGAL, COMPLIANCE AND COMPANY SECRETARY

Idrus Ismail
Responsible for legal, compliance and company secretarial matters. Profile as disclosed on page 71 of this annual report
Tel : 603-2240 1700
Fax : 603-2240 6791
Email : idrus.ismail@tm.com.my

CHIEF CORPORATE & REGULATORY OFFICER

Ahmad Ismail
Responsible for the Group's corporate and regulatory matters. Profile as disclosed on page 72 of this annual report
Tel : 603-2241 5799
Fax : 603-2241 5769
Email : ahmisa@tm.com.my

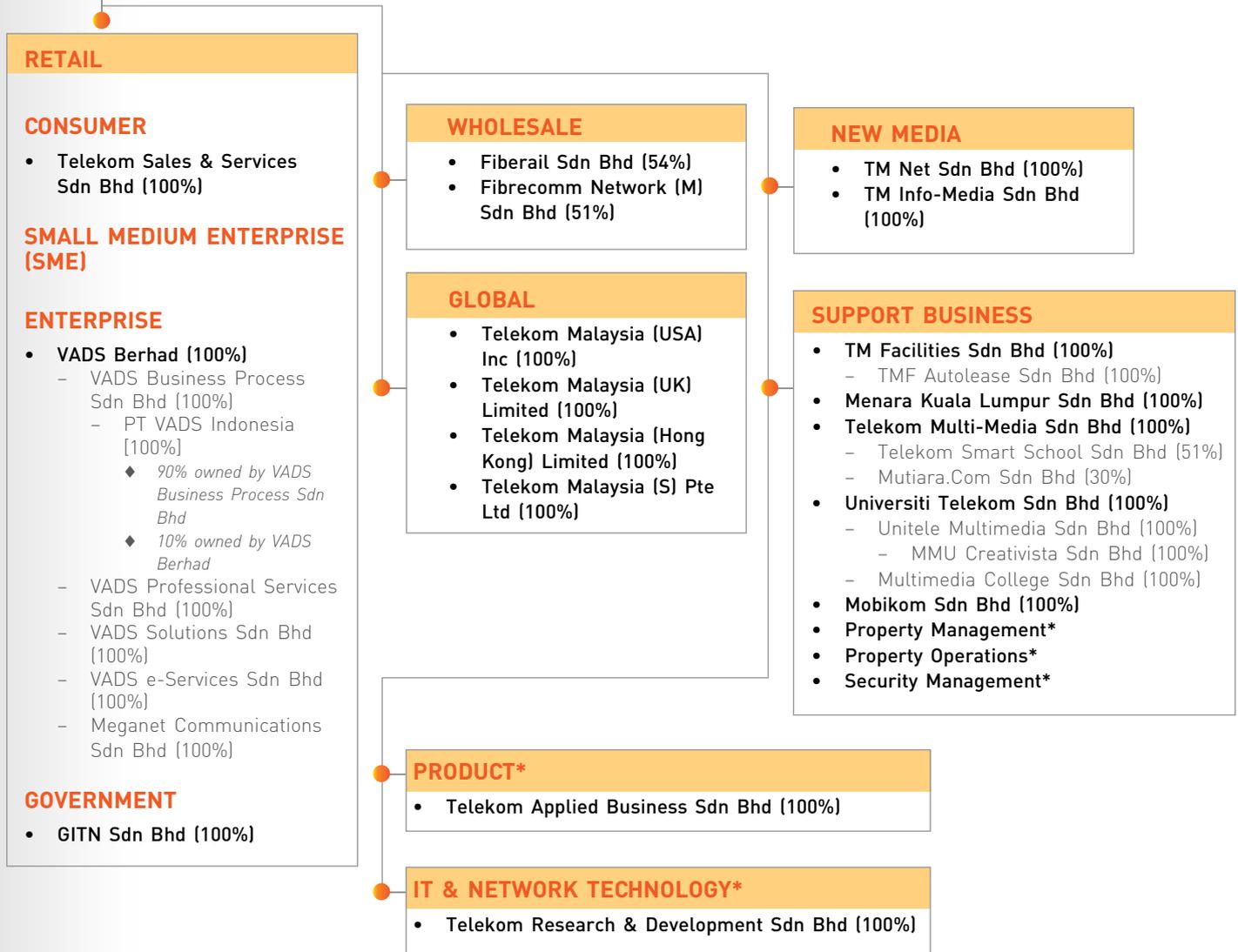
CARELINE & FEEDBACK

- For enquiries, please call 100 (if you are in Malaysia) or 1 300 888 123 (if you are calling from a mobile) or +603-2241 1290 (if you are calling from overseas) or Email : help@tm.com.my
- For telephone directory, please call 103
- For any enquiries on UniFi please call 1300 88 1221 (Customer Support) or 1300 88 1222 (Sales Enquiries)

group corporate structure

(as at 18 March 2011)

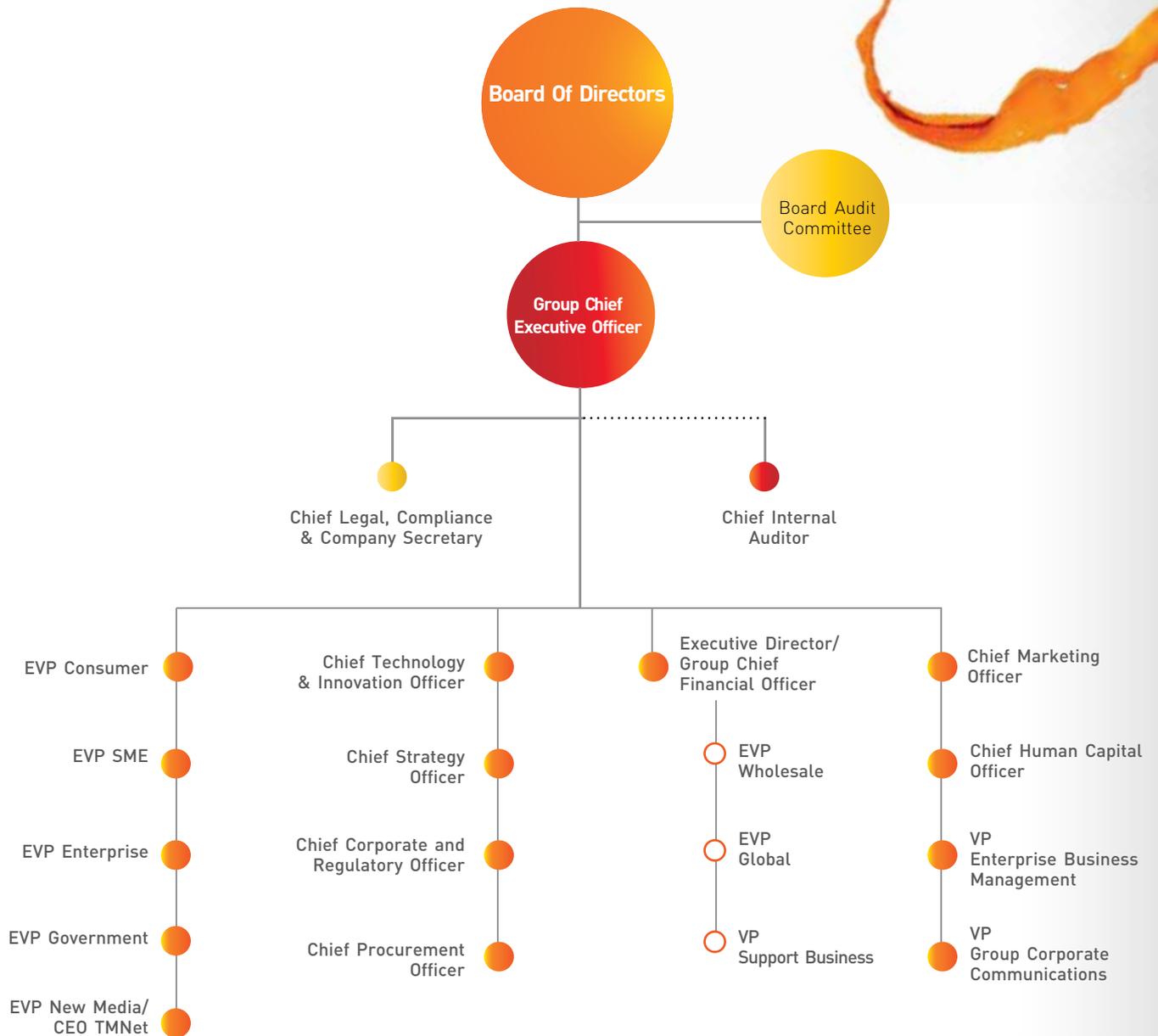
This chart presents our active subsidiaries, associates and Strategic Business Units (SBU) categorised under major business segments/lines of business



* Business Functions

group organisation structure

(as at 18 March 2011)



Note: EVP - Executive Vice President
VP - Vice President

COMMITMENT TO SHAREHOLDERS

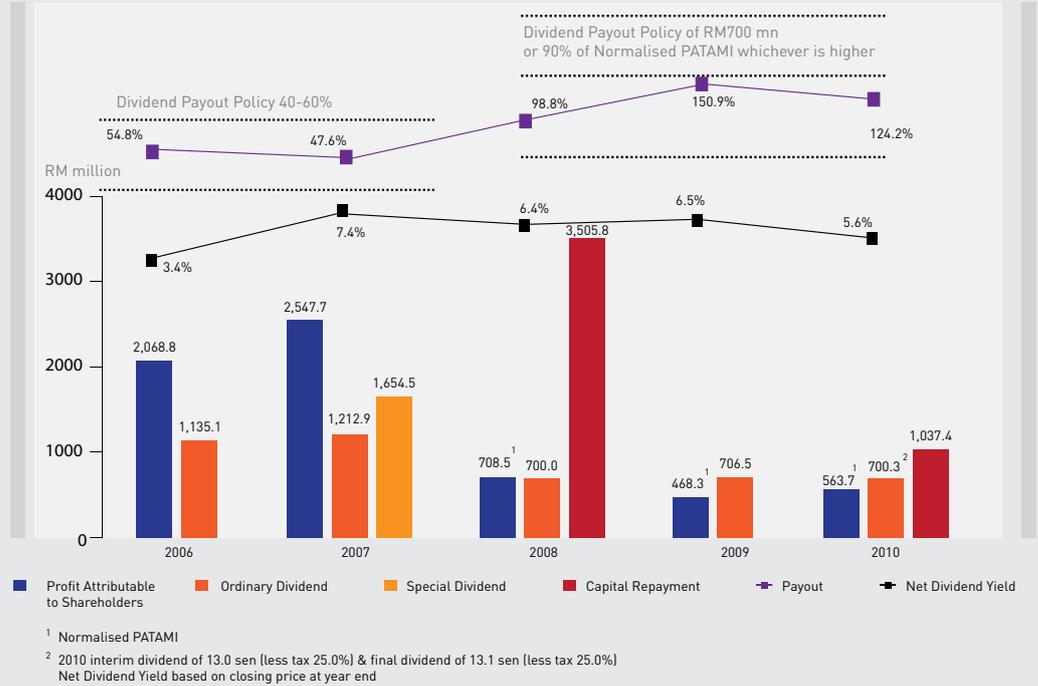
TM remains steadfast in our commitment to continuously creating value for our shareholders in our pursuit to become Malaysia's leading next-generation communications provider.

In the financial year 2010, we demonstrated this commitment by declaring a paid and proposed total net dividend payout of RM700.3 million to our shareholders, which consisted of:

- An interim gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million which was paid in September 2010; and
- A proposed final gross dividend of 13.1 sen per share less tax at 25.0%.

In addition to the dividend payment, we are proposing a capital distribution of RM1,037.4 million or 29.0 sen per share to our shareholders. The capital distribution is in line with TM's capital management framework which includes returning excess cash to shareholders, thus providing immediate value enhancement and improvement to our shareholders' long term rates of return. The proposed capital distribution exercise is expected to be completed in June 2011.

SHAREHOLDERS' RETURN

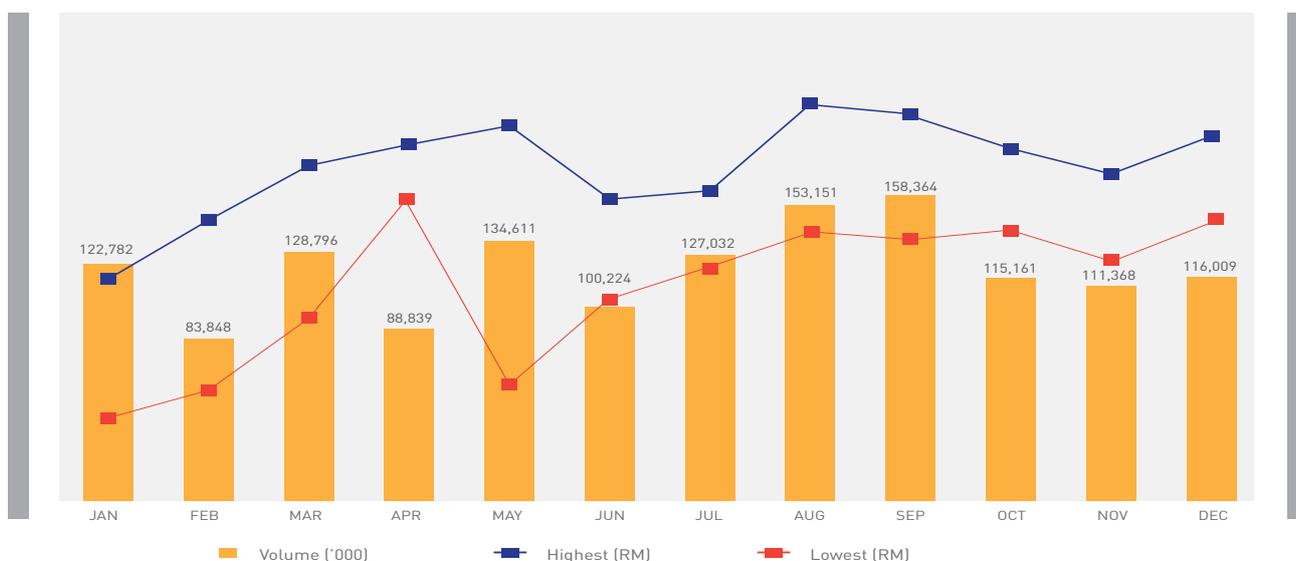


TM SHARE PRICE PERFORMANCE VS FBM KLCI 2010



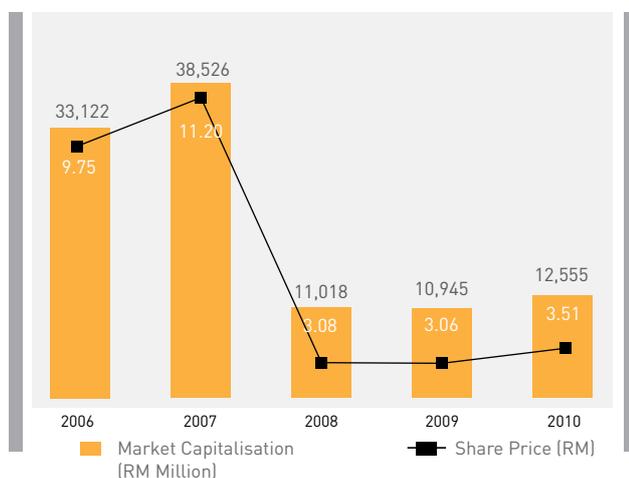
SHARE PRICE & VOLUME TRADED

2010 Monthly Trading Volume & Highest-Lowest Share Price



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	122,782	83,848	128,796	88,839	134,611	100,224	127,032	153,151	158,364	115,161	111,368	116,009
Highest (RM)	3.22	3.36	3.49	3.54	3.56	3.41	3.43	3.60	3.58	3.53	3.47	3.56
Lowest (RM)	3.04	3.09	3.18	3.40	3.08	3.22	3.30	3.36	3.33	3.35	3.31	3.36

MARKET CAPITALISATION/SHARE PRICE



TM'S EXISTING DEBTS

LOCAL CURRENCY DEBT

	TMISIS A	TMISIS B
Coupon	6.20%	4.19%
Tenure	Due 2013	Due 2018
Principal (RM)	2,000,000,000	925,000,000

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

FOREIGN CURRENCY DEBT

	Global Bond 2010 ¹	Global Bond 2014 ²	Global Bond 2025 ²
Coupon	8.00%	5.25%	7.88%
Yield	-14.28	3.208	5.196
Price	95.8	101.8	107.52
Principal (USD)	260,275,000	465,055,000	300,000,000

¹ Bond price as of 3 December 2010. The Global Bond 2010 matured on 7 December 2010

² Bond price as of 31 December 2010

Shareholder Base

TM has a large shareholder base comprising 31,588 institutional and private/retail shareholders. Our substantial shareholders are Khazanah Nasional Berhad, the Employees Provident Fund Board (EPF), AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera and Kumpulan Wang Persaraan (Diperbadankan), which together account for a 59.83% holding of the Group. Meanwhile, our foreign shareholding base stands at 10.45% as at 31 January 2011.

We have been listed on Bursa Malaysia since 1990. In 2010, TM shares recorded a total turnover of RM4,602 million, placing it among the top 50 highly traded stocks on the exchange with 1,440 million shares traded as compared to 2,141 million shares traded in 2009.

Transparency

TM applies high standards of transparency in our financial reporting, and is equally stringent in our corporate governance. We apply the guidelines of the Malaysia Code of Corporate Governance, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) as well as international best practices in our operations.

As a responsible corporate citizen committed to conserving the environment, TM published our second

Sustainability Report in 2010, which was accorded the Global Reporting Initiative (GRI) rating of A+.

In addition, in the Minority Shareholders Watchdog Group (MSWG) survey on the level of governance and transparency among public listed companies (PLCs) in Malaysia in 2010, TM was presented with the Distinction Award, Best Conduct of AGM Award and Industry Excellence Award – Telecommunications Industry for scoring high marks on the Malaysian Corporate Governance (MCG) Index.

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

DIVIDEND POLICY

We reiterate our dividend commitment through the dividend policy statement as follows:

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

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

TM CREDIT RATING

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

- Rating Agency of Malaysia AAA
- Moody's Investors Service A3
- Standard & Poor's Rating Services A-
- Fitch A-

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

INVESTOR RELATIONS

We place great emphasis on maintaining a strong relationship between the Company and its investors. To ensure that our investors are kept abreast of our strategies, performance and key business activities, we maintain a continuous stream of active dialogue through a planned programme of investor relations activities.

This role is carried out by the Investor Relations unit, whose key function is to proactively disseminate relevant and timely information on TM to the investing community.

In ensuring that best practices are adhered to, all communication with the capital market is governed by the Investor Relations Policy and Guidelines, guaranteeing fair and timely disclosure of information to all shareholders.

Quarterly Financial Results Announcement and Briefing

TM briefs analysts and fund managers on its quarterly earnings via teleconferencing subsequent to the release of its disclosures to Bursa Securities. These sessions are chaired by the Group CEO together with the Group CFO and attended by Senior Management representing

TM's key Lines of Business. The objective is to provide an avenue for clear understanding of the financial and operational performance of the Group.

Presentations on Financial Results

In an ongoing quest to improve the level of our disclosure, emphasis is placed on presentation materials used to disseminate information on TM. Presentation slides of our results are prepared in an investor-friendly manner to aid understanding of the Group's financial results and performance. These are made available promptly on the Company's website following the release of information, first to Bursa Securities. A copy of the presentation slides is also distributed by e-mail to analysts and investors who are on the Investor Relations unit's distribution list.

Investor Engagement

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

The Group CEO, Group CFO and Investor Relations team are actively involved in Investor Relations activities such as regular meetings and conference calls with fund managers, analysts, rating agencies and other stakeholders, held in Malaysia and abroad.

In 2010, we reached out to a wider investor audience internationally by participating in non-deal roadshows to London, Dublin, Tokyo and Sydney while also attending an investors' conference in Singapore.

Domestically, TM participated in small group meetings organised by local research houses and attended the annual Malaysian investment conference, Invest Malaysia 2010. Throughout the year, close to 300 in-house meetings and conference calls with investors and analysts were conducted.

- **Investor Relations Portal**

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

- **Feedback**

TM recognises and highly values feedback from the investing community, as it ensures that the Company is able to furnish important information as required by shareholders in a timely fashion. To further enhance our Investor Relations function, we seek constructive ideas through ongoing meetings with stakeholders as well as provide an avenue through which they may communicate with the team at investor@tm.com.my.

Retail Business

VOICE SERVICES ACCESS

- Homeline
- Businessline
- Centrex
- ISDN Primary Rate Interface (PRI)

VAS

- Infoblast
- Malaysia Direct
- VOBB (Voice Over Broadband)
- Tollfree 1300/1800
- International TollFree Services (ITFS)

PREPAID SERVICES

- iTalk
- TM Calling Card
- Home Prepaid

CONFERENCING SERVICES

- Audio Conferencing
- Video Conferencing
- Audio with Data Conferencing

Internet Services

- Broadband (Consumer)
 - UniFi VIP
 - Streamyx
 - Streamyx Zone
 - Streamyx Wireless (CDMA/EVDO)
- Broadband (Business)
 - UniFi Biz
 - Business Broadband
 - Direct
 - In-building Broadband Service (IBS)

- Narrowband Services (EZnet 1315/1515/1525)

INTERNET VAS

- Global Roaming
- iShield Plus
- Online Guard
- Virus Shield & Anti Spamming

Data Services

MANAGED NETWORK

- IPVPN Premier
- IPVPN Lite
- IPVPN Value
- METRO.e
- Telex

MANAGED CONNECTIVITY

- DLL – Digitaline I (DG)
- DLL – Wideband (DQ)
- DLL – Broadband (BLL)
- Hyperband
- VSAT Premier
- VSAT Classic
- VSAT Value

GEOMATICS

- AVLS (Automatic Vehicle Location)

Application Service

- Webmail

Content Services

- HyppTV
- Hypp.tv
- Hypptunes

Wholesale Business

VOICE SERVICES

- PSTN Minutes
- Voice-over Internet Protocol (VoIP)
- Interconnect Minutes

ACCESS SERVICES

- Payphone Access
- DSL Access
- Wholesale Line Rental
- Local Loop Unbundling
- High Speed Broadband (Access) Service

IP DATA SERVICES

- High Speed Broadband (Transmission) Service
- Wholesale Ethernet
- IP Wholesale
- Wholesale Internet Access
- Domestic Transit Access

TRADITIONAL DATA SERVICES

- Domestic Bandwidth
- Interconnect Bandwidth

INFRA SERVICES

- Infrastructure Sharing
- Network Co-Location
- Tenancy
- Carrier Hotel

Global Business

VOICE SERVICES

- Bilateral Voice Services
- Wholesale Voice Services
 - PSTN
 - VoIP
- International Value-Added Services
 - Global Voice Solutions
 - ISDN Hubbing
 - International Freephone Services via VoIP

DATA SERVICES

- Global Ethernet Services
 - Global Ethernet Virtual Private Line (EVPL)
 - International Ethernet Private Line (IEPL)
- International Bandwidth Services
 - International Private Leased Circuit (IPLC)
 - Bandwidth Transit
 - Bandwidth Backhaul
 - Bandwidth Interconnection
 - Global VSAT
- IP Services
 - IP Transit
- VPN Services
 - Global IPVPN

Government Segment

VALUE ADDED SERVICES

- Managed Security Services (MSS)
- Managed Firewall Services
- Managed Intrusion Prevention System (IPS)
- Managed Anti Virus Services
- Managed Content Filtering Services
- Bandwidth Management Services
- Public Key Infrastructure Services

INFRA SERVICES

- Managed Hosting Services

MANAGED IPVPN



CHAPTER

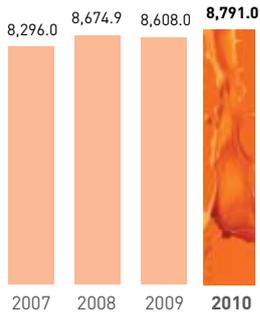
performance review

- 46 Group Financial Highlights
- 48 Simplified Group Balance Sheets & Group Segmental Analysis
- 50 Group Quarterly Performance
- 51 Group Financial Review
- 55 Statement Of Value Added
- 56 Distribution Of Value Added

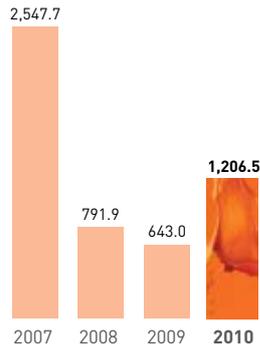


group financial highlights

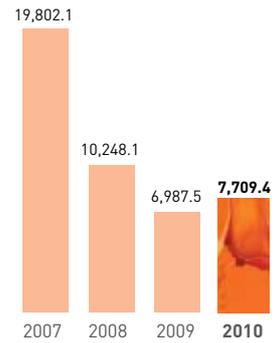
OPERATING REVENUE
(RM Million)



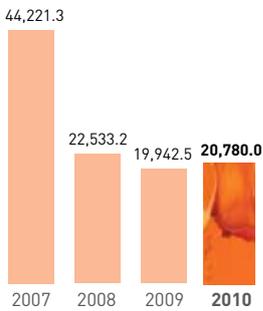
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(RM Million)



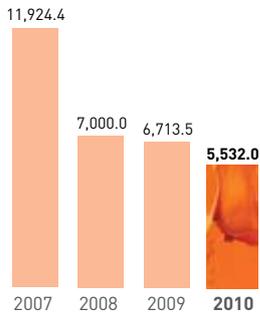
TOTAL SHAREHOLDERS' EQUITY
(RM Million)



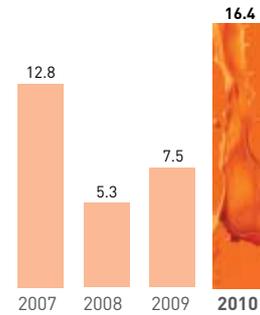
TOTAL ASSETS
(RM Million)



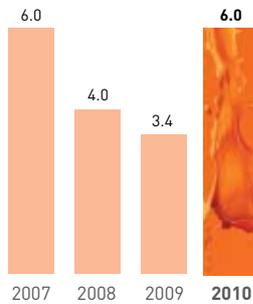
TOTAL BORROWINGS
(RM Million)



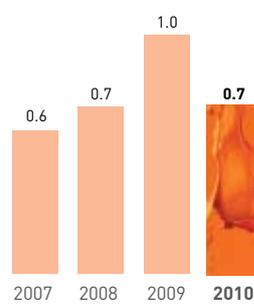
RETURN ON SHAREHOLDERS' EQUITY
(%)



RETURN ON TOTAL ASSETS
(%)



DEBT EQUITY RATIO





In RM Million

OPERATING RESULTS

	2007	2008	2009	2010
1. Operating revenue [^]	8,296.0	8,674.9	8,608.0	8,791.0
2. Profit before taxation and zakat [^]	918.7	353.8	921.6	1,360.2
3. Profit for the financial year				
– Continuing operations	892.9	276.2	673.3	1,245.0
– Discontinued operations	1,738.7	624.9	–	–
4. Profit attributable to equity holders of the Company				
– Continuing operations	856.7	229.3	643.0	1,206.5
– Discontinued operations	1,691.0	562.6	–	–

KEY DATA OF FINANCIAL POSITION

1. Total shareholders' equity#	19,802.1	10,248.1	6,987.5	7,709.4
2. Total assets#	44,221.3	22,533.2	19,942.5	20,780.0
3. Total borrowings#	11,924.4	7,000.0	6,713.5	5,532.0

SHARE INFORMATION

1. Per share				
Earnings (basic)	74.4 sen	23.0 sen	18.3 sen	33.9 sen
Gross dividend*	113.0 sen	26.3 sen	23.0 sen	26.1 sen
Net assets	575.7 sen	296.5 sen	197.2 sen	216.1 sen
2. Share price information				
High>	RM11.80	RM3.70	RM4.00	RM3.60
Low	RM9.20	RM2.54	RM2.60	RM3.04

FINANCIAL RATIO

1. Return on shareholders' equity	12.8%	5.3%	7.5%	16.4%
2. Return on total assets	6.0%	4.0%	3.4%	6.0%
3. Debt equity ratio	0.6	0.7	1.0	0.7
4. Dividend cover*	0.7	0.9	0.8	1.3

[^] Operating revenue and profit before taxation and zakat for 2007 were represented to exclude the results of Axiata Group pursuant to the demerger.

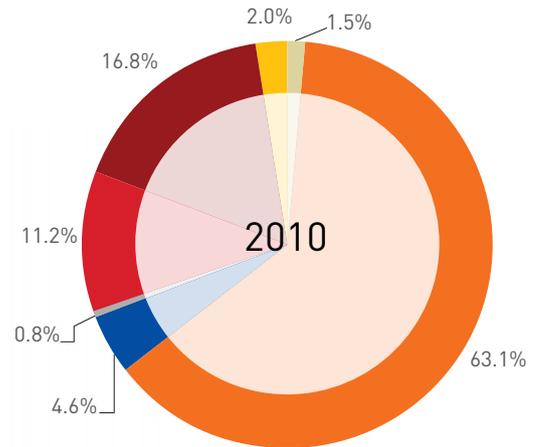
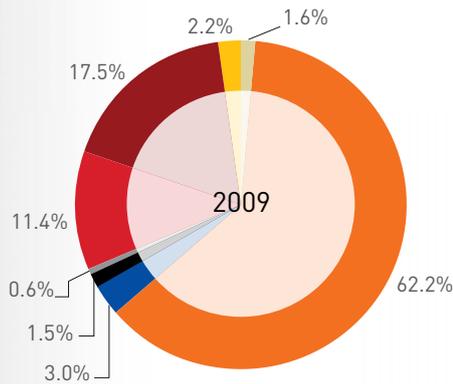
Significant reduction in these items from 2007 to 2008 were due to exclusion of balances of Axiata Group pursuant to the demerger.

* 2007 includes special gross dividend of 65.0 sen per share declared on 10 December 2007 and paid on 31 January 2008.

> Share price information for 2008 was based on the adjusted share price pursuant to the demerger.

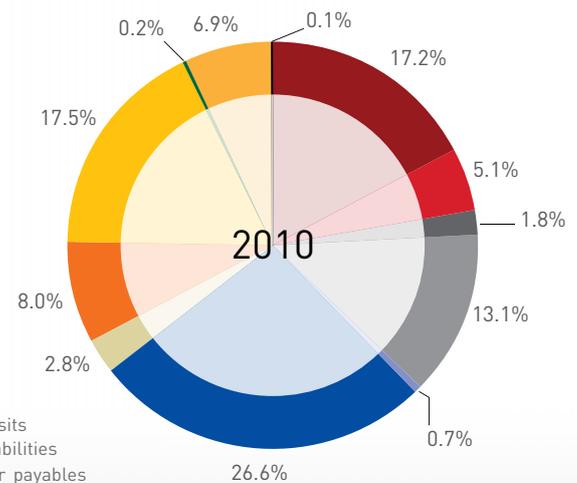
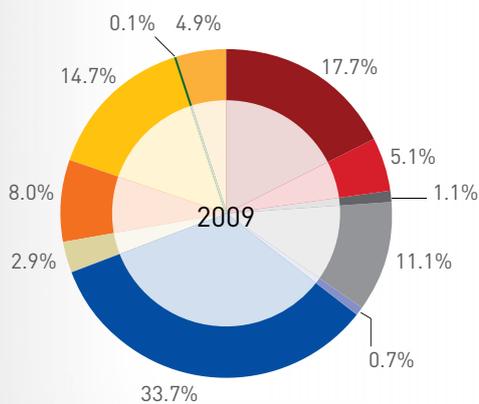
simplified group statement of financial position & segmental analysis

TOTAL ASSETS



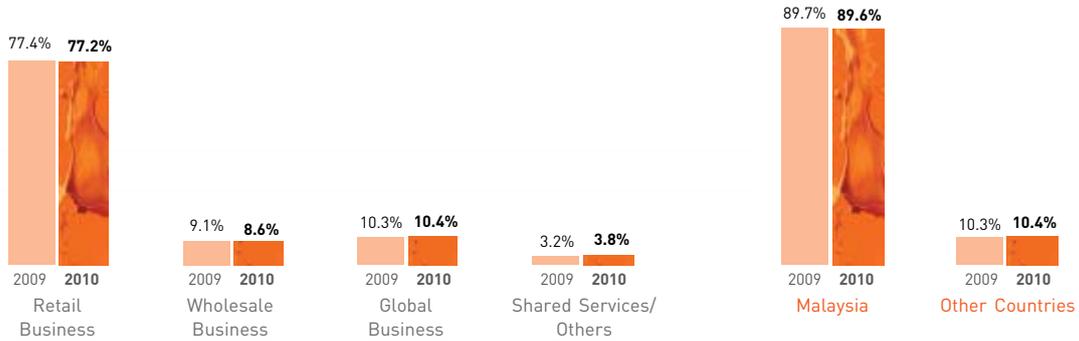
Available-for-sale investments ● Cash and bank balances
Short term investments ● Other assets
Inventories ● Intangible assets
Trade and other receivables ● Property, plant and equipment

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

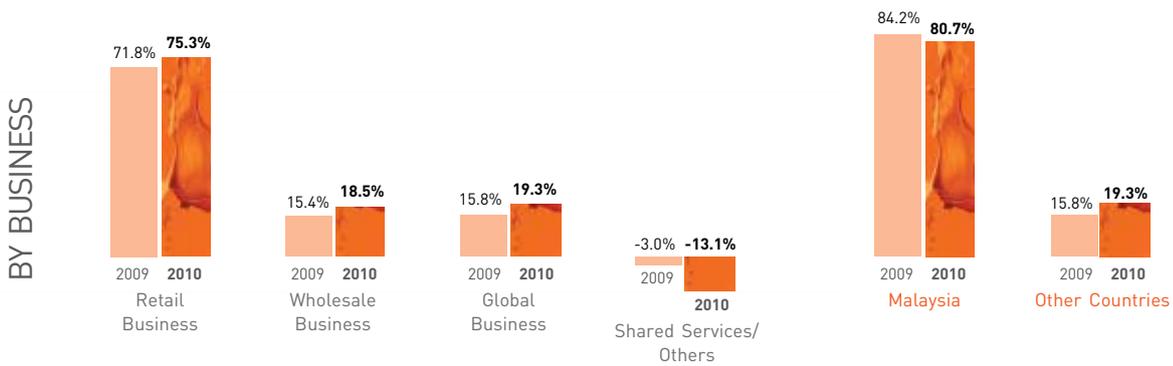


Share capital ● Customer deposits
Share premium ● Deferred tax liabilities
Other reserves ● Trade and other payables
Retained profits ● Taxation and zakat
Minority interests ● Deferred income
Borrowings ● Derivative financial instruments

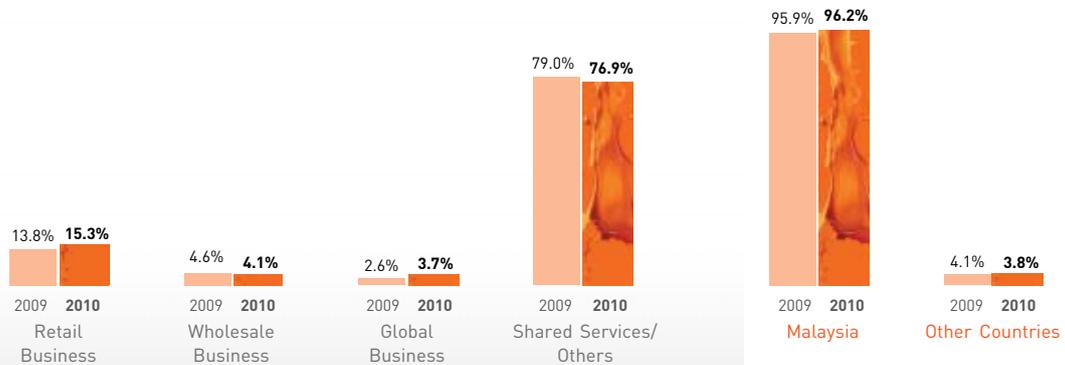
SEGMENT OPERATING REVENUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



SEGMENT RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



SEGMENT ASSETS AS AT 31 DECEMBER

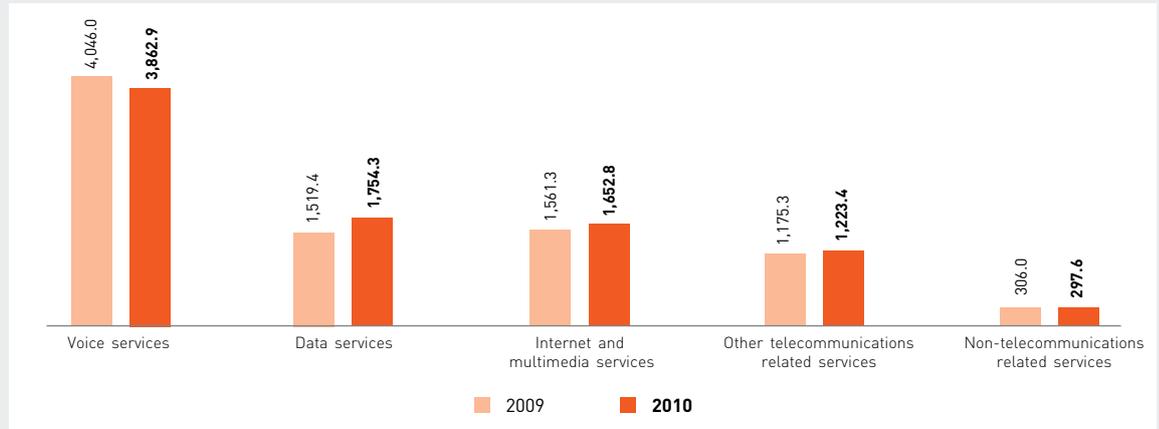


BY GEOGRAPHICAL LOCATION

	2010				Year 2010
In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
Operating revenue	2,124.9	2,150.9	2,194.6	2,320.6	8,791.0
Operating profit before finance cost					
– as reported	258.5	212.4	396.5	408.3	1,275.7
– reclassification*	9.1	(4.9)	21.9	–	26.1
– as restated	267.6	207.5	418.4	408.3	1,301.8
Profit before taxation and zakat	352.6	166.9	505.9	334.8	1,360.2
Profit attributable to equity holders of the Company	242.9	124.4	438.5	400.7	1,206.5
Basic earnings per share (sen)	6.9	3.5	12.3	11.2	33.9
Gross dividend per share (sen)	–	13.0	–	13.1	26.1

* During 4th quarter 2010, the Group reclassified fair value changes on forward foreign exchange contracts from other gains (net) to net finance cost to better reflect the effective cost of borrowings.

	2009				Year 2009
In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
Operating revenue	2,105.4	2,129.0	2,101.0	2,272.6	8,608.0
Operating profit before finance cost	296.5	293.0	212.3	262.8	1,064.6
Profit before taxation and zakat	91.3	358.9	217.8	253.6	921.6
Profit attributable to equity holders of the Company	27.7	266.0	179.1	170.2	643.0
Basic earnings per share (sen)	0.8	7.6	5.1	4.8	18.3
Gross dividend per share (sen)	–	10.0	–	13.0	23.0



OPERATING REVENUE (RM Million)

OPERATING REVENUE

For the financial year ended 31 December 2010, the Group's operating revenue rose by 2.1% to RM8,791.0 million from RM8,608.0 million registered in 2009. The increase in revenue was largely driven by growth recorded for internet and multimedia, data and other telecommunications related services.

Internet and multimedia services

The Group continued to win new customers and maintain its lead in the broadband segment, despite a challenging environment with the entry of more players and competitive offerings in the broadband market during the financial year. The broadband customer base was up 17.4% to 1.68 million customers in 2010. In line with increase in customer base, the Group registered an encouraging year-on-year revenue growth of 5.9% to RM1,652.8 million.

Internet and multimedia services contributed 18.8% to the Group's operating revenue

in the current financial year, higher than the 18.1% contribution in 2009.

Data services

Data services, which mainly comprise leased services, IPVPN and IP services, continued to drive revenue growth in 2010, registering a strong growth of 15.4% to RM1,754.3 million recorded in the current financial year. The higher revenue was mainly attributed to increased demand for higher bandwidth services from the domestic and global markets, particularly the South Asia region.

In line with higher revenue, contribution from data services to the Group's operating revenue increased to 20.0% from 17.7% in 2009.

Other telecommunications related services

Revenue from other telecommunications related services include primarily recoverable work orders (RWO), maintenance, broadcasting, restoration of submarine cables, managed

network services and enhanced value-added telecommunications services. The Group recorded higher revenue from these services by 4.2% to RM1,223.4 million. The increase was mainly due to higher revenue from RWO projects and higher realisation of deferred income relating to the High Speed Broadband (HSBB) project in the current financial year.

Other telecommunications related services contributed 13.9% to the Group's operating revenue as compared to 13.6% in 2009.

Non-telecommunications related services

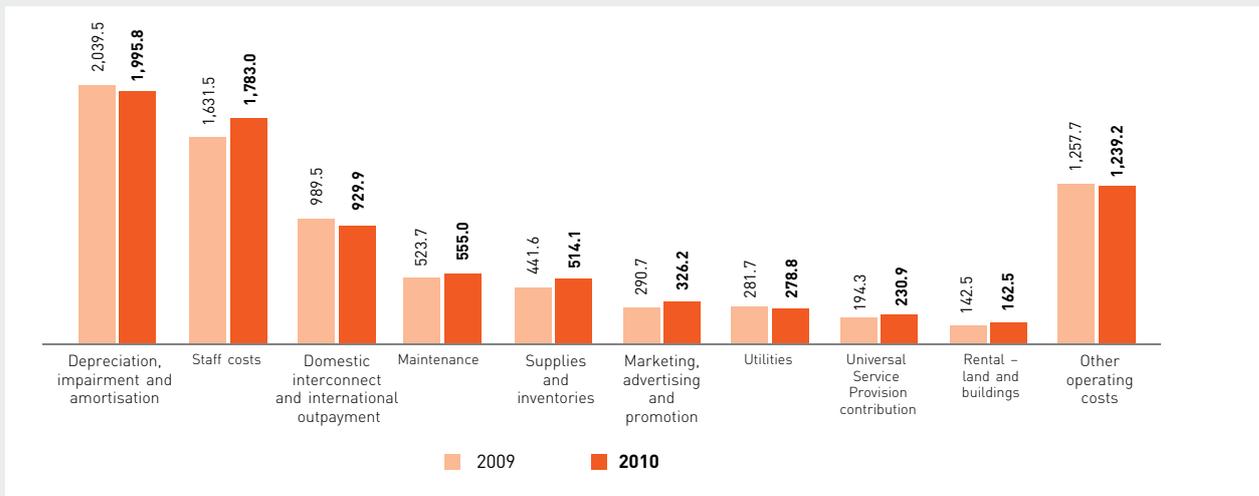
Non-telecommunications related services comprise services of subsidiaries with core businesses in education, printing and publication of directories, property development, trading of consumer equipment, etc. Total revenue from these services reduced by 2.7% to RM297.6 million as compared to the preceding financial year, primarily attributed to lower contribution by Menara Kuala

Lumpur Sdn Bhd following the downward revision in rental rate under the new concession agreement. Higher revenue registered by Universiti Telekom Sdn Bhd in line with an increase in the number of students, and TM Facilities Sdn Bhd following higher income from the sale of land in 2010, partially offset the reduction.

Non-telecommunications related services contributed 3.4% (2009: 3.6%) to the Group's operating revenue in the current financial year.

Voice services

Voice services comprises business telephony (also includes ISDN, interconnect and international inpayment) and residential telephony. In tandem with the global trend of continuing migration to cellular and internet-based communications as well as rate competition from VoIP players, voice revenue registered a decline of 4.5% to RM3,862.9 million in the current financial year.



OPERATING COSTS (RM Million)

Resulting from the decline, voice revenue's contribution to the Group's operating revenue reduced to 43.9% as compared to 47.0% in 2009.

OPERATING COSTS

For the financial year ended 31 December 2010, the Group's operating costs increased by 2.9% from RM7,792.7 million recorded in 2009 to RM8,015.4 million primarily due to higher staff costs, maintenance and supplies and inventories. Lower depreciation, impairment and amortisation charges and reduction in domestic interconnect and international outpayment partially offset the increase.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation charges, which comprise depreciation, impairment and write off of property, plant and equipment (PPE) as well as amortisation of intangible assets, reduced by 2.1% to RM1,995.8 million in the current financial year.

The lower charges were mainly contributed by deferment of depreciation following the revision of useful lives of PSTN switches and ATM DSLAM back to their original useful lives in 2009 resulting from changes in the migration plan of these assets to the NGN platform, as well as savings from higher amount of PPE written off/retired and fully depreciated at the Company level. Accelerated depreciation of certain network assets and additional depreciation charged for motor vehicles following revision of residual values partially offset the lower charge.

The above lower depreciation charge was partially offset by higher write off/retirement of PPE of RM71.1 million in the current financial year as compared to RM38.7 million in 2009.

Depreciation, impairment and amortisation charges accounted for 24.9% of total operating costs, as compared to 26.2% in 2009.

Staff costs

The Group's staff costs which accounted for 22.2% of total operating costs, rose by 9.3% to RM1,783.0 million as compared to RM1,631.5 million in 2009. The higher cost was primarily attributed to higher salaries and allowances in line with annual increment for 2010 as well as increase in staff headcount to support the roll-out of UniFi services and business growth. Higher sales commission paid to staff in line with revenue growth in 2010 also contributed to the increase. The annual increment for 2010 was 3.0% and the headcount at end 2010 was 26,755 as compared to 24,744 at end 2009.

Domestic interconnect and international outpayment

The Group's domestic interconnect and international outpayment reduced by 6.0% to RM929.9 million as compared to RM989.5 million recorded in 2009 and accounted for 11.6% of total operating costs. The lower costs were due to lower interconnect outgoing traffic

and the revised Mandatory Standard on Access Pricing (MSAP) effective July 2010. Higher international outpayment in line with higher data revenue partially offset the reduction.

Maintenance

Maintenance cost increased by 6.0% to RM555.0 million in the current financial year as compared to RM523.7 million in 2009, mainly due to higher cost incurred for maintaining two networks concurrently and facilities management, including preventive and corrective maintenance.

Supplies and inventories

For the current financial year, supplies and inventories cost increased by 16.4% to RM514.1 million as compared to RM441.6 million in 2009. The increase was due to higher subscriber equipment following higher modem utilisation in line with the increase in new Streamyx installations. Higher expense on equipment parts mainly due to an increase in battery and rectifier replacement costs, and higher

cost for various projects in line with higher revenue also contributed to the increase. Another contributing factor was the higher cable cost incurred in line with increase in cable price.

OTHER OPERATING INCOME

Other operating income rose by 18.7% to RM152.9 million in the current financial year primarily due to higher insurance claims, income from the sale of scrap and service tax refund. In addition, 2009 included higher loss on disposal of staff loans of RM18.2 million as compared to RM2.1 million in 2010. Lower profit on disposal of PPE, revenue from training and related activities and dividend income from investments reduced the increase.

OTHER GAINS

Other gains comprise fair value changes and gains or losses on disposal of available-for-sale investments and financial assets at fair value through profit or loss. The Group's other gains surged to RM373.3 million from RM120.5 million in the last financial year largely due to gain on disposal of available-for-sale investments, namely investments in MEASAT Global Berhad and Axiata Group Berhad (Axiata) shares, which resulted in a gain of RM141.7 million and

RM223.6 million respectively in the current financial year.

NET FINANCE COST

Finance cost

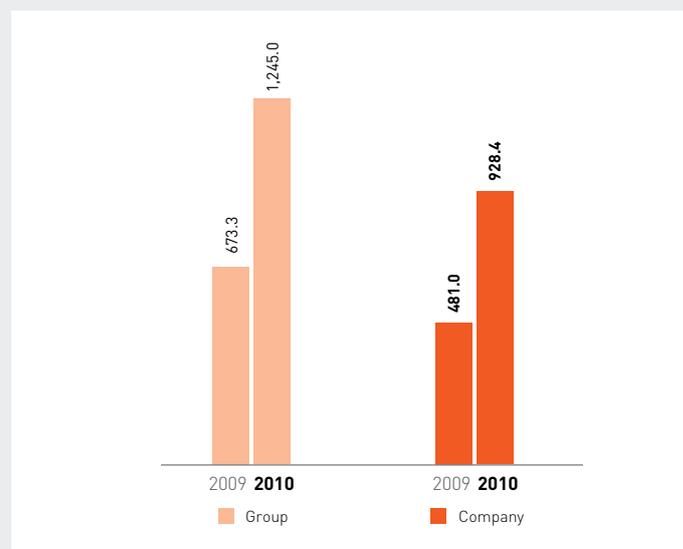
Despite recording lower finance costs on US Dollar bonds in line with lower borrowings following the partial repurchase of US Dollar bonds in 2009 and the full repayment of US Dollar bonds due on 6 December 2010, the Group's total finance cost for the current financial year of RM365.2 million was 2.5% higher than RM356.3 million recorded in 2009. This was mainly due to the absence of a refund of tax deducted at source for the previous redeemable bonds which was offset against finance cost at Group level.

Finance income

Finance income dropped by 30.3% to RM120.0 million in 2010 primarily due to the absence of finance income on amount owing by Axiata which has been fully repaid in April 2009. Lower interest income from employees housing loans following the disposal of the employees housing loan in 2009 also contributed to the reduction. Higher interest income on placements arising from more funds available for placement and increased interest rates partially offset the reduction.

Foreign exchange on translation of borrowings

In line with the weakening of US Dollar which depreciated



PROFIT FOR THE FINANCIAL YEAR (RM Million)

from USD1: RM3.424 at the end of 2009 to USD1: RM3.0835 at the end of 2010, the Group recorded a foreign exchange gain of RM332.3 million on translation of borrowings denominated in US Dollar in the current financial year as compared to RM40.5 million gain recorded in 2009.

The Group has entered into several forward foreign currency contracts to hedge the foreign exchange risk on US Dollar bonds. The fair value gains or losses on these forward foreign currency contracts are presented within foreign exchange on translation of borrowings. 2010 recorded a loss of RM28.6 million on these contracts. No such loss were recorded in 2009 as forward contracts were classified as off-balance-sheet financial instruments prior to the adoption of FRS 139 on 1 January 2010.

Consequent from the above, 2010 recorded a net finance income of RM58.5 million as compared to a net finance cost of RM143.6 million in 2009.

TAXATION EXPENSE

The Group's effective tax rate in 2010 was 8.5% as compared to 27.4% in 2009 primarily attributed to gain on disposal of available-for-sale investments and foreign exchange gain on borrowings as explained above, which are not subject to tax. Current financial year also included a deferred tax income of RM59.5 million in respect of previously unrecognised temporary differences mainly arising between the depreciation charge and amortisation of deferred income for PPE funded by a government grant.

PROFITABILITY

Consequent from higher gains contributed by available-for-sale investments and foreign exchange gain on borrowings, the Group's profit for the financial year surged 84.9% to RM1,245.0 million from RM673.3 million recorded in 2009.

TOTAL ASSETS

Total assets of the Group stood at RM20,780.0 million at end 2010, representing an increase of 4.2% over RM19,942.5 million at the end of the previous financial year, mainly contributed by the increase in carrying value of PPE.

Property, plant and equipment (PPE)

The Group's PPE grew by 5.7% to RM13,112.1 million at end 2010 as compared to RM12,404.3 million at the end of the preceding financial year in line with higher capital expenditure incurred for the HSBB project, which was higher than the depreciation charge and write off/retirement of PPE during the financial year.

TOTAL LIABILITIES

The Group's total liabilities increased by 0.8% to RM12,919.8 million from RM12,812.5 million at end 2009 mainly due to higher deferred income, trade and other payables net of lower borrowings.

Deferred income

Deferred income comprise government funding for Universal Service Provision and HSBB projects, which are amortised on a straight line basis over the estimated useful lives of the related assets. Deferred income increased significantly by 45.3% to RM1,432.1 million at end of 2010 as a result of

additional funding received during the financial year, mainly for the HSBB project.

Trade and other payables

Trade and other payables rose by 24.0% to RM3,639.2 million as compared to RM2,934.6 million at end 2009 primarily due to higher trade payables for network expansion in line with the roll-out of UniFi services as well as higher payable for Universal Service Provision.

Borrowings

The Group's borrowings of RM5,532.0 million was down by 17.6% as compared to RM6,713.5 million at the end of the preceding financial year. The reduction was mainly due to full repayment of US Dollar bonds amounting to RM828.1 million (USD260.3 million) which were due on 6 December 2010. The foreign exchange gain on translation of US Dollar borrowings resulting from the weakening of US Dollar against Ringgit Malaysia during the financial year also contributed to the reduction.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity increased to RM7,709.4 million as at 31 December 2010 from RM6,987.5 million at the end of the last financial year. The increase was primarily due to the current year profit attributable to equity holders of the Company of RM1,206.5 million, fair value



EPS AND ROE

gain on available-for-sale investments and the increase in share capital and share premium pursuant to employees exercising their share options under Special ESOS, which was collectively greater than the appropriation of 2009 final dividend and 2010 interim dividend totalling RM693.8 million.

Earnings per share (EPS) and return on shareholders' equity (ROE)

As result of the higher profit attributable to the equity holders of the Company for the current financial year, the basic EPS rose to 33.9 sen from 18.3 sen in 2009. Accordingly, ROE also increased to 16.4% in 2010 from 7.5% in 2009.

Dividends

In respect of the financial year ended 31 December 2010, an interim gross dividend of 13.0 sen per share less tax at 25.0% was paid on

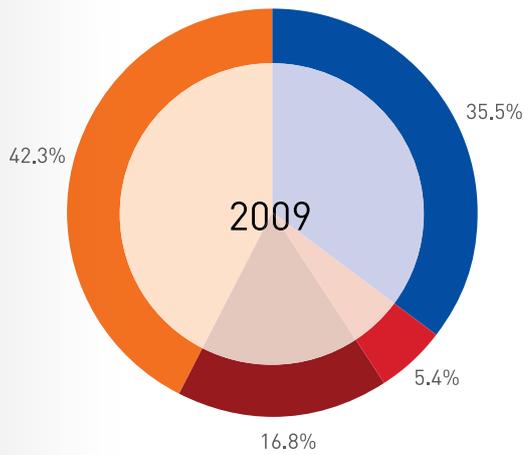
24 September 2010 to shareholders whose names appeared in the Register of Members and Record of Depositors on 7 September 2010. Together with the proposed final gross dividend of 13.1 sen per share less tax at 25.0% subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, the total dividend payout would be RM700.3 million. This is in line with the Company's dividend payout policy of RM700.0 million or up to 90.0% of normalised profit attributable to equity holders, whichever is higher.

statement of value added

Value added is a measure of wealth created. The following statement shows the Group's value added for 2009 and 2010 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

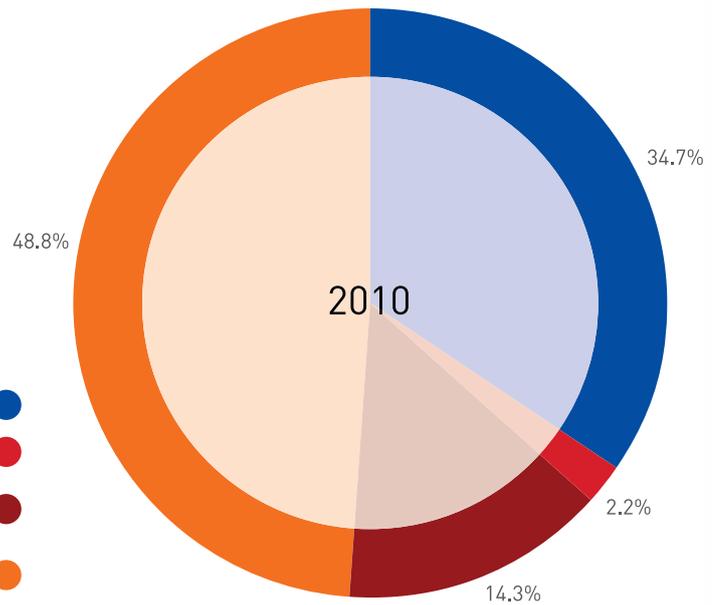
	2009 RM Million	2010 RM Million
VALUE ADDED		
Revenue	8,608.0	8,791.0
Purchase of goods and services	(4,121.7)	(4,236.6)
Value added by the Group	4,486.3	4,554.4
Other operating income (net)	128.8	152.9
Other gains (net)	120.5	373.3
Finance income	172.2	120.0
Finance cost	(356.3)	(365.2)
Foreign exchange gain on borrowings	40.5	303.7
Share of results of associates	0.6	(0.1)
Value added available for distribution	4,592.6	5,139.0
DISTRIBUTION		
To Employees		
Employment cost	1,631.5	1,783.0
To Government/Approved Agencies		
Taxation and Zakat	248.3	115.2
To Shareholders		
Dividends	740.0	697.6
Minority interests	30.3	38.5
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	2,039.5	1,995.8
Retained profits	(97.0)	508.9
Total distributed	4,592.6	5,139.0

distribution of value added



- To Employees – Employment cost **RM1,631.5 million**
- To Government/Approved Agencies – Taxation and Zakat **RM248.3 million**
- To Shareholders – Dividends and Minority interests **RM770.3 million**
- Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits **RM1,942.5 million**

- To Employees – Employment cost **RM1,783.0 million**
- To Government/Approved Agencies – Taxation and Zakat **RM115.2 million**
- To Shareholders – Dividends and Minority interests **RM736.1 million**
- Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits **RM2,504.7 million**



CHAPTER

Leadership

- 58 Board Of Directors
- 60 Profile Of Directors
- 68 Group Leadership Team
- 70 Profile Of Group Leadership Team





FROM LEFT TO RIGHT

Quah Poh Keat

(Independent Non-Executive Director)

Ibrahim Marsidi

(Independent Non-Executive Director)

Dato' Zalekha Hassan

(Non-Independent Non-Executive Director)

Dato' Ir Abdul Rahim Abu Bakar

(Independent Non-Executive Director)

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

(Non-Independent Non-Executive Director)

YB Datuk Nur Jazlan Tan Sri Mohamed

(Independent Non-Executive Director)

Datuk Bazlan Osman

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

Datuk Dr Halim Shafie

Chairman
(Non-Independent Non-Executive Director)

Dato' Sri Zamzamairani Mohd Isa

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

Dato' Danapalan T.P. Vinggrasalam

(Senior Independent Non-Executive Director)

Riccardo Ruggiero

(Independent Non-Executive Director)

Eshah Meor Suleiman

(Non-Independent Non-Executive Alternate Director)

Dr Farid Mohamed Sani

(Non-Independent Non-Executive Alternate Director)

Idrus Ismail

Company Secretary

Zaiton Ahmad

Joint Company Secretary



Datuk Dr Halim Shafie
Non-Independent
Non-Executive Chairman



Datuk Dr Halim, aged 62, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 31 July 2009. He graduated with a Bachelor of Economics (Hons) from University of Malaya in 1972 and obtained a Masters in Economic Development from University of Pittsburgh in 1980. This was followed by a Ph.D in Information Transfer from Syracuse University in 1988. In addition, he also completed professional courses in Systems Analysis and Design at the National Institute of Public Administration (INTAN) in 1976, Management Education Program at the Indian Institute of Management, Ahmedabad, India in 1977 and Advanced Management at Harvard Business School in 2000.

Datuk Dr Halim has served the Government in various capacities. He started his career in the Ministry of Education in 1972 followed by appointments at INTAN in 1976, Malaysian Administrative

Modernisation and Management Planning Unit (MAMPU) in the Prime Minister's Department in 1987 and was posted back as Director of INTAN in 1994.

Datuk Dr Halim later took on the position of Deputy Secretary General 1, Communications and Multimedia Sector in 1999 before moving on to become Secretary General, Ministry of Energy, Water and Communications in 2000. He was appointed Chairman of the Malaysian Communications and Multimedia Commission (MCMC) on 3 April 2006, where he served until May 2009.

Over the last 15 years, Datuk Dr Halim has served on many boards, including Tenaga Nasional Berhad, Pos Malaysia Berhad and Multimedia Development Corporation Sdn Bhd. He is currently the Chairman of Universiti Telekom Sdn Bhd and GITN Sdn Bhd, wholly-owned subsidiaries of TM. He also

holds office as a council member of the Malaysian National Computer Confederation (MNCC), Adjunct Professor of Universiti Utara Malaysia, Advisory Board Chairman of the National Library, Malaysia, a Director of Malaysian Electronic Clearing Corporation Sdn Bhd (a subsidiary of Bank Negara Malaysia) and board member of the Malaysian Industry-Government Group for High Technology (MIGHT).

Datuk Dr Halim currently serves as Chairman of TM's Board Dispute Resolution Committee. He attended all 11 Board of Directors' meetings of the Company held during the financial year. He is a Non-Executive Director nominated by the Minister of Finance, Incorporated (MoF Inc.), the Special Shareholder of TM and has never been charged for any offence within the past 10 years. He has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



**Dato' Sri Zamzamzairani
Mohd Isa**
Non-Independent
Executive Director
Managing Director/
Group Chief Executive Officer

Dato' Sri Zamzamzairani, aged 50, a Malaysian, was appointed Non-Independent Executive Director and assumed the position of Managing Director/ Group Chief Executive Officer of TM on 25 April 2008. He holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom, and has attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value.

He has vast experience in the telecommunications industry, having held senior

management positions in several multinationals, such as Global One and Lucent Technologies (Malaysia). Previous key positions in TM before assuming his current role include Senior Vice President, Group Strategy and Technology and Chief Executive Officer of Malaysia Business.

Dato' Sri Zamzamzairani sits on the Boards of several TM Group subsidiaries, including as Chairman of VADS Berhad and TM Net Sdn Bhd; and Deputy Chairman of GITN Sdn Bhd.

As the Group CEO, he also sits on the Board Tender Committee of TM. He attended all 11 Board of Directors' meetings of the Company held during the financial year. He is an Executive Director nominated by the MoF Inc., the Special Shareholder of TM. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Datuk Bazlan Osman
Non-Independent
Executive Director/
Group Chief Financial Officer



Datuk Bazlan, aged 47, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008. He is currently the Group Chief Financial Officer of TM. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He began his career as an auditor with a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a brief stint in American Express Malaysia

Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President, Finance/ Company Secretary. He joined Celcom Axiata Berhad in 2001 as the Senior Vice President, Corporate Finance & Treasury and subsequently appointed as the Chief Financial Officer (CFO) prior to his appointment as TM Group CFO on 1 May 2005. Effective 1 November 2009, he also oversees the operations of Global, Wholesale and Support Business. Datuk Bazlan sits on the Boards of several subsidiaries within the TM Group including Chairman of Fiberail Sdn Bhd and TM Info-Media Sdn Bhd.

He is the alternate member to Dato' Sri Zamzamairani Mohd Isa on TM's Board Tender Committee and a member of TM's Board Risk Committee, Board Investment Committee and Board Dispute Resolution Committee. Datuk Bazlan attended all 11 Board of Directors' meetings of the Company held during the financial year. He is an Executive Director nominated by the MoF Inc., the Special Shareholder of TM. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



Dato' Zalekha Hassan
Non-Independent
Non-Executive Director

Dato' Zalekha, aged 57, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 9 January 2008. She graduated with a Bachelor of Arts (Hons) from University of Malaya.

Dato' Zalekha began her career in the Malaysian civil service in 1977, as an Assistant Director in the Training and Career Development Division of the Public Service Department. She continued to serve the Government in numerous ministries including the Ministry of Health, Ministry of

Social Welfare and the Ministry of National Unity and Social Development, prior to joining the Ministry of Finance (MoF) in 1997 as its Senior Assistant Director of the Budget Division. She has since continued to serve the MoF in various capacities. Dato' Zalekha was attached to the Government Procurement Division of the MoF for seven years before taking up her current appointment as the Ministry's Deputy Secretary-General (Management).

Dato' Zalekha is also a Director of Proton Holdings Berhad and Group.

Dato' Zalekha is currently the Non-Executive Chairperson of TM's Board Tender Committee. She attended nine out of 11 Board of Directors' meetings of the Company held during the financial year. She is a Non-Executive Director nominated by the MoF Inc., the Special Shareholder of TM, and has never been charged for any offence within the past 10 years. She has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Tunku Dato' Fawzy, aged 52, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London, a Masters in Business Administration (MBA) from Warwick University, and a Diploma in Marketing from the Chartered Institute of Marketing. He is also a member of the Malaysian Institute of Management (MIM).

Tunku Dato' Fawzy has accumulated more than 20 years of international work experience in companies

spanning various industries, from banking, information technology and investment holdings to shipping, and oil and gas. He joined Khazanah Nasional Berhad (Khazanah) as Director of Investments in May 2007 and was later appointed Executive Director of Investments until his retirement from Khazanah on 9 May 2010. He also sits on the board of Pos Malaysia Berhad, Kencana Petroleum Berhad and Hong Leong Islamic Bank Berhad.

Tunku Dato' Fawzy is currently the Non-Executive Chairman of TM's Board Nomination and Remuneration Committee and

Board Risk Committee; and a member of the Board Audit Committee and Board Investment Committee. He attended all 11 Board of Directors' meetings of the Company held during the financial year. Tunku Dato' Fawzy is a Non-Executive Director nominated by the Company's major shareholder, Khazanah, and has never been charged for any offence within the past 10 years. He has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

**Tunku Dato' Mahmood Fawzy
Tunku Muhiyiddin**
Non-Independent
Non-Executive Director



Dato' Danapalan, aged 67, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He was made Senior Independent Director of TM on 21 May 2009. He holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Public Administration from Penn State, USA.

He was previously Chairman of the Malaysian Communications and Multimedia Commission (MCMC) from February 2004 until his retirement in March 2006. Dato' Danapalan was Senior Vice President of the Multimedia Development Corporation Sdn Bhd (MDeC)

from June 1998 to January 2004. Before this, he served as Secretary-General of the Ministry of Science, Technology and Environment from December 1991 until March 1998. He also served as Deputy Secretary-General of the Ministry of Social and Community Development and as Deputy Director of the National Institute of Public Administration (INTAN).

He is currently a Director of Affin Fund Management Berhad, Sirim QAS International Sdn Bhd, Bank Simpanan Nasional, and a member on the Board of Trustees of M.U.S.T Ehsan Foundation. Dato' Danapalan is also a Board member of

Universiti Telekom Sdn Bhd, a wholly-owned subsidiary of TM.

He currently serves as an Independent Non-Executive member of TM's Board Nomination and Remuneration Committee, Board Audit Committee, Board Risk Committee and Board Dispute Resolution Committee. Dato' Danapalan attended 10 out of 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



**Dato' Danapalan
T.P. Vinggrasalam**
Senior Independent
Non-Executive Director

**YB Datuk Nur Jazlan
Tan Sri Mohamed**
Independent
Non-Executive Director



YB Datuk Nur Jazlan, aged 45, a Malaysian, was appointed Independent Non-Executive Director of TM on 1 June 2004. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom. He was a Council Member and Chairman of the Public Relations Committee of the Malaysian Institute of Accountants (MIA) as well as a Council Member of the ASEAN Federation of Accountants (AFA).

In addition to his corporate experience in the financial arena, YB Datuk Nur Jazlan is also active in politics. He is a Member of Parliament for the Pulai Parliamentary Constituency, Johor, the Head of UMNO Pulai and Chairman of Barisan Nasional for the division. He was an Exco Member of UMNO Youth from 1996 until 2004.

Berhad and Ekowood International Berhad.

YB Datuk Nur Jazlan served as an Independent Non-Executive member of TM's Board Tender Committee. He attended 10 out of 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

He is currently Chairman of UDA Holdings Berhad and also a Director of United Malayan Land Berhad, Prinsiptek Corporation Berhad, Jaycorp Berhad, TSH Resources



**Dato' Ir Abdul Rahim
Abu Bakar**
Independent
Non-Executive Director

Dato' Ir Abdul Rahim, aged 65, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He graduated from the Brighton College of Technology, United Kingdom with a Bachelor of Science (Hons) Electrical Engineering in 1969. He is a member of the Institute of Engineers, Malaysia and is a Professional Engineer, Malaysia (P.Eng). He also holds the Electrical Engineer Certificate of Competency Grade 1.

Pernas Charter Management Sdn Bhd, a management company for the tin mining industry, in 1979. From late 1983 to 1991, he served Malaysia Mining Corporation Berhad (MMC) in various senior positions. Later, from 1991 to 1995, he moved on to MMC Engineering Services Sdn Bhd and subsequently to MMC Engineering Group Berhad as the Managing Director. In May 1995, he joined Petroliam Nasional Berhad (Petronas) as Managing Director of Petronas Gas Berhad and was made Vice President of Petronas' Petrochemical Business in 1999. He retired on 31 August 2002.

He also sits on the board of Scomi Group Berhad, Scomi Engineering Berhad and Global Maritime Ventures Berhad.

Dato' Ir Abdul Rahim is currently the Non-Executive Chairman of TM's Board Investment Committee and a member of the Board Nomination and Remuneration Committee. He attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dato' Ir Abdul Rahim began his career in 1969 with the then National Electricity Board, where he held various technical and engineering positions until he joined

Ibrahim Marsidi, aged 58, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Economics (Analytical) (Hons) from the University of Malaya.

He was previously Managing Director and Chief Executive Officer of Petronas Dagangan Berhad until his retirement on 31 December 2007. He joined Petroliam Nasional Berhad (Petronas) in 1979, where he

held a number of senior managerial positions. Prior to his appointment as Managing Director and Chief Executive Officer of Petronas Dagangan Berhad, he was the Senior Manager of Eastern and Northern Region, General Manager of the Liquefied Petroleum Gas (LPG) Business and Retail Business in Petronas Dagangan Berhad and General Manager of Crude Oil Group, Petronas.

Ibrahim currently serves as an Independent Non-Executive member of TM's Board Nomination and Remuneration Committee, Board Audit Committee and Board Risk Committee. He attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Ibrahim Marsidi
Independent
Non-Executive Director



Quah Poh Keat, aged 58, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants (ACCA); and a member of the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Certified Public Accountants (MICPA) and the Chartered Institute of Management Accountants (CIMA).

Quah was made a partner of KPMG Malaysia on 1 October 1982 and the Senior Partner responsible for the daily operations of KPMG Malaysia from 1 October 2000 to 30 September 2007. Prior to taking up the position of Senior Partner (Managing

Partner), he was in charge of the Tax Practice and the Japanese Practice in KPMG Malaysia. He was a member of the KPMG Japanese Practice Council, the governing body within KPMG International that looks after its Japanese Practices worldwide. He was a board member of KPMG Asia Pacific and a member of the KPMG International Council. Quah was also Vice-President of the Malaysian Institute of Taxation. He retired from KPMG on 31 December 2007.

He is also an independent non-executive director of IOI Corporation Berhad, PLUS Expressways Berhad, Public Investment Bank Berhad, Public Bank Berhad, Public Mutual Berhad, Public Islamic Bank Berhad, Lonpac

Insurance Berhad and LPI Capital Berhad. He is also a Trustee of Yayasan Tan Sri Lee Shin Cheng and a member of the Federation of Malaysian Manufacturers Economic Fiscal Policies Committee.

Quah currently serves as an Independent Non-Executive Chairman of TM's Board Audit Committee and a member of Board Investment Committee. He attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Quah Poh Keat
Independent
Non-Executive Director



Riccardo Ruggiero
Independent
Non-Executive Director



Riccardo, aged 50, an Italian, was appointed Independent Non-Executive Director of TM on 18 August 2008. He graduated from Rome University La Sapienza with a Doctor in Law. He is currently Chief Executive Officer (CEO) and Chairman of ARIA SpA, a leading WIMAX Italian Operator.

Riccardo began his career in 1986, as a Sales Manager at Fininvest, Mediaset Group. In 1991, he joined the Olivetti Group serving in various capacities including Vice President for International Client and Business Development of Telecommunications Service Worldwide, Marketing and Business Development. His last position during his

11 years with the Olivetti Group was CEO of Infostrada SpA (a joint venture between Olivetti and Mannesman), responsible for the transformation of the start-up company into the first alternative wireline and Internet competitor to Telecom Italia.

In 2001, Riccardo joined Telecom Italia as President of its Wireline Business Unit, responsible for managing and developing the wireline and Internet broadband business worldwide. He was appointed CEO of Telecom Italia Group in October 2005, a position he held until December 2007. As CEO, he was responsible for the management and development of Telecom Italia's fixed, mobile,

broadband and digital media business worldwide. Riccardo also has extensive experience in the management and development of content in a multi-platform environment, including IPTV, mobile TV, digital terrestrial television and multimedia broadband portal. He was the Senior Adviser of Permira Association SpA and Director of Value Partners SpA from 2008 until January 2010 and June 2010 respectively.

Riccardo attended seven out of 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



Eshah Meor Suleiman
Non-Independent
Non-Executive
Alternate Director

Eshah, aged 56, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Zalekha Hassan on 11 March 2009. She graduated with a Bachelor of Economics (Hons) from University of Malaya in 1980 and obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1981. She later obtained a Masters in Business Administration (MBA) in Finance from the Oklahoma City University, USA, in 1994.

Eshah began her career in the Malaysian civil service in 1981 as an Assistant Director,

Macro Economic Section in the Economic Planning Unit of the Prime Minister's Department, and in 1991, she was appointed Assistant Secretary in the Government Procurement Management Division, Ministry of Finance (MoF). Since then, she has held various positions in the MoF, such as Principal Deputy Assistant Secretary and Deputy Under Secretary, before assuming her current position as Under Secretary, Investment, MoF, Inc. and Privatisation Division in September 2006.

Eshah is also a Director of Pos Malaysia Berhad, Global Maritime Ventures Berhad (a

subsidiary of Bank Pembangunan Malaysia Berhad) and a number of private companies.

She is also the alternate member to Dato' Zalekha Hassan on TM's Board Tender Committee. She attended one out of 11 Board of Directors' meetings of the Company held during the financial year in place of her substantive Director. She has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dr Farid, aged 35, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 25 April 2008. He holds a Ph.D in Chemical Engineering, a Masters in Engineering and a Bachelor of Arts with first class honours specialising in Chemical Engineering, all from the University of Cambridge.

Dr Farid is Director, Investments of Khazanah Nasional Berhad (Khazanah). He has been with Khazanah since 2004 and has also served in Khazanah's Transformation Management Office and Senior Vice President, Managing Director's Office before assuming his current position in April 2010. Prior to that, Dr Farid was a consultant at McKinsey & Company for two years.

Dr Farid is a Director of Axiata Group Berhad [Axiata]. He also sits on the board of several subsidiaries within Axiata Group such as Celcom Axiata Berhad.

He is a Non-Executive member of TM's Board Tender Committee. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dr Farid Mohamed Sani
Non-Independent
Non-Executive
Alternate Director



group leadership team



FROM LEFT TO RIGHT (BEHIND)

Zaleha Abu Bakar, Ahmad Azhar Yahya, Nizam Arshad, Hashim Mohammed, Datuk Bazlan Osman, Sherene Azura Azli, Rozalila Abdul Rahman, Izlyn Ramli, Mohd Khalis Abdul Rahim, Rafaai Samsi

SEATED FROM LEFT TO RIGHT

Ahmad Ismail, Giorgio Migliarina, Dato' Sri Zamzamzairani Mohd Isa, Hamidah Mahmud



FROM LEFT TO RIGHT (BEHIND)

Jeremy Kung Eng Chuang, Mohamad Rozaimy Abd Rahman, Dr Mazlan Ismail, Azizi A Hadi, Imri Mokhtar, Idrus Ismail, Asmawati Yusof, Ghazali Omar, Dato' Kairul Annuar Mohamed Zamzam

SEATED FROM LEFT TO RIGHT

Zam Ariffin Ismail, Nor Akmar Md Yunus, Gazali Harun, Shanti Jusnita Johari



profile of group leadership team

Dato' Sri Zamzamzairani Mohd Isa

Managing Director/Group Chief Executive Officer

Dato' Sri Zamzamzairani, 50, holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom, and has attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value. He has vast experience in the telecommunications industry, having held senior management positions in several multinationals, such as Global One and Lucent Technologies (Malaysia). Previous key positions in TM before assuming his current role include Senior Vice President, Group Strategy and Technology and Chief Executive Officer of Malaysia Business. Dato' Sri Zamzamzairani sits on the Boards of several TM subsidiaries, including as Chairman of VADS Berhad and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd.

Ahmad Azhar Yahya

Chief Strategy Officer

Ahmad Azhar, 46, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University. He began his career in 1987 as an Engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consultants, Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. In 2008, Ahmad was appointed the Programme Director of the High-Speed Broadband Programme and contributed to the successful launch of UniFi in March 2010. He was appointed to his current position as TM's Chief Strategy Officer on 15 July 2010.

Datuk Bazlan Osman

Executive Director/Group Chief Financial Officer

Datuk Bazlan, 47, is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He began his career as an auditor with a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a brief stint in American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was appointed Senior Vice President, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the Senior Vice President, Corporate Finance and Treasury and was appointed the Chief Financial Officer (CFO) prior to his appointment as TM Group CFO on 1 May 2005. Effective 1 November 2009, he also oversees the operations of Global, Wholesale and Support Business. Datuk Bazlan sits on the Boards of several subsidiaries within the TM Group including as Chairman of TM Info-Media Sdn Bhd and Fiberail Sdn Bhd.

Giorgio Migliarina

Chief Technology and Innovation Officer

Giorgio, 42, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and an MBA from INSEAD, France. He has worked for telecom operators, high tech manufacturers and media companies in Asia, Europe and Central America. Most recently, he was a Partner at McKinsey & Company, where he served some of the world's leading fixed line and mobile operators. Based in Milan, London and Beijing, he led projects on network access optimisation, field maintenance process redesign, and the launch of IP-based services. He has also worked for telecom equipment manufacturers, especially on sales of IP-based equipment. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator. Before Infostrada, he worked in Olivetti SpA as a business development manager for its telecom ventures. Giorgio was appointed TM's Chief Technology and Innovation Officer on 1 May 2009.

Mohd Khalis Abdul Rahim

Chief Human Capital Officer

Khalis, 48, holds a Masters in Human Resource Management from the University of Canberra, Australia. He has extensive exposure in human capital management, having served in several multinational companies. This includes almost 20 years of experience in the field of human resource management across different industries. Khalis has been involved in various disciplines of the profession from organisational development and change management to performance management, industrial relations, HR reengineering as well as talent development. Before joining TM as the Chief Human Capital Officer on 17 August 2009, Khalis was the Human Resources Director for Freescale Semiconductor, Malaysia, Singapore and Asia Supply Chain, for three years. Prior to that, he was with Colgate Palmolive as the Human Resource Director for Malaysia.

Rozalila Abdul Rahman

Chief Marketing Officer

Rozalila, 49, holds a Bachelor in Food Science & Technology from Universiti Putra Malaysia. She has 21 years of experience in MNCs particularly in marketing and sales of fast moving consumer goods. She started her career in 1989 as a management trainee with Unilever Malaysia, where she spent 10 years before moving on to Kellogg Asia Marketing as Marketing Manager Innovations for South East Asia. In 2001, she joined Reckitt Benckiser as Marketing Manager (Malaysia/Singapore) handling Shieldtox, Mortein, Vanish, Woolite and Fabulon before moving to Bank Simpanan Nasional as Director of Sales & Marketing. In 2006, Rozalila joined Maxis Communications Berhad as General Manager (Media, Research & Events) in the Consumer Business Division. In 2008, she headed the Segment Marketing team, managing the Malay market, East Coast and East Malaysia. She joined TM as Chief Marketing Officer on 17 February 2010 and is responsible for Group Marketing, Retail Product, Customer Service Management and Centre of Excellence (Business).

Idrus Ismail

Chief Legal, Compliance and Company Secretary

Idrus, 57, obtained his degree in Economics from the University of Malaya in 1977 and a Bachelor of Law from the National University of Singapore in 1987. He has a Certificate in Translation from the National Translation Institute of Malaysia and an Executive Masters in Islamic Banking and Finance from Asia e University. He was called to the Malaysian Bar in 1988. He started his career as a management trainee with Petronas and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to Minister of Finance, Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice. Idrus joined TM as Chief Legal and Compliance on 1 December 2009 and assumed the position of Company Secretary with effect from 18 January 2010.

Gazali Harun

Chief Procurement Officer

Gazali, 52, holds a Bachelor of Science in Finance from the Northern Illinois University, USA and in 1982 obtained a Masters in Business Administration (MBA) from the Governors State University, also in the USA. He is also a Chartered Accountant of the Malaysian Institute of Accountants. He gained vast experience in corporate banking and corporate finance while serving at a local merchant bank prior to joining TM in 1990. In TM, he was involved in treasury management, fund raising activities, mergers and acquisitions, investor relations and overseeing the Enterprise Risk Management Programme for the Group. He was the Vice President, Finance of TM Wholesale before assuming his current position as Chief Procurement Officer on 1 June 2005.

Ahmad Ismail

Chief Corporate and
Regulatory Officer

Ahmad, 50, obtained a Bachelor of Science (Hons) in Electrical & Electronic Engineering from the University of Aston in Birmingham, UK and an MBA from the Multimedia University in Cyberjaya. He joined TM in 1983 as an Assistant Controller of Telecom (ACT), and held various engineering positions before engaging in more managerial responsibilities. In his 27 years in the Group, he has been Managing Director of TM International Bangladesh (TMIB), General Manager, Business Strategy, TM Retail and Chief Strategy Officer of Telco Strategy Division, TM. Prior to that, Ahmad was the CEO of Telekom Sales & Services Sdn Bhd, as well as State General Manager for Penang and Melaka. He then assumed the position of Vice President, Customer Service Management in 2008 and was later appointed Vice President, Programme and Performance Management Office in July 2010. Ahmad was appointed to his current position as Chief Corporate and Regulatory Officer on 1 October 2010.

Hashim Mohammed

Chief Internal Auditor

Hashim, 52, is an alumnus of King's College London, having graduated with a Bachelor of Science from Queen Elizabeth College – now part of King's College London. He qualified as a Chartered Chemist and Chartered Scientist from The Royal Society of Chemistry London, and holds an MBA in International Management from RMIT University, Melbourne. He is currently President of The Institute of Internal Auditors Malaysia, a member of the Australian Institute of Company Directors and a committee member of the Malaysian Corporate Governance Index, Minority Shareholders Watchdog Group. Hashim spent 21 years in Shell, holding various management positions spanning marketing, sales, production, operations, logistics, information technology and internal audit. His responsibilities included providing internal audit services and managing audit teams across the Asia Pacific and Middle East regions. He was secretary to the audit committee of Shell Refining Company (FOM) Berhad, and Secretary to the TM Board Audit Committee until 27 October 2010.

Rafaai Samsi

Executive Vice President,
Wholesale

Rafaai, 53, obtained a Masters in Communications Management from the University of Strathclyde, United Kingdom in 2005 and prior to that, a Bachelor of Science (Hons) in Electronic Engineering from Brighton University, United Kingdom in 1986. His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978 as Technical Assistant, following which he assumed roles of increasing responsibility within the TM Group. He was appointed Chief Executive Officer of Meganet Communications Sdn Bhd, a subsidiary of TM, in July 1997 before returning to TM mainstream in July 2001, where he was assigned as General Manager of a number of divisions including State Business Operations, Market Development and Domestic Carrier Business Division. He was appointed Vice President, Marketing & Sales for the wholesale segment in October 2006 and subsequently promoted to lead the Wholesale Line of Business on 1 July 2008.

Imri Mokhtar

Executive Vice President,
Consumer

Imri, 37, graduated in 1996 with First Class Honours in Electronics Engineering and Management Studies (B. Eng) from the University College of London in 1996, where he was on a TM scholarship. He started his career in TM's ASEAN joint-venture company, ACASIA, before joining the Kuala Lumpur office of McKinsey & Company, an internationally renowned management consulting firm, serving clients in the financial and telecommunications sector. He later joined Astro, a pay-TV operator, to establish and head its interactive TV business before re-joining TM in August 2005 as the General Manager of Strategy Development. He was made the General Manager, Programme Management Office in 2006 and later the Vice President, Programme and Performance Management Office in June 2008. Imri was promoted to his current position as Executive Vice President, Consumer on 15 July 2010 and is responsible for managing the Consumer segment business of TM Group.

Shanti Jusnita Johari

Executive Vice President, SME

Shanti Jusnita, 35, holds a Bachelor of Engineering (Electronics) from Vanderbilt University, USA and a Masters in Business Administration (MBA) from Universiti Teknologi Malaysia, both on TM scholarships. Grown from TM's own talent pool, her career has been focused towards building capabilities in the retail telecommunications market. She joined TM in 1997 under the Corporate and Multinational Sales division, where she was involved in various business and operational capacities including key account management, sales and product consultancy. In 2005, Shanti joined the TM Retail Business Strategy & Management office, responsible for the strategic development and management of TM Retail's operations. Subsequently, in July 2007, she was appointed General Manager in the same office before assuming her current position as Executive Vice President, SME on 1 February 2009.

Ghazali Omar

Executive Vice President, Enterprise/Chief Executive Officer, VADS Berhad

Ghazali, 54, holds a Bachelor (Hons) in Electrical & Electronic Engineering from the University of Leeds, United Kingdom and a Masters in Business Administration (MBA) from Multimedia University, Cyberjaya. He has 31 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as a Planning & Development Engineer specialising in Data Communications. He was later appointed General Manager, Marketing & Sales, TM Net Sdn Bhd in 2002 and Vice President of Enterprise & Government Sales, TM Retail in 2007 before assuming his current position as Executive Vice President, Enterprise on 1 February 2009. Ghazali is also Executive Director/CEO of VADS Berhad.

Dato' Kairul Annuar Mohamed Zamzam

Executive Vice President, Government

Dato' Kairul Annuar, 47, holds a Bachelor in Engineering Science from the University of Western Ontario, Canada. He completed his Masters in Business Administration (MBA) at the Multimedia University, Cyberjaya and attended an Advanced Management Training at INSEAD in 2003. He has over 20 years of experience in the telecommunications industry, beginning with the then Jabatan Telekom Malaysia in 1985 as a Human Resources Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed General Manager of the Terengganu Operations Area in 1998 and in 2002, appointed as Personal Assistant to the Group Chief Executive. In 2004, he was appointed General Manager of Corporate Affairs and later appointed as Vice President, Consumer & Business Sales Division in TM Retail. Prior to his current appointment as Executive Vice President, Government in 2009, he was the CEO of Telekom Sales & Services Sdn Bhd.

Jeremy Kung Eng Chuang

Executive Vice President, New Media/Chief Executive Officer, TM Net Sdn Bhd

Jeremy, 47, holds an Honours Degree in Computer Science from the University of Ottawa, Canada. He has 20 years' experience in technical and managerial roles in IT systems development for media, telecommunications and Business-to-Consumer business. He spent three years at J.Walter Thompson (JWT) and seven years at Star-TV, before serving more than 10 years at PCCW Limited (PCCW), Hong Kong and its group of companies. His last positions there were as SVP of Customer Advocacy and Chief Information Officer of PCCW Global, a business unit of PCCW that provides telecom services globally. Jeremy joined TM Group as CEO of TM Net Sdn Bhd on 20 May 2008 and was appointed Executive Vice President, Consumer of TM on 1 February 2009. He assumes his current position as Executive Vice President, New Media effective 15 July 2010. His position as CEO of TM Net remains.

Mohamad Rozaimy Abd Rahman

Executive Vice President,
Global

Rozaimy, 39, obtained a Bachelor in Distributed Computing from the University of East London, and a postgraduate degree in Technology Management. He attended a programme on Advance IP and Technology Management at the AT&T School of Business and Technology, and trained in telecommunications technology at AT&T Bell Labs in New Jersey, USA. He has more than 15 years' experience in the telecommunications industry, starting as a Systems Engineer with AT&T Network Systems before joining Concert Global Network, a joint venture company between AT&T and BT. He returned to AT&T as Sales Director, AT&T Global Wholesale, responsible for markets in South East Asia and South Asia, before joining TM in 2006 as General Manager of Product Marketing. He was then appointed Vice President of TM Global, responsible for TM Regional offices in the UK, USA, Hong Kong and Singapore before assuming his position as Chief Operating Officer of Global Line of Business on 1 July 2008. He was redesignated as Executive Vice President, Global on 1 February 2009.

Zam Ariffin Ismail

Vice President, Support
Business

Zam Ariffin, 47, holds a Masters in Professional Accounting from St. Louis University, and a Bachelor of Science in Accounting from Emporia State University, both in the USA. He is also a Chartered Accountant of the Malaysian Institute of Accountants. He started his career in 1987 as a Bond Officer at Cagamas Berhad. In 1989, he joined TM in the Corporate Finance Division and was the Assistant General Manager of Financing and Special Projects, before joining Telekom Cellular Sdn Bhd as General Manager of Finance in 1996. From 2000 to 2006, he served in Maxis Communications Berhad as Head and Senior Manager in the Business & Financial Planning Department, Networks Engineering & Operation Division and later in the Contract Management Department, Finance & Administration Division, before returning to TM as General Manager, TM Ventures. Prior to his current position as Vice President, Support Business, he was the General Manager, Subsidiary Management of Group Business Development & Transformation.

Izlyn Ramli

Vice President, Group
Corporate Communications

Izlyn, 40, holds an MBA with Distinction from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business, and a Bachelor of Science (Hons) in Economics from University College London. She started her career in 1992 with PricewaterhouseCoopers before moving to BzW Capital as an investment analyst. Izlyn joined TM in 1998 and served 10 years in Group Strategy and Planning. From 2006-2008, she was appointed Special Assistant to the TM Group Chairman, as key policy liaison officer for national and international fora and organisations, including APEC, APEC Business Advisory Council (ABAC) and United Nations Global Alliance (UNGAID), focused on ICT Development and ICT for Development. Following the TM demerger, Izlyn moved to TM's sister company, Axiata Group Bhd and was promoted to head the Corporate Communications division. She was a key member of the Axiata rebranding team, and was responsible for crafting Axiata's Corporate Responsibility Strategy. Izlyn returned to TM as Vice President, Group Corporate Communications on 1 October 2010.

Zaleha Abu Bakar

Vice President, Enterprise
Business Management

Zaleha, 50, holds a Bachelor of Science in Electrical & Electronic Engineering from Brighton University, UK and a Masters in Communication System from University College Swansea, UK. She started her career in telecommunications with the then Jabatan Telekom Malaysia in 1983 responsible for Switching Operations in Perak. She then moved to Kuala Lumpur, managing the operations and maintenance of key exchanges in the Golden Triangle area. Her work experience in TM has since expanded from network operations to regulatory management. She was a project team member of TM Wholesale Business Implementation, which she later was appointed to lead the Wholesale Product Development and Management. Zaleha has represented TM in various telco activities – she was Chairman of a working group in Malaysian Access Forum Berhad (MAFB) and a committee member of MyIX Association. Zaleha was the Head of Enterprise Business Management until her promotion as Vice President of the same division on 1 January 2011.

Azizi A Hadi

Vice President, Retail Product

Azizi, 46, holds a Masters of Business Administration from Universiti Putra Malaysia and a Bachelor of Science in Electrical Engineering from Wichita State University, USA. He has 23 years of experience in the telecommunications industry, which has included engineering, operations, sales and product development and management. Azizi started his career with the Malaysian Army as an Engineering Officer in the Royal Malaysian Signals Regiment from 1987 to 1996. His main responsibilities were in planning tactical radio networks, evaluating new equipment and training. He was also the Country Business Development Manager of Global One, an international service provider where he was entrusted with the country's MNC sales in 1999. Prior to joining TM in 2007 as General Manager, Technology & Innovation, he was with Maxis Communications Berhad as the Head of Broadband Business Unit and in Network Engineering and Operations. Azizi was appointed Vice President, Retail Product of TM on 1 February 2009.

Asmawati Yusof

Vice President,
Network Development

Asmawati, 50, holds a Masters [Distinction] in Communications Systems from the University of Wales, Swansea and a Masters in Communications Management from the University of Strathclyde, Scotland. She started her career in TM as an engineer in Bayan Baru, Pulau Pinang and later worked in the CASS Project, a major IT initiative. She was General Manager for the Corporate Information Superhighway where she worked on pioneering projects such as setting up the infrastructure for Frame Relay, ATM and IP-VPN to enable Managed Network Services for large corporations. She was also involved in the setting up and continuous expansion of TM's Internet infrastructure to sustain the high growth of broadband customers. Currently, she is leading the planning and deployment of TM's HSBB network and the transformation of TM's legacy network into a full IP-based infrastructure and migration to the Next Generation Network (NGN). Asmawati was appointed Vice President, Network Development in April 2007 responsible for the development of TM's access and core networks.

Nor Akmar Md Yunus

Vice President,
High Speed Broadband (HSBB), Programme Management Office

Nor Akmar, 55, holds a BSc in Electrical and Electronic Engineering from Sunderland University, UK. She started her career with the then Jabatan Telekom Malaysia in 1979 as an Assistant Controller of Telecoms, moving on to Network as a Planning Engineer. She then assisted in the development of the Network Master Plan in the early 90s as well as in the Network Transformation Programme that began in the mid-90s. Following that, she was posted to Corporate Strategy from 1998-2002. In 2002, she joined the Programme Management Office (PMO) that oversaw a re-organisation of the Group. This experience was then called into play when she oversaw the re-organisation of TM Telco into TM Wholesale and TM Retail. Nor Akmar went on to become General Manager, Business Strategy for TM Wholesale. In 2007, she was once again called upon to help in setting up the PMO, this time to oversee the implementation of the HSBB network. Nor Akmar currently serves as Vice-President of the HSBB PMO.

Sherene Azura Azli

Vice President, Strategy & Business Development

Sherene, 37, holds a Masters in Business Administration from the University of Durham, UK, and a Bachelor of Business Studies (Hons) in Accounting & Finance from the University of Limerick, Republic of Ireland. She has 14 years of experience in the telecommunications industry, beginning in TM in 1996 as a financial analyst. Her experience in TM spans across several key areas of expertise covering Pricing Strategy, Market Development & Research, Customer Loyalty & Retention, Customer Relationship Management, Cost Management and Global Business. With an early working stint as a Research Manager at Irish Telecommunications Investment Plc, Dublin, Sherene is well-versed in the global telecommunications business climate and operations. She was the General Manager of the Dynamic Pricing unit, responsible for the pricing strategy and price positioning of TM products and services and was later appointed Vice President of Group Marketing in 2009. She assumed the role of Vice President, Strategy & Business Development on 15 July 2010.



Nizam Arshad

Vice President,
Information Technology

Nizam, 47, holds a Bachelor of Science degree in Computer Engineering from Case Western Reserve University, Cleveland, Ohio, USA. His career in the ICT industry started with Nixdorf Computer in the implementation of a computerisation project for a national utility company. He subsequently moved to take on systems support, solutions management and accounts management roles with regional responsibilities over a span of 18 years in several companies including Mesiniaga Berhad, Celcom Axiata Berhad, Ericsson AB, IBM (Malaysia) Sdn Bhd and Sun Microsystems Inc. prior to joining TM in 2007 where he was appointed General Manager for IT Architecture. He was later promoted in 2008 as Vice President, Information Technology to lead TM IT's transformation to support new generation services.

Hamidah Mahmud

Vice President, Customer
Service Management

Hamidah, 55, obtained a Bachelor of Science in Electrical & Electronic Engineering from the University of Birmingham, UK, in 1980 and a Masters in Business Administration from the Multimedia University, Cyberjaya, in 2000. She has more than 31 years' experience in the telecommunications industry, joining TM in 1989, where she began as an Assistant Manager of Marketing Unit Central Region. In 1999, she was assigned as the General Manager of Corporate Customer Sales Division for two years, Data Product Consultancy and Program Management Division for two years and Business Strategy Division for one year. She then headed State Business Operations at Multimedia Super Corridor and Kuala Lumpur from 2005 until 2008, and was appointed Vice President of Consumer Sales Division in 2009. Hamidah was appointed to her current position as Vice President of Customer Service Management Division on 15 July 2010.

Dr Mazlan Ismail

Vice President, National
Network Operation

Dr Mazlan, 50, holds a Bachelor of Science (Hons) in Electronics Communication from the University of Salford, United Kingdom, Masters in Operational Telecom from Coventry University, United Kingdom and Engineering Doctorate from Business & Advanced Technology Centre, Universiti Teknologi Malaysia. Both his Masters and Ph.D were completed on TM scholarships. Grown from TM's own Leadership Development programme, Dr Mazlan's career has been focused on building excellence in the technical operations team so as to deliver the best service and experience to TM's numerous customers. He joined TM in 1983, and held various engineering positions including planning, implementation and operation of the telecommunications network before engaging in more managerial responsibilities. In his 27 years with the Group, he has been General Manager, Human Capital Operation, General Manager, Regional Network Operation and was later appointed Vice President, National Network Operation effective 1 September 2010.

CHAPTER

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accountability



statement on corporate governance

“Corporate governance is the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking account the interests of other stakeholders”.

Finance Committee on Corporate Governance in Malaysia
in the Report on Corporate Governance (2002)

Corporate governance is a vital element in realising TM’s vision of becoming Malaysia’s leading new generation communications provider, embracing customer needs through innovation and execution excellence.

The Board of Directors of Telekom Malaysia Berhad (TM) believes corporate governance is an infinite journey, not a destination. TM and its Group of companies remain committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards and integrity, which ultimately contributes towards the successful achievement of corporate goals and enhances stakeholders’ value.

TM abides by the principles and best practices as set out in the revised Malaysian Code on Corporate Governance (CG Code), the Guidelines to Enhance Board Effectiveness as codified in the ‘Green Book’ initiated by the Putrajaya Committee on GLC High Performance (PCG), the Corporate Governance Guide: Towards Boardroom Excellence by Bursa Malaysia Securities Berhad (Bursa Securities), the Bursa

Securities Main Market Listing Requirements (Main LR), and also by international best practices on corporate governance.

The Board recognises that corporate governance is not only about commitment to values, ethical conduct and the implementation of best practices, but also understanding and managing stakeholders’ expectations. Governance is not just a matter for the Board but must be fostered throughout the organisation. TM’s commitment is evident in its internal processes, guidelines and systems, which are aligned with sound corporate governance practices aimed at increased efficiency, transparency and accountability.

TESTIMONY TO CORPORATE GOVERNANCE

TM’s commitment to realising stakeholders’ value is evidenced by its winning the following awards under the Malaysian Corporate Governance Index (MCGI) 2010 organised by the Minority Shareholders Watchdog Group

(MSWG) on 15 December 2010:

- Industry Excellence Award for Telecommunications
- Distinction (A+) Award under the Corporate Governance Hall of Fame Award
- Best Conduct of Annual General Meeting

The awards bear testimony to TM’s continuous efforts to ensure transparency, accountability and equality in our governance and stakeholder management.

TM has also maintained our tradition of excellence in annual report publication by winning the following National Annual Corporate Report Awards (NACRA) 2010 for our 2009 Annual Report:

- Gold Award for Most Outstanding Annual Report of the Year
- Platinum Award for Corporate Social Responsibility
- Gold Award for Best Designed Annual Report
- Silver Award for Best Annual Report in Bahasa Malaysia
- Industry Excellence Award for Main Market in the Trading and Services Category

NACRA is jointly organised by Bursa Malaysia Berhad, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). The 2010 awards ceremony, held on 27 January 2011, was themed *Towards Accountability and Excellence*.

Details of other local and international awards received by TM Group in 2010 are provided on pages 26 to 29 inclusive, of this annual report.

BOARD OF DIRECTORS MAINTAINING A STRONG, BALANCED AND EFFECTIVE BOARD

TM Group is led and controlled by an active and experienced Board consisting of local and foreign directors with a wide range of business, financial, technical, regulatory and public service backgrounds, and experience in the telecommunications industry abroad.

The Board consists of 11 members, comprising a Non-Executive Chairman, two Executive Directors designated as the Managing Director/ Group Chief Executive Officer (MD/Group CEO) and the Executive Director/Group Chief Financial Officer (ED/Group CFO), two Non-Independent Non-Executive Directors and their Alternates and six Independent Non-Executive Directors including one foreign Director. The current Board

composition complies with paragraph 15.02 of the Main LR as more than half of the members are Independent Directors. The Independent Directors also fulfil the criteria of independence as defined under paragraph 1.01 of the Main LR.

The Board is satisfied with its existing number and composition, which is appropriate for the complexity of the Group's business. The Board's mix of skills and experience adds value to governing the strategic direction and performance of TM as it forges ahead to become a leading new-generation communications provider. The Directors also bring depth and diversity in expertise and leadership perspectives of a highly competitive and regulated communications business.

The Directors' biographies, which appear on pages 60 to 67 inclusive of this annual report, demonstrate a wealth of experience and skills vital for the management of the Group's business and to navigate the Group through this challenging economic environment.

In addition to eight scheduled meetings during the year to deliberate and decide on core issues and quarterly financial results based on the predetermined agendas, three special meetings were held where immediate or strategic

decisions needed to be made. A Board retreat was also held in the fourth quarter to deliberate specifically on strategic aspects and performance targets of the Group. The attendance of individual Directors is stated within the Directors' biographies appearing on pages 60 to 67 inclusive, of this annual report. Besides the Board Meetings, urgent decisions were approved via two Directors' Circular Resolutions during the year.

DUTIES AND RESPONSIBILITIES OF THE BOARD

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group's customers, investors and all other stakeholders.

The Board assumes the following six core responsibilities:

- Review and adopt a strategic plan for the Group
- Oversee and evaluate the conduct of the Company's business
- Identify and manage principal risks
- Succession planning
- Develop and implement an investor relations programme
- Review the adequacy and integrity of the Company's internal controls

Apart from these core responsibilities, the Board also takes full independent responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. To facilitate the effective discharge of these responsibilities, dedicated Board Committees have been established with clear terms of reference, comprising Directors who have committed their time and effort as members. The Board Committees are chaired by Non-Executive Directors whose leadership comes with the benefit of in-depth knowledge of the relevant industry.

Authority Limit Matrices for TM and its Lines of Business as well as subsidiaries are in place to ensure that Board approvals are obtained for different categories of transactions and activities of the Group within various levels of authority such as Shareholding and Capital Structure, Investments and Mergers and Acquisitions, Corporate Finance, Procurement, Human Resources, Property, Plant and Equipment, Write-off and Sponsorship. These matrices were reviewed in 2010 to reflect the changes in the organisation structure and ensure consistency with existing process flows and guidelines.

ROLES OF THE CHAIRMAN, GROUP CEO, NON-EXECUTIVE DIRECTORS AND SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

The roles of the Non-Executive Chairman, Datuk Dr Halim Shafie, and Group CEO, Dato' Sri Zamzamairani Mohd Isa, are separated with clear division of responsibilities, in line with best practices and to ensure appropriate supervision of the Management. Such separation accords a balance of power and authority in the Board. Moreover, Datuk Dr Halim Shafie is not previously a CEO or a Management member of the Company.

The Board's principal focus is the overall strategic direction, development and control of the Group. As such, the Board approves the Group's strategic plans and annual budget and, throughout the year, reviews the performance of the Lines of Business and operating subsidiaries against their budgets and targets. The Group CEO is responsible for the implementation of broad policies approved by the Board and is obliged to report and discuss at Board Meetings all material matters currently or potentially affecting the Group and its performance, including strategic projects and regulatory developments.

The Chairman is responsible for the effectiveness of the relationship between the Non-Executive and Executive

Directors. With vast experience gained during his employment in the government sector, and membership on the Boards of several Government-Linked Companies, including a former Chairmanship of the Malaysian Communications and Multimedia Commission, he is well equipped to interact with global leaders of the industry, build relationships with stakeholders and actively participate in various institutions.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experience in a variety of public and private companies. They have the necessary calibre to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interest of TM's shareholders and other stakeholders. They bring with them a wealth of experience which assists the Board in its decisions and policy formulations.

The Independent Non-Executive Directors, by virtue of their roles and responsibilities, in effect represent minority shareholders' interests. They are independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent

judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner. This ensures that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders, employees, customers and the many communities in which the Group conducts its business. The independence of the Non-Executive Directors is constantly reviewed and benchmarked against best practices and regulatory provisions.

The Board had decided on 21 May 2009 on the appointment of Dato' Danapalan T.P. Vinggrasalam as TM's Senior Independent Non-Executive Director (SID), to whom concerns pertaining to the Group may be conveyed by shareholders and the public. Dato' Danapalan also represents and acts as spokesperson for the Independent Directors as a group.

The main responsibilities of Dato' Danapalan, as the SID, are to ensure that the views of each Non-Executive Director are given due consideration and to provide a communication channel between Non-Executive Directors and shareholders.

This communication channel is in addition to normal channels already in place. The SID is also expected to promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and met.

The SID is fully independent of Management, has sufficient standing and significant influence within the Board. The SID shall:

- be available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole.
- have the authority to call a meeting of the Non-Executive Directors if deemed necessary.
- lead a meeting of the Non-Executive Directors without the presence of the Chairman at least annually to appraise the Chairman's performance, taking into account the views of the Executive Directors and on such other occasions as are deemed appropriate.
- maintain sufficient contact with major shareholders to listen to their views in order to assist the Board to develop a balanced understanding of their issues and concerns.

- ensure that the Board is aware of any shareholder concern not resolved through the existing mechanism for investor communication.

All concerns relating to the Group can be channelled to the SID's email address, sid@tm.com.my, which is posted on the Company's website.

BOARD APPOINTMENT PROCESS

The Company has in place formal and transparent procedures for the appointment of new Directors. Appointment to the Board is made either by the Minister of Finance Inc., being the Special Shareholder pursuant to Article 109 of the Company's Articles of Association, or by the Board of Directors pursuant to Article 98(1) of the Company's Articles of Association.

All nominees to the Board are first considered by the Nomination and Remuneration Committee (NRC), taking into account the mix of skills, competencies, experience and other qualities required to manage a highly regulated communications business, before they are recommended to the Board.

While the Board is responsible for the appointment of new Directors, the NRC is delegated the role of

screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. The NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointments as Directors to the Board for approval.

BOARD EFFECTIVENESS EVALUATION

The Board Effectiveness Evaluation (BEE), first adopted in 2004 and reviewed in 2006, 2008, 2009 and 2010, comprises a Board Evaluation, Committee Evaluation and a Board of Directors' Self/Peer Assessment. The BEE is designed to maintain cohesion of the Board, and to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed.

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

The BEE involves the completion of questionnaires on the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees. The Committees' structure and processes; and accountability and responsibilities are evaluated in assessing the effectiveness of the respective Committees. Questionnaires are also completed by the Directors on Self and Peer Assessments. These questionnaires were reviewed in 2010 to ensure close scrutiny of the contribution, personality and quality aspects of individual Directors.

To ensure integrity and independence of the appraisal process, PricewaterhouseCoopers Advisory Services Sdn Bhd (PwCAS) was engaged to collate and tabulate the results of the evaluation. The BEE includes interviews with Directors by PwCAS for more in-depth analysis of results. PwCAS will discuss the detailed BEE results with the Chairman of the Board as well as Chairman of the NRC. Every Board member is provided with the results of the self-evaluation marked against peer evaluation to allow for comparison.

A summarised report will be presented to the Board with a trend analysis of previous years' evaluation results to

enable the Board to identify areas for improvement. Based on the last evaluation exercise, the Board has identified several gaps for improvement as follows:-

- Human Capital Improvement
- Longer Term Strategy and Execution for High Speed Broadband (HSBB)
- Quality of Service and Customer Satisfaction
- Investor Relations
- Risk Management

The Board has analysed the gaps and put in place appropriate measures to ensure overall effectiveness of the Board and TM Group. Amongst key matters deliberated by the Board are on Customer Centricity, which focused on a holistic view on customer experience and improvement efforts for customer satisfaction. The overview on Investor Relations Programme is also discussed by the Board. Whilst issues on human capital improvement and succession planning are deliberated at length at the NRC Meetings. The long-term strategy and execution for HSBB are deliberated by the Management and updated to the Board at every TM Board Meeting. Further, a Board Risk Committee has been established in an effort to improve the monitoring of the Group's risk profile and related corporate governance practices.

RE-ELECTION OF DIRECTORS

In accordance with the Main LR and Article 103 of the Company's Articles of Association, all Directors are subject to re-election by rotation once at least every three years and a re-election of Directors takes place at each Annual General Meeting (AGM). Executive Directors also rank for re-election by rotation. According to Article 98(2) of the Articles of Association and the Companies Act 1965, Directors appointed to fill casual vacancies shall hold office only until the following AGM and shall be eligible for re-election.

The re-appointment and re-election of Directors at the AGM is subject to prior assessment by the NRC and the recommendations thereafter are submitted to the Board and then for shareholders' approval. Particulars of Directors standing for re-election have been provided in the Statement Accompanying the Notice of TM's 26th AGM scheduled to be held on 10 May 2011.

The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board.

DIRECTORS' REMUNERATION

The policy and framework for the overall remuneration of the Executive and Non-Executive Directors are reviewed regularly against market practices by the NRC, following which recommendations are submitted to the Board for approval.

The respective performances of the Executive Directors (as well as that of the Management in pivotal positions and the Company Secretary) are also reviewed annually by the NRC, and recommendations submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year. These payments are competitive, in line with the Group's corporate objectives, culture and strategy.

As Executive Directors, the Group CEO and Group CFO are paid salaries, allowances, bonuses and other customary benefits as appropriate to Top Management. The Board has also approved a Long Term Incentive Plan (LTIP) in the form of Share Appreciation Rights for the Executive Directors. TM carries out salary benchmarking of equivalent jobs in the market of similar-sized companies to arrive at appropriate base pay levels. In doing so, the NRC and the Board ensure that the

Executive Directors' remuneration packages are sufficiently attractive to attract and retain persons of high calibre.

TM has also implemented guidelines as set out in the Blue Book for GLCs, on "Intensifying Performance Management Practices and Performance-linked Compensation" introduced by PCG. In accordance with these guidelines, a significant portion of TM's compensation package for the Group CEO, Group CFO and other executives has been made variable to be determined by performance, namely how well the individual has performed in the year based on the approved individual Key Performance Indicators (KPIs), which are aligned to TM Group's Balanced Scorecard. The Group CEO and his direct reports are rewarded according to a combination of how well they have achieved their KPIs and their 360-Degree ratings.

In its continuous effort to enhance greater transparency to the public, TM announced its Headline KPIs for 2011 to 2013 on 25 February 2011. These have been set and agreed by the Board and Management as part of the broader KPI framework that TM has in place, as prescribed under the GLC Transformation Programme.

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration. The remuneration of Non-Executive Directors is based on a standard fixed fee. In addition, allowances are also paid in accordance with the number of meetings attended during the year. Non-Executive Directors are not entitled to participate in the Employees' Share Option Scheme (ESOS) and variable performance-linked incentive schemes pursuant to the Blue Book to maintain an appropriate check and balance and avoid short-term actions. They are entitled to other allowances, such as leave passage and phone bill allowances.

As Executive Directors, the Group CEO and Group CFO are not paid Director's fees or meeting allowances for Board and Board Committee meetings that they attend. The Executive Directors acknowledged the need to excuse themselves from Board and Board Committee meetings during deliberations on their performance rewards and remuneration review.

Details of the remuneration of each Director of the Company, categorised into appropriate components for the financial year ended 31 December 2010, are as follows:

NAME OF DIRECTORS	SALARY (RM)	BONUS (RM)	FEE (RM)	ALLOWANCE (RM)	BENEFIT IN KIND (RM)	TOTAL AMOUNT (RM)
NON-INDEPENDENT AND EXECUTIVE DIRECTORS:						
Dato' Sri Zamzamairani Mohd Isa	¹ 1,241,276.00	² 460,400.00	—	³ 60,000.00	214,136.95	1,975,812.95
Datuk Bazlan Osman	¹ 749,881.00	² 381,352.00	—	³ 60,000.00	75,676.61	1,266,909.61
NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS:						
Datuk Dr Halim Shafie	—	—	299,000.00	31,500.00	39,600.00	370,100.00
Dato' Zalekha Hassan	—	—	120,000.00	19,000.00	70,305.09	209,305.09
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	—	—	⁴ 120,000.00	⁵ 38,350.00	75,441.42	233,791.42
ALTERNATE DIRECTORS (NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS):						
Eshah Meor Suleiman (Alternate Director to Dato' Zalekha Hassan)	—	—	—	1,000.00	3,735.73	4,735.73
Dr Farid Mohamed Sani (Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin)	—	—	—	⁶ 7,650.00	220.40	7,870.40
INDEPENDENT AND NON-EXECUTIVE DIRECTORS:						
YB Datuk Nur Jazlan Tan Sri Mohamed	—	—	120,000.00	16,950.00	78,088.90	215,038.90
Dato' Ir Abdul Rahim Abu Bakar	—	—	120,000.00	19,800.00	11,843.71	151,643.71
Dato' Danapalan T.P Vinggrasalam	—	—	180,000.00	42,000.00	70,646.14	292,646.14
Ibrahim Marsidi	—	—	120,000.00	35,700.00	66,370.75	222,070.75
Quah Poh Keat	—	—	120,000.00	33,100.00	4,021.78	157,121.78
Riccardo Ruggiero	—	—	120,000.00	9,000.00	63,131.72	192,131.72
TOTAL AMOUNT	1,991,157.00	841,752.00	1,319,000.00	374,050.00	773,219.20	5,299,178.20

NOTES:

- ¹ Inclusive of Company's contribution to provident fund.
- ² Bonus for financial year ended 2009, paid in 2010, LTIP and Variable Payment.
- ³ Car allowances in lieu of provision of company car.
- ⁴ Paid directly to Khazanah Nasional Berhad (RM50,000.00).
- ⁵ Paid directly to Khazanah Nasional Berhad (RM14,500.00).
- ⁶ Paid directly to Khazanah National Berhad.

BOARD COMMITTEES

To assist the Board in discharging its duties, the Board has established several Board Committees. The delegation of certain responsibilities of the Board to its Committees is made in accordance with Article 118 of the Company's Articles of Association. This is necessary as there is now greater reliance on the Board Committees in response to the complex challenges of the business.

All Board Committees have written terms of reference, operating procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure they are relevant and up-to-date.

The Board receives regular reports on the Board Committees' proceedings and deliberations. On matters reserved for the Board and where the Board Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board of Directors' deliberation and endorsement. The Chairmen of the various Board Committees report the outcomes of their meetings to the Board and relevant decisions are incorporated into the minutes of the Board of Directors' meetings.

The Board Committees in TM are as follows:

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

The Board on 29 December 2010 approved the establishment of a Board Audit Committee's Sub-Committee (BSC), to conduct an independent and comprehensive internal investigation into the alleged improper payments by Alcatel Lucent Malaysia Sdn Bhd to TM employees. Since the primary objective of the BSC was subsequently achieved, the BSC was dissolved with effect from 2 February 2011.

The details and activities of Board Committees during the year are outlined below.

AUDIT COMMITTEE (AC)

In addition to the duties and responsibilities set out under its terms of reference, the AC assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal control, risk management and governance processes of TM Group.

The AC also reviews the Internal Audit function in terms of its authority, competencies and scope as defined in the Internal Audit Charter, in addition to ensuring the independence of the internal auditors and their unrestricted access to information, property and people in the Group.

A full AC report detailing its membership, terms of reference, number and attendance of each member at the AC meetings held during the year, summary of principal activities as well as training in 2010 is set out on pages 103 to 109 inclusive, of this annual report. In addition, the Statement on Internal Audit is set out on pages 110 to 113 inclusive, of this annual report.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin – Chairman (Non-Independent Non-Executive Director)
- Dato' Danapalan T.P. Vinggrasalam (Member/Senior Independent Non-Executive Director)

- Dato' Ir Abdul Rahim Abu Bakar (Member/Independent Non-Executive Director)
- Ibrahim Marsidi (Member/Independent Non-Executive Director)

TM has a combined Nomination Committee and Remuneration Committee for the purpose of expediency, since the same members are entrusted with the functions of both the Nomination and Remuneration Committees. Members of the NRC are mindful of their dual roles, which are clearly reflected and demarcated in the agendas of each meeting.

Principal Duties and Responsibilities

The functions, principal duties and responsibilities of the NRC are as follows:-

Nomination	Remuneration
Function	
<ul style="list-style-type: none">• Ensure that the Directors bring characteristics to the Board which satisfy the required mix of responsibilities, skills and experience.• Assist the Board to review annually the appropriate balance and size of Non-Executive participation and to establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and the contribution of individual Directors and Board Committee members.• Select candidates with the appropriate expertise and experience as new Executive or Non-Executive Directors. The NRC may use the services of a professional recruitment firm and make its recommendations on the candidates to the Board for approval. The same procedure applies to potential candidates identified by the Special Shareholder.• Take account of the need for openness and transparency in developing Board appointment procedures and making its recommendations to the Board.	<ul style="list-style-type: none">• To set the policy framework and make recommendations to the Board on all elements of remuneration such as the terms of employment, reward structure and fringe benefits of Executive Directors and other selected Senior Management members (identified as pivotal positions) with the aim of attracting, retaining and motivating individuals of the highest quality.• Make recommendations to the Board on the remuneration and entitlements of Non-Executive Directors, including the Non-Executive Chairman, for the decision of the Board as a whole.

Principal Duties and Responsibilities

- Examine the size of the Board with a view to determine and recommend the number of Directors on the Board in relation to its effectiveness and ensure that every Director, including the Executive Directors, shall be subject to retirement at least once in every three years. A retiring Director shall be eligible for re-election. An election of Directors shall take place each year.
- Review annually and recommend the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors shall bring to the Board and disclose the same in the annual report.
- Set, review, recommend and advise on the remuneration policy framework such as reward structure, fringe benefits and other terms of employment of the Executive Directors guided by the overall Group policy guidelines and framework.
- Advise the Board on the performance of the Executive Directors and assess their entitlement to performance-related pay. The NRC shall also advise the Group CEO on the remuneration and terms and conditions of employment of identified pivotal positions.

Nomination

Remuneration

Principal Duties and Responsibilities

- Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors and to ensure a statement is made in the annual report containing a brief description of the type of training attended by Directors during the financial year.
- Review, consider and recommend the appointment, upgrading and promotion of the Executive Directors or Group CEO. Ensure that the appointment of the Executive Directors or Group CEO shall be for a fixed term not exceeding three years at any one time with power to recommend his reappointment, removal or dismissal thereafter.
- Recommend to the Board candidates for directorship in the Company and Group.
- Review the Board structure and balance between Executive and Non-Executive Directors.
- Review the adequacy of the structure, size and composition of all Board Committees and ensure periodic reviews of their terms of reference.
- Review and consider the recommendations of the Group CEO in the appointment, upgrading and promotion of pivotal positions, as well as the Company Secretary.
- Represent the public's interest and avoid any inappropriate use of public funds when considering severance payments for Top Management. The NRC shall also exercise care to prevent the award of any severance package that the public might deem to be excessive.
- Review the history of and proposals for the remuneration package of the Board Committees.
- Instruct the Trustee, appointed in accordance with the Trust Deed entered into between TM and the Trustee, with regard to the grant of options and other benefits under the ESOS to eligible employees and ensure the implementation and administration of the ESOS are in accordance with the terms and conditions of the ESOS as set out in the By-Laws, as amended, modified and supplemented from time to time.

Authority

- In carrying out its duties and responsibilities, the NRC has full, free and unrestricted access to TM's records, properties and personnel. The NRC shall report its recommendations back to the full Board for its consideration and approval.
- The NRC may use the services of professional recruitment firms to source for the right candidate for directorship or seek independent professional advice whenever necessary and may obtain the advice of external consultants on the appropriateness of remuneration packages and other employment conditions if required.

Main Activities in 2010

During the year, the NRC fulfilled a number of key activities, as listed below:

- As authorised by the Board, the NRC continued with its role as the Option Committee and facilitated the implementation of TM's Special ESOS until its expiry on 16 September 2010.
- Considered and made recommendations to the Board on the implementation of LTIP for a member of Management in a pivotal position.
- Considered and made recommendations to the Board on the review of the Remuneration Framework for Subsidiary Boards of TM.
- Considered and made recommendations to the Board on the review of the remuneration and benefits for the Board of Directors and Alternate Directors pertaining to Annual Overseas Business Development Trips and Board Leave Passage.
- Considered and made recommendations to the Board on the performance evaluation of the Executive Directors, Management in pivotal positions as well as the Company Secretary against pre-set KPIs.
- Considered and made recommendations to the Board on the Board Merit Award Framework.
- Considered and made recommendations to the Board on the proposed extension of service for the Executive Directors.
- Considered and made recommendations to the Board on improvements in TM's Corporate Governance practices.
- Considered and made recommendations to the Board on the establishment of the Board Risk Committee, its terms of reference and composition of members.

- Reviewed the Employee Productivity Enhancement programme and was updated of its progress at each of its meetings held during the year.
- Monitored closely the status of Directors' training at each of its meetings held during the year.

Meeting Attendance of the NRC

Details of the attendance of each member of the NRC at meetings held during 2010 are as follows:

NRC Member	Number of NRC Meetings	
	Attended / Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhyiddin	8/8	100.0
Dato' Danapalan T.P. Vinggrasalam	8/8	100.0
Dato' Ir Abdul Rahim Abu Bakar	7/8	87.5
Ibrahim Marsidi	8/8	100.0

TENDER COMMITTEE

Membership

- Dato' Zalekha Hassan – Chairperson (Non-Independent Non-Executive Director)
- Dato' Sri Zamzamzairani Mohd Isa (Member/Non-Independent Executive Director)
- YB Datuk Nur Jazlan Tan Sri Mohamed (Member/Independent Non-Executive Director)
- Dr Farid Mohamed Sani (Member/Non-Independent Non-Executive Alternate Director)
- Eshah Meor Suleiman (Alternate to Dato' Zalekha Hassan/ Non-Independent Non-Executive Alternate Director)
- Datuk Bazlan Osman (Alternate to Dato' Sri Zamzamzairani Mohd Isa/ Non-Independent Executive Director)

The Board has considered and agreed on the appointment of an Alternate Director as a member of the Tender Committee in view of his qualification, experience and individual attributes.

Principal Duties and Responsibilities

- To provide a platform for the Board via its Committee to discuss procurement proposals and interact with the Management for further information and clarification before deliberating and approving the proposed purchases.
- To ensure that the procurement process complies with all applicable procurement ethics, policies and procedures.
- To consider and approve or recommend awards which are beneficial to the Company, taking into consideration relevant factors such as pricing, utilisation of products/goods and/or services, quantity and duration of service.

Meeting Attendance of the Tender Committee

Details of the attendance of members of the Tender Committee at meetings held during 2010 are as follows:

Tender Committee Member	Number of Tender Committee Meetings	
	Attended / Held	%
Dato' Zalekha Hassan	10/10	100.0
Dato' Sri Zamzamzairani Mohd Isa	10/10	100.0
YB Datuk Nur Jazlan Tan Sri Mohamed	8/10	80.0
Dr Farid Mohamed Sani	10/10	100.0

The Chief Procurement Officer and the Chief Technology and Innovation Officer attended the Tender Committee meetings as permanent invitees. The Management Evaluation Committee members were also invited to brief the Tender Committee on specific issues as and when required.

Minutes of meetings of the Tender Committee were circulated to all members and significant matters reserved for Board approval were tabled at Board meetings.

RISK COMMITTEE

TM has an integrated approach in managing risks inherent in various aspects of its business. Realising this, the Risk Committee was established by the Board on 22 March 2010 to support improvements in the management and monitoring of the Group's risk profile and related corporate governance practices.

A detailed Risk Committee report detailing its membership, terms of reference, attendance of each member at the Risk Committee meetings held during 2010 together with the Risk Management Report of the Group, is set out on pages 114 to 118 inclusive, of this annual report.

INVESTMENT COMMITTEE

The Investment Committee was established by the Board on 21 October 2010 to assist the Management in evaluating investment and/or divestment related proposals for recommendation to the Board.

Membership

- Dato' Ir Abdul Rahim Abu Bakar – Chairman (Independent Non-Executive Director)
- Tunku Dato' Mahmood Fawzy Tunku Muhyiddin (Member/Non-Independent Non-Executive Director)
- Mr Quah Poh Keat (Member/Independent Non-Executive Director)
- Datuk Bazlan Osman (Member/Non-Independent Executive Director)

Principal Duties and Responsibilities

- To guide the Management in considering and deliberating proposals relating to investments, acquisitions and/or divestments.
- To ensure that investment related proposals comply with the approved investment policy and guidelines of TM Group.

Meeting Attendance of Investment Committee

The Investment Committee convened its first meeting on 24 November 2010, which was attended by all members.

DISPUTE RESOLUTION COMMITTEE (DRC)

Membership

- Datuk Dr Halim Shafie – Chairman (Non-Independent Non-Executive Director)
- Datuk Bazlan Osman (Member/Non-Independent Executive Director)
- Dato' Danapalan T.P. Vinggrasalam (Member/Senior Independent Non-Executive Director)
- Datuk Azzat Kamaluddin (Permanent Invitee)
- Idrus Ismail (Ex-officio Member)

Principal Duty and Responsibility

To deliberate on all major and material litigation cases and make recommendations thereof to the Board.

Summary of Activities in 2010

The DRC reviewed and deliberated on reports and updates formulated by Group Legal, Compliance and Company Secretarial Division on the following matters:

- TM's litigation risk exposure
- Updates on material litigation

Meeting Attendance of DRC

The DRC meets whenever required or when there are material developments on major litigation matters. During the year, the DRC held one meeting which was duly attended by all members.

MANAGEMENT COMMITTEES

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

MANAGEMENT COMMITTEE (MC)

The salient terms of reference of the MC are as follows:

- Formulate Group-level strategies and policies.
- Review, guide and facilitate policy-related matters not limited to investments, divestments, enterprise business management, regulatory and financial policies.
- Endorse company-wide policies inclusive of subsidiaries to ensure a 'One Company Mindset' approach to business.
- Provide strategic direction and recommend a policy framework for TM Group human capital management matters to the Board.
- Review and approve the talent management and succession planning policy frameworks.

- Discuss, review and recommend to the Board changes/revisions to Group-wide compensation and benefits such as bonuses, increments, performance management policies/framework and voluntary separation schemes.
- Formulate Group-level key business strategies and major action plans for implementation.
- Prepare and recommend the Group Business Plan to the Board.
- Discuss matters that have been delegated by the Board and Board Committees for further review and recommendation.

GROUP LEADERSHIP TEAM (GLT)

The salient terms of reference of the GLT are as follows:

- Review the overall monthly business performance of TM Group.
- Discuss, deliberate and challenge the performance improvement reports of TM Group and Lines of Business.
- Discuss and review key business priorities and operational issues of TM Group such as customer service, revenue, cost, capital, network, competitors landscape and human capital.

SUB-MANAGEMENT COMMITTEES

Apart from the two main management committees, various sub-committees have been established, reporting to the Group CEO, Group CFO or relevant key Senior Management members. The sub-committees include:

- Management Tender Committees
- Enterprise Resource Steering Committee
- Technology Committee
- Audit and Business Assurance Committee
- Finance Committee
- Product Committee
- HSBB Steering Committee

BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

This programme was implemented in March 2006, facilitated by McKinsey & Company, with a view to improving the Board's functions and structure and ensuring the Board's priorities are aligned with the Group CEO's mandate. Various initiatives were introduced as deliverables under the BPIP to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually.

BOARD TRAINING AND KNOWLEDGE ACQUISITION

All the Directors have successfully completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities. Induction briefings, which include information on the corporate profile and activities of the Group, as well as business targets and group performance, are organised for newly appointed Directors.

Despite the repeal of Practice Note No. 15 on the Continuing Education Programme (CEP) prescribed by Bursa Securities, the Board of Directors has continued to evaluate the training needs of its Directors via the Board Training Programme which aids the Directors in discharging their duties.

BOARD TRAINING PROGRAMME (BTP)

The Board of Directors adopted a set of BTP Guidelines, effective from 1 January 2005, to address the training needs of Directors in the absence of the Bursa Securities' CEP requirements.

The BTP Guidelines allow for speaking roles at conferences to be included as training hours. Directors have attended various seminars and international conventions to gain insight into the state of the economy as well as the latest regulatory and technological developments in relation to the Group's business. Directors have also participated as speakers at local and international

conventions on topics relevant to their roles. Talks and presentations by external speakers during the Board Retreats/Meetings are also included as training hours.

As a result of close monitoring of the BTP by the NRC, the Directors' training structure 2010 was aligned to their training needs with focus on Industry, Strategy/Risk and Finance/Audit. A comparison of the Directors' training structures in 2010 and 2009 is depicted in the charts below.

Efforts are being made to ensure that the training structure for the Board is continuously modified to be relevant to changing business needs.

QUARTERLY INDUSTRY INFORMATION PACKS

Quarterly industry information packs (Info-packs) on the following matters are compiled and issued at every quarter to keep the Board and Senior Management updated on industry knowledge and developments:

- Overview of the telecommunications market
- Competitors' reports
- Regulatory updates
- Analyst views and estimates on quarterly results
- Global and domestic broadband outlook

Since inception up to December 2010, a total of 19 Board Info-packs had been issued.

Chart 1 – Total Training Hours from January – December 2009

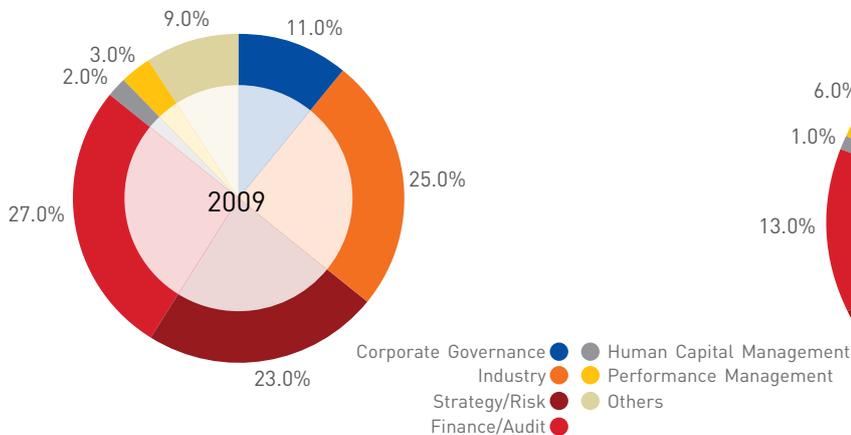


Table 1
Note: Others (9.0%) – includes Investor Relations & Investments.

Chart 2 – Total Training Hours from January – December 2010

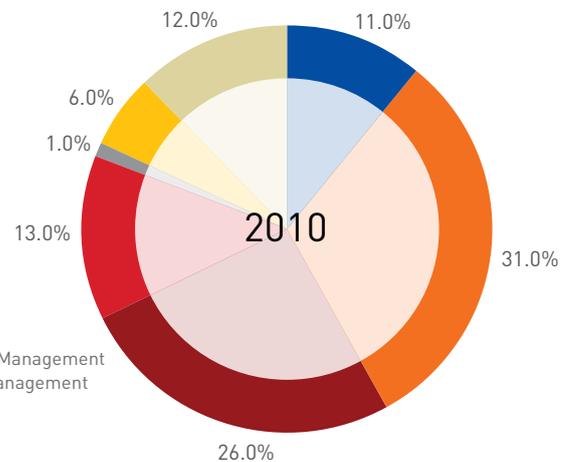


Table 2
Note: Others (12.0%) – includes Investor Relations, Ethics, Procurement, Environment & Corporate Social Responsibility.

ENSURING EFFECTIVE BOARD OPERATIONS AND INTERACTION

The effectiveness of the Board is, to a large extent, determined by the quality of its procedures, processes and operations. Board processes were strengthened and enhanced during the year as evidenced below.

BOARD MEETINGS SCHEDULE AND PREDETERMINED AGENDAS

The Board and Board Committee meetings calendar and draft agendas for the ensuing financial year are established before the end of the current financial year and synchronised with

Management's business planning cycle and quarterly financial results, to allow the Directors to plan ahead and allocate time in their respective schedules for the next year's Board meetings.

The approved Board meeting agendas are then communicated to the Management in advance and the Group Strategy Division acts as a facilitator to ensure papers and presentations are in line with Board expectations.

The Board meeting agenda is structured to address priority strategic issues aligned with the Company's vision and

mission, consistent with the Board's key roles and the mandate that the Board provides to the Group CEO. The said mandate specifies what the Group CEO needs to accomplish within clear parameters. A structured agenda aims to facilitate productive and meaningful deliberations by the Board. The distribution of actual time spent by the Board of Directors on various broad agenda topics at Board Meetings in 2010 compared to 2009 is as depicted in the charts below.

The Board continued to focus on strategic matters in 2010 as reflected in the time spent

on strategic matters (39.0%) and performance management (26.35%). This is in line with findings from an Institute of Management Development (IMD) survey.

The Board is also committed to improving on the areas identified in the BEE findings.

AVAILABILITY OF INFORMATION TO THE BOARD

Qualified Directors who make informed and independent judgments are indicative of good corporate governance. Hence, it is essential that the Board is provided with relevant and timely information to make informed decisions.

Chart 3 – Distribution of Time Spent on Board Agendas in 2009

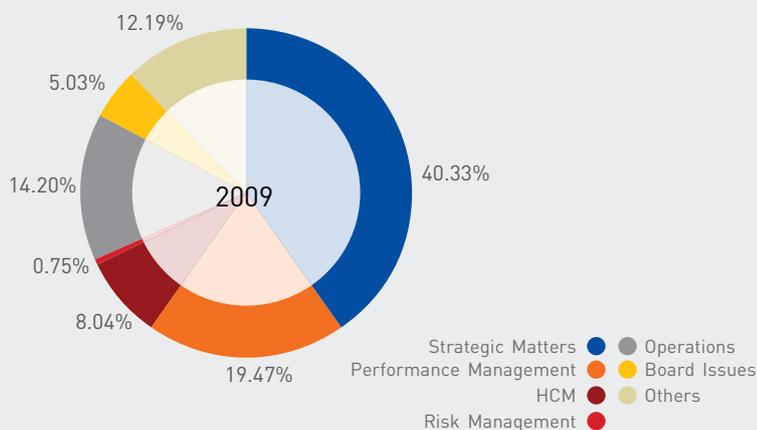
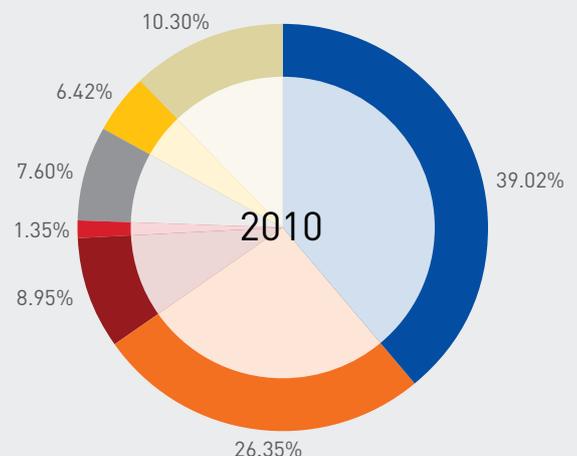


Chart 4 – Distribution of Time Spent on Board Agendas in 2010





On average, the Board and its Committees are given an agenda accompanied by relevant up-to-date information five days prior to each meeting. This is to accord sufficient time for the Directors to review and seek any clarification or further details that they may need from the Management or the Company Secretary in order to make informed decisions. Procedures are also in place for Directors and Board Committees to seek independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

An enhanced and secured electronic system using the latest web technology, known as the Meeting and Document Management System, acts as an efficient archival and retrieval system for all papers and minutes of meetings of the Board, Board Committee and Management Committee meetings.

The information regularly supplied to the Board includes:

- Annual business plans and budgets
- Monthly performance reports on financial and operating results
- Quarterly financial results
- Reports from Management Committee Meetings
- Reports from Board Committee Meetings
- Material litigations

- Statutory and regulatory matters and their impact on the Company's business
- Proposed corporate exercises, acquisitions, divestments or collaboration agreements
- Transactions which are material or strategic in nature
- Human resources policies and significant issues
- General notices of interest

All Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties and responsibilities effectively.

PROMPT COMMUNICATION OF BOARD DECISIONS

All Board decisions are clearly recorded in the minutes, including the rationale for each decision, along with clear actions to be taken and the individuals responsible for their implementation. Relevant Board decisions are communicated to the Management within one working day of the Board meeting and the minutes of Board Meetings are completed for comments by the Chairman and Executive Directors within five working days of the meeting dates. Relevant extracts of the minutes are distributed to the Management for action within three to five working days, depending on the urgency of the items.

BOARD AND MANAGEMENT INTERACTION

The Board has direct access to the Senior Management and has full and immediate access to information relating to the Group's business and affairs in the discharge of their duties. Towards building and maintaining trust in order to deliver significant and positive performance and shareholder value, both the Board and Management acknowledge the importance of positive interaction, dynamics and open communication between them.

Senior Management members are invited to attend Board meetings to report to the Board on matters relating to their areas of responsibility, and also to brief and provide details to the Directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly in respect of complex and technical issues tabled to the Board.

The information received by the Board determines to a considerable extent its decisions. The Board has, therefore, adopted a rating process for papers and presentations by Management at each Board meeting with constructive feedback on the quality of information and analysis received. This process has led to a higher quality and standard of papers and more

effective decisions by the Board. During the year, the overall average of Board ratings on the quality of Management papers and presentations was maintained at above 4.00 points out of 5.00 points.

Similarly, Management is given the opportunity to rate the Board annually, in terms of whether Board deliberations have been focused, constructive and supportive, and whether clear decisions have been arrived at based on relevant facts. In the year under review, the Management's average rating of the Board was maintained at above 4.00 points out of 5.00 points.

INDEPENDENT DIRECTORS' DISCUSSION

Following the adoption of formal terms of reference for the SID, confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole are led by the SID as and when required or deemed necessary by the SID.

In this manner, the Board is able to pursue a greater degree of independence, and Non-Executive Directors can meet and actively exchange views in the absence of Management. With this practice, the Board is able to fulfil one of its principal responsibilities, namely to effectively and independently assess the direction of the Company and the performance of the Management. This practice is in line with Chapter 4 of the CG Code regarding the relationship of the Board with Management.

BOARD CONDUCT

CODE OF BUSINESS ETHICS

TM's Code of Business Ethics (CBE), launched in 2004 and revised in 2010, supports the Company's vision and core values by instilling, internalising and upholding the value of 'uncompromising integrity' in the behaviour and conduct of the Board of Directors, Management, employees and all stakeholders of the Company. The Executive Directors, Management and all employees are required to declare their assets and interests according to the CBE. Updated declarations are required to be submitted each year.

TM's CBE covers the following areas:

- Responsibilities of the Directors, Management and employees
- Group dealings with shareholders, customers, employees, suppliers, business partners and stakeholder communities at large
- Group dealings with respective governments
- Group dealings with competitors
- Group dealings in respect of Company assets
- Trading on insider information
- Conflict of interest

On 15 October 2010, an e-learning version of the CBE was launched for TM employees, allowing them easy and convenient access to materials pertaining to the CBE anytime and anywhere. It is an awareness programme and serves as an interactive platform to promote ethical behaviour, and inculcate sound values as provided in the CBE. TM was the first to introduce the e-learning version among GLCs. This is further evidence of TM's continuous commitment to entrench the principle of integrity in business operations amongst its employees.

Full details on the CBE are set out on pages 122 to 124 inclusive, of this annual report.

WHISTLEBLOWER POLICY

The Board recognises the importance of whistleblowing in light of the requirements stipulated in the Capital Markets and Services Act 2007 (CMSA 2007), the CG Guide and the Companies Act 1965. The Board has also taken cognizance of the Whistleblower Protection Act 2010 gazetted on 10 June 2010 which became effective on 15 December 2010 and is committed to maintaining the highest possible standards of ethical and legal conduct within the Group.

A mechanism has been established under TM's CBE for TM Group employees to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group. An internal whistleblowing programme has been introduced for employees to channel concerns about illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities. An independent committee has been appointed by the Board, specialising in providing employees of TM with a safe and confidential channel to report illegal, unethical or improper business conduct.

If an employee has concerns about illegal or unethical conduct in the workplace, and feels uncomfortable discussing this through normal channels, he or she can use TM's Ethics Line telephone or fax number or the Ethics Website, through which his or her identity will be known only to specific persons.

The Board and the Management give their assurance that employees will not be at risk to any form of victimisation, retribution or retaliation from their superiors or any member of the Management provided they act in good faith in their reporting.

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS (RPT)

The Directors are responsible at all times for determining whether they have a potential or actual conflict of interest in relation to any matter which comes before the Board. The Company and the Group require all Directors to make written declarations on whether they have any interest in transactions tabled at regular Board meetings. A paper is tabled at each Board meeting to remind Directors of their statutory duties and responsibilities and to provide updates on any changes thereon.

The Directors recognise that they must declare any interest they have in transactions with the Company and Group and abstain from deliberation and voting on the relevant resolutions at the Board or any general meetings convened to consider the matter.

In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in TM on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

The CG Guide also provides guidelines for directors of PLCs on how to address conflict of interest and RPTs under Section 6, titled *Conflict of Interest and RPT*.

TRADING ON INSIDER INFORMATION

TM's Directors and employees are not allowed to trade in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced. TM's CBE expressly states that insider trading is an offence under the CMSA 2007.

Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers on a quarterly basis specifying the timeframe during which Directors and the principal officers are prohibited from dealing in the Company's shares. Directors are also prompted not to deal in the Company's shares at any point when price sensitive information is shared with them, occasionally in the form of Board papers.

DIRECTORS' INDEMNITY

The Company has in place a liabilities insurance policy for Directors and officers in respect of liabilities arising from holding office in the Company. The insurance does not, however, provide coverage in the event that a Director or a member of Management is proven to have acted negligently, fraudulently or dishonestly. The Directors contribute annually towards the premium payment for this policy.

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

SHAREHOLDERS/INVESTORS

With a firm belief that value creation for shareholders stems from good corporate

governance, TM is committed to communicating its strategy and activities regularly and clearly to its shareholders.

The Company communicates regularly and proactively with investors and shareholders, maintaining an active dialogue with investors through a planned programme of investor relations activities and engagement. Care is taken to ensure reporting to shareholders is balanced and sufficiently comprehensive and objective to allow performance to be measured.

The Board strengthens its lines of communication with major shareholders through the SID, who takes heed of their concerns on matters related to corporate governance and Group performance.

In complying with paragraph 9.21(3) of the Main LR to improve investor relations between the Company and its stakeholders, TM ensures that its website contains the e-mail address(es), name(s) of designated person(s) and their contact numbers to enable the public to forward queries to the Company. TM also posts announcements made to Bursa Securities on its website immediately after such announcements are released on Bursa Securities' website.

Details of TM's Investor Relations initiatives and activities during the year are set out on pages 40 to 43 inclusive, of this annual report.

ANNUAL REPORT AND ANNUAL GENERAL MEETINGS (AGM)

In addition to quarterly financial reports, the Company communicates with shareholders and investors through its annual report, which comprehensively lays out and contains sufficient depth and breadth of information on the Group's financial results and its activities and operations. In an effort to save costs and encourage shareholders to benefit from ICT, TM continues to dispatch annual reports to shareholders in electronic format (CD-ROM) together with a summarised version of the financial statements in a readable booklet incorporating the notice of AGM and related proxy form. Shareholders are given the option to request for hard copies of the annual report in either English or Bahasa Malaysia.

Another key avenue of communication and dialogue with shareholders is TM's general meetings of shareholders, particularly its AGMs. At the AGM, the Group CEO presents a comprehensive review of the Group's financial performance and value created for shareholders as well as current developments of the Group. This review is supported by a visual and graphical presentation of the key points and financial figures. The AGM provides an open forum for the shareholders and investors to actively participate by allowing ample time for questions to be posed to Board members and Committee chairpersons.

As part of the initiative to maintain its extensive engagement with its shareholders and investors, feedback on questions raised by the MSWG prior to the AGM is also shared with all shareholders during the AGM as a point of discussion. This assures shareholders that pertinent issues and queries pertaining to the Company's business have been adequately addressed.

The Company supports the CG Code's principles to encourage shareholder participation. The Company's Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provides that a proxy

need not be a member of the Company. A press conference is held immediately after the AGM at which the Chairman, Group CEO, Group CFO and relevant Senior Management members are present to clarify and explain issues raised by the media.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to shareholders as well as the Chairman's Statement and review of operations in the annual report.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year.

The Statement of Responsibility by Directors is as outlined on page 202 of this annual report.

INTERNAL CONTROLS

The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate control environment and control framework as well as for reviewing its effectiveness, adequacy and integrity. The Board acknowledges that this system is designed to manage, rather than eliminate the risk of non-achievement of the Group's objectives. It provides adequate assurance against the occurrence of any material misstatement or loss.

The Board's evaluation of the adequacy of the Group's system of internal controls is based on criteria developed

under the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework, which is widely accepted for internal control assessments.

The Directors' Statement on Internal Control, which provides an overview of the state of internal controls within the Group, is enumerated on pages 97 to 102 inclusive, of this annual report.

RELATIONSHIP WITH AUDITORS

An appropriate relationship is maintained with the Company's auditors through the AC. The AC has been explicitly accorded the power to communicate directly with both the external and internal auditors.

The external auditors have continued to report their opinion to shareholders of the Company, and this is included as part of the Group's financial reports with respect to their audit in each year's statutory financial statements. In so doing, the Group has established a transparent arrangement with the auditors to meet their professional requirements. The auditors are also under the obligation to highlight to AC and the Board any matter that requires their attention.

The internal audit function is performed in house by the Group Internal Audit Division which reports significant findings to the AC with recommended corrective actions. Management is responsible to ensure that corrective actions on reported weaknesses are undertaken within an appropriate timeframe. The Statement on Internal Audit is set out on pages 110 to 113 inclusive, of this annual report.

The role of the AC in relation to the auditors is set out in the AC Report on pages 105 to 106 inclusive, of this annual report.

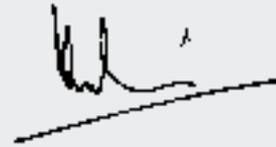
COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

The Board is pleased to report that the Company has fully complied with the principles and best practices of the revised CG Code. Best practices adopted by TM Group over and above the recommendations prescribed in the CG Code are those recommended by PCG and international best practices which the Board has deemed to be suitable for the Group.

This Statement, together with the Statement on Internal Control and Board Risk Committee Report, sets out the manner in which the Company has applied the principles and best practices as prescribed in the CG Code.

TM will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 25 February 2011.



Datuk Dr Halim Shafie
Chairman



directors' statement on internal control

RESPONSIBILITY AND ACCOUNTABILITY

The Board of Directors (Board) and Management are responsible and accountable for maintaining a sound system of internal controls encompassing governance, risk management, financial, strategic, organisational, project management, operational, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets. The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate risk and control framework as well as the review of its effectiveness, adequacy and integrity.

The Board is assisted by the Management to implement approved policies and procedures on risk and control. Management identifies and evaluates the risks faced by the Group and designs, implements and monitors an appropriate system of internal controls in line with policies approved by the Board.

PURPOSE OF INTERNAL CONTROL FRAMEWORK

The Board acknowledges that the system of internal controls is designed to manage, rather than eliminate risks that will

hinder the Group from achieving its goals and objectives. It therefore provides reasonable, and not absolute, assurance against the occurrence of any material misstatement or loss.

The system of internal controls is based on an ongoing process designed to identify the principal risks hindering the achievement of the organisation's goals and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process is regularly reviewed by the Board, taking into account changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal controls.

A satisfactory system of internal controls was in place within the Group for the year ended 31 December 2010, and up to the date of the Annual Report and accounts. This Statement on Internal Control (the Statement) has been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

RISK AND CONTROL FRAMEWORK

TM Group has in place Enterprise Risk Management processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation take place as an integral part of TM's annual strategic planning cycle. There is a detailed risk management process, culminating in a Board review, which identifies the key risks facing the Group and each business unit. This information is reviewed by Senior Management as part of the strategic review.

Key features of the enterprise-wide risk management comprise the following procedures:

- Clearly documented financial management procedures and guidelines;
- Senior Management collectively reviews the Group's key risks and has created a Group risk register describing the risks, owners and mitigation strategies. This is reviewed by the Management Committee and subsequently by the Board Risk Committee before being reviewed and approved by the Board;
- The Group's internal auditors carry out continuing assessments on the quality of risk management and control, and report to Management

and the Board Audit Committee on the status of specific areas identified for improvements; and

- The Board Risk Committee, on behalf of the Board, considers the effectiveness of the risk management process in the Group during the financial year.

REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The Board's evaluation of the effectiveness of internal controls in the Group is based on criteria developed under the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework – a generally accepted framework for internal control widely recognised as the standard against which the Group measures the effectiveness of its system of internal controls. The internal control system is intertwined with the Group's operating activities and exists for fundamental business reasons.

The Board's review of internal control effectiveness is based on information from:

- Key management within the organisation responsible for the development and maintenance of the internal control framework;

- The work of the internal auditors, who submit regular reports to the Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of internal controls together with recommendations for improvements;
- Self assessments of key entity and functional controls by Management to complement the above input in providing a holistic view of the Group Risk and Control Framework effectiveness.

The Audit and Business Assurance Committee will address and monitor any internal control weakness and ensure continuous process improvement.

Under the COSO Internal Control Integrated Framework, internal control assessment is segregated into five interrelated components, as follows:

A. CONTROL ENVIRONMENT

Control environment is the organisational structure and culture created by Management and employees to sustain organisational support for effective internal control. It is the foundation for all the other components of internal control, providing discipline and structure.

Management's commitment to establishing and maintaining effective internal control is cascaded down and permeates the Group control environment, aiding in the successful implementation of internal controls. Key activities include:

Strategic Themes and Objectives

- Management has established four strategic thrusts to support the achievement of the Group's key business objectives. They are:
 - Customer centricity and quality improvements
 - One company mindset with execution orientation
 - Operational excellence and capital productivity
 - Leadership through innovation and commercial excellence
- A Steering Committee provides clear direction and guidance for the implementation of the Group's High Speed Broadband (HSBB) project. The HSBB Steering Committee meets at least once a month, chaired by the Group CEO. The committee ensures the overall delivery of the HSBB project meets the desired customer satisfaction level.

Organisation Structure

- TM Group has a formal organisation structure with clearly defined lines of responsibility and accountability, aligned with business and operations requirements.
- The roles of Central Functions (Corporate Centres) have been strengthened to provide guidance related to specific core function strategies and governance related matters to the Lines of Business.

Assignment of Authority and Responsibility

- The Group has established a Limit of Authority (LOA) matrix that clearly outlines Management limits and approval authority across various key processes such as Capital Structure, Mergers and Acquisition, Procurement, Corporate Finance, Account Receivable and Property Plant and Equipment. The LOA is duly approved by the Board and subject to regular review and enhancement to ensure it reflects changes in accountability and the risk appetite of the Group.
- Clear accountability and responsibility for key business processes have been established through the Group's Business Process Manual and

Subsidiaries Policy, both approved by the Board.

Core Values

- Internalisation of TM Group's Core Values of 'Total Commitment to Customers', 'Uncompromising Integrity' and 'Respect and Care' serves as a foundation of the Group's culture.

Code of Business Ethics

- All employees are required to sign and adhere to the Group's Code of Business Ethics, which outlines the minimum standard of behaviour and ethical conduct expected of employees in business matters. TM Group Chief Executive Officer (GCEO) recently launched an e-Learning version of the CBE which outlines acceptable and unacceptable behaviour and conduct of employees in dealing with customers, suppliers, business partners, competitors, shareholders, the community and the Government.
- All TM employees declare their assets and any conflict of interest annually to provide an update on the value of individually or jointly owned assets.

Procurement Ethics

- It outlines the principles and specific requirements related to the procurement process. It supports the Procurement Red Book and complements the TM Code of Business Ethics, which provides guidelines on dealing with employees, customers, business partners, competitors and other parties.

Competency-Based Development Framework

- TM Group has established a comprehensive framework that provides a structured competency baseline requirement to assess existing human capital development needs across various management levels. This is to ensure the Group's key assets, namely its people, and their skills and abilities are competitive and remain so in the future.

Board and Audit Committee

- The various Board Committees, namely the Audit Committee, Board Risk Committee, Nomination and Remuneration Committee, Tender Committee, Employee Share Option Scheme (ESOS) Committee and other ad-hoc committees, are all governed by clearly

defined terms of reference.

- The Audit Committee comprises only non-executive directors and a majority of independent directors with wide ranging in-depth experience, knowledge and expertise. Its members continue to meet and have full and unimpeded access to both the internal and external auditors during the financial year. There is also a senior independent non-executive director, who is a member of the Audit Committee.

Human Resources Policies and Procedures

- The Group has made great efforts to realign its existing Human Resources policies and procedures according to initiatives developed by the Government under the GLC Transformation Programme.
- The TM Leadership model was established to support the Group's strategic initiatives and is embedded within the key human resources functions of human capital development, talent management and external recruitment.
- The Group has established a new promotion policy and framework aligned towards building

leadership capabilities.

This is in line with the Group's aspiration to ensure that appropriate persons of calibre are selected to fill available positions.

- Formal training programmes, either classroom type or through e-learning, semi and annual performance appraisals and other relevant procedures are in place to ensure staff are competent and adequately trained to discharge their duties and responsibilities effectively.

B. RISK ASSESSMENT

Risk assessment is the identification and analysis of risks which may impede the achievement of the Group's objectives, forming a basis for determining how risk is managed in terms of likelihood and impact. Key activities involved within this area are:

Enterprise Risk Management (ERM)

- Risk management is firmly embedded in the Group's system of internal controls, and is regarded by the Board to be integral to operations. Managing risk is a shared responsibility, therefore is integrated into the Group's governance, business

processes and operations. It is an interactive process consisting of steps which, undertaken in sequence, enable continual improvement in decision-making.

Employees' commitment towards ERM is continuously emphasised and reinforced.

- The COSO ERM model has been adopted to streamline the existing risk management framework with the COSO Integrated Framework used by internal audit to assess internal control effectiveness.
- Group Internal Audit complements the role of the Risk Management Unit by independently reviewing risk profiles, risk management strategies and the adequacy and effectiveness of the controls identified and implemented in response to the risks identified at every audit engagement.

Control Self-Assessments (CSA)

- Control Self-Assessments (CSA) allow employees in the Group to identify the risks within their business environment and evaluate the adequacy and effectiveness of the controls in place. Results from the CSAs feature as key information in identifying high-risk areas within the Group.

C. CONTROL ACTIVITIES

Control activities are policies and procedures that help to ensure Management's directives are carried out. Relevant activities within TM Group include:

Business Performance Management (BPM) Policy and Guidelines

- BPM provides a comprehensive reference to TM's Balanced Score Card (BSC), stating the guiding principles and policies for TM Group on developing and deploying BSC processes.
- It supports TM's Corporate Governance, providing an internal control framework to manage strategy implementation for better business performance.

Annual Business Plans

- Annual business plans are prepared by TM's business units and all major operating subsidiaries. The annual business plans are presented and approved by the Board. Actual performances are reviewed against the targeted results on a monthly basis, allowing for timely response and corrective action to be taken to mitigate risks. The Board reviews regular reports from Management on the key

operating statistics, as well as legal and regulatory matters, if any.

Towards Operational Perfection (TOP)

- Information Technology and Network Technology (IT&NT) has launched a three-year initiative to improve customer experience and operational performance in a holistic, end-to-end manner, covering Sales Channels, Customer Service as well as Network Operations. Aptly named Project TOP (Towards Operational Perfection), the project urges TM to re-think the way the organisation works, and subsequently re-engineer the processes to be more efficient, focusing on end-to-end performance targets in service delivery and quality, and enhancing employee productivity.

Corporate Responsibility (CR)

- The Group has adopted the Bursa Malaysia CR framework as a guiding principle to provide clarity, focus and consistency of CR practices that deliver sustainable value to society at large. The Group's inaugural Sustainability Report was accorded Global Reporting Initiative (GRI)

Application Level A+, the highest application level in the GRI framework.

TM Corporate Security Policy

- TM Corporate Security Policy has been established to provide a framework of Security Management best practices for all personnel to minimise security risk and ensure all security related incidents are effectively managed.

Credit Management Policy

- The Group has established a new comprehensive credit management policy to provide the minimum requirements for effective Credit Management functions, and standardised its implementation throughout the organisation. These include upfront identification of high-risk customers and mitigating actions to safeguard the Group from any undue loss.

IT Governance Manual

- TM Group has in place an IT Governance (ITG) policy consisting of six core sections, namely ITG General Information, IT Principle, IT Architecture, IT Infrastructure, Business Application Needs and IT Investments and Prioritisation.

Subsidiaries Policy

- Subsidiaries Policy (SP) is positioned to ensure that the Group's interests are protected and prioritised at all times while providing adequate flexibility for subsidiaries to deliver their respective business objectives.

Insurance and Physical Safeguards

- Adequate insurance and physical safeguards on major assets are in place to ensure that Group assets are sufficiently covered against any mishap that could result in material loss.

D. INFORMATION AND COMMUNICATIONS

Information and Communications ensures that pertinent information is identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Relevant key activities within the Group include:

Communications Policy

- TM Group is committed to open and effective communications as an essential component of its culture in order to motivate the workforce to deliver high quality services and exceptional value to customers and other stakeholders as well as to anticipate their feedback.

- Its purpose is to encourage communicativeness and ensure that communication across the Group is well coordinated, effectively managed and meets the diverse needs of the organisation.

Internal Control Incident (ICI) Reporting

- Internal Control Incident (ICI) reporting on a periodic basis captures and disseminates lessons learnt from internal control incidents with the objective of preventing similar incidents from occurring in other divisions and operating companies within the Group.

Best Practice Committee

- The Best Practice Committee is a management committee that reports to the Audit Committee. It provides updates on developments of best practices and exposure drafts on corporate governance, statutory and regulatory requirements set by all statutory bodies / relevant authorities, compliance with accounting standards and other business guidelines and issues. All requisite reminders and updates are raised through its secretariat, the Compliance Unit.

E. MONITORING

Monitoring the effectiveness of internal controls is embedded in the normal course of the business. Periodic assessments are integral to Management's continuous monitoring of internal controls. Systematic processes available to address deficiencies include:

Management Committees

- Two Top Level Committees have been established, namely the Management Committee and the Group Leadership Team (GLT), each with clear demarcation of roles in managing the Group's strategic and operational matters more effectively. The Management Committee focuses on providing guidance and making decisions on strategic matters while GLT concentrates on matters pertaining to business performance and ensures effective supervision over key operational issues.
- The Audit and Business Assurance Committee (ABAC), comprising members of Senior Management from respective Lines of Business, regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.

Periodic Self-Assessments

- Annual disclosures are made by both TM Senior Management represented by Group Chief Officers, Executive Vice Presidents, Vice Presidents, General Managers and by TM Group Operating Companies' CEOs and CFOs on the overall effectiveness, reliability and adequacy of their respective companies' systems of internal and financial controls.
- Quarterly disclosures on Financial Controls Compliance and Assurance Statement (FCCAS) form part of the initiative to inculcate awareness of 'financial and internal controls' requirements within the Group.
- Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with FRS.

Group Internal Audit

- Group Internal Audit carries out continuous assessments on the adequacy of risk management and maintains a flexible audit approach and a robust audit plan that together

address emerging as well as potential risks. The new design of control was thoroughly assessed for new projects launched. As an example, detailed risk assessment and control effectiveness was rigorously undertaken for the HSBB project throughout the year. Group Internal Audit also assists to promote effective risk management at the Lines of Business.

- Group Internal Audit continues to independently and objectively monitor compliance with regards to policies and procedures, and the effectiveness of internal control systems. Significant findings and recommendations for improvement are highlighted to Senior Management and the Audit Committee, with periodic follow-up reviews of the implementation of action plans. Group Internal Audit's practices and conduct are governed by its Internal Audit Charter.

Special Affairs Unit

The Special Affairs Unit is responsible for reviewing and monitoring the ethical conduct and practices of all employees, including Senior Management. Investigation of Internal Control Incidents (ICIs) is also undertaken by the Unit (where applicable) and tabled to the ICI Committee and the Board through the Audit Committee. Appropriate actions are then taken based on the strengths and merits of the findings. The Special Affairs Unit manages the Ethics Hotline and takes on concerns raised by whistleblowers for further investigation.

CONCLUSION BY THE BOARD OF DIRECTORS

The Board considers the system of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board and Management will continue to take measures to strengthen the control environment and monitor the health of the internal controls framework.

TM in its announcement to the Bursa Malaysia on 29 December 2010 had highlighted the settlement case of Alcatel Lucent with the US Securities and Exchange Commission and the Department of Justice made public in the United States of

America on 27 December 2010, which include allegations of improper payments made to TM employees by Alcatel Lucent. TM takes such allegations seriously and has zero tolerance for bribery and corruption. In the interest of transparency, TM had immediately formed a Board sub-committee to investigate the allegations. The Board sub-committee, in turn, appointed a consultant to conduct an independent forensic audit of this matter under the supervision of TM Group Internal Audit's Special Affairs Unit reporting to BAC.

It is envisaged that the independent investigation into the allegations and the eventual findings will be analysed and the lessons learnt applied operationally to further strengthen the internal governance policies. In line with good corporate governance practices, the report from the independent investigation was submitted to the Malaysian Anti-Corruption Commission (MACC) on 1 March 2011. In this regard, full cooperation will be extended to the relevant authorities.

However, for the financial year under review, the Board is satisfied that the system of internal controls was satisfactory and has not resulted in any material loss, contingency or uncertainty.

TM's internal control system does not apply to its associate companies, which fall within the control of their majority shareholders. Nonetheless, TM's interests are served through representation on the Board of Directors and Senior Management posting(s) to the associate companies as well as through the review of management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.

MEMBERSHIP

The Audit Committee (AC) comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. They are as follows:

From left to right:

Quah Poh Keat

Chairman

Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Member

Non-Independent Non-Executive Director

Dato' Danapalan T.P. Vinggrasalam

Member

Senior Independent Non-Executive Director

Ibrahim Marsidi

Member

Independent Non-Executive Director



MEETINGS AND ATTENDANCE

The AC had nine meetings in the financial year 2010. Details of the attendance of each member are as follows:-

AC Member	Number of AC Meetings	
	Attended/ Held	%
Quah Poh Keat	9/9	100.0
Dato' Danapalan T.P. Vinggrasalam	9/9	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	9/9	100.0
Ibrahim Marsidi	9/9	100.0

The Group CEO, Group CFO, other Senior Management members and the external auditors attended these meetings upon invitation to brief the AC on specific issues.

Prior to some AC meetings, private sessions were held between the Chairman, the Chief Internal Auditor and external auditors without the Management's presence. The AC also had two meetings with the external auditors without the Management's presence.

Minutes of meetings of the AC were circulated to all members and significant matters reserved for TM Board's approval were tabled at TM Board meetings. The Chairman of the AC provides a report on the decisions and recommendations of the AC to TM Board.

TERMS OF REFERENCE

The AC has reviewed and endorsed its Terms of Reference to be in line with the Main LR of Bursa Securities and best practices propagated by Bursa Securities Corporate Governance Guide: Towards Boardroom Excellence.

COMPOSITION

- The AC shall be appointed amongst TM Board and shall consist of not less than three members, comprising non-executive directors, with the majority being independent directors.

- The Chairman shall be approved by TM Board and shall be an independent director.
- Members of the AC shall possess sound judgement, objectivity, an independent attitude, management experience, professionalism, integrity, knowledge of the industry and be financially literate.
- At least one member of the AC shall fulfil the following requirement:
 - must be a member of the Malaysian Institute of Accountants (MIA); or
 - if he is not a member of the MIA, he must have at least three years' working experience; and
 - have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - must fulfil such other requirements as prescribed or approved by Bursa Securities.
- No alternate director shall be appointed as a member of the AC.

REVIEW OF THE AC

- The terms of office and performance of the AC and each of its members shall be reviewed by TM Board at least once in every three years to determine that the AC and its members have carried out their duties in accordance with their terms of reference.
- TM Board shall annually review the AC's required mix of skills, experiences and other qualities, including core competencies, which the AC non-executive directors should bring to the AC.

MEETINGS

The AC shall meet at least four times a year with additional meetings as and when requested by the Chairman. To form a quorum, the majority of members present must be independent directors.

RIGHTS AND AUTHORITIES

- a. Right to meet and discuss with the auditors without the attendance of other directors and/or employees of the Company, whenever deemed necessary.
- b. Right to meet and discuss with the external auditors at least twice a year without the attendance of executive directors and/or employees of the Company, whenever deemed necessary.
- c. The AC shall have the following rights in carrying out its duties and responsibilities:-
 - Explicit authority to investigate any matter within its terms of reference.
 - The resources which are required to perform its duties.
 - Full, free and unrestricted access to any information, records, properties and personnel of TM and of any other companies within TM Group.
 - Access to the minutes, reports and information from all subsidiaries of the Company.
 - Direct communication channels with the external auditors and internal auditors.
 - Obtain independent professional or other advice and to invite outsiders with relevant experience to attend the AC's meetings (if required) and to brief the AC thereof.
 - Authority to invite other directors and/or employees of TM to attend AC meetings specific to the relevant agenda.
 - Immediate access to reports on findings and recommendations from the Group Internal Audit (GIA) in respect of any fraud or irregularities discovered and referred to GIA by the management.
 - Ability to seek clarification from the respective boards of TM's subsidiaries or its Chief Executive Officer.
 - To intervene wherever Senior Management or members of TM Board are implicated in a possible fraud, illegal act or violation of the code of conduct.
 - Direct the centralisation of the GIA and ensure the GIA provides representation at the subsidiaries' respective audit committees.
 - Authority and ability for placement of internal audit resources TM Group-wide.
 - Require the heads of internal audit at the respective TM subsidiaries and the Chief Internal Auditor to escalate and inform the AC immediately of any urgent matter.

DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the AC collectively and the same would be reviewed and reported to TM Board from time to time:-

- a. Assessing the Control Environment
 - Determine whether Management has implemented policies ensuring that controls in place are adequate, and functioning properly to address the risks.
 - Review the adequacy and integrity of TM Group's internal control systems and management information systems, including systems for compliance with the applicable laws, rules, directives and guidelines.
- b. Overseeing Financial Reporting
 - Provide the Board with assurance on the quality and reliability of financial information used by TM Board and of the financial information issued publicly by the Company and the Group.
 - Assess whether the financial report presents a true and fair view of the Company's financial position and performance and complies with regulatory requirements.
 - Review the quarterly results and year end financial statements of the Company and the Group, before these are approved by the Board focusing particularly on:
 - changes in major accounting policies or their implementation.
 - Significant or material adjustments with financial impact arising from the audit.
 - Significant unusual events or exceptional activities.
 - Financial decision-making with the presumptions of significant judgments.
 - The going concern assumptions.
 - Compliance with approved accounting standards, Bursa Securities, other regulatory and legal requirements.
 - Review with the external auditors the audited financial statements for the purpose of approval before the audited financial statements are presented to TM Board.
 - Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the Management where necessary.

- Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the CG Code, other applicable laws, rules, directives and guidelines.
 - Review the follow-up actions by Management on the weaknesses of internal accounting procedures and controls as highlighted by the external and internal auditors.
- c. External Audit
- AC shall discuss the following with the external auditors:
 - The audit plan.
 - Nature, approach and scope of the audit.
 - Co-ordination where more than one audit firm is involved.
 - Evaluation of the Company's system of internal controls.
 - The audit reports.
 - The AC shall monitor the extent of non-audit work to be performed by the external auditors to ensure that the provision of non-audit services does not impair their independence and objectivity.
- d. Group Internal Audit (GIA)
- Review and approve the Internal Audit Charter, which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and Group.
 - Review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure it has the necessary authority to carry out its work.
 - Review the Internal Audit Plan and results of the internal audit work.
 - Appraise and recommend the performance and remuneration of the Chief Internal Auditor.
 - Review any appraisal or assessment of the performance of senior staff members of GIA.
 - Approve the appointment, termination, upgrading and promotion of the Chief Internal Auditor and senior staff members of the GIA and be informed of resignations of the Chief Internal Auditor or senior staff members of the GIA and provide the resigning staff an opportunity to submit his reasons for resigning.
- Be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceedings / investigations, including the nature and reasons for the said disciplinary proceedings / investigations, as well as the subsequent findings and proposed disciplinary actions against the Chief Internal Auditor and the senior staff members of the GIA. As employees of TM, the Chief Internal Auditor and senior staff members of the GIA are subject to TM's human resources policies and guidelines, including disciplinary proceedings / investigations and actions.
 - Review the assistance and co-operation given by TM's officers to the external and internal auditors.
 - The GIA function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. TM Board or the AC should determine the merit of the internal audit function.
- e. Reviewing Conflict of Interest Situations and Related Party Transactions (RPTs)
- Ensure that Management establishes adequate processes and procedures to monitor, track and identify RPTs. Such a framework should be able to provide sufficient assurance that RPTs and conflict of interest situations, including recurrent related party transactions, are identified, evaluated, presented for review and approval and reported, where required.
 - Review conflict of interest situations or RPTs and determine the following:
 - Whether the transaction is in the best interest of the Group.
 - Whether the transaction is fair, reasonable and on normal commercial terms.
 - That the transaction is not detrimental to the interest of minority shareholders.
- f. Employees Share Option Scheme (ESOS)
- i) Verify the allocation of options to the Group's eligible employees in accordance with the Main LR at the end of each financial year.
 - ii) Prepare an AC statement verifying the said allocation in the annual report.

- g. Whistleblowing and Fraud
- i) Review TM Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The AC shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up actions.
 - ii) Ensure the confidential, anonymous submission by employees, of concerns regarding questionable accounting or auditing matters.
 - iii) Review the Group's procedures for detecting fraud.
- h. Other Matters
- i) To promptly report to Bursa Securities, if the AC views that a matter resulting in a breach of the Main LR reported by the AC to TM Board has not been satisfactorily resolved by TM Board.
 - ii) Such matters as the AC considers appropriate or as defined by TM Board.

SECRETARY

The Secretary of the AC shall be the Company Secretary.

Note: The AC underwent a change of secretary in October 2010.

SUMMARY OF PRINCIPAL ACTIVITIES IN THE FINANCIAL YEAR

During the year ended 31 December 2010, the principal activities carried out by the AC were as follows:-

- a. **FINANCIAL REPORTING**
- i) Reviewed the Quarterly Unaudited Financial Statements of TM Group to be in line with Financial Reporting Standard (FRS) 134 and the Main LR before recommending it to TM Board for approval.
 - ii) Reviewed the Audited Financial Statements of TM Group before recommending it to TM Board to ensure that the financial report presents a true and fair view of the Company's financial performance and complies with regulatory requirements.
- b. **INTERNAL CONTROL**
- i) Reviewed reports on the adequacy, effectiveness and reliability of the system of internal controls based on controlled self-assessment performed annually by the key management of the Operating Companies/ Subsidiaries. The Annual Internal Control Assurance Letter and Internal Control Incidents Report were submitted to the Group CEO and the Chief Internal Auditor.
 - ii) Received and deliberated reports from the Audit and Business Assurance Committee on the following matters:
 - Management actions to resolve significant internal controls and accounting issues as highlighted by the internal and external auditors.
 - Revenue Assurance and Fraud Management activities to mitigate revenue leakage and telecommunications related fraud.
 - Any other recommendations made by the AC for Management's action.
 - iii) Reviewed and deliberated on reports from the Best Practices Committee (BPC) on the following matters:
 - Updates and developments of best business practices and exposure drafts, principally on corporate governance; statutory and regulatory requirements; compliance with accounting standards and other business guidelines.
 - Major policy updates, revisions or enhancements as recommended by the Management to ascertain that the improvements made were aligned with business best practices and effective internal control processes.
 - iv) Received and deliberated on reports from Internal Control Incidents (ICI) Committee on alleged major control incidents or failures based on reports submitted from management or special investigations/ audits conducted and proposed the next course of action. The reports were summarised by the Chief Internal Auditor and updates submitted to the AC on a quarterly basis, describing following:
 - The nature and root causes of control failures which had financial impact and/or affected the image and reputation of the Group.
 - Lateral learnings to prevent the recurrence of similar incidents within the Group.
 - Status of actions taken by management to remedy the control weaknesses and appropriate disciplinary actions.



- v) Received and reviewed reports from Management on key strategic, financial and operational risks to ensure these were managed effectively. These included:
- Treasury Management
 - Credit Management
 - TM Group Limit of Authority Matrix
 - Impact of FRS 139 Implementation
 - Impact of FRS 7 in Disclosure of Unimpaired Overdue Accounts
 - Impairment of Goodwill
- c. **RELATED PARTY TRANSACTIONS (RPTs)**
- i) Reviewed reports on RPTs to ensure the transactions were fair, reasonable, on normal commercial terms and in the best interests of the Company.
- ii) Periodically reviewed the Recurrent Related Party Transactions to ensure they were at arm's length and duly tracked against their mandated amount.
- d. **EMPLOYEES SHARE OPTION SCHEME**
The AC noted that there was no allocation of options during the year.
- e. **EXTERNAL AUDIT**
- i) Discussed with the external auditors before the audit commenced, the audit plan, nature and scope of the audit, engagement strategy, including the terms as detailed in the external auditors' engagement letter.
- ii) Reviewed and approved the engagement letter from the external auditors upon confirmation of their independence and objectivity.
- iii) Reviewed the results of the annual audit, their audit report and Internal Control Memorandum, together with Management's responses to the findings of the external auditors.
- iv) Reviewed and approved the scope of non-audit services provided by the external auditors to ensure there was no impairment of independence or objectivity.
- v) Reviewed the overall performance of the external auditors and, upon satisfactory assessment, recommended that TM Board approve the fee payable to the external auditors in respect of the scope of work performed.
- vi) Held two private meetings with the external auditors to ensure there were no restrictions on the scope of their audit and to discuss any items that the auditors did not wish to raise in the presence of Management.
- f. **INTERNAL AUDIT**
- i) Reviewed and approved the reports from GIA on the following:
- The annual business plan to ensure adequate scope and comprehensive coverage of activities of the Group.
 - The competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties.
 - Reviewed and deliberated on internal audit reports which were tabled during the year, the audit recommendations made and Management's response to these recommendations. In cases where appropriate, AC instructed Management to rectify and improve control procedures based on GIA's recommendations and suggestions for improvements.
 - Monitored the implementation of recommendations by Management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were being properly addressed.
 - Reviewed and deliberated major cases of internal misconduct in relation to the Group's Code of Conduct and whistleblower programme.
 - Key Performance Indicators (KPIs) for GIA linked to the Balanced Scorecard that focused on qualitative and quantitative aspects.
- ii) Held private meetings and discussions with the Chief Internal Auditor on key internal control and internal audit related matters.

TRAINING

During the year, the AC members attended various conferences, seminars and training programmes as follows:-

Aspect	Title of Conference / Seminar
a. Finance	<ul style="list-style-type: none"> i) Building Audit Committee for Tomorrow ii) Financial Industry Conference iii) BDO Tax Forum Series: Which Hat are You Wearing?
b. Risk Management	<ul style="list-style-type: none"> i) Derivatives and Risks: Analytics, Valuation and Management ii) Risk Management of Derivatives iii) Risk Management in Islamic Finance
c. Strategy	<ul style="list-style-type: none"> i) Building Organisational Capability to Strategic Transformation ii) National Key Economic Area (NKEA) from the Government's Perspective and Expectations iii) Challenges in Driving Profitability Moving Forward for TM
d. Corporate Governance	<ul style="list-style-type: none"> i) Evening Talk on Corporate Governance Guide ii) Minda Breakfast Talk-Moral Foundation for Good Governance iii) Performance Pays Report on Non Executives Remuneration iv) The Changing Landscape of Shareholder Activism - The Roles We Play
e. Corporate Social Responsibility	Bursa Malaysia's Focus Group for Board of Directors: Bursa Malaysia's Upcoming CR Guide and Web-portal
f. Industry	<ul style="list-style-type: none"> i) Telecom Transformation Asia Pacific 2010 ii) Huawei's IPTV Platform iii) CommunicAsia 2010

This AC Report is made in accordance with the resolution of the Board of Directors duly passed on 25 February 2011.



Quah Poh Keat
Chairman of Audit Committee

Group Internal Audit (GIA) strives to provide independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance. The internal audit function adopts a risk-based audit methodology, which is aligned with the risk of the Group to ensure that relevant controls addressing those risks are reviewed on a rotational basis. The purpose, authority and responsibility of Group Internal Audit, as well as the nature of assurance and consultancy activities provided to the Group, are clearly articulated in the Internal Audit Charter. This charter has been reviewed and approved by the Audit Committee and is in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).

The Internal Audit function in TM is managed in-house and GIA reports directly to the Audit Committee. The Chief Internal Auditor periodically reports on the activities performed and key strategic and control issues noted by Group Internal Audit to the Audit Committee. The Audit Committee reviews and approves the Group Internal Audit's annual budget, audit plans and human resources requirements to ensure the function is adequately resourced with competent and proficient internal auditors.

PRACTICES AND FRAMEWORK

In order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance, GIA has aligned its current internal audit practices with the COSO Internal Controls Integrated Framework. Using this framework, all internal control assessments performed by GIA are based on the following five internal control elements:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

INDEPENDENCE AND OBJECTIVITY

Internal Audit activities remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content, to maintain the necessary independent and objective mental attitude.

GIA has no direct operational responsibility or authority over any of the activities audited. Accordingly, GIA will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair the internal auditors' judgment.

SCOPE AND COVERAGE

Group Internal Audit practises adaptive auditing and a robust audit planning which provides the flexibility needed to address emerging current risks as well as potential future risks. This enhances the ability of GIA to focus its resources and skills on ensuring alignment with business strategy and goals, thus maintaining relevance and driving continuous improvements within the Group. The scope of audit engagements is also aligned with the primary risks of the organisation and its key strategic initiatives. Identified key audit areas in 2010, in line with COSO broad objectives, are as follows:

1. **Strategic**
 - a) Management Control Review
 - b) Product Costing and Pricing Towards Achieving Highest Profit
 - c) Review of Internet Protocol Television (IPTV) Platform and Media Centre
 - d) Project Governance
2. **Operations**
 - a) **Human Resources**
 - Review of Workforce Planning and Recruitment
 - Review of Performance Consequence Management
 - Review of the Overall Implementation and Execution of Job Broadbanding

- b) **Procurement**
 - Emergency Purchases Process Review
 - Review of Procurement Direct Award Process
 - Review of Sales and Services Contract Management
- c) **Marketing**
 - Effectiveness of Customer Service Management Function: Complaint Management
 - Customer Services and Cash Management at TM Point
 - Sell to Customer Process Review
 - Review of TM SME One Plan
- d) **Accounting and Finance**
 - Debtors and Credit Management
 - Review of Finance Function Effectiveness
- e) **Network**
 - Audit on Digital Data Network (DDN)
 - Audit on Next Generation Network (NGN)-Network Element (Establish Phase)
 - Audit on NGN-Internet Protocol Core (Operate & Transfer Phase)
 - Audit on Global Internet Protocol Transit
 - Audit on Access Network Data Verification and Migration
- f) **Information Technology**
 - Key Billing Systems Review
 - Review of Network Inventory System
 - Post Implementation Review of Next-Gen Opportunity Vibrant Ambition (NOVA)

3. Reporting

- a) Financial Reporting Reviews
- b) Quarterly Interim Financial Reviews

4. Legal, Regulatory & Compliance

- a) Related Party Transactions
- b) Special review of TM ESOS
- c) Post Implementation Review of Universal Service Provisioning and Programme Management
- d) Review of Litigation Cases Management

GIA's expertise has also been requested to assist management in troubleshooting internal control weaknesses raised by Whistleblowers, complex data analysis in detecting errors and omissions, post mortems of internal control failures and risk

exposures of major TM projects. To ensure continuous relevance to the lines of business and to add value, GIA also participated in the review of major projects covering new business products and system implementations to ensure adequate controls are in place before these products or systems are launched. GIA further conducted special reviews based on requests from the Audit Committee and/or management in addition to the planned reviews for the year. Follow-up reviews were performed on the implementation of audit recommendations on a quarterly basis and the status of the implementation reported to the Audit Committee accordingly.

RESOURCES

A total of RM6.4 million was spent on internal audit activities in 2010. A summary of the internal audit cost, based on key categories, is as follows:

Category	RM (million)	% of total cost
Manpower	4.2	66.0%
Materials	0.1	1.0%
Incidentals (incl. Travelling)	0.5	8.0%
Internal Recharges (incl. Space Rental, IT charges, Training Costs, etc.)	1.5	23.0%
Depreciation	0.1	2.0%
Total	6.4	100.0%

A summary of internal auditors, based on their respective competencies as at 31 December 2010, is as follows:

Discipline	Number of Internal Auditors	Percentage
Accounting and Finance	12	35.0%
Information Technology	5	15.0%
Engineering/Network	9	26.0%
Marketing	5	15.0%
General/Human Resources	2	6.0%
Legal	1	3.0%
Total	34	100.0%

CO-SOURCING ACTIVITY

There was no co-sourcing of internal audit activities in 2010. All internal audit activities were performed in-house.

COMMITMENT TO COMPETENCE

In maintaining a highly adaptive audit function, there is a need to invest more heavily in competency models and training plans for individual staff each year. Auditors need to have better appreciation of entrepreneurship and the business work and be skilled in strategic thinking, innovation and risk management, amongst others.

A number of training modules have been identified to enhance the competency and skills of the internal auditors. Key seminars and workshops attended by Group Internal Audit in 2010 were as follows:

- a) **Group Training** – designed to cater specifically for internal auditors' requirements such as structured thinking analysis, report writing skills and product knowledge. These programmes represented collaborations between Group Internal Audit and respective consultants such as IIA and other training consultants. As at December 2010, the following group training had been conducted:
 - o Customer Service Management (CSM), where key CSM Management participated in the session including the Vice President.
 - o Retail Product Strategy and Management, where the presentation was delivered by the Vice President of Retail Product.
 - o HSBB NOVA Project overview by the NOVA Project Director and Vice President of Group Information Technology.
- b) **Individual Training** – based on individual competency weaknesses. The type of training provided for the internal auditors was determined by their competency gaps coupled with future requirements such as leadership and management skills. Among the key training attended by auditors as at December 2010 were:
 - i. **Auditing Skills:**
 - IIA conference
 - Risk Based Auditing: A Value Add Proposition
 - Network Security Audit
 - Computer Forensics
 - Project Management Audit for Continuing Growth

- ii. **Strategic Skills:**

- Strategic Organisational Transformation and Renewal
- Developing Business Creativity
- Strategic Business Realignment for Leaders
- Harvard Premier Business Management Program
- Thinking Outside the Box
- Strategic Thinking, Planning & Implementation
- Managing Major Changes for Senior Managers

- iii. **Functional Skills:**

- New Payment Collection System and Customer Service at TM Point
- Financial Management for Small Medium Enterprise (SME)
- eTOM for Beginner Training
- Understanding the Impact of FRS Management Practice
- COSO-Based Internal Audit
- The Future of Finance Shared Service
- Communicasia 2010 Summit
- Customer Service – "Above and Beyond"
- Customer Focus to Foster Organisational Excellence
- Successful Project Management
- Next Generation Broadband
- Network Security Masterclass
- Business Performance Management

- iv. **Management and Leadership Skills:**

- Leadership and Customer Values Excellence
- Managing and Leading A Business Unit
- Leading Organisational Change

Apart from the above, GIA embarked on extensive GIA-Management Training Collaboration. These knowledge sharing sessions by subject matter experts from management aim to speed up auditors' acquisition of knowledge of the Company. They enable the auditors to obtain first-hand practical knowledge from experts supporting key processes within TM. In-house knowledge sharing sessions by subject matter experts are also held to increase the internal auditors' competencies.

INTERNAL AUDIT QUALITY

The Chief Internal Auditor develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of GIA processes and identifies opportunities for improvement via both internal and external assessments.

GIA has an advanced Peer Reviewer mechanism to ensure a consistently high quality output of every audit engagement. Peer reviewers with relevant expertise from the consultancy team are selected to provide professional advice and ensure the highest level of quality and that risks areas are adequately covered before communicating the final engagement results to the appropriate parties.

An internal quality assessment is also performed annually within GIA to evaluate its conformance with the IIA's IPPF. This is performed through self-assessment by a qualified Certified Internal Auditor (CIA) and includes in-depth interviews, surveys and detailed data analysis.

GIA also organises an external quality assessment by a qualified independent reviewer of the entire spectrum of audit work performed by the internal auditors once every five years. The assessment includes area such as compliance to IIA's IPPF and Group Internal Audit Manuals, contribution to governance, risk assessment and control processes and performance management. An external assessment of the Group Internal Audit was performed during the year and it was noted that Group Internal Audit generally conforms to the International Standards for the Professional Practice of Internal Auditing.



Hashim Mohammed
Chief Internal Auditor



Quah Poh Keat
Chairman Audit Committee

INTRODUCTION

In its pursuit to improve the corporate governance practices in Telekom Malaysia Berhad (TM/the Company), the Board of Directors of TM has established a separate Board Risk Committee (BRC) on 22 March 2010 to provide more focus on risks issues. Previously, the Board Audit Committee (BAC) assisted the Board in overseeing the risk issues of TM Group.

The duties and responsibilities of the BRC members are in addition to those as members of the Board. The deliberations of the BRC do not reduce or absolve the individual and collective responsibilities of the Board members in regard to their fiduciary duties and responsibilities. The members must continue to exercise due care and judgement in accordance with their statutory obligations.

MEMBERSHIP

The BRC comprises a Non-Independent Non-Executive Director as its Chairman, two Independent Non-Executive Directors and a Non-Independent Executive Director who is also the Group Chief Financial Officer of the Company. Its composition is as follows:



From top left to bottom right:

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Chairman

Non-Independent Non-Executive Director

Dato' Danapalan T.P. Vinggrasalam
Member

Senior Independent Non-Executive Director

Ibrahim Marsidi

Member

Independent Non-Executive Director

Datuk Bazlan Osman

Member

Non-Independent Executive Director/Group Chief Financial Officer

MEETINGS AND ATTENDANCE

The BRC had four meetings in the financial year 2010. Details of the attendance of each member at BRC meetings held during 2010 are as follows:

BRC Member	Number of BRC Meetings	
	Attended/ Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	4/4	100.0
Dato' Danapalan T.P. Vinggrasalam	4/4	100.0
Ibrahim Marsidi	4/4	100.0
Datuk Bazlan Osman	4/4	100.0

The Vice President of Group Business Assurance, who also acts in his capacity as Head of the Risk Management Unit, attended the BRC meetings as a permanent invitee. Other attendees, external or internal, were invited to attend all or part of any meeting as and when appropriate, and with the consent of the Chairman, to facilitate BRC businesses.

TERMS OF REFERENCE

COMPOSITION

- The Board may, upon recommendation of the Board Nomination and Remuneration Committee (NRC), appoint any of its members or their Alternates as members of the BRC.
- The BRC must be composed of no fewer than three members including the Chairman and the majority shall be Non-Executive Directors at least one of whom shall preferably have recent and relevant experience in risk management.

- c. Members of the BRC may relinquish their membership in the BRC by giving prior written notice to the BRC Chairman and Chairman of the NRC with a copy to the Company Secretary. The NRC will review and recommend to the Board for approval another Director to fill up such vacancy within three months of the notice.
- d. All members of the BRC, including the Chairman, will hold office for only so long as they serve as Directors (or Alternate Directors) of the Company.
- e. The Chairman shall be a Non-Executive Director, as recommended by the NRC, and cannot be the Chairman of the BAC.
- f. Members of the BRC shall possess sound judgment, objectivity, an independent attitude, management experience, professionalism, integrity and knowledge of the industry.

MEETINGS

The BRC shall meet at least four times a year preceding the quarterly BAC meetings or such additional meetings as decided by the Chairman. A majority of members present at a meeting shall form a quorum.

SECRETARY

The BRC Secretary shall be the Company Secretary.

RIGHTS AND AUTHORITY

The BRC shall have the power, inter alia, to:

- investigate any matter within its terms of reference.
- obtain sufficient resources which are required to perform its duties.
- have full and unrestricted access to any information, records, properties and personnel of TM or any other company within the TM Group.
- obtain advice from independent professionals or those with relevant experience and invite them (if necessary) to attend the BRC meetings to brief the BRC on specific matters.
- engage external consultants to assist with the execution of its duties.

DUTIES AND RESPONSIBILITIES

The BRC will not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of the Senior Management. The main role of the BRC is to assist the Board in ensuring that the Company has in place a sound and robust enterprise risk management framework and such framework has been effectively

implemented to enhance the Company's ability to achieve its strategic objectives.

The BRC will perform all the functions as necessary to fulfil its role as aforementioned including the following:

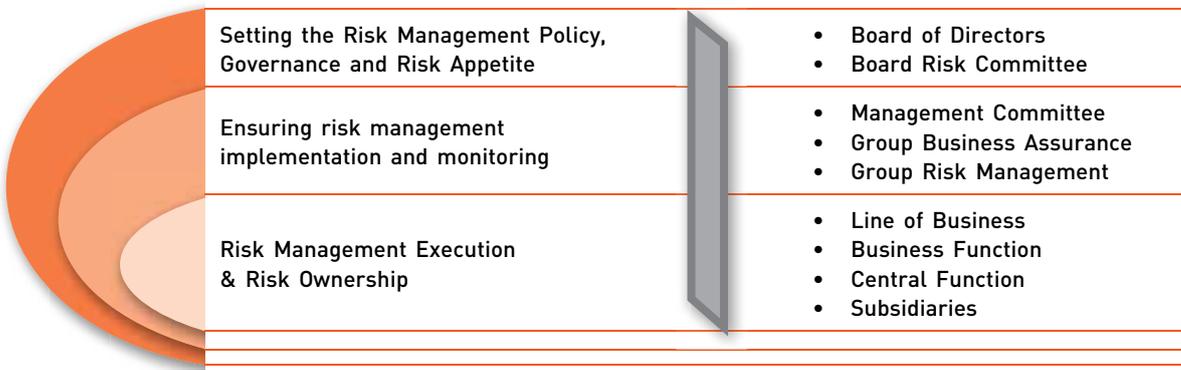
- Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board.
- Monitor the effectiveness of the risk management organisational structure.
- Keep under review the status and application of risk management responsibilities and accountabilities.
- Monitor the implementation of the policy and plan for risk management by means of risk management systems and processes.
- Make recommendations to the Board or Board Committee as delegated by the Board on levels of tolerance and risk appetite, and ensure risks are managed within the levels of tolerance and appetite as approved by the Board.
- Oversee the dissemination of the risk management plan throughout the Company and its integration into the day-to-day activities of the Company.
- Ensure that risk management assessments are performed on a continuous basis.
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Ensure that management considers and implements appropriate risk responses.
- Ensure continuous risk monitoring by management.
- Liaise closely with the BAC to exchange information relevant to risk.
- Express to the Board its formal opinion on the effectiveness of the system and the process of risk management.
- Review the risk management report to be included in the consolidated report to the Board.

RISK MANAGEMENT REPORT

The Group's continuous focus on the enterprise-wide risk management framework which emphasises effective strategic, regulatory, financial and operational risk management in enhancing the Group's ability to achieve sustainable profitability, continues to deliver strong corporate social responsibility and stakeholder management as well as delivering positive shareholder value despite the challenging business conditions and market uncertainties.

TM Group continues to strengthen its risk management infrastructure and refine the processes to proactively manage key areas of risk in line with changes in market conditions. This involves reviewing the governance for risk management cutting across from the Board to the operation level, embedding the risk management process in key and strategic business decision-making processes, continued training of all levels of staff to build sustainability in the risk management culture and clearly defining the roles and responsibilities for risk management across the organisation structure.

TM Group Risk Management policy and guidelines clearly define the roles and responsibilities for risk management across the Group as illustrated below:



The Board of Directors (Board) is ultimately responsible for the management of risks. The Board, through the Board Risk Committee (BRC), maintains overall responsibility for risk oversight within TM Group. The Risk Management Policy statement and level of risk tolerance are set in line with the Group's strategic direction and business objectives as per the approved Business Plan.

The Management Committee facilitates the overall risk management discussion, challenges the corporate and individual business unit risk maps, and challenges and monitors the execution of agreed risk mitigation plans before the consolidated risk report is tabled to the BRC for endorsement. The monthly assurance report to the BRC denotes the commitment of all levels of management and business units to ensure business risks are continually identified and assessed, and that mitigation plans are executed to minimise business risk both from the perspective of incident frequency and risk impact severity.

The Line of Business, Business Function, Central Function and subsidiaries, being the first line of defence against risks, are responsible for identifying, mitigating and managing risks within

their divisions. These divisions ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

Key Risk Factors

Risks in the telecommunications industry are dynamic; new risks are constantly emerging, putting pressure on the organisation to manage both inherent industry risks as well as newly emerged risks. The following paragraphs unveil some of the key risks that may adversely affect the well-being of the organisation. These risks have been constantly monitored under the Corporate Risk radar and the positioning of the key risks in this report does not denote their risk ranking.

Credit Risk

Credit risk will remain as long as the majority of our sales are post-paid, while the level of risk will differ according to the customer portfolio and behaviour, robust application of our Credit Management Policy especially the credit rating of customers and the application of credit limits and collateral, fraudulent application of services and financial position of the customer following changes in the macro economy.

Credit risk management is governed by the new Credit Management Policy which sets out guidelines for customer credit assessment and management covering credit rating, the setting of credit limits per customer, collateral management, customer payment behaviour management, management of credit period, collection cycle management, tainting of customers and the management of bad debts. TM is putting in place new credit management systems to support the new Credit Management Policy, especially in strengthening the assessment and profiling of customers to minimise the credit risk at the time of customer acquisition rather than battling for collection from delinquent customers. Depending on the credit worthiness of the customer and the tenure of the business relationship with TM, service can be offered based on credit or on a pre-paid basis. For high credit risk customers, pre-paid services will be offered until their credit risk rating improves.

Telecommunications Fraud Risk

Any dishonest or illegal use of services where the intention is to avoid or reduce legitimate call charges or to gain illegitimate access to the network in order to enjoy undeserved fees is considered Telecommunications Fraud. Telecommunications Fraud committed by third parties, customers, resellers and internal staff has been an ongoing concern within TM.

Attempts at fraud have been increasing over the years, with additional attempts coming from IP services. The changing trend of fraud attempts over the years is influenced by many factors, but mainly by product promotions, the introduction of new services into the market, and the evolution of technology which cause dynamic and constant change of fraud behaviours beyond TM's control. The high incidence of fraud attempts is countered by the existence of a fraud surveillance system which immediately detects irregularities or suspected fraud, allowing for analysis and investigation by the Fraud Management Unit. This lowers the number of successful frauds, avoiding loss to TM. On top of the surveillance system, TM Group has also put in place various operational controls to mitigate the impact of fraud losses to the Group.

Revenue Leakage Risk

Gaps in the processes, data flows, data consistency across diverse systems and fraud contribute to leakage in revenue. Most of these gaps can, fortunately, be plugged through revenue assurance reviews, fraud investigations and leakage management by the operations team. Critical performances for data, Streamyx

and prepaid services are being monitored through a revenue assurance system that allows for early detection of potential revenue losses.

Furthermore, continuous efforts are made by the Revenue Assurance Unit to strengthen weak areas with respect to people, processes and systems within the key revenue streams, thus preventing revenue leakage. This includes subscription control, billing management and collection management. The Revenue Assurance Unit and operational teams continue to track and monitor revenue losses to ensure these are recovered as soon as possible.

Competition Risk

Competition leads to erosion of revenue and market share, and is a given risk in all businesses that operate in a free and open market. The risk is further intensified when customers become more aware of their right to choose their service provider based on their unique preferences. Except for high speed broadband services, most cellular operators have been offering identical voice, data and low end broadband services to the market that directly competes with TM's existing products and services.

The preference for mobile services (service on the go) further enhances the competition, especially in the voice sector, where it is gradually eroding TM's market share. In mitigating this challenge, we have put in place various strategic and operational controls that include meticulous planning of our strategic roadmap; and seeking new sales with innovative, value for money products and attractively priced packages and technology as required by the market.

Reputation Risk

The risk of loss of reputation arises from any action, event or circumstance that could adversely or materially impact TM Group's reputation, leading to loss of revenue, litigation or prejudice the interest of stakeholders. TM is exposed to a multitude of risk factors that may affect TM Group's reputation, from failure to comply with regulatory and legal requirements, and failure to deliver minimum standards of service, to exposure of unethical practices in the organisation and high profile legal suits. Breach of third party intellectual property rights, poor financial performance/EBITDA and continued investigation by authorities could also expose TM to Reputation Risk.

TM has put in place a number of effective control measures, and quality initiatives are also under way, to prevent the recurrence of any event that could tarnish the Group's reputation or to minimise the impact of such events should they be beyond TM's control. TM Group continues to direct Group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates in. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to support compliance with regulations imposed by the authorities, covering Mandatory Quality of Service Standard and others.

TM Group also has put in place disaster recovery and business continuity plans covering major network and IT services which are tested regularly to ensure prompt recovery of critical business functions in the event of major business and/or system disruptions, including outbreaks of pandemic flu, natural disasters or manmade disasters. Where appropriate, the Group mitigates the risk of high impact loss by appropriate insurance coverage.

With regard to unethical conduct of its employee, agents or vendors, TM Group has put in place an appropriate and tested Code of Business Ethics and a Whistle Blowing Policy to detect and prevent corruption and other unethical conduct within the Group.

Service Disruption Risk

TM Group is committed to ensuring network and service availability to uphold its quality of service to all levels of customers. However, some factors that affect service availability are beyond its control, hence will continue to exist despite the control activity. Over the years, we face a multitude of challenges that lead to service disruption covering manmade disasters, natural disasters and frequent cable thefts.

For the past two years, cable thefts have been on the rise due to higher copper prices in the market and the establishment of second-hand stores that buy over the scrap from the thieves. Such thefts not only incur unnecessary operating cost to replace the cables, but also increase the number of complaints from customers due to interrupted services.

It is a challenge to manage both internal and external root causes of risk and TM Group continues to invest in key risk mitigation plans that will minimise risk and/or its severity. Various operational initiatives have been introduced with the main objective of increasing customers' satisfaction level and their experience with services and products through faster installation and its restoration in the event of failure.

CONCLUSION

TM Group continues to review the effectiveness of its overall enterprise wide risk management programme covering risk governance, execution and implementation as well as creating a well-balanced risk and reward culture across the Group. Operating in a highly competitive and regulated market, TM continues to be exposed to a multitude of business risks, either externally driven or that are inherent to the business.

With guidance from the Board of Directors and the top management team, Group Business Assurance Unit, Group Internal Audit and the external auditors continue to play their respective roles in ensuring that the Group's enterprise risk management programme is reviewed and updated periodically to match the changes in the marketplace before any recommendation for improvement is deliberated and discussed with the Management Committee, BRC and then ultimately with the Board of Directors.



Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Chairman

ADDITIONAL COMPLIANCE INFORMATION IN ACCORDANCE WITH APPENDIX 9C OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES)

The following information is provided in compliance with the Main Market Listing Requirements of Bursa Securities (Main LR):

1.0 UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

The Company did not raise any proceeds from corporate proposals during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 13 of the Main LR]

2.0 SHARE BUY-BACK

The Company did not make any proposal for share buy-back during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 14 of the Main LR]

3.0 OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 15 of the Main LR]

4.0 AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 16 of the Main LR]

5.0 IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 17 of the Main LR]

6.0 NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group by PricewaterhouseCoopers (PwC), the external auditors, and their affiliated companies during the financial year are as follows:

	RM
a. PricewaterhouseCoopers, Malaysia	168,000
b. PricewaterhouseCoopers Taxation Services Sdn Bhd	570,833
Total	738,833

Services rendered by PwC are not prohibited by regulatory or other professional requirements, and are based on globally practised guidelines on auditor independence. PwC is engaged for these services when their expertise and experience of TM are important. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost-effective to engage the services of another firm of accountants.

[Disclosed in accordance with Appendix 9C, Part A, item 18 of the Main LR]

7.0 VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 19 of the Main LR]

8.0 PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 20 of the Main LR]

9.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts nor any contracts in relation to loans entered into by the Company and/or its subsidiaries involving interests of directors or major shareholders either subsisting as at 31 December 2010 or entered into since the end of the previous financial year ended 31 December 2009.

[Disclosed in accordance with Appendix 9C, Part A, items 21 and 22 of the Main LR]

10.0 REVALUATION POLICY ON LANDED PROPERTIES

The Company did not adopt any revaluation policy on its landed properties during the financial year. The significant accounting policies on property, plant and equipment, investment properties and land held for property development, are disclosed in notes 2(d) to 2(f) of the Significant Accounting Policies for the financial year ended 31 December 2010.

[Disclosed in accordance with Appendix 9C, Part A, item 24 of the Main LR]

11.0 LISTING OF PROPERTIES

On 3 May 2002, the Company obtained a waiver from the Bursa Securities from having to disclose detailed particulars of its properties for the Company's 2001 Annual Report and subsequent annual reports.

[Disclosed in accordance with Appendix 9C, Part A, item 25 of the Main LR]

12.0 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (RRPT)

At the last AGM held on 6 May 2010, the Company had obtained a general mandate from its shareholders on the RRPT entered into by the Company and/or its subsidiaries (RRPT Mandate). The RRPT Mandate is valid until the conclusion of the forthcoming 26th AGM of the Company to be held on 10 May 2011.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the Main LR, the details of the RRPT entered into during the financial year ended 31 December 2010 pursuant to the said shareholders' mandate are as follows:

Transacting companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of relationship	Nature of RRPT	Value of Transactions RM'000
Our Company and/or our subsidiaries (TM Group)	Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group)	Ministry of Finance (Incorporated) (MoF Inc.), Khazanah Nasional Berhad (Khazanah), Dato' Zalekha Hassan, Puan Eshah Meor Suleiman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin and Dr Farid Mohamed Sani	<p>In addition to their shareholdings in our Company, MoF Inc. and Khazanah are Major Shareholders of Axiata.</p> <p>Dato' Zalekha Hassan is a representative of MoF Inc. on our Board. Puan Eshah Meor Suleiman is the alternate Director to Dato' Zalekha Hassan.</p> <p>Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is a representative of Khazanah on our Board.</p> <p>Dr Farid Mohamed Sani is the alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on our Board.</p> <p>Dr Farid Mohamed Sani is also a Director of Axiata and Celcom Axiata Berhad (Celcom), a subsidiary of Axiata.</p>	<p><u>Revenue</u></p> <ul style="list-style-type: none"> - Interconnect revenue from Axiata Group. 60,918 - Provision of Voice Over Internet Protocol related services to Axiata Group. 38,918 - Provision of leased-line services to Axiata Group. 45,148 - Provision of data and bandwidth related services to Axiata Group. 12,745 - Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom. 25,329 - Provision of internet access and broadband services to Celcom. 12,031 - Commission on registration and collection by Telekom Sales and Services Sdn Bhd from Celcom. 1,591 - Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group. 91,868 - Provision of fibre optic core and bandwidth services by Fiberail Sdn Bhd to Celcom. 11,732 - Provision of dark fibre, bandwidth, space & facility by Fibrecomm Network (M) Sdn Bhd to Celcom. 26,957 - Rental of office premises to Axiata Group. 14,371 - Leasing of vehicles to Axiata Group. 6,865 - Provision of system hardware and software maintenance services from VADS Berhad to Celcom. 0 - Revenue from other telecommunications-related transactions with Axiata Group. 800 <p><u>Cost</u></p> <ul style="list-style-type: none"> - Interconnect charges by Axiata Group. 80,932 - Leased-line charges by Axiata Group. 3,140 - Dark fibre and leased line charges by Celcom to Fibrecomm Network (M) Sdn Bhd. 1,671 - Voice Over Internet Protocol related services charges by Axiata Group. 59,384 - Core rental and mobile services from Celcom to Fiberail Sdn Bhd. 1,360 <p>TOTAL 495,760</p>	
Our Company and/or our subsidiaries	KUB Malaysia Berhad (KUB) and its subsidiaries (KUB Group)	Ministry of Finance, Malaysia (MOF)	In addition to its shareholdings in our Company and via Khazanah, MOF holds a 22.55% interest in KUB.	Purchase and/or utilisation of telecommunications equipment, systems and related services by TM Group from KUB Group.	35,873

The Company proposes to renew the RRPT Mandate at the forthcoming Extraordinary General Meeting of the Company to be held on 10 May 2011. The renewed RRPT Mandate, if approved by shareholders, would be valid until the conclusion of the next AGM of the Company.



Facts at a Glance

1st GLC to launch CBE
via e-learning programme

As a government-linked company (GLC), Telekom Malaysia Berhad (TM) plays an important role in complementing the efforts of the Government to achieve the 4th challenge of Vision 2020; "to establish a fully moral and ethical society whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards". As a responsible organisation, TM also fully supports the agenda of business ethics as expounded

in the third target of the National Integrity Plan (NIP), namely "to enhance corporate governance, business ethics and corporate social responsibility".

TM is guided in its dealings both internally and externally by an extensive Statement on Corporate Governance, a Code of Business Ethics and a framework for our corporate responsibility initiatives. These ensure the Company and staff observe the highest principles

of integrity in our daily behaviour, and are constantly updated so as to be continuously relevant.

The Code of Business Ethics (Code), launched in October 2004, is premised on every representative and individual within TM – from directors, management, employees and representatives of the Company – upholding our KRISTAL Values of Uncompromising Integrity. The objective is to ensure TM

conducts our business in a manner that is efficient, effective and fair. The Code, in fact, goes beyond the relevant laws or Company policies and procedures. TM is motivated to take the highest moral ground in the firm conviction that integrity wins and maintains the confidence of customers, thus allowing us to create more value for the Company.

TM CBE E-LEARNING

To create greater awareness of our Code and to make it easier to access and understand, TM achieved a milestone by becoming the first GLC to introduce the Code to employees via e-learning. This e-learning module was launched on 15 October 2010 by the Deputy President of the Malaysian Institute of Integrity. This e-learning, in English, was targeted to executives including the Top and Senior Managements of TM. This is to be extended to other executives within the Group in the second quarter of 2011. Meanwhile, a Bahasa Malaysia version of the programme for non-executive staff is expected to be launched in the third quarter of 2011.

TM's CBE e-Learning Programme has been designed to further emphasise the correct code of conduct and create awareness of positive workplace values. The e-learning module is both interactive and dynamic featuring, among others, animated content, case studies and games to make it more user-friendly. The modules, produced in collaboration with the Malaysian Institute of Integrity (MII), supports the broader national agenda under the NIP. For TM, it represents an innovative approach in our constant efforts to create greater appreciation and awareness of the content and spirit of the CBE.

AMENDMENT TO THE CODE OF BUSINESS ETHICS

In keeping abreast with the latest developments in business practice and legal requirements, TM amended the Code for the third time in 2010. The latest amendments underline our zero tolerance for corruption, fraud, bribery and anti-competitive practices.

TM's managers are expected to lead according to our standards of ethical conduct, in both words and action. They are also expected to look out for indications of unethical or illegal behaviour and report such incidents to the "Talian Etika". It is, moreover, the responsibility of managers to protect anyone who reports cases of misdemeanour in good faith. Accordingly, the Code has clear provisions for the protection of whistleblowers. The protection of company personnel who report breaches of law involving fraud and dishonesty is in line with the Companies Act 1965, the new Whistleblower Protection Act 2010, the Evidence Act 1950, and the Malaysian Anti-Corruption Commission Act 2009. It is further the duty of managers to report any serious offence involving fraud or dishonesty to the Board of Directors, as required under the Companies Act 1965.

The third edition of the Code reminds employees that violation of the law, the Code or other Company policies can result in disciplinary action. It also stresses the prohibition of soliciting or accepting any form of gifts from third parties. In addition, new employees are required to complete their Declaration of Assets within one month from the date of their employment.

With respect to the Settlement entered into between Alcatel-Lucent (ALU) with the U.S. Securities and Exchange Commission and the Department of Justice made public in the United States of America on 27 December 2010, alleging improper payments to TM's employees, TM views such allegations very seriously. In relation thereto, TM has formed a Board Sub-Committee of the Board Audit Committee to conduct an independent internal investigation into the alleged improper payments to safeguard the integrity of our procurement process and the Code. TM has a zero tolerance policy towards such improprieties and will take appropriate action in the event that any of our employees were indeed involved. In line with good corporate governance practices, TM has also appointed external forensic accountants and legal advisor to assist in the internal investigation.

CERTIFIED INTEGRITY OFFICERS' PROGRAMME

As part of our commitment to maintaining the highest standards in our Code, TM sent two officers to attend a six-month Certified Integrity Officers' Programme at the Malaysian Anti-Corruption Academy. This programme was the first of its kind to be introduced by the Government through the Malaysian Anti-Corruption Commission, in line with the national agenda for companies to have recognised integrity officers to plan, implement and monitor integrity programmes.

PROCUREMENT ETHICS

TM recognises the importance of ensuring the highest standards of corporate governance with the objective of building and maintaining public trust, aiming to promote greater transparency and accountability throughout the Company. One of the key areas that TM has given major focus is towards its procurement process.

In accordance with the Procurement Red Book, "grey areas" in the procurement process must be minimised by adopting a clear disclosure policy and cultivate an ethical working environment that will reduce graft, enable products to be purchased at competitive market prices and ultimately improve profitability.

The Procurement Ethics Rules and Regulations was introduced in June 2006 to support the Procurement Red Book and complement TM's Code of Business Ethics.

In ensuring that TM employees duly understand key elements of the Procurement Ethics, a module under the TM CBE e-Learning was developed to emphasise provisions relating to ethical conduct in dealing with TM suppliers and business partners. The module provides guidelines on TM employees' conduct in procurement activities when dealing with TM suppliers and vice versa. Examples of case studies on possible conflict of interest scenarios in a procurement process are provided for clarity and understanding.

In TM, our stakeholders and employees are encouraged to conduct business dealings with companies and organisations that uphold the principles of good governance. To ensure that TM suppliers are equally addressed on the principles of ethical conduct in procurement activities, awareness programmes for suppliers are held on a regional basis as well as through video conferencing at TM Live Video Conference Centres located in every state.

The key objective is to create awareness and understanding among suppliers that any company desiring to participate in our procurement process needs to uphold the basic principles of trust, honesty, fair and transparent behaviour in their business dealings. It is important that TM clarify and institutionalise:

1. Acceptable business behaviours;
2. The available channels to communicate or report unethical behaviour; and
3. The implications of non-compliance to ethical procurement conduct.

The ALU incident reveals the vulnerability of TM's processes despite its zero tolerance on corruption. Unscrupulous vendors or suppliers will still attempt to obtain unfair advantage over rival bidders by dishonest means via employees who fail to observe basic ethical precepts and code of conduct.

Notwithstanding the same, TM shall strive to focus and uphold the three key tenets of ethical conduct:

1. Zero tolerance on corruption;
2. No or transparent conflict of interest; and
3. Honest representation of capabilities.

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perspective



chairman's statement

Datuk Dr Halim Shafie



Dear Shareholders,

It gives me great pleasure to present TM's results for the financial year 2010, which have proven to be exceptional on several counts. In this milestone year during which we launched UniFi, TM has achieved all three of our headline key performance indicators (KPIs). It is as strong a proof as any that the strategic decisions we have made in our transformation to a next-generation telco have been judicious, not just for the Company but also for the nation.

TM's revenue increased 2.1% from RM8,608.0 million in 2009 to RM8,791.0 million in 2010, leading to a strong normalised earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 33.1%. Meanwhile our profit after tax and minority interests (PATAMI) doubled from RM643.0 million to RM1,206.5 million. These figures speak volumes for a company operating within an intensely competitive and fast-changing domain. Notwithstanding government stimulus packages and programmes to increase broadband uptake, I believe our performance points to TM having 'got it right' in several crucial ways. We have the right people, the right processes and, perhaps most importantly, the right principles guiding our every step and strategy.

One principle that we hold on to steadfastly is our commitment to you, our shareholders. Since our demerger with Axiata in 2008, we have committed to paying out either RM700 million or 90% of our normalised PATAMI, whichever is higher, in the form of dividends. Not only have we kept to this

promise, but in the process we have earned the distinction of being one of the highest performing companies in terms of total shareholder return. Our returns stand at 17% above the median of 12.1%, ranking TM second among Asia's top 30 operators in the last three years. This year, I am pleased to announce, we have been able to meet our dividend target yet again.

Another commitment that has shaped our evolution over the years has been to support the Government in its endeavours to develop the nation. Since our establishment in 1946, we have been instrumental in supplying the country's telecommunications needs. Today, we are continuing to partner with the Government as it propels the nation into the next economic development phase by ensuring the necessary ICT infrastructure is in place. 2010 was a historic year for TM, and the nation, because it was the year in which we rolled out our high speed broadband (HSBB). This marks the beginning of a new era in which society at large will be able to connect, collaborate and communicate

in ways they have never been able to do before.

The HSBB project that we launched into upon signing a public-private partnership agreement with the Government in 2008 is one of the most ambitious in the world in terms of its scope and time frame. Yet, I'm proud to say that to date we have met all our targets well ahead of schedule. In so doing, we are fuelling the Government's Economic Transformation Programme (ETP) aimed at progressing the nation to achieve high-income status. The Government has mapped out 12 National Key Economic Areas (NKEAs) that will contribute towards more than doubling Malaysia's per capita income from US\$6,700 to at least US\$15,000 by 2020. Needless to say, all these NKEAs stand to benefit from the broader bandwidth, faster connectivity and the multitude of managed services that HSBB makes possible.

But TM is doing much more than lay the foundation for the nation's economic transformation; we are also proactively involved in various entry point projects. TM is

nurturing a vibrant Communications Content and Infrastructure (CCI) ecosystem by offering open access to our HSBB service thus encouraging local companies to focus on value-add, creative content. With HSBB, further, Malaysia will have the technological clout to position itself as a world-class data centre hub, positively impacting the development of the Business Services NKEA. More generally, businesses will have access to smart networks on which they will be able to conduct a multitude of transactions.

We believe we are well-positioned to be the Government's preferred partner in delivering the ETP, given our unrivalled local and international reach, as well as our proven resources and expertise. We already have an impressive track record as the Government's ICT service provider, having developed the e-Government portal on which the *rakyat* are able to access information and complete various procedures. We have also developed several e-learning solutions which are benefitting students at smart schools around the country,



and are developing e-Healthcare initiatives to enable Malaysians to better manage their well-being.

The beneficiaries of all these multimedia offerings, of course, are the people; and Malaysians are very receptive to broadband services and applications. The Government's target of 50% broadband penetration by end December 2010 was surpassed when the national penetration rate hit 55%. TM's significant contribution comes in the form of Streamyx as well as UniFi. In fact, UniFi's take-up of 33,000 subscribers is better than we had expected. It exceeds global benchmarks of similar country roll-outs, and leads us to anticipate subscription to more than triple in the coming year.

TM'S OWN TRANSFORMATION

Central to the many changes TM is bringing about in the country's ICT-landscape is a transformation that is just as great, though not as visible to the outsider. The Company itself is evolving, thanks to a Performance Improvement Programme (PIP 2.0) that is simplifying our operations, making them more effective and efficient.

One critical goal is to provide the customer with impeccable service. In 2010, we

channelled 5.1% of our revenue towards programmes to enhance our overall customer experience. Particular focus was placed on the smooth delivery of UniFi. Towards this end, TM UniFi Call Centres were set up with dedicated lines for sales and after-sales services. Installation teams were closely monitored to ensure appointments were met and that installations were completed on time. Not neglecting our voice customers, in 2010 we reduced the mean time to install fixed lines from 9.2 days to 5.9 days, marking a significant 35% improvement, while the mean time to restore faulty lines was halved from 50 to 26 hours. In 2011, we are targeting to achieve three days for installation and 24 hours for the restoration of services.

At the same time, we have been pushing the envelope of innovation, especially to improve the range and richness of our products. With UniFi, for example, we are offering – for the first time in Malaysia – an attractive triple play of video, internet and phone (VIP). In addition, we are giving the customer greater choice – of what bandwidth they require (either 5 Mbps, 10 Mbps or 20 Mbps) and which TV or video content they would like.

Underlining our enhanced service delivery was a programme developed by IT and Network Technology (IT&NT) called Towards Operational Perfection (TOP), which has improved the systems that support customer service. That the IT&NT team has developed TOP is itself reflective of another objective of our transformation journey, namely to empower our people and motivate them to take greater ownership of the tasks entrusted to them. We have nurtured a culture of continuous training and development of our employees, and are proud of having invested no less than RM66 million to ensure our people are technically up to scratch with the cutting-edge technologies that encompass HSBB. To further drive a performance culture, we have instituted performance-based bonuses and rewards in our remuneration scheme. Talents are identified and their careers fast-tracked to enable them to acquire new skills and, most importantly, put these into action.

We also positively encourage a spirit of innovation, particularly among our Research and Development (R&D) team which develops products, systems and processes that support TM's transformation journey. This includes collapsing 700 processes to ultimately 70, something that

has never been attempted by any other telco in the world. Yet we have full confidence in our talented research staff, who receive a very healthy training budget and who are bolstered by a brain gain programme.

TM recognises that our people play a critical role in realising our vision and goals. We also recognise that people deliver their best when they take pride in what they do, and feel a sense of belonging to the organisation. To create this *esprit de corps*, we launched a new programme called Teaming With Passion (TWP), which brought our employees together in spirit and reinforced the one-company, or 1TM, mindset. Following the TWP sessions, we noted a higher level of motivation among staff and a more vibrant atmosphere in general. We feel indebted, too, to the three unions that represent our employees which have given their full support to our transformation, allowing us to meet our challenges.

CORPORATE RESPONSIBILITY

TM prides itself with a deep sense of duty to the nation, our stakeholders and especially to our customers and employees, thus corporate responsibility (CR) is ingrained in the very essence of our organisation. We are guided by



the Malaysian Code on Corporate Governance and, as a government-linked company (GLC), abide by the Silver Book produced by the Putrajaya Committee on GLC High Performance. As a responsible corporate citizen committed to good governance and transparency, TM continues its pledge to ensure the integrity of our processes, people and reputation. Corporate governance in TM is steered by our Board of Directors, and is further supported by our Code of Business Ethics as well as our KRISTAL Values which emphasise 'uncompromising integrity' in all TM's dealings with our various stakeholders.

In keeping with industry best practices, we have formulated a CR Strategy which reinforces responsible behaviour in the four main domains of the marketplace, the community, workplace and the environment. Together these ensure the well-being of our stakeholders while also safeguarding the sustainability of the environment.

Personally, I take great pride in TM's track record of empowering the nation through education. Yayasan TM (YTM), set up in 1994, has for the last 16 years been providing scholarships to deserving Malaysians to study both locally and at some of the best universities abroad.

To date, it has disbursed a total of RM408.0 million to support 12,345 Malaysian youth seeking to pursue their academic dreams. It also gives me great satisfaction to see TM provide connectivity in rural and remote areas. Where the infrastructure is lacking, we have installed fixed wireless services, supplementing these with our mobile TMpoint on Wheels. We are also providing broadband facilities to 10,000 schools nationwide, and support the Government in its Broadband-PC programme for university students as well as low-income families. In addition, we offer rural communities access to broadband at 168 Community Broadband Centres as well as 99 Community Broadband Libraries. These initiatives have resulted in our having the widest reach; indeed, TM is the telco for the people.

PROSPECTS

While 2010 has been an exceptional year for TM, we are certainly not resting on our laurels. We realise that competition in the industry will only intensify with more aggressive strategies from mobile operators. Already, the number of mobile broadband subscribers has overtaken that of fixed broadband. Yet, there are many avenues for continued growth of TM. In broadband, there is

tremendous potential to take our Streamyx service further and wider afield to reach our target of 75% household penetration by year 2015. We are also focusing on increasing the availability of Streamyx for those on the go. In 2010, we launched 10,982 Streamyx hotspots nationwide and plan to increase this number to 28,000 by end 2011.

We will continue to work hand-in-hand with the Government to further accelerate the take-up of broadband services in general. We believe broadband is both an enabler and equaliser, capable of creating greater and more equitable economic growth. At the same time, we will add to our UniFi service offerings to make it even more irresistible to urban Malaysians. From the take-up already achieved, I envisage TM exceeding our targets for the coming year.

TM is also confident of an increase in demand for broadband from the ETP, particularly from the CCI sector as well as SMEs and the business sector in general. The nascent e-Government initiative is a further potential source of growth.

ACKNOWLEDGEMENTS

I would like to take this opportunity to record my sincere appreciation to all our

stakeholders who have continued to believe in and support TM – our shareholders, customers, business partners, the media and regulators. I'd like to single out our employees in particular for rising to the occasion and proving their abilities with the impressive roll-out and implementation of HSBB and UniFi. I am aware of the long hours they have put in and would like to recognise their hard work and unflagging efforts. A heartfelt thank you goes to every member of the TM family, from our senior management to the most junior of our staff.

I would also like to extend a special note of appreciation to the Government for entrusting TM with the ambitious HSBB project. I look forward to greater collaboration with the Government on the ETP and anticipate a bright future in which TM will continue to 'open up possibilities' for the nation. 1TM for 1Malaysia.

Datuk Dr Halim Shafie
Chairman



group chief executive officer's statement

Dato' Sri Zamzamzairani Mohd Isa



The year 2010 was nothing short of historic for TM. As we surged ahead in our transformation into a new generation communications provider, we established ourselves as an enabler for Malaysian consumers, businesses and the Malaysian Government to achieve their visions of a better nation. Most notably, we rolled out the first high speed broadband (HSBB) service in the country, which we took to market in an entirely novel triple play bundle of video, internet and phone (VIP). We also achieved a significant operational milestone by meeting all three of our headline key performance indicators (KPIs).

We went live with UniFi, our brand for HSBB, in four exchange areas in March 2010, and by end December had rolled out the service in 48 exchange areas, providing access to 760,000 premises, surpassing the target of 750,000, and recording over 33,000 subscribers. What has been truly outstanding is the speed with which we have moved since signing our private-public partnership with the Government on 16 September 2008. Our roll-out of HSBB Wholesale Transmission Service within seven months, and commercial retail launch of the service within 18 months, was one of the fastest globally. HyppTV, developed in just six months, represents another record achievement, and is today keeping subscribers well entertained with no less than 37 live channels, six interactive channels and a wide range of video on demand (VoD). Equally impressive is the quality of service delivered. These factors together have led to a very encouraging take-up rate of this high demand service, which in its first year has surpassed global benchmarks. We are excited about making good on our promise to deliver an enhanced and integrated digital lifestyle to Malaysian homes.

With the launch of HSBB and UniFi, we are transforming a

legacy to leave a legacy for future sustainable growth. From a voice exchange, we are evolving into an information exchange supported by a fully IP-based network. This change has begun with the migration of our core network onto the latest IP network infrastructure, providing a future-proof platform for us to deliver a more integrated service proposition. Also on the home front, we are transforming our systems to create an even more customer-centric organisation and to further simplify our product offerings with innovations such as Malaysia's first integrated triple play service. Finally, in line with our new positioning as a new generation communications provider, we are changing the way we communicate with our customers and to the market – to show that we really listen, and that we take action.

This has been a good year, one that proves we have laid a strong foundation for a sustainable and bright future.

FINANCIAL PERFORMANCE

TM delivered a commendable performance despite the challenging economic environment and intense competition last year. For the financial year ended 31 December 2010, we registered a Profit After Tax And Minority

Interest (PATAMI) of RM1,206.5 million, marking a healthy increase of 87.6% from RM643.0 million recorded in 2009. This was achieved on the back of overall improvement in revenue along with tight cost management, gains from the disposal of non-core investments and unrealised foreign exchange gains on the translation of foreign currency borrowings.

Notably, TM also achieved all three of our Headline Key Performance Indicators (KPIs) for 2010 with revenue growth of 2.1%, a normalised Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin of 33.1%, and a customer experience spend of 5.1% of our revenue. These, in turn, have contributed to our retaining a strong market position.

Performance was boosted by growth in data revenue by 15.4% to RM1,754.3 million from RM1,519.4 million the previous year, arising from demand for higher bandwidth services. Leveraging on our strong brand presence and wide distribution network, Internet revenue in FY10 increased by 5.9% from RM1,561.3 million to RM1,652.8 million year on year. The lower percentage growth in revenue as compared to physical was mainly due to the introduction

of NBI-related packages such as low income broadband, Universal Service Provision Broadband PC (USP BBPC) and Cool UNI Pack packages. The total net addition of new broadband customers in FY10 was 249,000 as compared to 151,000 in FY09. Finally, UniFi was also successfully rolled out to 48 exchanges with 33,000 customers, just nine months after its launch.

We are pleased to report that we are very much on track with HSBB. As of end February 2011, we have achieved more than 780,000 premises passed and installed the service for close to 50,000 customers. While we are set to meet the UniFi target of 1.1 million premises passed by end 2011, due attention will be given to ensure the rollout of UniFi is cost-effective while surpassing customers' expectations. UniFi sales are steadily increasing as service installation capabilities are being progressively ramped up. Despite the fierce competition, TM continued to attract new customers and maintained our leadership position in the broadband segment with 1.68 million customers as at end 2010, a growth of 17.5% from 1.43 million customers in 2009. We also increased the number of our hotspots from 2,069 as at end 2009 to 10,982 as at end 2010. We will continue to expand our WiFi areas and expect to reach 28,000 key locations nationwide by end 2011.

We had anticipated pressure on our EBITDA as a result of increased spending related to the aggressive roll-out of UniFi and NBI related activities such as marketing cost, customer premises equipment, network operating cost and human capital cost. These investments are necessary to ensure future growth and profitability of TM and will be compensated for in the next few years. Yet, we managed to achieve a normalised EBITDA margin of 33.1% (or RM2,958.5 million) in 2010, a drop of only 0.9 percentage points from 34.0% (or RM2,967.9 million) in 2009. This strong showing reflects the Group's profitability which in turn has been enhanced by extensive cost saving measures and concerted efforts to enhance our capital management. We have a healthy balance sheet with low debt and high cash position and enjoy a healthy international credit rating of A-.

In line with our continued focus on shareholder returns and capital management, the Company also announced a proposed final gross dividend of 13 sen less 25% tax or approximately RM351.5 million on top of the interim gross dividend of 13 sen less 25% tax amounting to RM348.8 million distributed in September last year. TM announced plans to carry out a capital distribution exercise of approximately RM1,037.4 million whereby our

shareholders will be entitled to receive a cash payment of 29 sen for every TM share held. The total payout of the net final dividend and capital distribution of approximately 38.8 sen or RM1,388.9 million is expected to be made in June 2011.

THE CHANGING FACE OF THE MARKET

Without doubt, telecommunications is one of the most dynamic and exciting industries on the face of the planet today. Its evolution over the last few years has picked up momentum, and has reached such fever pitch, there is neither time nor place for laggards. TM feels energised within this highly charged environment. The Group is itself at an inflection point, poised on the brink of transitioning from our legacy PSTN to an all-IP based network. Once we tip over onto our new platform, there will be no end to the flow of creative content, innovative applications and value-add multimedia services to see to the differentiated needs of the population. The digital age of the future is literally round the corner, and we intend to usher it in.

This exciting new era will bring about many changes, not just to the end user but also among telcos. Significantly, it is characterised by convergence, a blurring of the lines between services that traditionally occupied distinct

domains and which targeted different consumers. I am proud to say that, as the national broadband champion, TM has taken the lead in promoting such convergence by both delivering HSBB and UniFi to our customers and by making available our HSBB network to other service providers. In 2009, we opened our network for point-to-point transmission, following this with last mile access in 2010 and, this year, we will close the loop with network-to-network connectivity. In sharing the HSBB network, we are catalysing change at the ground level which will foment into an explosion of ICT and multimedia offerings, further enriching Malaysians' lifestyle and driving the economy.

TM believes that fixed line and mobile are complementary services which can create great synergies for the benefit of the end user, fueling the growth of a knowledge society critical for achieving the Government's vision of a high-income economy. It has been estimated that every 10% increase in broadband penetration boosts GDP by an average of 1.3%. In this brave new and enriched world, we no longer function as a voice service provider but as an infinitely more complex yet rewarding information exchange.

With UniFi, for example, Malaysian consumers have ready access to more and richer information and



entertainment, and are able to simplify their lives in countless ways. UniFi brings to life the promise of e-learning, e-healthcare and e-Government while enabling a host of daily activities such as banking, shopping and paying bills, all from an online vantage point. Businesses get to position themselves in the global marketplace and immediately expand the reach of their products and services, while being able to network and communicate more effectively with branch offices that are geographically dispersed. Through UniFi, they are also able to connect to 'cloud' services, thus increase their productivity and efficiency.

While UniFi is a national first, and is creating unprecedented change, we realise we cannot let up on the pace of innovation. We intend to fortify this service with increasingly more attractive triple, and even multiple play packages, with new content and applications. At the same time, we will continue to grow Streamyx, which marked our entry into broadband and has become so entrenched into the Malaysian cyberscape, it accounts for 50% of total Malaysian household broadband penetration, which in turn stood at 55% at the end of 2010. There is clearly still much room for expansion and we feel confident of being able to fill in huge sections of the gaping un-served market with our pioneering broadband

service. We have already taken Streamyx from the home and office into open spaces by creating 10,982 hotspots in shopping malls, F&B outlets and other public areas where subscribers are able to access the internet. While further expanding on the hotspot network, we are also catering to the customer on the move, and have formed strategic partnerships to provide hotspots at some 2,000 payphones across the country.

With expansion plans for both Streamyx and UniFi, we have every confidence of maintaining our leadership in broadband and are undaunted by the competition from mobile players. Fixed broadband will always have an edge in terms of clarity and consistency because of limitations in mobile spectrum and their power to transmit. At the same time, we would like to be able to offer our customers greater flexibility and a fuller range of services to suit their every requirement. Hence, TM is on the lookout for a suitable entry point to take us into wireless play, be it via WiFi, CDMA or any other technology that emerges, including LTE. We are also open to collaborating with mobile players to share in their network, as they are with ours.

While UniFi and broadband grabbed the spotlight in 2010, Data services actually outpaced growth of internet in

2010 and, for the first time, made a larger contribution to TM's overall revenue than internet. In 2010, we focused on strengthening our regional network and achieved a first with TM's partnership with NTT Communications Corporation to develop our own private cable, Cahaya Malaysia. This forms part of the Asia Submarine cable Express (ASE) and will link Malaysia with Hong Kong and Japan. We also invested in the new Batam-Dumai-Melaka Cable System, connecting the country with Indonesia. In efforts to fulfill the growing capacity needs of customers, TM also collaborated with Hong Kong based PCCW Global to open a new Point-of-Presence (PoP) at our data centre in Kuala Lumpur, which will provide enterprise and corporate customers with flexible, scalable and future-proof global networking solutions.

Because of our heavy investment in domestic, regional and international



networks, as well as expertise gained over the years, we stand in a unique position of being able to offer attractive wholesale propositions to service providers. Indeed, we are proud of being able to catalyse exponential growth of this nascent ICT industry, to the ultimate benefit of the people and country.

A COOL TRANSFORMATION

The improvements in our product portfolio and service delivery are rooted in changes taking place internally at TM. The Group is undergoing a holistic transformation of people and processes to support our vision of serving as a leading information conduit, not just within the country and region, but at a global level. This transformation is focused on four main areas as encapsulated in the apt programme acronym, COOL. These four areas are: Customer Centricity and Quality Improvements; Operational Excellence and Capital Productivity; One-Company Mindset With Execution Orientation; and Leadership Through Commercial Excellence, and Innovation.

TM has always been a customer-centric organisation, and recognises that excellence in customer service is not

static but has to be worked at continually. In 2009, we had restructured the Group's business model to be aligned with our major customer segments of Consumers, SMEs, Enterprise, Government, Wholesale and Global. Last year, we added a new segment – New Media – reflecting the niche market we are developing; and completed our line-up of young and dynamic executives to head these Lines of Business (LOBs). The idea, subsequently validated, was that this new structure would enable us to cater more specifically to the differentiated needs of our customer segments.

Within the segments, priority is given to personalised and professional service. For example, we have dedicated customer service representatives to cater to UniFi customers; at TMpoints, we have separate counters just for SMEs. We have goals in terms of keeping to appointments, prompt delivery of service and dealing with complaints, supported by continuous improvements in our networks and systems. Most recently, our IT and Network Technology division devised an incredibly effective Towards Operational Perfection, or TOP, programme. And I'm proud to say that we have achieved results. We have significantly improved the time taken to install new lines or networks, and to repair breakdowns. This is reflected in the TRI*M

index which measures overall customer satisfaction. For Streamyx, for example, our TRI*M index improved by an impressive 4.8 points in September 2010 from the previous year.

To keep our customer experience at a high level, we have in place various customer-centric initiatives such as Keeping Customers Informed, First Call Resolution, Call Centre Rationalisation and self-service interactive voice response (IVR), which are integrated under a 360 degree customer relationship management system, iCARE Prime. Our commitment to continuous customer service enhancement is reflected in our 2010 spend of 5.1% of our revenue towards further improving our customer service.

The second thrust of COOL focuses on managing our capital by keeping our operations lean and cost-effective. Our migration to the IP platform is a positive step in this direction; the delivery of integrated services to homes via a single optic fibre necessarily reduces our network procurement, operations and maintenance costs. At the same time, we have embarked on an ambitious initiative to simplify our processes and have mapped out a plan to collapse the 700 systems we currently employ to 300 and, by year 2015, to only 70. This has never been done by any other

telecommunications company, and all eyes are glued on us as we manage this exercise. Once completed, this systemic overhaul will bring us long-term savings from working capital efficiency. We have also managed to reduce costs from switching to online billing, end-to-end customer premise equipment (CPE) management, energy-saving initiatives and stringent administrative control.

More than keeping costs down, we are ensuring a steady stream of credit by better managing our collections, and by really sweating our assets. We continue to dispose of unutilised property, and are optimising on the space we have in Menara TM, making available more office area that can be tenanted. In July 2010, we set up a new Enterprise Business Management division to look into ways to further improve our end-to-end processes to meet the needs of the industry.

Much of our transformation rests on one key asset – our people. Today, as we transform into a new generation communications provider, we are ensuring our employees are up to mark with the new technologies involved. No effort is spared to provide them with the requisite training, not just on hard skills that equip them with practical knowledge and technical know-how but also on the softer skills that allow them to collaborate and

communicate more effectively among each other and with our business associates as well as customers. We have a leadership development programme that complements our succession planning, and a fast track programme for talented individuals who are identified from the early stages of their careers at TM. Recognising the need for employees to have the option of learning at their own time and pace, we are developing more online learning modules, which are proving to be popular.

At our current juncture, it is imperative that our employees look at innovative ways of meeting our internal and external needs and expectations. The TOP programme, mentioned earlier, is a fine example of this. The programme does away with excess so we achieve more with less. It is extremely heartening to see not only our employees come up with an innovative concept such as TOP, but also implement it successfully and obtain positive results. At TM, we encourage such innovation and teamwork via our rewards structure which is based on individual and group performance. We further encourage teamwork, which we believe is crucial to the sustainability of our business, via a newly-introduced Teaming With Passion programme. As its name implies, the programme instils a stronger sense of

camaraderie among the TM family, and has resulted in a revitalised, more cohesive workforce driven by a desire to connect and collaborate to achieve the Group's vision.

Finally, the fourth thrust of COOL is to further grow our revenue by maintaining our leadership within the intensely competitive landscape. We are fully cognisant of the need to be dynamic and innovative in order to retain our existing customers and to entice new subscriptions. Our R&D team based in Cyberjaya, together with our product development teams, is working full steam on a series of products that will appeal to changing lifestyle needs. Already, we have some attractive IPTV content in the pipeline which we believe will further drive the take-up of UniFi. Other than products, we also believe in offering our customers value packages such as our triple play and blockbuster deals which we will continue to further enhance. Meanwhile, our investment in a predictive churn model has led to customer relationship management acting proactively to prevent churn by targeting customers with irresistible offers.

CORPORATE RESPONSIBILITY

While for many companies the concept of corporate responsibility is relatively new, for us at TM it is deeply ingrained into the very fabric

of our being. In dealing with all our stakeholders, TM holds corporate governance, transparency and integrity in the highest regard. TM was set up explicitly to provide telecommunications services for the people of Malaysia. In so doing, we have played an integral role in national development and are thereby duty bound towards its future sustainability. We will continue in this vein; today we are central to the Government achieving its vision of elevating the nation into a high-income economy.

In keeping with current best practice, we have formulated a corporate responsibility strategy that covers the four main pillars of the marketplace, workplace, community and environment. We are, in fact, pioneers in terms of CR in the first three of these segments. Our environmental initiatives, however, are comparatively new and have been inspired by growing realisation of the urgent need for all corporations to play our part in reducing our carbon footprint in order to sustain the world as we know it.

In recent years, we have intensified our efforts to preserve and protect the environment. I'm pleased to report that the new fibre optics network that will replace our legacy copper represents a very 'green' technology. It is estimated that it takes twice the amount of

energy to operate a copper network than a fibre optics HSBB network, based on a design comprising 20% fibre to the home (FTTH) and 80% fibre to the building (FTTB).

Within TM, we have implemented various measures to inculcate a green culture. We began with a 3R campaign to reduce, reuse and recycle waste to get our employees into the groove of thinking green. We then launched into greater energy savings by switching to energy efficient equipment and employing energy saving systems such as retrofit chillers that reduce the airconditioning load. To further reduce our energy consumption, we began to switch off lights and airconditioners during the lunch hour and after office hours. These efforts have been complemented by a BumiKu (My Earth) programme that engages staff more extensively in a green lifestyle. We planted an 'Idea Tree' in the lobby of Menara TM where environment-friendly suggestions generated by staff are hung. Those that are feasible are subsequently put into action.

Having begun our own green revolution in earnest, we then focused on 'green-washing' our neighbourhood. TM roped in Unilever Sdn Bhd and the University of Malaya to collaborate on an environment project involving the Kondo Rakyat Pantai Dalam

community. We also embarked on a project with the Malaysian Nature Society (MNS) to run nature camps for school children around the country.

Our efforts to preserve the environment won us an Honourable Mention in the Anugerah CSR Perdana Menteri 2010. Our more established responsible workplace practices, meanwhile, have become a benchmark for other corporations in the country. We won the Anugerah CSR Perdana Menteri for Best Workplace Practices two years consecutively, in 2009 and 2010. TM is also consistently recognised for our high standards in Corporate Governance. The crowning achievement was being awarded the Platinum Award for CSR reporting at the National Annual Corporate Report Awards (NACRA) 2010 just recently.

OUTLOOK FOR 2011

I have no doubt that the telecommunications environment will continue to get even more competitive and challenging. However, I believe TM's ongoing transformation journey will stand us in good stead and allow us to maintain the momentum of growth that we have already established. Certainly, we will not let up on the pace of HSBB expansion and have every reason to

believe we will be able to cover sufficient ground in 2011 to meet our target of 1.1 million premises passed in 78 areas by end 2011, and 1.3 million premises passed in 95 areas by end 2012.

The Malaysian economy in general is expected to grow at a slightly more moderate pace than in 2010, with MIER projecting GDP growth of 6.5% in 2011. The telecommunications market, meanwhile, is expected to grow at a CAGR of 5.6% from 2010 to 2015 according to IDC, with internet CAGR and data CAGR projected at 14.7% and 8.6% respectively. These figures in themselves bode well for TM, but I am even more upbeat of the coming year given the Government's unrelenting efforts to push the Economic Transformation Programme (ETP). This has been moving forward with great speed ever since it was announced in September 2010. Practically every one of the Entry Point Projects (EPPs) envisaged in the ETP will require efficient communications services, which will necessarily create greater demand for our services.

TM is well positioned to enable the Government to achieve its EPP objectives under the ETP by leveraging on our extensive network infrastructure and collective expertise and opening up possibilities for Malaysians through connection,

communication and collaboration. Against this promising backdrop, TM is set to take its stage of growth to the next level despite a fierce competitive environment.

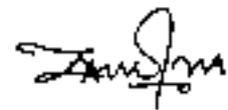
We expect no less than a tripling in number of UniFi customers in 2011, from 33,000 as at end 2010, as customers and businesses experience the benefits HSBB brings. To further fuel this organic demand, we will naturally expand on the range of content and applications that feed the lifestyle and business needs of Malaysians. Not only are we designing more products to whet the nation's appetite for ICT, but we are also in dialogue with small local content providers to better understand their requirements so as to develop a content eco-system that will assist them to bring to market ever more attractive and relevant applications. Indeed, we are making it known that our doors are open to content providers to come and talk to us about collaboration on the HSBB service.

ACKNOWLEDGEMENTS

The year 2010 has been challenging but certainly rewarding, and will go down in the annals of TM as the year of HSBB. Ever since embarking on this project with the Government in 2008, we have been promising a new, enriched world of multimedia and ICT, and we made good

all our promises in the year that has been. For this, I have each and every staff at TM to thank. They were given a tall order, but they saw to it that we delivered. I would like to take this opportunity to convey my deepest gratitude to the entire TM family for its dedication and commitment to the Company.

My sincere appreciation also goes to the various stakeholders who have stood by TM over the years and given us their unstinting support. These include our biggest partner, the Government of Malaysia; the regulators, for maintaining a healthy and fair playing field in the industry; our wide range of vendors, associates and suppliers, who have shown the utmost diligence and patience in their dealings with us; and of course our most valued stakeholder – our customers – who have remained loyal in the face of stiff competition, spurring us on to innovate and rejuvenate. Finally, a word of thanks to our shareholders, to whom we are indebted and who inspire us to reach for greater heights. Because of you, we will continue to be Malaysia's preferred provider to connect, communicate and collaborate.



Dato' Sri Zamzamzairani Mohd Isa

Group Chief Executive Officer

CHAPTER



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connect
communicate
collaborate

retail business

CONSUMER

OVERVIEW

Retail Business at TM comprises sales to end users namely consumers, businesses – which we categorise as SMEs and Enterprises – as well as the Government. Each segment has dedicated teams looking into the needs of its customers and work conscientiously to introduce innovative products to meet these. To further grow the Retail Business, TM focuses on quality service, quality products and operational efficiency.

Consumer is strengthening its marketing mix to better its performance in a market space that has become increasingly challenging for both voice and broadband. The immediate focus is to defend TM's customer base with better service offerings. In particular, effort is being made to design and aggressively promote double play flat-tariff offers with voice pricing schemes that match those for mobile-to-mobile.

In the middle term, Consumer seeks to redefine its product portfolio around simple bundles and some a-la-carte value-add services (VAS) while abiding by the principle of selling access, not simply voice or broadband.

Facts at a Glance

1.5%

increase in net sales

19.3%

increase in total number of broadband subscribers

To achieve its goals, Consumer seeks to restore a level playing field that will allow TM to compete on equal terms with mobile operators. This would require a revisit of all interconnection charges for services such as off-net on-net, fixed-mobile and IDD wholesale-retail. At the same time, Consumer is pushing sales of higher-speed packages.

FINANCIAL PERFORMANCE

In the financial year ended 31 December 2010, Consumer recorded net sales of RM2,219.8 million, an improvement of 1.5% over its 2009 performance. The increase in revenue of 1.5% was achieved mainly due to strong growth in broadband as well as mitigated decline in voice. Despite the challenging environment, the total number of broadband subscribers grew to 19.3%, equivalent of 1.4 million customers by end 2010. UniFi was taken up by 29,000 customers by year end, contributing RM15.1 million in revenue. Moving forward, internet will continue to drive Consumer's growth.

KEY INITIATIVES

A number of campaigns were rolled out to drive the internet and voice business.

Streamyx-Netbook Combos

TM launched two Streamyx-netbook packages in 2010 to support the Government's National Broadband Initiative (NBI). On 30 January, TM introduced Streamyx Cool UNI Pack for first and second-year university students, which includes broadband internet access and a free netbook for just RM50 a month for a period of 24 months. The price was later revised to RM38 a month. It is available to students from families that earn less than RM3,000 a month.

On 28 May, Consumer launched the same deal for lower-income households. The Low-Income BBPC (Komputer 1Malaysia) targets rural families earning less than RM3,000 a month and urban families earning less than RM5,000 a month. Like the student deal, the netbook and Streamyx access costs only RM38 per month and is valid for 24 months.



Blockbuster Deals

March 2010 saw the roll-out of Streamyx Blockbuster Deals offering broadband service with built-in voice call plans for speeds of 512 kbps to 4 Mbps. These included a WiFi modem and free digital enhanced cordless telecommunications (DECT) phone. The plans boast free fixed-to-fixed calls nationwide, and cheaper fixed-to-mobile rates. TM also introduced its latest Voice Deal Package, which offers TM Homeline subscribers zero TM Homeline rental, free calls to TM fixed lines, free minutes for calls to mobile numbers (depending on the package), as well as low call rates to mobiles and other fixed line networks.

Mbps connection in addition to the data speeds subscribed to by the customer. With IPTV, customers enjoy 22 linear channels, Video-On-Demand (VOD) and interactive services such as games and tourism information.

PROSPECTS

The Consumer's voice and broadband marketplace will continue to be competitive, but Consumer is confident of maintaining a leading edge with its range of products and services, which have been aligned to a new business direction.

HSBB

TM launched its HSBB brand, UniFi, on 24 March 2010 with attractive triple-play packages of video (IPTV), high-speed internet and phone, offering speeds of 5 Mbps, 10 Mbps and 20 Mbps. The IPTV service is delivered via an exclusive 8





SMALL AND MEDIUM ENTERPRISE

Facts at a Glance

113.1 %

increase in Revenue from recoverable work orders (RWO), maintenance and smart partnership solutions for property development

10 TMpoint outlets with SME Corners to provide personalised consultation for walk-in customers



Launch of Office in A Box on 6 March 2010 at Sunway Pyramid.

OVERVIEW

In 2010, TM's Small Medium Enterprise (SME) segment continued to strengthen its leading edge by providing Next Generation Network services to boost SMEs. TM SME aspires to be the preferred communications partner for SMEs in Malaysia and a key pillar of growth for TM. Our solutions enable SMEs to move up the value chain with the right combination of voice, business broadband, data and value-added services (VAS).

FINANCIAL PERFORMANCE

TM SME recorded net sales of RM1,772.2 million, marking an improvement of 1.7% over its 2009 performance. The increase in revenue was largely driven by internet and multimedia, data and other value-added telecommunications related services.

Voice remain the key revenue generator in 2010, contributing 66.6% of total revenue. This, however, was 3.3% less than its revenue contribution in 2009 due to continuing migration to mobile and internet-based communications.

In line with industry trends reflecting customer preference for internet and multimedia services, revenue from this segment posted a strong year-on-year growth of 7.7% contributing to 29.2% of the total operating revenue as compared to 27.5% in 2009.

Revenue from data services, comprising mainly leased and Private Network services, increased by 50.3% from RM28.8 million in 2009. Data contributed 2.4% of TM SME's operating revenue as compared to 1.7% in the preceding financial year.

Revenue from other value-added telecommunications related services, including recoverable work orders (RWO), maintenance and

Smart partnership solutions for property development, increased by 113.1% to RM30.9 million from RM14.5 million in 2009. This sector contributed to 1.7% of TM SME's total operating revenue, up from 0.8% in 2009.

KEY INITIATIVES

Key priorities in 2010 were to drive sustainable growth, defend the baseline and grow TM SME's share of the wallet by improving its value proposition and Go-To-Market (GTM) channels to reach SMEs. Product portfolio rationalisation was achieved via segment-based bundling which included offering cost effective VAS that would enable businesses to operate more efficiently and reach more customers. TM SME also realigned its GTM model and strengthened key channels to improve the customer experience. To manage churn, TM SME proactively monitors high-risk customers and launched several customer experience improvement initiatives. Meanwhile, a number of strategic partnerships were sealed with key property developers to equip new developments with state-of-the-art telecommunications infrastructure and services.

OPERATIONS

In 2010, TM SME focused on specific segments of the wide-ranging SME market to provide a comprehensive yet affordable suite of solutions for their needs. Customers were identified based on their business profile and telecommunications needs. TM SME also expanded and strengthened its GTM channels to reach more customers. Key channels included direct sales, resellers, telemarketing, online and TMpoint outlets with SME Corners and consultants.

Internet/Business Broadband Services

Office in a Box™ (OIAB) is a complete and simple communications solution designed to provide operational affordability to SOHOs and SMEs as well as convenience to start-up businesses. Launched on 6 March 2010, OIAB offers exceptional value with attractive call rates and unlimited access to business broadband. This package consists of voice, broadband, email domain and value add-ons, all in a box. Enhanced OIAB Plus was launched on 26 April 2010. In collaboration with Manchester United (MU), TM SME came up with a Limited Edition OIAB featuring a visual of MU on the box, along with the chance for OIAB and OIAB Plus subscribers to win a Matchday Ticket to Old Trafford. Another 'hero product' in 2010 was business-grade UniFi which



Shanti Jusnita Johari, Executive Vice President of TM SME, explaining the smart partnership model to YAB Dato' Haji Abdul Ghani Othman, Chief Minister of Johor.

enables SMEs to maximise the use of Next-Generation online applications and services at affordable price points.

Voice Services

Simple Voice call plans were introduced on 1 March 2010, offering free monthly rental for business lines, low commitment fee with free minutes for local calls and STD, attractive call rates and free cordless telephone sets. This plan also links customers to the Broadband Gateway, further enhancing SMEs' businesses online. In August 2010, TM SME launched Volume Xcess, an attractive call plan with free rental targeted at customers with heavy voice usage. This plan comes with value add-ons such as the Yellow Pages, domain, Toll-Free and IDD.

Data

TM SME offers affordable IP networking solutions such as IPVPN Lite, IPVPN Value and

IPVPN Classic to SME customers. IPVPN is a virtual private connection which acts as a medium to transport packets of data from one location to another. Customers can connect their branches easily using Multi Protocol Label Switching (MPLS) technology. TM IPVPN saves the customer from having to invest in additional equipment. For premium packages, TM SME also provides managed services which include equipment loans (routers).

SALES AND MARKETING

In 2010, TM SME concentrated on meeting the needs of the three sub-segments of SOHO/micro, small and medium enterprises. This segmented approach allows for better reach to serve SMEs in Malaysia. TM SME also intensified its educational initiatives through events such as the quarterly TM SME Biznet seminar, and went one

step further to organise smaller-scale events to better understand the needs of medium business customers. Collaboration with government agencies, corporations and associations to assist Malaysian SMEs also continued. Besides ground events, SME Corners were set up at selected TMpoints in 10 states, offering personalised consultation to walk-in customers seeking information on TM SME products and services. SME customers can also access product information and industry-relevant articles from the online portal, TMSME.biz.

PROSPECTS

TM SME is expected to grow further in 2011, driven by the acquisition of customers through services such as UniFi and the introduction of value-added services. It will seek to strengthen its leading edge in this market segment by offering beyond telecommunications access services such as hosted applications and basic ICT services, and position itself as the preferred partner for SMEs.



ENTERPRISE

Facts at a Glance

RM1,758.9 million

revenue increase of 5.4%

11.6% growth

– Demand for Data & Internet/
Business Broadband services

OVERVIEW

As the business community's requirements for Information and Communications Technology (ICT) grow in complexity, TM continues to move up the value chain to provide cost-effective and innovative solutions, combining value offerings across its Connectivity Services, Managed ICT and Business Process Outsourcing (BPO) Services.

Together with the Group's ICT arm, VADS Berhad and its subsidiaries, TM Enterprise has developed a range of seamless solutions that provide business clients with enabling technologies and processes to further drive their growth. TM Enterprise serves the enterprise market across four vertical industries, namely financial services and insurance, energy and utilities, ICT and retail as well as the broadcast and media industry.

FINANCIAL PERFORMANCE

TM Enterprise posted RM1,758.9 million in revenue, marking an increase of 5.4% from 2009. TM Enterprise leads in Data and Internet



Sharing the latest technology and trends while enhancing rapport with our key customers at the BPO Summit 2010.



TM Board of Directors' visit to VADS Data Centre in Cyberjaya.

services and continues to gain momentum for its ICT and BPO business.

PRODUCTS & SERVICES

VOICE

Retention of revenue and offering competitive call rates remained as key focus areas in voice services. Customised call plans such as Smartcall and Flexi Destina were used to manage voice churn as well as to satisfy customers' need for cost effectiveness.

DATA & INTERNET/BUSINESS BROADBAND

Demand for Data and Internet/Business Broadband services increased across all vertical industries, growing 11.6% from the previous year. It is envisioned that Data and Internet will continue to grow as customers leverage more intensely on connectivity and internet platforms to run their business operations.

ICT SERVICES

VADS continues to enhance and strengthen its Managed ICT Service offerings by bringing together people, processes and technology. By delivering innovative solutions, Managed ICT Services add

value and reduce complexity for organisations, empowering them to be more efficient and productive.

Leveraging on the highly secured, ISO 27001 certified infrastructure of 17 data centres equipped with multi-gigabit connectivity nationwide, combined with carrier neutrality offerings, VADS is confident of accelerated demand for its Managed Data Centre services to support the requirements for managed data services, hosting as well as disaster recovery services.

TM Enterprise places constant emphasis on innovation in its services such as Managed Security Services, Managed Unified Communications, Managed LAN and Managed WAN Accelerator Services. The launch of Managed Visibility Services in April 2010 provides full convergence transparency of bandwidth utilisation, enabling clients to monitor their Wide Area Network and optimise its utilisation.

BPO SERVICES

Business Process Outsourcing (BPO) continued to gain a stronger foothold in both the

domestic and regional markets. Through VADS Business Process Sdn Bhd, there has been marked improvement and innovation in the areas of BPO Customer Care, Receivables Management, Customer Retention, Revenue Generation, Technical Helpdesk Support and Telemarketing. Supporting customers in both the Enterprise and Government segments, BPO offers a suite of services for customer relationship management.

People development continued to be a priority, and several initiatives were undertaken to develop highly competent customer service representatives with the right blend of soft and technical skills to provide better service.

PROSPECTS

In line with the Government's Economic Transformation Plan, TM foresees that demand for Data/Internet Services, Data Centres, ICT and BPO will increase, further boosted by heightened business confidence. Hence, it is expected that TM Enterprise will continue to grow in 2011.



GOVERNMENT



Serendah Community Broadband Centre launch.



"Ops Sikap" road safety campaign flag off.

Facts at a Glance

ISO certified

GITN – ISO 27001:2005 Information Security Management System (ISMS)
and ISO 9001:2008 Quality Management Systems (QMS)
MERS 999 – ISO 9001:2008 Quality Management Systems (QMS)

85 TRI*M index

Increase in Customer Satisfaction Index (CSI) from 82 in 2009

OVERVIEW

Government segment aspires to position TM as the trusted partner to the Government of Malaysia (GoM) in providing premier solutions and state-of-the-art networking services, complemented by superior customer service.

Emphasising service quality, a customer-centric lab was built together with the Product and Network teams to pursue operational excellence and quality in the three critical areas of customer handling, service fulfillment and service assurance. As a result, the Customer Satisfaction Index (CSI) improved from 82 to 85 TRI*M Index in 2010.

FINANCIAL PERFORMANCE

Despite stiff competition, the Government segment continued to record positive growth in 2010, with net sales

of RM1,316.8 million, the main contributor being data service. Government segment consistently implemented its well placed strategy of winning back and winning over new accounts as well as growing existing accounts.

OPERATIONS

Voice Services – In tandem with the general trend, revenue from fixed voice continued to decline. Nevertheless, fixed voice remained the preferred mode of communication for making calls from the office. Over the year, two cost-effective plans were offered: Flexi Destina and Privilege Plans.

Data Services – Data services continued to be the segment's core product. Together with its wholly-owned subsidiary, GITN Sdn Bhd (GITN), the segment continued to command a significant share of the

Government's managed IPVPN market. It also secured contracts with institutions of higher learning for services such as MYREN 2 research centre network, and high-speed Metro-E & DOME for universities throughout Malaysia. A Hotzone@WiFi service has been packaged with Value Added Services (VAS) to increase broadband penetration among university students.

Internet Services – Government segment offers both managed and unmanaged Internet services. Managed Internet service is offered via its Internet Gateways or at the customers' premises. This flexible solution allows the Government segment to customise its solutions according to the customers' needs and provides TM the opportunity to offer hosting, security and other related solutions. In support of the GoM mission to make

broadband connectivity accessible to all, Government segment has embarked on wireless city projects such as 1NS Wireless City, which provides free Internet facilities in public areas in Negri Sembilan.

ICT Projects – Government segment employs the latest ICT in developing customised solutions to help customers manage their multifaceted needs. GITN continuously expands its VAS business and network-related products such as Managed Security Services (MSS) and System Integrator (SI). MSS is an outsourcing approach in which customers benefit from 24X7 monitoring. This includes their ICT security related devices and appliances. Hosting Services, Bandwidth Management Services and Public Key Infrastructure are also offered to customers.

Government segment is also the main provider of MSAFE services, an extension of the Safe Cities Programme which integrates crime prevention in

the development plans of a particular area. MSAFE integrates CCTVs located at strategic places – such as at public transport stops, walkways, housing areas, commercial complexes and the city centre – with the Malaysian Emergency Response Service (MERS 999) system operated by TM. In August 2010, the second MSAFE service was installed in Putrajaya. MSAFE Putrajaya is a joint effort between TM, the Ministry of Information, Communication and Culture, Ministry of Home Affairs, the police and Putrajaya Corporation. The CCTVs are linked to the district police office to ensure faster response when incidents occur. The service is being extended to other states.

The segment also supports State Government ICT initiatives. In 1NS*Net and MelakaNet, various Internet networks used by the State Governments are integrated through TM Metro-E services. These enable the sharing of

data by all State Government departments and agencies. As technology advances, efforts to bridge the digital divide are intensifying. Under the Universal Service Provision (USP) project, under-served areas shall enjoy telecommunications services and Internet access at affordable rates. Government segment has also developed special connections for use in the remotest parts of the country. This is to equip rural communities with basic tools to increase their ICT usage.

In all its activities, Government segment ensures the highest quality in accordance with international standards. MERS999 is ISO 9001:2008 certified for Quality Management Systems – Requirements and GITN has acquired ISO 27001:2005 Information Security Management System for the Security Operation Centre and ISO 9001:2008 for Quality Management Systems encompassing the provisioning of Managed Network and

Value Added Services in Relating to Product Delivery and also Provisioning of Operation and Maintenance End to End Managed Services.

PROSPECTS

As the nation continues to develop, the GoM is planning for a higher quality of service delivery which can only be met with a wide range of networks, higher bandwidth and extensive use of ICT products. TM is in the best position to provide these needs to the GoM as it already has an extensive infrastructure of fibre optic networks to support for higher bandwidth as well as a wide range of ICT offerings which have either been developed internally or through partnerships.

GITN acquired ISO 27001:2005 ISMS and ISO 9001:2008 QMS.



Ministry of Education Open Source Software Day 2010.



MERS999 is ISO 9001:2008 QMS certified.





wholesale business

Facts at a Glance

IP data revenue increased by **RM55.0 million**

Operating cost reduced by **RM91.0 million**

EBIT increased by **12.3%** to **RM212.4 million**

OVERVIEW

Wholesale Business, which includes TM Wholesale (TMW), Fiberail Sdn Bhd (Fiberail) and Fibrecomm Network (M) Sdn Bhd (Fibrecomm), is TM's business and marketing arm for telecommunications infrastructure. TMW provides a wide range of telecommunications facilities and services to all licensed network operators nationwide. Fiberail is a joint venture between TM, Keretapi Tanah Melayu Berhad (KTMB) and Petrofibre Network Sdn Bhd, while Fibrecomm was incorporated as a joint venture with Celcom and Tenaga Nasional Berhad (TNB) in 1997, and subsequently became a subsidiary of TM. These collaborations enable TM's Wholesale Business to access both KTMB's and Petronas Gas' corridors, as well as TNB's high voltage transmission lines, providing extensive fibre optics network coverage from north to south and along the East Coast of Peninsular Malaysia. Fibrecomm has further extended its reach into East Malaysia through a collaboration with Sacofa Sdn Bhd.

Together, Wholesale Business offers a comprehensive range of wholesale products and services to all domestic network operators licensed by the Malaysian Communications and Multimedia Commission (MCMC). These include Network Facilities Providers (NFPs), Network Service Providers (NSPs) and Application Service Providers (ASPs). TM's neutral stance in collaborating with these licensed network operators supports the regulator's aspiration of nurturing a robust, self-regulated industry that is at once competitive and

liberalised. Such open access eventually benefits the end user who stands to gain from better and more cost-effective ICT services.

The industry is set to grow, driven by strong demand not only for broadband connectivity and mobile online access, but also value-added applications and services such as Internet Protocol Television (IPTV) and video-on-demand. To ensure this demand is met, Wholesale Business is poised to act as a catalyst in transforming and further developing the nation's telecommunications industry.

FINANCIAL PERFORMANCE

Wholesale Business recorded a total revenue of RM1,096.8 million which marked a slight decrease of 6.0% from RM1,166.7 million in 2009, mainly due to the revised Mandatory Standard on Access Pricing (MSAP) effective July 2010. However, tremendous growth in IP data, which recorded an increase in revenue of RM55.0 million, managed to cushion the overall drop in revenue from voice services during the year. As a result of continuous and



Dato' Sri Zamzamzairani Mohd Isa, Group Chief Executive Officer, TM exchanging documents with Sandip Das, Chief Executive Officer, Maxis Berhad.

effective cost management, the operating cost reduced by 9.3% or RM91.0 million whilst EBIT increased by 12.3% to RM212.4 million.

OPERATIONS

Focusing on the domestic market, Wholesale Business provides a comprehensive range of telecommunications facilities and services to all licensed network operators. In line with the latest developments in technology, industry trends and consumer preference, Wholesale Business is focusing more on growing its Data and Access services portfolio, while retaining and protecting the base strength of its Voice services. Last but not least, Infra Services exemplify Wholesale Business' efforts to generate more revenue from its extensive telecommunications infrastructure.

DATA AND ACCESS SERVICES High Speed Broadband Services

TM has developed comprehensive sets of wholesale High Speed Broadband (HSBB) services: High Speed Broadband (Transmission) Service and High Speed Broadband (Access) Service, making these available to licensed network operators beginning from May 2009 and July 2010 respectively. These services

are being taken up by service providers who use Wholesale HSBB (Transmission) Service to achieve high-speed point-to-point connectivity supporting their backhaul requirements. As at December 2010, seven service providers had subscribed to this service.

With the infrastructure readily available, service providers need to focus only on delivering their high-speed applications and content to thousands of potential broadband users via Wholesale HSBB (Access) Service. The objective is to enable industry players to offer value-added services and applications, such as IPTV, video-on-demand and online gaming, thus growing their business and commercial opportunities.

To complete the HSBB portfolio, an HSBB (Connection) Service will be introduced to the industry in 2011, which will enable end users to experience service offerings from different service providers. Ultimately, these developments will bring the many benefits of a digital lifestyle to the end user, while further elevating Malaysia's global competitiveness.

Wholesale Ethernet

Wholesale Ethernet grew five times in 2010 from 2009, given the increase in demand for high-speed IP-based access services from Licensed

Network Operators seeking scalable networks to accommodate their mobile and broadband customers. This growth was supported by attractive prices for long-term commitments, plus an upgrade of TM's IP core network to accommodate higher capacity offerings, soon to be complemented by speeds of up to 10 Gbps. At the same time, the recent migration to a new business support system has led to a more efficient service fulfillment and billing process, making TM's Wholesale Ethernet the product of choice for operators with fast growing bandwidth requirements.

Domestic Bandwidth Services

Domestic Bandwidth Services offer transmission speeds of up to 10 Gbps, and have been described as the fastest point-to-point connection to tomorrow's world. Built on the foundations of an extensive nationwide network infrastructure, Domestic Bandwidth Services boasts an entire suite of high-speed circuit-based digital leased line services for various applications, giving service providers endless options to suit their business needs. Domestic Bandwidth maintained a strong showing in year 2010 to be the leading revenue contributor to Wholesale's data segment. Migration of analog bandwidth services to digital

also resulted in slight growth in the narrowband segment.

Digital Subscribers Line (DSL) Wholesale

In 2010, DSL Wholesale played a crucial role in enabling service providers to expand their broadband WiFi coverage in a fast and cost-efficient manner to further support the National Broadband Plan. DSL Wholesale allows Internet Service Providers (ISPs) to leverage on Wholesale's extensive DSL access network coverage while giving them control of their network layer, enabling them to introduce their own brand of broadband packages in the market.

Wholesale Internet Access

Wholesale Business constantly increases its network capacity to keep pace with internet traffic, which is growing at a rate of more than 60% annually. It offers Wholesale Internet Access as an IP transit service, both domestically and in 14 countries, providing upstream internet connectivity to the rest of the world. The service leverages on TM's international capacity of 364 Gbps via an extensive network of submarine cables, which is expected to expand even more in the future.



TM signed Partnership Agreements with five telecommunications tower operators.

Domestic Transit Access

Domestic Transit Access is a local IP transit service, providing domestic internet reachability at a lower cost to service providers. It is suitable for service providers who wish to provide local content to their end users, utilising TM's vast IP network coverage and capacity in Malaysia.

VOICE SERVICES

Interconnect Minutes

Interconnect Minutes physically connects the networks of Other Licensed Network Operators (OLNOs), be they fixed or mobile, to TM's PSTN network via a Point of Interconnect (POI). The interconnect arrangement enables end users from TM's network to communicate with end users from OLNOs' networks. Additionally, OLNOs users are able to connect to Toll Free Services, TM's Freephone 1800, 999 and other operator assisted services. In 2010, the focus was on operational efficiency through the implementation of a new interconnect billing system.

VoIP

Wholesale VoIP service is offered to licensed Applications Service Providers (ASP) venturing into the VoIP business in Malaysia. These VoIP service providers stand to benefit from the use of TM's extensive network for the

transportation, origination and/or termination of calls, which allows them to expand their VoIP business quickly and at minimum cost. To counter intense competition from other Wholesale Voice providers, and in response to reduced interconnect rates in 2010, Wholesale Business is committed to increasing its VoIP traffic minutes with more attractive offerings and strategic partnerships with the operators.

INFRA SERVICES

Infra Services provide the opportunity for service providers to expand their network coverage by riding on Wholesale Business' vast telecommunications infrastructure nationwide. The basic offering includes towers, land, floor and rooftop space, as well as auxiliary services such as environmental control and fire management systems. In 2010, Wholesale Business was able to capitalise on the roll-out of mobile and WiMAX products by promoting its infra services as an enabler of data services.

PROSPECTS

When Wholesale Business signed its HSBB (Access) Service agreement with Maxis in December 2010, it marked a turning point in telecommunications in the

country. It was the first time a mobile telco was buying into TM's HSBB network, underlying Wholesale Business' pivotal role as an industry developer and collaborator. HSBB (Access) Service will reduce network duplication among industry players while enabling them to offer integrated IP-based solutions, bandwidth-hungry applications and resourceful solutions to subscribers. Wholesale Business will continue to secure more partnerships with industry players in upholding its promise to promote open access.

Since HSBB (Access) Services were made available in July 2010, HSBB service coverage has expanded to 22 exchanges, encompassing the central, southern and northern regions. As of November 2010, the service covered a total of 26 exchange areas, seven of which are in industrial zones in Johor, Penang, Kedah and Selangor. TM has so far exceeded its target of passing 700,000 premises by end 2010 and is determined to achieve the target of 1.3 million premises passed by end 2012.

Wholesale Business has also formed strategic alliances with tower operators so as to expand its existing network

and provide more data services to Network Service Providers. To date, it has sealed agreements with eight tower operators in Selangor, Johor, Kelantan, Perak, Perlis, Kedah, Negeri Sembilan and Penang.

In view of increasing demand for video and multimedia communication among broadband users, TM will be introducing HSBB (Connection) Services in 2011 to enable seamless connectivity among end users from different network providers. HSBB (Connection) Service will also allow for multimedia rich interconnection services, and promote the early adoption of a new digital lifestyle in the nation.

In addition, Wholesale Business is collaborating with selected service providers to expand its wireless coverage nationwide, as a value-add offered through existing fixed broadband coverage and payphone services. In October 2010, TM signed an agreement with Perneq Corporation Berhad for the expansion of its WiFi coverage, and has since extended the same arrangement with three more service providers.



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collaborate

global business

Facts at a Glance

9 extensive submarine cables systems owned

466 Gbps total international bandwidth capacity

Covers over **200** destinations globally and 105 bilateral partners

OVERVIEW

In 2010, TM Global (TMG) continued to maintain its strength by leveraging on its technology infrastructure of international submarine cable systems, backhaul and point-of-presence. It achieved positive revenue growth by enhancing its operational excellence while managing costs more efficiently. Following greater demand for higher quality solutions from international carriers and enterprises, Global developed and extended its existing line of products in voice, data, internet and bandwidth services. This further supports its goal to evolve from a telco provider into a truly global solutions service provider.

INTRODUCTION

Global seeks to establish itself as a regional market leader, and has positioned itself strategically in the Asia-Pacific market where there is great potential for market penetration. At the same time, it continues to maintain its existing markets by flooding these with upgraded infrastructure and technology.

During CommunicAsia 2010, Global launched its Global Ethernet Services (GES), which provide private and secure connectivity over international links, allowing customers to experience better connections with clients across boundaries. Last year, Global also launched the Jakarta IP Hub, designed specifically to cater for traffic network in the ASEAN region.

Global currently owns nine extensive submarine cable systems, namely the AAG, APCN2, CUSCN, JUSCN, SMW3, SMW4, DMCS, SAFE and SAT3/WASC, which connect Malaysia with the rest

of the world. The recently upgraded APCN2 and SMW4 cables have brought TM's total international bandwidth capacity to 466 Gbps.

To further expand its cable network, TM has invested in new international cable system ventures such as the Asia Submarine Express (ASE) cable system, which will be ready for service in the second quarter of 2012. With TM's initial lit capacity of over 500 Gbps, this 40G per wavelength cable system will use Dense Wavelength Division Multiplexing (DWDM) technology to provide connectivity between Malaysia, Hong Kong and Japan. TM has also engaged in a new international cable system linking Malaysia and Indonesia Batam-Dumai-Melaka Cable System (BDM) which will come into service in the fourth quarter of 2011. This cable system will add further capacity and resilience while increasing goodwill between the two countries.

FINANCIAL PERFORMANCE

In the midst of a global economic recovery, TM Global has seen an increase in total revenue from RM1,132.3 million in 2009 to RM1,145.8 million in 2010. Data and voice services contributed 43.0% and 54.5% respectively to TM Global's 2010 revenue.

Based on sales performance in 2010, the South Asia region contributed the most with 33.5% of Global's revenue. Global will continue to leverage on the South Asia market and establish TM's footprint by increasing its market penetration. Global will also continue to enhance its presence in the European region, based on its positive growth in 2010.

BUSINESS OPERATIONS

GLOBAL SALES OFFICE & PRODUCT HOUSE

Global is headquartered at Menara TM, Kuala Lumpur, and has four regional offices in Singapore (Telekom Malaysia (S) Pte Ltd), the United Kingdom (Telekom Malaysia (UK) Limited), USA (Telekom Malaysia (USA) Inc) and Hong Kong (Telekom Malaysia (Hong Kong) Limited) as well as representative offices in Prague and Taiwan to support the emerging markets of Eastern Europe and China.

It has dedicated account executives focusing on customers in the regions of North & South Asia, Europe, Oceania, the Americas and the Middle East & Africa. Its reach is stretched further via

business alliances with telcos in Singapore, the Philippines, Brunei, Indonesia, Thailand, Myanmar, Cambodia, Laos and Vietnam. Global has established global IP nodes in Singapore, Hong Kong, the UK, the US and several other countries.

GLOBAL PRODUCTS & SERVICES

Global's extensive products and services are managed by the Global Data Marketing and Global Voice Marketing teams that provide customised solutions based on specific requirements. This personalised touch is extended to after-sales and technical services. The objective of the end-to-end services is to provide greater value to customers and their businesses.

Voice Services

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

Wholesale Voice. TM provides termination services to international voice service providers, covering more than 200 destinations around the world that are directly or indirectly connected with TM's 105 bilateral partners. The traffic termination service is offered on two platforms:



SIRIM certification handover to Global Customer Service Management, TM Global.



i. Voice Over Internet Protocol (VoIP)

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

ii. Public Switched Telephone Network (PSTN)

PSTN is a reliable connection due to its unparalleled communication quality and audio clarity. With over 200 international destinations, termination is made possible via direct and transit arrangements, utilising submarine cables, satellite links and terrestrial connectivity.

International Value-Added Services

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

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

ii. ISDN Hubbing
ISDN Hubbing is an extension of the existing bilateral ISDN product, through which TM is able to offer ISDN services on a transit basis, not just to terminations in Malaysia but

also to third country ISDN destinations and selected Rest of the World (ROW) destinations.

iii. International Freephone Services via VoIP

International Freephone Service (IFS) via VoIP allows customers to make cheaper calls using TM's reliable and efficient VoIP networks.

**Data Services
Global Ethernet Services (GES)**

i. Global Ethernet Virtual Private Line (EVPL)

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

ii. International Ethernet Private Line (IEPL)

IEPL is an end-to-end bandwidth solution that provides dedicated, point-to-point, cross-border connectivity over a reliable platform at

high speed, with the option of scalable upgrades utilising Ethernet over SDH technology.

International Bandwidth Services

International Bandwidth Services capitalise on TM's extensive terrestrial and submarine fibre optics as well as satellite international networks to enable contact beyond Malaysian shores. Accentuating One Stop Shopping (OSS) and Full Channel Service (FCS), it links Malaysia to major communication hubs around the globe.

i. International Private Leased Circuit (IPLC)

IPLC is a dedicated point-to-point connectivity via international submarine cable or terrestrial links or satellite from both ends terminating outside Malaysia.

ii. Bandwidth Transit

TM's Bandwidth Transit is a dedicated end-to-end connectivity originating and terminating in a foreign country but transiting via Malaysia.

iii. Bandwidth Backhaul

Bandwidth Backhaul is a dedicated capacity between cable landing stations or border stations in Malaysia where the customer has its own capacity in international submarine cable or terrestrial facilities.



iv. Bandwidth Interconnection
It is an interconnection between two submarine cable systems owned by a customer or TM itself at TM's cable landing station.

v. Global VSAT
A satellite-based Single Channel Per Carrier (SCPC) technology, Global VSAT refers to TM's provision of Very Small Aperture Terminal (VSAT) services, which cover the lease and installation of VSAT equipment inclusive of the space segment from one customer premise in Malaysia to another foreign location outside Malaysia.

IP Services

Delivered over TM's international network infrastructure with Points of Service located worldwide, TM's IP Network Capacity (AS4788) stands at more than 200 Gbps in the near future.

i. IP Transit
TM's IP Transit is designed for internet service providers, content service providers, corporations and businesses to access the internet, and is customisable to suit particular needs. TM is the provider to the largest subscriber base in Malaysia and is recognised as one of the leading carriers in the region. Customers are able to subscribe to the service via several types of access options such as IPLC,

Satellite, Metro Ethernet, MPLS and In Building cross connect, with speeds ranging from 2 Mbps to 10 Gbps via TM Global Point of Presence (PoP) in Asia, the US and Europe.

Global VPN Services

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

i. Global IPVPN
TM's Global IPVPN is a fully-managed end-to-end virtual private networking solution that is simple, secure and scalable. It offers four service classes which enable customers to integrate video, voice, data and other business applications via single extensive any-to-any private network connectivity. TM has established its own nodes in

Bahrain, Egypt, Sri Lanka, Indonesia, Singapore, Hong Kong, the US (Los Angeles and New York) and Malaysia. It has also expanded its connectivity to more than 80 countries through global partnering.

PROSPECTS

Global aims to continue to evolve from a telco provider to a one-stop solutions service provider operating on a global scale. It has devised a strategic roadmap comprising four tactical pillars and two foundations to retain existing customers and capture new ones by providing more value for their businesses.

The Four Tactical Pillars:

1. Increase share of customers' business with new value-added services, new cable systems and upgrades of existing cable systems.
2. Retain existing customers through higher service quality exceeding their expectations by improving infrastructure and back-end efficiency as well as developing new programmes.

3. Win back lost customers through proactive engagements and strategic alliances.
4. Sell to new customers by transforming the existing market potential, expanding into new markets, and attracting competitors' customers.

The Two Foundations:

1. Increase the service value proposition with aggressive customer offerings and end-to-end campaign management.
2. Aggressive Go-To-Market plan focusing on target areas, while enhancing execution capabilities and improving the Customer Management Policy.

Global also continues to participate in promotional activities to support the efforts of its sales force. It partners international event organisers as well as media houses for major brand exposure and increased market mindshare. Its marketing communication initiatives also act as strategic platforms for the sales force to showcase Global's offerings.





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business functions

Facts at a Glance

RM2.9 million

saved on land lease rental

MMU is ranked as 'Excellent' at **Tier 5** of SETARA rating by MQA

11,887,168 visitors to-date to Menara Kuala Lumpur

OVERVIEW

Support Business comprises property Strategic Business Units (SBU) and non-core subsidiaries of the Group. Its principal role is to enhance shareholder value within the businesses under its purview and to ensure greater efficiency of the divisions within the Group. Support Business continues to streamline its portfolio in accordance with the Group's rationalisation programme.

SUPPORT BUSINESS

FINANCIAL PERFORMANCE

For the year ending 2010, Support Business recorded higher revenue of RM806.8 million from RM790.4 million in 2009, mainly due to higher maintenance services and space rental (to the Group) by Property Operations and Property Management respectively. EBITDA also increased by 39.2% from 2009.

Support Business' capital expenditure was RM114.0 million (2009: RM54.3 million), of which RM42.3 million went towards Property Management (PM) for the upgrade of buildings and network exchanges; RM39.0 million was channelled to Multimedia University (MMU) mainly for the development of Phase II of the Cyberjaya Campus; and RM30.3 million was allocated to the Central Office for the purchase of vehicles in support of the HSBB project implementation and vehicles replacement programme.

UNIVERSITI TELEKOM SDN BHD / MULTIMEDIA UNIVERSITY

As the first private university in Malaysia, MMU strives to be a world-class academic institution in its chosen fields of engineering, information

technology, management and multimedia technology. The year 2010 brought continued success in MMU's ongoing mission to position itself as a major international research institution. MMU's R&D Roadmap was updated to take into consideration changes that have taken place since its inception in 2008. In terms of publications, as measured both in the SciVerse Scopus database of abstracts and citations as well as the ISI Web of Science online academic citation index, MMU maintained its lead in the field, ahead of all other private institutions of higher learning in Malaysia.

Throughout the year, MMU engaged students and institutions within the Asia-Pacific, African and European regions across the full range of its responsibilities, including research, inter-institution cooperation, undergraduate and postgraduate education as well as in community service. MMU faculties stepped up their alliances with the best teaching resources in the world to offer compelling degree programmes, enriching the learning environment at

The Student Centre at MMU Cyberjaya Campus.



MMU and further enhancing the market value of graduates' degrees worldwide.

MMU graduates are renowned for the quality of their education, and the university consistently achieves a high employment rate within the industry. In the year under review, MMU produced a total of 400 diploma graduates, 2,572 bachelor's degree graduates, 241 master's degree graduates and 17 PhD graduates. Postgraduate student enrolment totalled 690. The number of MMU students in 2010 totalled 20,033, comprising 15,902 local students and 4,131 international students from 58 countries.

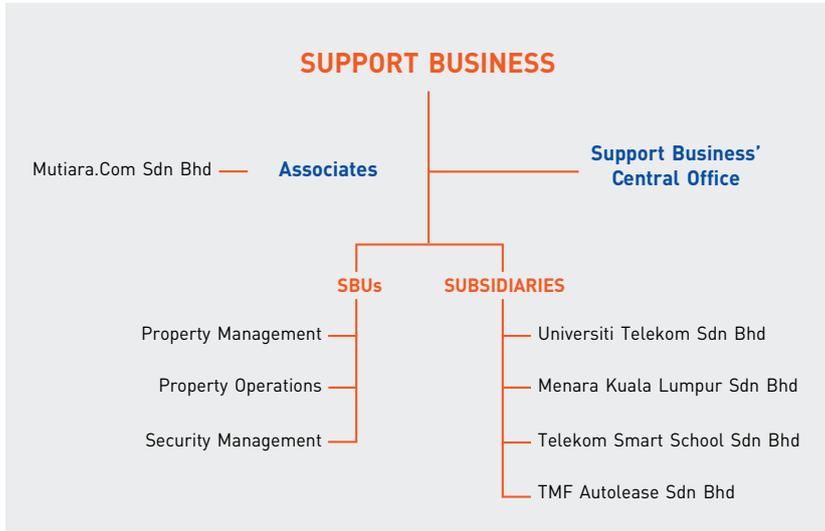
Under its Academic Quality Assurance, MMU is committed to guaranteeing the superiority of its academic programmes. In 2010, a new Master of Science in Bio-Informatics was approved by the Malaysian Qualifications Agency (MQA), bringing the total number of MMU programmes approved by the Ministry of Higher Education to 121. 110 of these are accredited by the MQA.

The newly refurbished hostel at MMU Melaka Campus.

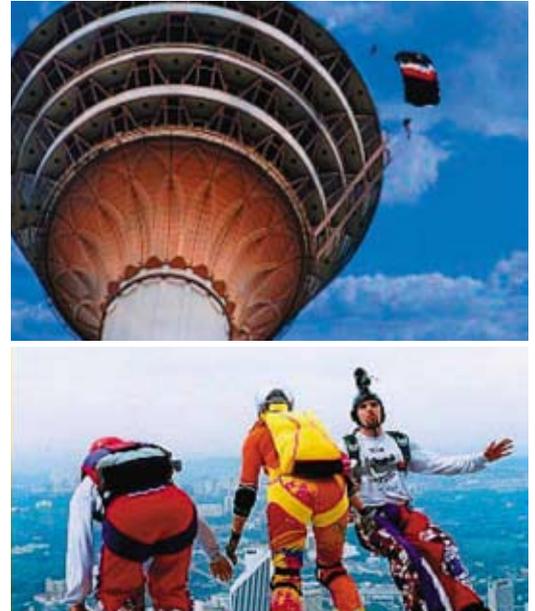


The Chancellery at MMU's Cyberjaya Campus.

To further safeguard the quality of its courses, MMU's Quality Council, chaired by the President himself, actively monitors issues of quality. The Quality Council meets every quarter to discuss quality issues related to academic and administrative matters. Also part of the Quality Council's duty is to conduct regular internal audits on programmes, so as to ascertain those that need to be refreshed or updated. The university also performs pre-accreditation audits on programmes due for accreditation as an internal quality check exercise. A series of Outcome-Based Education Training sessions for MMU academics was organised and coordinated internally between MQA and the university.



KL International Jump Malaysia.



MMU's quality assurance initiatives have brought substantial results. MQA ranked MMU as "Excellent" in its 2009 Rating System for Institutions of Higher Learning (SETARA), placing it in Tier-5 (the top tier) together with 17 other public and private Malaysian universities. In the QS Asian University Ranking, meanwhile, MMU ranks an impressive number 5 among all Asian universities on the International Student Review. In addition, SIRIM QAS International Sdn Bhd awarded the libraries and Examinations and Records Unit (ERU) in both the Cyberjaya and Melaka campuses the MS ISO 9001:2008 for the Provision of Library Services & Management of Students' Records.

With regards to commercialisation, 2010 was a challenging, but ultimately successful year for MMU CNergy, MMU's commercialisation arm. During the year, MMU signed its first academic license for an online MBA programme, to be offered in partnership with the International Campus of the Sharif University of Technology in the Kish Island of Iran. Financially, MMU CNergy recorded a healthy revenue growth of 11.6% as compared to 2009, with an EBITDA margin of 11.0%.

MMU's subsidiary, Multimedia College Sdn Bhd (MMC), extends MMU's academic reach in order to bring the highest quality education to those with limited qualifications. Established in 1948 to provide telecommunications expertise

to citizens of Malaya, the institute is well known across the country as the Telekom Training Centre. In 1995 the Centre was upgraded and accorded college status. Since then, MMC has held 14 Convocation ceremonies at which a total of 4,525 students have graduated. Currently, it has 2,295 students enrolled in eight diploma programmes. All of MMC's academic programmes at the main campus have been accredited by the MQA.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur (MKL), located at the top of Bukit Nanas at a breathtaking height of 421 metres above ground level, is the sixth tallest tower in the world. Blending seamlessly with lush tropical

greenery in the heart of Kuala Lumpur city, the tower has become a national landmark, a significant symbol that identifies Malaysia as a great tourist destination as well as a technologically advanced country.

The tower is managed by Menara Kuala Lumpur Sdn Bhd (MKLSB), which also oversees Menara Alor Setar and Muzium Telekom. The company is a member of the Malaysian Association of Tour and Travel Agents (MATTA), which puts the towers and museum under its jurisdiction on the tourist map. MKL is also notably a member of The World Federation of Great Towers, comprising 32 world renowned towers, and also the International Federation of Museums.



Since the opening of MKL in 1996, it has attracted a total of 11,887,168 visitors from India, the UK, Indonesia, Australia, America, Europe, Japan and others countries. A key factor that keeps visitors flocking to the tower is the unique blend of activities organised, which caters to all walks of life. These include signature events such as the KL Tower International Forest Towerthon Challenge, KL Tower International Jump Malaysia, KL Tower Indie Fest, and also Towerkidz. Captivating different age groups and demographics, the events ensure high participation rates and publicity mileage for MKL.

For the financial year ended 31 December 2010, MKLSB recorded total revenue of RM40.2 million compared to RM73.8 million in 2009. Meanwhile, its profit after tax stood at RM11.4 million, as compared to RM28.8 million in 2009. The lower revenue was mainly due to a lower lease rental chargeable under a concession arrangement with the Government.

The ISO 9001: 2000 certified MKL was awarded Best Tourism Attraction – Innovative Manmade Attraction 2008/2009 at the National Tourism Award by the Ministry of Tourism, Malaysia on 9 January 2010. It has also been chosen by the Estee Lauder Group to join other world-famous monuments such as Sydney

Opera House, the Empire State Building (New York) and Burj Al Dubai Hotel in the cosmetic giant's battle against cancer. During Estee Lauder's anti-breast cancer campaign, the tower was lit in fluorescent pink to remind Malaysian women to get themselves checked. 2010 was the third year MKL has taken part in this cause.

MKL is targeting an 8.6% increase in visitors in 2011, advertising itself as a destination for *Culture, Adventure and Nature*, with an exciting array of new events, products and packages. The tower is expected to attract a high number of domestic tourists still affected by the global economic downturn, and who seek to discover unique holiday experiences in the country. Continuous support from the Ministry of Tourism, Ministry of Information, Communications and Culture, key industry players and the Kuala Lumpur City Hall, coupled with the dedication of TM management and staff, will definitely contribute towards a successful 2011.

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS) was established to develop and implement the Malaysian Smart School pilot project in collaboration with the Ministry of Education (MOE) and Multimedia

Development Corporation (MDeC). Since the completion of the project in December 2002, the MSC Status Company has established several key businesses in e-learning, marketing multimedia courseware/content development services and web-based school applications such as School Management Systems and Learning Management Systems. The company is also a pioneer in Smart School solutions for schools and organisations in Malaysia.

In the financial year 2010, the company recorded revenue of RM4.5 million as compared to RM3.0 million in 2009. To further grow its business, TSS is targeting its e-education solutions for learning and education institutions to a larger segment of the local market.

In 2010, TSS completed the *Pembestarian Sekolah Luar Bandar* (transforming Rural Schools into Smart Schools) project run in conjunction with the Ministry of Education and MDeC. It also launched a new, world-renowned authoring tool

software into the market. TSS is the sole distributor of an international product, LectureMAKER, which is ideal for developing multimedia content for rapid e-learning.

TMF AUTOLEASE SDN BHD

TMF Autolease Sdn Bhd (TMFA) oversees the management of TM Group's fleet of vehicles. Its key tasks are to ensure all vehicles are roadworthy, in compliance with Government regulations, utilised optimally and available at all times for the purpose of business operations and support. As at 31 December 2010, TMFA had a total of 5,350 vehicles of various makes and models ranging from utility vans and saloon cars, to four-wheel drives and lorries. Besides its fleet, TMFA manages seven zone offices and 28 service outlets nationwide.

Chinese Wedding at 1Malaysia Cultural Village in MKL.



LectureMAKER Awards 2010 was graced and witnessed by the VP of Support Business TM, Zam Ariffin Ismail.



TMFA's major customers are Network Development and Regional Network Operation which together lease 3,670 vehicles, representing 68.6% of the total. For the launch of UniFi, TMFA dedicated 287 vehicles to the team to ensure their mobility.

As part of TM's Performance Improvement Programme (PIP), in 2010, TMFA implemented a vehicle right-sizing programme to increase productivity by managing vehicles more effectively and efficiently. A total of 53 vehicles were returned and redeployed to other critical users, while 324 vehicles were disposed of since the vehicles are uneconomical or unsuitable for operational use. In pursuit of quality, TMFA conducted several programmes for its customers on safe and defensive driving as well as basic technical vehicle knowledge. It scored 88.9% in a Customer Satisfaction Index (CSI) survey completed in December 2010.

In 2010, TMFA registered revenue of RM48.7 million with operating costs of RM33.6 million and profit after tax (PAT) of RM11.9 million. Most of the revenue (78.0%) was derived from the Management and Maintenance Package (MMP) fee for TM vehicles.

In 2011, TMFA will continue to manage and optimise its operating cost while improving performance so as to record

positive growth in shareholder value. TMFA strives to continue to provide greater efficiency in its services to the TM Group.

PROPERTY MANAGEMENT

Property Management (PM) acts as TM's in-house land and building manager and adviser. PM contributes to TM's performance by unlocking its idle land and renting office space to both internal and external tenants. PM is also responsible for the property and land administration of all TM's real assets. Apart from creating value from the idle land bank, PM studies cost-saving options, especially in utilities consumption and property taxes.

In 2010, PM managed to unlock (via outright disposal) 10.3 acres of land in the Klang Valley and Alor Setar, Kedah, with a total disposal price of RM47.3 million. Through its idle land rationalisation, it managed to save RM2.9 million of lease rental payment to the Federal Land Commissioner (FLC) over the year. PM also managed to

reduce its land premium by RM1.2 million by making prompt payments to the Land Office. Additional savings were obtained from the return of the Jalan Tandang TM Warehouse site to FLC.

Most of the major projects undertaken by PM in 2010 were ongoing from previous years. This included the conversion of the Menara TM auditorium into four levels of office space, a training centre with a 150-seat mini theatre and a 1,500 pax exhibition centre. Completion is targeted by Q2 2011. PM is also maximising office space in Menara TM using the open office concept, in the hope of freeing up a few floors that can be made available for tenancy.

To date, PM has successfully unlocked over 2,228.6 acres of land, of which 72.5 acres were disposed off and the remaining jointly developed.

PROPERTY OPERATIONS

Property Operations (PO) is an in-house building maintenance contractor that has been certified with QMS ISO

9001:2000 and EMS ISO 14001 by SIRIM for quality and environmental initiatives respectively. PO is responsible for planned, preventive, corrective and emergency maintenance work on TM network and non-network buildings and has the primary role of ensuring all TM network equipment is powered by TNB supply, generator sets, batteries or rectifiers.

For the year 2010, PO registered operating revenue (inclusive of internal revenue) of RM125.6 million, of which 2.0% was generated from maintenance services to external parties. Against an operating cost of RM119.5 million, PO's EBIT stood at RM6.0 million (EBIT margin of 5.0%). The low operating cost was due to a downward review of the mechanical and electrical contract for the second half of 2010. PO also recorded a substantial saving of RM4.1 million from its Off





Peak Tariff Rate (OPTR) optimisation, lowering of temperature at selected cabins and the installation of energy-saving devices at selected buildings.

PO gained further ground in its customer service initiatives, including the launch of a web-based One-Stop Complaint Channel, resulting in an all-time customer service index (CSI) high of 90.57%. It also achieved 99.9999%, 99.9996% and 100.0% up-time for the Alternating Current (AC), Direct Current (DC) and air-conditioning systems respectively, generally meeting the targets imposed by the Malaysian Communications and Multimedia Commission. This is in tandem with PO's successful delivery of 97.0% of Scheduled Maintenance throughout 2010.

Responsible for network efficiency, PO in 2010 worked closely with Network on various initiatives such as nationwide Battery & Rectifier Replacement, Building Audit on Top 166 Critical Sites, and ERA Action Plans. As a result, there were fewer network breakdowns due to power outages.

Throughout 2010, PO also supported TM in its HSBB ambitions by converting 62 sites in the Klang Valley to the Next Generation Network (NGN). PO was responsible for ensuring the civil, mechanical and electrical infrastructure at these sites were ready to take on the new network. Altogether, RM22.6 million was incurred for the site preparation.

PO itself received ISO certification for its Sarawak office. PO continues to strive to see building maintenance addressed from the replacement of ageing equipment to finding the right outsourcing partners for maintenance activities.



SECURITY MANAGEMENT

The core of Security Management's (SM) business is to provide reliable and effective security services to safeguard TM's assets and personnel and minimise any disruption or loss to business operations. Its main functions cover the provision of a secure workplace, security of employees, asset protection, loss/crime prevention, security consultancy and representation in the National Crisis Management Committee.

In 2010, SM maintained its customer service index (CSI) at 85.0% while improving its Security Service Availability Index (SSAI) to 99.0% from 98.7% in 2009. Moving forward,

it is expected that the re-organisation at state level will further enhance the ability to monitor vendor performance. SM has also reduced the crime rate within TM premises from 37 in 2009 to 24 in 2010. However the number of cable thefts increased significantly in 2010 mainly due to higher copper prices as compared to 2009. SM will seek the cooperation of various government agencies to come up with new initiatives to address the cable theft issue.

SM seeks to ensure the Group's business security remains intact at all times.





Facts at a Glance

Over **760,000** premises passed (276,000 VDSL and 482,000 GPON FTTH)

33,000 UniFi customers

28,800 subscribers migrated to NGN platform

DRIVING INNOVATION THROUGH HSBB

IT and Network Technology (IT&NT) is the network operation and technical arm of TM responsible for planning, building, delivering, operating and maintaining telecommunications infrastructure to support the Company's current and future business needs. It encompasses 52.0% of the Company's total manpower.

In 2010, IT&NT launched a three-year transformation plan focusing on High Speed Broadband (HSBB) infrastructure deployment, Next Generation Network (NGN) migration, and network quality and performance improvement. Under the HSBB Programme, the IT&NT HSBB Team was instrumental in deploying the fibre access infrastructure, or homepasses, in the four exchange areas where UniFi was first made available, namely Taman Tun Dr Ismail, Subang Jaya, Bangsar and Shah Alam.

Following this, they proceeded to extend the fibre access to other HSBB areas as planned. By year end, HSSB had extended its reach to 48 exchange areas.

The year 2010 also marked the start of TM's transition from its legacy Public Switched Telephone Network (PSTN) network to an all IP-based NGN infrastructure. TM is currently building a new NGN core network infrastructure based on IP Multimedia Subsystem (IMS) which will be able to support a whole array of new and exciting multimedia services and value-add applications. Legacy PSTN switches will gradually be taken over by the NGN network, which will reduce network hierarchy and operational complexity, benefiting TM in terms of improved reliability, enhanced customer provisioning and greater service bundling. In addition, the new NGN will greatly reduce network procurement, operations and maintenance costs.

In order to improve operational performance and deliver customer service excellence, IT&NT launched project Towards Operational Perfection (TOP) which covers sales channels, customer service management as well as network operations. The project urges TM to re-think the way the organisation works, and subsequently to re-engineer its processes to be more efficient, focusing on end-to-end performance targets in service delivery and

quality while enhancing employee productivity.

TM remains steadfast in its belief that innovation plays a key role in supporting future business requirements as well as in solving pertinent operational issues. It has therefore been nurturing internal talents and has developed the right expertise in TM Research & Development (TM R&D) to realise further growth opportunities. TM R&D, which currently reports to the IT&NT division, was originally founded as an internally-focused division. It has grown to become a leading Malaysian innovation and technology centre in its own right.

TM R&D is located at the TM Innovation Centre in Cyberjaya, Malaysia's international hub of Information and Communications Technology (ICT) R&D and investment. It employs an 'open innovation' model, engaging with Malaysian and global resources by forming partnerships with universities, vendors, partners, clients and start-ups to complement its internal innovation initiatives.

PERFORMANCE

As of 31 December 2010, over 760,000 surpassing the target of 750,000 UniFi premises passed had been physically deployed as compared to 150,000 premises passed at the end of 2009. The premises passed can provide more than 276,000 Very High Bit rate Digital Subscriber Line (VDSL)

and 482,000 Gigabit Passive Optical Network (GPON) FTTH access infrastructure to selected residential and industrial areas within the Klang Valley. To date, 33,000 customers are connected to, and enjoying, the UniFi service.

TM has also deployed a new integrated end-to-end operation support system/business support system (OSS/BSS) for HSBB, called NOVA. At the end of 2010, a total of five system releases had been launched to support the UniFi triple play service, fault management and Metro-E provisioning.

On NGN migration, as of 31 December 2010, TM had successfully migrated around 28,800 existing subscribers from the legacy PSTN to the NGN network at three sites, namely Wangsa Maju (Kuala Lumpur), Sungai Long (Selangor) and Masjid Tanah (Melaka). The migration will continue in 2011 until PSTN is completely phased out from the network.

Project TOP focuses on service assurance and fulfillment to the end user. By implementing lean operating principles, the project has improved the mean time to restore (MTTR) and the mean time to install (MTTI) for voice service by 50.0% and 35.0% respectively. This has resulted a 20 percentage points increase in the proportion of faults resolved and number of installations within TM's target, which is set to meet the top quartile of telcos globally.



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

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

STRATEGIC KEY INITIATIVES

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

Project TOP has been developed to transform 12 value streams across customer service and network

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

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

OPERATIONS

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



TM to maintain its competitive edge in the industry.

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

PROSPECTS

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

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



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

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

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

INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK



Intelsat IOR1
60E 62E 64E



Thai Com5
78.5E



Measat-3
91.5E



Palapa C3
113E



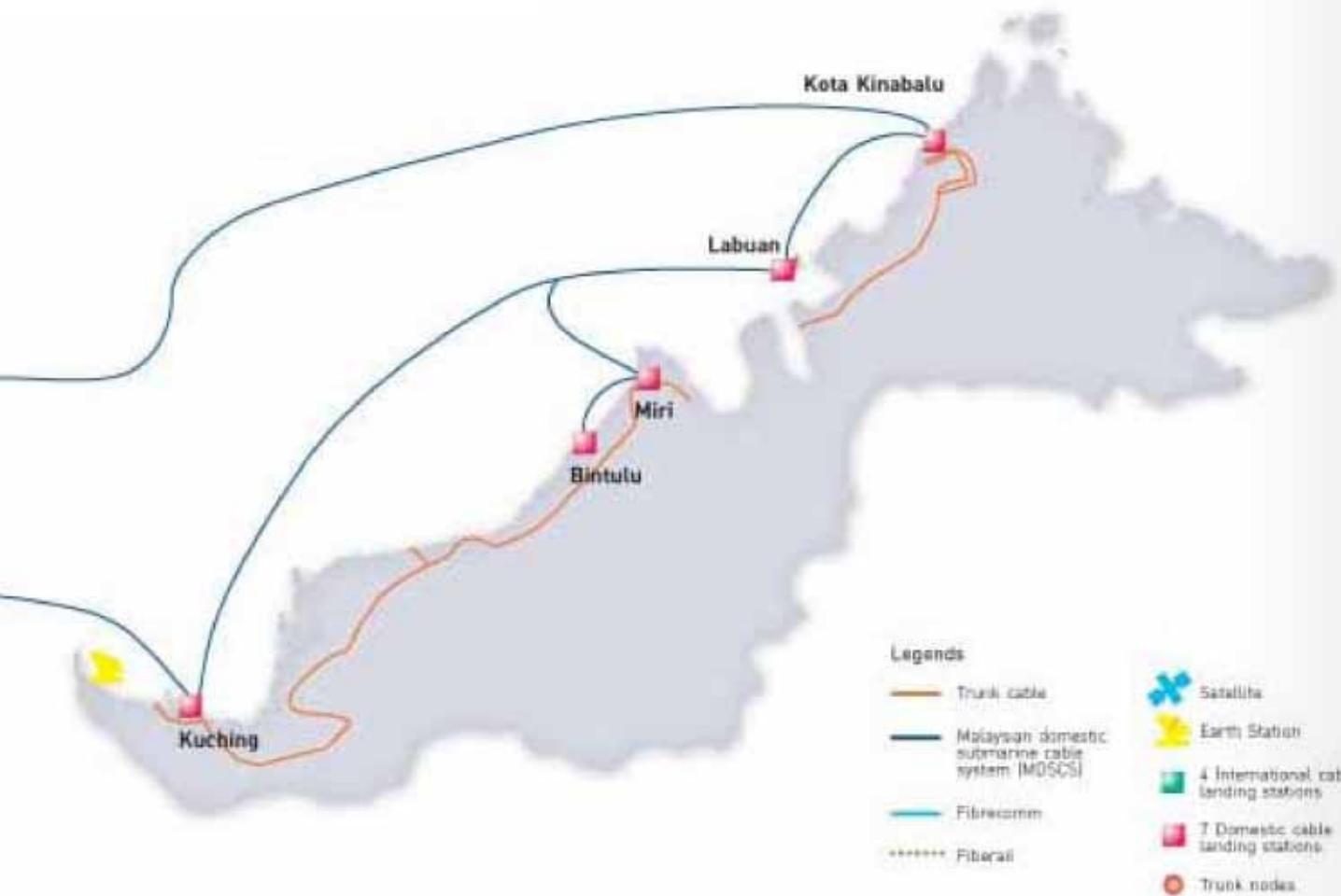
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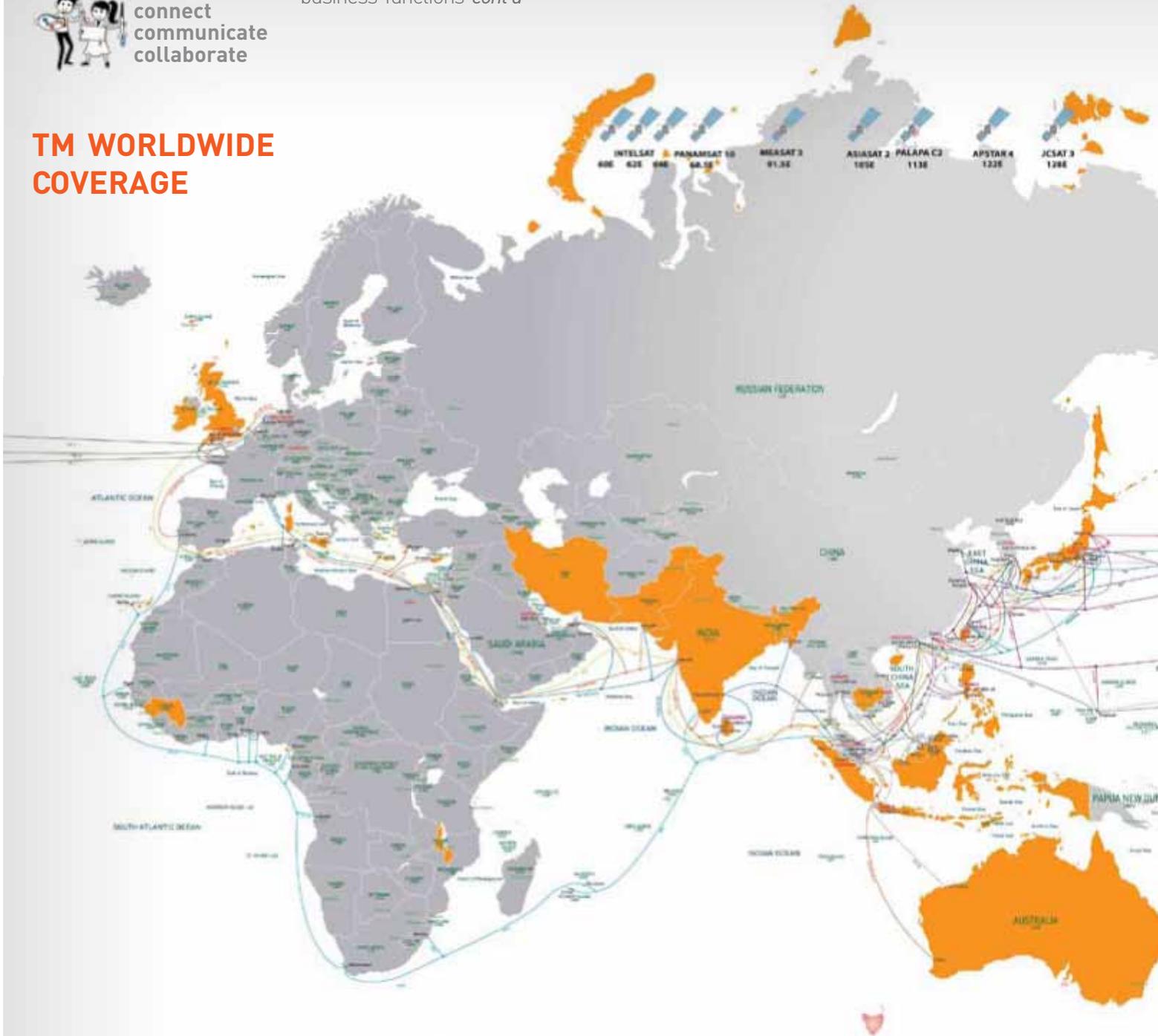
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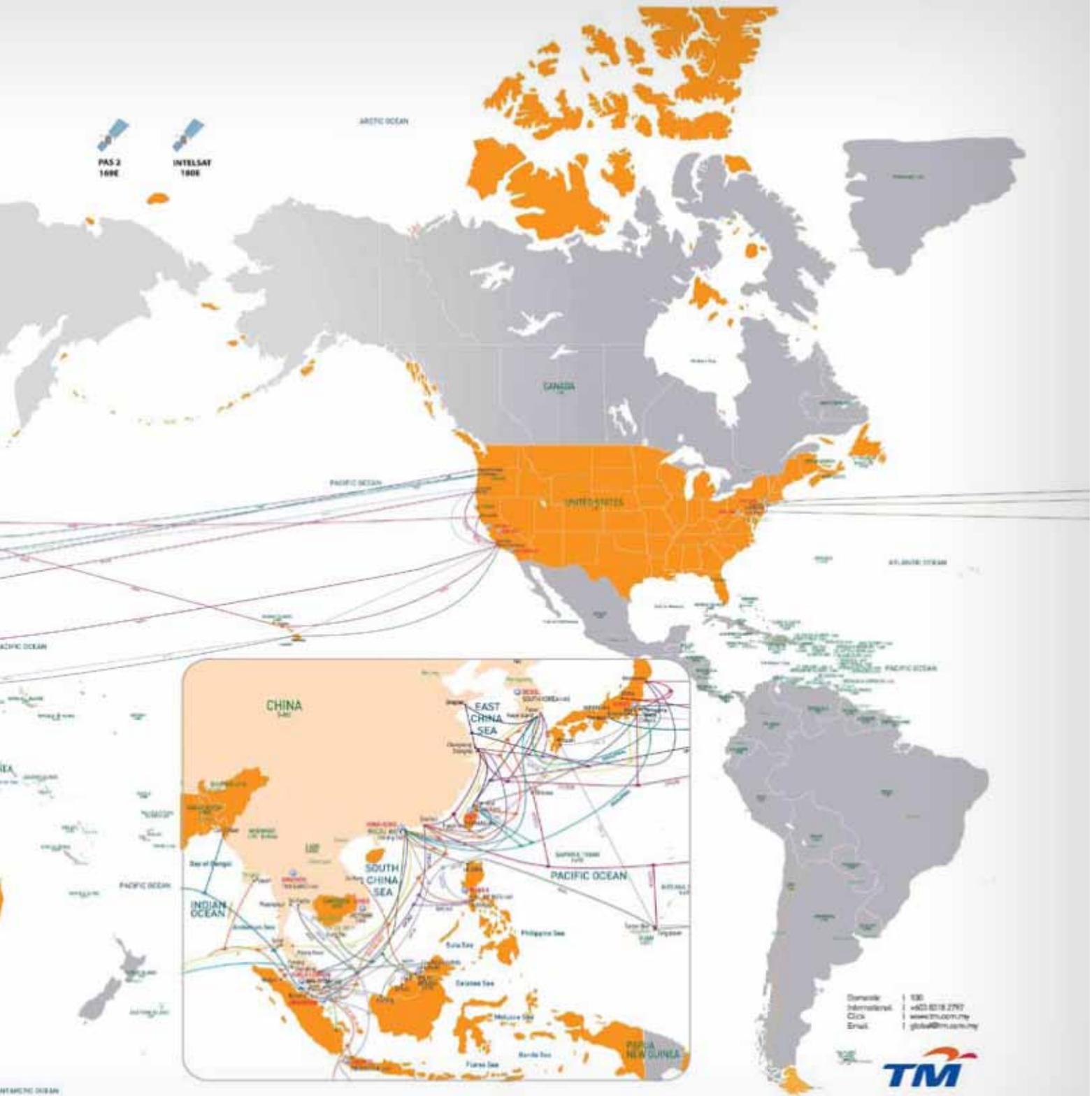



TM WORLDWIDE COVERAGE



LEGEND

● LANDING POINT	SUBMARINE CABLE					
● TM POP	■ AAG	■ CUSCN	■ FA-1	■ MCIS	■ SEA-ME-WE-3	■ TGN
● SATELLITE	■ APCN 2	■ DMCS	■ JUSCN	■ RNAL/NAL	■ SEA-ME-WE-4	■ TPE
▲ BORDER STATION	■ BRCS	■ FEA	■ MON	■ SAT3 WASC SAFE	■ DAT-10	
▲ TERRESTRIAL FIBER OPTICS						



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box article: new media



Facts at a Glance

HyppTV features:

37 channels

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

HyppTunes aggregates over 200,000 songs

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

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



share market updates



live conference



interactive education



online business



online games



e-shopping

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

HyppTV was launched on 22 March 2010 with 20 channels and 200 hours of on-demand movies and TV series. From this modest line-up, it has quickly grown with the addition of more premium channels and video on-demand content. Some of these premium channels are new to Malaysia. These include MUTV, BBC Knowledge, BBC Lifestyle, cBeebies, Warner TV, Universal, SyFy, Screen Red, Star Chinese Channel, UTV Movies, Jaya Max, Fashion TV and Bloomberg. To date, HyppTV now has 37 channels with 14 free channels and 23

premium channels. Meanwhile, the on-demand movies and TV series are among the latest to emerge from major Hollywood and Asian studios as well as leading Malaysian production houses. Interactive channels such as Flight Info service, Waktu Solat and Malaysian News on-demand add to the uniqueness of Malaysia's first IPTV service over a managed network.

CONTENT AND APPLICATIONS HUB – MY1CONTENT PORTAL

The My1Content portal, to be launched in early 2011, is to be a Digital Marketplace where sellers and buyers of content and applications can converge. Providing a range of content-related managed services, My1Content will provide established and

budding content entrepreneurs a platform for seamless distribution of their contents to customers over multiple devices, with minimal investment. Features include the capture, storage and distribution of media and content to multiple geographical locations both locally and regionally, content management, customer database management and a payment gateway.

The portal was developed in partnership with the Government as part of the HSBB public-private partnership, with the objective of being a key enabler for nurturing and promoting

Malaysia's local content industry. My1Content is expected to offer Malaysian consumers and businesses a one-stop shop to explore, browse and purchase games, music, movies, TV shows, web services and applications from local contents developers.

ONLINE VALUE-ADDED SERVICES

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

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



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



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

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

- i) Hypptunes – a digital music service with a repertoire of over 200,000 songs from international and local music labels;
- ii) Hypp.TV – the web companion for HyppTV with a variety of premium channels including MUTV, i-Concerts, Fashion TV and Channel News Asia;
- iii) e-Browse – the digital publications service that digitizes and aggregates content from Malaysia's major daily newspapers and magazines;
- iv) HyppGames – a portal with attractive offerings of popular massively multiplayer online role-playing games (MMORPGs), casual and flash games;



HyppTV

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

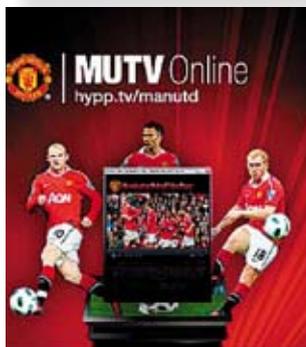


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Log on to hypp.tv/manutd and watch Man Utd in action!



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



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

DIRECTORY SERVICES – YELLOW PAGES

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

As more businesses are focusing their advertising expenditure (ADEX) on online

media vis-à-vis traditional media, the division has aggressively launched a number of online listing services, such as:

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

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

SUMMARY

HyppTV is poised to gain momentum in subscriber take-up, as the HSBB network footprint fast approaches critical market reach. Spurred

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

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



ASIAN ECONOMIES AND THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

Overview 2010

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

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

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

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

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

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

January. The 10MP aims to make Malaysia a high-income and high-productivity economy.

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

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

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

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

GNI per capita



MIDDLE-INCOME NATION

- At 2020 prices, consistent with EPU assumptions for inflation = 2.8% and population growth = 1.0%
- 2009 population 27.9 million, 2020 projected population 31.6 million (EPU projection)

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

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

ECONOMIC OUTLOOK 2011

Having weathered a stormy 2010, recent economic data suggests that the global economy has entered a more stable recovery path. Global output is projected to expand by 4.5% in 2011, an upward revision of about 0.25% relative to the October 2010 World Economic Outlook. This reflects stronger-than-expected activity in the second

half of 2010 as well as new policy initiatives in the US that will boost activity in 2011. Asia is set to emerge as one of the most vibrant regions, and will play an increasingly critical role in determining the shape of the future global economic landscape.

But downside risks to the recovery remain elevated. Of particular concern are risks associated with policy errors in the containment of inflation and asset price bubbles, intensification of protectionist sentiment, substantial deterioration in the health of developed economies and escalation of the sovereign debt crisis. The most urgent requirements for robust recovery are comprehensive and rapid actions to overcome sovereign and financial troubles in the euro area, policies to redress fiscal

imbalances and to repair and reform financial systems in advanced economies. These need to be complemented by policies that keep overheating pressures in check and facilitate external rebalancing in key emerging economies.

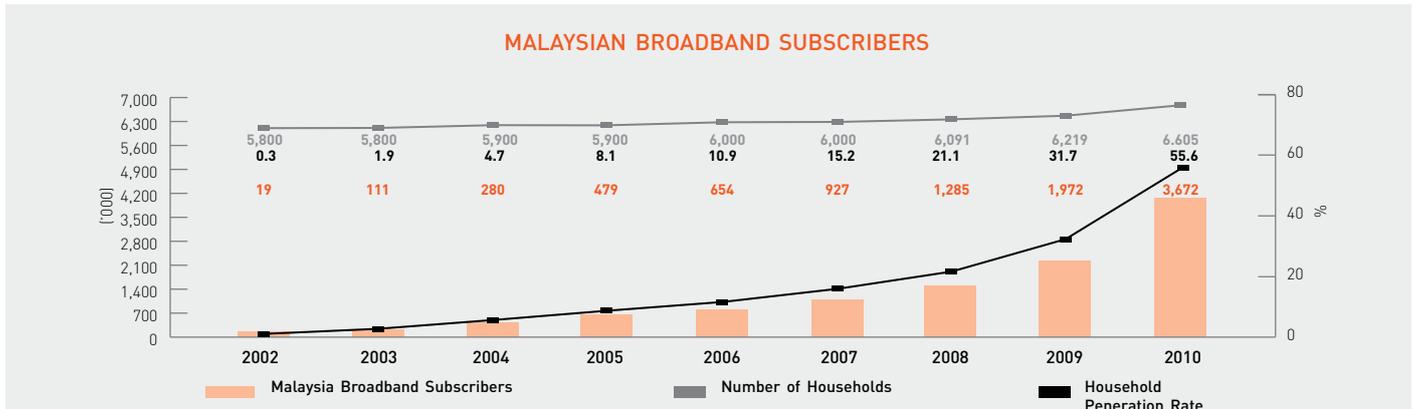
Malaysia's economic outlook for 2011 is expected to be in line with the general outlook for emerging markets, with above-trend growth and inflationary concerns on the horizon. The growth trajectory depends on the implementation of the Economic Transformation Programme (ETP) to drive private investment,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

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

TELECOMMUNICATIONS OUTLOOK 2011

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

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



GOVERNMENT INITIATIVES

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

CSDP for content digitalisation and distribution by Q1 2011.

WIRELESS BROADBAND

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

CLOUD COMPUTING

Cloud computing is also expected to gain significant traction this year, driven by the twin factors of supply-side maturity and demand-side understanding. IT investments in both the private and public sectors will shift towards the cloud this year with a high propensity for trials and some transactional-based cloud computing adoption among

enterprises. Cloud promises to reduce costs, provide flexibility and agility in how organisations use their IT resources, ease the adoption and implementation of IT, and allow organisations to explore and develop innovative services with a low cost of entry.

CONCLUSION

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

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key initiatives



service excellence via enhanced customer experience and relationships

ENHANCING THE CUSTOMER EXPERIENCE

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

Enhancing the UniFi Experience

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

At the core of this service delivery is the TM UniFi Centre (TMUC). Operating from several locations within the Klang Valley, the 500-strong TMUC team serves as a one-stop call centre for both UniFi sales and after-sales services. For greater speed and efficiency of service, TMUC has installed separate UniFi Sales (1-300-88-1222) and After-Sales (1-300-88-1221) telephone lines, up-

skilled its personnel, enhanced the Interactive Voice Response (IVR) call-flow and SMS functionalities, improved its support systems and strengthened its operations via e-TOM Fulfillment, Assurance, Complaint and Billing process methodologies. These positive changes have led to a reduction in abandoned calls from a high of 25.0% in Q2 2010 to less than 5.0% in Q4 2010, with more than 91.0% of calls answered within 20 seconds.

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



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

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

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

and the target is to cover 1.3 million premises by end 2012.

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

Expanding Our Reach

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

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

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



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

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

Faster Service for the Business Customer

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



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

HP Demo Counter @ TMpoint

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

when we launch our new Broadband PC bundle packages in April 2011.

Enhancing Customer Experience Through People

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

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

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

Better Call Centre Service

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

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

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

At the Core of Customer Service

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

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

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

Command and Control Centre

Behind the scenes, a Command & Control Centre (C&CC) was established in

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

Customer Retention Initiative

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

Loyalty Marketing

TM rewards loyal customers by delivering more value to them, be it through products and services or exciting rewards programmes. Our end goal is to build an enriching and long-term relationship with our loyal customers. The TM Rewards programme is

targeted at our mass consumers, specifically TM Homeline and Streamyx customers, providing them with exclusive discounts and other privileges from our more than 100 partners. These represent a wide range of consumer industries from food and beverage, health and beauty, to travel and leisure, retail shopping and financial services.

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

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



fostering a knowledge- based nation

Facts at a Glance

26,070

MMU graduates to date

4,131

international students from
58 countries

4,525

MMC graduates

From the time it functioned as the Telecommunications Department of Malaysia, TM has taken it upon itself to educate Malaysians so as to create local capabilities to continuously develop and sustain the industry. Its training arm from the 1940s is now known as the Multimedia College (MMC), which falls under the jurisdiction of an even larger educational institution belonging to the

Group: the Multimedia University. In addition to these establishments, TM also has in its stable, Telekom Smart School Sdn Bhd, which focuses on bringing information and communication technologies to Malaysian children.

MULTIMEDIA UNIVERSITY

Universiti Telekom Sdn Bhd (UTSB) is a wholly-owned subsidiary of TM, set up through the brand name of Multimedia University to educate future generations of the nation's leaders and

knowledge workers. As the first private university in Malaysia, MMU pioneered a successful business model that paved the way for a multitude of other educational establishments that have been set up in its wake. The sheer number of local private universities in existence today bears testimony to the significant role MMU has played in developing the nation's education sector.

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



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

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

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

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

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



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

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

In addition to offering its Diploma programmes, MMC is also responsible for organising the Malaysian Technical Cooperation Programme (MTCP). Overseen by the

Ministry of Foreign Affairs, MTCP is geared towards providing telecommunications and ICT knowledge and training to 140 member countries. From 14 June to 9 July 2010, MMC hosted 20 participants from Brunei, Myanmar, Laos, Cambodia, Vietnam, Thailand, Sri Lanka, Seychelles, Pakistan, Uzbekistan, Nigeria and Maldives who were in Malaysia to attend an MTCP course on *Computer Forensics & Security*.

TELEKOM SMART SCHOOL SDN BHD

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



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

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

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

Targeting a higher level of students, TSS in 2010 launched renowned

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

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

In the government sector, TSS has been awarded a contract by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) and Jabatan Kemajuan Islam Malaysia (JAKIM) to digitise and

web-enable the reciting of *Quranic Surah, Doa and Hadith* as well as to develop e-learning modules for *Kelas Al-Quran and Fardhu 'Ain* (KAFA). TSS also helped to develop several e-learning modules for the Department of Skills Development, Ministry of Human Resources and MDeC.

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

To reinforce its position as the leading e-learning player in the market, TSS is also involved in promoting its products and services via exhibitions and seminars locally. TSS participated in the National Level Teachers Day Festival in Kuantan; the 5th

Islamic Conference of Ministers of Higher Education in Scientific Research (ICMHESR) for OIC countries at the KL Convention Centre; and the MSC Malaysia Innovative Festival 2010 at Bukit Jalil, among others.

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

gearing human capital towards business excellence



Facts at a Glance

RM860,000

Total payout of market competitive incentives for year 2010

RM16.5 Million

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

8.4% or 639

TM executives in the Talent Pool

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

PERSONAL AND PROFESSIONAL FULFILMENT

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

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

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

TOWARDS A HIGH PERFORMANCE CULTURE

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

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

UPGRADING STAFF, INCREASING MORALE

As TM transforms within the fast-changing telecommunications industry, its activities and core businesses are evolving and present vast opportunities for further professional development of employees. New skill sets and expertise are required, and TM is setting aside significant sums for training to ensure its employees are able to step

into these more demanding roles. As they are upgraded from their current positions, employees feel a sense of personal and professional achievement which leads to greater satisfaction at work.

RECOGNISING THE RIGHT SKILLS

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

embarked on an assessment process that focused on leadership traits and abilities.

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

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

DEVELOPING TALENTS

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

Apart from FTP, the Group has introduced an integrated approach to develop talents through on-the-job experience and classroom training. Talents gain experience and skills through different job tasks and are given the

opportunity to manage a variety of projects. TM also collaborates with third parties, such as other GLCs on cross-assignment programmes which further enrich the exposure received by talents being developed.

UNLEASHING POTENTIAL

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



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



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



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

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



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

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

ENGAGING OUR EMPLOYEES

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

manner that keeps motivation and morale high.

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

HUMAN RESOURCE EXCELLENCE

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

CARING EMPLOYER

Further recognition of TM’s human resources function came in the form of the *Anugerah Majikan Prihatin*

2010 in the Large Company category. The award was presented by the Ministry of Human Resources in conjunction with Labour Day 2010. In this programme, judges evaluated companies on their employee welfare scheme, health and safety at the workplace, balance in the composition of employees and the recruitment of employees with disabilities.

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



building capabilities through learning and development

Facts at a Glance

29,517

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

70,860

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

RM12.3 Million

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

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

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





Session conducted for the Consumer Sales team.



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

PROMOTING CAMARADERIE AND PASSIONATE DELIVERY

TM believes that a cohesive Group in which employees feel connected to one another and in the overarching goals of the Company is key to business success. Therefore, in 2010,

emphasis was placed on heightening the spirit of oneness and passion in work delivery. While the vast and wide-ranging workforce continued to carry out their individual roles and responsibilities, the Company introduced a programme targeted at creating a 1TM mindset. This was called *Teaming with Passion*.

Teaming with Passion (TWP) had initially been introduced in late 2009 to promote positivity in leadership among senior management and align them to the Company's new strategic direction. However, the session made such an impression on the senior management that it was felt Group-wide sessions would lead to the entire workforce moving forward in the same

direction and with the same indomitable spirit. Towards this end, 20 Master Trainers were certified and within a period of eight months, had conducted TWP for no less than 12,368 employees.

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

TWP session for State.



INNOVATIVE TRAINING DELIVERY

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

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

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

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

ON-the-JOB ASSESSMENT OF HSBB INSTALLERS

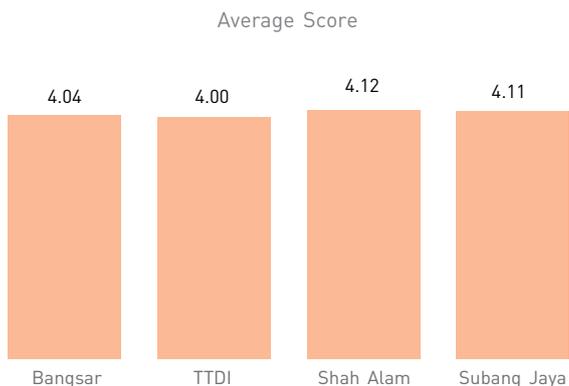
On-the-Job Assessments (OJA) are conducted among HSBB installers to measure their post-training competency. A total of 44 installers (40% of the total trained in Batch 1 from the exchanges of TTDI, Bangsar, Shah Alam and Subang) were assessed at the customers' site based on the following 15 competencies:

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

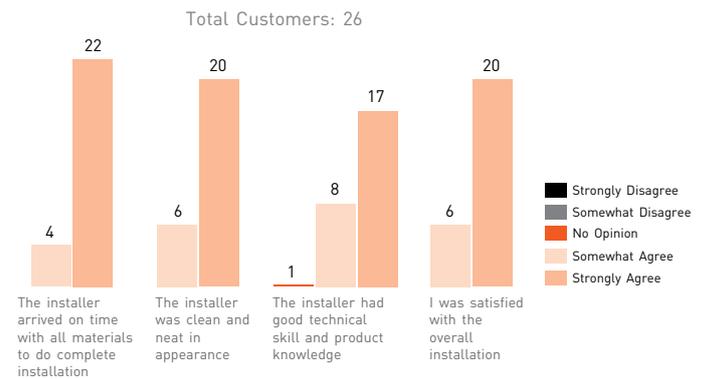
Customised assessment and feedback forms were used as assessment tools.

What Do The Customers Say?

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



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



occupational safety, health and environment (oshe)



Facts at a Glance

A showcase of greater Contractor Engagement
1st TM OSHE Seminar

NIOSH-TM Safety Passport Programme

131.0%

increase in participants

Menara TM

EMS ISO 140001:2004

certification extended

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

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

SAFETY PERFORMANCE

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



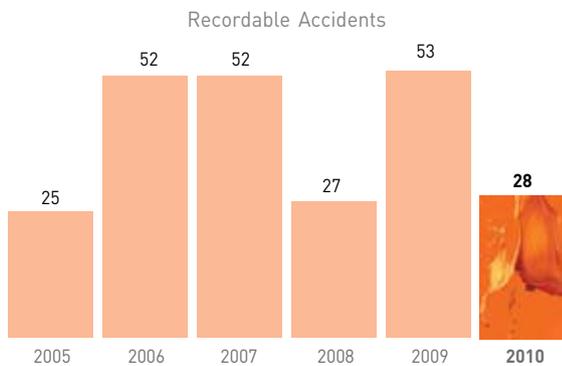


Figure 1

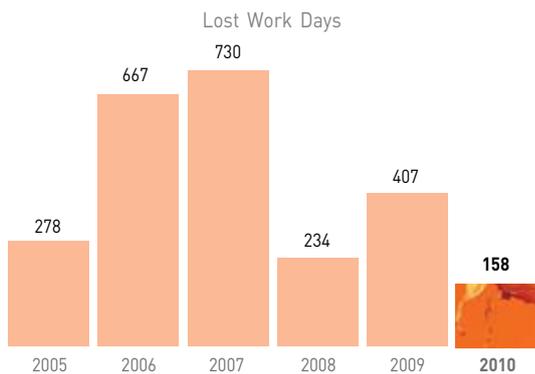


Figure 2

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

Most of the accidents last year were due to persons falling or employees being caught in or between objects. A number of TM employees are required to work on high structures, for

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



OSHE Seminars for Contractors Personnel.



Emergency Response Training.

ACTIVITIES & PROGRAMMES

NIOSH TM Safety Passport

The NIOSH TM Safety Passport is a joint programme between the National Institute of Occupational Safety and Health (NIOSH) and TM, initiated in 2006. In February 2010, revised modules were introduced, taking into account feedback from contractors.

This was followed by a training the trainers session before they delivered the revised modules, commencing in May 2010. As of April 2010, 10,330 contractor employees had obtained their safety passports. TM is the only telco in Malaysia to enforce this customised OSHE induction programme for contractors' personnel.

OSHE Seminars for Contractors Personnel

A series of OSHE Seminars for TM Contractors Personnel was held in all the six regions namely Southern, Northern, Eastern, Central, Sabah and Sarawak regions from April to October 2010. The focus was

on safety whilst working by the roadside. Experts from NIOSH, Department of Occupational Safety and Health (DOSH), Public Works Department (JKR), our OSHE Consultant and the OSHE Unit were invited to share their views and experiences with the participants. More than 1,000 contractors' personnel participated in these seminars.

Emergency Response Training

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



No-Accident Awards.

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

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

No-Accident Awards

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



Confined Space Medical Surveillance & Training.

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

Confined Space Medical Surveillance & Training

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

Surveillance (CSMS) Programme in March 2011 for about 1,400 Network Operations and Network Development personnel.

The ICOP also stipulates training for all employees and contractors involved in work in confined spaces. This Confined Space Training is divided into two parts, *Authorised Entrant and Stand-by Person (AESP)* and *Authorised Gas Tester and Entry Supervisor*. Once certified, an employee has to undergo a refresher course every two years. TM, in

collaboration with NIOSH, has already developed a customised AESP training module which is awaiting approval from the Department of Occupational Safety & Health (DOSH). Training is expected to begin in April 2011.

OSHE Bulletin

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



Health Campaign.

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

Health Campaign

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

The main attraction was the *Quarter D Pounder*, TM's own version of the Biggest Loser, which attracted 183 participants. Only 50 of them,

however, passed the medical screening and fitness test for the three-month session. Halfway through the programme, the highest weight loss of 10kg had been recorded among three participants.

Waste Management

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



Waste Management Campaign.

has been disposed off since October 2010, with Perak topping the list with 15,480kg of e-waste disposed of.

MOVING FORWARD

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

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

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

Facts at a Glance

ACHIEVEMENTS

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

ENVIRONMENT

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

COMMUNITY

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

MARKETPLACE

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

WORKPLACE

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



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

TM has a long history of giving back to communities, and enjoys the reputation of being one of the largest corporate

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

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

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



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

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

CONSERVATION OF THE ENVIRONMENT

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

Waste Management

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



Energy Efficiency

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

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

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



TM Earth Camp

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

understand and appreciate the orang utan at the Sepilok Orang Utan Rehabilitation Centre in Sandakan, Sabah.

BumiKu Programme

BumiKu is a staff awareness programme launched in October 2009 to immerse our employees in a 'world of green'. Under this programme, we 'planted' an Idea Tree at the Menara TM Lobby on which good eco-friendly ideas put forward by staff are hung. Those that are feasible are subsequently implemented. Staff are also encouraged to carpool via a Share-A-Ride programme, which generated such positive response that the number of parking bays allocated for carpoolers had to be increased from 10 to 30 within a year. Riding on the crest of heightened environmental awareness, a BumiKu Camp was organised with MNS at the Awana

Genting Highlands from 13-15 October 2010 at which 120 TM employees brainstormed on novel ways in which TM can further contribute to environment conservation. TM also organised a beach clean-up at Bagan Lalang, Sepang, in December 2010 during which 69 employees collected 329kg of rubbish and planted 200 mangrove seedlings. The interest shown by TM employees in environmental issues has led to the establishment of Kelab Pencinta Alam TM, or 'Tapir Malaya = TM', launched on 5 March 2011.

Green Community Project

Having taken on the green challenge ourselves, TM feels ready to spread the message among our neighbours. On 24 July 2010, we launched a green project in the Kondo Rakyat Pantai Dalam community, in collaboration



with Unilever and University of Malaya. The objective is to help this community kick-start environmental activities, in the hope that the residents will sustain the momentum by integrating these activities into their social and economic routines. At the project's soft launch, a *gotong royong* was held to clean up the Kondo area, and a used clothes recycling centre was set up. A van-load of clothes collected was cleaned and donated to the Baitul Ehsan Orphanage in Cheras. Subsequently, a Cooking Oil Recycling drive collected 19kg of used cooking oil. Three more initiatives are in the pipeline: composting, planting herbs and vegetables, and a Green Bazaar.

COMMUNITY

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



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



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



Yayasan TM

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

Multimedia University

Within Malaysia, TM offers quality tertiary education at the Multimedia University (MMU), the first private university in the country. So far, the university has produced 26,070 graduates, 90.0% of whom have gained employment within six months of completing their studies. The university serves to

promote the nation's technological development, encouraging its research students to undertake research and development activities and to enter into collaboration with third parties.

PINTAR

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

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



In 2009, TM completed the first phase of its PINTAR programme in which it had adopted two schools from Penang. Motivated by the positive results obtained, the Company launched phase two of PINTAR on 21 January 2010 with another two schools: Sekolah Kebangsaan Seri Bandan in Johor; and Sekolah Kebangsaan Tembak in Kedah. Phase two is marked by the introduction of TM-developed Bestari-Ed software that makes learning more

interactive and fun, as well as by a Computer Education programme for the community. A total of 888 students, 77 teachers and support staff and 533 community members have benefited from this initiative.

Projek Sekolah Angkat Bersama KPKK & TM

Projek Sekolah Angkat Bersama KPKK & TM is a collaboration between TM and the Ministry of Information, Communications and Culture to upgrade the IT facilities and telecommunications infrastructure in suburban schools. As of July 2009, TM has adopted Sekolah Kebangsaan Teriang and Sekolah Menengah Rendah Agama Repah in Negeri Sembilan and Sekolah Menengah Kebangsaan Pakan in Sarawak, where it is applying the PINTAR curriculum to facilitate learning by the students and effective teaching by the teachers. To ensure the project's success,

students, teachers and the surrounding community are being trained for computer skills via facilities provided by TM. This project involves a total of 1,767 students, 123 teachers and support staff and 1,138 members of the community, facilitated by 120 TM volunteers.

Program Sejahtera

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

The Company also provided the single mothers with entrepreneurship training,

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



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



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



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

Giving Back

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

MARKETPLACE

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

Suppliers

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

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





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



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

Customers

TM has cultivated a strong customer-centric culture that ensures the best possible customer experience at every interface. To facilitate better, more targeted customer service, the Company realigned our business model according to the four principal customer segments, namely consumers, SMEs, enterprises

and the Government. While our Customer Service Management division is accountable for the whole process of service delivery, activation, service assurance and fault management, the respective Lines of Business (LOBs) support other accountability areas such as pre-sales, infrastructure management, billing, complaints management and termination process. All their actions are overseen by a Customer Centricity Committee.

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

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

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



WORKPLACE

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

Training and Development

Staff development is given high priority at TM, and training begins from the time new recruits step into the organisation, when they spend three weeks on an Induction Training Programme which gives them a broad understanding of what TM does and how we go about

our business. From then on, employees are required to spend at least 40 hours of training a year. Structured courses for all level of staff are conducted at the five TM Training Centres and, beginning last year, e-learning modules have also been made available.

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

Specialised programmes have been developed for employees who display leadership

Vendors' Programme conducted by TM.



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



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

Today, as TM rolls out the ambitious HSBB programme, emphasis is being placed on ensuring employees receive appropriate technical and

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

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



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



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



Staff Engagement and Internal Communication

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

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

In 2010, the Employee Engagement Division embarked on a new initiative called Leaders Communication Programme, through which simple, clear and consistent messages from top management are cascaded down and across the

organisation. Inter-divisional Teh Tarik sessions, meanwhile, improve employees' understanding of processes and allow the different parties to talk to each other to create greater operational efficiency and effectiveness.

Health and Safety at Work

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

Engagement with Unions

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

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

Work-Life Balance

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



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

Welfare and Employees Benefits

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

- Social and recreational facilities, including a gymnasium, at Menara TM
- Housing, car and computer loans
- Childcare centres at Menara TM and in the Multimedia College Taiping
- Disability and health insurance for employees, as well as medical care for their families
- Cafeteria services, both indoor and outdoor, at all TM buildings
- Social Clubs – Badan Kebajikan Islam TM (BAKIT), PAKAR Semboyan (voluntary uniformed armed services) and Toastmasters

- Kelab TM Malaysia, which organises a host of activities such as the TM Amazing Race, Treasure Hunt, Regatta, Annual Family Day, Annual Sports, futsal, bowling and golf
- TIARANITA, a women's organisation for employees and wives of TM employees

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

RECOGNITION OF TM'S CR EFFORT

TM is quickly establishing itself as a leader in CR. The Company has won numerous awards in recognition of its commitment to attaining high

levels of integrity in its dealings with the different stakeholders. Its workplace practices have been named the best by the prestigious Prime Minister's CSR Awards for two years running – 2009 and 2010. In 2010, TM also received an Honourable Mention by the Prime Minister's CSR Awards for its efforts in the Environment category. In addition, TM won in the Community category of the StarBiz-ICRM Corporate Responsibility Awards for its 2009 initiatives.

TM is also regularly recognised for high standards of Corporate Governance. It won three awards in the Malaysian Corporate Governance Index Award 2010 organised by the Minority

Shareholders Watchdog Group (MSWG); emerged first runner-up for the Overall Malaysian Business-CIMA Corporate Governance Awards 2010; and won the Platinum Award for its CSR reporting in the National Annual Corporate Report Awards (NACRA) 2010, amongst others.

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







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financial statements

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statement of responsibility by directors

In respect of the preparation of the Annual Audited Financial Statements

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

In preparing the financial statements, the Directors have:

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

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

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

- The Directors have pleasure in submitting their annual report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

RESULTS

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

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

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

DIVIDENDS

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

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

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

EMPLOYEES' SHARE OPTION SCHEME

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

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

SHARE CAPITAL

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

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

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

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

MOVEMENTS ON RESERVES AND PROVISIONS

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

9. Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to:
 - (a) ascertain that actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (b) ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.
10. At the date of this report, the Directors are not aware of any circumstances which:
 - (a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and the Company misleading; and
 - (b) have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.
11. In the interval between the end of the financial year and the date of this report:
 - (a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and
 - (b) no charge has arisen on the assets of any company in the Group which secures the liability of any other person nor has any contingent liability arisen in any company in the Group except as disclosed in note 46(g) to the financial statements.
12. No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.
13. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company, which would render any amount stated in the financial statements misleading.

DIRECTORS

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

Directors

Datuk Dr Halim Shafie

Dato' Sri Zamzamzairani Mohd Isa

Datuk Bazlan Osman

Dato' Zalekha Hassan

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Dato' Danapalan T.P. Vinggrasalam

YB Datuk Nur Jazlan Tan Sri Mohamed

Dato' Ir Abdul Rahim Abu Bakar

Quah Poh Keat

Ibrahim Marsidi

Riccardo Ruggiero

Alternate Director

Eshah Meor Suleiman

Dr Farid Mohamed Sani

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

(i) Dato' Sri Zamzamzairani Mohd Isa

(ii) Datuk Bazlan Osman

(iii) Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

(iv) Dato' Danapalan T.P. Vinggrasalam

(v) Dato' Ir Abdul Rahim Abu Bakar

(vi) Quah Poh Keat

(vii) Ibrahim Marsidi

(viii) Riccardo Ruggiero

DIRECTORS' INTEREST

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

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

Note:

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

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

DIRECTORS' BENEFITS

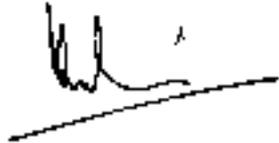
18. Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 7(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest and any benefit that may deem to have been received by certain Directors.

Neither during nor at the end of the financial year was the Company or any of its related corporations, a party to any arrangement with the object(s) of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

AUDITORS

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

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



DATUK DR HALIM SHAFIE
Director/Chairman



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

income statements

for the financial year ended 31 December 2010

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

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

Independent Auditors' Report – Pages 354 to 355.

statements of comprehensive income

for the financial year ended 31 December 2010

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

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

Independent Auditors' Report – Pages 354 to 355.

statements of financial position

as at 31 December 2010

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

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

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

Independent Auditors' Report – Pages 354 to 355.

consolidated statement of changes in equity

for the financial year ended 31 December 2010

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company								
		Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares	Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Fair Value Reserves RM	Capital Redemption Reserve RM	Retained Profits RM	Minority Interests RM
At 1 January 2010										
As previously stated		3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139	51	-	-	-	-	100.4	-	(18.0)	-	82.4
At 1 January 2010, as restated		3,543.5	1,011.8	(1.0)	19.7	255.9	35.8	2,204.2	142.5	7,212.4
Profit for the financial year		-	-	-	-	-	-	1,206.5	38.5	1,245.0
Other comprehensive (loss)/income for the financial year, net of tax		-	-	(0.4)	-	76.5	-	-	-	76.1
Total comprehensive (loss)/income for the financial year		-	-	(0.4)	-	76.5	-	1,206.5	38.5	1,321.1
Transactions with owners:										
Final dividends paid for the financial year ended 31 December 2009	13	-	-	-	-	-	-	(346.4)	-	(346.4)
Interim dividends paid for the financial year ended 31 December 2010	13	-	-	-	-	-	-	(347.4)	-	(347.4)
Dividends paid to minority interests		-	-	-	-	-	-	-	(30.2)	(30.2)
Employees' share option scheme (ESOS)										
- shares issued upon exercise of options	14(d)(i)&15	23.4	23.0	-	-	-	-	-	-	46.4
- transfer of reserve upon exercise of options		-	17.2	-	(17.2)	-	-	-	-	-
- transfer of reserve upon expiry of options		-	-	-	(2.5)	-	-	2.5	-	-
Shares issued upon disposal of shares attributed to lapsed options	14(d)(ii)	1.2	3.1	-	-	-	-	-	-	4.3
Total transactions with owners		24.6	43.3	-	(19.7)	-	-	(691.3)	(30.2)	(673.3)
At 31 December 2010		3,568.1	1,055.1	(1.4)	-	332.4	35.8	2,719.4	150.8	7,860.2

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company								
		Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares		Currency Translation Differences RM	ESOS Reserve RM	Fair Value Reserves RM	Capital Redemption Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
		Share Capital RM	Share Premium RM							
At 1 January 2009		3,456.0	4,305.4	(10.4)	82.9	111.0	-	2,303.2	226.5	10,474.6
Profit for the financial year		-	-	-	-	-	-	643.0	30.3	673.3
Other comprehensive income for the financial year, net of tax		-	-	9.4	-	44.5	-	-	-	53.9
Total comprehensive income for the financial year		-	-	9.4	-	44.5	-	643.0	30.3	727.2
Transactions with owners:										
Acquisition of remaining equity interest in a subsidiary	5(c)	-	-	-	-	-	-	-	(103.9)	(103.9)
Bonus issue of Redeemable Preference Shares (RPS)	14(c)	35.8	(35.8)	-	-	-	-	-	-	-
Redemption of RPS	14(c)	(35.8)	(3,470.0)	-	-	-	-	43.1	-	(3,462.7)
Creation of capital redemption reserve upon redemption of RPS	14(c)	-	-	-	-	-	35.8	(35.8)	-	-
Final dividends paid for the financial year ended 31 December 2008	13	-	-	-	-	-	-	(377.2)	-	(377.2)
Interim dividends paid for the financial year ended 31 December 2009	13	-	-	-	-	-	-	(354.1)	-	(354.1)
Dividends paid to minority interests		-	-	-	-	-	-	-	(10.4)	(10.4)
Employees' share option scheme (ESOS)										
- options granted		-	-	-	7.0	-	-	-	-	7.0
- shares issued upon exercise of options	14&15	87.5	142.0	-	-	-	-	-	-	229.5
- transfer of reserve upon exercise of options		-	70.2	-	(70.2)	-	-	-	-	-
Total transactions with owners		87.5	(3,293.6)	-	(63.2)	-	35.8	(724.0)	(114.3)	(4,071.8)
At 31 December 2009		3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0

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

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

Independent Auditors' Report - Pages 354 to 355.

company statement of changes in equity

for the financial year ended 31 December 2010

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM1.00 each Special Share*/ Ordinary Shares Share Capital RM	Non-distributable				Distributable		
			Share Premium RM	ESOS Reserve RM	Special ESOS Reserve RM	Fair Value Reserves RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2010									
As previously stated		3,543.5	1,011.8	19.7	728.3	-	35.8	1,335.6	6,674.7
Adjustments on application of FRS 139	51	-	-	-	-	100.4	-	(18.0)	82.4
At 1 January 2010, as restated		3,543.5	1,011.8	19.7	728.3	100.4	35.8	1,317.6	6,757.1
Profit for the financial year		-	-	-	-	-	-	928.4	928.4
Other comprehensive loss for the financial year, net of tax		-	-	-	-	(19.6)	-	-	(19.6)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(19.6)	-	928.4	908.8
Transactions with owners:									
Final dividends paid for the financial year ended 31 December 2009	13	-	-	-	-	-	-	(348.8)	(348.8)
Interim dividends paid for the financial year ended 31 December 2010	13	-	-	-	-	-	-	(348.8)	(348.8)
Employees' share option scheme (ESOS)									
- shares issued upon exercise of options	14(d)(i)&15	23.4	23.0	-	-	-	-	-	46.4
- transfer of reserve upon exercise of options		-	17.2	(17.2)	(59.1)	-	-	-	(59.1)
- transfer of reserve upon expiry of options		-	-	(2.5)	-	-	-	2.5	-
- repayment of capital contribution by TM ESOS Management Sdn Bhd (TEM) due to shareholder transaction	14(d)(i) &28(a)	-	-	-	(446.0)	-	-	446.0	-
- impairment in investment in TEM due to shareholder transaction	14(d)(i) &28(a)	-	-	-	(19.9)	-	-	-	(19.9)
Shares issued upon disposal of shares attributed to lapsed options	14(d)(ii)	1.2	3.1	-	(3.1)	-	-	-	1.2
Total transactions with owners		24.6	43.3	(19.7)	(528.1)	-	-	(249.1)	(729.0)
At 31 December 2010		3,568.1	1,055.1	-	200.2	80.8	35.8	1,996.9	6,936.9

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

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

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

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statements of cash flows

for the financial year ended 31 December 2010

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

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

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All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation of the Financial Statements

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Amendment to FRS 132 "Financial Instruments: Presentation" on classification of rights issues addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities.
- The revised FRS 3 "Business Combinations" continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the Income Statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- The revised FRS 127 "Consolidated and Separate Financial Statements" requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the Income Statement.
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held by any entity in the Group. The requirements of FRS 121 "The Effects of Changes in Foreign Exchange Rates" do apply to the hedged item.
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners" provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
- Amendment to FRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Transactions" clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 – Group and Treasury Share Transactions", which shall be withdrawn upon application of this amendment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Amendment to FRS 7 "Financial Instruments: Disclosures" requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by the three-level fair value hierarchy.
- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease" requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement.
- IC Interpretation 18 "Transfers of Assets from Customers" provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue".
- The revised FRS 124 "Related Party Disclosures" removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:
 - the name of the government and the nature of their relationship;
 - the nature and amount of each individually significant transactions; and
 - the extent of any collectively significant transactions, qualitatively or quantitatively.
- Improvement to FRS 2 "Share-based Payment" clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.
- Improvement to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Improvement to FRS 138 "Intangible Assets" clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.
- Improvement to IC Interpretation 9 "Reassessment of Embedded Derivatives" clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.
- Improvement to FRS 3 "Business Combinations" clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS. It also clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).
- Improvement to FRS 101 "Presentation of Financial Statements" clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- Improvement to FRS 134 "Interim Financial Reporting" requires disclosure of additional significant events and transactions in the entity's interim financial report.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in MASB 21 "Business Combinations"
- internal group reorganisations, as defined in MASB 21, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
 - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
 - the minorities' share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by MASB 21 and FRS 3 to apply these Standards prospectively.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

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

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

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

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

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

(ii) Transactions with Minority Interests

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

(iii) Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

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

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

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

Dilution gains and losses are recognised in the Income Statement.

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

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

(iv) Changes in Ownership Interests

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

(c) Investments in Subsidiaries and Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment

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

(i) Cost

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

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

(ii) Depreciation

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

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

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on nature of assets. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

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

(iii) Impairment

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(iv) Gains or Losses on Disposal

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

(v) Asset Exchange Transaction

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

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

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

(vi) Repairs and Maintenance

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

(e) Investment Properties

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Land Held for Property Development

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

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount (see Significant Accounting Policies note 2(h) on Impairment of Non-Financial Assets).

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

(g) Intangible Assets

(i) Goodwill

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

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

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

(ii) Software

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of Non-Financial Assets

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

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

(i) Financial Assets

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

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

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

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

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

(ii) Loans and Receivables

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets (continued)

(iii) Available-for-sale Financial Assets

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

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

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

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

(iv) Derecognition

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

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

(v) Offsetting Financial Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

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

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

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

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

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

(ii) Assets Classified as Available-for-sale

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Derivative Financial Instruments and Hedging Activities

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

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

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

Fair value hedge

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

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

(l) Inventories

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Customer Acquisition Costs

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

(n) Cash and Cash Equivalents

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

(o) Share Capital

(i) Classification

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

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

(ii) Share Issue Costs

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

(iii) Dividend to Shareholders of the Company

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

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

(p) Financial Liabilities

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

(i) Trade Payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Liabilities (continued)

(ii) Bonds, Notes, Debentures and Borrowings

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

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

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

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

(q) Leases

(i) Finance Leases

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (continued)

(ii) Operating Leases

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

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

(r) Government Grants

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

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

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

(s) Income Taxes

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income Taxes (continued)

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

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

(t) Provisions

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

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

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

(u) Contingent Liabilities and Contingent Assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent Liabilities and Contingent Assets (continued)

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

(v) Revenue Recognition

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

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

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

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

(w) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plans

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

(iii) Termination Benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee Benefits (continued)

(iv) Share-based Compensation

- Equity-settled Share-based Compensation

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

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

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

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

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

- Cash-settled Share-based Compensation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

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

(iii) Group Companies

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

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

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

(y) Segment Reporting

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

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

3. CRITICAL ACCOUNTING ESTIMATES

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

Critical Accounting Estimates and Assumptions

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

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

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

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

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

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

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

(c) Impairment of Goodwill

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

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(d) Impairment of Trade Receivables

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

(e) Taxation

(i) Income Taxes

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

(ii) Deferred Tax Assets

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

(f) Share-based Payments

Equity-settled and cash-settled share-based payments (share options) are measured at fair values at the grant dates. In addition, liabilities arising from cash-settled share-based payments are remeasured at every reporting date. The assumptions used in the valuation to determine these fair values are explained in note 15 to the financial statements.

(g) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Please refer to note 46 to the financial statements for legal proceedings that the Group is involved in as at 31 December 2010.

(h) Fair Value of Derivatives and Other Financial Instruments

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

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

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

(i) Market Risk

- Foreign Exchange Risk

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

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

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk

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

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

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

- Interest Rate Risk

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

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

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

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

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

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk

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

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

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

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

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

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

(iii) Liquidity Risk

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

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(iii) Liquidity Risk (continued)

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

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

(b) Capital Risk Management

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

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

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

5. SIGNIFICANT DISPOSALS AND ACQUISITION

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

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

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

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

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

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

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

5. SIGNIFICANT DISPOSALS AND ACQUISITION (CONTINUED)

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

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

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

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

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

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

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

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

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

6. OPERATING REVENUE

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

7(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

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

7(b) OTHER OPERATING COSTS

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

7(b) OTHER OPERATING COSTS (CONTINUED)

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

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

Amount less than RM0.1 million

8. OTHER OPERATING INCOME (net)

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

9. OTHER GAINS (net)

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

10. NET FINANCE INCOME/(COST)

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

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

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

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

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

11. TAXATION AND ZAKAT

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

11. TAXATION AND ZAKAT (CONTINUED)

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

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

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

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year, with the exception of Special ESOS Shares issued to TM ESOS Management Sdn Bhd that remained unexercised and unallocated on the basis as described in note 14(d) to the financial statements.

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

(b) Diluted earnings per share

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

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

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

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

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

13. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

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

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

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

14. SHARE CAPITAL

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

14. SHARE CAPITAL (CONTINUED)

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

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

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

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

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

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

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

(c) Class E Redeemable Preference Shares (RPS)

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

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

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

14. SHARE CAPITAL (CONTINUED)

(d) Special ESOS Shares

- (i) On 17 March 2008, the Company issued 137,592,300 shares (Special ESOS Shares) at fair value to TEM, a newly incorporated trust company, under Special ESOS (note 15) in exchange for investment in TEM, thereby making TEM a subsidiary as well as a shareholder of the Company. Adjustments to the investment in TEM is a transaction with the Company's shareholder and is therefore recorded in equity.

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

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

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

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

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

15. EMPLOYEES' SHARE OPTION SCHEME

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

Features of Special ESOS

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

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

(ii) Eligibility

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

- (a) has attained the age of 18 years; and
- (b) is employed on full time basis by and on the payroll of a corporation within the Group.

(iii) Duration of the Special ESOS

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

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

On expiry of the Special ESOS, the remaining shares attributable to the unexercised options shall be sold to the market, at the discretion of the Option Committee. As at 31 December 2010, the balance of shares in the Company and Axiata Group Berhad (Axiata) under the Special ESOS held by TEM, and remained unsold was 9.2 million and 101.5 million respectively.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Features of Special ESOS (continued)

(iv) Maximum allowable allocation

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

- (a) Not more than 50.0% of the options over the shares available under Special ESOS shall be granted, in aggregate, to Eligible Employees who are Executive Directors or Senior Management and above.
- (b) Not more than 10.0% of the options over the shares available under Special ESOS shall be granted to any individual Eligible Employee who, either individually or collectively through persons connected with him, holds 20.0% or more of the issued and paid-up capital of the Company.

(v) Subscription price

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

(vi) Alteration in capital structure

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

- (a) the number of new shares in relation to Special ESOS so far as unexercised;
- (b) and/or the subscription price.

(vii) Ranking of Special ESOS Shares

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

(viii) Trust arrangement

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

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

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

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Allocation and Exercise Price of Special ESOS

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

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

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

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

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Allocation and Exercise Price of Special ESOS (continued)

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

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

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

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

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

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

- (i) Capital repayment as disclosed in note 14(c) to the financial statements.
- (ii) Pursuant to the Axiata rights issue in April 2009, the Company had further subscribed to 64.3 million rights out of 171.3 million rights entitled, for a total cash consideration of RM72.0 million. Accordingly, the exercise price of Axiata Options and the number of Axiata Options allotted to Eligible Employees was adjusted based on the ratio of 1.4645 for every 1 Axiata Option remain unexercised which was consistent with the ratio on the alteration of Axiata capital structure.
- n.a. not applicable

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Valuation of Special ESOS

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

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

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

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

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

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

n.a. not applicable

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Valuation of Special ESOS (continued)

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

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

Special ESOS over the ordinary shares of:	Axiata	
Exercise price	RM4.77	RM4.47
Estimated option life (number of days)		
– before modification	132	132
– after modification	497	497
Weighted average share price at modification date	RM2.30	RM2.30
Expected dividend yield	3.20%	3.20%
Risk free interest rates		
(Yield of Malaysian Government Securities)	2.20%	2.20%
Expected volatility	38.71%	38.71%
Historical volatility period for the shares of:		
– from	28.04.2008	28.04.2008
– to	07.05.2009	07.05.2009
Option value		
– before modification	#	#
– after modification	0.03	0.04
# Amount less than 0.01 sen.		

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Movement during the Financial Year

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

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

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

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Movement during the Financial Year (continued)

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

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

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

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

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

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

n.a. not applicable

Fair Value of Shares at Exercise Date

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

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Value of Shares at Exercise Date (continued)

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

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

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

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

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Special ESOS Cost/Liability

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

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

16. OTHER RESERVES

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

17. RETAINED PROFITS

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

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

18. FINANCIAL INSTRUMENTS BY CATEGORY

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

18. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

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

18. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

19. BORROWINGS

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

19. BORROWINGS (CONTINUED)

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

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

19. BORROWINGS (CONTINUED)

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

The currency exposure profile of borrowings is as follows:

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

- (a) On 20 July 2007, the Company had, through itself and its wholly owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:
- (i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;
 - (b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and
 - (ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;
 - (b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

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

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

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

19. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are:

(I) TM NCRPS

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

- (i) The NCRPS will not be convertible to ordinary shares of the Company.
- (ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers until redeemed by the Company (anticipated to be concurrent with Sukuk maturity).
- (iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.
- (iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.
- (v) The NCRPS shall rank *pari passu* amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

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

- (i) Class A Sukuk comprising of Class A1 Sukuk and Class A2 Sukuk (collectively referred to as "Class A Sukuk")
- (ii) Class B Sukuk comprising of Class B1 Sukuk and Class B2 Sukuk (collectively referred to as "Class B Sukuk")

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank *pari passu*, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

- (i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.
- (ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.
- (iii) The Sukuk will constitute, *inter alia*, the obligations of the Company.

19. BORROWINGS (CONTINUED)

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

(II) Sukuk Ijarah (continued)

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

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

The respective tenure of the Sukuk are as follows:

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

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

- (i) Pay gross dividends, comprising of net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or
- (ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

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

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

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

19. BORROWINGS (CONTINUED)

- (b) A portion of this security has been hedged with interest rate swaps which has been accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.
- (c) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.
- (d) Minimum lease payments at the reporting date are as follows:

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

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

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

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

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

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

20. PAYABLE TO A SUBSIDIARY

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

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

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

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

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

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

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

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

(a) Forward Foreign Currency Contracts

Underlying Liability

USD260.3 million 8.00% Guaranteed Notes due in 2010

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

Hedging Instrument

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

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

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

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

(b) Forward Foreign Currency Contracts

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

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

Hedging Instrument

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

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

(c) Interest Rate Swap (IRS)

Underlying Liability

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

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

Hedging Instrument

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

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

(d) Interest Rate Swap (IRS)

Underlying Liability

RM925.0 million 4.193% TM ISIS due in 2018

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

Hedging Instrument

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

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

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

(e) Interest Rate Swap (IRS)

Underlying Liability

USD300.0 million 7.875% Debentures due in 2025

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

Hedging Instrument

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

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

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

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

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

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

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

(f) Interest Rate Swap (IRS)

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

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

Hedging Instrument

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

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

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

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

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

Hedging Instrument

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

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

22. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are disclosed in the Statements of Financial Position:

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

Amount less than RM0.1 million

22. DEFERRED TAX (CONTINUED)

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

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

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

Breakdown of cumulative balances by each type of temporary difference:

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

23. DEFERRED INCOME

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

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

24. PROPERTY, PLANT AND EQUIPMENT

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

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM20,919.9 million (2009: RM19,761.3 million) and RM20,816.1 million (2009: RM19,735.6 million) respectively.
- (b) Included in the property, plant and equipment of the Group and the Company are assets with net book value of RM61.1 million (2009: RM67.6 million) and RM61.1 million (2009: RM64.2 million) respectively under the finance lease arrangement. The asset under finance lease is an office building of the Company. The comparative amount includes equipments under finance lease of a subsidiary.
- (c) Included in the property, plant and equipment of the Group and the Company is borrowing costs directly attributable to the construction of qualifying assets of RM7.0 million.
- (d) In the last financial year, the Company had assessed the useful lives of its property, plant and equipment. As a result of this review, the useful lives of certain network equipments have been shortened from 5 to 15 years to 3 to 10 years whilst the useful lives of certain network assets have been extended from 10 to 15 years. The net impact of this was a lower depreciation charge of RM24.4 million. The Company had also revised the useful lives of certain network assets back to their original useful lives following changes in the migration plan of PSTN switches and ATM DSLAM to the NGN platform. This resulted in a reduction in depreciation charge by RM21.8 million.
- (e) Details of land are as follows:

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

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The Group	Freehold RM	Leasehold RM	Other Land RM	Total RM
Net Book Value				
At 1 January 2009				
– as previously reported	225.5	–	57.4	282.9
– change in accounting policy (note 51)	–	67.5	–	67.5
– as restated	225.5	67.5	57.4	350.4
Assetisation	–	–	14.9	14.9
Disposals	–	(1.5)	–	(1.5)
Depreciation	–	(1.2)	–	(1.2)
Reclassification	0.8	9.6	(8.8)	1.6
At 31 December 2009	226.3	74.4	63.5	364.2
At 31 December 2009				
Cost	228.9	83.6	64.4	376.9
Accumulated depreciation	–	(9.2)	(0.9)	(10.1)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	226.3	74.4	63.5	364.2
The Company				
Net Book Value				
At 1 January 2010	61.5	62.2	63.5	187.2
Additions	–	0.7	–	0.7
Depreciation	–	(0.9)	–	(0.9)
Reclassified from building	–	0.2	–	0.2
Reclassification (sub-note (ii))	–	0.7	(0.7)	–
At 31 December 2010	61.5	62.9	62.8	187.2
At 31 December 2010				
Cost	64.1	71.3	63.4	198.8
Accumulated depreciation	–	(8.4)	(0.6)	(9.0)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	61.5	62.9	62.8	187.2

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

(i) Leasehold land comprise of the followings:

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

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

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

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

25. INVESTMENT PROPERTY

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

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

26. LAND HELD FOR PROPERTY DEVELOPMENT

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

27. INTANGIBLE ASSETS

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

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

Impairment test for goodwill

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

27. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill (continued)

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

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

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

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

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

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

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

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

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

27. INTANGIBLE ASSETS (CONTINUED)

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

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

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

	2010	2009
Pre-tax discount rate	24.0%	30.5%

28. SUBSIDIARIES

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

28. SUBSIDIARIES (CONTINUED)

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

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

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

- (b) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.
- (c) During the financial year, loans and advances to subsidiaries were restructured and subsequently classified as loans and receivables in accordance with FRS 139 as disclosed in note 29 to the financial statements.

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

29. LOANS AND ADVANCES TO SUBSIDIARIES

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

30. ASSOCIATES

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

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

Amount less than RM0.1 million

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

31. AVAILABLE-FOR-SALE/OTHER INVESTMENTS

(a) Available-for-sale investments

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Other investments

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

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

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

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

(a) Available-for-sale receivables

The Group and Company	2010 RM
At 1 January	–
Reclassified from other non-current receivables	56.8
Adjustment to restate at fair value on adoption of FRS 139 (note 51)	
– fair value reserve	1.0
– retained profits	(18.0)
Adjusted at 1 January	39.8
Additions (including interest)	3.0
Repayments	(4.0)
Conversion to scholarship	(5.2)
Fair value changes transferred to other comprehensive income	2.5
At 31 December	36.1
Provision for impairment	(21.2)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	14.9
Movement in the provision for impairment is as follows:	
At 1 January	–
Reclassified from other non-current receivables	(3.5)
Adjusted at 1 January	(3.5)
Provision for impairment during the financial year	(17.7)
At 31 December	(21.2)

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

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

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

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

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

(b) Other non-current receivables

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

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

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

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

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

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

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

(iii) Pursuant to the adoption of FRS 139 on 1 January 2010, convertible education loans were reclassified as available-for-sale receivables.

33. INVENTORIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cables and wires	27.3	31.8	27.3	31.8
Network materials	42.2	50.0	25.5	28.5
Telecommunications equipment	34.0	10.9	34.0	10.9
Spares and others*	18.6	14.0	17.0	11.7
Land held for sale	51.9	3.9	-	-
TOTAL INVENTORIES	174.0	110.6	103.8	82.9

* Included in spares and others are trading inventories comprising prepaid cards, telephone sets and other consumables.

34. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Receivables from telephone customers	1,291.3	1,301.9	998.3	1,004.6
Receivables from non-telephone customers	1,653.0	1,801.6	1,029.7	1,285.7
Receivables from subsidiaries	-	-	216.5	189.9
	2,944.3	3,103.5	2,244.5	2,480.2
Provision for impairment of trade receivables	(1,139.9)	(1,298.3)	(689.2)	(845.2)
	1,804.4	1,805.2	1,555.3	1,635.0
Accrued earnings	291.6	270.7	267.2	244.3
Advance rental billings	(299.0)	(294.9)	(278.6)	(296.1)
Total trade receivables (net)	1,797.0	1,781.0	1,543.9	1,583.2
Prepayments	124.3	115.5	88.6	81.9
Tax recoverable	124.3	185.0	123.1	182.4
Staff loans (note 32(b))	6.5	11.5	6.2	11.2
Other receivables from subsidiaries	-	-	157.8	27.9
Other receivables from associates	1.1	1.1	1.1	1.1
Other receivables	341.6	258.5	321.7	231.9
Provision for impairment of other receivables	(65.5)	(68.6)	(57.0)	(59.0)
Total other receivables (net)	532.3	503.0	641.5	477.4
TOTAL TRADE AND OTHER RECEIVABLES (net)	2,329.3	2,284.0	2,185.4	2,060.6

34. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision for impairment of trade and other receivables are as follows:

2010	The Group RM	The Company RM
(a) Trade receivables		
At 1 January	1,298.3	845.2
Provision for impairment during the financial year	40.7	36.3
Receivables written off during the financial year as uncollectible	(197.0)	(192.3)
Foreign exchange difference	(2.1)	-
At 31 December	1,139.9	689.2
(b) Other receivables		
At 1 January	68.6	59.0
Provision for impairment during the financial year	33.0	31.4
Receivables written off during the financial year as uncollectible	(36.1)	(33.4)
At 31 December	65.5	57.0

The creation and release of provision for impaired receivables has been included in 'other operating costs' in the Income Statement (note 7(b) to the financial statements). Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2010, trade receivables of RM918.9 million and RM910.1 million for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

2010	Not past due RM	Past due but not impaired			Total RM
		1 to 3 months RM	4 to 6 months RM	> 6 months RM	
The Group					
Collectively assessed	375.0	104.1	56.0	18.8	553.9
Individually assessed	510.5	344.5	262.0	133.5*	1,250.5
	885.5	448.6	318.0	152.3	1,804.4
The Company					
Collectively assessed	331.7	78.7	49.3	10.5	470.2
Individually assessed	269.7	287.6	192.4	118.9*	868.6
Amount due from subsidiaries	43.8	70.6	80.1	22.0	216.5
	645.2	436.9	321.8	151.4	1,555.3

* Includes renegotiated balances amounting to RM24.3 million which are under renegotiated terms and therefore has not been impaired. Renegotiated terms mainly refers to scheduled payment arrangements which extend beyond initial credit period.

34. TRADE AND OTHER RECEIVABLES (CONTINUED)

An analysis of trade receivables that are neither past due nor impaired is as follows:

2010	The Group RM	The Company RM
Global	71.3	67.8
Wholesale	60.3	35.1
Retail – Consumer	186.4	182.7
Retail – SME	149.0	149.0
Retail – Enterprise	107.1	57.0
Retail – Government	262.3	109.8
Amount due from subsidiaries	–	43.8
Others*	49.1	–
	885.5	645.2

*Others mainly comprise student debtors of a subsidiary

The table below represents the credit risk exposure as at 31 December 2009:

2009	The Group RM	The Company RM
Business	1,295.3	1,005.0
Residential	485.7	388.3
Subsidiaries	–	189.9
	1,781.0	1,583.2

The Group and the Company are not exposed to major concentrations of credit risk due to the diversified customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 38 to the financial statements) and bankers' guarantee obtained from customers amounting to RM11.4 million as at 31 December 2010. The Group and the Company consider the provision for impairment at reporting date to be adequate to cover the potential financial loss.

Trade receivables that are individually assessed for impairment are those under Global, Wholesale, Retail – Enterprise and Retail – Government lines of business.

Credit terms of trade receivables excluding accrued earnings and advance rental billing, range from 30 to 90 days (2009: 30 to 90 days).

The maximum exposure to credit risk at reporting date is the carrying value of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after provision for impairment is as follows:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	1,770.6	1,873.6	1,577.8	1,589.9
US Dollar	534.8	380.3	594.4	444.6
Special Drawing Rights	7.5	10.2	7.5	10.2
Other currencies	16.4	19.9	5.7	15.9
	2,329.3	2,284.0	2,185.4	2,060.6

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	The Group and Company	
	2010 RM	2009 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	21.5	70.2
Quoted fixed income securities	-	224.5
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ SHORT TERM INVESTMENTS	21.5	294.7
Market value of quoted equity securities	21.5	70.2
Market value of quoted fixed income securities	-	224.5

Pursuant to the adoption of FRS 139 on 1 January 2010, the investment in quoted equity securities was classified as financial assets at fair value through profit or loss whereas the quoted fixed income securities were reclassified as available-for-sale investments (note 31(a) to the financial statements).

36. CASH AND BANK BALANCES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Deposits with:				
Licensed banks	1,719.2	1,761.6	1,656.8	1,604.0
Licensed finance companies	-	5.7	-	-
Other financial institutions	116.5	83.0	96.3	29.9
Deposits under Islamic principles	1,215.6	1,212.0	1,124.0	1,137.1
Total deposits	3,051.3	3,062.3	2,877.1	2,771.0
Cash and bank balances	423.8	416.0	200.6	130.2
Cash and bank balances under Islamic principles	13.4	12.4	-	-
TOTAL CASH AND BANK BALANCES	3,488.5	3,490.7	3,077.7	2,901.2
Less:				
Deposits pledged	(0.5)	(0.5)	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	3,488.0	3,490.2	3,077.7	2,901.2

The currency exposure profile of cash and bank balances is as follows:

Ringgit Malaysia	3,379.8	3,313.1	3,037.1	2,838.5
US Dollar	99.6	153.6	40.6	62.7
Other currencies	9.1	24.0	-	-
	3,488.5	3,490.7	3,077.7	2,901.2

36. CASH AND BANK BALANCES (CONTINUED)

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

2010	The Group RM	The Company RM
AAA	1,294.4	987.9
AA	1,243.8	1,162.6
A	832.4	821.4
NR (sub-note (a))	117.9	105.8
	3,488.5	3,077.7

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

Deposits have maturities range from overnight to 90 days (2009: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2010 is 3.22% (2009: 2.38%) and 3.22% (2009: 2.34%) for the Group and the Company respectively.

37. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	2,403.2	2,020.7	2,171.3	1,765.6
Payable for Universal Service Provision	419.0	195.7	392.5	182.5
Deferred revenue	98.1	70.4	35.8	34.9
Finance cost payable	51.5	58.4	51.4	58.3
Duties and other taxes payable	15.0	(8.3)	12.0	(15.3)
Deposits and trust monies	62.7	59.2	36.7	36.9
Payables to subsidiaries	-	-	620.2	490.1
Other payables	589.7	538.5	405.5	373.9
TOTAL TRADE AND OTHER PAYABLES	3,639.2	2,934.6	3,725.4	2,926.9

The currency exposure profile of trade and other payables is as follows:

Ringgit Malaysia	3,191.0	2,487.1	3,299.3	2,498.1
US Dollar	435.7	432.6	419.1	420.1
Special Drawing Rights	4.0	3.4	4.0	3.4
Other currencies	8.5	11.5	3.0	5.3
	3,639.2	2,934.6	3,725.4	2,926.9

Credit terms of trade and other payables vary from 30 to 90 days (2009: from 30 to 90 days) depending on the terms of the contracts.

38. CUSTOMER DEPOSITS

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Telephone services	559.3	554.7	559.2	554.6
Data services	21.2	21.0	20.9	20.9
TOTAL CUSTOMER DEPOSITS	580.5	575.7	580.1	575.5

Telephone customer deposits are subject to rebate at 2.5% effective 1 April 2010 (2009: 5.0%) per annum in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

39. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Receipts from customers	8,600.1	8,808.5	7,786.6	7,814.0
Payments to suppliers and employees	(5,226.6)	(5,400.7)	(4,793.1)	(4,919.2)
Payment of finance cost	(372.1)	(393.5)	(372.1)	(425.2)
(Payment)/refund of income taxes (net)	(23.6)	41.7	41.9	117.8
Payment of zakat	(4.4)	-	(4.0)	-
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	2,973.4	3,056.0	2,659.3	2,587.4

40. CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Contribution for purchase of property, plant and equipment	597.0	810.2	597.0	810.2
Disposal of property, plant and equipment	37.3	19.0	53.4	18.6
Purchase of property, plant and equipment	(2,864.3)	(2,516.2)	(2,660.1)	(2,339.2)
Repayment from Axiata Group Berhad (Axiata)	-	4,025.0	-	4,025.0
Disposal of Axiata's rights	-	66.0	-	-
Subscription of Axiata's rights	-	(72.0)	-	-
Disposal of other investments	-	0.1	-	0.1
Disposal of available-for-sale investments/short term investments	925.2	130.3	479.2	124.5
Purchase of available-for-sale investments/short term investments	(351.9)	(140.0)	(351.9)	(140.0)
Disposal of financial assets at fair value through profit or loss/ short term investments	75.8	95.1	75.8	95.1
Purchase of financial assets at fair value through profit or loss/ short term investments	(20.0)	(58.4)	(20.0)	(58.4)
Acquisition of remaining interest in a subsidiary*	-	(412.3)	-	(312.0)
Repayments of capital contribution from subsidiaries	-	-	447.9	48.9
Repayments from subsidiaries - loans and advances	-	-	30.6	119.3
- other receivables	-	-	63.4	-
Advances to subsidiaries	-	-	(54.9)	(82.7)
Payments to subsidiaries	-	-	(231.0)	(84.5)
Advances from subsidiaries	-	-	301.3	93.1
Repayments of loans by employees	32.5	50.7	32.5	50.6
Loans to employees	(23.1)	(30.7)	(23.1)	(30.7)
Disposal of housing loan	19.3	398.6	19.3	398.6
Interest received	115.0	167.5	106.3	158.2
Dividend received	10.3	13.5	135.4	202.3
TOTAL CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(1,446.9)	2,546.4	(998.9)	3,097.0

* Cash consideration for the acquisition of VADS Berhad (VADS) as explained in note 5(c) to the financial statements was funded by the Company and VADS.

41. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Issue of share capital	50.7	229.5	50.7	229.5
Redemption of Redeemable Preference Shares (note 14(c))	-	(3,462.7)	-	(3,505.8)
Proceeds from termination of swaps	-	41.2	-	41.2
Proceeds from borrowings	-	180.0	-	150.0
Repayments of borrowings	(857.7)	(449.2)	(839.5)	(404.9)
Repayments of finance lease	(3.2)	(3.0)	(3.2)	(3.0)
Dividends paid to shareholders	(693.8)	(731.3)	(697.6)	(740.0)
Dividends paid to minority interests	(30.2)	(10.4)	-	-
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	(1,534.2)	(4,205.9)	(1,489.6)	(4,233.0)

42. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	-	-	30.9	63.5
(b) Contra settlements with a customer cum supplier between trade receivables and trade payables	16.4	-	16.4	-
(c) Consideration for transfer of equity interest in Fibrecomm Network (M) Sdn Bhd from Telekom Enterprise Sdn Bhd to the Company (note 52(a)), contra with loans and advances to subsidiaries	-	-	33.0	-

43. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries namely the following:

Fiberail Sdn Bhd	Telekom Sales and Services Sdn Bhd
Fibrecomm Network (M) Sdn Bhd	TM ESOS Management Sdn Bhd
GITN Sdn Berhad	TM Facilities Sdn Bhd
Meganet Communications Sdn Bhd	TMF Autolease Sdn Bhd
Menara Kuala Lumpur Sdn Bhd	TM Global Incorporated
Telekom Applied Business Sdn Bhd	TM Info-Media Sdn Bhd
Telekom Malaysia (Hong Kong) Limited	TM Net Sdn Bhd
Telekom Malaysia (S) Pte Ltd	Universiti Telekom Sdn Bhd
Telekom Malaysia (UK) Limited	VADS Berhad
Telekom Malaysia (USA) Inc	VADS e-Services Sdn Bhd
Telekom Multi-Media Sdn Bhd	VADS Solutions Sdn Bhd
Telekom Research & Development Sdn Bhd	VADS Business Process Sdn Bhd

All related party transactions were entered into in the normal course of business and at prices available to third parties or at negotiated terms.

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 33.93% (2009: 41.78%) equity interest and is a related party of the Company.

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties:

	The Company	
	2010 RM	2009 RM
(a) Sales of goods and rendering of services to subsidiaries:		
– telecommunications related services	296.9	275.2
– lease/rental of buildings and vehicles	17.4	13.8
– other income*	15.1	14.4
– impairment for loans and advances to a subsidiary	–	4.3
(b) Dividend and interest income from subsidiaries	179.9	167.3
(c) Purchases of goods and services from subsidiaries:		
– telecommunications related services	652.5	554.1
– lease/rental of buildings	7.8	30.5
– maintenance of vehicles and buildings	48.1	85.6
– other expenses	109.6	102.6
(d) Finance cost paid/payable to a subsidiary	139.8	192.7

* Includes management fees, royalties, charges for security, shared services, training and related activities.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties: (continued)

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(e) Key management compensation ^(a)				
– short term employee benefits				
– fees	1.3	1.2	1.1	1.1
– salaries, allowances and bonus	7.7	6.5	7.7	6.5
– contribution to Employees Provident Fund (EPF)	1.0	0.9	1.0	0.9
– gratuity	#	0.1	#	0.1
– other staff benefits	0.4	0.4	0.4	0.4
– estimated money value of benefits	1.1	0.6	1.1	0.6
– ESOS costs	0.2	1.2	0.2	1.2

^(a) Included in key management compensation is the Directors' remuneration (whether executive or otherwise) as disclosed in note 7(b) to the financial statements.

Amount less than RM0.1 million

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.5 million (2009: RM0.5 million).

	The Company	
	2010 RM	2009 RM
(f) Year end balances arising from:		
(i) Sales/purchases of goods/services		
– receivables from subsidiaries	374.3	217.8
– payables to subsidiaries	419.0	360.2
(ii) Other payables		
– subsidiaries	201.2	129.9

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 2.25% to 3.11%.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties: (continued)

	The Company	
	2010 RM	2009 RM
(g) Loans and advances extended to related parties		
(i) Loans and advances to subsidiaries		
At 1 January	425.6	462.7
Cash advanced	-	82.7
Repayments (note 40)	(30.6)	(119.3)
Consideration for transfer of equity interest of a subsidiary (note 42(c))	(33.0)	-
Interest charged (note 8)	13.0	4.2
Reclassified as other receivables	(138.6)	-
Impairment	-	(4.3)
Foreign exchange differences	0.3	(0.4)
At 31 December (note 29)	236.7	425.6
	The Group and Company	
	2010 RM	2009 RM
(ii) Loans to key management personnel of the Company		
At 1 January	-	0.1
Repayments received	-	#
Interest charged	-	#
Interest received	-	#
Disposal of staff loans (note 32(b))	-	(0.1)
At 31 December	-	-

Amount less than RM0.1 million

44. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(a) Property, plant and equipment (sub-note (i))				
Commitments in respect of expenditure approved and contracted for	4,499.5	5,325.6	4,414.0	5,247.5
Commitments in respect of expenditure approved but not contracted for	4,752.4	6,779.5	4,722.7	6,761.8
(i) Includes expenditure in relation to High Speed Broadband project.				

44. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll out will be covering 1.3 million premises by 2012.

Under the above arrangement, the Company shall claim from GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred related to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

	The Group and Company	
	2010 RM	2009 RM
(c) Donation to Yayasan Telekom		
Amount approved and committed	33.1	36.3

	The Group and Company	
	Future minimum lease payments 2010 RM	Future minimum lease payments 2009 RM
(d) Non-cancellable operating lease commitments		
Not later than one year	65.4	65.4
Later than one year and not later than five years	291.0	281.2
Later than five years	582.8	658.0
	939.2	1,004.6

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

45. SEGMENT REPORTING

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

In the first quarter 2009, Retail Business has been further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers need. The presentation for the Retail Business segment for the first quarter 2009 was not segregated into the four specific segments as the establishment of these new segments within Retail Business was only effective in April 2009 and the level of estimation and extrapolation required to segregate the comparatives would not have provided sufficiently objective and reliable information.

- Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of telecommunications services delivered over the Group's networks to other licensed network operators namely Network Facilities Providers (NFP), Network Service Providers (NSP) and Application Service Providers (ASP).
- Global Business is responsible for the provision of inbound and outbound services for a wide range of telecommunications services including the fixed network operations of the Group's overseas subsidiaries.
- Shared Services/Others include all shared services divisions, all business functions division such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Segment results represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment results are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment, intangibles, including additions resulting from acquisition of subsidiaries as disclosed in note 27 to the financial statements.

Significant non-cash expenses comprise mainly provision for impairment and unrealised foreign exchange gains or losses on settlement as disclosed in note 7(b) to the financial statements.

45. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Financial year ended 31 December 2010									
Operating revenue									
Total operating revenue	2,291.8	1,772.2	1,758.9	1,316.8	7,139.7	1,096.8	1,145.8	4,253.5	13,635.8
Inter-segment ⁶	(28.0)	-	(328.2)	(0.3)	(356.5)	(341.4)	(231.0)	(3,915.9)	(4,844.8)
External operating revenue	2,263.8	1,772.2	1,430.7	1,316.5	6,783.2	755.4	914.8	337.6	8,791.0
Results									
Segment results	(36.3)	249.3	316.6	333.5	863.1	212.4	221.4	(150.4)	1,146.5
Unallocated income/other gains									408.2
Unallocated costs									(252.9)
Operating profit before finance cost									1,301.8
Finance income									120.0
Finance cost									(365.2)
Foreign exchange gain on borrowings									303.7
Associates - share of results (net of tax)									(0.1)
Profit before taxation and zakat									1,360.2
Taxation and zakat									(115.2)
Profit for the financial year									1,245.0
At 31 December 2010									
Segment assets	502.2	213.5	901.2	864.9	2,481.8	667.8	596.1	12,506.5	16,252.2
Associates									0.5
Unallocated assets									4,527.3
Total assets									20,780.0
Segment liabilities	331.4	304.4	274.3	351.3	1,261.4	219.9	271.4	3,847.6	5,600.3
Borrowings									5,532.0
Unallocated liabilities									1,787.5
Total liabilities									12,919.8

45. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Financial year ended 31 December 2010									
Other information									
Capital expenditure									
– additions during the financial year	2.9	1.1	53.2	144.9	202.1	49.2	128.2	2,353.6	2,733.1
Depreciation and amortisation	3.4	0.4	34.8	66.5	105.1	51.9	8.8	1,758.2	1,924.0
Write off of property, plant and equipment	0.1	–	0.8	–	0.9	–	–	70.2	71.1
Impairment of property, plant and equipment	0.3	–	–	–	0.3	–	0.4	–	0.7
Significant non-cash expenses	27.5	60.7	(8.1)	(27.3)	52.8	4.7	(33.7)	35.0	58.8
Financial year ended 31 December 2009									
Operating revenue									
Total operating revenue									
– January to March	*	*	*	*	1,628.0	288.2	277.0	1,095.9	3,289.1
– April to December	1,756.2	1,318.2	1,309.7	900.0	5,284.1	878.5	855.3	3,202.2	10,220.1
Inter-segment ^a	(14.0)	–	(238.3)	–	6,912.1 (252.3)	1,166.7 (380.7)	1,132.3 (247.6)	4,298.1 (4,020.6)	13,509.2 (4,901.2)
External operating revenue					6,659.8	786.0	884.7	277.5	8,608.0

45. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Financial year ended 31 December 2009									
Results									
Segment results									
- January to March	*	*	*	*	240.6	40.8	70.2	(10.2)	341.4
- April to December	49.0	289.7	184.4	120.1	643.2	148.4	123.9	(26.8)	888.7
					883.8	189.2	194.1	(37.0)	1,230.1
Unallocated income/other gains									145.7
Unallocated costs									(311.2)
Operating profit before finance cost									1,064.6
Finance income									172.2
Finance cost									(356.3)
Foreign exchange gain on borrowings									40.5
Associates - share of results (net of tax)									0.6
Profit before taxation and zakat									921.6
Taxation and zakat									(248.3)
Profit for the financial year									673.3
At 31 December 2009									
Segment assets	506.2	236.3	877.9	536.9	2,157.3	716.3	410.5	12,308.3	15,592.4
Associates									0.6
Unallocated assets									4,349.5
Total assets									19,942.5
Segment liabilities	250.2	278.4	250.2	292.1	1,070.9	224.3	236.3	2,906.3	4,437.8
Borrowings									6,713.5
Unallocated liabilities									1,661.2
Total liabilities									12,812.5

45. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Financial year ended 31 December 2009									
Other information									
Capital expenditure									
– additions during the financial year	9.8	0.5	360.5	96.9	467.7	47.3	22.8	2,381.5	2,919.3
Depreciation and amortisation									
– January to March	*	*	*	*	21.0	14.3	3.5	478.6	517.4
– April to December	10.6	4.0	36.1	63.3	114.0	39.9	6.1	1,323.3	1,483.3
Write off of property, plant and equipment									
– January to March	*	*	*	*	0.2	#	–	2.4	2.6
– April to December	#	#	#	0.2	0.2	#	–	35.9	36.1
Impairment of property, plant and equipment	–	–	–	–	–	–	–	0.1	0.1
Significant non-cash expenses									
– January to March	*	*	*	*	33.3	0.4	(3.0)	(0.7)	30.0
– April to December	38.1	(51.7)	58.1	40.7	85.2	13.0	11.5	11.7	121.4

^(a) Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. The inter-company transactions were entered into in the normal course of business and at prices available to third parties or at negotiated terms. These inter-segment trading arrangements are subject to periodic review.

* Not applicable

Amount less than RM0.1 million

45. SEGMENT REPORTING (CONTINUED)

By Geographical Location

The Group operates in a few countries as disclosed in note 52 to the financial statements. Accordingly, the segmentisation of the Group's operations by geographical location is segmentised to Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Malaysia	7,876.2	7,723.3	15,642.6	14,960.3	2,700.7	2,768.4
Other countries	914.8	884.7	610.1	632.7	32.4	150.9
Unallocated assets	–	–	4,527.3	4,349.5	–	–
	8,791.0	8,608.0	20,780.0	19,942.5	2,733.1	2,919.3

46. CONTINGENT LIABILITIES (UNSECURED)

- (a) Acres & Hectares Sdn Bhd (AHSB) had instituted legal proceeding against the Company by way of a Writ of Summons dated 22 April 2005 and Statement of Claim dated 7 April 2005 in the Kuala Lumpur High Court.

In the said Statement of Claim, AHSB claimed that the Company was indebted to AHSB in the sum of RM2.9 million being alleged fees incurred for consultancy works rendered to TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Company in relation to the management and development of the Company's land (the Project). Further, AHSB claimed for damages in the sum of RM26.9 million for alleged losses suffered by AHSB due to the Company's failure to proceed with the Project.

On 15 June 2005, the Company filed its statement of defence disputing the appointment of AHSB as the Company's consultant in relation to the Project and put AHSB to strict proof thereof. In addition, the Company contended that the works undertaken by AHSB were merely preliminary reports forming part of the requirements to be fulfilled by AHSB prior to the selection of a consultant for the Project by the Board of Directors of TMF.

On 16 September 2009, the High Court dismissed AHSB's claim against the Company. AHSB's application to set aside the Court Order has been disallowed by the court on 8 April 2010. AHSB had not filed any appeal against the abovesaid decision within the period allowed under the law.

Based on legal advice, the Directors are of the view that the legal suit against the Company has effectively ended.

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (b) On 29 June 2006, the Company and Telekom Enterprise Sdn Bhd (TESB), the Company's wholly owned subsidiary, were served with a defence and counterclaim by Tan Sri Dato' Tajudin Ramli (TSDTR) in connection with proceedings initiated against him by Pengurusan Danaharta Nasional Berhad (Danaharta) and 2 others. 22 other defendants were also joined in these proceedings via the counterclaim.

TSDTR is seeking from the defendants, including the Company and TESB, jointly and/or severally, the following relief in the counterclaim:

- (i) the sum of RM6.2 billion;
- (ii) general damages to be assessed;
- (iii) aggravated and exemplary damages to be assessed;
- (iv) damages for conspiracy to be assessed;
- (v) an Account of all sums paid under the Facility Agreement and/or to Danaharta by TSDTR including all such sums received by Danaharta including as a result of the sale of the TRI (now Celcom) shares and the Naluri shares;
- (vi) an assessment of all sums due to be repaid by Danaharta to TSDTR as a result of overpayment by TSDTR to Danaharta;
- (vii) an Order that Danaharta forthwith pays all sums adjudged to be paid to TSDTR under prayer (vi);
- (viii) an Account of all dividends and/or payments received by the Company arising out of or in relation to the TRI (now Celcom) Shares;
- (ix) an Order that the Company forthwith pays all sum adjudged to be paid to TSDTR under prayer (viii);
- (x) damages for breach of contract against Danaharta to be assessed.

In addition, TSDTR is also seeking, inter alia, from all the 24 defendants to the counterclaim the following relief:

- (i) the sum of RM7.2 billion;
- (ii) damages for conspiracy to be assessed;
- (iii) a declaration that the Vesting Certificates are illegal and ultra vires that the Danaharta Act and/or unconstitutional against the provisions of the Federal Constitution and/or against Public Policy and void;
- (iv) a declaration that the Settlement Agreement is illegal and ultra vires the Danaharta Act and/or the Federal Constitution and is void and unenforceable pursuant to S.24 of the Contracts Act 1950 inter alia as being against Public Policy;
- (v) a declaration that all acts and deeds carried out and all agreements executed by Danaharta is illegal and unenforceable;

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (b) (vi) an order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta hereby declared as null and void and set aside;
- (vii) all necessary and fit orders and directions as may be required to give full effect to the aforesaid declarations and orders;
- (viii) damages to be assessed;
- (ix) aggravated and exemplary damages to be assessed;
- (x) interest at the rate of 8.0% per annum on all sums adjudged to be paid by the respective defendants to the counterclaim to TSDTR from the date such loss and damage was incurred to the date of full payment;
- (xi) costs.

In July 2006, the Company's appointed solicitors filed applications on behalf of the Company and TESB respectively to strike out the counterclaim. The application was dismissed by the Senior Assistant Registrar of the High Court on 28 August 2007 with costs. The Company and TESB filed an appeal against the dismissal to the High Court Judge and the appeal was allowed on 12 November 2009. On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against the decision of the High Court Judge. The Court of Appeal has yet to fix a hearing date for TSDTR's appeal as above stated.

TSDTR has also applied to re-amend the counterclaim to include 14 additional defendants, 8 of whom are present or former directors/officers of the Company and TESB. On 20 October 2008, the Senior Assistant Registrar of the High Court has allowed TSDTR's application to re-amend the counterclaim. The Company and TESB filed an appeal against the decision to the High Court Judge and the appeal was allowed on 12 November 2009.

On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against both the decisions of the High Court Judge dated 12 November 2009. The above stated appeals have been fixed for Case Management on 25 March 2011.

Based on legal advice received, the Directors are of the view that the Company and TESB have a good defence to TSDTR's counterclaim.

- (c) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:
 - (i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;
 - (ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (c) (iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;
- (iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and
- (v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit. The striking out application is now fixed for mentioned on 24 March 2011.

Based on legal advice received, the Directors are of the view that the Company and TESB have a good chance of success in defending the legal suit.

- (d) On 29 July 2008, the Company and TESB have, through their solicitors, been served with a copy of the Writ and Statement of Claim dated 10 July 2008 (the Suit) by Celcom.

The Suit is a statutory derivative action brought in the name of Celcom, pursuant to Section 181A (1) of the Companies Act, 1965. By a Court Order dated 9 July 2008, leave was granted to Mohd Shuaib Ishak (MSI), a former shareholder of Celcom, to bring the Suit on behalf of Celcom. The Suit arises from the Amended and Restated Supplemental Agreement dated 4 April 2002 entered into between among others Celcom and DeTeAsia Holding GmbH (DeTeAsia), the acquisition of Celcom shares by TESB, the consequent Mandatory General Offer exercise implemented by the Company and the demerger exercise of the mobile and fixed line businesses of the Group.

In the Suit, Celcom seeks from the defendants; the Company, TESB and 19 others, including the former and existing directors of the Company, Celcom and TESB, jointly and severally, the following principal reliefs:

- (i) the sum of USD233.0 million, being the amount paid by Celcom to DeTeAsia under the International Arbitration Award dated 2 August 2005;
- (ii) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 (SPA) between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all other matters undertaken thereunder including but not limited to the issuance of shares by Celcom is illegal and void and of no effect;
- (iii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of Mandatory Offer dated 3 April 2003 issued by CIMB is illegal and void and of no effect;

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (d) (iv) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court thinks fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003 and the repayment of all dividends and distributions made by Celcom after the completion of the SPA;
- (v) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals set out in the Announcements by the Board of Directors of the Company to Bursa Malaysia Bhd dated 28 September 2007 relating to the proposed demerger of the mobile and fixed line businesses of the Group or in the event that any such proposals have been completed that the Company by itself, its servants and agents take all such steps as shall be required to rescind such completed proposals;
- (vi) general damages to be assessed;
- (vii) damages for conspiracy to be assessed;
- (viii) damages for fraud to be assessed;
- (ix) damages for fraudulent misrepresentation and/or negligence to be assessed;
- (x) damages for the breach of statutory duty to be assessed;
- (xi) aggravated damages and exemplary damages to be assessed;
- (xii) punitive damages;
- (xiii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations and Orders and/or as the Court thinks fit;
- (xiv) interest;
- (xv) costs;
- (xvi) such further and/or other relief as the Court thinks fit and just to grant in the circumstances.

On 19 September 2008, the High Court has granted a stay of all proceedings in the Suit pending the disposal of Celcom's appeal to the Court of Appeal against the High Court's decision in granting leave to MSI to commence the statutory derivative action in the name of Celcom. On 27 March 2009, Celcom's appeal to the Court of Appeal was allowed. MSI subsequently filed an application for leave to appeal to the Federal Court against the Court of Appeal's decision. On 10 August 2010, the Federal Court heard and dismissed MSI's application for leave to appeal.

Based on legal advice, the Directors are of the view that the suit against the Company, TESB and 19 others has effectively been brought to an end.

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (e) On 11 August 2009, the Company and its wholly owned subsidiary, TM Net Sdn Bhd (TM Net) were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd (NGSB) in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

On 10 December 2009, the Company and TM Net filed an application to strike out NGSB's claim. The striking out application was dismissed by the High Court on 9 August 2010. On 3 September 2010, the Company and TM Net filed an appeal to the Court of Appeal against the abovestated decision of the High Court. On 11 January 2011, the Court of Appeal has dismissed the Company and TM Net's appeal.

On 12 January 2011, the High Court allowed NGSB's application to re-amend its Amended Statement of Claim. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

- (a) a declaration that:
- (i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);
 - (ii) the Company breached the Agreement;
 - (iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.
- (b) an order that the Company and TM Net pay NGSB the following special damages:
- (i) RM150,000 for the services of Fiberail Sdn Bhd;
 - (ii) RM300,000 for the services of "MYLOCA" and/or the rental space of TM Net;
 - (iii) RM1.0 million for the cost of the tests conducted;
 - (iv) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;
 - (v) RM3.0 million for license fees for the use of software;
 - (vi) RM3.0 million for license fees for the use of content;
 - (vii) RM500,000 for legal fees;
 - (viii) RM4.0 million for overheads;
 - (ix) loan of RM7.0 million from Eurofine Sdn Bhd.

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (e) (c) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;
- (d) an order that the Company and TM Net pay general damages;
- (e) an order that the general damages be assessed by the court;
- (f) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;
- (g) cost;
- (h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd. The legal suit is now fixed for Case Management on 30 March 2011.

Based on legal advice, the Directors are of the view that the Company has a good defence to NGSB's claim.

- (f) On 3 January 2011, the Company was served with a Judgment in Default by AINB Tech (M) Sdn Bhd (AINB) dated 2 December 2010 and based on the Judgment, AINB has been awarded the following reliefs by the High Court:
 - (i) RM25.0 million being AINB's expenses incurred for the purpose of a project known as "Supply, Delivery, Installation, Testing, Commissioning and Support of One Number Service" entered into between both parties (the Project);
 - (ii) general damages to be assessed by the Court;
 - (iii) interest at the rate of 5% per annum calculated from the date of the Judgment until the date of the full settlement;
 - (iv) legal costs of RM225; and
 - (v) other relief as deemed fit by the Court.

On 14 January 2011, the Company filed an application in Court to set aside the Judgment in Default. On 21 January 2011, the Court allowed the Company's application for a stay of all execution proceedings against the Company in respect of the Judgment in Default pending the final disposal of the Company's application to set aside the Judgment in Default.

On 23 February 2011, the Court allowed the Company's application to set aside the Judgment in Default with cost. The legal suit is now fixed for case management on 16 March 2011.

Based on legal advice, the Directors are of the view that the Company has a good chance of success in defending the legal suit.

46. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (g) On 24 February 2011, the Company's solicitors was served with a Writ of Summons and Statement of Claim dated 26 November 2010 from the solicitors for Acres & Hectares Sdn Bhd (AHSB). Based on the Statement of Claim, AHSB is seeking from the Company the following reliefs:
- (i) judgment in the sum of RM3.0 million;
 - (ii) damages of RM26.9 million;
 - (iii) interest at the rate of 8% per annum on the judgment sum and damages calculated from the date of the notice of demand until full settlement;
 - (iv) cost; and
 - (v) further or other reliefs that the Court deems fit.

In the said Statement of Claim, AHSB claims that the Company is indebted to AHSB in the sum of RM3.0 million being alleged fees for consultancy works rendered to the Company in relation to the management and development of the Company's landed properties at different locations in Malaysia (the Project). In addition, AHSB also claims damages in the sum of RM26.9 million for alleged losses suffered by AHSB due to the Company's failure to proceed with the Project.

Based on legal advice, the Directors are of the view that the Company has a good defence to AHSB's claim.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

47. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk after taking into account the effects of interest rate swaps. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates except for borrowings with floating interest rates which are repriced within 1 year or less and have been shown to reflect the maturity dates. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

The Group	Maturing or repriced (whichever is earlier)						More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM				
2010										
Financial assets										
Available-for-sale investments										
– non-interest sensitive	-	-	-	-	-	-	-	-	596.5	596.5
– fixed interest rate	4.60%	356.2	-	-	-	-	-	356.2	-	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	-	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits)										
– floating interest rate	2.50%	43.8	-	-	-	-	-	43.8	-	43.8
– fixed interest rate										
– conventional	7.98%	0.5	0.8	0.1	2.3	0.9	0.9	5.5	-	5.5
– balances under Islamic principles	6.17%	0.7	2.2	2.8	3.4	3.0	29.2	41.3	-	41.3
Derivative financial instruments	-	3.6	-	-	-	-	-	3.6	-	3.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,074.2	2,074.2
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	21.5	21.5
Cash and bank balances										
– non-interest sensitive	-	-	-	-	-	-	-	-	437.2	437.2
– fixed interest rate										
– conventional	3.24%	1,835.7	-	-	-	-	-	1,835.7	-	1,835.7
– balances under Islamic principles	3.18%	1,215.6	-	-	-	-	-	1,215.6	-	1,215.6
Total		3,456.2	3.3	3.4	6.6	5.3	41.8	3,516.6	3,129.4	6,646.0

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	Maturing or repriced (whichever is earlier)						More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	WARF*	1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM				
2010										
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.9	3.9
- fixed interest rate										
- conventional	6.18%	22.5	88.3	-	1,434.0	-	1,059.9	2,604.7	-	2,604.7
- balances under Islamic principles	5.57%	(1.6)	-	2,000.0	-	-	925.0	2,923.4	-	2,923.4
Derivative financial instruments	-	5.2	-	-	-	-	-	5.2	22.8	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	-	-	-	-	-	-	-	-	3,107.1	3,107.1
Customer deposits	-	-	-	-	-	-	-	-	580.5	580.5
Total		26.1	88.3	2,000.0	1,434.0	-	1,984.9	5,533.3	3,714.3	9,247.6
Interest sensitivity gap		3,430.1	(85.0)	(1,996.6)	(1,427.4)	5.3	(1,943.1)			

The Group	Maturing or repriced (whichever is earlier)						More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	WARF*	1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM				
2009										
Financial assets										
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	608.2	608.2
- fixed interest rate										
- conventional	4.00%	0.4	1.0	2.3	2.9	2.8	2.8	12.2	-	12.2
- balances under Islamic principles	4.00%	1.0	2.8	4.5	4.8	5.1	36.4	54.6	-	54.6
Other investments	-	-	-	-	-	-	-	-	152.8	152.8
Staff loans and other non-current receivables										
- non-interest sensitive	-	-	-	-	-	-	-	-	53.6	53.6
- fixed interest rate										
- conventional	4.00%	0.4	1.0	2.3	2.9	2.8	2.8	12.2	-	12.2
- balances under Islamic principles	4.00%	1.0	2.8	4.5	4.8	5.1	36.4	54.6	-	54.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	1,972.0	1,972.0
Short term investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	70.2	70.2
- fixed interest rate	4.93%	224.5	-	-	-	-	-	224.5	-	224.5
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	428.4	428.4
- fixed interest rate										
- conventional	2.35%	1,850.3	-	-	-	-	-	1,850.3	-	1,850.3
- balances under Islamic principles	2.44%	1,212.0	-	-	-	-	-	1,212.0	-	1,212.0
Total		3,288.2	3.8	6.8	7.7	7.9	39.2	3,353.6	3,285.2	6,638.8

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	Maturing or repriced (whichever is earlier)						More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM				
2009										
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	6.3	6.3
- floating interest rate										
- balances under Islamic principles	4.77%	-	-	-	1,500.0	-	500.0	2,000.0	-	2,000.0
- fixed interest rate										
- conventional	6.60%	908.1	22.6	5.4	2.8	1,636.6	1,206.7	3,782.2	-	3,782.2
- balances under Islamic principles	5.28%	-	-	-	500.0	-	425.0	925.0	-	925.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	-	-	-	-	-	-	-	-	2,676.8	2,676.8
Customer deposits	-	-	-	-	-	-	-	-	575.7	575.7
Total		908.1	22.6	5.4	2,002.8	1,636.6	2,131.7	6,707.2	3,258.8	9,966.0
Interest sensitivity gap		2,380.1	(18.8)	1.4	(1,995.1)	(1,628.7)	(2,092.5)			

* WARF – Weighted Average Rate of Finance as at 31 December

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Group	2010		2009	
	USD	RM	USD	RM
Financial assets				
Available-for-sale investments (sub-note (a))	-	4.60%	-	-
Available-for-sale receivables (sub-note (a))	-	7.52%	-	-
Staff loans	-	6.37%	-	4.00%
Short term investments	-	-	-	4.93%
Cash and bank balances	-	2.90%	0.26%	2.41%
Financial liabilities				
Borrowings	6.28%	5.54%	6.72%	4.94%

(a) The WARF as at 31 December 2009 was based on contractual rate. With the adoption of FRS 139 on 1 January 2010, the WARF is the effective interest rate applicable to the respective financial instruments as at the reporting date.

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	Maturing or repriced (whichever is earlier)						More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM				
2010										
Financial assets										
Loans and advances to subsidiaries (net)										
- floating interest rate	4.16%	-	-	-	52.5	-	-	52.5	-	52.5
- fixed interest rate	5.35%	-	-	-	-	-	184.2	184.2	-	184.2
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	114.6	114.6
- fixed interest rate	4.60%	356.2	-	-	-	-	-	356.2	-	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	-	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits)										
- floating interest rate	2.50%	43.8	-	-	-	-	-	43.8	-	43.8
- fixed interest rate										
- conventional	7.98%	0.2	0.8	0.1	2.3	0.9	0.9	5.2	-	5.2
- balances under Islamic principles	6.17%	0.7	2.2	2.8	3.4	3.0	29.2	41.3	-	41.3
Derivative financial instruments	-	3.6	-	-	-	-	-	3.6	-	3.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	1,967.5	1,967.5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	21.5	21.5
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	200.6	200.6
- fixed interest rate										
- conventional	3.24%	1,753.1	-	-	-	-	-	1,753.1	-	1,753.1
- balances under Islamic principles	3.19%	1,124.0	-	-	-	-	-	1,124.0	-	1,124.0
Total		3,281.7	3.3	3.4	59.1	5.3	226.0	3,578.8	2,304.2	5,883.0
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.9	3.9
- fixed interest rate										
- conventional	7.34%	1.1	85.3	-	-	-	1,059.9	1,146.3	-	1,146.3
- balances under Islamic principles	5.57%	(1.6)	-	2,000.0	-	-	925.0	2,923.4	-	2,923.4
Payable to a subsidiary										
- fixed interest rate	5.25%	-	-	-	1,434.0	-	-	1,434.0	-	1,434.0
Derivative financial instruments	-	5.2	-	-	-	-	-	5.2	22.8	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	-	-	-	-	-	-	-	-	3,285.1	3,285.1
Customer deposits	-	-	-	-	-	-	-	-	580.1	580.1
Total		4.7	85.3	2,000.0	1,434.0	-	1,984.9	5,508.9	3,891.9	9,400.8
Interest sensitivity gap		3,277.0	(82.0)	(1,996.6)	(1,374.9)	5.3	(1,758.9)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	Maturing or repriced (whichever is earlier)						More than 5 years	Total interest sensitive	Non-interest sensitive	Total RM
	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM				
2009										
Financial assets										
Loans and advances to subsidiaries (net)										
– non-interest sensitive									150.7	150.7
– fixed interest rate	4.80%	7.7	-	-	5.0	65.5	196.7	274.9	-	274.9
Other investments									152.8	152.8
Staff loans and other non-current receivables										
– non-interest sensitive									53.3	53.3
– fixed interest rate										
– conventional	4.00%	0.4	1.0	2.3	2.9	2.8	2.8	12.2	-	12.2
– balances under Islamic principles	4.00%	1.0	2.8	4.5	4.8	5.1	36.4	54.6	-	54.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)									1,785.1	1,785.1
Short term investments										
– non-interest sensitive									70.2	70.2
– fixed interest rate	4.93%	224.5	-	-	-	-	-	224.5	-	224.5
Cash and bank balances										
– non-interest sensitive									130.2	130.2
– fixed interest rate										
– conventional	2.32%	1,633.9	-	-	-	-	-	1,633.9	-	1,633.9
– balances under Islamic principles	2.37%	1,137.1	-	-	-	-	-	1,137.1	-	1,137.1
Total		3,004.6	3.8	6.8	12.7	73.4	235.9	3,337.2	2,342.3	5,679.5
Financial liabilities										
Borrowings										
– non-interest sensitive									4.2	4.2
– floating interest rate										
– balances under Islamic principles	4.77%	-	-	-	1,500.0	-	500.0	2,000.0	-	2,000.0
– fixed interest rate										
– conventional	7.64%	891.2	1.2	2.4	2.8	42.4	1,206.7	2,146.7	-	2,146.7
– balances under Islamic principles	5.28%	-	-	-	500.0	-	425.0	925.0	-	925.0
Payable to a subsidiary										
– fixed interest rate	5.25%	-	-	-	-	1,594.2	-	1,594.2	-	1,594.2
Trade and other payables (excluding statutory liabilities and deferred revenue)									2,724.8	2,724.8
Customer deposits									575.5	575.5
Total		891.2	1.2	2.4	2,002.8	1,636.6	2,131.7	6,665.9	3,304.5	9,970.4
Interest sensitivity gap		2,113.4	2.6	4.4	(1,990.1)	(1,563.2)	(1,895.8)			

* WARF – Weighted Average Rate of Finance as at 31 December

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Company	2010		2009	
	USD	RM	USD	RM
Financial assets				
Loans and advances to subsidiaries (net)	-	5.09%	5.82%	4.78%
Available-for-sale investments	-	4.60%	-	-
Available-for-sale receivables	-	7.52%	-	-
Staff loans	-	6.37%	-	4.00%
Short term investments	-	-	-	4.93%
Cash and bank balances	-	3.05%	0.26%	2.36%
Financial liabilities				
Borrowings	7.88%	5.54%	7.94%	4.95%
Payable to a subsidiary	5.25%	-	5.25%	-

The WARF as at 31 December 2009 was based on contractual rate. With the adoption of FRS 139 on 1 January 2010, the WARF is the effective interest rate applicable to the respective financial instruments as at the reporting date.

48. LIQUIDITY RISK

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on undiscounted cash flows:

2010	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total undiscounted cash flow RM	Discounting RM	As per Statement of Financial Position RM
The Group							
Borrowings	(29.7)	(11.5)	(3,552.0)	(2,007.4)	(5,600.6)	68.6	(5,532.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	-	(5.7)	0.5	(5.2)
Unfavourable forward contracts	-	-	(24.7)	-	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,107.1)	-	-	-	(3,107.1)	-	(3,107.1)
Customer deposits	(580.5)	-	-	-	(580.5)	-	(580.5)
	(3,706.7)	(12.9)	(3,584.7)	(2,012.7)	(9,317.0)	73.0	(9,244.0)
The Company							
Borrowings	(8.3)	(8.5)	(2,118.0)	(2,007.4)	(4,142.2)	68.6	(4,073.6)
Payable to a subsidiary	-	-	(1,434.0)	-	(1,434.0)	-	(1,434.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	-	(5.7)	0.5	(5.2)
Unfavourable forward contracts	-	-	(24.7)	-	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,285.1)	-	-	-	(3,285.1)	-	(3,285.1)
Customer deposits	(580.1)	-	-	-	(580.1)	-	(580.1)
	(3,862.9)	(9.9)	(3,584.7)	(2,012.7)	(9,470.2)	73.0	(9,397.2)

49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

Quoted market prices, when available, are used as the measure of fair values. However, for a significant portion of the Group's and the Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date approximated their fair values except as set out below:

	The Group				The Company			
	2010		2009		2010		2009	
	Carrying amount RM	Net fair value RM						
Financial assets								
Loans and advances to subsidiaries	-	-	-	-	236.7	204.5	-	-
Other investments	-	-	152.8	252.3	-	-	152.8	252.3
Staff loans	46.8	47.1	67.1	63.7	46.5	46.9	66.8	63.4
Other non-current receivables	-	-	53.3	42.7	-	-	53.3	42.7
Financial liabilities								
Borrowings	5,532.0	6,075.4	6,713.5	7,537.1	4,073.6	4,515.3	5,075.9	5,813.0
Payable to a subsidiary	-	-	-	-	1,434.0	1,535.7	1,594.2	1,680.7

The above carrying amounts and net fair values of borrowings for 2009 exclude the fair value of interest rate swaps (IRS), which were classified as off-balance-sheet then. Refer to note 21 to the financial statements for the details and fair value of IRS.

Financial assets

The fair value of publicly traded financial instruments is based on quoted market prices at the reporting date. In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of provision for impairment made is deemed to be a close approximation of its fair value.

The fair value of loans and advances to subsidiaries, staff loans and other non-current receivables have been estimated by discounting estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

The fair value of staff loans as at 31 December 2009 is lower than the carrying amount at the reporting date as the Group charges interest on staff loans at below current market rates. Subsequent to the adoption of FRS 139, staff loans are recognised at fair value at inception and subsequently, at amortised cost. Collaterals are taken for these loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

The fair value of other non-current receivables as at 31 December 2009 which consist of convertible educational loans, is lower than the carrying amount at the reporting date as the Company does not charge interest on the loans.

For customer deposits which are repayable on demand, the carrying amounts recorded are anticipated to approximate their fair values at the reporting date.

49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities

The fair value of quoted bonds has been estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. For unquoted borrowings with floating interest rate, the carrying values are generally reasonable estimates of their fair values.

The financial liabilities will be realised at their carrying values and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other financial instruments maturing within 1 year or are repayable on demand, the carrying values are assumed to approximate their fair values.

50. SIGNIFICANT SUBSEQUENT EVENT

Proposed Capital Distribution to Shareholders of Approximately RM1,037.4 million (Proposed Capital Distribution)

On 25 February 2011, the Company announced the Proposed Capital Distribution involving a capital distribution to its shareholders of approximately RM1,037.4 million. Shareholders, whose names appear in the Company's Record of Depositors at the close of business on a date to be determined and announced later (Entitlement Date), shall be entitled to receive a cash payment under the Proposed Capital Distribution of RM0.29 for each ordinary share of RM1.00 each in the Company (TM Share) held as at the Entitlement Date.

To facilitate the Proposed Capital Distribution, the following is proposed to be carried out:

- (i) a bonus issue of approximately 3,577.4 million redeemable preference shares of RM0.01 each in the Company (RPS) to the Company's shareholders, on the basis of 1 RPS for each TM Share held on the Entitlement Date. The RPS shall be issued at its par value of RM0.01 each by way of capitalisation of the Company's share premium account; and
- (ii) redemption of the RPS at a redemption price of RM0.29 for each TM Share held. The par value of RM0.01 per RPS, representing approximately RM35.8 million in total, will be redeemed out of the Company's retained profits, whereas the premium on redemption of RM0.28 per RPS, representing approximately RM1,001.6 million in total, will be redeemed out of the Company's share premium account. This will result in a cash payment of RM0.29 for each TM Share held or a total cash payment of approximately RM1,037.4 million to the Company's shareholders.

The Proposed Capital Distribution is subject to the following:

- (i) approval of the Company's shareholders at an Extraordinary General Meeting to be convened;
- (ii) Bank Negara Malaysia for the issuance of the RPS to the Company's non-resident shareholders; and
- (iii) approvals/consents of other relevant authorities/parties, if required.

The Proposed Capital Distribution is expected to be completed in the second quarter of 2011.

51. CHANGES IN ACCOUNTING POLICIES

The following describes the impact of the new standards, amendments to the published standards and IC interpretations adopted by the Group and the Company for financial year beginning on 1 January 2010 as listed in note 2(a) to the financial statements.

(a) Immaterial effect on financial statements

The adoption of FRS 7 "Financial Instruments: Disclosures" and Amendments to FRS 132 "Financial Instruments: Presentation" does not impact the financial results of the Group and the Company as the changes introduced are on presentation and disclosures.

Under FRS 8 "Operating Segments", operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The adoption of FRS 8 has not resulted in any changes to the reportable segments presented by the Group as the Group has been reporting its segment information based on customer segments, which is also the basis of presenting its monthly internal management reports. The basis of measurement of segment results and segment assets are also unaffected as the Group has been using the same basis of measurement for its internal and external reporting.

The revised FRS 101 "Presentation of Financial Statements" requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group and the Company has elected to present the statement of comprehensive income in two statements.

FRS 123 "Borrowing Costs" which replaces FRS 123₂₀₀₄ Borrowing Costs, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The adoption of the revised FRS 123 has not resulted in any change to the Group's and the Company's policy as the Group's and the Company's existing policy is in line with the revised standard.

(b) Reclassification of prior year comparatives

The improvement to FRS 117 "Leases" clarifies that the default classification of land elements in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. The Group and the Company has reassessed and determined that all leasehold land are in substance finance leases and has reclassified these leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods. In line with the requirement of the revised FRS 101 "Presentation of Financial Statements", the restated Statements of Financial Position as at 31 December 2008 is presented. The retrospective restatement on property, plant and equipment is also presented in note 24 to the financial statements. Other notes to the accounts which have not been impacted by the reclassification are not presented.

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies

The Group and the Company has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 "Financial Instruments: Recognition and Measurement" on 1 January 2010.

Previously, investments in non-current investments are shown at cost; marketable securities (within current assets) are carried at the lower of cost and market value; and trade receivables are carried at invoice amount. The Group and the Company has applied the new policy according to the transitional provision of FRS 139 by remeasuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year.

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired. Set out below are the changes in classifications and the recognition and measurement for the respective category of financial assets:

(i) Fair value through profit or loss

Quoted equity securities (within current assets), previously carried at the lower of cost and market value, determined on an aggregate portfolio basis, are now classified as financial assets at fair value through profit or loss, where changes in fair value are recognised in the Income Statement under other gains at each reporting date.

(ii) Loans and receivables

Other non-current receivables, previously carried at net realisable value are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

(iii) Available-for-sale financial assets

Fixed income securities (within current assets), certain non-current equity investments and convertible education loans (within non-current receivables), previously measured at cost and subject to impairment, are now classified as available-for-sale investments and available-for-sale receivables respectively. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

(iv) Derivative financial instruments and hedging activities

Derivative financial instruments were previously not recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date.

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies (continued)

(v) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings.

The Group and the Company classify trade and other payables, customer deposits and borrowings as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The adoption of FRS 139 has no significant impact to these financial liabilities.

The Group and the Company has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognising and remeasuring all financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained profits and fair value reserves as appropriate. Comparatives are not restated.

(d) Other reclassifications

On adoption of FRS 139, the Group and the Company had reclassified certain items in operating costs and other operating income to other gains to enhance the comparability of comparatives.

The following note (i) to (v) disclose the impacts of the above changes on the financial statements of the Group and the Company.

(i) Impact on the Group's Statement of Financial Position

	Balances as at 31 December 2008		
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM
Property, plant and equipment	11,772.1	67.5	11,839.6
Prepaid lease payments	67.5	(67.5)	-

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's Statement of Financial Position (continued)

	Balances as at 31 December 2009			Balances as at 1 January 2010		
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM	Reclassi- fication RM	Adjust- ments RM	As adjusted RM
Fair value reserves	155.5	-	155.5	-	100.4	255.9
Retained profits	2,222.2	-	2,222.2	-	(18.0)	2,204.2
Non-current borrowings	5,796.9	-	5,796.9	-	(7.0)	5,789.9
Derivative financial liabilities	-	-	-	-	10.3	10.3
Property, plant and equipment	12,329.9	74.4	12,404.3	-	-	12,404.3
Prepaid lease payments	74.4	(74.4)	-	-	-	-
Available-for-sale non-current investments	608.2	-	608.2	152.8	99.4	860.4
Other investments	152.8	-	152.8	(152.8)	-	-
Available-for-sale receivables	-	-	-	53.3	(17.0)	36.3
Other non-current receivables	108.9	-	108.9	(53.3)	1.0	56.6
Derivative financial assets	-	-	-	-	2.2	2.2
Trade and other receivables	2,284.0	-	2,284.0	-	(1.0)	2,283.0
Available-for-sale current investments	-	-	-	224.5	1.1	225.6
Financial assets at fair value through profit or loss	-	-	-	70.2	-	70.2
Short term investments	294.7	-	294.7	(294.7)	-	-

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Impact on the Group's Income Statement

	For the financial year ended 31 December 2009				
	As		As	FRS 139	As
	previously reported (sub-note (b))	FRS 117 (sub-note (b))	restated (sub-note (d))	(sub-note (d))	adjusted
	RM	RM	RM	RM	RM
Operating costs					
– depreciation, impairment and amortisation	(2,038.3)	(1.2)	(2,039.5)	–	(2,039.5)
– other operating costs	(5,671.2)	1.2	(5,670.0)	(83.2)	(5,753.2)
– reversal of allowance for diminution in value of short term quoted investments	68.1	–	68.1	(68.1)	–
– reversal of allowance for diminution in value of other investment	15.1	–	15.1	(15.1)	–
Other operating income (net)	166.1	–	166.1	(37.3)	128.8
– loss on disposal of short term quoted investments	(31.2)	–	(31.2)	31.2	–
– profit on disposal of fixed income securities	1.0	–	1.0	(1.0)	–
– profit on disposal of available-for-sale investment	1.5	–	1.5	(1.5)	–
– gain on disposal of Axiata's rights	66.0	–	66.0	(66.0)	–
Other gains (net)	–	–	–	120.5	120.5

(iii) Impact on the Company's Statement of Financial Position

	Balances as at 31 December 2008		
	As		As
	previously reported (sub-note (b))	FRS 117 (sub-note (b))	restated
	RM	RM	RM
Property, plant and equipment	10,461.1	55.0	10,516.1
Prepaid lease payments	55.0	(55.0)	–

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iii) Impact on the Company's Statement of Financial Position (continued)

	Balances as at 31 December 2009			Balances as at 1 January 2010		
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM	Reclassi- fication RM	Adjust- ments RM	As adjusted RM
Fair value reserves	-	-	-	-	100.4	100.4
Retained profits	1,335.6	-	1,335.6	-	(18.0)	1,317.6
Non-current borrowings	4,178.3	-	4,178.3	-	(7.0)	4,171.3
Derivative financial liabilities	-	-	-	-	10.3	10.3
Property, plant and equipment	11,063.5	62.2	11,125.7	-	-	11,125.7
Prepaid lease payments	62.2	(62.2)	-	-	-	-
Available-for-sale non-current investments	-	-	-	152.8	99.4	252.2
Other investments	152.8	-	152.8	(152.8)	-	-
Available-for-sale receivables	-	-	-	53.3	(17.0)	36.3
Other non-current receivables	108.9	-	108.9	(53.3)	1.0	56.6
Derivative financial assets	-	-	-	-	2.2	2.2
Trade and other receivables	2,060.6	-	2,060.6	-	(1.0)	2,059.6
Available-for-sale current investments	-	-	-	224.5	1.1	225.6
Financial assets at fair value through profit or loss	-	-	-	70.2	-	70.2
Short term investments	294.7	-	294.7	(294.7)	-	-

(iv) Impact on the Company's Income Statement

	For the financial year ended 31 December 2009				
	As previously reported RM	FRS 117 (sub-note (b)) RM	As restated RM	FRS 139 (sub-note (d)) RM	As adjusted RM
Operating costs					
- depreciation, impairment and amortisation	(1,863.6)	(0.9)	(1,864.5)	-	(1,864.5)
- other operating costs	(5,143.6)	0.9	(5,142.7)	(83.2)	(5,225.9)
- reversal of allowance for diminution in value of short term quoted investments	68.1	-	68.1	(68.1)	-
- reversal of allowance for diminution in value of other investment	15.1	-	15.1	(15.1)	-
Other operating income (net)	269.2	-	269.2	30.2	299.4
- loss on disposal of short term quoted investments	(31.2)	-	(31.2)	31.2	-
- profit on disposal of fixed income securities	1.0	-	1.0	(1.0)	-
Other gains (net)	-	-	-	53.0	53.0

51. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- (v) Impact of the adoption of FRS 139 to the financial position and results for the financial year ended 31 December 2010 is set out as below:

	Increase/(decrease) to balances as at 31 December 2010
The Group and Company	
Statements of Financial Position	
Fair value reserves	80.8
Non-current borrowings	(1.6)
Derivative financial liabilities	(28.0)
Available-for-sale non-current investments	72.2
Available-for-sale receivables	(11.6)
Derivative financial assets	3.6
Available-for-sale current investments	1.1
	Increase/(decrease) for the financial year ended 31 December 2010
The Group and Company	
Income Statements	
Net finance income/(cost)	
– finance income	5.0
– finance cost	(2.1)
– fair value loss on forward foreign currency contracts	(19.8)

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010

The subsidiaries are as follows:

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2010 %	2009 %	2010 Million	2009 Million	
Fiberail Sdn Bhd	54	54	RM15.8	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd (sub-note (a))	51	–	RM75.0	–	Provision of fibre optic transmission network services
GITN Sdn Berhad	100	100	RM50.0	RM50.0	Provision of managed network services and enhanced value added telecommunications and information technology services
Hijrah Pertama Berhad	100	100	RM#	RM#	Special purpose entity
Intelsec Sdn Bhd	100	100	RM3.0	RM3.0	Ceased operations
Mediatel (Malaysia) Sdn Bhd (sub-note (b))	–	100	–	RM#	Investment holding
Menara Kuala Lumpur Sdn Bhd	100	100	RM91.0	RM91.0	Management and operation of the telecommunications and tourism tower of Menara Kuala Lumpur
Mobikom Sdn Bhd	100	100	RM260.0	RM260.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	100	100	RM0.1	RM0.1	Dormant
Rebung Utama Sdn Bhd (sub-note (b))	–	100	–	RM#	Special purpose entity
Tekad Mercu Berhad	100	100	RM#	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	100	100	RM1.6	RM1.6	Provision of software development and sale of software products
Telekom Consultancy Sdn Bhd ^a (in liquidation)	51	51	RM#	RM#	Ceased operations
Telekom Enterprise Sdn Bhd	100	100	RM0.6	RM0.6	Investment holding

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2010 %	2009 %	2010 Million	2009 Million	
Telekom Malaysia-Africa Sdn Bhd< (in liquidation)	100	100	RM0.1	RM0.1	Dormant
Telekom Malaysia (Hong Kong) Limited*	100	100	HKD18.5	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	100	100	SGD#	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	100	100	STR#	STR#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	100	100	USD3.5	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	100	100	RM1.7	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	100	100	RM20.0	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	100	100	RM14.5	RM14.5	Provision of management of customers care services and trading of customer premises telecommunications equipment
Telekom Technology Sdn Bhd	100	100	RM13.0	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	100	100	RM#	RM#	Dormant
TM Cellular (Holdings) Sdn Bhd< (in liquidation)	100	100	RM0.1	RM0.1	Dormant
TM ESOS Management Sdn Bhd	100	100	RM#	RM#	Special purpose entity to manage the Company's Special ESOS scheme
TM Facilities Sdn Bhd	100	100	RM2.3	RM2.3	Provision of property development activities
TM Global Incorporated	100	100	USD#	USD#	Investment holding

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2010 %	2009 %	2010 Million	2009 Million	
TM Info-Media Sdn Bhd	100	100	RM6.0	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM International (Cayman) Ltd	100	100	USD#	USD#	Dormant
TM Net Sdn Bhd	100	100	RM180.0	RM180.0	Content and application development for Internet services
TM SPV Sdn Bhd<< (in liquidation)	100	100	RM#	RM#	Special purpose entity
Universiti Telekom Sdn Bhd	100	100	RM650.0	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	100	100	RM5.0	RM5.0	Provision of international and national managed network services for businesses and organisations
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd (sub-note (b))	100	-	RM#	-	Investment holding
Rebung Utama Sdn Bhd (sub-note (b))	100	-	RM#	-	Special purpose entity
Subsidiary held through Telekom Enterprise Sdn Bhd					
Fibrecomm Network (M) Sdn Bhd (sub-note (a))	-	51	-	RM75.0	Provision of fibre optic transmission network services
Subsidiary held through Telekom Multi-Media Sdn Bhd					
Telekom Smart School Sdn Bhd	51	51	RM15.0	RM15.0	Implementation of government smart school project, provision of multimedia education systems and software, portal services and other related services
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	100	100	RM2.7	RM2.7	Ceased operations

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2010 %	2009 %	2010 Million	2009 Million	
Subsidiaries held through TM Facilities Sdn Bhd					
TM Land Sdn Bhd>	-	100	-	RM0.25	Wound up on 26 July 2010
TMF Autolease Sdn Bhd	100	100	RM1.0	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	100	100	RM1.0	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	100	100	RM1.0	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	100	100	RM1.0	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	100	100	RM#	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	100	100	RM11.0	RM11.0	Provision of intelligent building and security systems integrated telecommunications and technology solutions
VADS Business Process Sdn Bhd	100	100	RM#	RM#	Provision of managed contact centre services
VADS e-Services Sdn Bhd	100	100	RM1.0	RM1.0	Provision of contact centre and related services
VADS Professional Services Sdn Bhd	100	100	RM#	RM#	Provision of personnel for contact centre services
VADS Solutions Sdn Bhd	100	100	RM1.5	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia [collectively with VADS Berhad]^	100	100	IDR17,052.8	IDR17,052.8	Provision of managed contact centre services in Indonesia

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2010 (CONTINUED)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	- Indonesia
Telekom Malaysia (Hong Kong) Limited	- Hong Kong
Telekom Malaysia (S) Pte Ltd	- Singapore
Telekom Malaysia (UK) Limited	- United Kingdom
Telekom Malaysia (USA) Inc	- USA
TM International (Cayman) Ltd	- British West Indies, USA

IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
STR	Pound Sterling
USD	US Dollar

Amounts less than 0.1 million in their respective currency

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

^a Granted order for winding up pursuant to Section 217(1)(c) and 218(1)(c) and (i) of the Companies Act, 1965 on 5 October 2009 including appointment of liquidator

< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 1 December 2010 including appointment of liquidator

<< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 11 October 2010 including appointment of liquidator

> Dissolved pursuant to Section 272(5) of the Companies Act, 1965

[^] VADS Berhad and VADS Business Process Sdn Bhd holds a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia

(a) During the financial year, Telekom Enterprise Sdn Bhd (TESB) transferred its entire holding in Fibrecomm Network (M) Sdn Bhd (Fibrecomm), comprising 38,250,000 ordinary shares of RM1.00 each, representing TESB's 51.0% equity interest in Fibrecomm for a consideration of RM33.0 million to the Company.

(b) During the financial year, the Company transferred its entire holding in Mediatel (Malaysia) Sdn Bhd and Rebung Utama Sdn Bhd, comprising 1,000 and 2 ordinary shares of RM1.00 each respectively, representing the Company's 100% equity interest in both companies, for a consideration of RM1,000 and RM2 respectively to Tekad Mercu Berhad.

53. LIST OF ASSOCIATES AS AT 31 DECEMBER 2010

The associates are as follows:

Name of Company	Group's Effective Interest		Principal Activities
	2010 %	2009 %	
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd	49	49	Development, management and marketing of educational products offered by local and overseas educational institutions electronically
Mutiara.Com Sdn Bhd	30	30	Provision and promotion of Internet-based communications services

All associates are incorporated in Malaysia.

All associates have co-terminous financial year end with the Company.

54. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 25 February 2011.

56. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

2010	The Group RM	The Company RM
Retained profits:		
– realised	2,008.9	3,126.4
– unrealised – in respect of deferred tax recognised in the Income Statement	(1,577.5)	(1,513.4)
– in respect of other items of income and expense	384.1	383.9
Share of accumulated losses from associates		
– realised	(1.0)	–
	814.5	1,996.9
Add: consolidation adjustments	1,904.9	–
TOTAL RETAINED PROFITS	2,719.4	1,996.9

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

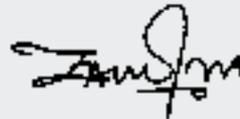
We, Datuk Dr Halim Shafie and Dato' Sri Zamzamairani Mohd Isa, being two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 209 to 351 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The supplementary information set out in note 56 on page 352 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 25 February 2011.



DATUK DR HALIM SHAFIE
Director/Chairman



DATO' SRI ZAMZAMAIRANI MOHD ISA
Managing Director/Group Chief Executive Officer

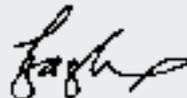
statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Datuk Bazlan Osman, being the Director primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 209 to 351 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared at Kuala Lumpur
this 25 February 2011.

)
)
)



DATUK BAZLAN OSMAN

Before me:



Commissioner for Oaths
Kuala Lumpur



independent auditors' report

to the Members of Telekom Malaysia Berhad
(Company No. 128740-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Telekom Malaysia Berhad on pages 209 to 217 which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 218 to 351.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

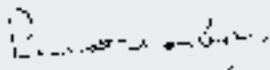
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of all subsidiaries of which we have not acted as auditors, which are indicated in note 52 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 56 on page 352 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

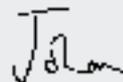
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants



DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN

(No. 1867/09/12 (J))

Chartered Accountant

Kuala Lumpur

Date: 25 February 2011

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital : RM5,040,003,021

Issued and Paid-up Capital : RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each, 1 Special Rights Redeemable Preference Share of RM1.00 each, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS C) of RM1.00 each and 925 Class D Non-Convertible Redeemable Preference Shares (NCRPS D) of RM1.00 each.

Voting Rights : 1 vote per ordinary share.

The Special Share, NCRPS C and NCRPS D have no voting rights other than those referred to in notes 14(a) and 19(a) to the financial statements.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No	%	No	%	No	%	No	%
Less than 100	737	2.40	6	0.02	4,944	0.00	28	0.00
100 – 1,000	9,314	30.20	121	0.39	8,266,214	0.23	99,681	0.00
1,001 – 10,000	17,299	56.09	328	1.06	66,530,862	1.86	1,476,770	0.04
10,001 – 100,000	2,254	7.31	189	0.61	60,432,106	1.69	6,396,326	0.18
100,001 – 178,870,098								
(less than 5% of paid-up capital)	347	1.13	242	0.78	1,236,600,353	34.57	401,724,608	11.23
178,870,099 and above	3	0.01	0	0.00	1,795,870,088	50.20	0	0.00
TOTAL	29,954	97.14	886	2.86	3,167,704,567	88.55	409,697,413	11.45

DISTRIBUTION OF PREFERENCE SHARES IN ACCORDANCE TO ITS RESPECTIVE CLASSES

Category	Special Share				NCRPS C				NCRPS D			
	Shareholder		Share		Shareholder		Share		Shareholder		Share	
	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%
Less than 100	1	100.00	1	100.00	1	33.33	25	1.25	0	0.00	0	0.00
100 – 1,000	0	0.00	0	0.00	1	33.33	400	20.00	2	100.00	925	100.00
1,001 – 10,000	0	0.00	0	0.00	1	33.33	1,575	78.75	0	0.00	0	0.00
TOTAL	0	100.00	0	100.00	3	100.00	2,000	100.00	2	100.00	925	100.00

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY AND ITS RELATED CORPORATION AS AT 18 MARCH 2011

The Directors' direct and deemed interest in shares in the Company based on the Register of Directors' Shareholdings are as follows:-

Interest in the Company

	Number of ordinary shares of RM1.00 each		
	Direct	Deemed Interest	%
Datuk Dr Halim Shafie	–	8,000 [#]	*
Dato' Sri Zamzamairani Mohd Isa	5,000	4,000 [#]	*
Datuk Bazlan Osman	2,000	–	*

Note:

[#] Deemed interest in TM shares held by spouse.

* less than 0.01%

list of top 30 shareholders

as at 18 March 2011

No.	Name	No. of Shares Held	Percentage [%]
1.	Khazanah Nasional Berhad	1,000,188,088	27.96
2.	AmanahRaya Trustees Berhad – <i>Skim Amanah Saham Bumiputera</i>	400,948,900	11.21
3.	Citigroup Nominees (Tempatan) Sdn Bhd – <i>Employees Provident Fund Board</i>	394,733,100	11.03
4.	Kumpulan Wang Persaraan (Diperbadankan)	144,829,700	4.05
5.	Khazanah Nasional Berhad – <i>Exempt An</i>	144,539,027	4.04
6.	Valuecap Sdn Bhd	113,875,700	3.18
7.	Lembaga Tabung Haji	80,913,036	2.26
8.	HSBC Nominees (Asing) Sdn Bhd – <i>Exempt An for the Bank of New York Mellon (Mellon Acct)</i>	59,302,714	1.65
9.	Mayban Nominees (Tempatan) Sdn Bhd – <i>Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)</i>	51,083,900	1.43
10.	AmanahRaya Trustees Berhad – <i>Amanah Saham Wawasan 2020</i>	47,893,800	1.34
11.	AmanahRaya Trustees Berhad – <i>Amanah Saham Malaysia</i>	45,568,100	1.27
12.	AmanahRaya Trustees Berhad – <i>Amanah Saham Didik</i>	39,622,800	1.11
13.	Mayban Nominees (Tempatan) Sdn Bhd – <i>Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)</i>	37,693,100	1.05
14.	AmanahRaya Trustees Berhad – <i>Public Islamic Dividend Fund</i>	32,901,000	0.92
15.	Cartaban Nominees (Asing) Sdn Bhd – <i>Exempt An for State Street Bank & Trust Company (West CLT OD67)</i>	28,928,587	0.80
16.	AmanahRaya Trustees Berhad – <i>AS 1Malaysia</i>	27,898,100	0.77
17.	Permodalan Nasional Berhad	27,619,400	0.77
18.	Citigroup Nominees (Tempatan) Sdn Bhd – <i>Exempt An for Prudential Fund Management Berhad</i>	27,127,400	0.76
19.	AmanahRaya Trustees Berhad – <i>Public Islamic Sector Select Fund</i>	22,723,000	0.64
20.	HSBC Nominees (Asing) Sdn Bhd – <i>BBH and Co Boston for Matthews Asian Growth and Income Fund</i>	20,245,551	0.57

No.	Name	No. of Shares Held	Percentage (%)
21.	AmanahRaya Trustees Berhad – <i>Public Islamic Equity Fund</i>	19,657,600	0.55
22.	Malaysia Nominees (Tempatan) Sendirian Berhad – <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i>	19,546,800	0.55
23.	HSBC Nominees (Asing) Sdn Bhd – <i>BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund</i>	17,305,440	0.48
24.	HSBC Nominees (Asing) Sdn Bhd – <i>Exempt An for JPMorgan Chase Bank, National Association (Norges Bk Lend)</i>	14,377,900	0.40
25.	HSBC Nominees (Asing) Sdn Bhd – <i>Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)</i>	13,698,500	0.38
26.	Citigroup Nominees (Tempatan) Sdn Bhd – <i>Exempt An for American International Assurance Berhad</i>	13,150,200	0.37
27.	AmanahRaya Trustees Berhad – <i>Public Growth Fund</i>	12,875,000	0.36
28.	Pertubuhan Keselamatan Sosial	11,956,900	0.33
29.	AmanahRaya Trustees Berhad – <i>Public Equity Fund</i>	11,813,000	0.33
30.	AmanahRaya Trustees Berhad – <i>Public Islamic Optimal Growth Fund</i>	11,619,100	0.32
TOTAL		2,894,635,443	80.91

SUBSTANTIAL SHAREHOLDERS' HOLDINGS OF 5% AND ABOVE AS AT 18 MARCH 2011

As per Register of Substantial Shareholders

No.	Name	No. of Shares Held		Percentage (%)	
		Direct	Indirect	Direct	Indirect
1.	Khazanah Nasional Berhad	1,153,860,758	–	32.25	–
2.	Employees Provident Fund Board	426,827,300	–	11.93	–
3.	AmanahRaya Trustees Berhad – <i>Skim Amanah Saham Bumiputera</i>	399,948,900	–	11.18	–
TOTAL		1,980,636,958	–	55.36	–

authorised and issued share capital

1. AUTHORISED SHARE CAPITAL

The authorised share capital as at 18 March 2011 is RM5,040,003,021 divided into 5,000,000,000 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 1,000 Class A Redeemable Preference Shares (RPS) of RM0.01 each, 1,000 Class B RPS of RM0.01 each, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each, 1,000 Class D NCRPS of RM1.00 each and 4,000,000,000 Class E RPS of RM0.01 each.

The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Type of Share	Total Authorised Share Capital (RM)
12/10/1984	1,000,000.00	Ordinary shares	1,000,000.00
06/08/1984	4,999,000,000.00	Ordinary shares	5,000,000,000.00
11/09/1990	1.00	Special Share	5,000,000,001.00
31/03/2003	10.00	Class A RPS	5,000,000,011.00
31/03/2003	10.00	Class B RPS	5,000,000,021.00
08/05/2007	2,000.00	Class C NCRPS	5,000,002,021.00
08/05/2007	1,000.00	Class D NCRPS	5,000,003,021.00
07/05/2009	4,000,000,000.00	Class E RPS	5,040,003,021.00

2. ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 18 March 2011 is RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 2,000 Class C NCRPS of RM1.00 each and 925 Class D NCRPS of RM1.00 each.

The changes in the issued and paid-up share capital are as follows:-

Date	No. of Shares Allotted	Description	Total (RM)
31/12/1984	2	Cash	2
31/12/1986	9,999,998	Cash	10,000,000
31/12/1987	490,000,000	Bonus issue on the basis of 49 ordinary shares for every 1 existing ordinary share held	500,000,000
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary share held	1,500,000,000
11/09/1990	1	Special Rights Redeemable Preference Share	1,500,000,001
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001
31/12/1992	9,249,000	Cash	1,979,749,001
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001

Date	No. of Shares Allotted	Description	Total (RM)
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds due 2004	1,999,090,921
20/06/1997	999,545,460	Bonus issue on the basis of 1 ordinary shares for every 2 existing ordinary shares held	2,998,636,381
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381
12/12/2003	1,000	Class A RPS of RM0.01 each	3,238,510,391
12/12/2003	1,000	Class B RPS of RM0.01 each	3,238,510,401
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401
31/12/2004	131,708,0000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881
20/07/2007	2,000	Class C NCRPS of RM1.00 each	3,435,263,881
20/07/2007	925	Class D NCRPS of RM1.00 each	3,435,264,806
23/07/2007 – 31/12/2007	4,547,820	Issued pursuant to the exercise of options under the ESOS	3,439,812,606
17/03/2008	137,592,300	Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906
02/06/2009	3,577,401,980	Class E RPS of RM0.01 each	3,613,178,925.80
02/06/2009	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	3,577,404,906

Note: Increases in the issued and paid-up share capital pursuant to the ESOS are disclosed on annual basis.

net book value of land & buildings

as at 31 December 2010

Location	Freehold		Leasehold		Other Land*		Excepted land**		Net Book Value of Land***	Net Book Value of Buildings
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	(RM million)	(RM million)
1. Federal Territory										
a. Kuala Lumpur	28	1,413	4	196	3	402	-	-	120.3	1,065.5
b. Labuan	-	-	6	511	1	175	-	-	-	-
c. Putrajaya	-	-	-	-	1	20	-	-	-	-
2. Selangor	12	10,245	24	25,382	4	283	70	15,124	211.5	441.5
3. Perlis	-	-	4	52	-	-	8	572	0.3	0.8
4. Perak	4	17	19	926	5	126	88	5,431	4.1	23.9
5. Pulau Pinang	1	3	15	919	-	-	39	6,838	4.7	18.4
6. Kedah	8	488	15	1,579	-	-	45	2,553	10.9	37.0
7. Johor	4	106	29	1,455	14	305	95	9,079	6.5	33.5
8. Melaka	3	15	27	59,220	-	-	23	4,039	96.9	172.4
9. Negeri Sembilan	7	36,911	10	330	2	176	49	2,186	35.2	18.1
10. Terengganu	-	-	16	797	1	44	43	5,082	0.7	20.5
11. Kelantan	-	-	9	418	4	123	35	2,058	0.5	4.9
12. Pahang	3	43	30	1,703	12	1,105	65	6,256	2.6	18.3
13. Sabah	-	-	15	619	4	117	63	25,617	5.5	28.2
14. Sarawak	5	202	26	925	9	62	96	11,203	22.8	42.8
Total	75	49,443	249	95,032	60	2,938	719	96,038	522.5	1,925.8

No revaluation has been made on any of the land and buildings

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the land have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these land to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

*** Includes land held for property development and land held for sale of a wholly owned subsidiary.

Location	Exchanges	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom- munications/ Tourism Tower
1. Federal Territory										
a. Kuala Lumpur	13	2	6	6	-	-	-	-	1	-
b. Labuan	1	-	1	-	-	2	-	-	-	-
2. Selangor	75	8	7	7	4	-	-	4	1	-
3. Perlis	8	1	1	2	1	-	-	1	-	-
4. Perak	85	10	3	12	2	-	-	4	1	-
5. Pulau Pinang	40	1	3	4	2	1	1	4	-	-
6. Kedah	44	7	1	3	1	-	1	4	-	1
7. Johor	90	11	3	3	2	1	-	2	-	-
8. Melaka	30	1	1	1	1	2	-	2	1	-
9. Negeri Sembilan	45	8	3	2	-	-	4	2	-	-
10. Terengganu	44	4	2	3	2	-	-	2	1	-
11. Kelantan	30	2	2	4	2	-	-	-	-	-
12. Pahang	56	14	2	11	2	3	4	-	-	-
13. Sabah	46	18	1	3	2	3	1	4	-	-
14. Sarawak	76	24	2	8	2	3	-	3	1	-

HEAD OFFICE

Level 51, North Wing
Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 9494
: 101 Operator Assisted Calls
(Domestic and International)
: 103 Directory Enquiry Services
: 100 for Everything else TM
Fax : 03-2283 2415
Website : www.tm.com.my

RETAIL BUSINESS

Customer Service

Level 3
Menara TM Annexe 1
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 100
Fax : 03-7960 6020

Service Assurance Center

Ground Floor
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
63000 Cyberjaya
Selangor
Tel : 1-800-88-9947

GITN Sdn Bhd

Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2245 0000
Fax : 03-2240 0709

Network Operations Centre

Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
63000 Cyberjaya
Tel : 1-300-882-888
1-300-884-377
Fax : 03-8319 4775

TM Info-Media Sdn Bhd

9th Floor, Block A
Mines Waterfront Business
Park
No. 3, Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor
Tel : 03-8949 8228
Fax : 03-8949 8338

Telekom Applied Business Sdn Bhd

Head Office
Level 16, Menara 2
Faber Tower
Jalan Desa Bahagia
Taman Desa
Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7984 4989
Fax : 03-7980 1605

Cyberjaya Office

Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
63000 Cyberjaya, Selangor
Tel : 03-8318 1706
Fax : 03-8318 1721

TM Research & Development

Head Office
TM Innovation Centre
Lingkaran Teknokrat Timur
63000 Cyberjaya
Selangor
Tel : 03-8883 9595
Fax : 03-8883 9596

VADS Berhad

Level 15, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7712 8888
Fax : 03-7728 2584

Telekom Sales & Services Sdn Bhd

Head Office
Level 18
Menara Mutiara Bangsar
Jalan Liku Off Jalan Riong
Bangsar
59100 Kuala Lumpur
Tel : 03-2297 1200
Fax : 03-2282 6120

TMpoint

Kuala Lumpur (8)

Muzium

Bangunan Muzium TM
Jalan Raja Chulan
50200 Kuala Lumpur

Jalan TAR

No. 374, Ground Floor
Wisma CS Holiday
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

Pandan Indah

L1/02, Ground Floor
Menara Maxisegar
Jalan Pandan Indah 4/2
Pandan Indah
55100 Kuala Lumpur

Menara TM

Ground Floor, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur

Bangsar

No. 8 & 10, Ground Floor
Jalan Telawi 5
Bangsar Baru
59100 Kuala Lumpur

Setapak

Ibusawat TM Setapak
44, Persiaran Kuantan
53200 Kuala Lumpur

Kepong

No. 67
Jalan Metro Perdana Barat 1
Taman Usahawan
Kepong Utara
52100 Kepong
Kuala Lumpur

Taman Desa

Ground Floor
Wisma TM Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur

Selangor (18)

Shah Alam

Bangunan TM Shah Alam
Persiaran Damai
Seksyen 11
40000 Shah Alam
Selangor

Ampang

42, Jalan Mamanda 7
Ampang Point
68000 Ampang
Selangor

Rawang

Lot 21, Jalan Maxwell
48000 Rawang
Selangor

Kuala Kubu Bahru

Bangunan TM
Jalan Dato' Balai
44000 Kuala Kubu Bahru
Selangor

Bukit Raja

Jalan Meru
41050 Klang
Selangor

Banting

No. 1-1-1A, Jalan Suasa 1
42700 Banting
Selangor

Kuala Selangor

Bangunan TM, Jalan Klinik
45000 Kuala Selangor
Selangor

Sabak Bernam

27, Jalan Raja Chulan
45200 Sabak Bernam
Selangor

Port Klang

No. 57 & 59, Jalan Cungah
42000 Port Klang
Selangor

Damansara Utama

No. 91-93, Jalan SS 21/1A
Damansara Utama
47400 Petaling Jaya
Selangor

Petaling Jaya

No. 22 & 24
Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor

Kajang

No. 37 & 38
Jalan Tun Abdul Aziz
43000 Kajang
Selangor

Cyberjaya

Ground Floor
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1
Timur
60000 Cyberjaya
Selangor

Serdang

No. 36, Jalan Dagang SB 4/2
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor

Kelana Jaya

Unit 109B, Ground Floor
Kelana Park View Tower
No. 1, Jalan SS 6/2
47301 Kelana Jaya
Selangor

Taipan

No. 27 & 29
Jalan USJ 10/1A
47620 Subang Jaya
Selangor

Puchong

No. 12 & 13, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Selangor

Sunway Damansara

Ground Floor & 1st Floor
Unit C-08, Jalan PJU 5/17
Dataran Sunway
47810 Kota Damansara
Selangor

Johor (13)

Johor Bahru

Jalan Abdullah Ibrahim
80672 Johor Bahru
Johor

Skudai

No. 17 & 19
Jalan Laksamana 1
Taman Ungku Tun Aminah
81300 Skudai
Johor

Pontian

1st Floor, Ibusawat TM
Jalan Alsagoff
82000 Pontian
Johor

Kluang

No. 1 & 2
Jalan Dato' Teoh Siew Khor
86000 Kluang
Johor

Segamat

No. 22, Jalan Sultan
85000 Segamat
Johor

Batu Pahat

39, Jalan Rahmat
83000 Batu Pahat
Johor

Muar

No. 5-5 & 5-6, Ground Floor
Jalan Ibrahim
84000 Muar
Johor

Kota Tinggi

No. 2 & 4, Jalan Indah
Taman Medan Indah
81900 Kota Tinggi
Johor

Kulai

Lot 435
Jalan Kenanga 29/11
Taman Indah Putra
81100 Kulai
Johor

Pelangi

Wisma TM Pelangi
Jalan Sutera 3
Taman Sentosa
80150 Johor Bahru
Johor

Mersing

Lot 384, Jalan Ismail
86800 Mersing
Johor

Yong Peng

No. 18, Ground Floor
Jalan Bayan
Taman Semberong
83700 Yong Peng
Johor

Pasir Gudang

No. 23 A, Ground Floor
Jalan Bandar Pusat
Perdagangan
81700 Pasir Gudang
Johor

Negeri Sembilan (4)

Seremban

No. 176 & 177, Ground Floor
Jalan Dato' Bandar Tunggal
70000 Seremban
Negeri Sembilan

Port Dickson

No. 25, Jalan Mahajaya
PD Center Point
71000 Port Dickson
Negeri Sembilan

Kuala Pilah

Jalan Bahau
72000 Kuala Pilah
Negeri Sembilan

Tampin

Jalan Besar
73000 Tampin
Negeri Sembilan

Melaka (3)

Melaka

527 & 529 A, Plaza Melaka
Jalan Gajah Berang
75200 Melaka

Alor Gajah

Batu 14½
Jalan Melaka Kendong
78000 Alor Gajah
Melaka

Menara Pertam

Ground Floor
Menara Pertam
Jalan Batu Berendam BBP 2
Taman Batu Berendam Putra
75350 Melaka

Kedah/Perlis (6)

Kangar

Jalan Bukit Lagi
Pekan Kangar
01000 Kangar
Perlis

Alor Setar

Kompleks Kristal
Jalan Kolam Air
05672 Alor Setar
Kedah

Jitra

19A, Jalan PJ 1
Pekan Jitra 2
06000 Jitra
Kedah

Langkawi

Jalan Pandak Mayah 6
07000 Pekan Kuah
Langkawi
Kedah

Sungai Petani

Bangunan TM, Jalan Petani
08000 Sungai Petani
Kedah

Kulim

No. 4 & 5
Jalan Tunku Asaad
09000 Kulim
Kedah

Pulau Pinang (5)

Bayan Baru

No. 68, Jalan Mahsuri
11950 Bayan Baru
Pulau Pinang

Jalan Burmah

Jalan Burmah
10050 Georgetown
Pulau Pinang

Butterworth

Wisma TM Butterworth
Ground Floor
Jalan Bagan Luar
12000 Butterworth
Pulau Pinang

Bukit Mertajam

Lot G-33, G-34 & G-35
Jalan Perda Selatan
Bandar Perda
14000 Bukit Mertajam
Pulau Pinang

Sungai Bakap

1282, Jalan Besar
14200 Sungai Bakap
Pulau Pinang

Perak (13)

Ipoh Wisma

Wisma TM
Jalan Sultan Idris Shah
30672 Ipoh
Perak

Batu Gajah

Bangunan TM
Jalan Dewangsa
31000 Batu Gajah
Perak

Ipoh Tasek

Jalan Sultan Azlan Shah Utara
31400 Ipoh
Perak

Kampar

Bangunan TM
Jalan Baru
31900 Kampar
Perak

Taiping

Bangunan TM
Jalan Berek
34672 Taiping
Perak

Teluk Intan

Bangunan TM
Jalan Jawa
36672 Teluk Intan
Perak

Parit Buntar

36, Persiaran Perwira
Pusat Bandar
34200 Parit Buntar
Perak

Kuala Kangsar

Bangunan TM
Jalan Raja Chulan
33000 Kuala Kangsar
Perak

Gerik

Wisma Kosek
Jalan Takong Datoh
33300 Gerik
Perak

Sungai Siput

No. 188, Jalan Besar
31100 Sungai Siput
Perak

Sitiawan

179 & 180
Taman Sitiawan Maju
32000 Sitiawan
Perak

Tapah

Bangunan TM
Jalan Stesyen
35672 Tapah
Perak

Tanjung Malim

No. 27, Jalan Cahaya
Taman Anggerik Desa
35900 Tanjung Malim
Perak

Kelantan (5)

Kota Bharu

Jalan Doktor
15000 Kota Bharu
Kelantan

Pasir Mas

606, Jalan Masjid Lama
17000 Pasir Mas
Kelantan

Tanah Merah

4088, Jalan Ismail Petra
17500 Tanah Merah
Kelantan

Kuala Krai

Lot 1522
Jalan Tengku Zainal Abidin
18000 Kuala Krai
Kelantan

Pasir Puteh

258B
Jalan Sekolah Laki-laki
16800 Pasir Puteh
Kelantan

Terengganu (4)

Kuala Terengganu

1st Floor, Bangunan TM
Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu

Kemaman

Jalan Masjid, Chukai
24000 Kemaman
Terengganu

Dungun

Jalan Nibong
23000 Dungun
Terengganu

Jerteh

Ground Floor, Lot 174
Jalan Tuan Hitam
22000 Jerteh
Terengganu

Pahang (6)

Kuantan

G08 & G09, Ground Floor
Bangunan Mahkota Square
Jalan Mahkota
25000 Kuantan
Pahang

Pekan

No. 87
Jalan Sultan Abdullah
26600 Pekan
Pahang

Mentakab

Jalan Tun Razak
28400 Mentakab
Pahang

Bentong

111, Bangunan Persatuan Bola
Sepak
Jalan Ah Peng
28700 Bentong
Pahang

Kuala Lipis

10, Jalan Bukit Bius
27200 Kuala Lipis
Pahang

Raub

Jalan Kuala Lipis
27600 Raub
Pahang

Sarawak (11)

Batu Lintang

Jalan Batu Lintang
93200 Kuching
Sarawak

Padang Merdeka

Ground Floor
Bangunan Yayasan Sarawak
Lot 2, Section 24
Jalan Barrack/Masjid
93000 Kuching
Sarawak

Pending

Jalan Gedong
93450 Pending
Sarawak

Sri Aman

Jalan Club
95000 Sri Aman
Sarawak

Miri

Jalan Post
98000 Miri
Sarawak

Limbang

Jalan Kubu
98700 Limbang
Sarawak

Lawas

Jalan Punang
98850 Lawas
Sarawak

Bintulu

No. 7, Medan Sentral
Commercial Centre
Jalan Tanjung Kidurong
97000 Bintulu
Sarawak

Sibu

Persiaran Brooke
96000 Sibu
Sarawak

Sarikei

Jalan Berek
96100 Sarikei
Sarawak

Kapit

Jalan Kapit Bypass
96800 Kapit
Sarawak

Sabah (9)

Sadong Jaya

Ground Floor
Lot 68 & 69, Block J
Sadong Jaya, Karamunsing
88100 Kota Kinabalu
Sabah

Tanjung Aru

Lot B3, B3A & B5
Ground Floor
Plaza Tanjung Aru
Jalan Mat Salleh
Tanjung Aru
88100 Kota Kinabalu
Sabah

Tawau

TB 307, Blok 35
Kompleks Fajar
Jalan Perbandaran
91000 Tawau
Sabah

Lahad Datu

Ground Floor, MDLD 3307
Kompleks Fajar
Jalan Segama
91100 Lahad Datu
Sabah

Sandakan

Ground Floor, Lot 6 & 7
Bandar Maju
Sandakan Commercial Center
Batu 1½, Jalan Utara
90000 Sandakan
Sabah

Mailing Address:-
Locked Bag 44
90000 Sandakan
Sabah

Keningau

Commercial Centre
Jalan Arusap
Off Jalan Masak
Block B7, Lot 13 & 14
89007 Keningau
Sabah

Beaufort

Choong Street
P.O. Box 269
89807 Beaufort
Sabah

Kudat

Lot No. 3
Jaya Shopping Center
Jalan Datu
89050 Kudat
Sabah

Labuan

Bangunan TM
Jalan Dewan
87000 Wilayah Persekutuan
Labuan

WHOLESALE BUSINESS

WHOLESALE

Level 14 (North), Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 03-2240 4499
Fax : 03-2240 8590
www.tm.com.my

FIBERAIL

FIBERAIL SDN BHD
7th Floor, Wisma TM
Jalan Desa Utama
Pusat Bandar Taman Desa
58100 Kuala Lumpur
Tel : 03-7980 9696
Fax : 03-7980 9900
www.fiberail.com.my

FIBRECOMM

FIBRECOMM NETWORK (M)
SDN BHD
Level 37, Menara TM
Jalan Pantai Baharu
59200 Kuala Lumpur
Malaysia
Tel : 03-2240 1843
Fax : 03-2240 5001
www.fibrecomm.net.my

GLOBAL BUSINESS

Head Office
TM Global
Level 53, North Wing,
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 5500
03-2240 5501
Fax : 03-7956 0208

TM REGIONAL OFFICES (TMRO)

USA

Mohd Hafiz Lockman
Country Director
Telekom Malaysia (USA) Inc
8320 Old Courthouse Road
Suite 201
Vienna, VA 22182 USA
Tel : +1 703 467 5962
Fax : +1 703 467 5966
hafiz@usa-tm.com

UNITED KINGDOM

Bhavin Chimanlal Shah
Country Director
Telekom Malaysia (UK) Limited
St. Martin's House
16 St. Martin's Le Grand
London, EC1A 4EN, UK
Tel : +44 (0) 207 397 8579
Fax : +44 (0) 207 397 8400
bhavin@tmeurope.co.uk

SINGAPORE

Lina Wang Ai Lee
Regional Country Director
(Oceania And North Asia)
Telekom Malaysia (S) Pte Ltd
175A Bencoolen Street
#07-05/06, Burlington Square
Singapore 189650
Tel : +65 6532 6369
Fax : +65 6532 3742
lina.wang@tmro.com.sg

HONG KONG

Lina Wang Ai Lee
Regional Country Director
(Oceania And North Asia)
Telekom Malaysia (Hong Kong)
Limited
Suite 1502, 15th Floor
Malaysia Building, 50
Gloucester Road
Wanchai, Hong Kong
SAR-China
Tel : +852 2992 0190
Fax : +852 2992 0570
lina.wang@tmro.com.sg

SUPPORT BUSINESS

Head Office
Level 12, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 4869
Fax : 03-7960 3359

Universiti Telekom Sdn Bhd

Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : 03-8312 5018
03-8312 5000
Fax : 03-8312 5022

Menara Kuala Lumpur Sdn Bhd

No. 2, Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax : 03-2072 8409

Telekom Smart School Sdn Bhd

45-8, Aras 3, Blok C
Plaza Damansara
Jalan Medan Setia 1
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2092 5252
Fax : 03-2093 4993

TMF Autolease Sdn Bhd

Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9412
Fax : 03-5510 0286

Property Management

Level 11, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5040
Fax : 03-7983 6390

Property Operations

Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : 03-5548 9400
Fax : 03-5541 2141

Security Management

Level 1, TM Annexe 2
No. 1, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel : 03-2240 5499
Fax : 03-2240 0996

AA

Access Agreement

AAG

Asia-America Gateway

ABAC

Audit and Business Assurance Committee

ALD

Access List Determination

APCN2

Asia Pacific Cable Network 2

APG

Asia-Pacific Gateway*

ARD

Access Reference Document

ASE

Asia Submarine Express

ASP

Application Service Provider

AWT

Average Waiting Time

BBGP

Broadband for General Population

BOD

Board of Directors

BPM

Business Performance Management

BPO

Business Process Outsourcing

BRCS

Batam Rengit Cable System

BSC

Balanced Score Card

CAD

Computer Aided Despatch

CBC

Community Broadband Centre

CBD

Critical Business District

CBL

Community Broadband Library

CCEM

Conference of Commonwealth Education Ministers

CCI

Communications Content and Infrastructure

CEP

Continuous Education Programmes

COSO

Committee of the Sponsoring Organisations of the Treadway Commission

CPEO

Customer Premises Equipment Ownership

CR

Corporate Responsibility

CRM

Customer Relationship Management

CSA

Control Self-Assessment

CSDP

Content and Service Delivery Platform

CSI

Customer Satisfaction Index

CTI

Computer Telephony Information

CUSCN

China United States Cable Network

DCS 1 CLICK

Digital Subscriber Line Service Provisioning

DDN

Digital Data Network

DEL

Direct Exchange Line

DECT

Digital Enhanced Cordless Telecommunications

DID

Department of Irrigation and Drainage

DIS

Domestic Investment Seminar

DMCS

Dumai (Sumatera) Melaka Cable System

DOSH

Department of Occupational Safety & Health

DSL

Digital Subscribers Line*

DWDM

Dense Wavelength Division Multiplexing

EAP

Employee Assistance Programme

EPPs

Entry Point Projects

ERM

Enterprise Risk Management

ESOS

Employee Share Option Scheme

ETP

Economic Transformation Programme

EVPL

Ethernet Virtual Private Line

FCS

Full Channel Service

FGTC

Frontliner Goes To Customer

FTTB

Fibre-to-the Building

FTTH

Fibre-to-the Home

FTTS

Fibre-to-the School

GIS

Geographic Information System

GLT

Group Leadership Team

GoM

Government of Malaysia

GES

Global Ethernet Services

GPON

Gigabit Passive Optical Network

GRI

Global Reporting Initiative

GVS

Global Voice Solutions

GTM

Go-To-Market

HIRARC

Hazard Identification, Risk Assessment and Risk Control Programme

HSBB

High Speed Broadband

IBS

In-Building Broadband Service

ICOP

Industry Code of Practice

ICI

Internal Control Incident

ICNIRP

International Committee on Non-Ionising Radiation Protection

ICT

Information & Communications Technology

IEPL

International Ethernet Private Line

IFS

International Freephone Services

INFORMS

Integrated Fulfillment Order Management System

IP

Internet Protocol

IPLC

International Private Leased Circuit

IPPF

International Professional Practices Framework

IPR

Intellectual Property Rights

IPTV

Internet Protocol Television

IPVPN

Internet Protocol Virtual Private Network

IPVS

International Premium Voice Services

IR

Incident Rates

IRU

Indefeasible Right of Use

ISMS

Information Security Management System

ISP

Internet Service Provider

ITFS

International TollFree Services

ITG

IT Governance

IT&NT

IT and Network Technology

JKH

Jadual Kadar Harga

JPM

Jabatan Bomba dan Penyelamat

JUSCN

Japan United States Cable Network

KPI

Key Performance Indicator

KTS

Key Telephone System

LAN

Local Area Network

LOA

Limit of Authority

MBK

Majlis Bersama Kebangsaan

MBN

Majlis Bersama Negeri

MCMC

Malaysian Communications & Multimedia Commission

MDeC

Multimedia Development Corporation

MERS

Malaysia Emergency Response Services

MIDA

Malaysia Industrial Development Authorities

MMP

Management and Maintenance Package

MOE

Ministry of Education

MPLS

Multi Protocol Label Switching

MQA

Malaysian Qualification Agency

MSA

Mandatory Standard on Access

MSAP

Mandatory Standard on Access Pricing

MSC

Multimedia Super Corridor

MSS

Managed Security Services

MTCP

Malaysian Technical Cooperation Programme

MTTI

Mean Time to Install

MTTR

Mean Time to Restore

NFP

Network Facility Provider

NGN

New Generation Network

NIOSH

National Institute of Occupational Safety & Health

NKEAs

National Key Economic Areas

NSP

Network Service Provider

NTMSP – NIOSH

TM Safety Passport

NUTE

National Union of Telecommunications Employees

OJT

On the Job Training

OLNO

Other Licensed Network Operator

OSHE

Occupational Safety, Health and Environment

OSS

One Stop Shopping

OVAS

Online Value - Added Services

PFN

Petrofibre Network

PIP

Performance Improvement Programme

PM

Property Management

POD

Point of Delivery

POI

Point of Interconnect

PRI

Primary Rate Interface

PQM

Productivity & Quality Management

PSTN

Public Switched Telephone Network

QMS

Quality Management System

RFID

Radio Frequency Identification

SAFE

South Africa Far East Cable System

SAMS

Streamyx Activation Management System

SAT-3

South Atlantic-3 Cable System

SBU

Strategic Business Unit

SCCP

Signaling Connection Control Part

SCM

Sales Channel Management

SCPC

Single Channel Per Carrier

SEA-ME-WE3 (SMW3)

South East Asia-Middle East-Western Europe Cable System 3

SEA-ME-WE4 (SMW4)

South East Asia-Middle East-Western Europe Cable System 4

SHO

Safety & Health Officers

SI

System Integrator

SMU

Security Management Unit

SOHO

Small Office Home Office

SP

Subsidiaries Policy

SSAI

Security Service Availability Index

SSQS

Smart School Qualification Standards

SUTE

Sabah Union of Telekom Malaysia Berhad Employees

TAD

TMpoint Authorised Dealer

TDM

Time-Division Multiplexing

TMOW

TMpoint on Wheels

TMUC

TM UniFi Centre

TOP

Towards Operational Perfection

USP

Universal Service Provision

USP BBPC

Universal Service Provision Broadband PC

UTES

Union of Telekom Malaysia Berhad Employees Sarawak

VAS

Value-Added Services

VDSL

Very High Bit Rate Digital Subscriber Line

VoIP

Voice over Internet Protocol

VPN

Virtual Private Network

VSAT

Very Small Aperture Terminal

WANs

Wide Area Networks

WASC

Western Africa Submarine Cable System

proxy form



“A” I/We _____
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____

(PASSPORT NO.) _____ (COMPANY NO.) _____

of _____
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) [Company] hereby appoint _____

_____ (NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT NO.) _____

of _____
(FULL ADDRESS)

or failing him/her _____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT NO.) _____

of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy/proxies to vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at the Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 10 May 2011 at 10:00 a.m. and at any adjournment thereof.

“B” If you wish to appoint a second proxy, please complete this section.

I/We _____
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____

(PASSPORT NO.) _____ (COMPANY NO.) _____

of _____
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) [Company] hereby appoint _____

_____ (NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT NO.) _____

of _____
(FULL ADDRESS)

or failing him/her _____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT NO.) _____

of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy/proxies to vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at the Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 10 May 2011 at 10:00 a.m. and at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

	%
Proxy “A”	
Proxy “B”	
	100%

My/Our proxy/proxies is/are to vote as indicated below:

[Please indicate with an “X” in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion]

No.	Resolutions	Proxy “A”		Proxy “B”	
		For	Against	For	Against
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2010 – Ordinary Resolution 1				
2.	Declaration of a final gross dividend of 13.1 sen per share (less 25% Income Tax) – Ordinary Resolution 2				
3.	Re-election of Dato’ Sri Zamzamairani Mohd Isa pursuant to Article 103 – Ordinary Resolution 3				
4.	Re-election of Datuk Bazlan Osman pursuant to Article 103 – Ordinary Resolution 4				
5.	Re-election of Tunku Dato’ Mahmood Fawzy Tunku Muhiyiddin pursuant to Article 103 – Ordinary Resolution 5				
6.	Re-election of Dato’ Danapalan T.P. Vinggrasalam pursuant to Article 103 – Ordinary Resolution 6				
7.	Re-election of Dato’ Ir Abdul Rahim Abu Bakar pursuant to Article 103 – Ordinary Resolution 7				
8.	Re-election of Quah Poh Keat pursuant to Article 103 – Ordinary Resolution 8				
9.	Re-election of Ibrahim Marsidi pursuant to Article 103 – Ordinary Resolution 9				
10.	Re-election of Riccardo Ruggiero pursuant to Article 103 – Ordinary Resolution 10				
11.	Approval of payment of Directors’ fees – Ordinary Resolution 11				
12.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration – Ordinary Resolution 12				

Signed this _____ day of _____ 2011.

Signature(s)/Common Seal of Member(s)

Notes:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If this proxy form is signed under the hand of an

No. of shares held	CDS Account No. of the Authorised Nominee*

**Applicable to shares held under nominee account only*

officer duly authorised, it should be accompanied by a statement reading “*signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation have been received*”. If this proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading “*signed under a Power of Attorney which is still in force, no notice of revocation have been received*”. A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this proxy form.

5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company’s Articles of Association.
6. This instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

Fold this flap for sealing

AFFIX
STAMP

THE SHARE REGISTRARS
TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Then fold here

1st fold here