TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following audited results of the Group for the fourth quarter ended 31 December 2009.

AUDITED CONSOLIDATED INCOME STATEMENT

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM Million	RM Million	RM Million	RM Million
CONTINUING OPERATIONS				
OPERATING REVENUE	**2,272.6**	2,497.8	**8,608.0**	8,674.9
OPERATING COSTS				
- depreciation, impairment and amortisation	**(494.9)**	(529.6)	**(2,038.3)**	(2,098.9)
- other operating costs	**(1,570.4)**	(1,698.8)	**(5,671.2)**	(5,936.5)
LOSS ON DISPOSAL OF AN EQUITY INVESTMENT	-	-	**-**	(88.8)
OTHER OPERATING INCOME (net)	**55.5**	23.1	**166.1**	178.7
OPERATING PROFIT BEFORE FINANCE COST	**262.8**	292.5	**1,064.6**	729.4
FINANCE INCOME	**30.0**	76.6	**172.2**	237.3
FINANCE COST	**(86.5)**	(96.7)	**(356.3)**	(442.5)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	**47.3**	(18.2)	**40.5**	(170.0)
NET FINANCE COST	**(9.2)**	(38.3)	**(143.6)**	(375.2)
ASSOCIATES				
- share of results (net of tax)	*****	(0.4)	**0.6**	(0.4)
PROFIT BEFORE TAXATION AND ZAKAT	**253.6**	253.8	**921.6**	353.8
TAXATION AND ZAKAT	**(75.3)**	(68.6)	**(248.3)**	(77.6)
PROFIT FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS	**178.3**	185.2	**673.3**	276.2
DISCONTINUED OPERATIONS				
(LOSS)/PROFIT FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS**	**-**	(1.2)	**-**	624.9
PROFIT FOR THE FINANCIAL YEAR	**178.3**	184.0	**673.3**	901.1
ATTRIBUTABLE TO:				
- equity holders of the Company	**170.2**	164.8	**643.0**	791.9
- minority interests	**8.1**	19.2	**30.3**	109.2
PROFIT FOR THE FINANCIAL YEAR	**178.3**	184.0	**673.3**	901.1
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic				
Continuing operations	**4.8**	4.8	**18.3**	6.7
Discontinued operations**	**-**	-	**-**	16.3
- diluted				
Continuing operations	**4.8**	4.8	**18.2**	6.6
Discontinued operations**	**-**	-	**-**	16.2

* Amount less than RM0.1 million

** The profit from discontinued operations comprised the results of Axiata Group (formerly known as TM International Berhad Group) which was demerged from the Group in April 2008.

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

AUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	AS AT 31/12/2009 (AUDITED)	AS AT 31/12/2008 (AUDITED)
	RM Million	RM Million
SHARE CAPITAL	3,543.5	3,456.0
SHARE PREMIUM	1,011.8	4,305.4
OTHER RESERVES	2,432.2	2,486.7
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6,987.5	10,248.1
MINORITY INTERESTS	142.5	226.5
TOTAL EQUITY	7,130.0	10,474.6
Borrowings	5,796.9	6,965.1
Deferred tax liabilities	1,588.7	1,362.0
Deferred income	985.9	260.2
DEFERRED AND NON-CURRENT LIABILITIES	8,371.5	8,587.3
	15,501.5	**19,061.9**
Intangible assets	313.4	1.8
Property, plant and equipment	12,329.9	11,772.1
Prepaid lease payments	74.4	67.5
Land held for property development	163.7	164.3
Associates	0.6	-
Available-for-sale investment	608.2	496.0
Other investments	152.8	137.8
Long term receivables	108.9	472.4
Deferred tax assets	10.6	8.9
NON-CURRENT ASSETS	13,762.5	13,120.8
Inventories	110.6	123.3
Trade and other receivables	2,284.0	2,891.3
Amount owing by Axiata Group Berhad (formerly known as TM International Berhad)	-	4,025.0
Short term investments	294.7	277.6
Cash and bank balances	3,490.7	2,095.2
CURRENT ASSETS	6,180.0	9,412.4
Trade and other payables	2,934.6	2,812.6
Customer deposits	575.7	588.8
Borrowings	916.6	34.9
Taxation and zakat	14.1	35.0
CURRENT LIABILITIES	4,441.0	3,471.3
NET CURRENT ASSETS	1,739.0	5,941.1
	15,501.5	**19,061.9**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	197.2	296.5

(The above Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company								
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserve RM Million	Fair Value Reserve RM Million	Capital Redemption Reserve RM Million	Retained Profits RM Million	Minority Interests RM Million	Total Equity RM Million
At 1 January 2009	3,456.0	4,305.4	(10.4)	82.9	111.0	-	2,303.2	226.5	10,474.6
Currency translation differences arising during the financial year									
- subsidiaries	-	-	9.4	-	-	-	-	-	9.4
Fair value gain (net) on available-for-sale investment	-	-	-	-	44.5	-	-	-	44.5
Net gain not recognised in the Income Statement	-	-	9.4	-	44.5	-	-	-	53.9
Profit for the financial year	-	-	-	-	-	-	643.0	30.3	673.3
Total recognised income for the financial year	-	-	9.4	-	44.5	-	643.0	30.3	727.2
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	-	-	(103.9)	(103.9)
Bonus issue of Redeemable Preference Shares (RPS) (part A, note 5(a))	35.8	(35.8)	-	-	-	-	-	-	-
Redemption of RPS (part A, note 5(a))	(35.8)	(3,470.0)	-	-	-	-	43.1	-	(3,462.7)
Creation of capital redemption reserve upon redemption of RPS (part A, note 5(a))	-	-	-	-	-	35.8	(35.8)	-	-
Final dividends paid for the financial year ended 31 December 2008	-	-	-	-	-	-	(377.2)	-	(377.2)
Interim dividends paid for the financial year ended 31 December 2009							(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 (part A, note 5(b))	87.5	142.0	-	-	-	-	-	-	229.5
- transfer of reserve upon exercise of options	-	70.2	-	(70.2)	-	-	-	-	-
At 31 December 2009	**3,543.5**	**1,011.8**	**(1.0)**	**19.7**	**155.5**	**35.8**	**2,222.2**	**142.5**	**7,130.0**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

AUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	FINANCIAL YEAR ENDED 31/12/2009 RM Million	ENDED 31/12/2008 RM Million
Continuing operations		
Receipts from customers	8,808.5	8,638.4
Payments to suppliers and employees	(5,400.7)	(5,333.4)
Payment of finance cost	(393.5)	(500.6)
Refund/(Payment) of income taxes (net)	41.7	(151.8)
Payment of zakat	-	(3.0)
Cash flows from operating activities of continuing operations	3,056.0	2,649.6
Cash flows from operating activities of discontinued operations **	-	601.6
CASH FLOWS FROM OPERATING ACTIVITIES	**3,056.0**	**3,251.2**
Continuing operations		
Disposal of property, plant and equipment	15.2	24.9
Purchase of property, plant and equipment	(2,516.2)	(1,838.8)
Contribution for purchase of property, plant and equipment	810.2	103.1
Disposal of non-current assets held for sale	-	1,000.0
Disposal of leasehold land	3.8	-
Payment for intangible asset (spectrum licence)	-	(8.0)
Disposal of intangible asset (spectrum licence)	-	40.1
Repayment from Axiata Group Berhad (Axiata)	4,025.0	-
Disposal of Axiata's rights issue	66.0	-
Subscription of Axiata's rights issue	(72.0)	-
Disposal of available-for-sale investment	5.8	1.9
Disposal of other investments	0.1	-
Disposal of short term investments	219.6	219.6
Purchase of short term investments	(198.4)	(215.1)
Acquisition of remaining interest in a subsidiary	(412.3)	-
Repayments of loans by employees	50.7	97.7
Loans to employees	(30.7)	(39.3)
Disposal of housing loan	398.6	-
Interests received	167.5	240.5
Dividends received	13.5	9.7
Cash flows from/(used in) investing activities of continuing operations	2,546.4	(363.7)
Cash flows used in investing activities of discontinued operations **	-	(1,532.9)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**2,546.4**	**(1,896.6)**
Continuing operations		
Issue of share capital	229.5	46.0
Issue of share capital to minority interests	-	22.8
Redemption of RPS (part A, note 5(a))	(3,462.7)	-
Proceeds from termination of swaps	41.2	197.0
Proceeds from borrowings	180.0	184.7
Repayments of borrowings	(449.2)	(294.9)
Repayments of finance lease	(3.0)	(1.3)
Dividends paid to shareholders	(731.3)	(2,520.8)
Dividends paid to minority interests	(10.4)	(17.2)
Cash flows used in financing activities of continuing operations	(4,205.9)	(2,383.7)
Cash flows from financing activities of discontinued operations **	-	455.5
CASH FLOWS USED IN FINANCING ACTIVITIES	**(4,205.9)**	**(1,928.2)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,396.5	(573.6)
EFFECT OF DISTRIBUTION OF AXIATA GROUP	-	(1,402.1)
EFFECT OF EXCHANGE RATE CHANGES	(1.0)	(22.5)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,094.7	4,092.9
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**3,490.2**	**2,094.7**

** The cash flows from discontinued operations comprised the cash flows of Axiata Group which was demerged from the Group in April 2008.

(The above Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

The audited interim financial statements for the fourth quarter and financial year ended 31 December 2009 of the Group have been prepared in accordance with Financial Reporting Standards (FRS) 134 "Interim Financial Reporting", paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2008. The accounting policies, method of computation and basis of consolidation applied in the audited interim financial statements are consistent with those used in the preparation of the 2008 audited financial statements.

There are no new accounting standards, amendments to published standards and IC interpretations to existing standards effective for the Group's financial year ended 31 December 2009.

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

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

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

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

Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 132 Financial Instruments: Presentation

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

1. Basis of Preparation (continued)

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

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

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

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

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

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

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

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

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

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

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

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

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

- FRS 139, Amendments to FRS 139 on eligible hedged items, improvement to FRS 139 and IC Interpretation 9
- FRS 7 and improvement to FRS 7

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

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

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

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

2. Seasonal or Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical factors.

3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

(a) Pursuant to the Axiata rights issue in the second quarter, the Group was entitled to 171.3 million Axiata rights. The Group had subscribed to 64.3 million rights for a total cash payment of RM72.0 million and disposed the balance 107.0 million rights in the open market, for a proceeds of RM66.0 million resulting in a gain of the same amount.

(b) In the second quarter, the Group completed the disposal of the first tranche of TM's employees housing loan for a total cash consideration of RM334.1 million, recognising a loss on disposal of RM14.6 million arising from discounts and other related costs. In the current quarter, the Group completed the disposal of the second tranche of TM's employees housing loan for a total cash consideration amounting to RM64.5 million and recognising a loss on disposal of RM3.6 million.

(c) In the third quarter, the Group had assessed the useful life of its property, plant and equipment. As a result, the useful life of certain network equipment has been shortened from 5 to 15 years to 3 to 10 years whilst the useful life of certain network assets has been extended from 10 to 15 years. The net impact of this was a lower depreciation charge of RM24.4 million.

In the current quarter, the Group had revised the useful life of certain network assets following adjustment 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 in the fourth quarter.

(d) In the current quarter, there was a write-off of RM29.8 million for ATUR, RILL, WILL, and Country Set assets following migration of services to other network platform.

Save for the above, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial year ended 31 December 2009 other than as mentioned elsewhere in the audited interim financial statements.

4. Material Changes in Estimates

Except as explained in note 3(c) above, there were no other material changes in estimates reported in the prior interim period or prior financial year.

5. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

(a) 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 a bonus issue of 3,577.4 million Class E Redeemable Preference Shares (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 totalling a cash payment of RM3,505.8 million. The premium on redemption of RM0.97 for each RPS or RM3,470.0 million was redeemed out of the Company's share premium account. Concurrently, the redemption of the par value of the RPS resulted in a creation of a capital redemption reserve. The payment was made on 12 June 2009, inclusive of RM43.1 million paid to TM ESOS Management Sdn Bhd (TEMSB), a special purpose entity controlled by the Company, which was adjusted on consolidation.

(b) The issued and paid-up capital of the Company has increased by 87.5 million ordinary shares from 3,456.0 million to 3,543.5 million ordinary shares of RM1.00 each as a result of employees exercising their options under the Special ESOS at the respective exercise price of RM2.71 and RM3.14 per share prior to the Capital Repayment and RM1.91, RM2.22 and RM2.91 per share subsequently.

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

Save for the above, there were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31 December 2009.

6. Dividends Paid

(a) A final gross dividend of 14.25 sen per share less tax at 25.0% amounting to RM382.3 million in respect of financial year ended 31 December 2008 was paid on 12 June 2009, inclusive of RM5.1 million paid to TEMSB which was adjusted on consolidation.

(b) An interim tax exempt dividend of 10.0 sen per share amounting to RM357.7 million in respect of financial year ended 31 December 2009 was paid on 29 September 2009, inclusive of RM3.6 million paid to TEMSB which was adjusted on consolidation.

7. Segmental Information

Segmental information for the financial year 31 December 2009 and 31 December 2008 are as follows:

By Business Segment

All amounts are in RM Million	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
2009									
Operating Revenue									
Total operating revenue									
- January to March	*	*	*	*	1,628.0	288.2	277.0	1,095.9	3,289.1
- April to December	1,756.2	1,318.2	1,309.7	900.0	5,284.1	878.5	855.3	3,202.2	10,220.1
					6,912.1	1,166.7	1,132.3	4,298.1	13,509.2
Inter-segment @	(14.0)	-	(238.3)	-	(252.3)	(380.7)	(247.6)	(4,020.6)	(4,901.2)
External operating revenue					6,659.8	786.0	884.7	277.5	8,608.0
Results									
Segment result									
- January to March	*	*	*	*	240.6	40.8	70.2	(10.2)	341.4
- April to December	49.0	289.7	184.4	120.1	643.2	148.4	123.9	(26.8)	888.7
					883.8	189.2	194.1	(37.0)	1,230.1
Unallocated income #									62.5
Unallocated costs ^									(228.0)
Operating profit before finance cost									1,064.6
Finance income									172.2
Finance cost									(356.3)
Foreign exchange gain on borrowings									40.5
Associates									
- share of results (net of tax)									0.6
Profit before taxation and zakat									921.6
Taxation and zakat									(248.3)
Profit for the financial year									673.3

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

All amounts are in RM Million	Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total Continuing Operations	Discontinued Operations
2008						
Operating Revenue						
Total operating revenue	6,925.0	1,075.7	1,166.9	3,829.7	12,997.3	3,535.1
Inter-segment @	(26.1)	(386.1)	(331.7)	(3,578.5)	(4,322.4)	-
External operating revenue	6,898.9	689.6	835.2	251.2	8,674.9	3,535.1
Results						
Segment result	1,151.2	89.4	27.8	(42.6)	1,225.8	932.5
Loss on disposal of an equity investment					(88.8)	-
Unallocated income #					37.6	-
Unallocated costs ^					(445.2)	-
Operating profit before finance cost					729.4	932.5
Finance income					237.3	21.1
Finance cost					(442.5)	(133.6)
Foreign exchange (loss)/gain on borrowings					(170.0)	37.4
Jointly controlled entities						
- share of results (net of tax)					-	7.7
Associates						
- share of results (net of tax)					(0.4)	10.6
Profit before taxation and zakat					353.8	875.7
Taxation and zakat					(77.6)	(250.8)
Profit for the financial year					276.2	624.9

7. Segmental Information (continued)

During the financial year, the Group undertook a full review of the costings and allocations of shared services and corporate centre costs in line with the current business structure. The Directors are of the view that the current costs allocation better reflects the Group's business activities. On this basis, the comparatives have been represented for Retail Business, Wholesale Business, Global Business and Shared Services.

In addition to the changes to the reporting structure, the Group has refined its reportable segments to reflect the realignment of its business activities to focus on different market segments and customer needs for the Retail Business segment, whereby this segment has been further segregated into four specific segments within Retail Business, i.e. Consumer, Small Medium-sized Enterprise (SME), Enterprise and Government. The presentation for the Retail Business segment in the previous year was not segregated into the four specific segments as the establishment of these new segments within Retail Business was only effective in April 2009 and the level of estimation and extrapolation required to segregate the comparatives would not have provided sufficiently objective and reliable information.

@ Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. The inter-company revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms. These inter-segment trading arrangements are subject to periodic review.

Unallocated income comprises other operating income such as dividend income and gain or loss on disposal of investments which has not been allocated to a particular business segment.

^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities, foreign exchange differences arising from translation of foreign currency placements and diminution in value of investments which were not allocated to a particular business segment.

* Not applicable

8. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements. The Group does not adopt a revaluation policy on its property, plant and equipment.

9. Material Events Subsequent to the End of the Financial Year

There was no material event subsequent to the balance sheet date that requires disclosure or adjustments to the audited interim financial statements.

10. Effects of Changes in the Composition of the Group

Changes in the composition of the Group for the financial year ended 31 December 2009 are as follows:

(a) VADS Berhad (VADS)

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

This acquisition was completed on 12 February 2009 and VADS became a wholly owned subsidiary of TM on the said 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.

Arising from the above acquisition, a goodwill of RM308.4 million was recorded as intangible asset in the first quarter.

(b) PT VADS Indonesia (PT VADS)

On 30 April 2009, TM via its wholly owned subsidiary, VADS Berhad and VADS Business Process Sdn Bhd (a wholly owned subsidiary of VADS Berhad), acquired 100% equity interest in PT VADS for a total consideration of Rp. 17,052,750,000 (RM5.7 million).

PT VADS was established to provide Business Process Outsourcing services, including managed contact centre services in Indonesia.

(c) Multimedia College Sdn Bhd (MMC)

On 28 May 2009, TM via its wholly owned subsidiary, Universiti Telekom Sdn Bhd, acquired 100% equity interest in MMC for a total consideration of RM2.00.

MMC was established to undertake certain operations of TM’s in-house training centre, registered under the Private Higher Educational Institutions Act 1996 as Multimedia College.

(d) Telesafe Sdn Bhd (Telesafe)

On 17 December 2007, TM commenced the members’ voluntary winding up of Telesafe, a wholly owned subsidiary of TM, in accordance to Section 254(1) (b) of the Companies Act, 1965 (the Act). Accordingly, pursuant to Section 272(5) of the Act, Telesafe was dissolved effective from 16 September 2009.

(e) Mobitel Sdn Bhd (Mobitel)

On 17 December 2007, TM commenced the members’ voluntary winding up of Mobitel, a wholly owned subsidiary of TM held via Telekom Enterprise Sdn Bhd, in accordance to Section 254(1) (b) of the Act. Accordingly, Mobitel was dissolved effective from 16 September 2009 pursuant to Section 272 (5) of the Act.

10. Effects of Changes in the Composition of the Group (continued)

(f) Telekom Payphone Sdn Bhd (TPP)

On 17 December 2007, TM commenced the members' voluntary winding up of TPP a wholly owned subsidiary of TM, in accordance to Section 254(1) (b) of the Act. Accordingly, pursuant to Section 272(5) of the Act, TPP was dissolved effective from 16 September 2009.

11. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date

Other than material litigations disclosed in part B, note 11 of this announcement, there were no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2008.

12. Commitments

(a) Capital Commitments

	Group	
	31/12/2009	31/12/2008
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**5,325.6**	2,592.7
Commitments in respect of expenditure approved but not contracted for (note (i))	**6,779.5**	10,756.2

(i) Included expenditure approved but not contracted for in relation to High Speed Broadband (HSBB) project. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The HSBB roll out will be covering 1.3 million premises over a 10 year period commencing from September 2008.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

(a) Quarter-on-Quarter

For the current quarter under review, the Group revenue decreased by 9.0% to RM2,272.6 million as compared to RM2,497.8 million in the fourth quarter 2008, mainly attributed to lower revenue from special project, MERS 999. Excluding revenue from MERS 999, the current quarter revenue is only 1.5% lower as compared to preceding year quarter.

Internet and multimedia revenue registered 2.6% growth from RM391.8 million recorded in fourth quarter 2008 to RM402.0 million in the current quarter arising from growth in broadband customers (excluding Hotspot customers) from 1.28 million in the corresponding quarter 2008 to 1.43 million in the current quarter.

Operating profit before finance cost of RM262.8 million decreased by 10.2% compared to RM292.5 million recorded in the same quarter last year primarily due to lower revenue in current year quarter.

Group profit after tax and minority interests (PATAMI) increased by 2.5% to RM170.2 million as compared to RM166.0 million (excluding the results of the demerged Axiata Group) in the corresponding quarter in 2008. This was mainly attributed to unrealised exchange gain on translation of foreign currency borrowings of RM47.3 million as compared to a loss of RM18.2 million in the same quarter in 2008. Lower interest income in current year quarter partially offset the unrealised exchange gain.

Year-on-Year

For the period under review, Group revenue decreased by 0.8% to RM8,608.0 million as compared to RM8,674.9 million recorded in last financial year, mainly due to lower revenue from MERS 999 in the current financial year. Excluding revenue from MERS 999, the current year revenue would have increased by 0.9% as compared to preceding financial year.

Operating profit before finance cost increased by 46.0% to RM1,064.6 million due to lower operating costs recorded in the current financial year and the absence of loss on disposal of equity investment.

Group PATAMI rose by 180.4% to RM643.0 million as compared to RM229.3 million (excluding the results of the demerged Axiata Group) recorded in the preceding financial year primarily contributed by lower operating costs, absence of loss on disposal of equity investment, unrealised exchange gain on translation of foreign currency borrowings net of higher taxation charge. The preceding financial year included a reversal of excess prior year tax provision of RM113.0 million.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(b) Economic Profit Statement

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2009 RM Million	31/12/2008 RM Million	**31/12/2009 RM Million**	31/12/2008 RM Million
EBIT	**262.8**	292.1	**1,065.2**	729.0
Adjusted Tax	65.7	75.9	266.3	189.5
NOPLAT	**197.1**	216.2	**798.9**	539.5
AIC	2,947.9	3,019.8	11,791.5	12,079.2
WACC	6.19 %	6.60%	6.23 %	6.62%
ECONOMIC CHARGE	**182.5**	199.3	**734.6**	799.6
ECONOMIC PROFIT/(LOSS)	**14.6**	16.9	**64.3**	(260.1)

Definitions:
EBIT = Earnings before Interest & Taxes
NOPLAT = Net Operating Profit less Adjusted Tax
AIC = Average Invested Capital
WACC = Weighted Average Cost of Capital

Economic Profit (EP) is a yardstick used to measure shareholder value as it provides a more accurate picture of the underlying economic performance of TM Group vis-à-vis its financial accounting reports, i.e. it explains how much returns a business generates over its cost of capital. This is measured by the difference of NOPLAT and Economic Charge.

TM Group recorded EP of RM14.6 million in fourth quarter 2009, decreased by RM2.3 million (-13.6%) from RM16.9 million reported in the same period last year. This was attributed to the decrease in NOPLAT by RM19.1 million (-8.8%) was greater than the reduction in economic charge by RM16.8 million (-8.4%).

The lower NOPLAT was mainly attributed to lower EBIT by RM29.3 million (-10.0%) resulting from decreased revenue whereas lower AIC, which reduced by RM71.9 million (-2.4%) and lower WACC (-0.4 percentage point) jointly contributed to the lower economic charge.

Lower AIC was mainly contributed by reduction in trade, other and long term receivables whereas lower WACC were mainly contributed by the lower cost of debt before tax (-1.5 percentage point) and borrowings of RM286.5 million (-4.1%).

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

On year to date basis, TM recorded EP of RM64.3 million, an increase of RM324.4 million from Economic Loss (EL) of RM260.1 million reported in the preceding financial year. The improved EP was mainly due to higher NOPLAT resulting from lower operating costs.

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue increased by 8.2% to RM2,272.6 million as compared to RM2,101.0 million recorded in the third quarter 2009, mainly driven by higher revenue from data services and other telecommunication related services.

Operating profit before finance cost increased by 23.8% to RM262.8 million as compared to RM212.3 million recorded in the preceding quarter mainly due to higher revenue and other operating income net of higher operating costs.

The current quarter Group PATAMI of RM170.2 million was lower than RM179.1 million recorded in the preceding quarter primarily due to higher net finance cost.

3. Prospects for the Next Financial Year Ending 31 December 2010

The Malaysian economy is expected to recover gradually from fourth quarter 2009 moving into 2010. This is supported by the improvements in our macro economic indicators as well as an increase in Malaysia's consumer sentiment and business conditions indices (BCI). In view of improving macroeconomic indicators, and better consumer sentiments index (CSI) and BCI as well as the sectoral indices, Malaysian Institute of Economic Research (MIER) is maintaining for now, Gross Domestic Product (GDP) growth forecast of -3.3% year-on-year in 2009 and +3.7% year-on-year in 2010, while concomitantly projecting 2011 GDP growth forecast of +5.0% year-on-year. (Source: MIER January 2010)

The Performance Improvement Programme (PIP 2.0) will continue to drive TM strategic thrust in 2010. The first thrust on addressing customer needs will enhance customer experience by focusing on customer and network-facing improvements. The second thrust to propel revenue growth is leveraged on improving overall voice offering, segment-based management of TM's core business and accelerate momentum on Broadband for General Public and High Speed Broadband (HSBB). The third thrust towards operational excellence and capital productivity will focus on capital and operating expenditure optimisation through tighter requirements scrutiny. The fourth thrust in driving execution will continue to see impactful training for all-IP transformation.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

3. Prospects for the Next Financial Year Ending 31 December 2010 (continued)

On the HSBB project, TM is on track to commercially launch the retail service in the four areas of Taman Tun Dr. Ismail, Bangsar, Subang Jaya and Shah Alam by end of first quarter 2010. Subsequently, the roll-out will gradually cover more areas within the designated locations which include the Inner Klang Valley, Iskandar Malaysia and high-impact economic areas including key industrial zones throughout the country. TM is targeting 1.3 million premises passed by end 2012. Consumers will be provided bandwith with network access speeds from 10Mbps while for businesses it can go up to 1Gbps.

The Board of Directors expects TM's business environment for the financial year ending 31 December 2010 to remain challenging.

4. Variance of Actual Profit from Forecast Profit / Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the financial year ended 31 December 2009.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

5. Taxation

The taxation charge for the Group comprises:

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Income Tax:				
Current year	**(20.3)**	79.9	**31.6**	188.3
Prior year	**2.2**	(31.5)	**(9.6)**	(62.9)
Deferred tax (net):				
Current year	**87.8**	6.0	**214.8**	(12.6)
Prior year	**12.3**	0.1	**13.4**	(51.4)
	82.0	54.5	**250.2**	61.4
Overseas				
Income Tax:				
Current year	**1.6**	0.7	**4.1**	1.9
Prior year	**(0.1)**	-	**1.0**	-
Deferred tax (net):				
Current year	**(3.4)**	-	**(3.4)**	-
Prior year	-	0.4	**0.2**	1.3
	(1.9)	1.1	**1.9**	3.2
Taxation	**80.1**	55.6	**252.1**	64.6
Zakat:				
Current year	**1.2**	13.0	**2.2**	13.0
Prior year	**(6.0)**	-	**(6.0)**	-
Taxation and Zakat	**75.3**	68.6	**248.3**	77.6

The current quarter and financial year effective tax rate of the Group was higher than the statutory tax rate primarily due to expenses not allowed for deduction such as interest restricted.

6. Profit on Sale of Unquoted Investments and/or Properties

There were no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the current quarter and financial year ended 31 December 2009.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

(a) Total purchases and disposals of quoted securities for the current quarter and financial year ended 31 December 2009 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	10.5	58.4
Total disposals	21.3	95.1
Total gain/(loss) on disposal (note (i))	1.7	(31.2)

(i) The total gain/(loss) on disposal was before reversal of diminution in value of the quoted securities of RM1.2 million in the current quarter and RM66.0 million in the financial year.

(b) Total investments in quoted securities as at 31 December 2009 are as follows:

	RM Million
At cost	101.6
At book value	70.2
At market value	70.2

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial year ended 31 December 2009 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	41.8	140.0
Total disposals	24.9	124.5
Total gain on disposal	0.1	1.0

(b) Total investments in quoted fixed income securities as at 31 December 2009 are as follows:

	RM Million
At cost	225.7
At book value	224.5
At market value	224.5

8. Status of Corporate Proposals

There is no corporate proposal announced and not completed as at the latest practicable date.

9. Group Borrowings and Debt Securities

(a) Analysis of the Group's borrowings and debt securities as at 31 December 2009 are as follows:

	2009		2008	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Unsecured	916.6	5,796.9	34.9	6,965.1
Total	**916.6**	**5,796.9**	34.9	6,965.1

(b) Foreign currency borrowings and debt securities as at 31 December 2009 are as follows:

	2009	2008
Foreign Currency	**RM Million**	RM Million
US Dollar	3,510.1	3,803.4
Canadian Dollars	4.2	3.8
Total	**3,514.3**	3,807.2

10. Off Balance Sheet Financial Instruments

The details and the financial effects of the hedging instruments that the Group has entered into were described in note 17 to the audited financial statements of the Group for the financial year ended 31 December 2008. The changes to off balance sheet financial instruments since the last financial year are as follows:

(a) 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 counter-party 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.

10. Off Balance Sheet Financial Instruments (continued)

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 counter-party 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.

(b) Interest Rate Swap (IRS)

Underlying Liability
USD465.1 million 5.25% Guaranteed Notes due in 2014
In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due in 2014. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

Hedging Instrument

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

(c) 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 agreement with a notional principal of RM300.0 million and RM200.0 million respectively. Both structure entitles 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.

10. Off Balance Sheet Financial Instruments (continued)

(d) Interest Rate Swap (IRS)

Underlying Liability
USD300.0 million 7.875% Debenture due in 2025
In 1998, the Company issued USD300.0 million 7.875% Debenture due in 2025.

Hedging Instrument

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).

(e) 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.

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

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

10. Off Balance Sheet Financial Instruments (continued)

The accounting policies applied are as follows:

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

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

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

All hedging instruments are executed with creditworthy financial institutions with a view to limit the credit risk exposure of the Group.

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 45 to the audited financial statements of the Group for the year ended 31 December 2008, listed below are updates of the relevant cases since the date of the last audited financial statements:

(a) TM and TM Info-Media Sdn Bhd (TMIM) vs Buying Guide (M) Sdn Bhd (BGSB) (Suit No: D6-22-1332-2003), TM and TM Info-Media Sdn Bhd (TMIM) vs BG Media Sdn Bhd (BGM) and BG Online Sdn Bhd (BGO) (Suit No. D7-22-1144-2004)

On 6 March 2009, the Court allowed TM/TMIM's application to consolidate the above legal suits ("the Consolidated Suit") at the Kuala Lumpur High Court, and join BGSB/BGM/BGO's directors as defendants to the Consolidated Suit.

The Consolidated Suit was fixed for full trial on 18 - 22 January 2010. However, pursuant to an amicable out of court settlement reached between all parties to the Consolidated Suit, the Court has entered a Consent Order to record the mutually agreed terms of settlement on 18 January 2010.

The Directors, based on legal advice, are of the view that the legal suits have been resolved amicably.

11. Material Litigation (continued)

(b) Acres & Hectares Sdn Bhd (AHSB) vs TM

AHSB's application to set aside the Court Order which dismissed its claim on 16 September 2009 has been fixed for case management on 25 February 2010.

The Directors, based on legal advice, are of the view that TM has a reasonably good chance of success in defending its case against AHSB.

(c) Pengurusan Danaharta Nasional Berhad & 2 Others vs TSDTR (By Original Claim), TSDTR vs Celcom, TRI & 22 Others (By Counterclaim)

On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against the High Court's decision dated 12 November 2009 which allowed:

i. TM and TESB's ("TM Group") appeal against the decision of the Senior Assistant Registrar in allowing the re-amendment of TSDTR's Amended Counterclaim and joinder of 8 present or former Directors and officers of TM Group; and

ii. TM Group's appeal against the decision of the Senior Assistant Registrar in dismissing TM Group's application to strike-out the Amended Counterclaim of TSDTR.

The Directors, based on legal advice, are of the view that TM and TESB have a good defence to TSDTR's Counterclaim.

(d) Mohd Shuaib Ishak vs TM, TESB, Celcom and 11 Others

On 15 December 2009, the High Court fixed 31 March 2010 as the hearing date for TM and TESB's application to strike out the legal suit.

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

(e) Celcom (Malaysia) Berhad vs Telekom Malaysia Berhad, Telekom Enterprise Sdn Bhd & 19 Others

On 27 March 2009, the Court of Appeal allowed Celcom's appeal against the High Court's decision in granting leave to Mohd Shuaib Ishak (MSI) to commence the statutory derivative action in the name of Celcom. On 23 April 2009, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above mentioned.

The hearing of MSI's application for leave to appeal to the Federal Court which was fixed on 19 January 2010 has been postponed to a date to be notified by the Federal Court.

11. Material Litigation (continued)

The Directors, based on legal advice, are of the view that TM and TESB have a good chance of success in defending the case against Celcom in the event that MSI succeeds in his appeal against the Court of Appeal's decision at the Federal Court and he proceeds with the Suit in the name of Celcom.

II. For the following material litigation cases as disclosed in the fourth quarter 2008 announcement to Bursa Malaysia on 24 February 2009, enumerated below are updates of the cases since the date of that announcement:

(a) Inmiss Communication Sdn Bhd (Inmiss) vs Mobikom Sdn Bhd (Mobikom)

By consent of both Inmiss and Mobikom, the High Court has on 29 May 2009 issued the following Orders:

(i) The Winding Up Petition against Mobikom and all interlocutory applications therein are dismissed with no order as to costs; and

(ii) The Arbitration Award dated 31 March 2005 in favour of Inmiss is set aside with no orders as to costs.

Pursuant to the above, the case has been duly resolved.

III. The following is a new material litigation case arising during the financial year:

(a) Network Guidance (M) Sdn Bhd (NGSB) vs TM and TM Net Sdn Bhd (TM Net)

On 11 August 2009, TM and its wholly owned subsidiary, TM Net were served with a writ of summons and statement of claim by NGSB in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

NGSB is seeking from TM and TM Net jointly and severally the following relief:

(a) (i) special damages in the sum of RM7,000,000.00;
(ii) interest in the sum of RM1,000,000.00;

(b) further or in the alternative loss of profit of RM500,000,000.00;

(c) an injunction restraining TM by itself, officers, servants or agents to continue to use information otherwise than for the purpose for which it was communicated;

(d) further in the alternative, an account of all profit made by TM Net from the use of information;

(e) exemplary damages;

(f) aggravated damages;

(g) general damages;

(h) interest and costs.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

11. Material Litigation (continued)

On 17 September 2009, TM and TM Net filed the Amended Statement of Defence in Court.

On 13 October 2009, NGSB filed and served an Amended Statement of Claim to TM Net. Pursuant thereto, TM and TM Net filed a re-amended Statement of Defense in Court on 23 October 2009.

On 31 December 2009, the duly sealed application by TM and TM Net to strike-out the Writ and Amended Statement of Claim by NGSB against TM and TM Net ("Striking Out Application") was extracted from the High Court.

The Striking Out Application which was originally fixed for hearing on 29 January 2010 has been postponed to 23 March 2010.

The Directors, based on legal advice, are of the view that TM has a good defence to NGSB's claim.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

12. Earnings Per Share (EPS)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
(a) Basic earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM million)	**170.2**	166.0	**643.0**	229.3
(Loss)/profit from discontinued operations attributable to equity holders of the Company (RM million)	**-**	(1.2)	**-**	562.6
Profit attributable to equity holders of the Company (RM million)	**170.2**	164.8	**643.0**	791.9
Weighted average number of ordinary shares (million)	**3,542.9**	3,455.0	**3,515.8**	3,445.3
Basic earnings per share (sen) from:				
Continuing operations	**4.8**	4.8	**18.3**	6.7
Discontinued operations	**-**	-	**-**	16.3
Basic earnings per share (sen) attributable to equity holders of the Company	**4.8**	4.8	**18.3**	23.0

Basic earnings per share was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares during the financial year.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

12. Earnings Per Share (EPS) (continued)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
(b) Diluted earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM million)	**170.2**	166.0	**643.0**	229.3
(Loss)/profit from discontinued operations attributable to equity holders of the Company (RM million)	**-**	(1.2)	**-**	562.6
Profit attributable to equity holders of the Company (RM million)	**170.2**	164.8	**643.0**	791.9
Weighted average number of ordinary shares (million)	**3,542.9**	3,455.0	**3,515.8**	3,445.3
Adjustment for dilutive effect of Special ESOS (million)	**9.4**	14.2	**15.6**	19.9
Weighted average number of ordinary shares (million)	**3,552.3**	3,469.2	**3,531.4**	3,465.2
Diluted earnings per share (sen) from:				
Continuing operations	**4.8**	4.8	**18.2**	6.6
Discontinued operations	**-**	-	**-**	16.2
Diluted earnings per share (sen) attributable to equity holders of the Company	**4.8**	4.8	**18.2**	22.8

Diluted earnings per share for the current financial year was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, adjusted to assume the conversion of all dilutive potential ordinary shares from share options granted to employees under the employees' share option scheme (Special ESOS).

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2008 were not subject to any qualification.

14. Dividends

(a) On 21 August 2009, the Board of Directors declared an interim tax exempt dividend of 10.0 sen per share (2008: an interim gross dividend of 12.0 sen per share less tax at 26%) for the financial year ended 31 December 2009. The dividend was paid on 29 September 2009 to shareholders whose names appeared in the Register of Members and Record of Depositors on 10 September 2009.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. Dividends (continued)

(b) At the forthcoming Annual General Meeting of the Company, the Board will recommend a final gross dividend of 13.0 sen per share less tax at 25% (2008: a final gross dividend at 14.25 sen per share less tax at 25%) for shareholders' approval.

By Order of the Board

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

Kuala Lumpur
22 February 2010