ANNUAL REPORT 2008

AXIATA GROUP BERHAD ANNUAL REPORT (242188-H) 2008

Axiata Group Berhad (242188-H)
(formerly known as TM International Berhad)

Level 42, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Website: www.axiata.com

PRESENTING

Axiata Group Berhad (242188-H)
(Formerly known as TM International Berhad)

The Tangram Connection

The **TANGRAM** is an ancient Chinese moving piece puzzle, consisting of geometric shapes. Various tangram patterns may be formed from the geometric pieces of the tangram puzzle. It is highly creative and flexible in its application.

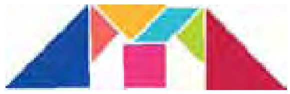
Axiata, like the **TANGRAM** has its origins in Asia and is piecing together: connectivity, technology and talent to catalyse progress in Asia.

Axiata, like the **TANGRAM** offers a variety of innovative solutions for our over 89 million customers, connecting them to the world, expanding the horizons of an upwardly mobile Asia.

Axiata's values and beliefs are reflected on the **TANGRAM** pieces, where they come together as one – binding our values and beliefs as guiding pillars of our operations, laying the path to our future success.

OPTIMISTIC

The bird in full flight symbolises our aspirations for Axiata, a dynamic organisation that is set to soar and make its presence felt in the industry. Axiata is Advancing Asia through mobile communications by piecing together technology, connectivity and talent.



COLLABORATIVE

The bridge is reflective of Axiata, bridging relationships through affordable connectivity. Axiata is firmly grounded in each national economy, leveraging on world-class processes, economies of scale and regional synergies.

EXCELLENCE

The arrow embodies Axiata's quest to excel, delivering sustainable growth and performance excellence across all of its operations, guided by a policy of strict financial discipline to enhance value to shareholders. Axiata continuously evaluates new emerging technologies to deliver cost effective, innovative and differentiated services to over 89 million customers across Asia.

PRINCIPLED

The boat is representative of the firm and sound leadership of Axiata, navigating the organisation towards its ambition to become the regional champion by 2015.

LOCAL RELEVANCE

The key represents Axiata's ability to unlock the potential of its Operating Companies. Axiata understands Asia better than anyone else – we are a unique organisation combining the local expertise of national operating companies with the strong support of a regional corporation.

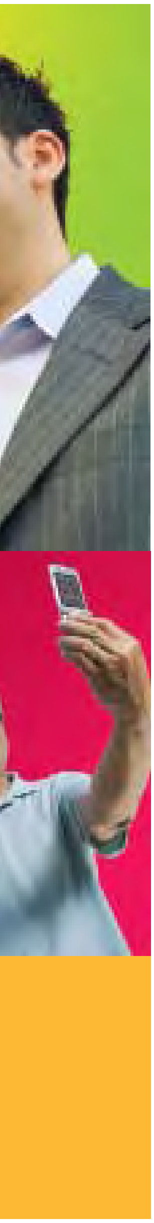
INNOVATION

The rocket signifies Axiata's commitment to accelerate progress through innovative technology and alliances – Axiata brings new technologies and services such as 3G, HSPA and mobile broadband to expand the horizons of an upwardly mobile Asia.

UNCOMPROMISING

The house demonstrates Axiata's commitment as an organisation to advancing communities for sustainable development through its technology and people.

Annual Report 2008



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OPTIMISTIC

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I

10

countries

25,000

employees

89

million customers

The name **Axiata** embodies who we are. A company that's vital to people all across Asia. Our logo, the Axiata prism is multifaceted and multidimensional reflecting our rich heritage, diversity and vibrancy. It is as colourful as the different countries we serve.

It shows the world that we view situations from every perspective, taking all viewpoints into account.

It also reflects our vision of providing multiple services – from basic voice to rich data, from basic data to broadband, from SMS to 3G, from simple data to rich content.

It unites all our partners and connects us to our customers.

Multidimensional.

That's **Axiata.**

Who We Are and What We Do

We understand Asia's communication needs better than others. Together we are a family, with operations in 10 countries, 25,000 employees and over 89 million customers. We are uniquely Asian. Our purpose is to advance Asia towards a better, brighter future.

Axiata is Advancing Asia by:

- **bridging relationships through affordable connectivity.** We strive to bring affordable and innovative mobile communication services and coverage to over 1.5 billion people throughout Asia, so they can be connected to each other and to a wealth of information, entertainment and more. From remote villages, to large cities, we are connecting people from all walks of life.

- **accelerating progress through technology.** We are investing in cutting edge technologies that include 3G, HSPA, Next Generation Networks and Wimax, so customers can experience Internet on the move and connect with anyone, anytime, anywhere, any way they want. Technologies that are innovative, relevant and affordable.

- **developing talent throughout Asia.** We bring employment and career opportunities to 25,000 people throughout Asia. We leverage on this diversity to develop human capital for national and regional growth. We are grooming the talent of Asia, by providing regional career experience and world class people development programmes, so they can realise their full potential.

Our Beliefs and Values

Axiata is the emerging leader in Asian telecommunications with a vision of becoming a regional champion. Axiata is Advancing Asia by bringing affordable connectivity, innovative technology and world class talent to the entire region.

We are an organisation that pursues EXCELLENCE and INNOVATION across our entire operations, bringing the most advanced and world-class communication services to the region.

We are an organisation of global stature with sensitivity to the local markets that we operate in. We take a COLLABORATIVE approach in all our partnerships, ensuring that we address the specific needs of our stakeholders, offering products, services and solutions that are of LOCAL RELEVANCE.

We are PRINCIPLED and UNCOMPROMISING, holding ourselves to the highest standards of conduct. We are a company with a purpose and we play a core role in nation development in the markets that we serve.

We are adaptive and OPTIMISTIC, an organisation with continued energy and confidence, that is ready to meet global challenges.

Axiata is Advancing Asia towards a better, brighter future.

Financial Calendar

Financial Year 2008

ANNOUNCEMENT OF RESULTS

22 May 2008 – Thursday
Announcement of the unaudited consolidated results for the first quarter ended 31 March 2008

26 August 2008 – Tuesday
Announcement of the unaudited consolidated results for the second quarter ended 30 June 2008

26 November 2008 – Wednesday
Announcement of the unaudited consolidated results for the third quarter ended 30 September 2008

26 February 2009 – Thursday
Announcement of the unaudited consolidated results for the fourth quarter ended 31 December 2008

ANNUAL REPORT AND ANNUAL GENERAL MEETING

29 April 2009 – Wednesday
Date of notice of 17th Annual General Meeting and date of issuance of the 2008 Annual Report

20 May 2009 – Wednesday
Date of 17th Annual General Meeting

Corporate Information

BOARD OF DIRECTORS

TAN SRI DATO' AZMAN HJ. MOKHTAR
Chairman
Non-Independent Non-Executive Director

DATO' SRI JAMALUDIN IBRAHIM
Managing Director/President and
Group Chief Executive Officer

DATO' YUSOF ANNUAR YAACOB
Executive Director/Group Chief Financial Officer

TAN SRI GHAZZALI SHEIKH ABDUL KHALID
Independent Non-Executive Director

DATUK AZZAT KAMALUDIN
Senior Independent Non-Executive Director

JUAN VILLALONGA NAVARRO
Independent Non-Executive Director

DAVID LAU NAI PEK
Independent Non-Executive Director

GITA IRAWAN WIRJAWAN
Independent Non-Executive Director

ISMAEL FARIZ ALI
Non-Independent Non-Executive Director

DR. FARID MOHAMED SANI
Non-Independent Non-Executive Director
Alternate Director to Ismael Fariz Ali

GROUP COMPANY SECRETARY
Suryani Hussein (LS0009277)

REGISTERED OFFICE
Level 42, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 603 2240 3000
Fax : 603 2241 3005
Website : www.axiata.com

SHARE REGISTRAR
Tenaga Koperat Sdn Bhd
(Company No. 118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : 603 2264 3883
Fax : 603 2282 1886

AUDITORS
PricewaterhouseCoopers
(AF: 1146)
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Malaysia
Tel : 603 2173 1188
Fax : 603 2173 1288

STOCK EXCHANGE LISTING
Listed on Main Board of
Bursa Malaysia Securities Berhad
Listed Date : 28 April 2008
Stock Code : 6888
Stock Name : Axiata

This Annual Report is available on our website at www.axiata.com

COLLABORATIVE

The bridge is reflective of Axiata, bridging relationships through affordable connectivity. Axiata is firmly grounded in each national economy, leveraging on world-class processes, economies of scale and regional synergies.

II

Axiata Profile

ABOUT AXIATA

Axiata Group Berhad (Axiata) is the emerging leader in Asian mobile telecommunications. The Group, one of the largest telecommunication companies in the region, has extensive operations and businesses in 10 countries in Asia, providing a comprehensive range of mobile communication services to a combined base of over 89 million subscribers.

The Group currently has controlling interests in its mobile communication operations in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia as well as strategic stakes in India, Singapore, Iran, Pakistan and Thailand through its various subsidiaries and affiliates. Its mobile subsidiaries and affiliates operate under the brand names 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'AKTEL' in Bangladesh, 'hello' in Cambodia, 'Idea' and 'Spice' in India, 'M1' in Singapore and 'MTCE' in Iran.

AXIATA'S JOURNEY TO DATE

The Axiata story has been a remarkable one – incorporated in Malaysia on 12 June 1992 as a private limited company under the name Telekom Malaysia International Sdn. Bhd., it commenced business in 1994 as a division within Telekom Malaysia Berhad (TM), focusing on expanding the Group's footprint primarily through mergers and acquisitions (M&A). On 16 October 2001, the Company changed its name to TM International Sdn. Bhd., and over the next seven years continued to expand its presence in the region, building a portfolio which balances interest in emerging markets with low mobile penetration rates and Best-in-Class and innovation driven subsidiaries in mature markets. On 12 December 2007, the Company was converted into a public company bearing the name TM International Berhad (TMI).

The Group completed its strategic demerger exercise that saw the separation of the mobile business from TM. The demerger resulted in TMI emerging as an independent entity in the regional mobile telecommunications market, enabling it to focus on its own core business and accelerate operational improvements and growth initiatives. TMI was listed on Bursa Malaysia Securities Berhad (Bursa Securities) on 28 April 2008, marking a new chapter in its transformation towards becoming a regional giant in the mobile communications market.

Since then, the Group has continued to build on its strengths and synergies. As part of its move to consolidate and strengthen its regional footprint, the Group entered into an arrangement with Idea Cellular Limited (Idea), which will see the merger of Idea and Spice Communications Limited (Spice) in India. The enlarged Idea is the fifth largest mobile player in India's high growth market. In addition, the Group expanded its regional partnerships with the entry of Japan's largest cellular operator NTT DOCOMO, INC. (DOCOMO) into TM International (Bangladesh) Limited (TMIB) in June 2008.

MARKING A NEW ERA: AXIATA

The Company has, with effect from 31 March 2009, changed its name to Axiata Group Berhad and launched its new identity on 2 April this year, as part of a rebranding exercise aimed at enhancing its position as a leading regional mobile operator. The move was a requisite step to reinforce the Group's new business philosophy and its commitment to Advancing Asia by addressing the unfulfilled communication needs of local populations with affordable and innovative products and services.

As an emerging leader, Axiata will continuously invest in innovative products and services that are uniquely catered for customers in Asia. It is committed to bringing first-class resources, technology and expertise to its unique portfolio of growth assets. In all spheres of its operations, Axiata's Operating Companies (OpCos) play a leading role in developing and enhancing the local telecommunications industry.

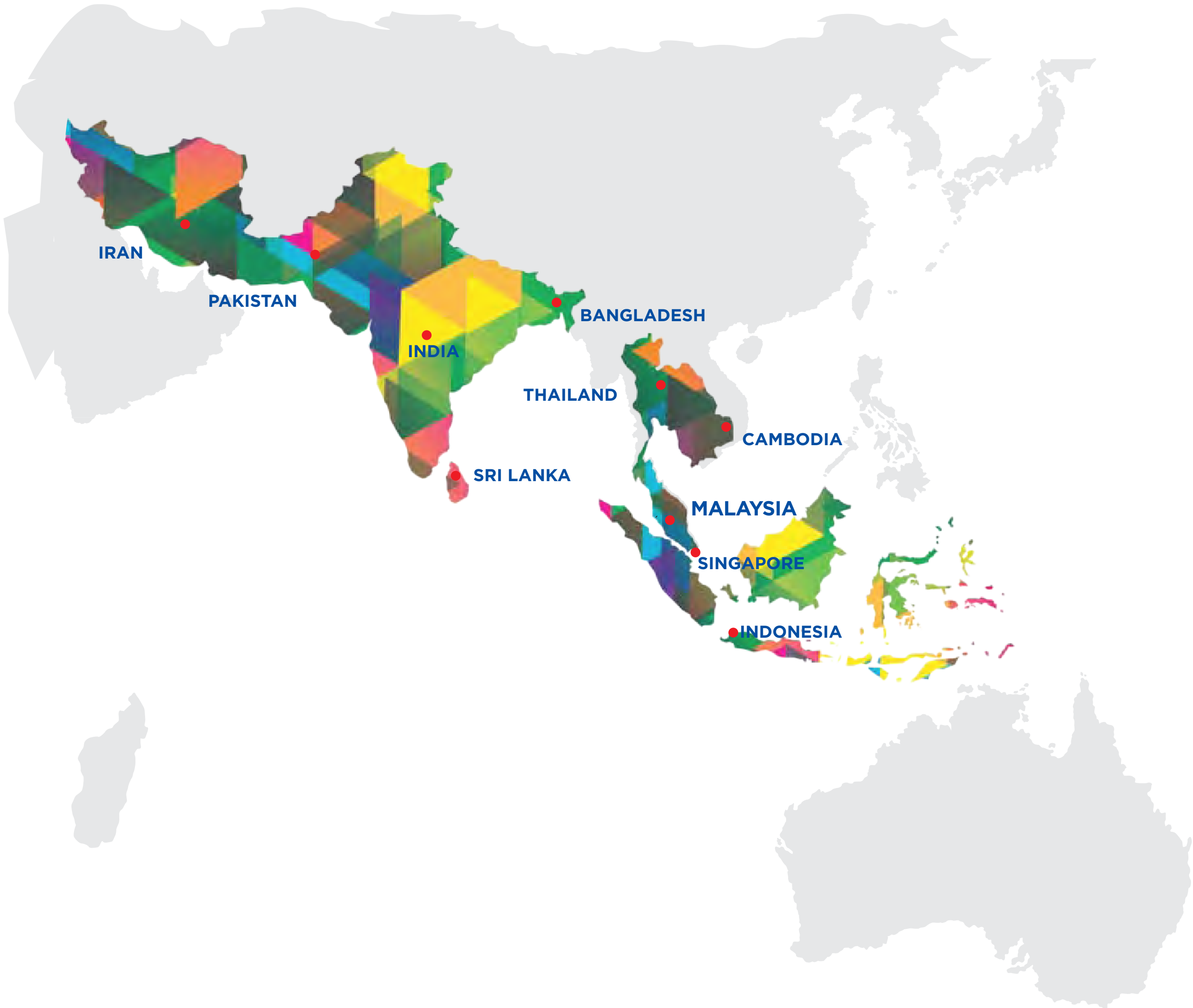
As a Group, Axiata is a unique organisation, combining the local expertise of national operating companies with the strong support of a regional corporation. Through affordable connectivity, Axiata bridges relationships between 1.5 billion people across Asia to the world.

Today, the Group provides employment to over 25,000 people across Asia, bringing greater opportunities and developing world class talent across the region. Its regional platform enables the dynamic exchange of knowledge among employees and contributes to the human capital development of the OpCos.

Axiata, as a major regional entity in mobile telecommunications is committed to using its technological and human capabilities to drive social, economic and environmental change in the nations it serves and plans to introduce and implement its Group Corporate Responsibility (CR) Policy and programme initiatives in 2009. In line with the UN Millennium Development Goals (MDGs), the Group's CR initiatives will be focused on Information and Communication Technologies (ICT) for development, education and the environment.

Because it understands Asia, Axiata is piecing together the best throughout the region in connectivity, technology and people, uniting them towards a single goal: **Advancing Asia.**

Regional Presence



SUBSIDIARIES

MALAYSIA

CELCOM (MALAYSIA) BERHAD
Year of Investment/Shareholding : 2008 / 100%
Nature of Business : Telecommunications
Subscribers : 8.8 Million
Technology Deployed : GSM, GPRS, EDGE, 3G, HSDPA
No of BTS : 9,202
Network Coverage (By populated area) : 98.7%

INDONESIA

PT EXCELCOMINDO PRATAMA Tbk
Year of Investment/Shareholding : 2005 / 83.8%
Nature of Business : Cellular
Subscribers : 26.0 Million
Technology Deployed : GSM & WCDMA
No of BTS : 16,729
Network Coverage (By populated area) : 90.0%

SRILANKA

DIALOG TELEKOM PLC
Year of Investment/Shareholding : 1996 / 85.0%
Nature of Business : Mobile, Internet services and international data and backbone, fixed wireless and transmission infrastructure and media related services
Subscribers : 5.5 Million
Technology Deployed : GSM, GPRS, EDGE, 3G, HSDPA, WiFi, WiMax, CDMA, DVB-S
No of BTS : 1,360
Network Coverage (By populated area) : 90.0%

BANGLADESH

TM INTERNATIONAL (BANGLADESH) LIMITED
Year of Investment/Shareholding : 1995 / 70.0%
Nature of Business : Cellular
Subscribers : 8.7 Million
Technology Deployed : GSM, GPRS, EDGE
No of BTS : 4,875
Network Coverage (By populated area) : 84.0%

CAMBODIA

TELEKOM MALAYSIA INTERNATIONAL (CAMBODIA) COMPANY LIMITED
Year of Investment/Shareholding : 1998 / 100%
Nature of Business : Cellular
Subscribers : 591,515
Technology Deployed : GSM, GPRS, EDGE
No of BTS : 392
Network Coverage (By populated area) : 86.0%

PAKISTAN

MULTINET PAKISTAN (PRIVATE) LIMITED
Year of Investment/Shareholding : 2005 / 89.0%
Nature of Business : Broadband & Long Distance and International Services

ASSOCIATES / AFFILIATES

INDIA

IDEA CELLULAR LIMITED
Year of Investment/Shareholding : 2008 / 15.0%
Nature of Business : Cellular
Subscribers : 34.2 Million

SPICE COMMUNICATIONS LIMITED
Year of Investment/Shareholding : 2006 / 49.0%
Nature of Business : Cellular
Subscribers : 3.8 Million

SINGAPORE

MOBILEONE LTD
Year of Investment/Shareholding : 2005 / 29.7%
Nature of Business : Cellular and Broadband
Subscribers : 1.6 Million

IRAN

MOBILE TELECOMMUNICATIONS COMPANY OF ESFAHAN
Year of Investment/Shareholding : 2005 / 49.0%
Nature of Business : Cellular (Province of Esfahan)
Subscribers : 13,696

THAILAND

SAMART CORPORATION PUBLIC COMPANY LIMITED
Year of Investment/Shareholding : 1997 / 19.0%
Nature of Business : Mobile Multimedia, ICT Solutions and Services and Technology-related businesses

THAILAND

SAMART I-MOBILE PUBLIC COMPANY LIMITED
Year of Investment/Shareholding : 2006 / 24.4%
Nature of Business : Mobile, multimedia and international business

Group Corporate Structure

As at 31 March 2009*

Axiata Group Berhad

- **Celcom (Malaysia) Berhad (Malaysia)**
  - Technology Resources Industries Berhad
  - Celcom Transmission (M) Sdn Bhd
  - Celcom Technology (M) Sdn Bhd
  - 80.0% Celcom Timur (Sabah) Sdn Bhd
  - Celcom Multimedia (Malaysia) Sdn Bhd
  - CT Paging Sdn Bhd
    - C-Mobile Sdn Bhd
  - Celcom Mobile Sdn Bhd
  - Alpha Canggih Sdn Bhd
  - 20.0% Sacofa Sdn Bhd
  - 38.2% Tune Talk Sdn Bhd
- SunShare Investments Ltd (Labuan)
  - 29.7% **MobileOne Ltd (Singapore) ‡**
- TMI Mauritius Ltd (Mauritius)
  - TMI India Ltd (Mauritius)
    - 49.0% **Spice Communications Limited (India) ‡**
  - 15.0% **Idea Cellular Limited (India) ‡**
- 24.4% **Samart I-Mobile Public Company Limited (Thailand) ‡**

Legend :

- * = Depicting active subsidiaries, associates and affiliates
- ▢ = Key Operating Companies
- ▶ (light blue) = Wholly-owned subsidiaries
- ▶ (dark blue) = Non wholly-owned subsidiaries
- ▶ (red) = Associates / Affiliates
- ‡ = Listed Companies

- 19.0% **Samart Corporation Public Company Limited (Thailand)** ‡
- TM International (L) Limited (Labuan)
  - Indocel Holding Sdn Bhd (Malaysia)
    - 83.8% **PT Excelcomindo Pratama Tbk (Indonesia)** ‡
  - 49.0% **Mobile Telecommunications Company of Esfahan (Iran)**
  - 70.0% **TM International (Bangladesh) Limited (Bangladesh)**
  - 89.0% **Multinet Pakistan (Private) Limited (Pakistan)**
  - 85.0% **Dialog Telekom PLC (Sri Lanka)** ‡
    - Dialog Television (Private) Limited (Sri Lanka)
      - CBN Sat (Private) Limited (Sri Lanka)
      - Communiq Broadband Network (Private) Limited (Sri Lanka)
    - Dialog Broadband Networks (Private) Limited (Sri Lanka)
- **Telekom Malaysia International (Cambodia) Company Limited (Cambodia)**

EXCELLENCE

The arrow embodies Axiata's quest to excel, delivering sustainable growth and performance excellence across all of its operations, guided by a policy of strict financial discipline to enhance value to shareholders. Axiata continuously evaluates new emerging technologies to deliver cost effective, innovative and differentiated services to over 89 million customers across Asia.

III

Chairman's Statement

TAN SRI DATO' AZMAN HJ. MOKHTAR
Chairman, Non-Independent Non-Executive Director

Dear Shareholders,

I am pleased to present Axiata Group Berhad's inaugural Annual Report for 2008 which marks a year since this company, formerly known as TMI, demerged from TM on 25 April 2008, and made its debut on Bursa Securities on 28 April 2008.

It has indeed been an eventful journey for Axiata. From its origins as an international ventures division to a wholly-owned subsidiary of TM and a listed entity, Axiata (then TMI) has transformed itself to a formidable company with presence in fast-growing South and Southeast Asian markets, complemented by mobile operations in Malaysia generating strong cash flows. From its pioneer investment back in 1994 in Sri Lanka and over a span of 14 years, Axiata has built a strong portfolio of OpCos with a workforce of over 25,000 in 10 countries namely Malaysia, Indonesia, Sri Lanka, Bangladesh, Cambodia, India, Singapore, Pakistan, Iran and Thailand with a mobile customer base of over 89 million; making us one of the largest players in the region.

The name change and our new brand identity are of particular significance. Not only do they mark this momentous year of change and transformation, they are a symbol of a new beginning, uniting the group of companies with a visual and tangible sense of shared purpose and belonging; aligned with our new corporate positioning and business strategy.

Axiata believes in the Asian potential. With over 4 billion mobile connections in the world today, close to 45% are in the Asia-Pacific region[1]. The global market is set to grow to over 6 billion by 2013, with Asia expected to continue to lead the rest of the world.

[1] GSMA website: Wireless Intelligence 11 February 2009

The completion of the demerger and the listing are historic milestones in the evolution of Axiata, and the drive to create national and regional champions from among the Malaysian Government-Linked Companies (GLCs). The demerger has unleashed Axiata into its own distinct growth path with a clear mandate to unlock and realise the value of its OpCos. With the solid backing of Khazanah Nasional Berhad (Khazanah) as the major shareholder, Axiata with its unique Asian footprint has all the ingredients to become the regional champion that we aspire to be.

What a year 2008 has been - much work has been done and we have hit the ground running. As an organisation, Axiata is focusing on a transformation from an investment holding to a multinational company with world class people, processes and best practices. We have completed an impressive line-up of management and key positions, and put in place many initiatives targeted towards harnessing performance and synergies across our OpCos.

Axiata also saw an expansion into India via the merger of Idea under the Aditya Birla Group and Spice. The merger created a new number five player in India and added a staggering 34.2 million subscribers to our total customer base. This was a major landmark for Axiata on the road to being a leading regional player in a market critical to that success. We also saw the entry of DOCOMO into TMIB. These were certainly significant events in themselves.

2008 was also a year of unprecedented challenges. Axiata saw steady and improving operational performance throughout the most part of 2008 with strong growth in revenue and a healthy Earnings Before Interest Tax Depreciation and Amortisation (EBITDA).

However, profitability was affected from increasing competition, rising inflation and slowing economies. In the fourth quarter, this was further exacerbated from the global financial crisis and its impact on credit and equity markets as well as foreign exchange.

The Group reported revenue of RM11.3 billion, up 14% year on year (YoY) due to continued momentum at Celcom and strong yearly performance at XL. EBITDA also increased by 5% in the same period to RM4.4 billion.

The weakening currencies, particularly against RM and USD, affected contributions from regional OpCos which did have a material effect on the Group. Actual Profit after Taxation and Minority Interests (PATAMI) was RM498 million down 72% YoY, largely due to forex losses and higher interest charges. Adjusted PATAMI was RM1.1 billion down 27%[2].

Notwithstanding challenges arising from the global financial crisis, the Group has delivered strong revenue growth for the year. As with most regional companies, 2008 results have been impacted by foreign exchange movements. Solid operational performance remains a source of strength for the Group and the proactive operational and financial steps taken by management will go a long way towards strengthening its competitive position moving forward.

In order to reduce overall debt levels and achieve an optimal capital structure, Axiata has also embarked on a renounceable rights issue to raise gross proceeds of approximately RM5.2 billion. This exercise is a proactive and prudent step by management, allaying investor concerns on gearing, setting a more solid foundation for future growth and towards increasing shareholder value.

[2] One-offs in 2007 included the disposal of Dialog shares, Spice IPO and tower sale. One-offs in 2008 included interest costs on TM's bridging loans, financing cost on Idea/Spice acquisition, and foreign exchange loss. Detailed explanations can be found in the Group Financial Review on pages 42 – 45.

Still, we need to be vigilant. The global economy will not be out of the woods for some foreseeable time and is even expected to contract for the first time in 60 years in 2009, by as much as 1%[3]. In fact, most national economies have yet to feel the full brunt of the downturn. Although emerging economies show greater resilience from sustained productivity and stronger policy frameworks; they will not be spared should recovery be further delayed. A slight recovery is however forecasted for 2010, with global growth expected at 1.5% to 2.5%.

Amidst this economic uncertainty, the fact remains that telecommunications is a strategic enabler for socio-economic advancement and ultimately economic growth. This is reflected in its growing share of world output and household spending. The World Bank estimates global telecommunications spending as a share of global GDP to have been 2.5% in 1990. INSIGHT Research estimates that in 2006 it had grown to 4.8% and is forecasted to grow to 5.9% by 2013 – even in the face of the current credit crisis. Developing and emerging markets, particularly in South and Southeast Asia, contribute to half of the world's output. This reinforces our belief that Axiata is in the right business and in the right markets for long term investment and sustainable growth, and that our contributions can make a real difference to people's lives in helping to transform the countries in which we operate.

[3] IMF March 19 2009 analysis G20 meeting.

Our tagline of "Advancing Asia" is at the very core of our strategies moving forward: Axiata aims to bring affordable connectivity; both in voice and broadband services, as well as the best in technology and talent to the people of Asia. We will continuously engage with governments and regulators to ensure a stable industry operating environment.

When I came on board as Chairman of TMI, and now Axiata, I joined an experienced team, ready to take this Company to the next level. I would like to express my sincere thanks to the Board of Axiata for their guidance and support, and to the Management and employees for their dedication and achievements this past year. I would also like to take this opportunity to thank our customers, business partners, the media and especially our shareholders for their continuing support during these challenging times. A special thanks to the Governments and regulators in the countries of our OpCos, your co-operation is most appreciated.

Together, we are confident that Axiata is on the right path towards advancing Asia and a better, brighter future.

TAN SRI DATO' AZMAN HJ. MOKHTAR
CHAIRMAN

President and Group Chief Executive Officer's Business Review

DATO' SRI JAMALUDIN IBRAHIM
Managing Director/
President and Group Chief Executive Officer

Dear Shareholders,

This being our inaugural Annual Report, I have taken the liberty to fully share our vision and the journey that is needed to take us there, as well as highlighting the business review and outlook.

2008 proved to be both a challenging and rewarding year. On one hand, the economic and competitive environment, as well as the currency volatility, did put a significant strain on our fourth quarter profit performance. On the other hand, we did deliver on our commitment for growth, whilst putting the foundations in place for our long term future. Amidst these challenges, we saw a healthy growth in revenue and EBITDA, and even more so based on constant currency terms, strongly reaffirming our growth story. 2008 was also a defining year for us, where we took stock of our historical journey thus far and charted new directions for the future. Only eight months after the demerger, we have made good progress in building the foundation for our future growth.

In April 2008 Axiata, then known as TMI, became an independent entity after the demerger from TM. The pre demerger TMI, with its international operations in nine countries, had been merged with TM's wholly owned subsidiary, Celcom (Malaysia) Berhad (Celcom).

Thus the new TMI came into being already armed with the right ingredients – a unique regional footprint with its predominantly mobile operations and enormous growth potential – ready to pursue its own aspirations and strategies, distinct from TM, which is set to become Malaysia's leading next-generation communications provider focusing on national fixed line and broadband services.

I came into office towards the end of the demerger process in March 2008, with a mandate to realise a bolder vision to redefine the future of TMI. A brand new chapter for the company that was about to unfold.

I would like to acknowledge and thank the previous Board and management of TMI for the important formative years of the Group and for handing over the baton for the next phase of our evolution and growth. Together with the new Board of Axiata, we have rapidly defined the targets and parameters of our vision to be 'a Regional Champion'. We aspire to become the mobile leader in this region by 2015, in terms of both value and size.

President and Group Chief Executive Officer's Business Review (cont'd.)

Towards this vision, we have charted a completely new set of strategic directions.

In the past our strategy had been primarily predicated on inorganic growth through acquisitions, which was necessary to build a strong footprint. We now need to shift our focus significantly, more towards organic growth by nurturing and developing our existing operations.

Alongside this, we need to transform the group into a world class multinational company (MNC) in terms of the quality and standard of our people, processes and products and services, as well as our governance.

To achieve the above, we need to restructure and strengthen our group and subsidiaries management teams. We also need to review the processes for performance management, human capital, financial, strategy and planning, governance and risk management, to take them to the next level of discipline of MNC standards. We also have to revise the strategies of our subsidiaries and our M&A approach. Last but not least, a new engagement model with our OpCos, driven by a value-adding corporate centre, needs to be developed.

These are the 'fundamentals' that have to be put in place to pave the way for our future.

GROUP PERFORMANCE REVIEW

For most of 2008, one of the biggest external challenges was the high inflation rates in all the countries we operate in. For Sri Lanka, the inflation was more prolonged and the impact more severe. Regulatory environment and stiff competition were equally challenging but for the most part expected. Towards the end of the year, whilst inflation subsided slightly, the global financial crisis hit and caused a major swing in currency volatility especially for the Indonesian Rupiah (IDR).

Despite that, in 2008 the Group recorded a revenue of RM11.3 billion or a strong YoY growth of 14%. In constant currency terms, it would have seen a stronger double digit growth of 20%. This was driven primarily by our Malaysian and Indonesian operations, which are our top two subsidiaries in terms of contributions to the Group. At the end of 2008, our total mobile subscriber base reached over 89 million customers, making us already, one of the largest players in the region. EBITDA was RM4.4 billion a 5% YoY growth. In constant currency terms, it actually grew 12%. EBITDA margin however, dipped slightly to 38.4% from 41.4%, due to higher operating costs in all the countries, mostly due to inflation and price competition.

Contributions from regional operating companies were affected by weakening currencies, high inflation and increased competition, which did have a significant effect on the Group. PATAMI was RM498 million, down 72% from 2007.

Comparing the underlying performances for the two periods, by adjusting 2007 for one-off extraordinary gains and adjusting 2008 for the foreign exchange (forex) loses as well as the interest charges due to the TM loan and Idea acquisitions, PATAMI would have been 27% lower at RM1.1 billion in 2008.[1]

2008 saw Axiata's significant expansion in India beyond Spice. This strategic move has significantly upgraded our position to a stronger growth platform that instantly provides exposure across the whole of India, capturing the window of growth opportunity early in one of the fastest growing markets in the region. Idea is an ideal match in so many ways; meeting our financial criteria whilst providing a proven financial performance and operational capability, nationwide licences and without any overlapping operational circles with Spice.

[1] One-offs in 2007 included the disposal of Dialog shares, Spice IPO and tower sale. One-offs in 2008 included interest costs on TM's bridging loans, financing cost of Idea/Spice acquisition, and foreign exchange loss. Detailed explanations can be found in the Group Financial Review on pages 42 – 45.

President and Group Chief Executive Officer's Business Review (cont'd.)

This was the best option to give us an immediate near pan-Indian presence with further growth potential where post merger we will have a population coverage of 80% in India. Furthermore, we could grow with lower execution risks given the relatively less rollout required and the combined strengths of the merged entities.

The Group invested over RM5.5 billion in capital expenditure (capex) in 2008, mostly in Indonesia, to aggressively capture the high growth market there, and in Malaysia to expand 3G and HSPA for data and mobile broadband services.

Given the volatility of the current economic conditions Axiata took a pro-active and prudent step to deliver its balance sheet through the proceeds of a rights issue of approximately RM5.2 billion. We strongly believe that this strategic move will make Axiata more flexible and financially agile to weather any uncertainties moving forward.

MAJOR OPERATING COMPANIES REVIEW

Strong Operational Growth by Celcom

Celcom continued its stellar performance, delivering its best quarterly growth in the fourth quarter of the year despite the intensifying competition, challenges of Mobile Number Portability (MNP) and operating in a highly penetrated market. Recording an unprecedented 11th consecutive quarter of growth, Celcom saw solid revenue of RM5.6 billion, a rise of 10%[2] YoY.

Its segment-focus strategy yielded encouraging results whereby total subscribers grew to 8.8 million driven by 1.6 million net additions, leading the industry growth in both postpaid and prepaid.

Celcom maintained its leadership in mobile broadband with a unique subscribers YoY growth of four times to over 228,000.

Continued efforts in cost management saw EBITDA margins improving from 44.6% to 45.2% amidst cost escalations from MNP and weakened macro-economic conditions. Network cost saving initiatives in particular was reduced from 13.0% to 12.3% (adjusted for one-offs) as a percentage of revenue. PATAMI in 2008 was RM1.3 billion, a spectacular rise of 23% YoY.

2008 saw continued focus on operational efficiencies in an effort to further enhance customer delivery. Celcom has also strengthened its management team with key appointments, enhancing its momentum going forward.

Continued Challenges in Group's Emerging Markets' Operations

In 2007, XL decided to embark on a clear and simple strategy, ie: offering better value through comparable quality and aggressive pricing. This strategy was further enhanced in 2008 and formalised by regionally tailored pricing, service quality with improved network provisioning and controlled cost management.

[2] Fibrecomm has been excluded for growth comparison purposes as it has ceased to be a subsidiary of the Group post demerger.

This hugely successful strategy, which provided scale benefits and higher margins, led to XL outperforming the industry in terms of revenue and EBITDA with a strong growth of 45.3% and 46.2% respectively. Total revenue reached IDR12,156.0 billion, mainly driven by the increase in total outgoing minutes which rose by seven times and a larger customer base which saw an increase of 68% YoY to 26 million. EBITDA margins remained stable at 42.2% due to strong focus on cost controls despite the lower average tariffs per minute.

However, lower elasticity, intensifying competition and weaker consumer spending affected XL's performance in the fourth quarter which saw negative revenue growth. Profitability was also impacted as a result from higher forex losses due to a significant weakening of IDR towards the end of the year; higher interest expenses from increased borrowings and incidental charges for the accelerated depreciation of the remaining legacy switches, as well as some provisions.

During 2008, XL had invested in capital expenditure focusing on capacity provisioning and quality improvements amounting to USD 1.2 billion. This saw XL adding over 5,500 new BTS in 2008, bringing the total to over 16,000 BTS.

Dialog continued its leadership in the mobile industry, recording the highest-ever net additions, with a 29% increase in subscribers to 5.5 million.

Amidst growing competition, the fixed line and Broadband services saw an increase in customer base of over 175,000 connections in less than 2 years of operation whilst Pay TV made remarkable inroads, reaching a customer base of over 122,000, a growth of 121% YoY.

Dialog Group recorded revenue of SLR36.2 billion for the year, a growth of 6% YoY. Operating costs however, which includes expansion costs related to the company's network infrastructure and energy costs, jumped 41% YoY resulting in EBITDA falling by 44%.

The lowering of consumer charges in combination with the impact of general inflation, increased network costs and network related energy costs resulted in profitability being impacted. Furthermore, Dialog took a conscious decision in 2008 to make way for technology modernisation by way of amortisation and impairment provisions.

In Bangladesh, TMIB had a very challenging year. However, its turnaround plan yielded positive results, with improvements in revenue and EBITDA margin in the fourth quarter, of 15% and 18%, respectively.

2008 also saw DOCOMO replacing the local shareholder's 30.0% stake. Equity infusion from the shareholders in the fourth quarter further strengthened its financial position and put TMIB on a better footing moving forward.

President and Group Chief Executive Officer's Business Review (cont'd.)

THE TRANSFORMATION OF AXIATA

Many focused initiatives were planned and implemented in 2008, driven by the new transformation agenda of the company.

In 2008, significant organisational changes were made to reflect our new strategies. The Board of Axiata was refreshed with a good mix of highly experienced local and international board members. Subsequently, many changes were also made at the OpCo Boards. The Group strengthened its top management line up, hiring the best from local and international talents. Reflecting our regional aspirations, almost all of the Board members and senior management team have worked for established MNCs, with extensive international responsibilities, in and out of Malaysia.

With this, we at Axiata are set for change.

We have reengineered the role of the corporate centre, with the primary mandate to deliver value to the OpCos and help them to achieve their targets. We do so by facilitation, consultation, giving direction and support and by sharing best practices and benchmarking, with strong governance in place. This was key to redefining the engagement model with our OpCos.

A strong focus on performance saw a new performance management and reporting system put in place to raise the bar for results.

Beyond organisational changes, Phase one of human capital management was also completed. A revised compensation and benefits scheme, especially for key positions, was made to retain and attract the best talent. A new set of Balanced Scorecards (BSC) for corporate centre management and staff was introduced with improvements in the measurement process towards adding value to our OpCos.

Initial work on a talent development process and a first-class Leadership Development Programme were completed, and subsequently launched in February 2009. We have also introduced a unique and highly performance-based Long Term Incentive (LTI) plan to align the long term interests of the employees with that of the shareholders.

A few but impactful list of synergies were identified through OpCo feedback and prioritisation. In marketing and products and services, we launched key International Direct Dialing (IDD) and roaming initiatives. In procurement, we identified initial 'low hanging fruits' bringing more than RM100 million savings over the next two years. Procurement processes were introduced to ensure a more coordinated approach and better group-wide leverage without sacrificing speed or local priorities. Other synergy initiatives, which include a new pricing process, were developed and will be completed in early 2009.

In 2008, we also improved the business planning process towards building robust strategy and budgeting processes.

We also reviewed the strategies of our OpCos. Some were significantly changed, some refocused and some refined. The existing M&A list was also narrowed down considerably. Some target operators, areas or countries were eliminated, either because they were outside our focus region, non-core, sub-optimal or highly risky.

Strengthening governance included a revised set of terms of reference for Board committees, and improved financial, procurement and human resource policies for empowerment within the corporate centre and vis-à-vis the subsidiaries. All board sub-committees at the Group level and at the subsidiaries were also reviewed and changes made where appropriate.

As part of the new vision and direction for the Group, a new brand was also contemplated. After seven months of hard work in defining the strategic rationale, evaluating several brand architectures and more than 700 names, as well as getting feedback from 20 focus groups in all key markets – the Axiata brand identity, name and logo were developed. Axiata was launched officially on 2 April 2009.[3]

LOOKING TO THE FUTURE

2009 will be another challenging year. The impact of the global economic crisis, the increased competition in some markets and the volatility in currencies remain uncertain.

Despite this there are significant opportunities. Whilst overall growth will be somewhat dampened by the global crisis, we do expect growth to remain generally robust in all the markets we are in, either in basic voice, data, broadband, or in all areas. With our strengthened balance sheet, a new Group management team, improvements in key processes and disciplines– in performance management, human capital, synergy, best practices, business planning, financial management and governance - as well as tractions in many of the OpCos, I believe we are in a stronger position to perform and compete.

I am confident that we will reap the rewards of our efforts and be on track to meet our long-term target of being "A Leading Regional Champion", whilst delivering short term financial results.

We will continue to focus on our sustainable long-term strategies by further strengthening our group organisation, and accelerate more improvements in key processes and disciplines. In particular this year, we want to step up our focus where it really matters, that is at Opco level. We will work with OpCos to fortify their management teams and improve in-country performance through better processes, and to link performance with better rewards and incentives. Few but key synergies and best practice areas will be implemented including pricing, procurement, network planning and management.

Given the economic environment, in addition to existing cost initiatives at OpCo level, Group-wide initiatives will be implemented, overseen by the Group OpCo committee, assisted by the newly formed Process Excellence Group (PEG).

[3] Refer to Chapter I: Optimistic and pages 9 – 11 for a more detailed discussion of the brand.

At the same time, the original capex budget has been reduced by at least RM1 billion. Care has been taken not to do so at the expense of our future competitive position. Strong emphasis will be made on improving capacity utilisation and efficiency, as well as procurement savings. Non-critical capex will be deferred or not pursued.

Our OpCo CEOs-led talent management process has begun but will be populated with talents from all Opcos and the corporate centre by the second quarter of 2009. The initial phase of the Leadership Development Programme and for identified managers will be completed this year.

In light of the prevailing challenges in our operating environment, we are also assisting the OpCos in the process of revising their respective strategies and business plans.

Celcom will continue with its segmented strategy and will accelerate its mobile broadband initiatives, whilst transforming two critical elements of the company namely, its human capital development and customer touch points.

XL will improve its capex utilisation and refocus on geographic areas that they are already strong in. Improved loyalty and retention programmes will also be introduced.

Dialog's main focus will be on cost management, which requires a structural change. Many initiatives will be re-prioritised for better focus and effectiveness.

Aktel will continue with its turnaround strategies on distribution improvements and aggressive marketing and packaging, but with a focus on its existing customer base, given the high SIM tax in the country.

Finally, for 2009, our M&A plans have also been further revised. We have taken a more conservative stance. There will be less focus on M&A except where it is very compelling. Emphasis will be on in-country consolidation, where the opportunity presents itself. We have instituted stricter financial disciplines with an increased hurdle rate for new investments with a rigorous business case.

In summary, while it will be a challenging year, we are geared up to face 2009. We have revised many of our tactical plans to be more cautious yet agile to act on new opportunities. Overall, we will remain steadfast on our long term strategies and direction.

ACKNOWLEDGEMENTS

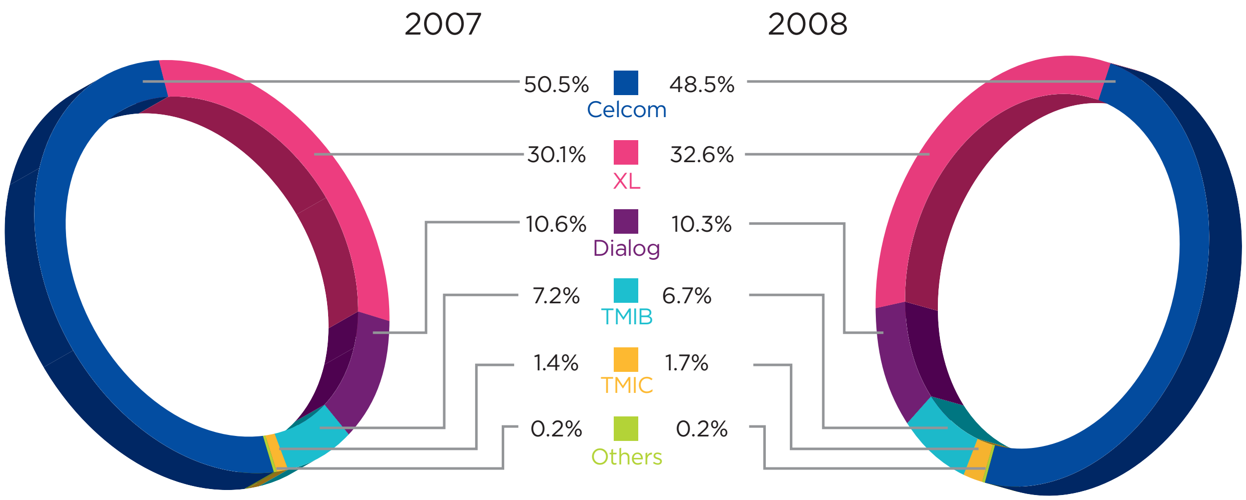
Throughout 2008, we have been working hard laying the foundations for our continuous growth.

I would like to extend my thanks to the Board of Axiata for their guidance and support in this first year of our new journey. On behalf of the management, I wish to pay tribute to our 25,000 dedicated employees and our 89 million customers. I would also like to express my appreciation to the governments and regulators in the countries that we serve, and to all our stakeholders, namely shareholders, business partners, the media and others for their support. Thank you.

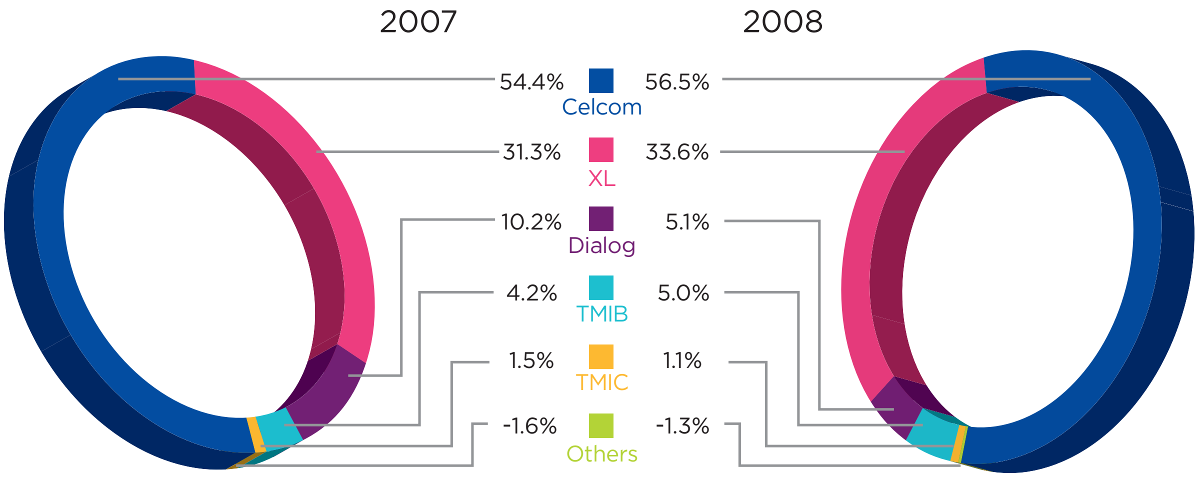
DATO' SRI JAMALUDIN IBRAHIM
MANAGING DIRECTOR / PRESIDENT
AND GROUP CHIEF EXECUTIVE OFFICER

Group Financial Overview

Operating Revenue



EBITDA



Note: Comparative percentage composition is based on translated results in RM at Group level

Two-Year Group Financial Summary

OPERATIONAL HIGHLIGHTS

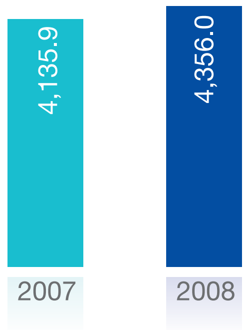
All in RM Million unless stated otherwise	2008	2007
1. Operating revenue	11,347.7	9,996.9
2. Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)	4,356.0	4,135.9
3. Earnings from Associates & Jointly Controlled entities	(59.4)	276.1
4. Profit Before Tax (PBT)	905.8	2,337.2
5. Profit After Tax (PAT)	471.1	1,847.6
6. Profit After Tax and Minority Interests (PATAMI)	498.0	1,781.9
7. Normalised PATAMI	1,138.2	1,561.1
8. Total shareholders' equity	11,216.7	9,703.6
9. Total assets	37,352.4	24,489.5
10. Total borrowings (Note 1)	19,984.4	9,094.6
11. Subscribers (million) (Note 2)	89.3	39.8
GROWTH RATES YoY (Note 3)		
1. Operating revenue	13.5%	16.6%
2. EBITDA	5.3%	10.1%
3. Total shareholders' equity	15.6%	19.5%
4. Total assets	52.5%	15.2%
5. Total borrowings	119.7%	11.2%
SHARE INFORMATION		
1. Per share		
Earnings (basic) – sen	13.5	49.8
Net assets – RM	3.0	2.7
2. Share price information – RM		
High	7.85	N/A
Low	3.12	N/A
FINANCIAL RATIOS		
1. Return on shareholders' equity (Note 4)	4.8%	20.0%
2. Return on total assets (Note 5)	1.3%	7.5%
3. Debt equity ratio (Note 6)	1.8	0.9

Notes:
1 Interest bearing debts to third parties and amounts due to TM
2 Total subscribers of all subsidiaries, associates and affiliates
3 2007 YoY growth using 2006 unaudited Proforma numbers
4 PATAMI over average shareholders' equity
5 PAT over total assets
6 Total borrowings over total shareholders' equity

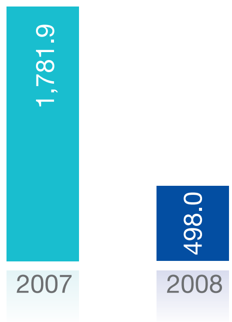
Two-Year Group Financial Highlights

Operating Revenue
(RM Million)

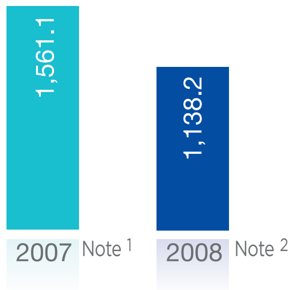
EBITDA
(RM Million)



PATAMI
(RM Million)

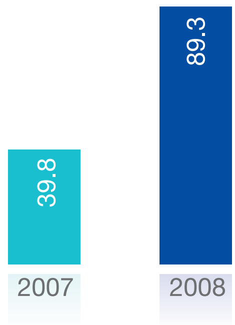


Normalised PATAMI
(RM Million)



Return on Shareholders' Equity
(%)

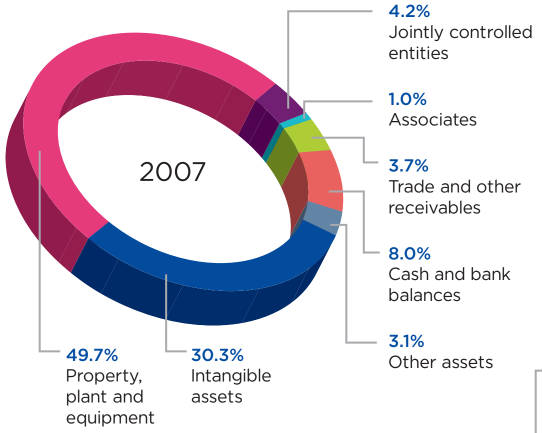
Subscribers
(Million)

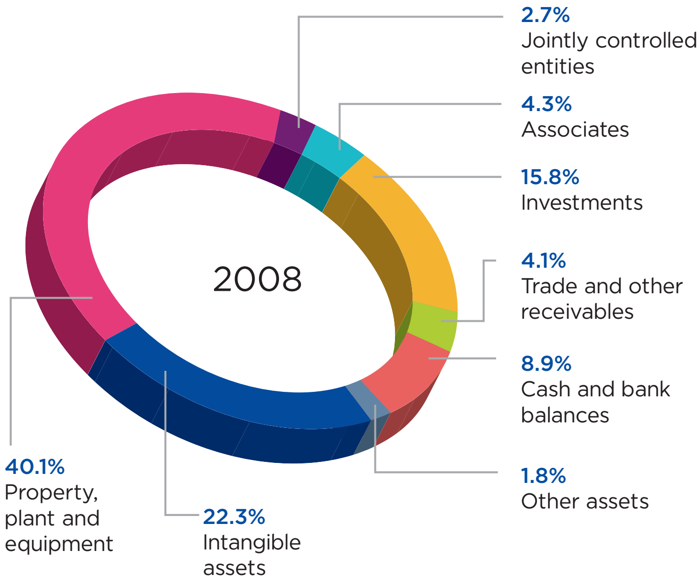


Note[1] – Normalised PATAMI excludes one-off gains on disposal of Dialog shares (RM234.8 million) and Spice IPO and tower sale (RM200.1 million)
Note[2] – Normalised PATAMI excludes interest costs on TM's bridging loans (RM168.5 million), financing cost for Idea acquisition and one-off Spice costs (RM187.0 million) and foreign exchange loss (RM284.7 million).

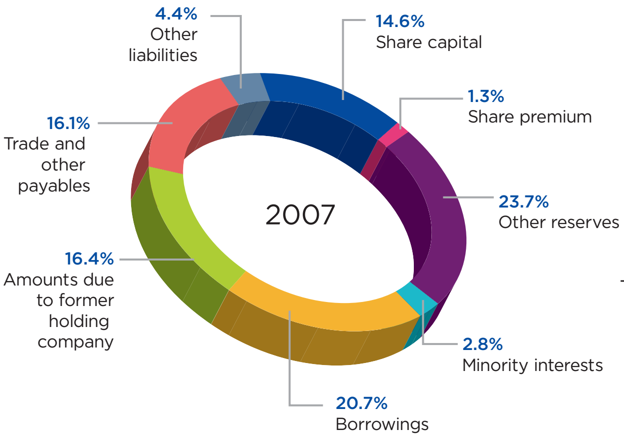
Simplified Group Balance Sheet

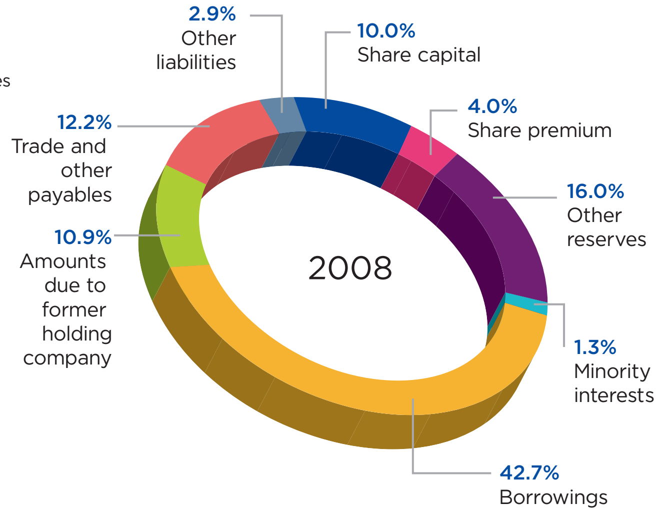
Total Assets





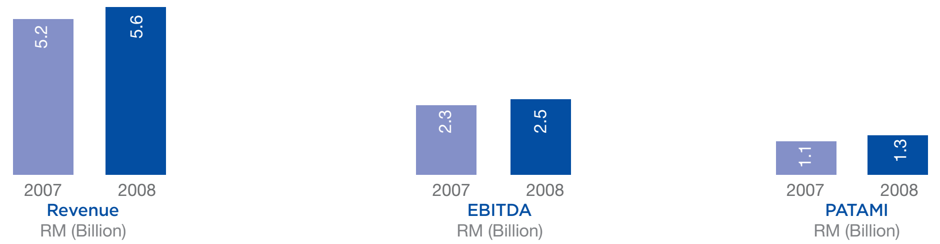
Total Liabilities & Shareholders Equity



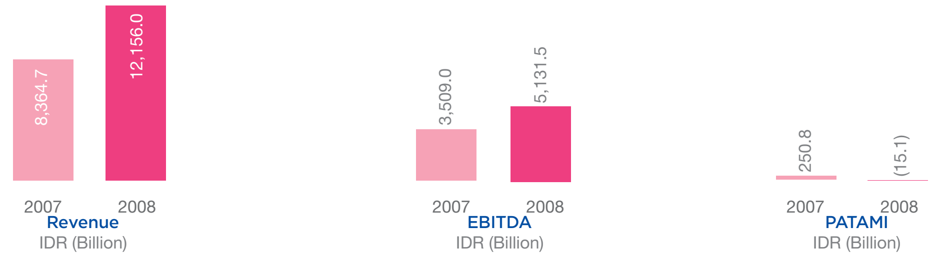


Reporting by Geographical Location

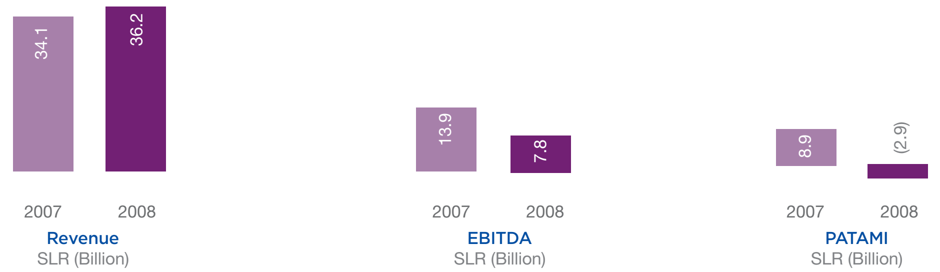
Malaysia*



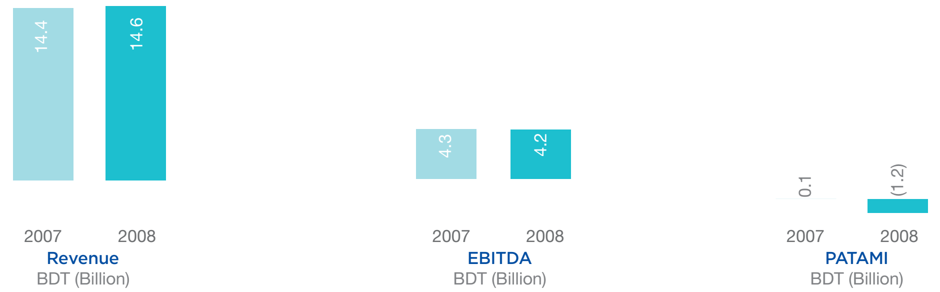
Indonesia



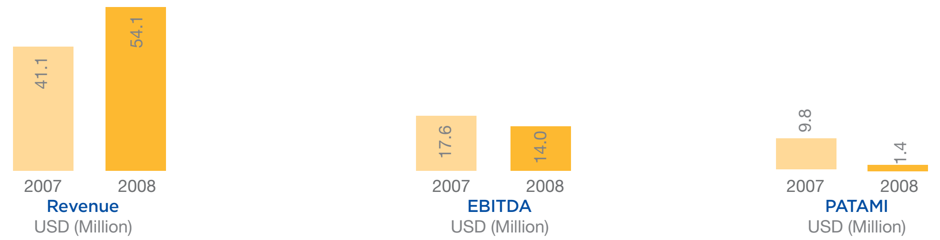
Sri Lanka



Bangladesh



Cambodia



* All financial figures are according to Celcom audited financial statements

Group Financial Review

The regional telecommunications industry recorded slower growth over the past year in an environment of uncertainty with currency fluctuations and challenging economic conditions. Although the general business environment remained challenging, the Group has continued to maintain its position in terms of revenue and subscriber market share in most markets as compared to the previous year.

For the year ended 31 December 2008, the Group's operating revenue grew by 13.5% to RM11.3 billion compared to RM10.0 billion the previous year, largely driven by strong revenue growth in Celcom and XL.

Celcom showed a strong performance contributing 48.5% to total operating revenue of the Group. Revenue from Celcom was 10.1%* higher as compared to revenue recorded in the preceding year. The positive performance was brought about by strong growth in the prepaid segment as a result of aggressive marketing campaigns throughout the year. The overall growth was also driven from improvement in postpaid revenue, due to the 1+5 Plan, Celcom Executive Plan and Broadband packages. Celcom added 1.6 million new customers in 2008, bringing the total customers to 8.8 million, a growth of 21.6% from 7.2 million as at end of 2007.

Our international operations continued to provide the Group with an outstanding growth of 18.1% whereby XL, in terms of RM, grew by 22.9%. As a result, overseas contribution grew to 51.5% from 49.5% in the previous year with XL making up 63.3% of the total overseas operating company revenue. Revenue from XL accounted for 32.6% of the Group's revenue, an increase from 30.1% in the preceding year. Revenue contribution from our OpCo in Sri Lanka, Dialog Group, declined to 10.3% as compared to 10.6% in 2007.

Total revenue contribution from other markets namely Bangladesh, Cambodia and Pakistan reduced slightly by 0.2% to 8.6% of Group revenue but collectively grew 10.9% YoY.

The fluctuation of the RM against local currencies in all markets had unfavourably affected the Group's translated revenue for the year. At constant currency, the Group revenue for the year grew by 20.3% from the previous year.

For the year ended 31 December 2008, the Group's operating costs rose by 19.3% to RM7.0 billion as compared to RM5.9 billion recorded in 2007 mainly due to inflationary effects and cost escalation in line with revenue growth in all markets. With rising cost pressures and greater competition, the Group EBITDA margin declined to 38.4% from 41.4% the previous year.

Depreciation, impairment and amortisation charges of property, plant and equipment (PPE) and intangible assets increased 28.2% to RM2.3 billion as compared to RM1.8 billion recorded in 2007. In 2008, Group BTS had increased to more than 30,000 in line with revenue growth, which is the key driver for the increase in depreciation costs.

Depreciation of RM and local currency in all markets against the USD has resulted in net loss on foreign exchange in 2008, predominantly arising from translation of USD denominated debt as well as payables in other foreign currencies.

The weakening of the IDR against USD has resulted in foreign exchange loss of RM354.4 million from XL in 2008, as compared to RM124.4 million in the previous year, mainly from debt and payables in USD and other foreign currencies. Higher foreign exchange loss in 2008 was also the result of the translation loss of RM84.3 million from USD borrowings for the investment in Idea.

Dialog and TMIB had registered RM25.8 million and RM5.3 million foreign exchange loss in 2008 respectively, due to the weakening of SLR and BDT against USD.

As a result, a net loss on foreign exchange of RM445.8 million was recorded in the current year as compared to a net loss of RM131.6 million recorded in the preceding year.

Share of profit from SunShare in 2008 was attributed to its contribution as a jointly controlled entity up to 25 April 2008. SunShare had effectively become the Group's subsidiary following the completion of the demerger exercise and acquisition of the remaining 49.0% stake from Khazanah. Negative contribution from the jointly controlled entity was mainly attributed to share of loss from Spice as opposed to profit in the preceding year.

Higher interest charges at Group level, largely related to the investment in India, has further impacted PAT. Year on year finance costs increased by RM397.5 million, mainly driven by interest on TM's bridging loan and financing cost for the Idea acquisition totaling RM275.3 million.

The challenging market environment caused XL, Dialog Group, TMIB and TMIC to record declines in profit for the year. PAT attributable to shareholders declined by 72.1% to RM498.0 million from RM1.8 billion the previous year mainly due to the foreign exchange loss and lower contribution from subsidiary companies.

Earnings per share fell to 13.5 sen, while Return on Equity declined to 4.8% from 20.0% the previous year.

FINANCIAL ANALYSIS OF KEY OPERATING COMPANIES

Celcom

In the Malaysian market, the postpaid segment showed stronger growth than the prepaid segment as broadband/3G customers grew 218.2% in 2008. Celcom recorded its highest annual revenue in 2008, closing the year with a total revenue of RM5.6 billion which is a 10.1%* increase from the previous year. For the past 11 quarters, Celcom has registered quarter on quarter growth.

Celcom managed to achieve this whilst concurrently improving its profit level. Various cost saving measures in 2008 has helped in Celcom posting a growth of 10.5% in EBITDA to RM2.5 billion compared to RM2.3 billion in the previous year, improving EBITDA margin from 44.6% to 45.2%.

Amidst intense competition and an uncertain economic outlook, Celcom recorded a double digit growth in its pre-tax profit, growing by 24.4% in 2008, to close at RM1.8 billion. For the same period, it recorded a net profit of RM1.3 billion which is an increase from RM1.1 billion in 2007.

* Fibrecomm has been excluded for growth comparison purposes as it has ceased to be a subsidiary of the Group post demerger.

Group Financial Review (cont'd.)

XL

In 2008, XL outperformed the industry in terms of revenue and EBITDA growth and increased its market share. XL grew its top line revenue by 45.3% YoY while EBITDA margin increased 0.2% to 42.2%, despite intensified competition and the global economic crisis in the second half of the year.

Total revenue reached IDR12,156.0 billion, an increase from IDR8,364.7 billion in 2007, mainly driven by exponential growth in total minutes and a larger customer base. All segments experienced positive growth with additional revenue from the tower business in 2008. Prepaid subscribers accounts for 98.4% of its total subscriber base. Prepaid revenue was 58.0% higher YoY at IDR8,849.4 billion and contributed 72.8% to the total revenue. In 2008, XL had a new revenue stream from the leasing out of tower space, amounting to IDR276.7 billion, which made up 2.3% of the total revenue.

Total operating expenses increased 54.7% YoY to IDR6,929.7 billion, mainly due to increase in interconnection and telecommunication service charges and network infrastructure expenses.

EBITDA increased 46.3% YoY to IDR5,131.5 billion and margin increased to 42.2% as a result of strong cost management, despite lower average tariffs per minute.

Normalised net income declined 51.8% YoY due to higher interest expenses from higher interest bearing debts, higher depreciation, driven by accelerated depreciation on XL core equipment amounting to IDR451.0 billion, and foreign exchange loss of IDR332.2 billion.

Dialog Group

Revenue growth was mitigated by successive reductions in mobile telephony charges during the course of 2008, in line with the company's conscious decision to lower tariff charges to subscribers in the wake of economic pressures. Results of this strategy are evidenced by the company's continued success in capturing a major share of mobile subscriber additions across Sri Lanka, notwithstanding aggressive competition from other operators in the country.

For the year ended 31 December 2008, the Dialog Group recorded consolidated revenue of SLR36.2 billion, a growth of 6.0% compared to the previous year which was SLR34.1 billion.

Dialog Group costs grew by 40.5% YoY resulting in a decline in EBITDA at SLR7.8 billion against SLR13.9 billion in 2007. Inflationary effects in the first half of the year of above 20% and the economic downturn in the second half of the year, impacted the EBITDA and PAT of the Group. The Group recorded a loss of SLR2.9 billion for 2008, representing negative growth in group earnings of 132.3% YoY.

TMIB

For the year ended 31 December 2008, TMIB recorded a growth of 1.6% in its revenue to close at BDT14.6 billion from BDT14.4 billion recorded in 2007. This was achieved despite higher acquisition costs offered by other operators, declining ARPU and tariff arising from intense competition across the industry.

The increase in revenue is mainly attributed to increase in minutes of use (MoU) and increased revenue generating base (RGB) through effective reactivation and quality acquisition. TMIB added 1.5 million new customers in 2008 bringing the total customers to 8.7 million, a growth of 21.4% from 7.2 million as at end of 2007.

The EBITDA for the year was at BDT4.2 billion, a marginal drop from BDT4.3 billion achieved in the preceding year. EBITDA margin recorded at 28.8%, a marginal decrease from 29.9% in 2007. Negative PAT during the year was due to higher borrowing costs and depreciation costs during the year.

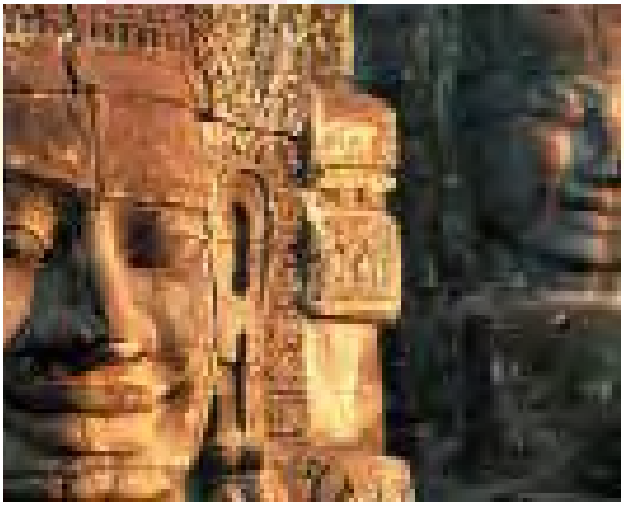
The overall achievements during the year, especially in the fourth quarter of 2008, have been attributed to the improved marketing and communication strategies supported by growth in network capacity and improved distribution channels.

TMIC

TMIC achieved a 31.6% growth in revenue, from USD41.1 million recorded in financial year 2007 to USD54.1 million in 2008. Whilst subscriber growth was strong at 90.0%, blended ARPU reduced by 19.1% compared to the previous year.

EBITDA margin stood at 25.9% while PAT was USD1.4 million with normalised figures for EBITDA and PAT margins was at 33.0% and 19.0% respectively.

Lower EBITDA and PAT during the year were caused by one-off spectrum fees and impairment costs of telecommunications equipment arising from the network upgrading exercise.



Acquisition of Idea: Expansion into India

Axiata, on 25 June 2008 entered into an agreement with Idea, Aditya Birla Group and Spice, which saw Axiata expanding its presence significantly in India from a two circle operator in Spice to a 13 circle operator in one of the fastest growing mobile markets in the world.

Post merger with Spice, Idea will be the fifth largest mobile player in India with an aspiration to emerge as a pan-Indian mobile operator with presence in all 22 circles in India.

Through Idea, Axiata has access to over 38 million subscribers representing an 11.0% (pan-India) market share with a presence in the 15 operating circles in India as at end 2008.

The strategic expansion in India was the best option for Axiata for a faster, most economical and least risk investment for an India-wide presence to capture the window of growth opportunity and position ourselves against bigger players and new entrants.

Amongst the key rationales of our expansion in India are as follows:

Significant Growth Potential

The Indian market is in a rapid growth phase with approximately 10 million net additions per month and 49.0% YoY growth recorded in 2008. With the current low penetration level of 20.0% - 30.0% range (one of the lowest in the region) and improving economics, future growth is expected to be strong with approximately 200 - 300 million net additional subscribers expected over the next three years*.

Accelerate Participation Through Consolidation

As a regional telecommunication investor, it is essential for Axiata to capitalise on the current high growth phase, especially as the headroom for growth is in the next three to five years. By 2012, it is expected that penetration will reach the 50.0% - 60.0% level and beyond 2012 the country is expected to record slower growth*. As such, the 'India opportunity' prevails very much now and any delay would reduce the ability to capitalise on the rapid growth.

Idea and Spice – The Ideal Combination

The combination of Spice and Idea has no operational overlaps in its circles. Furthermore, the combined entity will become the fifth largest operator in India against Idea's standalone fifth position and Spice's standalone eighth position. Idea has also secured licences for all the remaining circles and national rollout is in the pipeline. The investment also brings a very strong partnership to the Axiata Group with Idea's excellent financial performance, and the added advantage of enabling collaboration with the Birla Group.

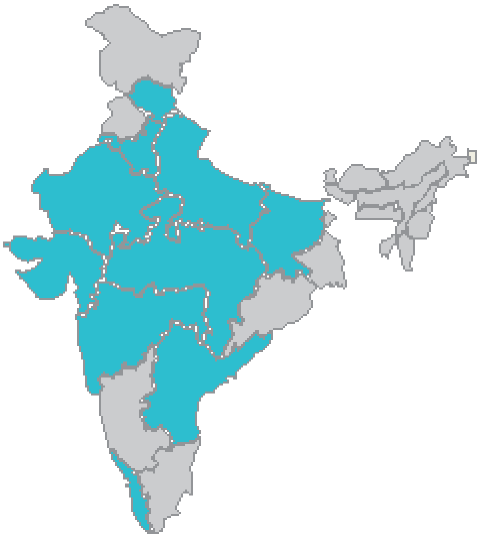
Idea has been performing extremely well, recording 61.6% YoY growth in subscribers together with revenue of 49.5% up to quarter ended 31 December 2008.

Benefits to Both Parties

The investment leverages Axiata's regional experience especially in the more mature markets including expertise in 3G businesses and rollout experiences as India moves into the next technology wave.

For Axiata, the transaction will provide additional exposure to new emerging business models vis-a-vis pay-as-you-grow, managed services, active/passive infrastructure sharing, hosted Value Added Services (VAS), etc. Together, Axiata and Idea will form a business co-operation forum to help facilitate synergies and share knowledge as well as best practices between the two groups of companies.

PRE MERGER



POST SPICE MERGER

13	No. of Operational Service Areas	15
9.9%	National Market Share	11.0%
68%	Subscriber Coverage	78%
7	No. of Service Areas in 900 Mhz	9
39%	% of Subscribers Pan India, Covered by 900 Mhz	49%

Source: Idea

The investment in Idea saw Axiata subscribing for 14.99% equity interest in Idea, for a cash consideration of approximately USD1.8 billion which was financed by debt. Subsequently, Axiata's shareholdings in Idea will increase to 19.0% pursuant to the merger of Spice and Idea in which Axiata will then equity account its investment in Idea. The merger process is expected to be completed in the first half of 2009.

** Source:*
Association of Unified Telecom Service Providers of India
Cellular Operators Association of India (COAI)
Department of Telecommunications, India
Telecom Regulatory Authority of India
OVUM

The combined entity of Spice and Idea has the potential to become one of the largest players in the wireless telecommunication market in India.

Major Milestones

1994

February 1994
A joint venture agreement was entered into between TMI and Sunpower Systems (Private) Limited to set up Dialog (then known as MTN).

1996

October 1996
TMIB was incorporated in Bangladesh as a joint venture company between A.K. Khan & Co. Ltd. and TM.

November 1996
Sunpower Systems (Private) Limited divested its stake in MTN (now known as Dialog) to TMI, which resulted in Dialog becoming wholly-owned by TMI.

1998

May 1998
TMI via TM purchased 51.0% of Cambodia Samart Communication Company Limited (Casacom) (now known as TMIC) from SAMART.

2005

January 2005
TMI, through TMIL, acquired the entire equity interest of Indocel, which had a 23.1% equity interest in XL.

February 2005
TMI, through TMIL, entered into a share sale agreement to acquire a 78% stake in Multinet from Nasser Khan Ghazi and Adnan Asdar.

June 2005
Indocel acquired an additional 4.2% equity interest in XL from Rogan Partners, Inc.

July 2005
Dialog was listed on the Colombo Stock Exchange.

August 2005
TMI, Khazanah and SunShare entered into a joint venture and shareholders' agreement to establish SunShare as a joint venture company for the acquisition of equity interest in M1.

September 2005
A restated joint venture and shareholders' agreement was entered into by SunShare, TMI, Khazanah and TM, as a new party to the earlier agreement, to participate in the affairs of SunShare.

September 2005
XL was listed on the Jakarta Stock Exchange (now known as the Indonesia Stock Exchange).

October 2005
TMI, through SunShare, acquired 12.1% of the equity shares in M1 from Great Eastern Telecommunications Ltd. Prior to March 2006, SunShare made on-market purchases, bringing its total equity interest in M1 to 29.8%.

October 2005
Indocel increased its shareholding in XL to 56.9% through the exercise of its call and put option.

December 2005
TMI, through TMIL, acquired a 49.0% ownership interest in MTCE through a transfer from TRI, a wholly-owned subsidiary of Celcom.

December 2005
Dialog acquired 100% of DBN (then known as MTT Network (Private) Limited).

2006

February 2006
TMI obtained a 24.4% stake in SIM from SIM's parent company, Samart. In addition, TMI has a 18.9% stake in Samart and Samart in turn holds 54.1% in SIM.

February 2006
TMI purchased the remaining 49.0% of Casacom (now known as TMIC) from Samart, and Casacom became a wholly-owned subsidiary of TMI.

March 2006
TMI acquired the entire equity interest of TMI India (then known as DCIL), which had a 49.0% equity interest in Spice.

June 2006
Indocel increased its shareholding in XL to 59.7% via a purchase of additional shares from AIF (Indonesia) Ltd.

September 2006
Dialog acquired 90.0% of the total issued and paid-up share capital of Dialog TV (then known as Asset Media (Private) Limited) from Nihal Seneviratne Epa and Lasantha Joseph Milroy Peiris.

September 2006
TMI through TMIL entered into a share sale agreement with Nasser Khan Ghazi to acquire an additional 11.0% equity interest in Multinet.

October 2006
Casacom changed its name to TMIC.

December 2006
Dialog, through Dialog TV, entered into a share sale and purchase agreement for the acquisition of 100% of the share capital of CBNP and CBNSP from Muhunthan Canagasooryam and Niranjan Canagasooryam.

2007

June 2007
Indocel increased its shareholding in XL to 67.0% by a purchase of additional shares from AIF (Indonesia) Ltd.

July 2007
Spice was listed on the Bombay Stock Exchange. Due to the issuance of new shares by Spice in its IPO, TMI's stake was reduced to 39.2%.

September 2007
Dialog acquired the remaining 10.0% of the total issued and paid-up share capital in Dialog TV, which resulted in Dialog TV becoming wholly-owned by Dialog.

December 2007
TMI, through TMIL, entered into a shareholders agreement with Etisalat Indonesia in relation to the acquisition of 15.97% equity interest in XL by Etisalat Indonesia from Bella Sapphire Ventures Ltd.

2008

25 April 2008
TMI was demerged from TM, resulting in the acquisition of 100% stake in Celcom and 51.0% stake in SunShare. TMI also acquired 16.81% and 49% additional stakes in XL and SunShare respectively from Khazanah.

28 April 2008
TMI was listed on the Main Board of Bursa Securities.

August 2008
TMI India through TMI Mauritius acquired a 14.99% stake in Indian cellular company Idea and announced a merger of Spice with Idea.

October 2008
TMI through TMI Mauritius increased its stake in Spice to 49% as a result of the mandatory general offer of Spice undertaken as part of the Spice-Idea merger, which has yet to be completed.

2009

March 2009
TMI changed its name to Axiata Group Berhad.

Major Milestones (cont'd.)

Awards and Accolades

Celcom (Malaysia) Berhad

- **Malaysia's Most Valuable Brands 2008**
  No. 1 Most Valuable Telco Brand
- **Malaysia Brand Equity Awards 2008**
  3rd Prize overall
- **Frost and Sullivan**
  Mobile Service Provider of the Year 2008
- **Frost and Sullivan**
  Mobile Data Service Provider of the Year 2008

PT Excelcomindo Pratama Tbk

- **Top Brand Award 2008**
  Postpaid Cellular SIM Card category
- **Call Center Award 2008**
- **Indonesia Golden Ring Award 2008**
  Best Operator, Best Operator Product [XL Prepaid Card], Best Customer Service
- **Selular Award 2008** Best Prepaid GSM
- **Indonesia Cellular Award (ICA) 2008**
  CSR, Marketing and Promotion, Customer Growth, Value Added Services, GSM Operator
- **2008 Frost and Sullivan Indonesia Telecoms Awards**
  Mobile Service Provider of the Year
  Market Challenger of the Year

Dialog Telekom PLC

- **Asia Pacific GCCRM Customer Management Awards**
  Customer Management Strategy Award – Asia Pacific
  Customer Management Technology Award – Asia Pacific
  Retail Customer Experience Award – Asia Pacific
- **Dialog Telekom Ranked No. 1 in Business Today's TOP 10**
- **Dialog Named Sri Lanka's Most Valuable Brand by Brand Finance (Lanka)**
  Top of Sri Lanka's Top 100 Brands Index (second year in succession)
- **SAP ACE (Award for Customer Excellence) 2008 Awards**
  Best Telecommunication Sector Implementation for Midsize Enterprises
- **Asian CSR Awards**
  Dialog's gift to the Ceylon School for the Deaf and Blind - The Ratmalana Audiology Centre, Sri Lanka's first digitally-equipped, state-of-the-art hearing centre received an Award of Excellence at the Asian CSR Awards in the 'Concern for Health' category.
- **SLIM Brand Excellence Awards**
  Most Innovative Brand
  Best Mobile Brand
- **2008 Asia Pacific Customer Service Excellence Awards**
  Best Customer Service Centre Award

TM International (Bangladesh) Limited

- **Financial Mirror and Robintex Business Award 2008**
  For excellence in service and corporate social responsibility initiatives
- **Jamuna Bank Business Excellence Award 2008**
  For excellence in customer service and corporate social responsibility initiatives.

Idea Cellular Limited

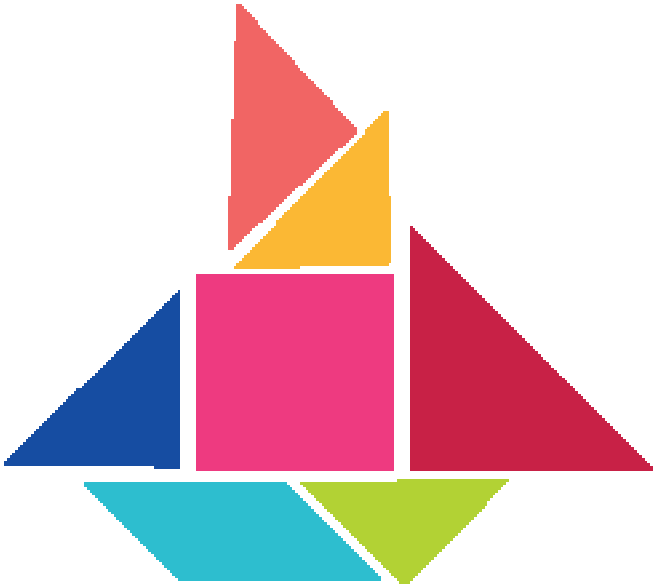
- **Golden Peacock Award 2008**
  Most Innovative Product and Services
- **Asian Mobile News Awards 2008**
  Mobile Operator of the Year – India
- **Asian Mobile News Awards 2007**
  India Operator of the Year Award
- **GSM Association Award**
  Best Billing and Customer Care Solution - 2006 & 2007

MobileOne Ltd

- **Asian MobileNews Awards 2008**
  Mobile Operator of the Year
  CEO, Neil Montefiore - Mobile Operator CEO of the Year
- **National Arts Council's Patron of the Arts Awards 2008**
  Distinguished Patron of the Arts
- **MediaCorp Viewers' Choice 2007 Gold Award**
  (Local TV Commercials Category) for M1's SunTalk Plus Launch Campaign – Indian Curry House TVC

Samart I-Mobile Public Company Limited

- **Prime Minister Award 2008**
  Thai Owned Brand
- **Prime Minister Export Award 2008**
  Design Excellence Award



PRINCIPLED

The boat is representative of the firm and sound leadership of Axiata, navigating the organisation towards its ambition to become the regional champion by 2015.

IV

Board of Directors

FROM LEFT TO RIGHT:

DR. FARID MOHAMED SANI
DATO' YUSOF ANNUAR YAACOB
DATUK AZZAT KAMALUDIN
GITA IRAWAN WIRJAWAN
DATO' SRI JAMALUDIN IBRAHIM

FROM LEFT TO RIGHT:

JUAN VILLALONGA NAVARRO
TAN SRI DATO' AZMAN HJ. MOKHTAR
TAN SRI GHAZZALI SHEIKH ABDUL KHALID
ISMAEL FARIZ ALI
DAVID LAU NAI PEK

Profile of Directors

Tan Sri Dato' Azman Hj. Mokhtar
Age 48, Malaysian
Appointed to the Board on 3 March 2008
Chairman, Non-Independent Non-Executive Director

Azman is the Managing Director of Khazanah since 1 June 2004. He started his career in September 1983 at the then National Electricity Board and Tenaga Nasional Berhad until August 1994. Thereafter, he was a Director and Head of Research for Union Bank of Switzerland in Malaysia. Between 1998 and 2002, he was a Director and Head of Research at Salomon Smith Barney in Malaysia. From 2002 until May 2004, he was the Managing Director of BinaFikir Sdn Bhd.

Azman graduated with distinction in Masters of Philosophy in Development Studies from Darwin College, Cambridge University, the United Kingdom as a British Chevening scholar. He is a Fellow of the Association of Chartered Certified Accountants, the United Kingdom and is a Chartered Financial Analyst. He also holds a graduate diploma in Islamic Studies from the International Islamic University, Kuala Lumpur.

His directorships in other public companies are Iskandar Investment Berhad (formerly known as South Johor Investment Corporation Berhad) of which he is the Chairman and UEM Group Berhad. He is also the Chairman of Valuecap Sdn Bhd, member of Iskandar Regional Development Authority and Yayasan Khazanah. He serves on various public service bodies including the Advisory Board for Cluster of Excellence Schools, the Board of Governors of the Malay College Kuala Kangsar and the Executive Committee of Malaysia International Islamic Financial Centre. He is also a member of the Kuala Lumpur Business Club, the Asia Business Council and the INSEAD East Asia Council.

Azman is a representative of Khazanah on the Board of the Company.

He attended all 11 Board meetings held during the financial year.

Dato' Sri Jamaludin Ibrahim

Age 50, Malaysian
Appointed to the Board on 3 March 2008
Managing Director/President and Group Chief Executive Officer

Jamaludin was appointed as Managing Director/ President and Group Chief Executive Officer in March 2008.

Prior to his appointment in Axiata, Jamaludin was with Maxis Communications Berhad (Maxis), which he joined in 1997 and was appointed Chief Operating Officer in the same year, and Chief Executive Officer in 1998. In 2006, he was redesignated as the Group Chief Executive Officer to reflect Maxis' international footprint. He retired from Maxis in July 2007 but remained as a Board member until February 2008.

Before joining Maxis, he spent 16 years in the IT industry. He was Managing Director and Chief Executive Officer of Digital Equipment Malaysia (then the second largest IT-company worldwide) from 1993 to 1997. Jamaludin also spent 12 years in IBM (1981-93) as Systems Engineer and then in various positions in Sales, Marketing and Management. Prior to IBM, he was a lecturer in Quantitative Methods at California State University, United States in 1980.

Jamaludin graduated from California State University in 1978 with a Bachelor of Science in Business Administration and minor in Mathematics. He obtained his MBA from Portland State University, Oregon in 1980.

Jamaludin is also the Chairman of Celcom, and member of the Boards of XL and M1. He is also a member of the Board of GSM Association, Universiti Tun Hussein Onn and Universiti Tun Abdul Razak.

He was inducted into the Hall of Fame for 'Services to the Mobile Telecommunications Industry' by Asian Mobile News in 2004, and earned the accolade of Malaysia's 'CEO of the Year' 2000 by American Express and Business Times. He was also named Asian Mobile Operator CEO of the Year by Asian Mobile News Awards 2007.

He attended all 11 Board meetings held during the financial year.

Profile of Directors (cont'd.)

Dato' Yusof Annuar Yaacob

Age 43, Malaysian
Appointed to the Board on 1 June 2005
Executive Director/Group Chief Financial Officer

Yusof was appointed as the Executive Director/Group Chief Financial Officer of the Company since 24 March 2008. He was the Chief Executive Officer of the Company from June 2005 till March 2008.

Yusof has had investment banking, corporate management and telecommunications experience throughout his career. Prior to his appointment in the Company on 1 June 2005 as the Chief Executive Officer of the Company, he was an Executive Director at OCB Berhad and a Board member of a number of other public listed companies in Malaysia.

Yusof is a Chartered Accountant by profession. He completed his Chartered Institute of Management Accountants professional examination in 1987.

Yusof is also a member of the Board of Celcom and a number of public companies within the Group operating internationally such as XL, Dialog, TMIB, Spice, M1, Samart and SIM.

He attended all 11 Board meetings held during the financial year.

Tan Sri Ghazzali Sheikh Abdul Khalid

Age 63, Malaysian
Appointed to the Board on 24 March 2008
Independent Non-Executive Director
Member, Board Nomination Committee, Board Remuneration Committee and Employee Share Option Scheme Committee

Ghazzali is an Ambassador-at-large of the Ministry of Foreign Affairs, Malaysia. Ghazzali has made his career as a diplomat since 1971 and became the Ambassador of Malaysia to the United States in March 1999. Before his appointment to Washington, D.C., he served as the deputy secretary-general at the Ministry of Foreign Affairs, Malaysia. Over the years, his overseas appointments have included postings to Hong Kong, Germany, Austria, Thailand, the United Kingdom, Zimbabwe and with the Permanent Mission of Malaysia to the United Nations in New York, United States.

Ghazzali holds a degree in Economics from the University of La Trobe in Australia.

Ghazzali does not hold any other directorships in any other public company.

He attended all 10 Board meetings held during the financial year after his appointment.

Datuk Azzat Kamaludin

Age 63, Malaysian
Appointed to the Board on 24 March 2008
Senior Independent Non-Executive Director
Member, Board Audit Committee

Azzat is a lawyer by profession and is a partner of the law firm of Azzat & Izzat. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs, Malaysia from 1970 to 1979. He served as a member of the Securities Commission from 1 March 1993 to 21 March 1999.

Azzat graduated from the University of Cambridge, the United Kingdom, with degrees in Law and in International Law in 1968 and 1969 respectively, and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970.

He is a Director in Dialog, a public company in the Group. His directorships in other public companies are Affin Holdings Berhad, Boustead Holdings Berhad, Boustead Heavy Industries Corporation Berhad, KPJ Healthcare Berhad, Pulai Springs Resort Berhad and Visdynamics Holdings Berhad. He is also a Director of Malaysian Directors Academy, a company limited by guarantee.

He attended all 10 Board meetings held during the financial year after his appointment.

Juan Villalonga Navarro

Age 56, Spanish
Appointed to the Board on 24 March 2008
Independent Non-Executive Director
Member, Board Audit Committee

Juan is currently a global investor based in London. From 1996 to 2000, he was the Chairman and CEO of Telefonica, a provider of telecommunications services in Spain. Prior to joining Telefonica, Juan was the CEO of Bankers Trust in Spain, the CEO of Credit Suisse First Boston in Spain and a partner at McKinsey & Co., a consulting firm, for nine years.

Juan graduated with a degree in Law and Economics from Deusto University in Spain and holds an MBA from the Institute of Advanced Economic Studies in Barcelona, Spain.

Juan is also a Director of Espirito Santo Financial Holding, a public company in Luxembourg.

He attended 6 out of 10 Board meetings held during the financial year after his appointment.

Profile of Directors (cont'd.)

David Lau Nai Pek

Age 56, Malaysian
Appointed to the Board on 23 April 2008
Independent Non-Executive Director
Chairman, Board Audit Committee

David has over 35 years of professional experience in finance and leading financial organisations in various locations in Australia, Brunei, China, Malaysia, New Zealand, the Netherlands and the United Kingdom. He has served the Shell Group for 27 years in various capacities. Prior to his retirement at the end of December 2008, he was the Vice-President Finance, Shell International Exploration and Production B.V., The Hague, the Netherlands.

David is a chartered accountant by profession and associate member of the New Zealand Society of Accountants and a member of the Malaysian Institute of Accountants. David obtained his Bachelor of Commerce degree from the University of Canterbury, New Zealand.

He is a Director of Celcom, a public company in the Group.

He attended 7 out of 10 Board meetings held during the financial year after his appointment.

Gita Irawan Wirjawan

Age 43, Indonesian
Appointed to the Board on 24 March 2008
Independent Non-Executive Director
Member, Board Nomination Committee, Board Remuneration Committee and Employee Share Option Scheme Committee

Gita is currently the Senior Adviser for South East Asia for JP Morgan. Prior to that, he was Senior Country Officer for JP Morgan Indonesia. He was previously the Senior Vice President for International Business Development at Singapore Technologies Telemedia Pte Ltd. He was previously a senior banker at Goldman Sachs and Citibank. He is also active in public service in Indonesia. He is a member of the Indonesian Chamber of Commerce and is on the Indonesian President's biodiesel/renewable energy committee.

Gita holds a Masters of Public Administration degree from the Kennedy School of Government, Harvard University, United States where he was also a Mason Fellow. He also has an MBA from Baylor University, United States, and a Bachelor of Arts degree in Business Administration from the University of Texas, United States. He is also Certified Public Accountant and a Chartered Financial Analyst.

Gita does not hold any other directorships in any other public company.

He attended 8 out of 10 Board meetings held during the financial year after his appointment.

Ismael Fariz Ali

Age 47, Malaysian
Appointed to the Board on 24 March 2008
Non-Independent Non-Executive Director
Chairman, Board Nomination Committee, Board Remuneration Committee and Employee Share Option Scheme Committee

Fariz is currently the Executive Director, Investments of Khazanah. Prior to this, he was the Managing Director of a technology venture capital firm, FirstFloor Capital Sdn Bhd, which he co-founded in 2000. In his seven years of leading the firm, he was involved in setting up several venture funds ranging from angel-stage and early-stage technology funds to mezzanine-stage funds. Prior to that, he was with the AMMB Group for 16 years, with experience ranging from corporate finance, privatisations, mergers and acquisitions, investment advisory and valuations.

Fariz holds an MBA in Finance from the University of Iowa and a Bachelor of Arts degree in Economics and Business Administration from Knox College, Illinois, where he was also a teaching assistant in Computer Science.

His directorships in other public companies are Pharmaniaga Berhad, RHB Islamic Bank Berhad and RHB Bank (L) Ltd. He is also a council member of the Malaysian Venture Capital Development Council.

Fariz is a representative of Khazanah on the Board of the Company.

He attended all 10 Board meetings held during the financial year after his appointment.

Dr. Farid Mohamed Sani

Age 33, Malaysian
Appointed to the Board on 24 March 2008
Alternate Director to Ismael Fariz Ali on the Board and Board Nomination Committee, Board Remuneration Committee and Employee Share Option Scheme Committee

Farid is currently the Senior Vice President of the Managing Director's office at Khazanah. He has been with Khazanah since 2004 and has also served in Khazanah's transformation management office. Prior to that, Farid was a consultant at McKinsey & Co for two years.

He received his doctorate in Chemical Engineering from University of Cambridge, the United Kingdom and has a Master of Engineering and Bachelor of Arts degree (Honours) from the University of Cambridge, United Kingdom, with a specialisation in Chemical Engineering. He graduated with First Class Honours.

He is a Director in Celcom and TMIB, public companies in the Group. He is also an Alternate Director on the Board of TM.

None of the Directors have:
- *Any family relationship with any Director and/or major shareholder of Axiata*
- *Any conviction for offences within the past ten years other than traffic offences*
- *Any conflict of interest with Axiata*

Profile of Management Team

Dato' Sri Jamaludin Ibrahim

Managing Director /
President and Group Chief Executive Officer

Please refer to page 57 of the Annual Report.

Dato' Yusof Annuar Yaacob

Executive Director / Group Chief Financial Officer

Please refer to page 58 of the Annual Report.

Dr Hans Wijayasuriya

Group Chief Operating Officer

Hans is a Chartered Engineer and Fellow of the Institute of Engineering Technology (IET) UK. He holds a Degree in Electronic Engineering from the University of Cambridge, United Kingdom. He also holds a Doctorate in Digital Mobile Communications from the University of Bristol, United Kingdom and an MBA from the University of Warwick, United Kingdom. Hans has over 15 years experience in technology-related business management.

Hans also holds the additional role of the Group Chief Executive of Dialog, a position he has held since 1997.

Hans has served as Chairman of the GSM Asia Pacific – the regional interest group of the GSM Association representing 22 Asia Pacific member countries, and was named in the GSM 100 Role of Honour in 2001, in recognition of his contribution to GSM development in the Asia-Pacific region.

Hans was the recipient of the CIMA-Janashakthi Business Leader of the Year award in its inaugural year of presentation in 2003, and named Sri Lankan of the Year by Sri Lanka's leading business magazine, the LMD, in 2008.

Hans has published widely on the subject of digital mobile communications, including research papers in publications of the IEEE (USA), the Royal Society and The Institution of Engineering and Technology (UK). He has made several keynote presentations at international conferences on digital mobile communications. Hans has also played an active role in Sri Lanka's ICT industry.

Norman Donald Price IV

Group Chief Technology Officer

Don was appointed Axiata's Group Chief Technology Officer in November 2008.

Don started his career in the US Navy, where he initially taught reactor physics, specialising in nuclear propulsion but later moved on to communications.

Don joined McCaw Communications Group in the US, for whom he also spent considerable amounts of time with various telecommunication operators in Asia. His work at McCaw also led him to China, Indonesia and Philippines.

Don has more than 25 years experience in establishing and scaling new business operations in fiercely competitive environments in the region, seven years of which was with Bharti Airtel.

During the course of the seven years, Don expanded Airtel's presence from six markets in India to 23 (pan-India), as well as four new international markets. During Don's tenure, the Airtel networks have been successfully scaled from 800,000 subscribers and less than 5,000 sites to more than 100 million subscribers and more than 100,000 sites. Don also pioneered the innovative Managed Capacity and Managed Services models.

Azwan Khan Osman Khan

Group Chief Strategy Officer

Azwan is an engineering graduate (First-Class Honours) from Imperial College, University of London, United Kingdom, with a broad mix of telecommunication and non-telecommunication experience across a range of companies.

Azwan was formerly the Senior Vice President, Corporate Strategy and Development, Celcom, a position he held since mid-2005. Before joining Celcom, Azwan spent five years with The Boston Consulting Group, where he worked on developing and implementing strategies for various blue chip organisations in the region in a variety of areas including strategy, planning and change management, spanning a wide range of industries. Prior to that, Azwan spent seven years in Shell Malaysia where his job functions included IT development, retail marketing, loyalty cards and commercial marketing, which included a secondment as operations manager of Bonuslink.

Tan Gim Boon
General Counsel, Group Legal

Gim graduated with a Bachelor of Commerce in 1993 and a Bachelor of Laws in 1995 from University of Adelaide, Australia. In 2000, he completed a Master of Laws from University of New South Wales, Australia. Gim was admitted as an Advocate and Solicitor of the High Court of Malaya in 1997 and admitted as a solicitor in New South Wales, Australia 2002.

Prior to joining Axiata as the General Counsel, Gim worked in a few of Malaysia's leading law firms and also in Australia (Allen Allen & Hemsley (now Allens Arthur Robinson) predominantly in the fields of mergers and acquisitions, capital markets and corporate matters. His last post before joining Axiata, was with Malaysia's largest law firm, Zaid Ibrahim & Co in 2003.

Rema Devi Nair
Head, Group Regulatory Affairs

Rema graduated from the University of Malaya, Kuala Lumpur with a Bachelor of Arts (Hons) and Master in Philosophy (M.Phil) degrees in 1983 and 1987 respectively.

Rema has over 15 years experience in the telecommunications industry commencing in 1988 as a specialist telecommunications writer at the Business Times, Malaysia's financial daily. This was followed by over eight years in TM, primarily in corporate planning and strategy. In early 1999, she joined the newly established convergence regulator, the Malaysian Communications & Multimedia Commission (MCMC), serving in various positions including Manager (Economic Regulation) and Industry Policy and Regulation. She joined Axiata as Head, Regulatory and Corporate Affairs in August 2003 and undertook her current position as Head, Group Regulatory Affairs in April 2008.

Rema is a member of the Chief Regulatory Officers' Group (CROG) of the GSM Association (GSMA) World.

Datin Badrunissa Mohd Yasin Khan

Head, Group Human Resource

Badrunissa has had over 25 years of working experience. Her career has predominantly been with Shell Malaysia with the first half focusing on IT software application and the second half in Human Resources. Badrunissa was responsible for different aspects of HR management in Shell, with her last position as one of the global job evaluation advisors responsible specifically for Global Retail, Global IT and EP Asia Pacific as well as overseeing the East region.

Before Axiata, which she joined at the point of its demerger from TM, she was with TM for a period of about 10 months. At TM, she was General Manager, Leadership & Talent Management, Group HR and was responsible for group-wide succession planning, talent management and development, its policies and procedures and identify method to attract, develop and retain top talent in the organisation.

Badrunissa holds a Bachelor of Science (Honours) 1981, in Biochemistry and Pharmacology, University of Aston in Birmingham, United Kingdom.

Nik Hasnan Nik Abd Kadir

Group Chief Internal Auditor

Hasnan graduated with a Bachelor of Science (Hons) in Accounting and Financial Analysis, University of Warwick, United Kingdom. He is a Certified Internal Auditor (CIA) and a Chartered Member of the Institute of Internal Auditors, Malaysia (CMIIA).

Hasnan joined Axiata from Celcom where he was Chief Internal Auditor since 2005. Prior to that, he was Financial Controller, Asia Pacific Service Centre, for Shell Global Solutions, a member of Shell Global Audit Network and Secretary of ATRACC Audit Committee, a Shell Accounting Transaction Services Company for Asia Pacific and Middle East and General Manager, Finance, Tiram Kimia Sdn Bhd, a Shell International BV joint venture Company.

Suryani Hussein
Group Company Secretary

Suryani, a qualified advocate and solicitor of the High Court of Malaya and licensed Company Secretary, spent the early years of her career in legal practice. She subsequently joined the corporate sector and was appointed Head of Legal and Secretarial, Celcom in 2002. She became the Group Company Secretary of Axiata upon its listing in April 2008. Suryani retains her leadership role as Head of Legal in Celcom.

Profile of Operating Companies' Management Team

Dato' Sri Mohammed Shazalli Ramly
Chief Executive Officer
Celcom (Malaysia) Berhad

Shazalli holds a Bachelor of Science (Marketing) from Indiana University, Bloomington, Indiana and an MBA from St. Louis University, Missouri, USA. He was appointed Chief Executive Officer and Director of Celcom on 1 September 2005. Prior to this, he was the Chief Executive Officer of ntv7, Malaysia's seventh terrestrial TV station, a position he held for eight years since its launch in 1998.

Shazalli had earlier left his mark in the fast moving consumer goods industry, with Lever Brothers (1987 – 1993), followed by the Malaysian Tobacco Company (MTC) and British American Tobacco (BAT) (1993 – 1996) both in Malaysia and the United Kingdom. He also served as ASTRO's Marketing Director for two years where he pioneered the launch of ASTRO digital satellite services in Malaysia.

He is also a board member of the Kuala Lumpur Business Club in Malaysia.

Hasnul Suhaimi
President Director
PT. Excelcomindo Pratama Tbk

Hasnul was appointed President Director of XL in September 2005. Prior to joining XL, he was President Director of Indosat. He has extensive experience within the telecommunications industry, having held several directorships at PT. IM3 and PT. Telkomsel.

Hasnul started his career as an Instrument Engineer at Schlumberger in 1981. Hasnul graduated from Bandung Institute of Technology (ITB) in 1981 with an Electrical Engineering degree and subsequently pursued his MBA from the University of Hawaii, Manoa, USA in 1992.

Since joining XL in 2006, Hasnul has brought significant transformation to the company. Developing and executing new strategies to strengthen XL's networks, marketing, and internal consolidation, has resulted in low tariffs being offered to the Indonesian market thus increasing market share, revenue and profit margins.

XL was first to initiate and has since been leading this market transformation. This market strategy has made telecommunication available and affordable for the Indonesian population at large. Indonesia's telecommunications tariffs which was formerly the highest in the world, has joined the lowest tariff group.

Profile of Operating Companies' Management Team (cont'd.)

Dr Hans Wijayasuriya

Director and Group Chief Executive
Dialog Telekom PLC

Please refer to page 62 of the Annual Report.

Jefri Ahmad Tambi

Chief Executive Officer and Managing Director
TM International (Bangladesh) Limited

Jefri was appointed Chief Executive Officer and Managing Director of TMIB in June 2008.

Prior to that, Jefri was Chief Executive Officer of Fibrecomm which he joined in June 2005, where he played a central role in Fibrecomm's growth and turnaround of its business.

Before joining Fibrecomm, he was Managing Director of Sheba Telecom (Pvt) Limited in Bangladesh from 2000 to 2004. During his term, he received several awards and recognitions for corporate achievements and excellence including International Crown Award (Platinum category) by Business Initiative Direction of Spain, 2003, Businessman Award by Financial Mirror of Bangladesh in 2002, and International Crown Award (Gold category) by Business Initiative Direction of Spain, 2001.

Jefri holds a degree in Bachelor of Accounting from Universiti Teknologi MARA.

Muhammed Yusoff Mohd Zamri

Chief Executive Officer
Telekom Malaysia International (Cambodia) Co. Ltd

Yusoff was appointed Chief Executive Officer of TMIC in February 2007. Yusoff has both cellular operator and telecommunication vendor experience.

Yusoff completed his Bachelor of Engineering (Industrial) from Monash University, Australia in 1987 and began his career in 1988 with INTEL as a management trainee. He subsequently moved to the service industry with American Express from 1990 to 1993.

Yusoffs' mobile operator experience include stints at Celcom from 1993 to 1996 and in Uzmacom as Director of Marketing and Business Development for a new mobile operator in Uzbekistan from 1996 to 2000. Prior to his appointment in TMIC, he was attached to various international companies such as Lucent Technologies, Schlumberger and Atos Origin.

Adnan Asdar
Chief Executive Officer
Multinet Pakistan (Private) Limited

Adnan, one of the pioneers of Multinet, has been the driving force behind the organisation and is responsible for spearheading the successful deployment of the nationwide Optical Fibre Network.

Adnan has a degree in Science (Civil Engineering) from Wisconsin, USA and a Masters in Science (Civil Engineering) from Minnesota, USA. He has rich and progressively diverse experience of over 24 years in structural and forensic engineering, construction management, quality control and project management.

Adnan has conducted a series of seminars on Entrepreneurship and Marketing at the Institute of Business Administration as well as Project Management and Leadership seminars at NED University in Karachi. He also plays advisory roles in several non-profit organisations primarily focused on Education and Health and is on the Executive Council Board for The Citizen's Foundation, The Hunar Foundation and Indus Hospital.

Karen Kooi
Acting Chief Executive Officer
MobileOne Ltd.

Karen joined M1 as Chief Financial Officer in August 1995. She was a key member of the senior management team responsible for the planning, development and launch of M1's commercial operations. Prior to joining M1, Karen held various senior financial positions with large public listed companies, including Singapore Press Holdings Limited and City Developments Limited. She has more than 20 years experience in finance, and over 10 years experience in operations and strategic planning. Karen is a Fellow of the Chartered Association of Certified Accountants (United Kingdom) and holds an MBA in Investment and Finance (Distinction) from the University of Hull, United Kingdom.

In addition to her duties as the Chief Financial Officer, Karen is also the Acting Chief Executive Officer of M1 with effect from 1 February 2009.

Profile Of operating Companies' Management Team (cont'd.)

Sanjeev Aga
Managing Director
Idea Cellular Limited

Sanjeev was appointed Managing Director of Idea in 1 November 2006. He is a Director on the Board of the Aditya Birla Management Corporation and has been the Chairperson of the Cellular Operators Association of India.

In a career commencing in 1973, Sanjeev has held positions in Asian Paints, Jenson and Nicholson, and Blow Plast Ltd where he was the Managing Director from 1993 to 1998. In 1998, he was appointed CEO of Birla AT&T Ltd. He led the company through expansions, mergers and acquisitions, to be CEO of what became Idea. From May 2005 until October 2006, Sanjeev was Managing Director of Aditya Birla Nuvo Ltd., a conglomerate whose interests span diverse group businesses.

Sanjeev is an Honours graduate in Physics from St. Stephen's College, Delhi (1971) with post graduate studies from the Indian Institute of Management, Kolkata (1973).

Shahram Setayesh
Managing Director
Mobile Telecommunications Company of Esfahan

Shahram was appointed Managing Director of MTCE in January 2009. Prior to that, he spent 18 years in various positions within the Telecommunication Company of Iran group of companies. His last position was Manager in the IT department for Telecommunications Company of Fars.

Shahram graduated from Shiraz University, Iran in 1988 with a Bachelor of Science majoring in Computer Science. He then completed his Masters of Information Technology from the same university in 2008.

Charoenrath Vilailuck

Executive Chairman and Chief Executive Officer
Samart Corporation Public Company Limited

Charoenrath graduated from the University of Newcastle, Australia with a Bachelor of Science (Electrical Engineering) and received a Certificate from the Thai Institute of Directors Association. Recently, he also obtained a Certificate from the National Defence College of Thailand.

Charoenrath has been Executive Chairman and Chief Executive Officer of the Samart Group since 1987. Under his vision to build an internationally recognised Thai-based technology company, Samart Group has steadily enlarged its scope of businesses, covering Mobile Multimedia, ICT Solutions and Services and other Technology-related businesses. At present, the group operates through 20 affiliates and three of them are listed on the Stock Exchange of Thailand.

Watchai Vilailuck

Executive Chairman and Chief Executive Officer
Samart I-Mobile Public Company Limited

Watchai was appointed Executive Chairman and Chief Executive Officer of SIM in 2003. He also holds several senior management positions in other Samart subsidiaries.

Watchai graduated from Thammasart University with a Bachelor in Accounting and received his Director Certificate from the Thai Institute of Directors. He is also one of the most recognised CEOs in Thailand.

Statement on Corporate Governance

Axiata, as a newly listed company on the Main Board of Bursa Securities on 28 April 2008 is committed to applying high standards of corporate governance throughout the Group and to adhere to the Principles and Best Practices set out in the Malaysian Code on Corporate Governance (Code), revised in 2007.

This statement provides a description on how the Group has applied the key principles and the extent of its compliance with the best practices set out in the Code for the financial year ended 31 December 2008 (FY 2008).

THE BOARD OF DIRECTORS

The Board of Directors of Axiata is responsible for the overall performance of the Group. It provides stewardship to the Group's strategic direction and operations in order to maximise shareholder value. The Board has overall responsibility for corporate strategy, overseeing the conduct of business, risk management, internal control, investor relations, corporate governance and succession planning for key positions. The Board is guided by its documented Terms of Reference (ToR) which sets out the Board's duties and responsibilities including specific duties of the Chairman, Non-Executive Directors and Executive Directors. In February 2009, the Board approved a formal Limits of Authority which clearly sets out the division of authority between the Board and Management.

Board Balance

The Board has nine members comprising seven Non-Executive Directors (including the Chairman) and two Executive Directors, namely the Managing Director/President and Group Chief Executive Officer (GCEO) and Executive Director/Group Chief Financial Officer (GCFO).

Five of the Board members are independent reflecting a proportion which is higher than the one-third minimum prescribed by the Code and Listing Requirements of Bursa Securities (LR).

Collectively, the members of the Board bring a wealth of expertise and experience to the Group as they comprise a blend of individuals of diverse professional background, skills and international exposure in the areas of telecommunications, investments, mergers and acquisitions, finance, law, corporate finance and technology. A brief profile of each Director is presented on pages 56 to 61. The Board's collective mix of skills and experience enables it to provide effective control and direction to the Group.

There is a clear division of responsibility between the Chairman and the President and GCEO so as to ensure a balance of power and authority. The Chairman is responsible for ensuring a proper flow of information to the Board, reviewing adequacy and timing and depth of deliberation and documentation in support of management's proposals. The Chairman encourages participation and deliberation by Board members and promoting consensus building as much as possible. The President and GCEO has overall responsibilities over the Group's operational and business units, organisational effectiveness and implementation of policies, directives, strategies and decisions.

The Board acknowledges the importance of Independent Directors who are tasked with ensuring that there is a proper check and balance on the Board as they are able to provide unbiased and independent views in Board deliberations and decisions.

This is especially critical in taking into account the interests of all shareholders and stakeholders. In view of this, the Board has identified Datuk Azzat Kamaludin as the Senior Independent Non-Executive Director to whom concerns pertaining to the Group may be conveyed.

Appointments to the Board

The Board Nomination Committee (BNC), composed exclusively of Non-Executive Directors, a majority of whom are independent, is responsible for ensuring that there is a formal and transparent procedure for assessing and proposing new candidates for appointment to the Board and Board Committees.

One-third of the Directors are subject to re-appointment by rotation at every Annual General Meeting in accordance with the Articles.

The directorships of Directors of Axiata in other public listed companies and private companies not only do not exceed the prescribed limits under the LR, but also do not exceed the provisions of the Green Book on "Enhancing Board Effectiveness" for GLCs of 5 and 10 directorships in public listed and private companies respectively.

Pursuant to Section 129(2) of the Companies Act, 1965 (Companies Act), the office of a director over the age of 70 years becomes vacant at every Annual General Meeting unless he is reappointed by a resolution passed at the said meeting.

Board Meetings and Supply of Information

During FY2008, a total of 11 Board meetings were held including an informal "retreat" session to deliberate specifically on strategic aspects and performance targets of the Group. The attendance of present Directors at Board and Board Committee meetings after they were appointed and after the first Board meeting[1] held during FY2008 is detailed below:

Directors	Board Meetings	Board Committee Meetings		
		BAC	BNC[2]	BRC[2]
Tan Sri Dato' Azman Hj Mokhtar[3]	11/11	n/a	n/a	n/a
Dato' Sri Jamaludin Ibrahim[3]	11/11	n/a	n/a	n/a
Dato' Yusof Annuar Yaacob[4]	11/11	n/a	n/a	n/a
Tan Sri Ghazzali Sheikh Abdul Khalid[5]	10/10	n/a	3/3	4/4
Datuk Azzat Kamaludin[5]	10/10	3/3	n/a	n/a
Juan Villalonga Navarro[5]	6/10	2/3	n/a	n/a
David Lau Nai Pek[6]	7/10	3/3	n/a	n/a
Gita Irawan Wirjawan[5]	8/10	n/a	3/3	4/4
Ismael Fariz Ali[5]	10/10	n/a	3/3	4/4

1 Held on 6 March 2008
2 Includes attendance at Nomination and Remuneration Committee (NRC) prior to separation into two separate Board committees
3 Appointed on 3 March 2008
4 Appointed on 1 June 2005
5 Appointed on 24 March 2008
6 Appointed on 23 April 2008

For Board meetings, the Board is furnished with an agenda and a set of Board papers in advance of each Board meeting. The Board papers contain both quantitative and qualitative information thereby enabling informed decisions to be made. In carrying out its duties, the Board is provided with, among others, the following information:

1. Reports of meetings of all Board Committees including matters requiring the full Board's deliberation and approval;
2. Annual budgets;
3. Business and investment strategies;
4. Quarterly performance reports of the Group, which include information on financial, industry and strategic business issues and updates;
5. Major operational, financial, technical, legal and regulatory issues;
6. Technological developments and updates;
7. Reports on risk management; and
8. Board papers on other matters for discussion/ approval.

The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. In discharging their duties, the Board is assured of full and timely access to all relevant information. Where necessary, the Directors, whether collectively as a Board or in their individual capacity may seek external and independent professional advice and assistance from experts in furtherance of their duties at the Company's expense.

The Directors also have direct access to the advice and services of the Group Chief Internal Auditor (GCIA) and the Group Company Secretary.

Directors' Training

The Board fully supports the needs for its members to continuously enhance their skills. Continuous education is vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the Board's skills and knowledge in discharging its responsibilities.

In compliance with the LR, all the Directors of the Company who had not attended the Mandatory Accreditation Programme have attended the same during the year.

Directors have attended various seminars as part of the Board's emphasis on continuous education. The seminars attended by one or more Directors during the year include:

1. Gulf Venture Capital 2008-Riyadh;
2. MINDA Luncheon Talk – Current and Future Prospects of Islamic Banking;
3. Khazanah Megatrends Forum – Shifting Sands : Threats and Opportunities;
4. Khazanah Global Lecture;
5. Seminar on Director's Duties, Liabilities and Governance Reform 2008;
6. Seminar on "Addressing the Recent Changes and Implications of the Companies Act 1965", and
7. Telco Primer.

In addition, members of the Board had also been invited to participate in forums and/or seminars in the capacity of as a speaker, moderator or panelists in areas of their expertise. Some of the forums and/or seminars in which members of the Board had participated include:

<u>Tan Sri Dato' Azman Hj. Mokhtar</u>
Discussion member – Three Private Sessions: "Sovereign Wealth Funds", "Sovereign Wealth Funds as Shareholders" and "The Rise of Sovereign Wealth Funds", World Economic Forum (WEF), Davos, Switzerland

Panelist – "Economic Partnership Between the Gulf Cooperation Council Countries and the Muslim World", World Islamic Economic Forum, Kuwait

Panelist – "Global Economic Leadership: Is Asia in the Driver's Seat?", WEF on East Asia, Kuala Lumpur, Malaysia

Panelist – "Competition in a Flatter World: What Does This Mean for ASEAN", ASEAN 100 Leadership Forum 2008, Manila, Philippines

Moderator – "Doing Business in Asia", World Congress on Information Technology, Kuala Lumpur, Malaysia

Dato' Sri Jamaludin Ibrahim
Panelist - "Economic stewardship in turbulent times: How can leaders cope with rapid change?", ASEAN 100 Leadership Forum 2008, Manila, Philippines

Moderator – "How Far or Near Should Public-Private Partnerships (PPP) Be Encouraged For Foreign Ventures And Should The Regulator Adopt A Promoter Rather Than A Regulatory Approached", Converging Broadband: Going for Growth, Kuala Lumpur, Malaysia

Gita Irawan Wirjawan
Speaker – "The Future of Indonesia Beyond 2014, Prospect and Challenges", Young Leaders Conference, Singapore

Speaker – Indonesia Chamber of Commerce: National Coordination Meeting, Jakarta, Indonesia

Speaker – "Youth Leadership for Indonesia", Jakarta, Indonesia

Speaker – "Leadership in Transition", Jakarta, Indonesia

Board Committees

The Board delegates certain of its responsibilities to various Committees of the Board which operate within clearly defined ToRs. These Committees have the authority to examine particular issues and report to the Board on their proceedings and deliberations. On Board reserved matters, Committees shall deliberate and thereafter state its recommendations to the Board for their approval.

During Board meetings, the Chairmen of the various Committees provide summary reports of the decisions and recommendations made by the Committees, and highlight to the Board should any further deliberation be required at the Board level. A summary of these Committees' reports and deliberations are incorporated into the minutes of the Board meetings.

Axiata has four principal Board Committees as follows:

- Board Audit Committee (BAC) members are as follows:
  - (i) David Lau Nai Pek – Chairman, Independent Non-Executive
  - (ii) Datuk Azzat Kamaludin - Independent Non-Executive
  - (iii) Juan Villalonga Navarro - Independent Non-Executive
- Board Nomination Committee (BNC)*
- Board Remuneration Committee (BRC)*
- Employee Share Option Scheme (ESOS) Committee
- The BNC, BRC and ESOS Committees share the same members as follows:
  - (i) Ismael Fariz Ali - Chairman, Non-Independent Non-Executive
  - (ii) Tan Sri Ghazzali Sheikh Abdul Khalid - Independent Non-Executive
  - (iii) Gita Irawan Wirjawan - Independent Non-Executive
  - (iv) Dr Farid Mohamed Sani – Non-Independent Non-Executive, alternate to Ismael Fariz Ali

* On 22 May 2008, the Board resolved on the separation of the NRC into two separate committees, namely the BNC and BRC.

BAC

The BAC is tasked by the Board primarily to oversee the financial reporting and internal control aspects of the Group.

The composition, functions and procedures of the BAC are in compliance with the LR and the provisions of the Code. Details of the composition, ToR and a summary of the key activities of the BAC are set out separately in the BAC Report on pages 86 to 95 of this Annual Report.

BNC

The primary functions of the BNC are as follows:

1. To recommend new nominees to the Board of Directors of the Company and any Committee of the Board;
2. To recommend or approve, as the case may be based on the ToR, the appointment of the key management of the Group;
3. To assess the effectiveness of the Board, Board Committees and individual Directors (including the President and GCEO); and
4. To review, on an annual basis, the size of the Board and the required mix of skills, experience and responsibilities present on the Board in ensuring the continued effectiveness of the Board.

To ensure that Axiata's key directions are cascaded down and implemented in its overseas companies, one of the key functions of the BNC also includes the review and recommendation of Board candidates for directorship or Axiata's nominees in major OpCos.

During FY2008, a total of three BNC meetings were held. This includes one meeting before the separation of the NRC into separate Board committees on 22 May 2008.

Key activities of the BNC during FY2008 include, inter-alia, reviews on the following:

1. Changes on the membership of the Board of Directors of major OpCos; and
2. Appointment of the Group Chief Operating Officer and Group Chief Technology Officer of Axiata.

BRC

The primary functions of the BRC are as follows:

1. To assist the Board in determining the policy and structure for the compensation of Non-Executive Directors and remuneration of Executive Directors and key management of the Group; and
2. To recommend to the Board the remuneration of the Executive Directors in all its forms and compensation of Non-Executive Directors, drawing from outside advice as necessary.

During the FY2008, a total of four BRC meetings were held. This includes two meetings before the separation of the BNRC into separate Board committees on 22 May 2008.

Key activities of the BRC during FY2008 include, inter-alia, recommendations to the Board on the following:-

1. Remuneration and benefits of Non-Executive Directors of Axiata;
2. Remuneration of the President and GCEO;
3. Compensation package of top management of the Group;
4. Compensation and Benefits Policy for key executives; and
5. Proposed KPIs of President and GCEO and GCFO of Axiata.

ESOS Committee

The primary functions of the ESOS Committee are as follows:

1. Administer the ESOS in accordance with the Bye-Laws;
2. Exercise any discretion under the Bye-Laws including eligibility of the employees of the Group, the method or manner in which the grants are made to and exercised by eligible employees in accordance with the Bye-Laws; and
3. Determine all questions of policy and expediency that may arise in the administration of the ESOS.

No meetings were held in FY08 as the ESOS Committee was set up on 10 February 2009.

DIRECTORS' REMUNERATION

Axiata provides a level of remuneration which attracts, retains and motivates Executive Directors of the highest calibre. To maximise the effectiveness of the remuneration policy, careful consideration has been given to aligning the remuneration package with shareholders' interests with industry norm. The aim is to target an appropriate level of remuneration for managing the business in line with the strategy. There will be the opportunity for Executive Directors to achieve significant upside for truly exceptional performance. In setting total remuneration, the BRC will consider a relevant group of comparators which will be based on the role being considered and incorporates appropriate performance measures and targets in the package.

The BRC reviews and recommends the remuneration as well as compensation package of the Executive Directors. The remuneration of the Executive Directors consists of salary, bonus, benefits-in-kind and share options respectively. Remuneration of all Directors is decided by the Board collectively. Non-Executive Directors are entitled to monthly fees, meeting allowances and reimbursement of expenses incurred in the course of their duties as Directors.

The Directors' aggregate remuneration for FY2008 distinguishing between Executive and Non-Executive Directors as set out in the Notes to the audited financial statements in page 197 of this Annual Report is reproduced below:

	RM'000
Executive Directors	
– Salaries and allowances	1,893
– Contribution to Employees Provident Fund	344
– Monetary value of Benefits-In-Kind	6
Total	**2,243**
Non-Executive Directors[1]	
– Fees	1,376
– Salaries and allowances	113
– Monetary value of Benefits-In-Kind	73
Total	**1,562**

[1] Fees and meeting allowances for representatives of Khazanah on the Board of Axiata are paid directly to Khazanah

The number of Directors of the Company whose total remuneration during the financial year falls within the following band is as follows:

	No. of Directors
Executive Directors	
RM800,000.00 – RM850,000.00	1
RM1,400,00.00 – RM1,450,000.00	1
Non-Executive Directors	
RM150,000.00 – RM200,000.00	5
RM200,001.00 – RM250,000.00	1
RM350,000.00 – RM400,000.00	1

The Board is of the opinion that the non-disclosure of the remuneration of individual Directors will not significantly affect the understanding and evaluation of the Group's governance and that the band disclosures as provided for under the LR would be adequate.

SHAREHOLDERS AND OTHER STAKEHOLDERS

The Group has been transparent and accountable to its shareholders and investors. Active communications with its shareholders and stakeholders has been achieved through the following medium:

1. Release of quarterly financial results;
2. Press releases and announcements to Bursa Securities and in certain circumstances to the media;
3. Press conferences;
4. Dialogues and presentations at general meetings to provide overview and clear rationale with regard to the proposals tabled for approval by shareholders; and
5. Online investor relations section on Axiata's website at www.axiata.com

Annual General Meeting (AGM)

The forthcoming AGM is the Company's first AGM as a listed entity and this will provide the opportunity for shareholders to raise questions pertaining to issues in the Annual Report, audited financial statements, corporate developments in the Group, the resolutions being proposed and/or on the businesses of the Group. The Chairman as well as the President and GCEO/GCFO will respond to shareholders' questions at the AGM. Each item of special business included in the Notice of the AGM is accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board continually strives to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects primarily through the audited financial statements, annual report and quarterly announcement of results to shareholders. The Board has tasked the BAC to oversee the financial reporting aspects of the Group.

The Directors are responsible for ensuring that the financial statements prepared are drawn up in accordance with the provisions of the Companies Act and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The quarterly financial results and audited financial statements were reviewed by the BAC and approved by the Board of Directors before being released to Bursa Securities. The details of the Company and the audited financial statements for FY2008 can be found from pages 157 to 304.

Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal control and its need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Board is assisted by the BAC in overseeing the internal control aspects of the Group. Information on as well as significant developments in the Group's internal control system during the year is presented in the Directors' Statement on Internal Control laid out in pages 79 to 85.

Relationship with Auditors

The Board has tasked the BAC with maintaining an appropriate, formal and transparent relationship with the External Auditors. The role of the BAC in relation to the External Auditors is stated in the BAC's ToR on pages 88 to 95.

COMPLIANCE STATEMENT

The Board has taken measures to ensure that the Group complies with the Principles and Best Practices in Corporate Governance as promulgated by the Code. Given that Axiata was only listed on 28 April 2008 and 9 out of 10 Directors (including Alternate Director) now serving on the Board of Axiata have not completed a full year on Axiata's Board, the Board has yet to implement a process, to be carried out by the BNC annually, for assessing the effectiveness and mix of skills and experience of the Board as a whole, the Board committees and for assessing the contribution of each individual director. Nonetheless, the Board is taking steps to rectify this non-compliance and is in the process of sourcing for service providers to assist in implementing a formal process for evaluating the board, board committees and individual directors.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 24 March 2009.

Directors' Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27(b) of the Bursa Securities Listing Requirements requires the Board of Directors (Board) to include in its Annual Report a statement about the state of its internal control. Accordingly, the Board is therefore pleased to include the Statement on Internal Control that was prepared in accordance with the 'Guidance for Directors of Public Listed Company' issued by Bursa Securities which outlines the processes the Board have adopted during the financial year in reviewing the adequacy and integrity of the system of internal control of the Group.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a Group-wide sound system of internal control and for ensuring their adequacy and integrity through the process of constant review and monitoring. The system is designed to meet the Group's business objectives and safeguard shareholders' investments, the interests of customers, regulators and employees, and the Group's assets. The system covers the areas of risk management, finance, operations, management information systems and compliance with the relevant laws and regulations. However, the Board recognises that inherently, the system of internal control provides a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has in place an on-going process during the financial year ended 31 December 2008 for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives of the Group. The processes which have been instituted throughout the Group, except for associated companies and joint ventures which have not been dealt with as part of the Group, are updated and reviewed from time to time to respond to the changes in the business environment throughout the financial period under review. Management is responsible for implementing the Board's system of internal control and all employees have a responsibility towards maintaining such controls as part of their accountability in achieving the Group overall objectives.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

INTERNAL CONTROL FRAMEWORK

The Board's review of the Group's internal control is based on the criteria developed under COSO (Committee of the Sponsoring Organisation of the Treadway Commission) Internal Control Integrated Framework. Under the COSO model, internal control framework is divided into five areas of review that are designed to provide reasonable assurance on the achievement of the Group's objectives.

Pursuant to a service level agreement entered into between Axiata and TM, TM will continue to provide certain services to Axiata at arm's length following the demerger exercise on 28 April 2008. Additionally, Axiata has adopted TM's practices for some activities while taking measures to revise or update these practices to tailor them to Axiata.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

1.0 Control Environment

Control environment establishes the foundation for the internal control system by providing fundamental discipline and structure. Key elements of the Group's internal control system include:

1.1 Integrity and Ethical Values

- *Code of Conduct*
  All employees of the Group shall adhere to the policies and guidelines as set out in the Code of Conduct. The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing within the Group and with external parties. The Code covers areas such as conduct in the workplace, business conduct, protection of the Group's assets, confidentiality, non-solicitation of customers and employees and conflicts of interest.

- *Guidelines on Misconduct and Discipline*
  There are guidelines in handling misconduct and disciplinary matters with reference made to domestic laws. These guidelines govern the actions to be taken to manage the misconduct of employees who do not comply with the expressed and implied terms and conditions of employment.

1.2 Board Committees

- *Board Committees*
  To promote corporate governance and transparency, the Group has a Board Audit Committee (BAC), a Board Nomination Committee (BNC) and a Board Remuneration Committee (BRC) in place. These Board committees are established to assist the Board of Directors in its oversight of internal control, Board effectiveness, nomination and remuneration.

  They also ensure the effectiveness of the Group's operations and that the Group's actions and operations are in accordance with approved strategies, objectives, business plans and policies. The responsibilities and authority of the Board committees are governed by specific terms of reference.

- *Board Audit Committee*
  The main responsibilities of the BAC, comprising of non-executive members of the Board, are to assist the BAC in discharging its statutory and other responsibilities relating to internal control, financial and accounting matters, compliance and risk management. The BAC reviews and approves the Internal Audit Charter and approves a risk-based internal and external audit plans. The BAC holds regular meetings to deliberate on findings and recommendations for improvements from both the internal and external auditors on the state of the system of internal control, management actions and monitor the implementation of preventive and corrective actions for areas with significant and high risks. The BAC has authority to investigate any matter within its terms of reference and has full cooperation of and access to Management. It has direct access to the internal and external auditors and full discretion to invite any Director and management staff to attend its meetings.

1.3 Organisation Structure

- *Clear Organisation Structure*
  The Group maintains a comprehensive organisational structure led by functional Heads that is aligned to business and operational requirements, with clearly defined lines of accountability and delegated authority for planning, executing, controlling and monitoring business operations.

- *Corporate Centre*
  A Corporate Centre has been established to:
  - protect and oversee the interest of Axiata and its shareholders across the Group
  - formulate strategy for the Group and assist in the implementation; and
  - play an advisory role to add value to the Group at varying engagement levels.

  Besides engaging continuous day-to-day communication between subsidiaries and the Group functions, Corporate Centre also gives appropriate input on group best practices and constant sharing of the Group guidelines and best strategies to minimise risk exposure and increase the efficiency and effectiveness of business operations.

1.4 Assignment of Authority and Responsibility

- *Policies and Procedures*
  The Group has documented policies and procedures that are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the organisation's business activities at all times as the organisation continues to grow. These policies are supported by clearly defined delegated authorities for its operating and capital expenditures, business plan and budget, and procurement of goods and services.

1.5 Commitment to Competency

- *Competency Framework*
  The Group appoints employees of the necessary competencies to ensure that the people driving key operations are sufficiently skilled and exert the required qualities of professional integrity in their conduct.

- *Performance Management*
  The Group is committed to attract and retain competent, dedicated and loyal employees. Programmes and initiatives have been undertaken to ensure that the Group's human capital is equipped with the qualities and skills to drive the Group to greater heights through ongoing emphasis on performance management and employee development.

  The Group has in place a process of implementing the Key Performance Indicator (KPI) System as prescribed under the Government-Linked Companies Transformation (GLCT) programme to link performance and compensation in order to create a high performance work culture. This system also seeks to provide clarity, transparency and consistency in planning, reviewing, evaluating and aligning employee actions and behaviours to that of the Group's vision and mission.

- *Training and Development Framework*
  It is the Group's policy to train employees at all levels in order that they should be able to perform competently in their present jobs and also to train those employees who are considered to have the potential to perform duties with wider responsibilities so that they may be ready to assume them when needed. Programmes are also implemented to ensure that employees receive continuous training in various areas of work such as knowledge health and safety, technical training, leadership and functional development.

  There is a process in place for the identification of the corporate talent pool within the organisation and to manage the development of the potential talent. A Corporate Policy is also in place to ensure that the President and GCEO and top management succession planning is in place.

2.0 Risk Assessment

Risk assessment involves the identification and analysis by management of risk relevant to the achievement of predetermined objectives, forming a basis for determining how the risks should be managed. Key activities involved are as follows:

2.1 Company-wide Objectives

- *Achievement of Goals and Objectives*
  The Board is responsible for setting the business direction including a clear Group vision, mission and strategic direction, which is communicated to employees at all levels. The Board also oversees the conduct of the Group's operations through various management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to internal control, regulatory compliance and risk taking.

2.2 Risk Identification and Analysis

- *Group Risk Management*
  In line with the Malaysian Code of Corporate Governance, and as part of the Group's plans to further enhance the Group's system of internal control, the Group has established a risk management function that oversees the Group's risk management framework, monitoring of the Group's risk profile, monitor the implementation of risk mitigating action plans and review and assess the applicability of the control environment in mitigating risk. The Group Risk Management provides quarterly consolidated Group risk profile and mitigating action plans to the Axiata Senior Leadership Team (SLT), which comprise of the President and GCEO and all divisional heads and the BAC which will then be presented to the Axiata Board.

  Group Internal Audit undertakes independent reviews to ensure compliance of the Group Policies and to assess the effectiveness of policy implementation.

- *Control Self Assessment (CSA)*
  CSA is a methodology which allows the Group to facilitate the review of key business objectives, risks involved in achieving the objectives and internal controls over operations, financial and compliance activities designed to manage those risks.

2.3 Managing Change

- *Constantly Changing Business Environment*
  Risk management initiatives within the Group is strengthened continuously to ensure the Group is able to respond effectively to the constantly changing business environment and thus able to protect and enhance the stakeholders' value.

3.0 Control Activities

Control activities are the policies and procedures that help in ensuring management meets its objectives. The significant activities within the Group are as follows:

3.1 Policies and Procedures

- *Financial and Operational Policies and Procedures*
  There are documented procedures in place that cover management accounting, financial reporting, procurement, information systems security, compliance and other risk management issues. The objective of the policies and procedures is to ensure that internal control principles or mechanisms are embedded in operations. This enables the Group to respond quickly to evolving risks and immediately report on any significant control failure.

- *Budgeting Process*
  A detailed annual budgeting process is in place to evaluate the feasibility and viability of the Group's businesses and to ensure that the Group operating companies' Business Plans are in line with the Group's future strategic planning. Annual budgets are prepared by the Group and its operating companies and presented and discussed during Board retreats to their respective Board of Directors and to the Board of Axiata for approval before the commencement of a new financial year. Upon approval of the budget, the Group's performance is then monitored and measured against the approved budget periodically by both the SLT and the Board of Directors. Reporting systems which highlight significant variances against plan are in place to track and monitor performance. On a quarterly basis, the results are reviewed by the Board of Directors to enable them to gauge the Group's overall performance compared to the approved budgets and prior periods.

- *Whistleblower Policy and Procedures*
  The whistleblower policy and procedures of the Group enable employees to raise matters in an independent and unbiased manner. As part of this whistleblower policy and procedures, there is an anonymous ethics and fraud hotline under the control of the Group to act as a mechanism for internal and external parties to channel their complaints or to provide information in confidence on fraud, corruption, dishonest practices or other similar matters by an employee of the Group. The objective of such arrangement is to encourage the reporting of such matters in good faith, with the confidence that the whistleblowers making such reports will be treated fairly and, to the extent possible, be protected from reprisal.

- *Insurance and Physical Safeguard*
  The Group has an insurance programme in place to ensure that its assets are sufficiently covered against any mishap that will result in material losses. The Group also ensures that its major assets are physically safeguarded.

3.2 Security (Application and IT Network)

- *Disaster Recovery Plans (DRP)*
  DRP have been put in place for some of the Group's subsidiary companies. The Group is currently developing a Group DRP Policy and Procedures to be implemented and tested periodically by its subsidiary companies.

- *Information Technology (IT) Policy*
  IT policies and procedures are in place to achieve and maintain confidentiality, integrity, availability, authenticity and reliability of information or information processing facilities. The Board of Directors understand the necessity to leverage and optimise IT investments and resources for the best interest of the Group and to safeguard it's IT resources, intellectual property management and information.

3.3 Regulatory and Compliance

- *Group Regulatory Affairs (GRA)*
  Under the Group Regulatory Policy, the Group shall comply with all applicable laws and regulations, regulatory obligations and governmental policies in the jurisdictions in which it operates and ensure that it is properly protected from potential regulatory liabilities and that regulatory advice is obtained in an efficient and cost effective fashion as and when required.

The GRA Division has been established to create more efficient and effective working relationships between Regulatory Affairs and the regulators with respect to regulatory issues within the Group. GRA is also kept informed and updated of all relevant regulatory matters of subsidiaries via a defined management communication process. This enables coordination, monitoring and managing a consistent approach in addressing regulatory issues affecting or likely to affect the interests of the Group for the purpose of achieving optimal regulatory outcomes for the Group.

4.0 Information & Communication

Information and communication support all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows people to carry out their duties. Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board of Directors, SLT and subsidiaries Senior Management's attention are highlighted for review, deliberated and decision made on a timely basis.

4.1 Corporate Communications Policy

- There is a Corporate Communications Policy in place to ensure that communication across the Group and to the investors are effectively managed and meets the diverse needs of the organisation. The Board of Directors recognise the need for a robust reporting framework given the growth of the Group's international investments and work towards further strengthening that element of the internal control system.

4.2 Business Control Incident (BCI) Reporting

- The Group has in place a BCI Reporting aimed at capturing and disseminating the lessons learnt from the business control incidents with the objective of preventing similar incidents from occurring in other operating companies within the Group and to enable monitoring of business control incidents that have caused significant loss.

5.0 Monitoring

Monitoring covers the external oversight of internal control by management or other parties outside the process or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process. Key monitoring activities within the Group are as follows:

5.1 On-going Monitoring

- *Internal Audit Division (IAD)*
  The IAD is independent and reports functionally to the BAC and administratively to the President and GCEO. IAD provides independent, objective assurance and consulting services designed to add value and improve the Group's operations. It helps the Group accomplish its business objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Its work practices are governed by the Internal Audit Charter.

IAD adopts a risk-based approach in formulating the annual audit plan, which aligns its activities to the key risks across the Group. This plan is reviewed and approved by the BAC. The reviews performed by IAD are aimed at assisting the BAC and Board of Directors in promoting sound risk management and good corporate governance through assessing the design and operating effectiveness of control that govern key business processes and risks identified in the overall risk framework of the Group.

- *Financial and Operational Review*
  Quarterly financial statements and the Group's performance are reviewed by the BAC, who subsequently present them to the Board of Directors for their review, consideration and approval. Monthly management accounts containing key financial results, operational performance indicators and budget comparisons are also issued to the Board of Directors and SLT to enable them to have regular and updated information of the Group's performance.

5.2 Reporting Performance

- *Senior Leadership Team Meetings*
  SLT Meetings, which comprise of the President and GCEO and all divisional heads, are held regularly to deliberate on business, financial and operating risks and issues which include reviewing, resolving and approving all key business strategic measures and policies. Progress, exceptions and variations are also fully discussed and appropriate actions are taken. Significant matters identified during these meetings are highlighted on a timely basis to the Board of Directors, who is responsible for setting the business direction and for overseeing the conduct of the Group's operations through its various Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking. This ensures that business objectives stay on course.

- *Major Control Issues*
  Quarterly report on financial and operational control issues forms part of the initiative to inculcate self-awareness on the financial and operational internal controls requirements of the Group.

- *Headline Key Performance Indicators (KPIs)*
  Headline KPIs have been set and agreed upon by the Board of Directors and management of the Group as part of the broader KPI framework that the Group has in place, as prescribed under the GLCT programme. The headline KPIs represents the main corporate targets or aspirations for the year as a transparent performance management practice.

Board Audit Committee Report

The Board of Directors of Axiata is pleased to present the report on the Board Audit Committee (BAC) for the financial year ended 31 December 2008.

The establishment of the BAC was formalised by a resolution of the Board of Directors on 23 April 2008 in line with the Listing Requirements of Bursa Securities.

COMPOSITION AND MEETINGS

The BAC during the year comprised the Directors listed below and had met three times on 21 May 2008, 25 August 2008 and 25 November 2008. The composition and the attendance record of the BAC members are listed below.

Name of Directors	Status of directorship	No. of meetings attended
David Lau Nai Pek (Chairman of the BAC)	Independent Non-Executive Director	3 out of 3
Datuk Azzat Kamaludin	Independent Non-Executive Director	3 out of 3
Juan Villalonga Navarro	Independent Non-Executive Director	2 out of 3

SUMMARY OF ACTIVITIES OF THE BAC

During the financial year ended 31 December 2008, the BAC discharged its functions and carried out its duties as set out in the Terms of Reference and the activities undertaken by the BAC include the followings:

Risks and Controls

- Reviewed the Group's risk management system for identifying and managing the Group's business risks and deliberated on the action plans to address key risks.

Internal Audit

- Reviewed and approved the Group Internal Audit (GIA)'s Annual Business Plan inclusive of Budget and Audit Plan to ensure adequacy of audit coverage and competent resources for assessing auditable entities with high risks.
- Reviewed internal audit reports issued by GIA on the adequacy, effectiveness and efficiency of risk management, operational, compliance and governance processes across the Group.
- Reviewed the adequacy, effectiveness and timeliness of actions taken by management to resolve material issues raised by the internal audit reports across the Group.

- Reviewed the effectiveness of internal audit processes and the resources allocated to the audits.
- Assessed the performance of GIA against KPIs approved by the BAC (details of GIA activities are listed in the Section below).

External Audit

- Reviewed and approved the External Audit Plan including the scope and the fee for the annual audit.
- Reviewed the results of the external audit and reported issues arising from the audit, and highlighting any key issues and recommendations to the Board of Directors.
- Held two private meetings with the Group External Auditor on 21 May 2008 and 25 November 2008 to discuss matters without the presence of management.
- Reviewed the performance of the external auditors and made recommendations to the Board of Directors for their appointment and remuneration.

Financial Reporting

- Reviewed the Quarterly and Annual Audited Financial Statements including announcements, and recommended them to the Board of Directors for their approval. The reviews, together with discussions with the external auditors, were to ensure the financial reporting and disclosures are in compliance with the provisions of the Company Act 1965, Listing Requirements of Bursa Securities and applicable accounting standards in Malaysia.

Annual Reporting

- Reviewed and recommended Director's Statement on Internal Control and Board Audit Committee Report to the Board of Directors for approval.
- Reviewed the related party transactions entered into by Axiata.

Others

- Reviewed and approved Axiata Audit Charter;
- Reviewed status of resolution of external and internal audit issues;
- Reviewed current matters in relation to compliance with legal, regulatory and statutory requirements;
- Reviewed and approved the Group Policies on Governance and Limit of Authority; and
- Identified cases of control weaknesses for sharing of lessons learnt within the Group to avoid similar incidents.

GROUP INTERNAL AUDIT

The internal audit function of the Group is performed by the Group Internal Audit Division (GIA). GIA, headed by the Group Chief Internal Auditor (GCIA), is independent and reports directly to the BAC. The internal audit reporting structure within the Group has been organised where audit departments of the subsidiaries report directly to respective subsidiaries BACs with a dotted reporting line to the GCIA. GIA has direct control and supervision for internal audit activities in subsidiaries that do not have an audit function. GCIA also acts as the secretary to the BAC.

GIA provides independent, objective assurance on areas of operations reviewed, and recommendation based on best practices that will improve and add value to the Group. GIA identifies, coordinates and conducts global audits that are to be carried out throughout the Group and also provides standards, policies, guidelines and advices to the subsidiaries' audit functions to standardise the internal audit activities within the Group.

GIA adopts a systematic and disciplined approach to evaluate adequacy and effectiveness of the risk management, financial, operational, compliance and governance processes. A structured risk-based approach is adopted in identifying the internal audit activities that are aligned with the Group's strategic plans to ensure those risks facing the Group are adequately reviewed. In addition, international standards and best practices are adopted to further enhance the relevancy and effectiveness of the internal audit activities.

In 2008, a total of 163 internal audit assignments were initiated at Axiata corporate centre and all subsidiaries. The areas of coverage include finance, sales, marketing, information and technology, billing, network, corporate governance, human resource, customer service and procurement. The audit reports of these assignments provided independent and objective assessment on the following:

- adequacy, effectiveness and efficiency of the internal control systems to manage operations and safeguard the Group's assets and shareholders' value; and
- adequacy and effectiveness of the risk management operations, governance and compliance functions to identify, manage and address potential risks facing the Group.

The internal audit reports were issued to management for their comments with action plans and deadlines to complete the necessary preventive and corrective actions. The reports were tabled at each subsidiary's BAC and summary of the key findings to Axiata BAC for due deliberation to ensure that management undertakes the responsibility of carrying out preventive and corrective actions. Members of the management had been invited to the BAC meetings from time to time for further clarification purposes.

TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the BAC is guided by the Terms of Reference as follows:

1.0 Function of the Board Audit Committee (BAC)

1.1 The primary function of the BAC is to implement and support the oversight function of the Board of Directors of Axiata (the Board) in relation to financial reporting and internal controls as set out in the Duties and Responsibilities herein.

1.2 It is the objective of the BAC to assist the Board to assure the shareholders of Axiata that the Directors of Axiata comply with specified financial standards and required disclosure policies developed and administered by Bursa Securities and other approved accounting standard bodies. In addition, the BAC needs to ensure consistency with Bursa Securities' commitments to encourage high standards of corporate disclosure and transparency. The BAC will endeavour to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to Axiata's shareholders.

2.0 Composition of the BAC

2.1 The BAC must be composed of no fewer than three members, all of whom shall be Non-Executive Directors and the majority shall be Independent Non-Executive Directors.

2.2 The members of the BAC shall elect a Chairman among themselves who shall be an Independent Non-Executive Director.

2.3 The BAC shall be appointed by the Directors from amongst their members. The members of the BAC shall be nominated by Axiata's Nomination & Remuneration Committee (NRC) and shall be appointed by resolution of the Board. No alternate director shall be appointed as a member of the BAC.

2.4 All members of the BAC, including the Chairman, will hold office only so long as they remain as Non-Executive Directors of Axiata.

2.5 Members of the BAC may relinquish their membership in the BAC with prior written notice to the Company Secretary and may continue to serve as Director of Axiata. In the event of any vacancy in the BAC resulting in non-compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities Listing Requirements), Axiata must fill the vacancy within three months. The NRC will review and recommend, to the Board for approval, another director to fill up such vacancy.

2.6 Members of the BAC shall possess sound judgment, objectivity, management experience, integrity and knowledge of the industry. A member of the BAC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him. This is required to avoid BAC members from participating in matters that will create conflict of interest.

2.7 Members of the BAC shall be financially literate and at least one member of the BAC:

i) Must be a member of the Malaysian Institute of Accountants (MIA); or

ii) If he is not a member of the MIA, he must have at least three years working experience and:
   a) He must have passed the examinations specified in Part one of the 1st Schedule of the Accountants Acts 1967; or
   b) He must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Acts 1967; or

iii) Have a degree/masters/doctorate in accounting or finance and at least three years post qualification experience in accounting or finance; or

iv) Have at least seven years experience of being a Chief Financial Officer of a corporation or have the function of being primarily responsible for the management of the financial affairs of a corporation; or

v) Fulfills such other requirements as may be prescribed or approved by Bursa Securities.

3.0 Secretary of the BAC

3.1 The Group Chief Internal Auditor (GCIA) or any other person appointed by the BAC shall be the Secretary of the BAC.

3.2 The Secretary shall:

i) ensure all appointments to the BAC are properly made;

ii) ensure that the BAC receives information and papers in a timely manner to enable full and proper consideration to be given to issues;

iii) prepare the minutes of the BAC meetings and record the conclusions of the BAC in discharging its duties and responsibilities.

iv) circulate the minutes of the BAC meetings promptly to all members of the BAC and make the same available to Board members who are not members of the BAC; and

v) ensure that the minutes of the BAC meetings are properly kept and produced for inspection if required.

4.0 Meeting Guidelines of the BAC

4.1 Quorum

4.1.1 In order to form a quorum, minimum two BAC members must be present and that the majority of those present must be Independent Non-Executive Directors.

4.2 Meetings

4.2.1 The BAC shall meet at least four times a year and such additional meetings as the Chairman shall decide. The BAC meetings shall be governed by the provisions of the Company's Articles of Association relating to Board meetings unless otherwise provided for in this Terms of Reference. The BAC may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.

4.2.2 Upon the request of the External Auditors, the Chairman of the BAC shall convene a meeting of the BAC to consider any matter the External Auditors believe should be brought to the attention of the Directors or Shareholders.

4.2.3 A member of BAC may participate in a meeting of BAC by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

4.2.4 Decision of BAC may be made by a Circular Resolution provided it is signed by all members.

4.2.5 The Notice and agenda for each BAC meeting with due notice of the issues to be discussed shall be sent to all members of the BAC and any other persons who may be required to attend.

4.2.6 The Chairman of the BAC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the BAC that requires the Board's approval at the Board meeting.

4.2.7 The BAC may invite the Chief Financial Officer, the GCIA or any other management personnel, any representative of the external auditors, other members of the Board and any other persons as deemed necessary by the BAC to be present at any meeting of the BAC.

5.0 Duties and Responsibilities of the BAC

In carrying out its responsibilities, the BAC's policies and procedures remain flexible to changes in circumstances and conditions that are in compliance with legal and regulatory requirements. The following are the main duties and responsibilities of the BAC:

5.1 Financial Reporting and Processes

i) Review the quarterly interim results, half-yearly results and annual financial statements of Axiata Group prior to reporting and presenting to the Board for approval, focusing particularly on:

a) Any changes in or implementation of accounting policies and practices;
b) Significant or material adjustments with financial impact arising from the audit;
c) Significant and unusual events or exceptional activities;
d) Decision making with material financial impact;
e) The going concern assumptions; and
f) Compliance with approved accounting standards, stock exchange and other regulatory requirements.

ii) Review with the External Auditors the financial statements of Axiata Group before the audited financial statements are presented to the Board for approval, including:

a) Whether the External Auditors' report contains any qualifications which must be properly discussed and acted upon for purposes of resolving the contentious point of disputes in the current audit and to remove the cause of the External Auditors' concern in the conduct of future audits;
b) Any changes in or implementation of accounting policies and practices;
c) Significant and unusual events;
d) Significant changes and adjustments in the presentation of the financial statements;

e) Compliance with local and international accounting standards and other legal requirements;
f) Material fluctuations in balances in the financial statements;
g) Significant variations in audit scope and approach; and
h) Significant commitments or contingent liabilities.

and report the same to the Board of Directors.

iii) Discuss problems and reservations arising from the interim and final audits and any matter the External Auditors may wish to discuss (in the absence of the management where necessary).

iv) Propose best practices on disclosure in financial results and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.

v) Review the integrity of Axiata Group's internal and external financial reporting processes and assess significant deficiencies and weaknesses in the design or operation of Axiata Group's internal accounting procedures and controls including review and assess management's follow up actions on the weaknesses of these procedures and controls as highlighted by the External Auditors and Internal Auditors as per the External Auditors' management letters.

vi) Review and discuss with management Axiata Group's major financial risk exposures and initiatives taken to monitor and control such exposures over financial reporting which may cause an adverse effect to the management's ability to record, track changes, process and summarise financial information.

5.2 Independent External Auditors

i) Consider and recommend to the Board, for it to put to the Company's Shareholders for approval in General Meetings, the appointment (and the re-appointment) of a suitable accounting firm to act as External Auditors including the audit fee payable thereof and amongst the factors to be considered for the appointment are the independence, qualification, adequacy of the experience and resources of the firm and the partners and staff assigned to the audit.

ii) Consider any question of resignation (including review of any letter of resignation and report the same to the Board of Directors) or removal. In the event of a removal of External Auditors, the BAC shall provide reason(s) for the removal to the Board for the Board's approval and the External Auditors for their records.

iii) Review whether there is a reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment and report the same to the Board of Directors.

iv) Review with the External Auditors before the audit commences the audit plan and report the same to the Board of Directors.

v) Discuss nature, approach and scope of the audit before the audit commences and ensure co-ordination where more than one audit firm is involved.

vi) Review the evaluation of the system of internal controls with the External Auditors and report the same to the Board of Directors.

vii) Be directly responsible for the compensation, evaluation and oversight of the independent External Auditors or any other auditor preparing or issuing an audit report for Axiata Group and where appropriate, provide reports to the Board of Directors on the terms of engagement, independence and proposed fees of the External Auditors.

viii) Meet with the External Auditors, internal auditors or both, at least twice in the financial year (without the presence of other directors and employees of listed issuer, whenever deemed necessary) to discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss.

ix) Review the External Auditors' audit report, and report the same to the Board of Directors.

x) Review the External Auditors' management letter and management's response.

xi) At least annually assess and report to the Board on the independence of the External Auditors, obtaining from the External Auditors a written statement delineating all relationship between the audit and Axiata Group and delineating any other relationships that may adversely affect the independence of the External Auditors.

xii) 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 or objectivity. This includes a pre-approval process for any such work and the hiring of employees or former employees of the External Auditors.

xiii) Resolve any disagreement between management and the External Auditor regarding financial reporting.

5.3 Internal Audit Function

i) Approve the Internal Audit Charter, which defines the independent purposes, authority, scope and responsibility of the Internal Audit function in the Group.

ii) Discuss with the GCIA the annual internal audit scope, plans and objectives, resources, qualifications, independence, reporting structure and performance of the Internal Audit function of the Group.

iii) Review the Internal Audit Plan and results of the internal audit process and where necessary to ensure:

a) That appropriate action is taken on the recommendations of the Internal Audit function of the Group and report the same to the Board of Directors;

b) That the scope, functions, competency and resources of the Internal Audit function of the Group are adequate and that it has the necessary authority to carry out its work and report the same to the Board of Director; and

c) That the goals and objectives of the Internal Audit function of the Group commensurate with corporate goals.

iv) Review any appraisal or assessment of the performance of the members of the Internal Audit function of the Group.

v) The GCIA shall report directly to the BAC and shall be responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

vi) The Head of Internal Audit at subsidiary to report functionally to the subsidiary BAC and on dotted line basis to the GCIA for the purposes of standardising the operations of internal audit in Axiata and its subsidiaries by furnishing reports to GCIA in relation to matters including but not limited to major control issues, audit reports, quarterly reports, and report to the BAC and Minutes of subsidiary BAC.

vii) Review internal audit results and reports from the GCIA including the report on the Group's internal controls and the Group's progress in remedying any material control deficiencies raised by the Internal Audit function of the Group.

viii) Approve the appointment or termination of GCIA and the senior staff members of the internal audit function of the Group.

ix) Take cognisance of resignations of GCIA and Internal Audit staff members of Axiata Group and provide the resigning GCIA or staff member an opportunity to submit his/her reasons for resigning.

x) Annually review and appraise the performance of the GCIA, including the role and effectiveness of Internal Audit.

xi) Be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceeding/investigation, including the nature and reasons for the said disciplinary proceeding/investigation, including the nature and reasons for the said disciplinary proceeding/investigation, as well as the subsequent findings and proposed disciplinary actions against the GCIA. As an employee of Axiata Group, the GCIA is subject to Axiata Group's human resource policies and guidelines, including disciplinary proceedings/investigations and actions.

xii) Review the assistance and co-operation given by the Group and its employees to the External Auditors and report the same to the Board of Directors.

xiii) Ensure that the Internal Audit function of the Group should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Board or the BAC should determine the remit of the Internal Audit function of the Group.

xiv) Where there is an audit assignment initiated by the Group Internal Audit that have a bearing upon all subsidiaries or that the subsidiaries' financial results will affect the audit opinion of the Group, the respective subsidiaries internal audit office shall adhere to the request and include such audit assignment in its respective audit plan.

5.4 Company Oversight

i) Review the adequacy and the integrity the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines.

ii) Review the Company's policies and practices with respect to risk assessment and management.

iii) Consider major findings of internal investigations and management's response.

iv) Review management's monitoring of compliance with the Company's code of business ethics.

v) Monitor the process for dealing with complaints received by the Group regarding accounting issues, internal control matters or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

vi) Consider and review any significant transactions, which are not within the normal course of business and any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and report the same to the Board.

vii) Verify the allocation of share options given to the Group's eligible employees is in accordance with the criteria for the employees share option scheme and the Bursa Securities Listing Requirements at the end of each financial year.

viii) Report promptly to Bursa Securities if the BAC views that a matter resulting in a breach of the Bursa Securities Listing Requirements reported by the BAC to the Board has not been satisfactorily resolved by the Board.

5.5 Other Matters

Consider other matters as prescribed to the BAC by the Board.

6.0 Powers of the BAC

6.1 In carrying out its duties and responsibilities, the BAC shall have the following power and authority, in accordance with the procedures to be determined by the Board and at the cost to Axiata:

i) Have explicit authority to investigate any matter within its terms of reference.

ii) Have the resources which are required to perform its duties.

iii) Have full, free and unrestricted access to any information, records, properties and personnel of Axiata and of any other companies within the Group including the minutes, reports and information of all subsidiary BAC.

iv) Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity.

v) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the BAC's meetings (if required) and to brief the BAC thereof.

vi) The attendance of any particular BAC meeting by other Directors and employees of the Group at the BAC's invitation and discretion and must be specific to the relevant meeting.

vii) Be able to convene meetings with External Auditors, internal auditors or both, excluding the attendance of other directors and employees of Axiata, whenever deemed necessary.

viii) The BAC Chairman shall continuously engage with the Chairman of the Board and Senior Management, such as, the President/GCEO, the Chief Financial Officer, the GCIA and the External Auditors in order to be kept informed of matters affecting the Group.

ix) Have immediate access to reports on findings and recommendations from Internal Audit function of the Group in respect of any fraud or irregularities discovered and referred to Internal Audit function of the Group by the management. Any unresolved matters resulting in breach of any regulatory requirements shall be reported to the Board.

x) Have access to advice and services of the Company Secretary.

xi) Requires the Head of Internal Audit at subsidiary and the GCIA to escalate and inform the BAC immediately on matters which has extreme risk rating.

7.0 Review & Evaluation Procedures of the BAC

7.1 The BAC shall at least annually perform a review and an evaluation of its performance to ensure that it is meeting its responsibilities as set forth in this Terms of Reference. The review shall specifically include consideration of the following:

i) Frequency and timeliness of the BAC meetings.

ii) Adequacy and quality of information and materials provided to the BAC.

iii) Effectiveness of the BAC in carrying out the duties as set out in this Terms of Reference.

iv) Contribution of individual BAC member.

v) Appropriateness and adequacy of this Terms of Reference. The Committee shall recommend to the Board such changes to this Terms of Reference in such manner as the BAC deems appropriate.

8.0 BAC Report

8.1 The BAC is required to prepare a BAC Report at the end of each financial year to be included and published in the annual report of Axiata to include the following:

i) The composition of the BAC including the name, designation and directorship of the members (whether the Directors are independent or otherwise);

ii) The terms of reference of the BAC;

iii) The number of BAC meetings held during the financial year and details of attendance of each BAC member;

iv) A summary of the activities of the BAC in the discharge of its functions and duties for that financial year; and

v) A summary of the activities of the Internal Audit function.

9.0 Statement on Corporate Governance

9.1 The BAC is required to recommend the statement on corporate governance at the end of each financial year for the Board's approval to be included and published in the annual report of Axiata:

i) a narrative statement of how Axiata has applied the principles set out in Part one of the Malaysian Code on Corporate Governance to its particular circumstances; and

ii) a statement on the extent of Axiata's compliance with the Best Practices in Corporate Governance set out in Part two of the Malaysian Code on Corporate Governance which statement shall specifically identify and give reasons for any areas of non-compliance with Part two and the alternatives to the Best Practices adopted by the Group (if any).

10.0 Additional Statements

10.1 The BAC is required to recommend the following additional statements for the Board's approval to be included and published in the annual report of Axiata:

i) A statement explaining the Board's responsibility for preparing the annual audited financial statements of Axiata.

ii) A statement about the state of internal control of Axiata as a group after the same is reviewed by the External Auditors with regard to the state of internal control and report the results thereof to the Board.

iii) A statement verifying allocation of share options given to the Group's eligible employees is in accordance with the criteria set out in the share option scheme for employees.

LOCAL RELEVANCE

The key represents Axiata's ability to unlock the potential of its Operating Companies. Axiata understands Asia better than anyone else – we are a unique organisation combining the local expertise of national operating companies with the strong support of a regional corporation.

V

Malaysia

CELCOM (MALAYSIA) BERHAD

Unprecedented 11 consecutive quarters of growth

Leading mobile broadband provider in Malaysia

Widest coverage – Celcom's 3G services are available at the peak of Mount Kinabalu and 2G at the Maliau Basin in the remote jungles of Sabah

ABOUT CELCOM

With more than 8.8 million users on its network, Celcom is one of the largest telecommunications service providers in Malaysia and the region. Its core business remains prepaid and postpaid mobile voice services, but Celcom has also achieved significant growth in mobile broadband, m-commerce, enterprise solutions and bulk wholesale services.

Celcom continues to have the widest network coverage in the country, with its 2G and 3G networks covering 98.7% and 70.9% of the population respectively. Through ongoing investments in network coverage, capacity and performance, Celcom intends to maintain its technology leadership and position as the country's best mobile service provider.

As a Vodafone Partner Network, Celcom is an integral part of a global alliance spanning 67 Vodafone operating companies and affiliates worldwide. This partnership provides Celcom's customers with unrivalled global coverage, the lowest IDD and roaming rates and the latest mobile technologies, while giving Celcom access to Vodafone's global purchasing and economies of scale.

BUSINESS HIGHLIGHTS 2008

Through the collective efforts of its 3,600 employees and the loyal support of its customers, 2008 was a historic year for Celcom in many respects.

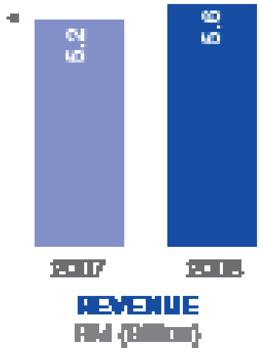
Celcom gained 1.6 million new users in 2008, a 21.6% increase compared to 2007, to end the year with more than 8.8 million customers. Of this total, 7.0 million are on Celcom's three prepaid brands: Xpax, Celcom Blue and Celcom Sukses.

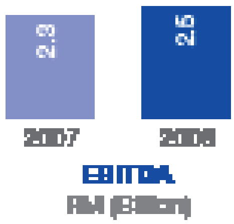
The Celcom Blue and Sukses prepaid products were launched in 2008 to further bolster Celcom's market share in the mass-value and foreign worker segments, while Xpax was rebranded to target the urban youth segment. The introduction and realignment of these brands was in line with Celcom's new segment-oriented strategy, which aims to increase brand affinity and segment presence whilst maintaining shareholder value.

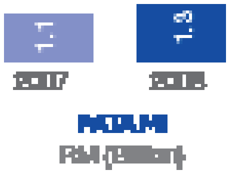
The remaining 1.8 million customers subscribe to Celcom's extensive postpaid products, which range from the highly successful Celcom Executive Plan and 1+5 Plan for retail customers, to various business products and solutions marketed under the PowerTools umbrella. Celcom's revamped postpaid broadband service was also a runaway success in 2008, with total subscribers growing from 66,497 in January to 228,261 by the end of 2008.

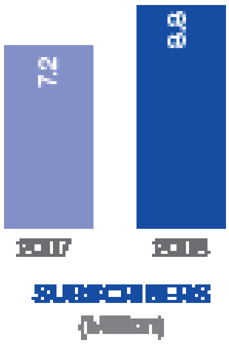
Not only is Celcom now the undisputed mobile broadband leader in the country, but it is fast becoming a strong competitor in the overall local broadband industry, despite only starting broadband operations in 2007. Celcom has built and will continue to invest in the necessary infrastructure to increase its dominance in the broadband marketplace.

Celcom's segment-focused strategy, adopted in 2008, also resulted in several partnerships designed to enhance its reach within specific market segments. Celcom was the first operator in Malaysia to establish Mobile Virtual Network Operator (MVNO) partnerships, beginning with Merchant Trade for the south-Asian foreign worker segment and RedTone for the SME market. In 2008, Celcom established further partnerships with XOX and TuneTalk, which are expected to launch MVNO services in the first half of 2009.









* All financial figures are according to Celcom audited financial statements

FINANCIAL PERFORMANCE

Celcom registered a sterling performance despite the global economic slowdown and intense domestic competition. In 2008 it achieved its highest ever annual revenue, which grew 10.1%* to RM5.6 billion, from RM5.2 billion in 2007.

Profitability continued to improve with EBITDA registering 10.5% growth to RM2.5 billion compared to RM2.3 billion in the preceding year. The strengthening of revenue combined with the implementation of various cost saving initiatives resulted in Celcom's EBITDA margin increasing from 44.6% to 45.2% over the same period.

Consequently, Celcom recorded impressive double-digit growth in pre-tax profit of 24.4% in 2008, to close at RM1.8 billion. Net profit increased by 23.1% YoY to RM1.3 billion, from RM1.1 billion in 2007.

AWARDS

- **Malaysia's Most Valuable Brands 2008**
  No. 1 Most Valuable Telco Brand
- **Malaysia Brand Equity Awards 2008**
  3rd Prize overall
- **Frost and Sullivan**
  Mobile Service Provider of the Year 2008
- **Frost and Sullivan**
  Mobile Data Service Provider of the Year 2008

PRODUCTS AND SERVICES

Postpaid

In 2008 Celcom maintained its position as the undisputed leader in postpaid services by offering new packages that gave customers better benefits and bigger savings. The new postpaid offerings included the Celcom 1+5 Plan, Celcom Executive 250, Celcom Executive 50 and Free Calls on Sundays.

Celcom 1+5 Plan

The new Celcom 1+5 Plan is an extension of the successful 1+3 Plan launched in July 2007. This allows customers to add up to five supplementary lines to their existing principal postpaid line, at a very low monthly fee of RM5 per supplementary line. As with the 1+3 Plan, this new product also offers free voice and video calls, as well as free SMS and MMS among all 1+5 lines.

Celcom Executive 250

The Celcom Executive 250 plan offers pricing simplicity and total cost control for high-volume users, with customers enjoying the following benefits:

- RM250 monthly commitment (amount deducted from usage)
- Pooled usage credit of 2,000 local minutes or SMS
- RM0.10 per min and per SMS for all subsequent usage
- Unlimited 3.5G Broadband usage at no additional charge
- Add up to 5 supplementary lines with 1+5 Plan

Celcom Executive 50

The Celcom Executive 50 plan is designed for light to heavy users and those with variable usage. Discounts are adjusted based on monthly usage, therefore negating the need for a wide array of voice plans with different tariffs:

- RM50 monthly commitment (amount deducted from usage)
- RM0.15 per min
- Spending below RM50 a month: 10% discount on total bill
- Add up to 5 supplementary lines with 1+5 Plan

* *Fibrecomm has been excluded for growth comparison purposes as it has ceased to be a subsidiary of the Group post demerger.*

Free Calls on Sundays

The first programme of its kind, Free Calls on Sundays was designed to reward postpaid customers with free calls to any other Celcom number, every Sunday. The free minutes are automatically provided based on the customers' usage in the previous month – for every RM1 spent, customers can enjoy 30 seconds free in the following month for calls made to other Celcom numbers on a Sunday.

International Direct Dial (IDD)

Celcom revised down its IDD rates significantly during 2008, with tariffs dropping to as low as RM0.18 per minute to popular IDD destinations such as Canada, China, Hong Kong, Indonesia, Singapore and the USA. It also ran a number of short-term promotions, including the Singapore Great Sale which enabled direct calls to any number in Singapore for only RM0.10 per minute.

Prepaid

For Celcom, 2008 was a watershed year for its prepaid offerings. A range of segment-specific products were introduced during the year, together with organisational realignment, in order to cater more closely to the needs of specific market segments.

Xpax

Celcom's core prepaid brand, Xpax personifies youthful exuberance and urban appeal. In 2008, its segment appeal was enhanced through brand association and events, such as MTV Asia Awards, Rainforest World Music Festival, XLive and UrbanScapes.

Xpax also offers the budget-conscious youth market the biggest bonuses and rewards, including Every Month Bonus, Birthday Bonus, Surprise Bonus, Early Reload Bonus and Loyalty Bonus.

S.O.X and U.O.X

The first and only prepaid services designed for students, S.O.X. (School of X) is offered exclusively to secondary students between the ages of 12 and 18, whereas U.O.X. (University of X) is targeted at students aged 18 to 25 in higher learning institutions. Both prepaid products offer users no credit expiry until the age of 25 and the best rates of up to 66% cheaper than standard prepaid rates and the best bonuses and privileges. Celcom also launched Malaysia's first collaborative youth mash-up under the U.O.X. brand.

Celcom Blue

Prabayar Celcom Blue was introduced specifically for prepaid users over the age of 25 who seek the best value for money. Its primary feature is Teman 20, which allows users to pay only RM0.15 per min for voice calls and RM0.01 per SMS to 20 other designated Celcom numbers. The service also comes with free mobile content daily and other offerings and rewards that are exclusive to Celcom Blue users.

Celcom Sukses

Prabayar Celcom Sukses was launched in partnership with Celcom's sister company, XL of Indonesia and is targeted primarily at Indonesian migrant workers. This prepaid service offers special features such as the lowest IDD and SMS rates to Indonesia, and free daily Indonesian content that is exclusive to Celcom Sukses.

Enterprise

Celcom's Enterprise division controls a dominant share of the corporate and employee market in Malaysia. Segmented by Corporate, Government and SMI/SME, its main propositions include a range of voice plans incorporating flat rates and free calls among employees, customised IDD and roaming tariffs, industry-specific mobile solutions, aggressive hardware subsidies, and holistic organisational loyalty programmes. It is presently the largest Machine-to-Machine (M2M) solutions provider in the country, and also provides bulk messaging, microwave leased circuits, satellite services, mobile PABX, and customised vertical mobile applications.

Business Voice

Enterprise customers can choose to adopt Celcom's standard postpaid packages, or one of several business-specific plans. PowerTools monthly commitment fees range from RM18 per month for low-usage customers, to RM148 per month which gives users the lowest available flat rate of RM0.10 per minute to any domestic number anytime, free unlimited broadband data usage, and free calls to other employees within the same closed user group.

Mobile Email

For most of 2008, Celcom was the fastest growing BlackBerry provider in the region. To further increase its share of the mobile email market, 2008 saw the launch of new BlackBerry devices and a range of affordable mobile email bundles starting from RM38 a month, tailored for light, medium and heavy data users. For non-BlackBerry users, Celcom introduced mobile email plans starting from only RM10 a month, and conducted aggressive joint marketing campaigns with Nokia for its E-series range of business terminals and Microsoft for Windows Mobile smartphones and push-email.

Business Broadband

Celcom launched two new business broadband access devices in 2008 – the Vodafone Mobile Connect USB Stick – which is now Celcom's core broadband modem for the mass market, and the Celcom Broadband Wireless Gateway, a WiFi/HSDPA device that creates instant hotspots for small working groups. Celcom also entered into a strategic partnership with Dell for the launch of its Latitude range of business notebooks with embedded HSDPA connectivity. All shipments of these embedded notebooks will come with pre-installed Celcom SIM cards and Celcom Built-in Mobile Broadband access together with a free broadband trial period.

Business Solutions

With its widest network coverage and reliability, Celcom is the natural choice for businesses seeking to deploy mobile business applications and remote data solutions. Celcom is widely acknowledged as the country's largest Machine-to-Machine (M2M) solutions provider, with more than 100,000 lines currently in use for remote vehicle tracking, meter reading, diagnostics, field force automation, enforcement and security, and other industry-specific mobile applications.

REGULATORY OVERVIEW

A significant development in 2008 was the implementation of nationwide Mobile Number Portability (MNP) in October 2008 following trials in limited areas. Given that MNP it still in its infancy in Malaysia, it is difficult at this stage to assess its impact though it is envisaged that MNP will not likely have a material impact on market share of the operators.

Several other major regulatory reviews and decisions made in 2008 include the Review Issuance of a New Determination on Access List and Determination on the Mandatory Standard on Access, which impacts the operators' interconnection arrangements going forward. On Access Pricing, a decision was made for existing interconnection rates for selected services to continue until 30 June 2010.

OUTLOOK FOR 2009

Starting from the third quarter of 2007 and throughout 2008, the global economic downturn and credit crunch began to have an adverse effect on the local economy. A marked slowdown in consumer and business spending has become apparent and this is not expected to improve during 2009. The mobile market in Malaysia is also saturating rapidly, with mobile penetration (as a percentage of population) expected to surpass 100% sometime in 2009.

MNP was implemented in Malaysia in 2008, which allows all mobile users in the country to switch network providers without changing their existing mobile numbers. The net impact on Celcom has been positive, due to successful risk mitigation, effective retention and acquisition campaigns, combined with Celcom's proven superior network, product packaging and pricing and customer service. Nevertheless, 2009 will prove extremely challenging for all mobile service providers, and industry revenue is expected to register lower growth in 2009.

Indonesia

PT EXCELCOMINDO PRATAMA Tbk.

Awarded Indonesia Cellular Award (ICA) 2008 for (CSR, Marketing and Promotions, Customer Growth, Value Added Services, GSM Operator)

The first widest and fastest 3G in Indonesia

Launched the highly successful minutes factory strategy which led to impressive revenue growth of 45.3%

ABOUT XL

XL started commercial operations in 1996. XL's business primarily consists of providing voice, data and other value-added mobile telecommunications services. XL operates its network under a GSM 900 and GSM 1800 licence from the Minister of Communications and Information of Indonesia and has been allocated two bands of spectrum pursuant to which it operates its GSM 900 and GSM 1800 networks. XL also has a Closed Local Loop Network Provider licence as well as licences for Voice over Internet Protocol (VOIP), Internet Service Provider (ISP) and Network Access Point. Further, XL has been allocated 3G spectrum in early 2006 and in September 2006, introduced its 3G service in Indonesia.

To date, XL has built more than 16,000 BTS towers all around Indonesia serving more than 26 million customers. XL is committed to continuously strengthen its quality and coverage, in order to serve its customers' communication needs anytime, anywhere.

As at the end of 2008, there were 338 XL centres, comprising 125 XL centres (including mobile XL centres) and 213 XL centre outlets, supported by Contact Centre services, which are available 24 hours a day, seven days a week. In 2006, with the launch of its 3G services, XL also launched its Video Contact Centre, a 3G-based technology customer support.

BUSINESS HIGHLIGHTS 2008

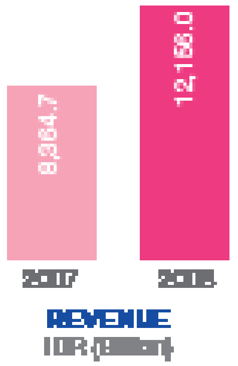
XL expanded its network coverage and reached approximately 90.0% nationwide coverage. For 2008, XL's capital expenditure reached its peak at USD1.2 billion which was spent on capacity provisioning as well as quality improvements. The compact design of the BTS enabled the speedy deployment of new BTSs. In 2007 XL had put up 3,897 new BTS, while in 2008 XL had put up 5,572 BTS. This makes XL the second biggest operator in terms of network population coverage across Indonesia. In the third quarter of 2008, XL completed the upgrading of its billing system which doubled its subscriber capacity as well as improved reload capacity. With these enhancements, XL's capacity had increased four fold compared to 2007 and enabled XL to utilise its network more effectively and efficiently.

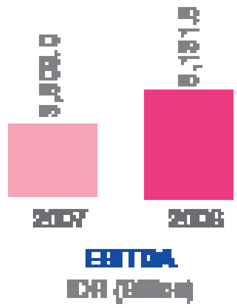
FINANCIAL PERFORMANCE

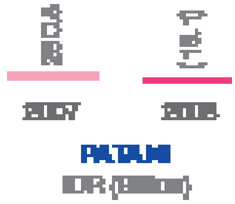
In 2008, XL outperformed the industry in terms of revenue and EBITDA growth and increased market share. XL met its guidance by having 45.3% YoY growth for the top line while EBITDA margin was 42.2%, an increase from 42.0% in 2007, despite intensified competition and the global economic crisis in the second half of the year.

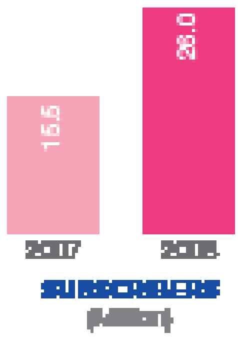
Total revenue reached IDR12,156.0 billion. This 45.3% YoY increase was mainly driven by exponential growth in total minutes and a larger customer base. All segments experienced positive growth with additional revenue from the new line of business in 2008, the tower business unit.

Prepaid subscribers accounts for 98.4% of its total subscriber base. Prepaid revenue was 58.0% higher YoY at IDR8,849.4 billion and contributed 72.8% to the total revenue. In 2008, XL had a new revenue stream from the leasing out of tower space, amounting to IDR276.7 billion, which made up 2.3% of the total revenue. As at 31 December 2008, XL had 3,325 sites reserved, on which installation of equipment has commenced by 4 tenants.









Total operating expenses increased 54.7% YoY to IDR6,929.7 billion, due to increases in interconnection and telecommunication service charges, network infrastructure expenses, sales commission and marketing expenses.

EBITDA increased 46.2% YoY to IDR5,131.5 billion. EBITDA margin remained the same as in 2007, at 42.2% over total revenue as a result of strong cost management, despite lower average tariffs per minute.

Normalised net income declined 51.8% YoY due to higher interest expenses from higher interest bearing debts, higher depreciation which was driven by accelerated depreciation on XL core equipment amounting to IDR451.0 billion, and recorded realised forex loss of IDR332.2 billion.

AWARDS AND RECOGNITION

XL has won several awards for its innovative products and services including:

- **Top Brand Award 2008**
  Postpaid Cellular SIM Card category
- **Call Center Award 2008**
- **Indonesia Golden Ring Award 2008**
  Best Operator, Best Operator Product [XL Prepaid Card], Best Customer Service
- **Selular Award 2008** Best Prepaid GSM
- **Indonesia Cellular Award (ICA) 2008**
  CSR, Marketing and Promotion, Customer Growth, Value Added Services, GSM Operator
- **2008 Frost and Sullivan Indonesia Telecoms Awards**
  Mobile Service Provider of the Year
  Market Challenger of the Year

PRODUCT AND SERVICES

In order to strengthen its brand awareness, XL has consolidated its brands toward a single brand.

Some of the innovative programmes launched in 2008 include:

- XL launched a pioneer tariff mechanism by offering one voice tariff per call for on-net regardless of the duration to maximise its revenue growth in March 2008
- In June 2008, XL introduced free call time band in order to maximise and balance its network utilisation during the day
- XL launched a new offering in August 2008 – 'Nelpon Semaumu', or call as many as you like, which enabled its subscribers to make as many on-net calls as they want after a daily accumulated usage of IDR1,000
- In December 2008, XL reduced its SMS tariff and offered 250 free SMSes within 12 hours which could be enjoyed by XL subscribers after sending eight SMSes

REGULATORY OVERVIEW

The Indonesian regulatory environment was characterised by major reforms pertaining to policy, legislation and regulatory frameworks with the development of the ICT Convergence Roadmap 2007-11. This Roadmap had begun to review and recommend changes to legislation and regulations on key regulatory areas such as licencing, interconnection, spectrum, etc. These broad mechanisms will provide opportunities as well as challenges for industry players including XL. For example, recent proposals to reform the framework for spectrum fees to be based on bandwidth will result in operational certainty, avoid inefficient use of frequencies and remove the financial disincentive for spectrum holders to make capital expenditure commitments.

Notwithstanding this, challenges exist for example in relation to the promotion of a foreign investment policy that is fair and conducive to long-term business viability and sustained development of the telecommunications industry. An example of this is a new regulation which restricts ownership of tower operations to 100% owned domestic companies. Other challenges include a decision by the Competition Commission (KPPU) on SMS price fixing involving XL and 5 other operators, a matter currently under appeal.

OUTLOOK FOR 2009

The Indonesian telecommunications industry, in particular GSM cellular, has evolved from a low volume – high tariff model into high volume – low tariff model which was initiated by XL, which introduced its new strategy in mid 2007. The strategy, 'offering best value through comparable quality and affordable tariff' continued to be implemented in 2008. In the past, tariff per minute in Indonesia was higher compared to other regional operators. However, by end of 2008, Indonesia's tariff per minute was one of the lowest in the region. As a result, penetration rate increased from approximately 29.0% in 2006 to 42.0% in 2007, and is estimated to have reached about 64.0% in 2008.

However, the penetration rate in Indonesia is based on SIM card penetration rate rather than actual subscriber penetration as multiple SIM cardholders' phenomenon is common. The actual subscriber penetration is estimated to be below 40.0%. Hence, XL believes there is still opportunity for cellular operators.

To ensure the successful implementation of its new pricing strategy, XL has adjusted its business model by having a lean operating organisation, focused on core business activities to maximise its margins. XL reviewed all opex elements and cut non-core costs instead of lowering operating cost, and related cost spending with revenue generation.

XL also developed its network in line with its new business model. In 2007, XL reached 90.0% population coverage across Indonesia. In 2008, XL invested approximately USD 1.2 billion, around 90.0% of XL's expenditure allocation for site development, in capacity provisioning and quality improvements. XL upgraded the capacity of its hardware and software in its radio equipment by four fold in early 2007, enabling it to handle the traffic generated from its new strategy effectively. Furthermore, XL upgraded its billing system and doubled its subscriber capacity as well as improved its reload capacity.

XL had the advantage of being aggressive in capital expenditure roll-out, capacity and quality improvements, that peaked in 2008 just before the global crisis began to affect the Indonesian economy. Hence, in 2009 XL will expand its network specifically and selectively. XL expects new capex commitments in 2009 to be significantly less.

XL has demonstrated the strength of its strategy in offering consumers a good value proposition comprising of affordable services, good quality, and its capability to defend operating margins and improve capital efficiency despite the lower market price levels. In short, XL will continue to strengthen its market position while improving productivity and shareholders value.

Dialog TELEKOM

Sri Lanka

DIALOG TELEKOM PLC

The first telco to launch commercial 3G operations in South Asia

The first telco in Sri Lanka to introduce GSM technology, commencing operations on 2.5G at a time when other players in the industry were operating on analogue technology

The only operator in the world to win 3 GSM World Awards (from the world GSM body) for its innovations in the use of wireless technology

ABOUT DIALOG

Dialog is Sri Lanka's flagship telecommunications service provider, which operates Dialog GSM, the country's largest mobile network. Dialog is one of the largest listed companies on the Colombo Stock Exchange in terms of market capitalisation of SLR48.9 billion (FY2008), representing 10.0% of the market capitalisation on the Colombo Stock Exchange.

In addition to its core business of mobile telephony, Dialog Telekom operates a wide portfolio of multi-sensory connectivity services. This includes Dialog TV (DTV), a direct-to-home satellite television service, and Dialog Global which operates a wide portfolio of international telecommunications services. In addition, Dialog Broadband (DBN) offers fixed-line services and broadband internet, whilst Dialog Tele-Infrastructure (DTI) is the company's national telco infrastructure arm. Dialog holds the leadership position in almost all its business spheres, with innovation, superior technological solutions and world-class customer service serving as catalysts for growth.

Since the late 90's Dialog has spearheaded the exponential growth of the country's mobile telecommunications sector, propelling it to a status on par with the developed world. Dialog operates on 2.5G and 3.5G communications networks that support the very latest in multimedia and mobile internet, coupled with the distinction of being the first to launch commercial 3G operations in South Asia.

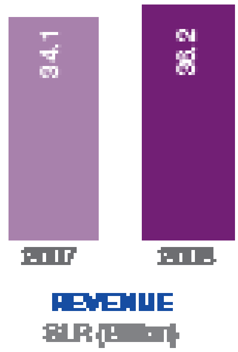
BUSINESS HIGHLIGHTS 2008

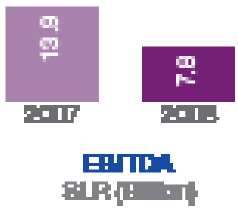
Dialog consolidated its market leadership position in the mobile industry, while maintaining its market share of over 50.0%, with a customer base of 5.5 million as at end 2008. The Company also commands approximately 60.0% of the revenue share.

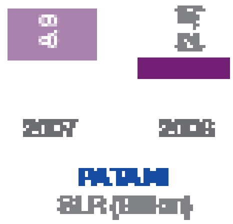
The growth in customer base was achieved on the backdrop of heightened competition and price aggression across the sector. Extensive coverage, superior customer service, competitive tariffs and a wide portfolio of cutting-edge mobile services laid the foundation for Dialog's continued success in capturing a major share of customer additions during the year.

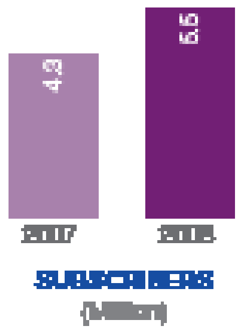
Dialog has consistently delivered rapid growth in terms of coverage and capacity ahead of the competition. In addition, Dialog's customers are linked to over 200 global destinations via international roaming, including 3G services.

The company's infrastructure arm, DTI recorded significant progress in many of its strategic projects during 2008. DTI has been able to achieve significant revenue growth through sales to its ever expanding clientele. This is largely as a result of the investments made in state-of-the-art infrastructure covering both microwave and fibre optic transmission technologies.









DTI has maintained unparalleled network quality performance with near zero outages guaranteeing maximum customer satisfaction.

Dialog's International Business unit, Dialog Global had an excellent year with overall revenue growing 35.0% and total volume of minutes carried grew 30.0% YoY. Its well established and expanded partner operator network that bridges Sri Lanka with over 200 countries has enabled Dialog Global to deliver on its value proposition of 'anytime, anywhere international connectivity'.

The Company recorded the highest-ever net additions of over 1.2 million subscribers in 2008. Prepaid services continued to account for an increasing share of incremental subscriber additions during the year. As at end of 2008, the Company's mobile subscriber base exhibited a postpaid: prepaid mix of 12:88.

Dialog has the largest and widest 2G/3G coverage, giving it a distinct advantage over the competition. The commitment to service quality in 2008 is portrayed by the investment in network infrastructure with the company operating up to 1360 BTS across the island.

Dialog Mobile remained true to its brand promise with a host of innovative VAS offerings during the year. Products such as Background Music, Song Catcher, Call me, Mobile TV, My Dialog Social Network were all focused on the youth segment while a portfolio of news channels were partnered to provide consumers with the latest local and international news at their finger tips via news alerts.

Mobile Broadband on HSPA technology has seen tremendous growth within a very short period of time. This growth has been mainly fueled by the introduction of unlimited packages in September 2008 including the University Students Unlimited package. An exponential growth in this area is expected in 2009 with internet penetration, improving from the current level of less than 2.0%.

DBN and DTV made significant strides in their respective markets during the course of 2008. Dialog's objectives with respect to the subsidiary business were underpinned by the intent to create a new wave of ICT growth in Sri Lanka with respect to broadband, advanced fixed line and digital television services.

Amidst growing competition, the fixed line and Broadband service operated by DBN captured a customer base of over 175,000 connections in less than 2 years of operation.

DTV in its second year of operation made remarkable inroads into the pay television market, reaching a customer base of 122,854 (121.0% growth YoY). DTV currently dominates the pay TV market with 90.0% of market share, successfully differentiating on content, service and brand.

FINANCIAL PERFORMANCE

Dialog Telekom PLC (the Company) recorded revenue of SLR33.1 billion, a modest growth of 1.0% compared to 2007. Revenue growth was mitigated due to the Company's focus on leading the expansion of Sri Lanka's mobile market through a range of enhancement mechanisms on the backdrop of macro inflation and commensurate pressures on consumer spending. The achievement of revenue objectives were further conditioned by declining elasticity levels in the market, with usage growth not commensurating with price reductions, delivered in the form of base tariffs as well as the introduction of per-second charging and free talk time bundles.

Costs (direct and operating costs) of the Company increased by 42.0% YoY to SLR31.9 million in 2008. In the wake of aggressive growth in subscriber additions (29.0% YoY), strategic investment in network coverage, customer service infrastructure and traffic handling capacity partly contributed to the negative performance in costs along with escalation in energy prices and general inflation during 2008.

The Company exercises a stringent level of prudence with respect to the treatment of its fixed assets, and has maintained strict adherence to international best practice with respect to provisions made against equipment obsolescence on the backdrop of rapid technology advancement and asset impairment. Accordingly, depreciation charges included the depreciation of capital inventory by SLR358 million, and asset impairment and obsolescence charges of SLR887.0 million. Total exceptional provisions and adjustments amounted to SLR1.9 billion (inclusive of reversals) which contributed to 18.0% of total cost variance.

Foreign exchange exposure pertaining to borrowing costs resulted in an exchange loss of SLR783.0 million for 2008 which further contributed to the negative profitability.

DBN recorded revenue of SLR2.4 billion, a growth of 129.0% compared to 2007 while, DTV recorded revenue of SLR1.3 billion, representing a growth by 91.0% relative to 2007. Both subsidiaries however, were hampered by cost escalation arising from energy related and general inflation as well as devaluation of the SLR, the latter being of particular and significant relevance to DTV in the context of its television content and satellite bandwidth costs.

Dialog Group recorded consolidated revenue of SLR36.2 billion for the year ended 31 December 2008, a growth of 6.0% compared to 2007 while Group costs grew by 40.5% YoY resulting in a negative growth in EBITDA of 43.9%. Group EBITDA for the year was recorded at SLR7.8 billion. The Group has also been prudent in cost recognition through the effecting of provisional charges and accounting adjustments totalling SLR1.0 billion above EBITDA level. Total non-operating costs were recorded at SLR11.3 billion comprising of depreciation (SLR8.8 billion), finance cost (SLR2.0 billion) and taxation (SLR0.5 billion).

The Group recorded loss of SLR2.9 billion for 2008, representing negative growth in group earnings of 132.3% YoY. DBN and DTV recorded a net loss of SLR1.5 billion and SLR0.9 billion respectively.

AWARDS

- **Asia Pacific GCCRM Customer Management Awards**
  Customer Management Strategy Award – Asia Pacific
  Customer Management Technology Award – Asia Pacific
  Retail Customer Experience Award – Asia Pacific

- **Dialog Telekom Ranked No. 1 in Business Today's TOP 10**

- **Dialog Named Sri Lanka's Most Valuable Brand by Brand Finance (Lanka)**
  Top of Sri Lanka's Top 100 Brands Index (second year in succession)

- **SAP ACE (Award for Customer Excellence) 2008 Awards**
  Best Telecommunication Sector Implementation for Midsize Enterprises

- **Asian CSR Awards**
  Dialog's gift to the Ceylon School for the Deaf and Blind - The Ratmalana Audiology Centre, Sri Lanka's first digitally-equipped, state-of-the-art hearing centre received an Award of Excellence at the Asian CSR Awards in the 'Concern for Health' category.

- **SLIM Brand Excellence Awards**
  Most Innovative Brand
  Best Mobile Brand

- **2008 Asia Pacific Customer Service Excellence Awards**
  Best Customer Service Centre Award

REGULATORY OVERVIEW

Developments in the political and macro-economic situation in Sri Lanka in 2008, with inflation weighing in at 20.6% proved extremely challenging for the Sri Lankan telecommunications sector. Additionally, Dialog continued to face serious competition from existing operators and new entrants from the Indian sub-continent who have entered the market with extremely competitive pricing schemes.

Against this backdrop, new taxation regimes targeted at the telecoms industry such as the National Building Tax (NBT) and Conservation Levy and the issuance of Private TV Broadcasting Station Regulations were issues encountered during the year.

A new interconnection policy based on the application of cost-based interconnection rates was contemplated by the Regulator during the year but deferred to 2009. This together with a move towards a Calling Party Pays (CPP) regime from the current Mobile Party Pays (MPP) scheme, is expected to be a catalyst for the expansion of mobile telecommunications including to rural areas.

OUTLOOK FOR 2009

The telecommunications industry in Sri Lanka is one of the most influential industries in the country, propelling Sri Lanka toward a new age of information technology. The industry has become a key factor in Sri Lanka's development process, impacting individuals and businesses through ICT driven solutions encompassing fixed and mobile, data communication and satellite and pay TV services. While much of Sri Lanka's rural population has yet to experience the full potential of this robust industry, Sri Lanka's telecommunications sector has managed to maintain its growth momentum amidst grueling market conditions.

Mobile Industry

The mobile telecommunications sector is one of the fastest growing industries in Sri Lanka today with a subscriber base of approximately 11.1 million, with almost 50.0% penetration. Dialog is the country's largest mobile service provider with a market share of over 50%. Mobitel, Tigo, Hutch and new entrant Airtel, are the other four players operating in the market.

While the booming industry is seen to have a positive influence on the country's economy, the intense competition among the operators has forced mobile operators to reduce call rates to stay ahead of the competition. This is quite evident in the aggressive advertising and promotion campaigns carried out by the respective mobile service providers, each promising to deliver the best in call rates and coverage to consumers.

The mobile telecommunications industry in Sri Lanka is arguably one of the most advanced in the region, with key players operating on 2.5G, 3G and 3.5G mobile service platforms. However mobile penetration in the rural parts of the country still remains minimal, giving mobile service operators in the country plenty to look forward to in terms of market expansion and growth.

Broadband Industry

Internet penetration has witnessed immense growth reaching a penetration rate of 3.7% in 2008 compared to 2.2% in 2007 (source: ITU). This was mainly a result of the explosive growth in Broadband subscribers during 2008. This severely underserved market, with total internet subscribers' amounting to just over 200,000, holds huge potential for growth. The ITU estimates this market segment to grow at an annual growth rate of 22.0% to 25.0% during 2009-2011, creating a huge demand for ICT products and services. Further, significant growth is expected in this sector, especially in 2009, due to declaration of 'Year of ICT' by the government of Sri Lanka.

Fixed-Line and Data Industry

Sri Lanka's fixed line sector experienced strong growth with over 400,000 additions in the first half of 2008 reaching a penetration of 61.0%. The fixed line sector was driven by growing popularity of fixed wireless CDMA/WLL as a direct result of market liberalisation and increased consumer demand. However, it can be observed that rural penetration levels are still at a lower level compared to urban and semi urban areas of the country. Provincial distribution of fixed lines indicate heavy concentration in the western province accounting for 45.0% of fixed line users.

Pay TV Industry

The economic downturn in 2008 eroded consumer disposable income which resulted in a highly under penetrated pay TV market. Pay TV is still perceived as a non-essential luxury item in Sri Lanka and changing this mindset has been the single most challenging task for the players in the industry. At present, TV penetration is approximately 77.0%. Pay TV penetration is still at a very low level and has much room to grow if economic conditions turns positive. However, amidst economic adversities Dialog TV has managed to maintain its dominant position by continuously investing in enhancing the user experience through launches of new content and technological advancements.

AKTEL CLEARLY AHEAD

Bangladesh

TM INTERNATIONAL (BANGLADESH) LIMITED

The widest International Roaming coverage in Bangladesh connecting 440 operators across 203 countries

The first mobile operator to connect Tetulia and Teknaf, which is the northern and southern most points of Bangladesh

The first mobile operator to launch GPRS in 2005

ABOUT TMIB

TMIB is a dynamic and leading countrywide GSM communication solutions provider and is a joint venture company between Axiata and DoCoMo of Japan. TMIB officially commenced operations in 1997 and is among the pioneer GSM mobile telecommunications providers in Bangladesh.

With a subscriber base exceeding 8.7 million to date covering all 64 districts of the country, TMIB has become the first mobile operator to connect Tetulia and Teknaf, the northern and southern most points of Bangladesh and the first to provide seamless coverage along the Dhaka-Chittagong highway.

TMIB supports 2G voice and GPRS/EDGE service with high speed internet connectivity, and has the widest International Roaming coverage in Bangladesh connecting 440 operators across 203 countries.

TMIB's GSM service is based on a robust network architecture and cutting edge technology such as Intelligent Network (IN), which provides peace-of-mind solutions in terms of voice clarity, extensive nationwide network coverage and multiple global partners for international roaming.

TMIB's customer centric solutions include VAS, quality customer care, easy access call centres, digital network security and flexible tariff rates.

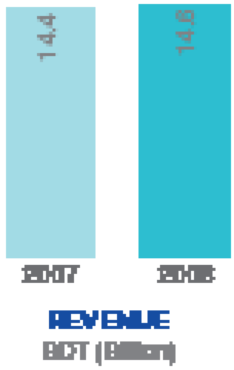
With its strengths and competencies developed over the past 11 years, TMIB aims to provide the best quality service experience in terms of coverage and connectivity to its customers all over Bangladesh.

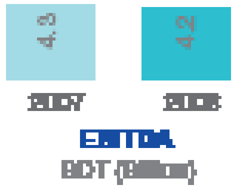
BUSINESS HIGHLIGHTS 2008

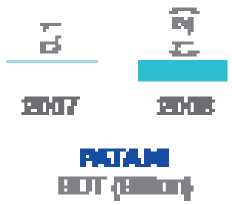
TMIB has continued on its growth journey in 2008 despite the competitive and challenging business environment in Bangladesh. Its growth strategies include market penetration and expansion through quality customer acquisition, retention, quality customer service experience, improved distribution and process improvements. These strategies have successfully grown TMIB's customer base by 21.4% to 8.7 million and active customers RGB by 33.0% from the preceding year. 2008 saw TMIB partnering with a leading global mobile telecommunications operator, when DOCOMO acquired a 30.0% stake in the Company from the AK Khan Group. This is a significant milestone whereby TMIB will further grow with technologically driven customer solutions and support from DOCOMO.

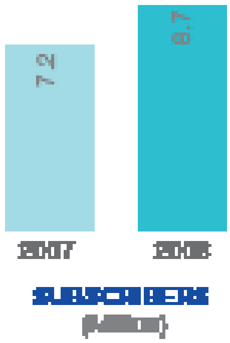
FINANCIAL PERFORMANCE

For the year ended 31 December 2008, TMIB recorded growth in its revenue to close at BDT14.6 billion from BDT14.4 billion recorded in 2007. This result was achieved despite high acquisition cost by operators, declining ARPU and tariff arising from intense competition across the industry. The increase in revenue is mainly attributed to an increase in MoU and increased RGB through effective reactivation and quality acquisition. EBITDA for the year was maintained at BDT4.2 billion close to the BDT4.3 billion achieved in the preceding year. The achievements during the year have been attributed to the improved marketing and communication strategies supported by growth in network capacity and improved distribution channels. Moving forward, TMIB remains committed to sustaining and improving its growth momentum. This will be done by further enhancing customers' experiences, developing people and accelerating profitable growth. TMIB will continue to strive to bring state-of-the-art technologies and solutions to the marketplace.









AWARDS

- **Financial Mirror and Robintex Business Award 2008**
  For excellence in service and corporate social responsibility initiatives
- **Jamuna Bank Business Excellence Award 2008**
  For excellence in customer service and corporate social responsibility initiatives.

REGULATORY OVERVIEW

The Bangladesh regulatory environment is a challenging one and a notable 2008 development has been the issuance of operating licences to Interconnection Exchange (ICX), International Internet Gateway (IIG) and International Gateway (IGW) operators under the implementation of the International Long Distance Telecommunications Services (ILDTS) Policy 2007. The policy is remarkably significant in terms of its effects on the sector especially the interconnection regime in Bangladesh.

Further, against an overall burden of tax including SIM tax at BDT800/SIM and government municipals imposing charges for BTS and other installations, this continues to be a matter of public policy scrutiny. However, new guidelines on infrastructure sharing have opened up the possibility of cost optimisation of network deployment.

As in most emerging markets, the industry is also concerned with spectrum availability as well as allocation methodology. Nevertheless, this issue has been partly assuaged with additional 2 MHz spectrum in 1800 MHz frequency band being allocated to TMIB in the fourth quarter of 2008 at the cost of BDT800 million per MHz.

In spite of the highly competitive environment and current regulatory uncertainties, TMIB remains optimistic of the future regulatory environment which Axiata hopes will fuel stable industry growth.

OUTLOOK FOR 2009

Despite the absence of a stable political government and the aftermath of two floods and a severe cyclone, Bangladesh maintained a gross domestic product (GDP) growth rate of about 6.0%. Bangladesh ranks among the most densely populated countries in the world, but its fixed-line teledensity remains the lowest in South Asia.

Bangladesh remains a premium telecommunications market. With a population of over 140.0 million and teledensity of 32.0%, and GDP per capita of USD480.0; Bangladesh is one of the fastest growing wireless telecommunications markets in the world with significant growth potential. The telecommunications sector revenue represents 1.5% of the country's GDP.

Bangladesh has a competitive mobile market. Competition has made it one of the lowest prices per minute in the region. Bangladesh's total mobile subscribers reached 44.6 million by the end of December 2008, from 34.4 million at the end of 2007 (source: Bangladesh Telecommunication and Regulatory Commission (BTRC)).

The country's six mobile phone operators added 10.2 million customers in 2008, posting a 30.0% growth compared to a 62.0% growth recorded in 2007.

Bangladesh has a huge pent-up demand for communication and information services that can improve people's lives and make businesses more productive.

Cambodia

TELEKOM MALAYSIA INTERNATIONAL (CAMBODIA) COMPANY LIMITED

The operator with the largest GSM international roaming partner network in Cambodia

The fastest growing subscriber base in the Group at 90% YoY for 2008

Leading postpaid customer market share in Cambodia

ABOUT TMIC

TMIC provides services on the GSM 900/1800 frequency band under a 35-year cellular concession commencing in 1996. The network has been operating since April 1999 and offers Postpaid and Prepaid services. A rebranding initiative in November 2007 saw it operating under the brand name of "hello" with an enhanced distribution network, customer services, outlets and human resources. TMIC has network coverage at all cities and provinces and along main trunk roads of Cambodia, covering 86.0% of the populated area and is planning to roll out its 3G service by August 2009.

BUSINESS HIGHLIGHTS 2008

As at 31 December 2008, TMIC had a subscriber base of 591,515 of which 583,903 are prepaid subscribers and 6,870 postpaid. This represents a subscriber growth of 90.0% over 2007. 2008 also saw a 36.0% MOU growth over 2007. TMIC's blended ARPU is the highest among Axiata's OpCos, and currently stands at USD7.6 per month.

FINANCIAL PERFORMANCE

TMIC achieved a 31.6% growth in revenue, from USD41.1 million recorded in financial year 2007 to USD54.1 million in 2008. Whilst subscriber growth was strong at 90.0%, blended ARPU has been reduced to USD7.6 per month compared to USD9.4 in the previous year.

EBITDA margin stood at 25.9% whilst PAT was USD1.4 million with normalised figures for EBITDA and PAT at 33.0% and 19.0% respectively. TMIC has a healthy cash balance of USD16.7 million.

REGULATORY OVERVIEW

April 2008 marked the conclusion of the Ministry of Post and Telecommunications (MPTC) of Cambodia's major telecommunications sector policy reform and capacity building initiative which began in 2007. The new telecommunications legislative and regulatory framework will create new opportunities as well as challenges. Proposals arising from this initiative have yet to be implemented.

This includes the creation of Cambodia's independent regulatory authority, Telecommunication Regulatory Commission (TRC). It is envisaged that the new regime will herald a new phase of telecommunications regulation, consistent with best practice global approach.

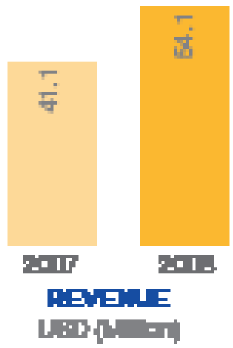
Amidst regulatory uncertainties, TMIC was granted a 3G licence in May 2008 and 2x 5MHz GSM1800 spectrum in June 2008. Both spectrum allocations augur well for TMIC's business growth.

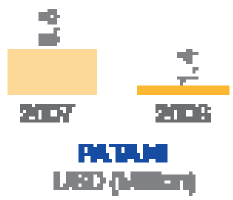
OUTLOOK FOR 2009

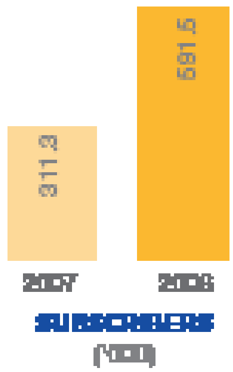
With the current penetration rate at almost 26.0%, Cambodia is set to be a growth market for the next three to five years barring any adverse political, economic and regulatory turmoil. The growth potential has attracted new players. However, with a population of around 14.0 million, the market is expected to eventually consolidate to three to five major players from the current nine.

In 2009, TMIC plans to rapidly grow its network capacity and coverage, as the first step in positioning TMIC towards gaining market share and leadership in the next three to five years.

The current network expansion plan will substantially enhance coverage with sufficient core network and radio capacity to cater for the forecasted increase in subscriber base of one million in 2009.







India

IDEA CELLULAR LIMITED
SPICE COMMUNICATIONS LIMITED

Awarded Mobile Operator of the Year – India by Asian Mobile News Awards 2008

Awarded the GSM Association Award for 'Best Billing and Customer Care Solution' in 2006 & 2007

The first company in India to commercially launch the next generation EDGE technology in Delhi in 2003

ABOUT IDEA

Idea is a public listed company, having been listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in March 2007. It is the third largest private GSM operator, with pan India licences. With a customer base of over 38 million in 15 service areas, under the Idea brand, operations are expected to cover the whole country in 2009. Idea is also a National and International Long Distance service provider.

Idea is one of the few original players in the cellular mobile space with a commitment to the industry, from 1995 onwards. With two service areas in 1995, Idea is now virtually a pan-India player through a process of Mergers & Acquisitions.

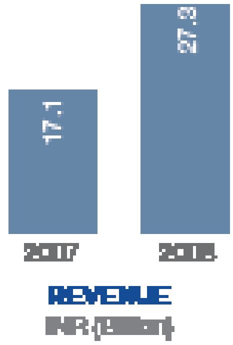
Idea enjoys market leadership position in many of its operational areas. It offers GPRS and EDGE on all its networks for all categories of subscribers.

It was the first company in India to commercially launch the next generation EDGE technology in Delhi in 2003.

Idea has been a leader in the introduction of value added services. From basic voice & SMS services to high end value added services such as mobile TV and games. Idea is seen as an innovative, customer focused brand. Idea has received international recognition for its path-breaking innovations when it won the GSM Association Award for 'Best Billing and Customer Care Solution' for two consecutive years.

Idea is part of the Aditya Birla Group, India's first truly multinational corporation. The group operates in 25 countries, and is anchored by over 125,000 employees belonging to 25 nationalities. The Group has been awarded 'The Best Employer in India and among the Top 20 in Asia' by the Hewitt-Economic Times and Wall Street Journal Study 2007.

Axiata's investment into Idea was in line with its strategy to focus on low penetration, high emerging markets. India is one of the fastest growing markets in the world with 10 million new subscribers a month. The merger of Spice and Idea will push it to the number five position in India.

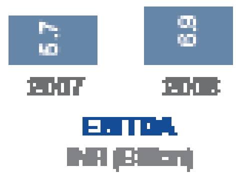


BUSINESS HIGHLIGHTS 2008

- Idea acquired nine licences in the Indian mobile market, for Punjab, Karnataka, Tamil Nadu & Chennai, West Bengal, Orissa, Kolkata, Assam, North East and Jammu and Kashmir
- Idea acquired Spice Communications with the operating circles of Punjab and Karnataka
- Idea launched services in Mumbai metro, the largest single metro city launch ever
- Idea launched services in Bihar, and acquired 500,000 subscribers in just over 100 days

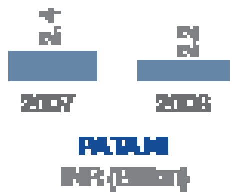
FINANCIAL PERFORMANCE

For the third quarter of 2008 (October-December 2008), the Company recorded a total revenue of INR27.3 billion compared to INR17.1 billion in the corresponding period of FY2007-08. EBITDA was at INR7.0 billion. PAT was INR2.2 billion.



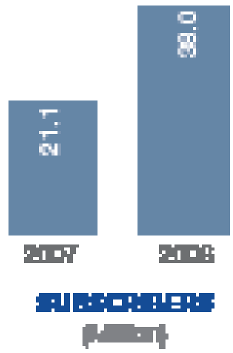
AWARDS

- **Golden Peacock Award 2008**
  Most Innovative Product and Services
- **Asian Mobile News Awards 2008**
  Mobile Operator of the Year – India
- **Asian Mobile News Awards 2007**
  India Operator of the Year Award
- **GSM Association Award**
  Best Billing and Customer Care Solution – 2006 & 2007



INDUSTRY OVERVIEW

India has the second largest telecommunications population in the world, growing at 10 million per month. Having crossed the 30.0% teledensity level and with the introduction of new players in the space, the Indian telecommunications sector looks set to maintain its current growth trajectory through 2009. Every operator has developed impressive rural networks and the subscriber growth is now coming from non-urban areas. This trend is expected to continue.



Singapore

MOBILEONE LTD

The first operator in Singapore and Asia to offer downlink speeds of 14.4 Mbps and uplink speeds of up to 5.76 Mbps on its newly upgraded HSPA network in November 2008

The first operator in the world to provide a safer environment for children to use mobile phones with the launch of KidSAFE in December 2008

The first operator in Singapore to launch duoSIM solution for postpaid and prepaid customers in September 2008, allowing them to switch between lines instead of carrying two mobile phones

ABOUT M1

M1 is a leading mobile communications provider in Singapore, offering a full range of mobile voice and data communications services over its 2G/3G/3.5G network. M1 expanded its service offerings and entered the broadband market with mobile broadband in 2006, followed by fixed broadband service in 2008.

M1 was the first mobile operator in Singapore to offer HSDPA in December 2006 when it launched 'M1 Broadband' - Singapore's first true island-wide wireless broadband service.

M1 initiated a major enhancement to its 3G and HSPA networks in 2008, upgrading all base stations to the latest fourth generation IP infrastructure in preparation for the advent of HSPA Evolution and LTE architecture.

The enhancement was completed in the third quarter of the year and M1 was the first cellular mobile operator in Asia to commercially launch a wireless broadband service at downlink and uplink throughput speeds of up to 14.4 Mbps and 5.76 Mbps respectively in November 2008.

The company also provides the sale of mobile devices and provision of services through its retail arm, M1 Shop. M1 Shop outlets are conveniently located across the island.

BUSINESS HIGHLIGHTS 2008

As at 31 December 2008, M1 had a total of 1.6 million mobile customers, comprising 883,000 postpaid customers and 748,000 prepaid customers.

The postpaid mobile segment remains key to M1's business. As at 31 December 2008, M1's postpaid customers formed 54.1% of its total mobile customer base, and contributed 88.1% of its total mobile telecommunications revenue in 2008. Though voice constituted the majority of postpaid service revenue, M1 experienced steady growth in non-voice usage. Contribution from non-voice services rose to 23.4% of service revenue from 21.6% the preceding year, driven mainly by growth in the mobile broadband customer base.

M1's prepaid customer base grew 10.1% over the previous year to 748,000. During the year, the Company undertook several initiatives to enhance its prepaid price plans to continue to provide superior value to customers.

Widely known as an innovative operator with an established brand, M1 aims to be the leader in personal voice, business and data communications, focusing on value, quality and customer service.

FINANCIAL PERFORMANCE

For 2008, M1 reported an operating revenue of SGD 800.6 million with EBITDA of SGD316.5 million. Normalised net profit for the year (excluding prior year's tax adjustments) declined 4.5% to SGD150.1 million.

Mobile revenue for the year remained stable at SGD 601.4 million. International call revenue increased 7.9% to SGD137.1 million YoY as international call minutes rose 69.6% to 526 million.

AWARDS

- **Asian MobileNews Awards 2008**
  Mobile Operator of the Year
  CEO, Neil Montefiore - Mobile Operator CEO of the Year

- **National Arts Council's Patron of the Arts Awards 2008**
  Distinguished Patron of the Arts

- **MediaCorp Viewers' Choice 2007 Gold Award**
  (Local TV Commercials Category) for M1's SunTalk Plus Launch Campaign – Indian Curry House TVC.

INDUSTRY OVERVIEW

M1 foresees the operating conditions for 2009 to remain challenging due to the global economic crisis. The current global economic crisis is unprecedented and M1 will closely monitor the impact on customer spend.

In 2008, M1 embarked on several key initiatives to drive efficiency, capitalise on new opportunities and to transform M1 from a single-play mobile operator to a dynamic multi-play operator. In 2009, M1 will continue to execute these initiatives and drive new ones.

In December 2008, M1 submitted a bid to be the Operating Company to build and operate the active infrastructure layer for the Next Generation National Broadband Network (NGNBN). Regardless of the tender result, the introduction of NGNBN will provide a neutral and transparent Open Access environment where M1 can compete more effectively in the fixed space as a Retail Service Provider.

Based on the current economic outlook and barring any unforeseen circumstances, M1 expects operations to remain stable for 2009.

Iran

MOBILE TELECOMMUNICATIONS COMPANY OF ESFAHAN

ABOUT MTCE

MTCE commenced operations in 2002 as the first provider of mobile prepaid SIM cards in Iran. The company is licenced to operate a GSM 900 MHz mobile communication service with a capacity of 35,000 customers in the Esfahan province of the Islamic Republic of Iran. The licence is valid for a 15-year period commencing 19 May 2001. As at 31 December 2008, the company operates 64 BTS in 12 cities within the Esfahan province.

In mitigating the significant mobile business erosion, the company bid for and won a wireless broadband licence based on Worldwide Interoperability for Microwave Access (WiMAX) technology during the year. The WiMAX licence that was awarded in March 2009 will allow MTCE to operate fixed wireless broadband services in the province of Esfahan for a period of 11 years. The company is planning to rollout the fixed wireless broadband services in October 2009.

BUSINESS HIGHLIGHTS 2008

Generally, the business environment throughout 2008 was challenging, arising from aggressive competition from the existing two nationwide mobile operators. Consequently, subscriber numbers fell to 13,696 by the end of 2008.

FINANCIAL PERFORMANCE

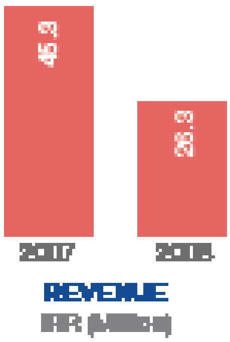
The greater market competition has significantly affected MTCE's financial performance. As a result, MTCE's revenue contribution reduced significantly from IRR45.3 billion to IRR26.3 billion during the year.

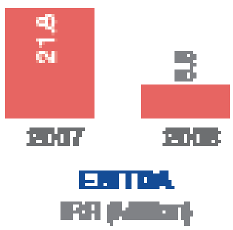
Similarly, EBITDA decreased to IRR 5.8 billion from IRR 21.8 billion a year ago. Taking into account other income, the company ended the year with a PAT of IRR8.3 billion.

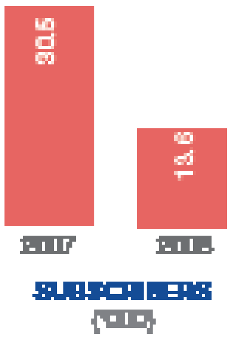
OUTLOOK FOR 2009

The telecommunications industry in Iran saw a major change at the start of 2007 with the introduction of a second nationwide mobile operator. This introduction marked the initial phase of Iran's liberalisation of the telecommunications sector, resulting in accelerated growth of mobile subscriber numbers from 15.4 million in 2006 to 27.5 million in 2007 and 43.3 million by the end of 2008. Correspondingly the country's mobile penetration rate also increased from 22.2% in 2006 to 59.9% in 2008.

The telecommunications sector in Iran is undergoing further liberalisation in 2009 with the announcement of a third nationwide mobile operator providing 3G mobile services.







Pakistan

MULTINET PAKISTAN (PRIVATE) LIMITED

The first company to introduce metro Ethernet in major cities of Pakistan

The first independent Long Distance and International operator to operate in all 14 telecom regions of Pakistan with self owned fibre

The first to launch a 5000 km long nationwide fibre connectivity project

ABOUT MULTINET

Multinet offers a wide range of non-mobile telecommunications services with its focus on Business to Business (B2B) segment of the market. Multinet, a facility based operator with a 100.0% Digital Fibre Optic network spread across Pakistan, supports fibre-optic connectivity, Long Distance International (LDI) originations/terminations, and co-location services. It is committed to developing innovative managed services solutions domestically and globally to meet the needs of its Carrier and Enterprise business partners.

Multinet has recently launched its IP-VPN service based on MPLS technology and state-of-the-art collocation and Disaster Recovery centres.

Today, Multinet has successfully built clientele which includes some of the largest global carriers as well as the top 200 enterprises operating in Pakistan. Multinet's array of services enable real-time information exchange wherever and whenever it is needed. It is committed towards opening the world of technology and global connectivity by offering services such as high speed data, Internet, video transmission and other broadband applications, enriching connectivity standards and making Pakistan a part of the global village.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2008, the company delivered a significant increase in total revenue to PKR588.5 million compared to PKR345.5 million in 2007, a YoY increase of over 70.0%. YoY EBITDA saw an increase to PKR40.0 million in 2008 from negative EBITDA of PKR13.5 million recorded in 2007. Multinet further achieved the milestone of recording profitability for the first time in 2008 of PKR0.9 million. In the previous year, the company recorded a loss of PKR36.6 million.

REGULATORY OVERVIEW

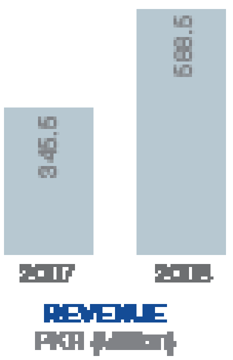
Pakistan is generally characterised by an open regulatory regime which promotes competition. In 2008 the regulator, Pakistan Telecommunications Authority (PTA) continued its efforts towards further growth of the sector while introducing new regulatory measures and strengthening the present regulatory set-up. A number of important regulatory initiatives were undertaken in 2008, for example a major restructuring of the PTA with the objective to improve the efficiency of the organisation and a think tank was created as a focal thinking machinery on policies, technical and development aspects and other important issues pertaining to the telecommunications sector.

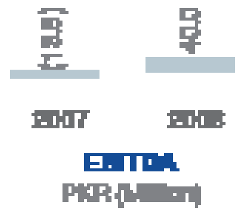
Specific to Multinet's operating environment, PTA had also decided to set up a joint system for monitoring and reconciliation of international telephony traffic along with the LDI operators. In this regard all the ground work including regulations have been finalised. The PTA is now very focused on proliferation of broadband and related technologies.

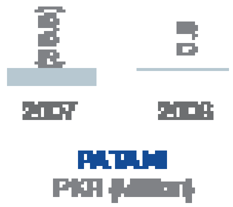
From an operations perspective, Multinet which was previously hampered on the access front, having had last mile access only in Karachi, has achieved success in closing this gap. On 28 December 2008 Dancom FLL licences were transferred to Multinet by PTA. With this, Multinet has become the second company after the incumbent to have nationwide local loop licences. The licences provide both PSTN voice and data service including infrastructure development within the local loop region i.e. 25 kms from the radius of the centre of the city.

OUTLOOK FOR 2009

According to the PTA, teledensity in Pakistan crossed 51.0% in 2008, growing from around 5.0% at the end of 2004. This impressive growth has been achieved through growth in the mobile sector which is now exhibiting maturing tendencies. Most notably, new mobile subscriptions are showing a declining trend in net new-adds for the first time in over three years. Comparatively, the Information Technology (IT) sector is still at early stages of growth, given the low level of IT spend (estimates put it at less than 1.0% of GDP). Pakistan is now showing signs of ramping up its IT spending, driven by increased focus on optimising operating budgets in response to the global and local economic slowdown and business demand for increased productivity and value creation solutions. Multinet has its core strengths in broadband data services and is poised to serve service provider and enterprise customers alike in a data-driven market and remains very optimistic of its business outlook in the coming years.







SAMART

Thailand

SAMART CORPORATION PUBLIC COMPANY LIMITED

ABOUT SAMART

SAMART has interests in various subsidiaries. As a group, its business activities are divided into three major business units: Mobile Multimedia, ICT Solutions and Services and Technology-related businesses, operated through its subsidiaries and affiliates. SAMART and two of its subsidiaries are listed on the Stock Exchange of Thailand (SET).

The mobile multimedia unit focuses on integrated mobile and interactive media business including information, education, entertainment, images and voice via advanced media.

BUSINESS HIGHLIGHTS 2008

The main business comprises the sale of handsets in domestic and overseas markets as well as a variety of content. Revenue for 2008 dropped 17.1% over 2007 mainly due to lower sales in domestic and international markets.

The ICT Solutions and Services unit provides telecommunication systems services through a range of telecommunication networks. The unit also serves the market with total ICT solutions, systems and design, and installation for both public and private sectors.

After a successful general election, ICT related spending by the Corporate and Government sectors increased year on year. The momentum lost its steam when political issues resurfaced in the second half of 2008. Samart Telcoms, which primarily focuses on projects from the Government sector, has been affected by these circumstances. All together the Company had a total backlog of THB4.0 billion as of December 2008. Key projects implemented in 2008 were Automatic Meter Reading for the Provincial Electricity Authority and networking project for Ministry of Defence.

In 2006, the Company decided to pursue business expansion into the IT outsourcing sector. Accordingly, the shareholders of Samart Telcoms Pcl. approved the acquisition of a 100.0% stake in Portal Net Company Limited, a company with rights to own and operate Enterprise Resources Planning system for the Provincial Electricity Authority of Thailand for a period of five years. The acquisition was expected to be completed in 2008. However, due to unforeseen delays in implementation by the seller, the acquisition is likely to be concluded in 2009.

The technology-related business unit is involved in the provision of a variety of services including:

- air traffic control services in Cambodia
- supply and generation of electrical power in Cambodia
- development and design of high-quality TV receivers notably, antenna, satellite dish receiver and receiver used in building system
- integrated contact centre services for government and private sectors
- distribution, installation and maintenance of security systems and wires, wireless imaging and voice communication system

FINANCIAL PERFORMANCE

For the year ended 31 December 2008, Samart recorded a total unaudited revenue of THB16.3 billion, a decrease of 17.0% from THB19.6 billion recorded in 2007. The company registered an unaudited net profit of THB261.0 million, which was a 54.5% decrease from the previous year's figure of THB 573.6 million.

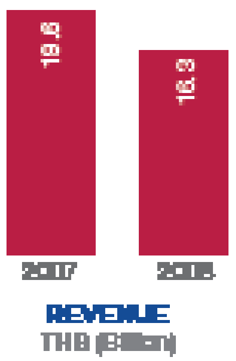
OUTLOOK FOR 2009

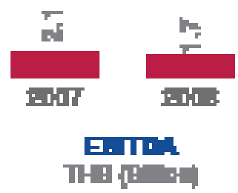
The Group is targeting for a 30.0% increase in shared revenue from all lines of business, mainly the ICT Solutions and Services sector with the introduction of new technologies and communication networks such as 3G, CDMA, WiMAX and also from governmental investments and projects to improve the telecommunications networks.

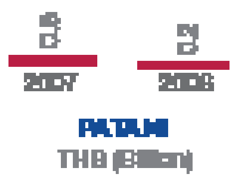
Apart from the growing opportunities in the high performing ICT sector, SAMART also owns other business lines which have high growth potential such as the following sectors; content business, contact centre, e-learning and ICT outsourcing.

The Mobile Multimedia business is likely to be affected by the global economic downturn. In the domestic market, strategies have been put in place to stimulate the market. Samart will also be focusing on market expansion plans in high growth potential international markets, such as India, Indonesia and the Middle East.

The target is to sell 5.0 million units of mobile phones, 2.7 million within the domestic market and 2.3 million within the international market with an offering of more than 30 new models.







Thailand

SAMART I-MOBILE PUBLIC COMPANY LIMITED

ABOUT SAMART I-MOBILE

SIM, a company listed on the Stock Exchange of Thailand (SET), is a majority-owned subsidiary of Samart Corporation Public Company Limited (SAMART).

SIM offers instant wireless information services and mobile content, along with the distribution of mobile telephones and accessories. Its business operations are divided into three core segments: mobile business, multimedia business and international business.

SIM's mobile business includes the distribution of mobile phones, mobile phones bundled with content called the I-mobile package, accessories and SIM cards.

The multimedia business provides voice services, non-voice or multimedia services and the provision of infotainment services.

SIM's international business involves the distribution of mobile phones and mobile phones bundled with content providing multimedia services abroad, mainly in Malaysia, Indonesia, Vietnam, Bangladesh and India. The company is also looking at expanding its reach to Africa, Central Asia, Eastern Europe Latin America and the Middle East.

BUSINESS HIGHLIGHTS 2008

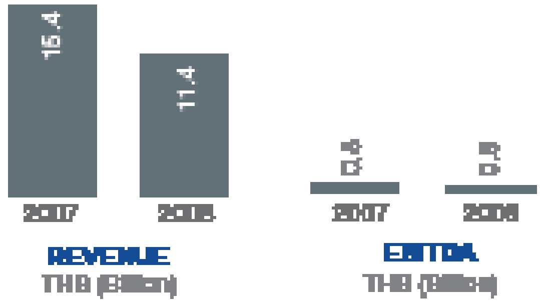
The total number of mobile phones sold in 2008 was 4.0 million units with the domestic market accounting for 2.8 million, lower by 2.6% as compared to 2007. The International markets accounted for 1.2 million, higher by 7.7% as compared to 2007. Content sales were up by 15.0% over 2007 mainly due to increased content usage from consumers.

Given the higher inflation and overall lower consumer confidence, demand for low budget mobile phones was at its peak in 2008. Consumers were more price conscious than ever before and 'value for money' remained the most important parameter in decision making. Despite the lower average selling price, gross margins on handsets improved significantly as compared to 2007.

In a competitive market such as Thailand, the company was successful in strengthening its I-Mobile branded mobile phones by introducing various models with attractive features at competitive prices. Out of the total mobile phones sold by the company, approximately 90.0% were of the I-Mobile brand. The I-Mobile brand continued to dominate second position in Thailand's mobile phone market. The market share for I-Mobile remained at 28.0% in 2008. On the domestic distribution side, new distribution channels such as new "Franchisees" and "Mobile Outlets" were added to expand product reach to the consumers.

On the international front, the company continued to strengthen its position in the Malaysian market by co-investing with Celcom to set up the "Blue Cube" branded retail outlets. As of December 2008, the Company had 78 'Blue Cube' outlets in Malaysia. In other existing markets such as India, Indonesia and Vietnam, fluctuations in exchange rates impacted sales, whilst demand fluctuated and consumers became more price conscious.

The Company is continuously looking for new markets outside Thailand where sustainable demand could be achieved. Gross margins on mobile phones sold in international markets improved as the percentage of I-mobile mobile phones sold was higher as compared to 2007.



As the company started to bundle its content via "i-link" through every mobile phone sold, non-voice content usage surged as the number of hits increased to one million per quarter in 2008. Voice content programmes services continue to remain popular with fortune telling ranked as the most popular content. The company's directory services "BUG 1113" remained popular and attracted higher traffic as compared to the previous year.

FINANCIAL PERFORMANCE

The sale of mobile phones is SIM's single largest revenue contributor accounting for 96.0%, 94.0% and 95.0% of total revenue in fiscal 2006, 2007 and 2008 respectively.

In 2008, SIM recorded total unaudited revenue of THB11.4 billion, a decrease of 26.2% from THB15.4 billion recorded in 2007. The company registered an unaudited net profit of THB114.0 million, which was a 64.5% decrease from the previous year's profit of THB321.0 million.

AWARDS

- **Prime Minister Award 2008**
  Thai Owned Brand
- **Prime Minister Export Award 2008**
  Design Excellence Award

OUTLOOK FOR 2009

The government's decision to postpone the licencing of 3G services to the second quarter of 2009 has had an impact on the sale of mobile phones. Thailand's own economy was sluggish, plagued by high inflation, rising oil prices and political problems, which has dampened consumer and business confidence, resulting in low purchasing power and purchasing intents.

With the impending launch of 3G services in 2009, the demand for 3G supportive mobile phones is expected to grow as well as opportunities for advanced VAS.

For 2009, SIM will work on enhancing its brand awareness in high growth markets such as India and Indonesia for continuous growth and market share. Sales in India have been encouraging, steadily gaining market acceptance. There are also plans to expand the distribution channels as currently sales are via the network operator, Spice.

The company is also looking at expanding its reach to Africa, Central Asia, Eastern Europe Latin America and the Middle East.

INNOVATION

The rocket signifies Axiata's commitment to accelerate progress through innovative technology and alliances – Axiata brings new technologies and services such as 3G, HSPA and mobile broadband to expand the horizons of an upwardly mobile Asia.

VI

Products and Services Catalogue

Malaysia

Postpaid Mobile Services

- Celcom 1+5 Plan
- Celcom Executive 250
- Celcom Executive 50
- Celcom Executive 20
- IDD
- Roaming Services
- Mobile Broadband

Prepaid Mobile Services

- S.O.X and U.O.X
- Prabayar Celcom Blue
- Prabayar Celcom Sukses
- Xpax Mid Plan
- IDD
- Roaming Services
- Mobile Broadband

Enterprise

- Broadband Connectivity offerings - Vodafone Mobile Connect USB Stick, Celcom Broadband Wireless Gateway
- BlackBerry Bold - Celcom
- PowerTools Mobile Email Plans
- Dell Latitude Notebooks with Celcom Built-in Mobile Broadband
- Postpaid Plan
  - Power 18
  - Power 38
  - Power 48
  - Power 148
  - BE 50
  - BE 250
  - Business 1+5
- IDD
- Roaming Services
- Mobile Broadband

Indonesia

Prepaid and Postpaid Mobile Services

Mobile Data Services

- Corporate Push E-mail e.g. BlackBerry and Microsoft Push E-mail
- Consumer Push E-mail branded – XL-mobile mail
- 3G services - video calls, downloads, data browsing services
- MMS, GPRS download and internet browsing services
- Other services - m-banking, voice SMS, voice music SMS, Xpressive SMS, secret SMS, XL phonebook, MW@p and XL instant messenger

Domestic and International Business Solutions

- Fixed-line, mobile and convergence communication services, including office zones, GSM PBX integration, hosted PBX, machine to machine (wireless ATM, wireless EDC), WiFi over Picocell and Vehicle Tracking System (XLocation)

Sri Lanka

Mobile Voice and Data Services

- Prepaid and Postpaid Mobile Services
- 3G Mobile services, Corporate solutions, BlackBerry® solutions, Mobile Broadband, Mobile Advertising Solutions
- Breaking News Alerts, eZ Pay (m-commerce), Star Points (South Asia's largest mobile-based rewards point programme), RingInTones, Mobile Music, Background Music.

Dialog TV - Direct-to-Home (DTH) Satellite Television Services

- Post-paid rental packages, Set Plans, 7 Day Pass
- Channel Portfolio - News, Movies, Entertainment, Sports, Edutainment, Music, Kids, Religious, Local
- Bill via IVR & SMS, Programme Schedules - USSD, TV & SMS

Dialog Global - International Telecommunications Services

- International Voice Solutions, International Data (IPLC/MPLS), International Roaming

Dialog Broadband - Fixed Line Services and Broadband Internet

- BB Home/BB Office, Business Internet
- Smart Home, Box Office, Smart Video, CO line, E1-Broadsoft, Hosted PBX, Hosted PBX-VAS

Dialog Tele-Infrastructure - National Telco Infrastructure Arm

Bangladesh

Prepaid and Postpaid Mobile Services

Mobile Data Services

- Infotainment Services
- SMS banking
- E reload
- Local Language Messaging
- Downloads, Ringtones, Screensavers, Picture Messages, MMS Content
- Voice Greetings
- Caller Ring Back Tones

Products and Services Catalogue (cont'd.)

Cambodia

Prepaid and Postpaid Mobile Services

Mobile Data Services

VOIP
- Infotainment Services
- Voice SMS, Voicemail
- Downloads, Ringtones, Screensavers, Picture Messages, MMS Content

VAS
- hello kwickchat
- GPRS
- Content Download
- Music2gether
- True Love Finder

Products
- TOP 10 Family and Friends
- Banh Luy (refill)
- Pate Luy (Airtime Transfer)

India

Prepaid and Postpaid Mobile Services
- Lifelong - 'Stay connected for life' for lifetime validity
- Youth Product – 'My Gang'
- Rural Product – 'Bharat Pack'
- 'Home Zone' for discounted rates within a cluster of low utilisation towns
- Value Vouchers for variety of special tariff benefits for customers

Value Added Services
- GPRS – Internet on Mobile
- WAP Downloads - Ringtones, Wallpapers, games and other content
- Search – Yahoo
- Mail / Messenger – Yahoo, MSN, AOL
- Applications – Mobile Cricket, Mobile Investor, Mobile Magazines, Mobile Streaming TV, Mobile Streaming Radio Service, MMS, Photo Sharing, Flash SMS, Group Chat, Call Filtering, Caller Tune/IVRS Systems
- Business Offerings
  - BlackBerry
  - NetSetter (Plug & Play Data Card)

International Direct Dial (IDD)
- ISD Tariff Vouchers to Gulf, US/Canada & UK
- Idea Global Calling Cards
- Idea Talk Malaysia Campaign

Enterprise
- Idea Toll Free Service

Singapore

Prepaid and Postpaid Mobile Services

Roaming and International Services

Mobile Broadband

Fixed Broadband

SIM Card Solutions:
- MultiSIM Card and DuoSim Card

Mobile Entertainment:
- M1 Jukebox, MeTV, 3G Videos, Games, Music Downloads

M1 Mobile Instant Messaging

M1 MobileCam

M1 KidSAFE

Iran

Postpaid & Prepaid Mobile Services

SMS Services

Selective Value-Added Services Content

Pakistan

Broadband Internet Services

International Bandwidth and Data Services

Long Distance and International Voice Services

Domestic Private Leased Circuits

Corporate Applications

Thailand

Mobile Multimedia

ICT Solutions and Services

Technology-related Businesses

Thailand

Mobile

Multimedia

International Business

Products and Services Review

Axiata is committed to bringing affordable and innovative communication services to potentially over 1.5 billion people in Asia, helping them connect with each other and the world. Our Opcos have continuously launched various innovative products and services to enhance their position in the marketplace. The following are some of the products and services introduced during the year.

Group-wide

Since the demerger, Axiata has been focused on driving superior performance and market growth, leveraging on its global strength to increase competitiveness. Over the last two quarters, together with our Opcos, we introduced a roaming service for our group subscriber base that is the first daily unlimited data roaming in the region at the most competitive rates.

In addition, we have rolled out MeTV; a user generated content service.

Celcom

Postpaid

Celcom maintained its position as the undisputed leader in postpaid services by offering new packages that gave customers better benefits and bigger savings. The new postpaid offerings included the Celcom 1+5 Plan, Celcom Executive 250, Celcom Executive 50 and Free Calls on Sundays.

Prepaid

A range of segment-specific pre-paid products were introduced during the year in order to cater more closely to the needs of specific market segments such as Xpax, S.O.X and U.O.X, Celcom Blue and Celcom Sukses.

Mobile Email

For most of 2008, Celcom was the fastest growing BlackBerry provider in the region. 2008 saw the launch of new BlackBerry devices and a range of affordable mobile email bundles starting from RM38 a month, tailored for light, medium and heavy data users.

Business Broadband

Celcom launched two new business broadband access devices in 2008 – the Vodafone Mobile Connect USB Stick – which is now Celcom's core broadband modem for the mass market, and the Celcom Broadband Wireless Gateway, a WiFi/HSDPA device that creates instant hotspots for small working groups.

XL

XL's Minutes Factory strategy which is based on offering best value through comparable quality and affordable tariff led to several new innovative products being introduced in 2008.

Nelpon semaumu

XL launched a new offering whereby customers can make as many calls as they like after a daily accumulated usage of IDR1,000.

This is on the back of XL launching a pioneer tariff mechanism and a free call time band.

XL also reduced its SMS tariff and offered packaged free SMSes.

Dialog

Ethera Methera

Dialog introduced Ethera Methera to meet the communication needs of migrant workers. The package offers special discounted rates between the two SIMs and is available for subscribers traveling to the Middle East, namely Bahrain, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia as well as Cyprus and Singapore.

Dialog Songcatcher

Dialog offers Dialog Songcatcher which allows customers to identify and download their favourite songs anytime, anywhere.

Dialog Background Music

Dialog introduces Dialog Background Music which allows all Dialog customers to play Background Music during call conversations. Background Music includes songs, background effects and sound effects, spicing up the conventional phone conversations with Background Music to suit the mood.

Family Package

Dialog's Family Package is a unique offering that allows customers to keep in touch with their family members for just 50 cents. The Family Package includes several special features and low rates, and consists of one primary connection and a maximum of four supplementary connections.

Dialog Kidz Package

Dialog developed the Dialog Kidz Package, the first ever Mobile Package specially designed for children. The package offers parents more control over their children's mobile phones, to provide maximum protection and to avoid any misuse, allowing parents to decide on the incoming/outgoing telephone numbers on their children's phones. The package also includes other child safety features such as word filtering.

Dialog Phone Backup

Dialog offers Dialog Phone Backup, a simple and convenient way to back up and restore information on a mobile phone such as contacts, SMS, photographs, music etc. It is a unique service and a secure way of saving important information so that customers can stop worrying about losing information stored on their mobile phone.

Dialog Lifetime Discounts

Dialog introduced a revolutionary tariff platform with Dialog Lifetime Discounts offering customers the best deals on call charges. The first such tariff programme of its kind in Sri Lanka, Dialog Lifetime Discounts offers a 50% discount from the third minute onwards, and a 25% discount on the second minute, for local outgoing calls made to any network, any time.

Mobile Broadband and Laptop Offer

Dialog Mobile Broadband introduced a revolutionary data offer, with a Dell notebook laptop, a Vodafone modem and a mobile broadband connection for just SLR6,477 a month. The broadband connection was offered free-of-charge during the first year.

Per-Second Blaster

By far the most popular introduction in 2008, the Per-Second Blaster was an exciting new package for postpaid users, which offered 1,000 minutes of free outgoing calls to Dialog numbers at any time of the day. With incoming calls free from any network, customers can also enjoy per-second billing.

Budget SMS

Dialog introduced Budget SMS, a low-cost text message option. Budget SMS is easy on the pocket with Dialog-to-Dialog SMS rates at just 50 cents per message. Customers can send up to 10 messages per day at 50 cents to any Dialog mobile number. Featuring promotional messages from leading brands in Sri Lanka, customers receive updates on the best deals in town, the advertisement at the bottom of the message adds a new dimension to SMS services in Sri Lanka, making Budget SMS the first commercial launch of mobile marketing in Sri Lanka.

Breaking News

Dialog launched one of its most successful Value Added Services, "Breaking News" in 2008, letting customers choose their preferred news provider to keep them posted on local, international and business Breaking News as and when it happens. Dialog also launched IVR based news headlines, where customers can dial the short codes of the news service and listen to news headlines.

Mobile Surveillance - Phone eye

Dialog also introduced Mobile Surveillance - Phone eye which uses broadband technology to give live images captured from cameras/CCTV systems, allowing customers to view what is happening in their home, office or any other location from anywhere.

MyTV

MyTV is a new personal television experience by Dialog 3G with 11 new channels added during the year. Customers can log on to www.dialogwap.com and access MyTV to watch TV via their mobile phones.

TMIB

68 Paisa/Min

TMIB introduced new prepaid and postpaid package prices, where call rates were slashed and reduced to 68paisa/min.

50% Bonus On BDT 100 Refill

An innovative offer termed as BDT50 bonus at every BDT100 refill was introduced in the market. The offer was for only eight days with higher bonus offer of BDT50 on every BDT100 refill but with limited validity.

AKTEL Reward Partner

TMIB launched an SMS-based purchase discount offer for all its subscribers (prepaid and postpaid) through its partnerships with 194 stores in all 6 divisional headquarters across the country.

M1

Take 3

For the first time ever in Singapore, customers were offered free mobile phones with zero upfront expenses. Take 3 allows customers to select a mobile phone of their choice by signing up for a payment plan that best suits their needs. They also have the option of exchanging the phone for a new model from as soon as nine months after signing, or after 20 months if they do not wish to incur additional charges. This programme is M1's response to feedback for more flexibility from subscribers.

Multi-Line Saver

M1 also introduced Multi-Line Saver to help customers with multiple M1 lines enjoy up to 35% savings on their monthly M1 bills.

M1 customers are also already enjoying more value through mobile plans that come with Free Unlimited Calls to 3 M1 friends, Per Second Billing and Free Incoming Calls.

STRATEGIC ALLIANCES

With customers' increasing hunger for quality mobile content, we have partnered with trusted content providers by signing strategic partnerships.

Celcom

The Celcom Group has a number of memorandum of understandings, strategic alliances, equity partnerships and collaborations with various global, regional and local corporate and telecommunications leaders, including Vodafone, AMI, Google, XOX, Tune Talk, U Mobile, Redtone and Merchantrade.

Vodafone is one of the leading mobile telecommunications companies in the world, with whom the Celcom Group has partnered to launch a range of exclusive services for business users and international travellers. As a result of the collaboration between the Celcom Group and Vodafone, the Celcom Group offers a comprehensive business product portfolio, leveraging on Vodafone's experience and portfolio of services.

The partnership covers a range of areas, including preferential roaming arrangements, multinational corporations' sales collaboration, best-practice sharing and ongoing access to new products. The Celcom Group also benefits from discounts on products such as BlackBerry devices, datacards and mobile phones through Vodafone's supply chain management programme.

As the first official telecommunications partner in the Asia-Pacific region for Google, the Celcom Group's subscribers are able to access Google's search engine platform with on-net and off-net WAP and web capabilities.

The Celcom Group's partnerships also extend to Mobile Virtual Network Operator (MVNO) and domestic roaming partnerships. The Celcom Group was the first to launch an MVNO in Malaysia with Merchantrade in the middle of 2007 to target foreign workers. In addition, the Celcom Group has recently signed a memorandum of understanding with Redtone to develop an MVNO to target the Small and Medium Enterprise (SME) segments and has also entered into Malaysia's first nationwide domestic roaming arrangement with U Mobile, offering connectivity when U Mobile subscribers are outside of their network coverage areas.

XL

XL has forged partnerships with partners such as AMI and Yahoo. XL has a strategic partnership with Yahoo! Indonesia to distribute Yahoo! oneSearch, Yahoo!'s popular mobile search service, across XL's mobile internet portal.

Dialog

Dialog partnered the National Development Bank PLC of Sri Lanka (NDB Bank) to introduce eZ Pay, South Asia's first mobile payment and banking network. Themed 'mPowering a New Economy', eZ Pay added a revolutionary and consumer centric dimension to banking in Sri Lanka. The Dialog-NDB Bank mobile commerce network allows consumers to carry out a variety of electronic transactions using their mobile phone from anywhere within Dialog GSM's network coverage, including the purchase of goods, payment of bills, transfer of money and performance of banking transactions.

Dialog also collaborated with mChek India Payment Systems Pvt. Ltd. (mChek), who provided the technological partnership for eZ Pay. mChek provides the mCommerce software on the SIM card to transform a standard mobile phone to an electronic wallet and/or a point of sale device capable of capturing and validating electronic (mobile commerce) transactions and banking transactions for use by retailers and merchants.

UNCOMPROMISING

The house demonstrates Axiata's commitment as an organisation to advancing communities for sustainable development through its technology and people.

VII

Corporate Responsibility

To live up to its tagline of 'Advancing Asia', Axiata is committed to Corporate Responsibility (CR), operating in an economically, socially and environmentally sustainable manner that is transparent and increasingly satisfying to its stakeholders. The intention is to build value for our customers, employees, shareholders and the community, balancing economic growth with environmental sustainability and social cohesion. This is in line with the Silver Book mandate on Achieving Value Through Social Responsibility whereby GLCs are expected to formulate a comprehensive policy on their contributions to society that goes beyond philanthropy.

With the need for constant communication, consumers are relying heavily on mobile devices. The mobile phone is not only the fastest growing technology in the world; it's also the most widespread. According to the International Telecommunications Union (ITU), at the end of 2008, globally, there were 4.1 billion mobile phone subscribers, accounting for 61.0% of the world, and there are more mobile phone subscribers than landline subscribers. Two-thirds of the mobile users are in the developing world, compared with less than half in 2002, according to the ITU's Information and Communication Technologies indicators.

Axiata's OpCos are playing a leading role in bringing the latest technology and solutions to the communities that they operate in. Axiata is well positioned to deliver enhanced communications that improve people's quality of life and increases productivity. These solutions and services can substitute physical transportation, reduce carbon emissions and provide a platform for smoother, more accessible national infrastructures and spur local economic development especially in emerging markets. The Group sees this as both a business opportunity and a way to enable people in emerging markets to gain greater social and economic benefits.

The goal is to become a Regional Champion by 2015. Axiata has a strong customer focus and measures itself against the highest standards of quality and performance. It is vital therefore, to have systems in place which ensure that the Group always operates with integrity.

Axiata approaches CR from the following four perspectives: Marketplace, People, Community and Environment.

Marketplace Perspective

Corporate Governance

Axiata is committed to applying high standards of corporate governance throughout the Group and to adhere to the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance. More than half of Axiata's Board members are independent non-executive directors, with a Non-Executive Chairman. The members of the Board comprise a blend of individuals of diverse professional backgrounds, skills and international exposure in the areas of telecommunications, investment, M&A, corporate finance and investment, and technology. With the skills diversity, the Board collectively possesses the dynamism to provide clear and strategic direction to the Group.

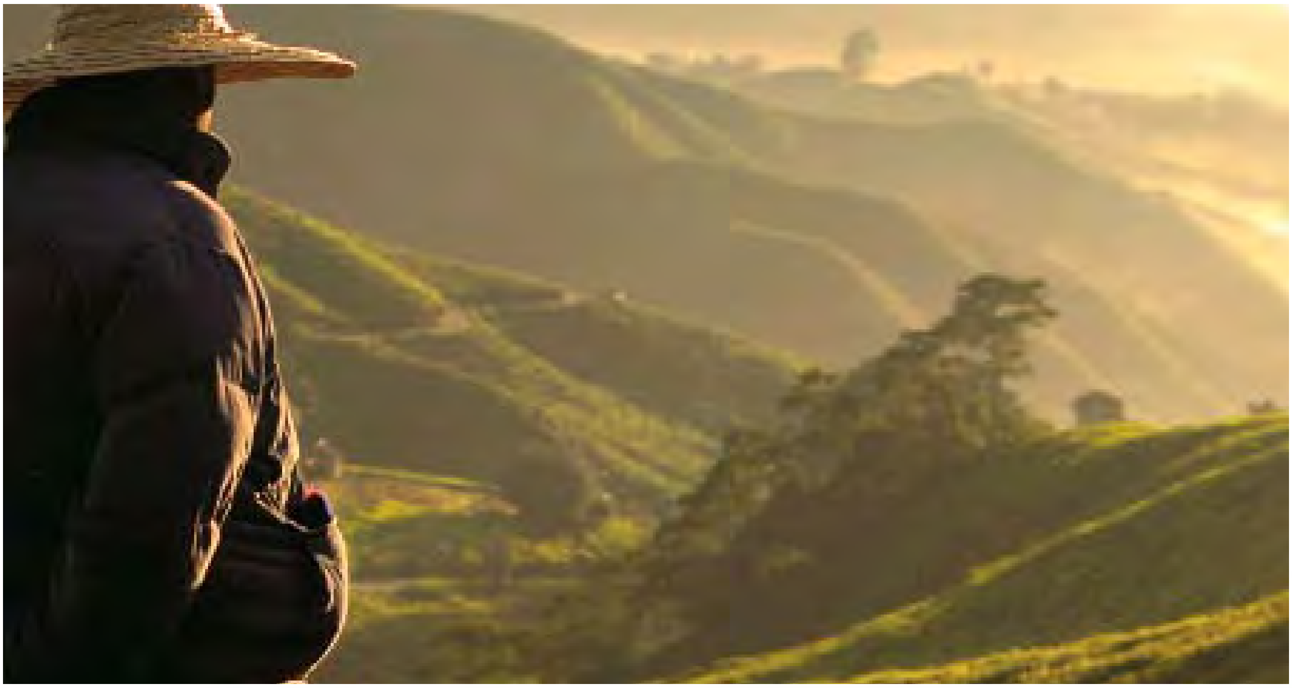
The Board observes the distinct roles and responsibilities between the Chairman of the Board and the President and GCEO. This ensures a clear and proper balance of power and authority.

A detailed Statement on Corporate Governance is available within this Annual Report.

Investor Relations

Good corporate governance is a fundamental part of the culture and business practices of Axiata as the Group believes that value creation for shareholders stems from this. To this end, Axiata is committed to communicating its strategy and activities clearly to stakeholders through a planned programme of investor relations activities and engagement.

Axiata proactively disseminates relevant and timely information to the investment community to keep investors abreast of the Group's strategies, performance updates and key business activities happening at home and across the region.



Key Investor Relations initiatives aimed at improving corporate governance include:

Quarterly Financial Results Announcements and Briefings
Axiata periodically conducts briefing sessions to analysts and fund managers via teleconferences subsequent to the release of Axiata's quarterly earnings disclosure to Bursa Securities. These sessions are chaired by the President and GCEO and attended by senior management members of Axiata's key operations. The sessions are aimed at providing an avenue for a clear understanding of the financial and operational performance of the Group.

Financial Results Presentation Slides
The disclosure of information has seen improvements to reflect Axiata's multi-faceted business and now incorporates feedback from the investors who are the primary users of such information. Presentation slides of the announced results are prepared in an investor-friendly manner to aid understanding of the Group's results and performance. These are made available on the company's website following the earnings release 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 distribution list.

One-on-one Meetings, Conference Calls and Investor Conferences
The President and GCEO, Executive Director and GCFO and Head of Capital Markets, Investor Relations are actively involved in Investor Relations activities through regular meetings and conference calls with institutional investors. Axiata has participated in various organised investor conferences and road shows held in Malaysia, Singapore, Hong Kong, the Middle East, London and New York. Post demerger, at the end of April 2008, some 200 meetings and conference calls with investors and analysts have been held.

Website
The Axiata website, www.axiata.com, is a medium for communication and source of information to shareholders and the general public. Continuously updated, the information on the website includes the Group's annual report, financial results, investor presentations, capital structure information, press releases and information on Axiata's regional operations.

Feedback
Communication with the capital market is not a one way traffic. Axiata understands that feedback from the investment community is an important aspect towards improving our relationship with them. With that in mind, feedback is continously sought through interaction with investors and analysts. The improved Investor Relations efforts, which have received positive responses, would not have been possible without incorporating those constructive comments. Moving forward, the Group will continue to engage the investing community in order to further enhance its Investor Relations.

Risk Management
Risk management is integral to the Group's business especially in view of the dispersion of its operations. Managing risks enables the Group to achieve its objectives and create value for its shareholders, satisfy its customers, protect its employees and assets. The Group is committed to manage those risks that arise in the course of Axiata's business to an acceptable level, so as to maximise opportunities and minimise negative outcomes.

Procurement Practice
Axiata has established a Group Procurement function in 2008 to standardise procurement policy and processes across the Group. The role of this team is to maximise the buying power of the group, to develop strategic partnerships with key vendors and leverage synergy thoughout the Group. To achieve this goal, a spend analysis and benchmarking initiative has been put in place. The overall objective of this function is to optimise capital expenditure utilisation and reduce operating costs through the adoption of a total cost of ownership methodology.

People Perspective

Motivating, inspiring and rewarding our employees is vital if the Group is to achieve the sustainable development of our business. Axiata aims to be an employer of choice with a business approach, career opportunities, and compensation and conditions, which helps us retain excellent employees, and also attract ambitious people to the Group.

The Group's development strategy is designed to enable employees to fulfil their potential and contribute to the success of the Group. Programmes and initiatives have been put in place to ensure that the Group's human capital is equipped with the qualities and skills to drive the Group to greater heights through ongoing emphasis on performance management and employee development. Programmes are also implemented to ensure that employees receive continuous training in various areas of work such as knowledge, technical training, leadership and functional development.

The Group is committed to attract and retain competent, dedicated and loyal employees. The Group has in place a process of implementing the Key Performance Indicators (KPI) System, as prescribed under the Government-Linked Companies Transformation (GLCT) programme to link performance and compensation in order to create a high performance work culture.

This system also seeks to provide clarity, transparency and consistency in planning, reviewing and evaluating and aligning employee actions and behaviours to that of the Group's vision and mission.

There is also a process in place for the identification of the corporate talent pool within the organisation and to manage the development of the potential talent.

Axiata believes in putting people strategy at the same level of importance as its business strategies. The Group's biggest competitive advantage is the calibre and full alignment of people that it has in its workforce. Hence, the Group's people strategy is as follows:

- Attracting, hiring and retaining the best people
- Providing sufficient learning and development opportunities to those who have been identified as someone with potential to take on bigger roles and maximising the Group's regional platform of operating companies as an enabler towards this end
- Providing an exciting regional career for those who have the capacity and aspiration to grow with the company
- Facilitating the full process of aligning employees' ambitions with the company's goals and vision

In line with this people strategy, the Group is in the process of putting in place:

1. *A Robust Talent Management System*
   This involves identifying, assessing, calibrating (across the various OpCos) and developing high performers who also have the extra capacity and aspiration to take on bigger roles, evident by stretching themselves further to deliver more for the Company.

   The Group has completed an exercise where the top 2 tiers of such performers have been identified and will be filtered down the organisation. Plans are also in place to enable such employees to apply for internal job opportunities in order to realise their ambitions within the Group.

2. *A Group-wide Leadership Development Programme*
   A Group-wide programme has already been launched to ensure all managers and leaders are competent in managing their business through executing it via people. Three of the programme levels are made available to all employees in the roles of:
   a. first time managers: either in a formal management role or lead teams formally or informally
   b. upline managers: i.e. managers of other managers or a business unit's performance
   c. top management: for leaders who are responsible for driving the vision and strategy of the organisation

   The initial phase of this programme will take three years to cover all eligible employees in the organisation. Further refreshers or advanced programmes will be developed over time.

3. *A Comprehensive Performance Management Framework*
   There has to be a framework and processes that facilitate the full alignment of each individual employee to the Company's goal and vision. Part of this framework will set the way business plans are translated into KPIs and to drive delivery of the same while the other part of the framework covers the motivation aspects of driving the employees to deliver.

   Employees are therefore rewarded competitively for the work that they do and incentivised further to achieve what the Company has set out to do for each business plan year. The aim is to achieve a culture of excellence which will in turn drive a high level of business delivery.

   Through this mechanism, the Group will be able to retain high-performing employees and also attract world-class talent. Part of the performance management system is also to identify the competency gaps of employees so that these can be addressed.

   The above three-pronged Human Resource plan is fully aligned to the Putrajaya Committee for GLC Transformation (PCG) guidance for GLCs as contained in the Orange Book on Strengthening Leadership Development and the Blue Book on Intensifying Performance Management.

Community Perspective

Axiata, as a major regional entity in mobile telecommunications, is committed to using its technological and human capabilities to drive social, economic and environmental change in the nations that we serve and plans to introduce and implement its Group CR Policy and programme initiatives in 2009. In line with the UN Millennium Development Goals (MDGs), the Group's CR initiatives will be focused on ICT for development, education and the environment.

ICT plays a key and strategic role in socio-economic development in terms of bridging the digital divide and meeting the needs of under-served communities and areas into an emerging knowledge or information society. In bridging the digital divide, the intention is to bridge the gap by enabling effective access to digital and information technology. The Group's mission is to make people understand how ICT can help them in their daily lives and more importantly in earning a living as this will be the basis for sustainable development.

The Group will leverage on its extensive mobile network and leading-edge technology in media and broadband services to fast-track industry growth, whilst remaining focused on community development in the following high impact areas:

- Bridging the Digital Divide (access, adoption, sustainable value)
- Education
- Environment (Green ICT, Natural Disaster Mitigation)

Meanwhile, the Group's OpCos have always been very active in CR in line with their individual stated aims to achieve value through CR. Some key initiatives are highlighted below.

In Malaysia, Celcom works together with **MERCY Malaysia** to provide communication facilities to disaster sites. Celcom ensures that lines of communication are established at the affected areas. This initiative is part of Celcom's long-term partnership with MERCY Malaysia, whereby Celcom offers its mobile services to help in their humanitarian relief efforts.

In Indonesia, XL is committed to extend its reach and to contribute directly to the development of the Indonesian people. CR is a continuous and integrated part of the Company's strategy, optimising on its resources to support the implementation of its CR programmes.

XL's initiatives are focused on educational development through Indonesia Berprestasi (Indonesia Accomplish) as well as other community development and disaster relief programmes. Indonesia Berprestasi focuses on public education and ICT education.

- **Computers for Schools:** Launched in 2008, this programme is designed as a five-year integrated and sustainable scheme, where XL will provide computing facilities and internet connection to a target of 60 educational institutions and schools throughout Indonesia, reaching out to 6,000 students and 300 teachers per year.

- Working together under the **Indonesia Global Compact Network (IGCN)** with partners such as PT Sun Microsystems Indonesia, PT Huawei Tech. Investment, PT Alita Praya Mitra as well as Non-Governmental Organisations (NGOs) such as the British Council, UN Global Compact and Nurani Dunia Foundation. XL also provides training for students on the correct usage of the Internet, as well as English training for teachers.

- **Mobile Library:** Together with the Nurani Dunia Foundation, XL donated a mobile library to the outer slums of Jakarta to encourage children from underprivileged communities to read books.

- **Smart Park:** XL has been supporting 'Taman Pintar' (Smart Park) in Yogjakarta by providing free internet connection and interactive learning materials an telecommunication for children.

- **Donation of Multiplexer Transmission Equipment:** XL has donated Multiplexer Transmission equipment to 14 universities throughout Indonesia, complete with hands-on training.

Corporate Responsibility (cont'd.)

In Sri Lanka, Dialog's CR strategy has a short term as well as a long term dimension in order to address the varied relevant expectations of stakeholders. Dialog ensures that the ambit of CR is based on an inclusive business model, which implies that commercial operations and strategic community investments take into account legitimate stakeholder impacts and concerns across all strata of society. The precautionary principle is thereby an intrinsic element in its approach to CR. Dialog acknowledges that CR applied in this manner enables the management of the Group's holistic business footprint providing for social, economic, and environmental balance through the moderation of adverse impacts.

Dialog Telekom, has continuously challenged the realm of the utility of mobile communication for communities by developing services and solutions that have high social value.

The ICT4D arm of the group's CR thrust focuses on using technology in a commercially viable manner to meet the development needs of emerging markets, such as the latent market at the bottom of the pyramid. This focused push can be viewed as a direct contribution towards the realisation of an information society.

In 2008, Dialog contributed to national development across five thematic spheres:

- Using ICT for development
- Empowering the differently able
- Supporting education
- Environment
- Humanitarian initiatives/Action CR

The Dialog – University of Moratuwa Mobile Communications Research Laboratory is one of Dialog Telekom's flagship initiatives to advance the frontiers of mobile communications technology with the premier technology university in the country. In addition to the direct employment it creates, it is a contributor to lowering Research & Development costs. It also plays a role in the ICT for Development thrust of the organisation. In 2008, the Dialog – University of Moratuwa Mobile Communications Research Laboratory won the 'National Science and Technology Award 2008' under the category of 'Engineering product design and development for commercial applications'.

The Dialog e-Village Medamullana, an initiative powered by Dialog Telekom was launched by H.E the President Mahinda Rajapakse in Medamullana, Hambantota. The e-Village project aims to empower a rural village in the deep south of Sri Lanka with the power of ICT to enrich the lives of the villagers; contributing to bridging the digital divide in rural Sri Lanka. 33 access points were created and 39 computers were installed with broadband connectivity in the e-Village, thereby connecting the e-Village with the rest of the world. Approximately 1,000 villagers will benefit from accessibility and improved interactivity.

'Easy Seva Telecentres' Shared ICT Access towards development is the Last Mile Initiative (LMI) in Sri Lanka, a project which commenced in 2006 with support from U.S. Agency for International Development (USAID), Dialog Telekom, QUALCOMM and Synergy Strategies Group (SSG). Easy Seva Centres are Tele-centres promoting shared access, spread across rural and semi-rural towns in Sri Lanka.

DEWN – Disaster and Emergency Warning Network is being developed by Dialog Telekom in collaboration with our partners, the Dialog-University of Moratuwa Mobile Communications Research Laboratory and Microimage (Pvt) Ltd as a result of research and development undertaken after the 2004 Tsunami. DEWN has national significance due to the potential to transform the mobile phone into a life saving device in emergency situations. This entirely non-commercial undertaking is an example of multi-sector entities pooling their strengths to develop a high-quality product. DEWN has received a number of accolades, both internationally as well as locally, for the concept and design. They include Commendation at GSM Global Awards - 2007, National Best Quality Software Awards - 2006, and the National Awards for Science and Technology – 2006.

Dialog Telekom also offers **The Dialog Technology Scholarship Programme** aimed at developing the intellectual capital of Sri Lanka's future leaders. Dialog Telekom also supports interaction between the scholars and its employees, which facilitates mentoring, internships and soft skills development. The Scholarship Programme covered more than 250 students who excelled at the Ordinary level and Advanced level examinations, during the 2008 reporting period.

Dialog Telekom has also used its technology to provide health services to the community through its collaboration with the National Blood Transfusion Service (NBTS) Sri Lanka. "SMS Blood" is an SMS-based system to help the Sri Lankan public in an emergency situation through the facilitation of donors to the blood supply system. The service was re-launched in April 2008, streamlining the initiative in line with World Health Organisation (WHO) directives.

Corporate Responsibility (cont'd.)

In Bangladesh, TMIB's initiatives have been focused on education, health, the environment and poverty elimination. In recognition of its efforts, TMIB was the first mobile phone operator to win the prestigious 'Standard Chartered-Financial Express Corporate Social Responsibility Award' in 2006. TMIB also provides scholarships to three promising individuals every year to complete their higher studies at the Multimedia University in Malaysia. TMIB has also joined hands with partners such as Chittagong Skills Development Centre (CSDC) and Underprivileged Children's Educational Programs (UCEP-Bangladesh) to provide world-class teaching and learning resources for Bangladeshi professionals.

In Pakistan, Multinet actively supports a number of key NGO's in Pakistan with the promotion of development of education and healthcare being key focus areas.

In Singapore, the arts, education, sports and charitable causes remained the focus of M1's corporate responsibility programme in 2008.

In Thailand, the Samart Group supports activities that bring tangible benefits to Thai society including educational promotion, professional skills development and relief measures for natural disaster victims and underprivileged people.

Environmental Perspective

Good environmental performance demonstrates high standards of CR and encourages greater operational efficiency as processes are optimised. By reducing the environmental impact of operations, the Group provides better value for shareholders, reduces ongoing costs and efficiently uses precious resources.

Thus the Group is continuously looking for ways to promote green activities and reduce our ecological footprint. During the year, the Group has been looking at initiatives for power savings and energy efficiency. There are trials in place with Celcom, TMIB and TMIC towards the use of solar powered sites.

The Group OpCos have also made individual commitments to environmental initiatives.

A major milestone of Dialog Telekom's Environmental Outreach effort was reached when the Mobile Environmental Education Programme (MEEP) met its annual target of 150 schools in 2008. Dialog Telekom joined hands with the Central Environmental Authority (CEA), the Biodiversity & Elephant Conservation Trust (BECT) and the International Union for the Conservation of Nature & Natural Resources (IUCN) to educate children on the environment through this unique education programme. The aim of the MEEP is to raise the future generations awareness of natural resources and make them ambassadors for the protection of biodiversity through animated presentations.

Financial Statements

DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the Financial Reporting Standards in Malaysia to give a true and fair view of the state of affairs, the results and cash flows of the Group and of the Company for the financial year then ended.

- In preparing the financial statements, the Directors have:-

- Applied the appropriate and relevant accounting policies on a consistent basis;

- Made judgements and estimates that are reasonable and prudent; and

- Prepared the annual audited financial statements on a going concern basis.

The Directors are also responsible to ensure that the Group and the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

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

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2008.

RESTRUCTURING OF THE GROUP

Further to the demerger of the Telekom Malaysia Berhad (TM) Group, the Company's former holding company, 2 (two) separate entities with distinct business strategies and aspirations were created. The Group was restructured, the details of which is disclosed in Note 36(a) to the financial statements.

The Group has applied the principles of the predecessor method of merger accounting by which the restructured group is presented in such a manner as to depict that it had been in its resultant form for both financial years covered by the Group's financial statements.

LISTING STATUS

The Company was listed on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities) on 28 April 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and consultancy services on an international scale, where it has investments in subsidiaries and associates. The principal activities of the subsidiaries are mainly the provision of mobile communication services and network transmission related services.

The principal activities of the subsidiaries are set out in Note 44 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

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

	Group RM'000	Company RM'000
Profit/(loss) for the financial year attributable to:		
– equity holders of the Company	**497,983**	**(65,641)**
– minority interests	**(26,891)**	**–**
Net profit/(loss) for the financial year	**471,092**	**(65,641)**

FINANCIAL RESULTS (continued)

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, transactions or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend the payment of any dividends for the current financial year.

SHARE CAPITAL

During the financial year:

1. the authorised share capital of the Company was increased from RM500,000,000 divided into 500,000,000 ordinary shares of RM1 each to RM5,000,000,000 by the creation of 4,500,000,000 new ordinary shares of RM1 each.

2. the issued and paid up share capital of the Company increased from RM35,693,116 comprising 35,693,116 ordinary shares of RM1 each to RM3,753,401,980 by the creation of 3,717,708,864 new ordinary shares of RM1 each which rank pari passu in all respects with the existing ordinary shares of the Company. The new ordinary shares were issued:

   (a) as part consideration for the group restructuring undertaken by the Company as disclosed in Note 5 to the financial statements; and

   (b) as consideration for the acquisition of the additional equity interest in SunShare Investments Ltd and PT Excelcomindo Pratama Tbk, as disclosed in Note 5 to the financial statements.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the period since the date of last report are as follows:

Tan Sri Dato' Azman Hj. Mokhtar	(Appointed on 3.3.2008)
Dato' Sri Jamaludin Ibrahim	(Appointed on 3.3.2008)
Dato' Yusof Annuar Yaacob	
Tan Sri Ghazzali Sheikh Abdul Khalid	(Appointed on 24.3.2008)
Datuk Azzat Kamaludin	(Appointed on 24.3.2008)
Ismael Fariz Ali	(Appointed on 24.3.2008)
David Lau Nai Pek	(Appointed on 23.4.2008)
Gita Irawan Wirjawan	(Appointed on 24.3.2008)
Juan Villalonga Navarro	(Appointed on 24.3.2008)
Dr Farid Mohamed Sani (Alternate to Ismael Fariz Ali)	(Appointed on 24.3.2008)
Tan Sri Dato' Ir Muhammad Radzi Haji Mansor	(Resigned on 3.3.2008)
Dato' Sri Abdul Wahid Omar	(Resigned on 24.3.2008)
Dato' Lim Kheng Guan	(Resigned on 24.3.2008)
Ganendran Sarvananthan	(Resigned on 24.3.2008)
Datuk Bazlan Osman	(Resigned on 24.3.2008)

In accordance with Article 65 of the Company's Articles of Association, Tan Sri Dato' Azman Hj. Mokhtar retires from the Board at the Seventeenth Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 99 (ii) of the Company's Article of Association, Tan Sri Ghazzali Sheikh Abdul Khalid, Datuk Azzat Kamaludin, Ismael Fariz Ali, David Lau Nai Pek, Gita Irawan Wirjawan and Juan Villalonga Navarro retire from the Board at the Seventeenth Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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 or options over shares in the Company are as follows:

	Number of options over ordinary shares of RM1 each of TM International Berhad			
	Balance as at 1.1.2008	**Granted**	**Exercised**	**Balance as at 31.12.2008**
Dato' Yusof Annuar Yaacob	–	#500,000	–	500,000

\# Pursuant to the Demerger of Telekom Malaysia Berhad Group (TM Demerger), eligible employees who have been granted the option to acquire TM shares shall have the rights to acquire TM shares and the Company's shares on the basis of 1 TMI ordinary share of RM1.00 each for every TM share held for each TM option remained unexercised on 22 April 2008, being the entitlement date to participate in the distribution of TMI shares. These options were granted at a price of RM9.70 per share under TM Special ESOS on 17 March 2008 and were subsequently adjusted to RM2.71 for TM shares and RM6.99 for TMI shares on 23 April 2008 pursuant to the completion of the TM Demerger on 25 April 2008. These options shall expire on 16 September 2009.

DIRECTORS' INTERESTS (continued)

Other than as disclosed above, in accordance with the register of Directors' shareholdings, none of other Directors in office at the end of the financial year have any direct or indirect interest in any shares and options over ordinary shares in the Company, or its related corporations during the financial year.

DIRECTORS' BENEFITS

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

During and at the end of the financial year, no arrangement subsisted to which the Company or any of its related corporations, was a party, being arrangements with the object(s) of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate other than the Special ESOS of the former holding company, details as disclosed in Note 13 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to 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.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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 operations of the Group and the Company for the financial year in which the 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 any contingent liability arisen in any company in the Group.

No contingent or other liability of the Group and Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and Company to meet its obligations when they fall due.

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, which would render any amount stated in the financial statements misleading.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2009.

DATO' SRI JAMALUDIN IBRAHIM
DIRECTOR

DATO' YUSOF ANNUAR YAACOB
DIRECTOR

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		Group		Company	
	Note	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
OPERATING REVENUE	6	**11,347,711**	9,996,879	**19,617**	22,271
OPERATING COSTS					
– depreciation, impairment and amortisation	7(a)	**(2,338,465)**	(1,824,046)	**(588)**	(453)
– reversal of impairment of investment in associate		**—**	—	**—**	135,053
– foreign exchange (losses)/gains		**(207,644)**	(22,024)	**370,802**	(48,013)
– other operating costs	7(b)	**(7,000,175)**	(5,863,774)	**(75,693)**	(40,740)
Other operating income/(expenses)	8	**178,941**	281,963	**(3,624)**	110
OPERATING PROFIT BEFORE FINANCE COST		**1,980,368**	2,568,998	**310,514**	68,228
FINANCE INCOME	9	**99,319**	80,485	**30,994**	1,969
FINANCE COST	9				
– Finance cost excluding foreign exchange losses		**(876,299)**	(478,823)	**(319,397)**	—
– Foreign exchange losses		**(238,140)**	(109,602)	**(84,869)**	—
		(1,114,439)	(588,425)	**(404,266)**	—
JOINTLY CONTROLLED ENTITIES					
– share of results (net of tax)	25	**(142,440)**	175,527	**—**	—
– gain on dilution of equity interest	5(III)(d)	**—**	71,265	**—**	—
ASSOCIATES					
– share of results (net of tax)	26	**83,007**	29,353	**—**	—
PROFIT/(LOSS) BEFORE TAXATION		**905,815**	2,337,203	**(62,758)**	70,197
TAXATION	10	**(434,723)**	(489,604)	**(2,883)**	(1,940)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**471,092**	1,847,599	**(65,641)**	68,257
ATTRIBUTABLE TO:					
– equity holders of the Company		**497,983**	1,781,914	**(65,641)**	68,257
– minority interests		**(26,891)**	65,685	**—**	—
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**471,092**	1,847,599	**(65,641)**	68,257
EARNINGS PER SHARE (SEN)					
– basic	11	**13.48**	49.81	**—**	—

The above income statements are to be read in conjunction with the notes to the financial statements on pages 169 to 301.

BALANCE SHEETS
AS AT 31 DECEMBER 2008

	Note	Group 2008 RM'000	Group 2007 RM'000 Restated	Company 2008 RM'000	Company 2007 RM'000 Restated
SHARE CAPITAL	12	**3,753,402**	3,577,393	**3,753,402**	35,693
SHARE PREMIUM		**1,494,954**	317,629	**1,494,954**	58,329
OTHER RESERVES	14	**5,968,367**	5,808,555	**42,474**	92,341
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**11,216,723**	9,703,577	**5,290,830**	186,363
MINORITY INTERESTS		**480,790**	675,748	**—**	—
TOTAL EQUITY		**11,697,513**	10,379,325	**5,290,830**	186,363
Borrowings	15	**10,546,052**	3,159,808	**3,200,000**	—
Amounts due to former holding company	16	**—**	4,025,000	**—**	1,178,347
Provision for liabilities	19	**120,706**	87,196	**—**	—
Deferred tax liabilities	18	**777,263**	881,885	**—**	—
DEFERRED AND LONG TERM LIABILITIES		**11,444,021**	8,153,889	**3,200,000**	1,178,347
		23,141,534	18,533,214	**8,490,830**	1,364,710
Intangible assets	20	**8,326,345**	7,418,436	**—**	—
Property, plant and equipment	21	**14,959,670**	12,159,837	**2,776**	1,938
Investment properties	22	**2,036**	2,044	**—**	—
Prepaid lease payments	23	**328,352**	321,860	**—**	—
Subsidiaries	24	**—**	—	**5,359,362**	409,195
Jointly controlled entities	25	**1,013,202**	1,024,454	**—**	—
Associates	26	**1,589,905**	251,140	**291,703**	291,703
Investments	27	**5,914,428**	—	**179,685**	—
Long term receivables		**358**	395	**—**	—
Amounts due from subsidiaries	17	**—**	—	**10,634,221**	814,414
Deferred tax assets	18	**141,188**	162,890	**—**	—
LONG TERM ASSETS		**32,275,484**	21,341,056	**16,467,747**	1,517,250

BALANCE SHEETS
AS AT 31 DECEMBER 2008 (continued)

	Note	Group 2008 RM'000	Group 2007 RM'000 Restated	Company 2008 RM'000	Company 2007 RM'000 Restated
Inventories	29	**77,263**	74,625	**—**	—
Amounts due from subsidiaries	17	**—**	—	**638,740**	7,874
Amounts due from related companies	17	**—**	—	**575**	4,761
Trade and other receivables	30	**1,539,878**	903,235	**95,613**	2,594
Marketable securities	28	**6**	1,713	**—**	—
Tax recoverable		**129,035**	201,088	**3**	436
Cash and bank balances	31	**3,330,731**	1,967,743	**7,210**	27,334
CURRENT ASSETS		**5,076,913**	3,148,404	**742,141**	42,999
Trade and other payables	32	**4,538,473**	3,946,761	**63,635**	5,562
Borrowings	15	**5,413,299**	1,909,746	**4,368,025**	—
Amounts due to subsidiaries	17	**—**	—	**222,918**	189,977
Amounts due to former holding company	16	**4,063,613**	—	**4,063,613**	—
Current tax liabilities		**195,478**	99,739	**867**	—
CURRENT LIABILITIES		**14,210,863**	5,956,246	**8,719,058**	195,539
NET CURRENT LIABILITIES		**(9,133,950)**	(2,807,842)	**(7,976,917)**	(152,540)
		23,141,534	18,533,214	**8,490,830**	1,364,710

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 169 to 301.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		Attributable to equity holders of the Company							
			Non-distributable				Distributable		
	Note	Share capital* RM'000	Share premium RM'000	Currency translation differences RM'000	Capital contribution RM'000	Merger reserve RM'000	Retained profits RM'000	Minority interests RM'000	Total equity RM'000
At 1 January 2008 (as previously stated)		35,693	58,329	(312,800)	824	(20,885)	4,015,324	670,998	4,447,483
Effect of merger method of accounting	48(e)	3,541,700	259,300	–	8,289	367,659	1,750,144	4,750	5,931,842
At 1 January 2008 (as restated)		3,577,393	317,629	(312,800)	9,113	346,774	5,765,468	675,748	10,379,325
Currency translation differences arising during the financial year									
- subsidiaries		–	–	(129,492)	–	–	–	(31,556)	(161,048)
- jointly controlled entities		–	–	(206,936)	–	–	–	–	(206,936)
- associates		–	–	(9,228)	–	–	–	–	(9,228)
Net loss not recognised in the income statement		–	–	(345,656)	–	–	–	(31,556)	(377,212)
Profit/(loss) for the financial year		–	–	–	–	–	497,983	(26,891)	471,092
Total recognised (expense)/ income for the financial year		–	–	(345,656)	–	–	497,983	(58,447)	93,880
Issued during the financial year		176,009	1,205,630	–	–	–	–	–	1,381,639
Dilution of equity interest in a subsidiary		–	–	–	–	–	–	303	303
Acquisition of additional equity interest in a subsidiary		–	–	–	–	–	–	(210,036)	(210,036)
Rights issue of a subsidiary		–	–	–	–	–	–	102,771	102,771
Share issue expense		–	(28,305)	–	–	–	–	–	(28,305)
Dividends paid to minority interests		–	–	–	–	–	–	(29,549)	(29,549)
Employees' share option scheme of former holding company									
- value of employees' services	13(a)	–	–	–	16,663	–	–	–	16,663
- recharge		–	–	–	(9,178)	–	–	–	(9,178)
At 31 December 2008		3,753,402	1,494,954	(658,456)	16,598	346,774	6,263,451	480,790	11,697,513

* Issued and fully paid ordinary shares of RM1 each

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

		Attributable to equity holders of the Company							
			Non-distributable				Distributable		
	Note	**Share capital* RM'000**	**Share premium RM'000**	**Currency translation differences RM'000**	**Capital contribution RM'000**	**Merger reserve RM'000**	**Retained profits RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2007 / 31 December 2006 (as previously stated)		35,693	58,329	(182,620)	521	(20,885)	3,331,800	703,845	3,926,683
Effect of merger method of accounting	48(f)	3,541,700	259,300	-	8,458	367,659	722,967	3,114	4,903,198
At 1 January 2007/ 31 December 2006 (as restated)		3,577,393	317,629	(182,620)	8,979	346,774	4,054,767	706,959	8,829,881
Currency translation differences arising during the financial year									
- subsidiaries		-	-	(235,482)	-	-	-	(85,784)	(321,266)
- jointly controlled entities		-	-	81,652	-	-	-	-	81,652
- associates		-	-	14,291	-	-	-	-	14,291
Net loss not recognised in the income statement		-	-	(139,539)	-	-	-	(85,784)	(225,323)
Profit for the financial year		-	-	-	-	-	1,781,914	65,685	1,847,599
Total recognised (expense)/ income for the financial year		-	-	(139,539)	-	-	1,781,914	(20,099)	1,622,276
Acquisition of additional equity interest in subsidiaries		-	-	-	-	-	-	(103,106)	(103,106)
Dilution and partial disposal of equity interest in subsidiaries		-	-	9,359	-	-	-	47,432	56,791
Rights issue of a subsidiary		-	-	-	-	-	-	67,707	67,707
Dividends paid to minority interests		-	-	-	-	-	-	(27,701)	(27,701)
Dividends paid to holding company		-	-	-	-	-	(71,213)	-	(71,213)
Employees' share option scheme									
- options granted by former holding company	13(a)	-	-	-	134	-	-	-	134
- options granted by subsidiaries		-	-	-	-	-	-	4,556	4,556
At 31 December 2007 (as restated)		3,577,393	317,629	(312,800)	9,113	346,774	5,765,468	675,748	10,379,325

* *Issued and fully paid ordinary shares of RM1 each*

The above Consolidated Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements on pages 169 to 301.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Issued and fully paid ordinary shares of RM1 each		Non-Distributable		Distributable	
	Number of shares	**Nominal value RM'000**	**Share premium RM'000**	**Capital contribution RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2008	**35,693**	**35,693**	**58,329**	**824**	**91,517**	**186,363**
Issued during the financial year	**3,717,709**	**3,717,709**	**1,464,930**	**-**	**-**	**5,182,639**
Loss for the financial year	**-**	**-**	**-**	**-**	**(65,641)**	**(65,641)**
Share issuance expense	**-**	**-**	**(28,305)**	**-**	**-**	**(28,305)**
Employees' share option scheme of former holding company						
- value of employees' services	**-**	**-**	**-**	**16,663**	**-**	**16,663**
- recharge by former holding company	**-**	**-**	**-**	**(889)**	**-**	**(889)**
At 31 December 2008	**3,753,402**	**3,753,402**	**1,494,954**	**16,598**	**25,876**	**5,290,830**
At 1 January 2007	35,693	35,693	58,329	521	23,260	117,803
Profit for the financial year	-	-	-	-	68,257	68,257
Employees' share option scheme						
- options granted by former holding company	-	-	-	303	-	303
At 31 December 2007	35,693	35,693	58,329	824	91,517	186,363

The above Company Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements on pages 169 to 301.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		Group		Company	
	Note	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	33	**2,387,795**	4,182,193	**(401,254)**	(20,484)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	33	**(11,562,252)**	(5,007,321)	**(173,047)**	1,188
CASH FLOWS FROM FINANCING ACTIVITIES	33	**10,550,820**	1,025,901	**553,775**	47
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		**1,376,363**	200,773	**(20,526)**	(19,249)
EFFECT OF EXCHANGE RATE CHANGES		**(29,149)**	(39,347)	**402**	(150)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**1,889,543**	1,728,117	**27,334**	46,733
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31	**3,236,757**	1,889,543	**7,210**	27,334

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 169 to 301.

1 GENERAL INFORMATION

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and consultancy services on an international scale, where it has investments in subsidiaries and associates. The principal activities of the subsidiaries are mainly the provision of mobile communication services and network transmission related services.

The principal activities of the subsidiaries are set out in Note 44 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

During the financial year, the Group undertook a restructuring exercise, the details which are disclosed in Note 36(a) to the financial statements.

The Company was listed on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities) on 28 April 2008.

The address of the registered office and the principal place of business of the Company is:

Level 42, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur

2 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 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 summary of significant accounting policies.

The Group restructuring completed during the financial year as disclosed in Note 5 to the financial statements satisfied the applicable criteria to be treated as a business combination involving entities under common control. Accordingly, the Group has applied the principles of the predecessor method of merger accounting by which the restructured group is presented in such a manner as to depict that it had been in its resultant form for both financial years covered by the Group's financial statements. These effects are disclosed in Note 48 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

(a) Interpretations to existing standards effective for the Group's financial year beginning 1 January 2008 which has impact to the Group

IC Interpretation 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation or a change in the discount rate.

The impact of the above interpretation to existing standards on the financial position of the Group is disclosed in Note 47 to the financial statements.

(b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards and IC Interpretation that is applicable to the Group and the Company, but which the Group and the Company has not early adopted:

- FRS 8 "Operating Segments" (effective for annual period beginning on or after 1 July 2009). FRS 8 replaces FRS $114_{(2004)}$ "Segment Reporting". The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial periods beginning on 1 January 2010.

- The following standards will be effective for annual period beginning on or after 1 January 2010. The Group and the Company will apply these standards from financial periods beginning on 1 January 2010. 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 standard on the financial statements of the Group and the Company.

  – FRS 139 "Financial Instruments: Recognition and Measurement"
  – FRS 7 "Financial Instruments: Disclosures"

  FRS 139 "Financial Instruments: Recognition and Measurement" is a new standard which establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective for annual period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group and the Company will apply this standard from financial periods beginning on 1 January 2010.

- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective for annual period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group and the Company will apply this standard from financial periods beginning on 1 January 2010.

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

(c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Group's and Company's operations

FRS 4 "Insurance Contracts" is mandatory for the Group's and the Company's financial periods beginning on 1 January 2010 but not relevant for the Group's and the Company's operations.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Economic entities in the Group

(i) Subsidiaries

Subsidiaries are those companies 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 certain business combinations which were accounted for using the predecessor method of merger accounting, as follows:

- 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 2007 that meet the conditions of a merger as set out in FRS 122_{2004}, "Business Combinations".

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Economic entities in the Group (continued)

(i) Subsidiaries (continued)

- internal group reorganisations, as defined in FRS 122$_{2004}$, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2007 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 2007.

The Group has taken advantage of the exemption provided by FRS 122$_{2004}$, and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered prior to the respective effective dates have not been restated to comply with these standards.

Under the predecessor 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.

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. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement.

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

Where more than one exchange transaction is involved, any adjustment to the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Economic entities in the Group (continued)

(i) Subsidiaries (continued)

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

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

(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 are recorded in the Income Statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

(iii) Jointly controlled entities

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

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

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the purchase of assets by the Group from the jointly controlled entities until it resells the assets to an independent party.

However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. Where necessary, in applying the equity method, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of the accounting policies with those of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Economic entities in the Group (continued)

(iv) Associates

Associates are companies, 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.

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.

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.

(b) Intangible assets

(i) Goodwill

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Intangible assets (continued)

(i) Goodwill (continued)

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

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

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

(ii) Licences

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

(c) 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

The cost of telecommunication network includes cost of equipment, site surveys, contractors' charges, materials and related overhead. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(ii) Depreciation and residual value

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

Buildings	5-50 years
Telecommunication network equipment	3-20 years
Movable plant and equipment	5-8 years
Computer support systems	3-5 years

Depreciation on assets under construction or capital work-in-progress commence when the assets are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as assets held for sale.

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

(iii) Impairment

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (see significant accounting policies Note 3(f) on impairment of non-financial assets).

(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 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 value 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 cannot be 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment properties

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

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

Freehold land	Indefinite useful life
Buildings	50 years

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

(e) Investments

(i) Subsidiaries and associates

The investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. (see significant accounting policy Note 3(f) on impairment of non-financial assets).

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

(ii) Other non-current investments

Other non-current investments are shown at cost and an allowance for diminution in value other than temporary is made for each non-current investment individually where, in the opinion of the Directors, there is a decline other than temporary in the value of the investments, and recognised as an expense in the financial year in which the decline is identified.

(iii) Marketable securities (current investments)

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(g) Inventories

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

Cost is determined on a weighted average basis and comprises all cost of purchase and other cost 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.

(h) Trade and other receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off and specific allowances are made for trade receivables considered to be doubtful of collection. The allowance is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

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

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

(j) Share capital

(i) Classification

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

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

(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 are recognised as a liability in the period in which they are declared.

(k) Bonds, notes, debentures and borrowings

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

Interests, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the Income Statement.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Operating leases

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

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

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

(m) Income taxes

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions

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

(i) Provision for liabilities

Provision for liabilities is mainly, provisions for dismantling, removal or restoration. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimation. Where the time value of money is material, the amount of a provision is the present value of the future period expenditure expected to be required to settle the obligation.

(ii) Other provisions

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.

(o) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Contingent liabilities and contingent assets (continued)

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

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

(p) Revenue recognition

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

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

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

(q) 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) Contribution to Employees Provident Fund (EPF)

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

(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 twelve months after the balance sheet date are discounted to present value.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(iv) Share-based compensation

Employees services received in exchange for the grant of the share options of the Company or a Group company is recognised as an expense in the Income Statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period 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 assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. Options to which the grantees are not qualified to exercise shall lapse, be null and void.

Recharges made in respect of share options granted prior to the demerger by the former holding company as disclosed in Note 36(a) to the financial statements are accounted for as a reduction in equity recorded and an increase in amounts payable to the grantor of the options.

Recharges made in respect of share options of the Company granted by the former holding company under the Special ESOS are accounted for as a reduction in equity and an increase in amounts payable to the grantor of the option.

Recharges made in respect of share options of the former holding company under the Special ESOS are accounted for as ESOS related employee costs.

(r) Deferred revenue

Deferred revenue comprises:

(i) The unutilised balance of airtime and access fee in respect of prepaid cards sold to customers. Such revenue amounts are recognised as revenue upon utilisation of airtime and activation of access right by the customer.

(ii) The value of advance billings made to customers in respect of the rental of fibre optic network. Such amounts are recognised as revenue systematically over the period covered by the advance billings.

(s) Subscriber acquisition costs

Subscriber acquisition costs comprise handset and other subsidies and dealers commission offered under usage contracts in excess of 1 year. Subscriber acquisition costs are amortised over the contract period and reviewed annually for impairment. Subscriber acquisition cost is included in Trade and Other Receivables.

Other subscriber acquisition costs are recognised in the Income Statement as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Government grants

As a Universal Service Provider (USP), the Group is entitled to claim certain qualified expenses from the relevant authorities in relation to USP projects. The claim qualifies as government grant and is recognised at fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the Income Statement over the 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 expected life of the related assets.

(u) 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- 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 off 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Foreign currencies (continued)

(iii) Group companies (continued)

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

(iv) Closing rates

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

Foreign currency	31 December 2008	31 December 2007
US Dollar	3.45250	3.30500
Sri Lanka Rupee	0.03055	0.03043
Bangladesh Taka	0.05001	0.04843
Indonesian Rupiah	0.00032	0.00035
Pakistani Rupee	0.04363	0.05370
Singapore Dollar	2.41012	2.29307
Thai Baht	0.09927	0.11054
Indian Rupee	0.07101	0.08393
Iran Riyal	0.00035	0.00035

(v) Financial instruments

(i) Description

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

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

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

(ii) Financial instruments recognised on the Balance Sheet

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments (continued)

(iii) Financial instruments not recognised on the Balance Sheet

The Group is a party to financial instruments that comprise foreign currency forward contracts and interest rate swap agreements. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts and cross currency swaps

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

Interest rate swap contracts

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

(iv) Fair value estimation for disclosure purposes

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

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

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

(w) Segment reporting

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

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting (continued)

Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical judgements in applying the entity's accounting policies

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

Intangible Assets

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

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

4.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The Group, and to a large extent the activities, are governed by the legal, regulatory and business environment in the countries which the Group operates in and which the Group has investments in. The business of the Group is subject to a number of risks, many of which are beyond the Group's control.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical accounting estimates and assumptions (continued)

The main risks relating to the Group's business are as follows:

- Increasing competition in the countries the Group operates in
- Difficulties in commencing/expanding business in certain emerging markets
- Political and social developments in the region the Group operates in
- Worldwide economic downturn
- Significant expansion of capital investments required
- Difficulties in developing new products and services at competitive prices

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

(i) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy and whenever events or change in circumstances indicate that this is necessary within the financial year.

The assumptions used, results and sensitivity of the impairment assessment are disclosed in Note 20 to the financial statements.

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

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use.

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

The assumptions used, results and sensitivity of the impairment assessments of investments in subsidiaries, a joint controlled entity, associates and long term investments are disclosed in Notes 24, 25, 26 and 27 to the financial statements respectively.

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

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

The impact of the review of the useful lives of property, plant and equipment is disclosed in Note 21 to the financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical accounting estimates and assumptions (continued)

(iv) Taxation

Income taxes

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

Deferred tax assets

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

(v) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on the management's view of the expected outcome of 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 34 to the financial statements for legal proceedings that the Group is involved in as at 31 December 2008.

5 SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DISPOSALS

(I) Group restructuring

Pursuant to the demerger of Telekom Malaysia Berhad (TM) Group as disclosed in Note 36(a) to the financial statements, TM (former holding company), the Company, Telekom Enterprise Sdn Bhd (TESB) and Celcom (Malaysia) Berhad (Celcom) had on 10 December 2007 entered into the following agreements:

(i) Disposal of 38,250,000 ordinary shares of RM1.00 each representing 51% of the equity interest in Fibrecomm Network (M) Sdn Bhd by Celcom Transmission (M) Sdn Bhd to TESB for a total consideration of RM33,000,000.

(ii) Disposal of 1,237,534,681 ordinary shares of RM1.00 each representing the entire equity interest in Celcom by TESB to the Company for a total consideration of RM4,677,000,000.

(iii) Disposal of 37,433,992 Redeemable Convertible Preference Shares (RCPS) of USD1.00 each representing 51% of the equity interest in SunShare Investments Ltd (SunShare) by TM to the Company for a total consideration of RM141,000,000.

(iv) Transfer of the 3G Spectrum Assignment by TM to Celcom for a total cash consideration of RM40,100,000; and

(v) Inter company settlement of RM3,041,000,000 by the TMI Group to TM.

5 SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DISPOSALS (continued)

(I) Group restructuring (continued)

The net consideration of RM7,866,100,000 on the above agreements is satisfied as follows:

(a) the sum of RM2,925,000,000 payable by the Company to TM within 12 months from the date of completion and subject to interest charged of 5.90% per annum on the outstanding balance.

(b) the sum of RM1,100,000,000 payable by the Company to TM within 12 months from the date of completion and subject to interest charged of 6.72% per annum on the outstanding balance.

(c) the sum of RM3,801,000,000 by way of issuance of ordinary shares of RM1 each of the Company to TM and its nominees, and

(d) the sum of RM40,100,000 to be satisfied in cash.

The Group restructuring above qualifies as a business combination involving entities under common control. The Group has applied the predecessor method of merger accounting in respect of the acquisition of Celcom Group and SunShare as describe in Note 2 to the financial statements. The effect of the predecessor method of merger accounting is disclosed in Note 48 to the financial statements.

(II) Acquisitions

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

(i) On 6 February 2008, the Group through Indocel Holding Sdn Bhd, a wholly owned subsidiary, entered into a Share Purchase Agreement (SPA) with Khazanah Nasional Berhad (Khazanah) for the purchase of additional 1,191,553,500 ordinary shares of Indonesian Rupiah 100 each in XL, representing approximately 16.81% of the issued and paid-up share capital of XL for a purchase consideration of RM1,425 million to be satisfied through the issuance of 158,716,182 new ordinary shares of RM1.00 each of the Company. The acquisition was completed on 25 April 2008. Consequently, the Group's effective equity interest in XL increased from 66.99% to 83.80%.

On the date of acquisition, the fair value of the purchase consideration was RM1,245.8 million based on the market price of the Company's shares issued on that date. Details of the acquisition is disclosed in Note 36(c) to the financial statements. There is no cash outflows on the acquisition as it was settled by issuance of shares, as disclosed in Note 38 to the financial statements.

	2008 RM'000
Purchase consideration	1,245,848
Carrying value of net assets acquired	(207,876)
Goodwill	1,037,972

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

5 SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DISPOSALS (continued)

(II) Acquisitions (continued)

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

(ii) In the previous financial year, the Group through TM International (L) Limited, a wholly owned subsidiary, entered into an agreement with AIF (Indonesia) Limited (AIF) to purchase 523,532,100 ordinary shares of Indonesian Rupiah 100 each in XL, representing approximately 7.38% of issued and paid-up share capital of XL from AIF (AIF Purchased Shares) for a cash consideration of USD113 million. The acquisition of AIF Purchased Shares was completed on 4 June 2007. Consequently, the Group's effective equity interest in XL increased from 59.64% to 67.02%. The Group's equity interest in XL reduced to 66.99% following the disposal of 2,050,000 shares of XL through the open market in December 2007.

	2007 RM'000
Purchase consideration	384,066
Carrying value of net assets acquired	(97,814)
Goodwill	286,252

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

(b) Acquisition of 49% interest in SunShare

On 6 February 2008, the Company entered into a SPA with Khazanah for the purchase of the remaining of 2 Class A ordinary shares of USD1 each and 35,965,998 RCPS ordinary shares of USD0.01 each in SunShare (then a jointly controlled entity, representing approximately 49% of the issued and paid-up share capital of SunShare for a purchase consideration of RM155 million to be satisfied through the issuance of 17,292,798 new ordinary shares of RM1 each of the Company. The acquisition was completed on 25 April 2008. Effectively, SunShare is a wholly owned subsidiary of the Company.

On the date of acquisition, the fair value of the purchase consideration was RM135.8 million reflecting the market price of the Company's shares issued. Details of the acquisition of net assets, which do not constitute a business, is disclosed in Note 36(c) to the financial statements.

5 SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DISPOSALS (continued)

(II) Acquisitions (continued)

(b) Acquisition of 49% interest in SunShare (continued)

Details of net assets acquired are as follows:

	2008 Fair value RM'000
Investment in an associate	1,272,306
Other receivables	1,458
Cash and bank balances	143,104
Other payables	(434)
Long term borrowings	(1,123,086)
Net assets	293,348
Less: Amount accounted for as a jointly controlled entity as at 25 April 2008	(157,548)
Purchase Consideration	135,800

There was no cash outflow for the Group and Company on the acquisition as it was settled by issuance of new ordinary shares of the Company as disclosed in Note 38 to the financial statements.

(c) Acquisition of 9.8% interest in Spice Communications Limited (Spice)

On 24 October 2008, TMI India Ltd, a wholly owned subsidiary of the Company acquired 67,612,650 ordinary share of Rs10 each in Spice representing 9.8% of the issued and paid-up share capital of Spice for a purchase consideration of USD123.3 million (RM437.7 million) in conjunction with the Proposed Offer as disclosed in Note 36(d) to the financial statements. Effectively the Group's equity interest in Spice, which remains a jointly controlled entity, increased from 39.2% to 49%.

(d) Acquisition of 14.99% interest in Idea Cellular Limited (Idea)

On 13 August 2008, the Group acquired 464,734,670 ordinary shares of Rs10 each in Idea representing 14.99% of the enlarged issued and paid-up share capital in Idea for RM5,734.3 million. The Group's equity interest in Idea remains at 14.99% as at 31 December 2008.

5 SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DISPOSALS (continued)

(II) Acquisitions (continued)

(e) Other acquisitions

During the financial year, the Group incurred additional investments in the following subsidiaries:

(i) 0.17% additional interest in Dialog Telekom PLC (Dialog) for a purchase consideration of RM3.4 million. Consequently, the Group's equity interest in Dialog increased from 84.80% to 84.97% as at 31 December 2008.

(ii) Undertake TM International Bangladesh (TMIB) rights issue of 47,950,000 ordinary shares of BDT100 each representing 70% of the enlarged issued and paid-up share capital in TMIB for USD70 million. The equity interest in TMIB remains 70% as at 31 December 2008.

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

In the previous financial year, the Group incurred additional investments/acquisition:

(i) Additional 11% equity interest in a subsidiary, Multinet Pakistan (Private) Limited (Multinet) for USD2.42 million (RM8.8 million). Consequently, the Group's equity interest in Multinet increased from 78% to 89% as at 31 December 2007.

(ii) Additional 10% equity interest in a subsidiary, Dialog Television (Private) Limited (DTV) for a consideration of USD0.35 million (RM1.2 million), making DTV a 100% owned subsidiary.

(iii) Celcom through its wholly owned subsidiary CT Paging Sdn. Bhd. (CT Paging) entered into a joint venture agreement (JVA) with I-Mobile International Co. Ltd (I-Mobile). The JVA was to establish C-Mobile as a vehicle to operate a joint venture business namely, to set up a distribution network of dealers and concept retail stores based on intellectual property rights owned by Celcom (Concept Stores) within Malaysia. The Concept Stores will market and distribute exclusively Celcom Mobile Sdn Bhd's products and also distribute Samart I-Mobile (Malaysia) Sdn Bhd, a wholly owned subsidiary of I-Mobile's products. The equity interest of Celcom held via CT Paging in C-Mobile effectively from 14 February 2007 is 49% representing 2,450,000 ordinary shares of RM1.00 each.

The above acquisitions had no material effect to the results of the Group.

(III) Disposals

(a) Disposal of partial interest in Dialog

During the financial year, following the issuance of shares under Dialog's Employees' Share Option Scheme, the Group's equity interest decreased from 84.81% to 84.80%. The dilution has no material effect to the result of the Group.

5 SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DISPOSALS (continued)

(III) Disposals (continued)

(a) Disposal of partial interest in Dialog (continued)

In the previous financial year, the Group through TMIL, disposed 4.62% equity interest in Dialog through various transactions as summarised below:

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

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

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

The above disposal reduced the Group's equity interest in Dialog to 85.60%. The Group's equity interest in Dialog was further reduced to 84.81% following issuance of shares under Dialog's Employees' Share Option Scheme.

(b) Dilution of equity interest in MobileOne Ltd (M1)

During the financial year, the Group equity interest in (M1), held through SunShare decreased from 29.69% to 29.66% following the issuance of shares under M1's Employees' Share Option Scheme. The dilution has no material effect to the Group.

(c) Dissolution of G-Com

G-Com was dissolved pursuant to the endorsement by the Registrar of Companies of Ghana on 17 April 2008 pursuant to Section 261 (5) of the Ghanaain Companies Code 1963. The dissolution did not result in a material effect to the results of the Group.

(d) Dilution of equity interest in Spice

In the previous financial year, Spice, a 49% owned jointly controlled entity held through TMI India Limited, concluded a Pre-Initial Public Offering (Pre-IPO) placement of 24,873,889 shares at INR45 per shares. On completion of the Pre-IPO placement, the Group's equity interest in Spice reduced from 49% to 46.89%.

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

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

5 SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DISPOSALS (continued)

(III) Disposals (continued)

(e) Other disposals

In the previous financial year, Celcom Academy Sdn Bhd, Freemantle Holdings (M) Sdn Bhd and Aseania Plastics Sdn Bhd, all of which were subsidiaries of Celcom, were dissolved pursuant to Section 272(5) of the Companies Act, 1965. The dissolution did not have a significant impact to the Group.

6 OPERATING REVENUE

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Mobile services	**10,120,290**	8,723,802	**–**	–
Others	**1,227,421**	1,273,077	**19,617**	22,271
TOTAL OPERATING REVENUE	**11,347,711**	9,996,879	**19,617**	22,271

Others includes revenue from interconnect services, leased services and other data services.

7(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Depreciation of property, plant and equipment (PPE)	**2,300,846**	1,740,641	**588**	453
Depreciation of investment properties	**8**	8	**–**	–
Impairment of PPE	**12,838**	61,869	**–**	–
Write-off of PPE	**5,068**	1,678	**–**	–
Amortisation of intangible assets	**19,705**	19,850	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,338,465**	1,824,046	**588**	453

7(b) OTHER OPERATING COSTS

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Allowance for doubtful debts (net of bad debt recoveries)	**95,078**	119,717	**–**	–
Amortisation of prepaid lease payments	**45,601**	48,393	**–**	–
Additional/(reversal of) impairment in quoted investments	**2**	(27)	**–**	–
Business licence fees	**314,257**	281,604	**–**	–
Charges and commissions	**82,897**	35,885	**–**	16
Cost of SIM and recharge cards	**38,356**	41,960	**–**	–
Domestic interconnect and international outpayment	**1,387,789**	1,478,444	**–**	–
Impairment of goodwill	**–**	23,812	**–**	–
Maintenance	**499,760**	470,204	**464**	–
Marketing, advertising and promotion	**1,404,821**	1,067,460	**1,498**	175
Professional fees	**80,698**	60,824	**10,189**	6,061
Rental – land and buildings	**305,615**	288,819	**1,416**	729
Rental – equipment	**101,645**	37,803	**–**	–
Rental – others	**50,334**	30,811	**–**	–
Roaming costs	**194,650**	107,116	**–**	–
Penalty costs	**16,579**	94,463	**–**	–
Staff costs[1]	**758,415**	627,046	**35,216**	21,639
Staff costs capitalised in PPE	**(4,650)**	(11,685)	**–**	–
Supplies and inventories	**295,649**	189,441	**–**	–
Transportation and travelling	**82,171**	37,906	**5,535**	3,479
Universal Service Provision/Obligation Contribution	**323,775**	237,414	**–**	–
Utilities	**261,287**	169,422	**44**	33
Others[2]	**665,446**	426,942	**21,331**	8,608
TOTAL OTHER OPERATING COSTS	**7,000,175**	5,863,774	**75,693**	40,740

7(b) OTHER OPERATING COSTS (continued)

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
[1] Staff costs include:				
Staff costs excluding Directors:				
- salaries, allowances, overtime and bonus	**576,948**	500,781	**27,630**	17,300
- termination benefit	**23,889**	20,747	**21**	—
- contribution to Employees Provident Fund (EPF)	**52,739**	43,986	**3,446**	2,028
- other staff benefits	**63,763**	48,511	**1,378**	1,059
- ESOS expense (Note 13(a),(c))	**33,996**	368	**311**	284
- Staff costs of the Executive Directors of the Company:				
- salaries, allowances and bonus	**1,893**	798	**1,893**	798
- contribution to EPF	**344**	151	**344**	151
- ESOS expense (Note 13(a))	**193**	19	**193**	19
	753,765	615,361	**35,216**	21,639
[2] Others include:				
- remuneration of Non-Executive Directors:				
- fees	**1,826**	—	**1,376**	—
- salaries, allowances and bonus	**132**	—	**113**	—
- audit fees:				
- PricewaterhouseCoopers Malaysia	**1,293**	808	**685**	30
- Member firm of PricewaterhouseCoopers International Limited *	**2,356**	1,282	**—**	—
- others	**23**	14	**—**	—
- audit related fees	**863**	525	**791**	508
- tax and other non-audit services	**1,830**	2,039	**479**	976

* Separate and independent legal entity from PricewaterhouseCoopers Malaysia

Estimated money value of benefits of Directors amounted to RM79,000 (2007: Nil) for the Group and Company.

8 OTHER OPERATING INCOME/(EXPENSES)

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
(Loss)/gain on disposal/dissolution of subsidiaries	**(2,491)**	232,552	**(3,633)**	–
Gain on dilution of subsidiaries	**214**	4,893	**–**	–
Gain/(loss) on disposal of PPE	**816**	(4,239)	**–**	–
Penalty on breach of contract	**8,478**	7,639	**–**	–
Rental income	**90,272**	1,074	**–**	–
Others	**81,652**	40,044	**9**	110
TOTAL OTHER OPERATING INCOME/(EXPENSES)	**178,941**	281,963	**(3,624)**	110

9 FINANCE INCOME/(COST)

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
TOTAL FINANCE INCOME	**99,319**	80,485	**30,994**	1,969
Finance cost from borrowings	**(700,390)**	(444,162)	**(140,511)**	–
Foreign exchange losses	**(238,140)**	(109,602)	**(84,869)**	–
Finance cost for loan from former holding company	**(168,493)**	(3,006)	**(168,493)**	–
Profit payable on Islamic Private Debt Securities	**(4,958)**	(26,567)	**–**	–
Others	**(2,458)**	(5,088)	**(10,393)**	–
TOTAL FINANCE COST	**(1,114,439)**	(588,425)	**(404,266)**	–
NET FINANCE (COST)/INCOME	**(1,015,120)**	(507,940)	**(373,272)**	1,969

10 TAXATION

The taxation expense for the Group and the Company comprise:

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Malaysia:				
Income tax				
- Current year	**501,247**	368,903	**1,904**	521
- Prior year	**(6,011)**	(26,804)	**10**	–
Overseas:				
Income tax				
- Current year	**12,914**	11,838	**969**	1,419
- Prior year	**(611)**	(2,098)	**–**	–
Deferred tax (net)				
Originating and reversal of temporary differences	**(17,763)**	160,235	**–**	–
Change in tax rate	**(50,214)**	(15,219)	**–**	–
Over accrual in prior years	**(4,839)**	(7,251)	**–**	–
TOTAL TAXATION	**434,723**	489,604	**2,883**	1,940

The Company has obtained Approved Operational Headquarters (OHQ) status for a period of ten (10) years, effective on 1 January 2003.

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26% effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

10 TAXATION (continued)

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

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

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Profit/(loss) before taxation	**905,815**	2,337,203	**(62,758)**	70,197
Taxation calculated at the applicable Malaysian taxation rate of 26% (2007: 27%)	**235,512**	631,045	**(16,317)**	18,953
Tax effects of:				
– income not subject to tax	**(101,964)**	(189,526)	**(77,984)**	(36,464)
– shares of results of jointly controlled entities and associates	**15,453**	(55,317)	**—**	—
– different taxation rates in other countries	**(19,253)**	39,855	**(2,519)**	2,413
– expenses not deductible for taxation purposes	**363,205**	108,794	**91,071**	10,823
– unrecognised tax losses	**3,445**	6,125	**8,622**	6,215
– change in statutory tax rate	**(50,214)**	(15,219)	**—**	—
– (over)/under accrual of income tax (net)	**(6,622)**	(28,902)	**10**	—
– over accrual of deferred tax (net)	**(4,839)**	(7,251)	**—**	—
TOTAL TAXATION	**434,723**	489,604	**2,883**	1,940

11 EARNINGS PER SHARE

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

	Group	
	2008 RM'000	**2007 RM'000 Restated**
Profit attributable to equity holders (RM'000)	**497,983**	1,781,914
Weighted average number of ordinary shares in issue ('000)	**3,694,732**	3,577,393
Basic earnings per share (sen)	**13.48**	49.81

Diluted earnings per share is not presented in the financial statements since there are no dilutive potential ordinary shares as at 31 December 2008.

12 SHARE CAPITAL

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Ordinary shares of RM1 each				
Authorised:				
At beginning of financial year	**5,000,000**	5,000,000	**500,000**	500,000
Created during the financial year	**—**	—	**4,500,000**	—
At end of the financial year	**5,000,000**	5,000,000	**5,000,000**	500,000
Issued and fully paid:				
At beginning of financial year				
(as previously reported)	**35,693**	35,693	**35,693**	35,693
Effect of merger method of accounting	**3,541,700**	3,541,700	**—**	—
At beginning of financial year (as restated)	**3,577,393**	3,577,393	**35,693**	35,693
Issued during the financial year				
– as part of demerger (Note 5 (I))	**—**	—	**3,541,700**	—
– acquisition of XL and SunShare (Note 5 (II))	**176,009**	—	**176,009**	—
At end of the financial year	**3,753,402**	3,577,393	**3,753,402**	35,693

As disclosed in Note 5 (I), the net consideration in respect of the Group restructuring was partially satisfied by the issuance of 3,541.7 million ordinary shares of RM1 each of the Company at a premium of RM0.073. The ordinary shares are issued as part settlement of the consideration sum payable by the Company to TM of RM3,801,000,000 under the demerger agreement entered between the Company and TM as mentioned Note 5 (I).

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS)

(a) Share based compensation scheme of TM in the financial year

Special ESOS

On 10 December 2007, the former holding company, TM, 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 TM 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.

The total number of options granted, percentage of options exercisable by an Eligible Employee and the vesting is as follows:

				TM Options		TMI Options	
Special ESOS	Grant date	Vesting date	% of options exercises-able	Number of options granted to the Group	Exercise price (RM)	Number of options granted to the Group	Exercise price (RM)
Tranche 1	22 April 2008	22 April 2008	40	9,389,200	2.71	9,389,200	6.99
Tranche 2	22 April 2008	16 September 2008	30	7,041,900	2.71	7,041,900	6.99
Tranche 3	22 April 2008	16 March 2009	30	7,041,900	2.71	7,041,900	6.99

The Special ESOS will expire on 16 September 2009.

Subsequent to the Demerger of TM Group, options over the shares of the Company are accounted for as equity settled while option over the shares of TM are accounted for as ESOS related employee costs upon recharge by TM.

The fair values of TM and TMI options are measured using the Black Scholes Valuation model.

General features of the Special ESOS

(i) Maximum number of TM Shares available under the Special ESOS

The total number of TM Shares offered under the Special ESOS shall not exceed 137,592,300 ordinary shares of RM1.00 each in TM, representing up to 4% of the existing issued and paid-up share capital of TM.

(ii) Eligibility

Eligibility for participation by an employee or Executive Director in the Special ESOS shall be subject to the terms and conditions contained in the Bye-Laws for the Option Scheme, 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 TM Group.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(a) Share based compensation scheme of TM in the financial year (continued)

Special ESOS (continued)

General features of the Special ESOS (continued)

(iii) Duration of the Special ESOS

The Special ESOS shall be in force for a period of 18 months from the grant date which is 16 September 2009, unless extended or renewed by TM's Board for another 12 months or a shorter period as it deems fit, subject to TM shareholders' approval.

On expiry of the Special ESOS, the remaining unexercised options shall be sold to the market, at the discretion of the Option Committee.

(iv) Maximum Allowable Allocation

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

(a) Not more than 50% of 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% of the shares available under Special ESOS shall be granted to any individual Eligible Employee who, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up capital of TM.

(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 TM and the Company 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 shall not be less that RM9.70, being the subscription price prior to demerger.

(vi) Alteration in capital structure

In the event of any alteration in capital structure of TM during the option period which expires on 16 September 2009, such corresponding alterations shall be made in:

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

(b) and/or the subscription price.

(vii) Ranking of new TM Shares

The new shares to be 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 TM Shares.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(a) Share based compensation scheme of TM in the financial year (continued)

Special ESOS (continued)

General features of the Special ESOS (continued)

(viii) Trust arrangement

The Special ESOS will be implemented through TM ESOS Management Sdn Bhd (TEM), a trust company established by TM 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 to Eligible Employees only on the instructions of the Options Committee to be appointed by TM's Board. Excess unallocated shares will be sold in the open market at the fair market value upon the expiration of the Special ESOS.

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

The movement during the financial year in the number of Special ESOS options over the ordinary shares of RM1 each of TM and ordinary shares of RM1 each of TMI, in which the employees of the Group and Company are entitled to, is as follows:

	Exercise price	At 1 January 2008	Granted	Adjusted	Exercised	Lapsed	At 31 December 2008	Fair value at grant date
TM Shares								
Tranche 1	**2.71**	**—**	**9,389,200**	**495,360**	**(3,827,700)**	**(29,300)**	**6,027,560**	**0.82**
Tranche 2	**2.71**	**—**	**7,041,900**	**444,870**	**(752,700)**	**(135,000)**	**6,599,070**	**0.80**
Tranche 3	**2.71**	**—**	**7,041,900**	**444,870**	**—**	**(267,300)**	**7,219,470**	**0.79**
		—	**23,473,000**	**1,385,100**	**(4,580,400)**	**(431,600)**	**19,846,100**	

Pre-demerger, a total of 73,400 options granted under the Special ESOS were exercised by eligible employees at an exercise price of RM9.70 per share.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(a) Share based compensation scheme of TM in the financial year (continued)

Special ESOS (continued)

The movement during the financial year in the number of Special ESOS options over the ordinary shares of RM1 ordinary shares of RM1 each of TMI, in which the employees of the Group and Company are entitled to, is as follows:

	Exercise price	At 1 January 2008	Granted	Adjusted	Exercised	Lapsed	At 31 December 2008	Fair value at grant date
TMI Shares								
Tranche 1	6.99	—	9,389,200	536,520	(68,600)	(215,100)	9,642,020	0.66
Tranche 2	6.99	—	7,041,900	420,690	—	(135,000)	7,327,590	0.86
Tranche 3	6.99	—	7,041,900	420,690	—	(267,300)	7,195,290	1.03
		—	23,473,000	1,377,900	(68,600)	(617,400)	24,164,900	

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

Exercise date	Fair value of TM Shares at share issue date RM/share	Exercise price/ Number of options exercised RM9.70
1.4.2008 to 22.4.2008	10.70 – 11.20	73,400

Exercise date	Fair value of TM Shares at share issue date RM/share	Exercise price/ Number of options exercised RM2.71
23.4.2008 to 31.5.2008	3.12 – 3.66	156,100
1.6.2008 to 30.6.2008	3.16 – 3.36	282,100
1.7.2008 to 31.7.2008	3.18 – 3.58	1,065,900
1.8.2008 to 31.8.2008	3.40 – 3.60	1,230,100
1.9.2008 to 30.9.2008	3.22 – 3.66	1,093,500
1.10.2008 to 31.10.2008	3.24 – 3.46	606,700
1.11.2008 to 31.12.2008	3.00 – 3.38	146,000
		4,580,400

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(a) Share based compensation scheme of TM in the financial year (continued)

Special ESOS (continued)

Details relating to Special ESOS options exercised during the financial year are as follows: (continued)

Exercise date	Fair value of TMI Shares at share issue date RM/share	Exercise price/ Number of options exercised RM6.99
23.4.2008 to 2.6.2008	**7.15 – 7.65**	**68,600**

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

	Special ESOS	
	TM Shares Tranche 1-3	**TMI Shares Tranche 1-3**
Exercise price	RM2.71	RM6.99
Option life (number of days to expiry)		
– Tranche 1	161	161
– Tranche 2	328	328
– Tranche 3	512	512
Weighted average share price at grant date	RM3.58	RM7.25
Expected dividend yield	5.6%	1.8%
Risk free interest rates (Yield of Malaysian Government securities)	3.38%	3.38%
Expected volatility	21.48%	24.62%
TM share historical volatility period:		
From	31.03.2006	—*
To	31.03.2008	—*

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

* The volatility rate of TMI options was derived after considering the pattern and level of historical volatility of entities in the same industry since TMI does not have sufficient information on historical volatility since it was only listed on the Bursa Securities on 28 April 2008.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(a) Share based compensation scheme of TM in the financial year (continued)

Special ESOS (continued)

The amounts recognised in the financial statements as disclosed in Note 7(b) for all employees (including Directors) to the financial statements arising from share-based payments are summarised as below:

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Equity settlement arrangements					
(a) options over TMI shares granted to TMI Group employees		**16,663**	–	**–**	–
(b) options over TM shares granted to TMI Group employees		**17,526**	134	**504**	303
TOTAL ESOS EXPENSE	7(b)	**34,189**	134	**504**	303

(b) Share based compensation scheme of TM in prior years

ESOS 3

The former holding company TM Share Option Scheme 3 (ESOS 3), in which certain employees of the Company were entitled to, was approved by TM shareholders at an Extraordinary General Meeting held on 21 May 2002. Options to subscribe for ordinary shares of RM1 each under ESOS 3 was granted in various phases, as follows:

Scheme	Grant date	Granted to	Number of option granted to the Company	Number of option granted to the Group	Exercise price (RM)
ESOS 3 (phase 1)	1 August 2002	Executives and Non-Executives	–	259,014	7.09
ESOS 3 (phase 2)	6 September 2005	Executives and Non-Executives	207,000	226,439	9.22
ESOS 3 (phase 3)	18 December 2006	Executives and Non-Executives	104,000	109,461	8.69

ESOS 3 had expired on 31 July 2007.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(b) Share based compensation scheme of TM in prior years (continued)

Performance Linked Employee Option Scheme (PLES)

On 6 September 2005, TM also implemented a PLES for Senior Management of TM and its subsidiaries. The Company being the former subsidiary of TM was eligible to participate in this scheme. The scheme is an extension of the existing ESOS 3 and expired on 31 July 2007.

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

	Vesting Period/Maximum Option Allocation		
Performance Condition	**6 September 2005**	**1 May 2006**	**24 April 2007**
Current year performance for financial year 2004, 2005 and 2006	5,991,200	5,991,200	5,991,200
Aggregated performance for 2004-2006	–	–	11,982,400
Total	5,991,200	5,991,200	17,973,600

Options granted under PLES were conditional grants and were based on the performance of the Group and individuals for the respective years preceding the vesting period. Options under PLES have an exercise price of RM10.24.

In respect of PLES, the number of options that a grantee may exercise will be notified to the grantee through a Letter of Notification after the end of the respective financial years.

General features of ESOS 3 and PLES

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

(ii) The total number of shares to be offered shall not exceed 10% of the total issued and paid-up shares of TM.

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

(iv) The subscription price of each RM1 share shall be the average of the middle market quotation of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) trading days preceding the date of offer with a 10% discount, except for PLES options, which were granted without discount.

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

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

   (ii) and/or the subscription price.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(b) Share based compensation scheme of TM in prior years (continued)

Specific features of ESOS 3 (excluding PLES)

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

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

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

* 40% or 20,000 options, whichever is higher

** 30% or the remaining number of options unexercised

(b) In respect of options granted after 17 May 2005, the number of options which a grantee may exercise in a relevant financial year shall be evenly distributed over the number of unexpired years of the scheme, as calculated on the date of acceptance of the option, save as determined otherwise by the Options Committee.

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

The movement during the financial year ended 31 December 2007 in the number of options over the ordinary shares of RM1 each of TM, in which the employees of the Company is entitled to, are as follows:

Option Scheme	Exercise price RM	At 1 January 2007 '000	Granted '000	Exercised '000	Lapsed '000	At 31 December 2007 '000	Fair value at grant date RM
ESOS 3 (Phase 1)	7.09	—	—	—	—	—	*
ESOS 3 (Phase 2)	9.22	202	146	(125)	(223)	—	1.61
PLES 1	10.24	1,848	—	—	(1,848)	—	1.14
ESOS 3 (Phase 3)	8.69	104	163	(121)	(146)	—	1.07
Total		2,154	309	(246)	(2,217)	—	

The Group has applied the provision of FRS 2 to all equity instruments granted after 31 December 2004 but not fully vested as at 1 January 2006, the effective date the Group adopted this FRS.

* FRS 2 not applicable for these transactions.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(b) Share based compensation scheme of TM in prior years (continued)

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

	Fair value of shares at exercise date RM/share	Exercise price RM/share	Number of shares issued 2007
January to March 2007	9.90-10.10	7.09	–
		9.22	91,000
April to May 2007	10.40-10.45	7.09	–
		9.22	112,000
June to July 2007	9.65-10.50	7.09	–
		9.22	43,000

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

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

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

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

Subsequent to the demerger in April 2008, the capital contribution reserve of RM9,113,000 pertaining to the ESOS 3 and PLES was reversed following a recharge by TM.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

(c) ESOS of Dialog Telekom PLC (Dialog)

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

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

The principal features of ESOS are as follows:

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

(ii) Except the existing tranche, the exercise price of the ESOS shares will be based on the five (5) days weighted average market price of Dialog's shares immediately preceding the offer date for options, with the ESOS Committee having the discretion to set an exercise price up to 10% lower than that derived weighted average market price.

(iii) Options are conditional on an employee satisfying the following:

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

(iv) The maximum allowable allotment per offer is 8.0 million shares.

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

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

The total number of shares granted was 88,841,218. As at 31 December 2008, 51,103,699 shares (inclusive of 50,310,499 shares as at 31 December 2007) have been exercised and 35,007,419 shares remain unexercised and are exercisable before 2010.

13 EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)

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

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

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

Grant date	Exercise price SLR	At 1 January 2007 '000	Granted '000	Exercised '000	Forfeited* '000	At 31 December 2007 '000	Fair value at grant date SLR
2008							
11 July 2005	12	37,529	–	(793)	(1,728)	35,008	4.4
2007							
11 July 2005	12	48,735	–	(10,853)	(353)	37,529	4.4

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

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

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

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

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

In the previous financial year, total expenses recognised arising from share based payments amounted to RM253,350 and was disclosed in Note 7(b) to the financial statements.

14 OTHER RESERVES

	Group		Company	
	2008 **RM'000**	**2007** **RM'000** **Restated**	**2008** **RM'000**	**2007** **RM'000**
Retained profits	**6,263,451**	5,765,468	**25,876**	91,517
Capital contribution reserve	**16,598**	9,113	**16,598**	824
Merger reserve	**346,774**	346,774	**–**	–
Currency translation differences arising from translation of:				
– subsidiaries	**(560,428)**	(430,936)	**–**	–
– jointly controlled entities	**(106,757)**	100,179	**–**	–
– associates	**8,729**	17,957	**–**	–
TOTAL OTHER RESERVES	**5,968,367**	5,808,555	**42,474**	92,341

The Group's capital contribution reserve relates to the ESOS of Telekom Malaysia Berhad, the former holding company, which were made available to the employees of the Group as disclosed in Note 13 to the financial statements.

Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013. The Company has opted to move a single tier system and as a result, there are no longer any restrictions on the Company to frank the payment of dividends out of its entire retained profits as at the balance sheet date.

15 BORROWINGS

Group	2008 Weighted average rate of finance	2008 Long term RM'000	2008 Short term RM'000	2008 Total RM'000	2007 Restated Weighted average rate of finance	2007 Restated Long term RM'000	2007 Restated Short term RM'000	2007 Restated Total RM'000
FOREIGN								
Secured:								
Borrowings from financial institutions (sub note a)	**6.17%**	**397,326**	**47,243**	**444,569**	9.70%	392,627	76,098	468,725
Other borrowings (Note b)	**2.76%**	**318,633**	**126,416**	**445,049**	1.97%	370,043	40,038	410,081
Bank overdrafts (Note 31)	**20.50%**	**—**	**1,374**	**1,374**	—	—	—	—
Unsecured:								
Notes (sub note c)	**8.80%**	**921,360**	**—**	**921,360**	8.21%	1,342,556	1,175,028	2,517,584
Rated Cumulative Redeemable Preference Shares (sub note d)	**19.08%**	**114,562**	**22,913**	**137,475**	18.43%	136,949	15,217	152,166
Borrowings from financial institutions (sub note f)	**9.04%**	**4,634,551**	**508,654**	**5,143,205**	7.91%	917,633	401,258	1,318,891
Other borrowings (sub note b)	**2.78%**	**959,620**	**257,741**	**1,217,361**	—	—	—	—
Bank overdrafts (Note 31)	**19.71%**	**—**	**80,933**	**80,933**	19.75%	—	2,107	2,107
Total foreign	**7.89%**	**7,346,052**	**1,045,274**	**8,391,326**	8.05%	3,159,808	1,709,746	4,869,554
DOMESTIC								
Islamic Private Debts Securities (sub note e)	**—**	**—**	**—**	**—**	8.30%	—	200,000	200,000
Unsecured:								
Borrowings from financial institutions (sub note g)	**3.91%**	**3,200,000**	**4,368,025**	**7,568,025**	—	—	—	—
Total domestic	**3.91%**	**3,200,000**	**4,368,025**	**7,568,025**	8.30%	—	200,000	200,000
TOTAL BORROWINGS	**6.07%**	**10,546,052**	**5,413,299**	**15,959,351**	8.02%	3,159,808	1,909,746	5,069,554

15 BORROWINGS (continued)

Company	2008 Weighted average rate of finance	2008 Long term RM'000	2008 Short term RM'000	2008 Total RM'000
Unsecured:				
Borrowings from financial institutions (sub note g)	**3.91%**	**3,200,000**	**4,368,025**	**7,568,025**
TOTAL BORROWINGS	**3.91%**	**3,200,000**	**4,368,025**	**7,568,025**

There were no borrowings in the previous financial year for the Company.

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Long term borrowings are repayable as follows:				
After one year and up to five years	**10,246,013**	2,084,680	**3,200,000**	–
After five years and up to ten years	**300,039**	1,075,128	**–**	–
	10,546,052	3,159,808	**3,200,000**	–

The currency exposure profile of borrowings is as follows:

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Ringgit Malaysia	**5,600,000**	200,000	**5,600,000**	–
US Dollar	**5,953,469**	3,439,334	**1,968,025**	–
Indonesian Rupiah	**2,990,322**	666,401	**–**	–
Bangladesh Taka	**284,971**	432,637	**–**	–
Sri Lanka Rupee	**447,448**	202,313	**–**	–
Singapore Dollar	**578,429**	–	**–**	–
Other currencies	**104,712**	128,869	**–**	–
	15,959,351	5,069,554	**7,568,025**	–

15 BORROWINGS (continued)

(a) Secured by way of fixed charge on property, plant and equipment of subsidiaries (Note 21 (c) to the financial statements).

(b) Included in other borrowings is supplier credit that bears 0% interest during the first 2 years and is repayable from 2008 to 2014. This supplier credit is secured by way of fixed charge on property, plant and equipment of TM International (Bangladesh) Limited (Note 21 (c) to the financial statements). The supplier credit balances are:

As at	USD'million	RM'million
31 December 2008	120.9	417.4
31 December 2007	122.9	406.2

(c) Notes consist of the following:

	2008 RM'000	2007 RM'000
USD127.7 million (2007: 250.0 million) 7.125% Notes due 2013 (sub note (i))	**443,038**	816,956
USD350.0 million 8.0% Notes due 2009 (sub note (i))	**—**	1,175,028
IDR1,500 billion 10.35% Notes due 2012 (sub note (ii))	**478,322**	525,600
	921,360	2,517,584

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

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

On 25 January 2008, XL through XLFC completed the buyback of RM1,131.9 million (USD350 million) Notes at a price of 100% of nominal value.

In June 2008, XL through XLFC had completed the partial buyback of RM400.0 million (USD122.3 million) from the RM817.5 million (USD250 million) Notes at price of 101% of nominal value.

(ii) XL is required to comply with certain conditions, such as limitations on assets sale and/or leaseback transactions, and XL should not obtain debt that will cause XL's Debt to EBITDA Ratio to exceed 4.5 to 1.0.

15 BORROWINGS (continued)

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

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

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

(e) The principal features of the Islamic Private Debt Securities, which was fully repaid during the financial year, are as follows:

(i) Tenure of the Al-Bai' Bithaman Ajil Bonds range from three to six years from the date of issue and the bonds carry profits rates, which have been fixed in accordance with Syariah principals at rates ranging from the respective issue rates. The Bonds are traded scripless under the Real Time Electronic Transfer of Funds and Securities managed by Bank Negara Malaysia.

(ii) Are secured by Deed of assignment over a subsidiary company key bank collection accounts and designated bank accounts as stated in sub-note (iii) below.

(iii) The subsidiary is also required to deposit a proportion of its cash flows into designated bank accounts with fixed deposit and short term placements from which funds can be utilised only for interest and principal repayments on these borrowings.

(iv) Under the respective debt covenants, Celcom was required to comply with certain conditions which include not to be in breach of certain agreed financial ratios summarised as follows:
- debt equity ratio of not more than 1.25;
- debt over EBITDA ratio of not more than 2.5;
- EBITDA over finance cost ratio of more than 5; and
- finance service coverage ratio of more than 1.2.

15 BORROWINGS (continued)

(f) Borrowings from financial institutions

Included in the long term loan balance are borrowings as analysed below:

	2008 RM'000	2007 RM'000
SunShare		
Loan facility (sub note (xi))	**578,429**	–
	578,429	–
XL		
PT Bank Mandiri (Persero) Tbk (sub note (i))	**1,024,000**	140,800
PT Bank Central Asia Tbk (sub note (ii))	**960,000**	–
Standard Chartered Bank (sub note (iii))	**525,600**	331,549
Syndicated loan facility (sub note (iv))	**490,560**	–
PT Bank DBS Indonesia and DBS Bank Ltd. (sub note (v))	**399,200**	165,774
PT Bank Mizuho Indonesia (sub note (vi))	**175,200**	165,774
The Hongkong and Shanghai Banking Corporation Ltd. (sub note (vii))	**175,200**	–
JPMorgan Chase Bank, N.A. (sub note (viii))	**105,120**	99,465
PT Bank Sumitomo Mitsui Indonesia (sub note (ix))	**96,000**	–
PT ANZ Panin Bank (sub note x)	**80,000**	–
	4,030,880	903,362

(i) PT Bank Mandiri (Persero) Tbk

On 19 December 2007, XL signed a IDR4,000 billion credit facility agreement with PT Bank Mandiri (Persero) Tbk, 10% of which matures in four (4) equal annual installments commencing from the signing date of the agreement, while the remaining 60% matures on the fifth anniversary of the signing of the agreement. The loan bears a floating rate of one (1) month's Jakarta Interbank Offered Rate (JIBOR) plus a 1.50% margin per annum which becomes due monthly in arrears. In September 2008, the credit facility has been fully drawn down.

Based on the loan agreement, XL is required to comply with certain conditions; such as XL does not obtain new debt that will cause XL's Debt to EBITDA ratio to exceed 4.5 to 1.0. The principal outstanding as of 31 December 2007 and 2008 amounted to RM128 million (IDR400 billion) and RM1,152 million (IDR3,600 billion), respectively.

15 BORROWINGS (continued)

(f) Borrowings from financial institutions (continued)

(ii) PT Bank Central Asia Tbk

On 26 September 2007, XL signed a credit facility agreement with PT Bank Central Asia Tbk amounting to IDR1,000 billion. Based on the latest amendment dated 4 April 2008, the credit facility has been increased to IDR3,000 billion. The loan will mature three (3) years from the last drawdown date of each credit facility agreement. Based on the contract, XL agrees to pay a floating rate of interest at quarterly intervals of three months' JIBOR plus 1.25% margin.

Based on the loan agreement, XL is required to comply with certain conditions, such as limitations on certain asset sales or transfers, XL does not obtain new debt that will cause XL's Debt to EBITDA ratio to exceed 4.5 to 1.0 and majority ownership of XL's shares directly or indirectly by the Company. The facility has been drawn down in full as at 31 December 2008.

(iii) Standard Chartered Bank

On 8 January 2007, XL entered into a USD50,000,000 credit agreement with Standard Chartered Bank, maturing three (3) years from the first drawdown date. The loan bears a floating interest rate of three (3) months' LIBOR plus 1.05% margin per annum, which becomes due quarterly in arrears.

The agreement was amended several times in 2007 and 2008 and based on the latest amendment:

- The amount of the original credit facility was increased to USD100,000,000, which will be available up to 31 December 2007 with a floating interest rate of three (3) months' Singapore Interbank Offered Rate (SIBOR) plus 1.05% per annum.
- A USD110,000,000 or a maximum of IDR1,000 billion bridging loan facility was added. The loan will mature nine (9) months from each drawdown date, but not later than 31 December 2008, and bears a floating interest rate of monthly intervals of Sertifikat Bank Indonesia (SBI) plus a 1.10% margin per annum.
- Another USD50,000,000 credit facility was added. The loan will mature two (2) years after the drawdown date and bears a floating interest rate of three (3) months' SIBOR plus 2.00% per annum, which becomes due quarterly in arrears.

Notwithstanding the above, there is a clause applicable in the event of disruption in the interbank or any currency, whereby Standard Chartered Bank is allowed to apply its cost of fund as a replacement for SIBOR.

Based on the loan agreement, XL is required to comply with certain conditions, such as that XL must not obtain new debt that will cause XL's Debt to EBITDA ratio to exceed 4.5 to 1.0, and that the ownership of the Company in XL should not be less than 51%.

The facility has been drawn down in full as at 31 December 2008.

15 BORROWINGS (continued)

(f) Borrowings from financial institutions (continued)

(iv) Syndicated loan facility

On 6 November 2008, XL signed a Syndicated Term Loan Facility Agreement amounting to USD140,000,000 with DBS Bank Ltd, Export Development Canada, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Chinatrust Commercial Bank, Ltd., with PT Bank DBS Indonesia acting as the Facility Agent. Based on this agreement, XL agreed to pay a floating rate of interest at the SIBOR rate plus a certain margin. The loan will mature three (3) years from the agreement date. XL is required to comply with certain conditions, such as that XL should maintain XL's Debt to EBITDA ratio not to exceed 4.5 to 1.0 and the EBITDA to net interest expense ratio should not be less than 3.0 to 1.0. The facility has been drawn down in full as at 31 December 2008.

(v) PT Bank DBS Indonesia and DBS Bank Ltd.

On 19 April 2007, XL signed a USD50,000,000 credit facility agreement with PT Bank DBS Indonesia, maturing three (3) years after the first drawdown date. The loan bears a floating interest rate of three months' LIBOR plus 1.00% per annum, which becomes due quarterly in arrears. In November and December 2007, the agreement was amended by adding another credit facility amounting to IDR700 billion (full amount). This additional loan bears a floating interest rate of SBI plus 1.10% per annum, which becomes due quarterly in arrears.

Based on the loan agreement, XL is required to comply with certain conditions, such as limitations on certain asset sales or transfers, XL should not obtain new debt that will cause XL's Debt to EBITDA ratio to exceed 4.5 to 1.0 and the ownership of the Company in XL should not be less than 51%.

On 29 September 2008 and 27 October 2008, XL signed a Notice of Assignment with PT Bank DBS Indonesia to assign and transfer the loan amounting to USD50,000,000 to DBS Bank Ltd., Singapore, with effect from 29 September 2008 and 27 October 2008.

The principal outstanding and due to PT Bank DBS Indonesia as of 31 December 2007 and 2008 amounted to USD50,000,000 (equivalent to IDR470.95 billion and IDR700 billion) respectively.

The principal outstanding and due to DBS Bank Ltd., Singapore as of 31 December 2008 amounted to USD50,000,000.

The facilities have been drawn down in full as at 31 December 2008.

(vi) PT Bank Mizuho Indonesia

On 15 January 2007, XL entered into a credit agreement with PT Bank Mizuho Indonesia amounting to USD50,000,000. The loan will mature on 29 January 2010. XL agreed to pay a floating rate of interest at quarterly intervals of three (3) months' LIBOR plus a 0.95% margin per annum. With effect from 31 October 2008, the interest payment period is changed from quarterly to monthly. XL is required to comply with certain conditions. For example, the ownership of the Company in XL should not be less than 51%.

The facility has been drawn down in full as at 31 December 2008.

15 BORROWINGS (continued)

(f) Borrowings from financial institutions (continued)

(vii) The Hongkong and Shanghai Banking Corporation Ltd. (HSBC)

On 18 January 2008, XL signed a credit facility agreement with HSBC amounting to USD50,000,000. The loan facility will mature one (1) year from the first drawdown date, which was subsequently amended to three (3) years. Interest will be paid quarterly at a floating rate of interest of three months' SIBOR plus a 1.75% margin which was subsequently amended to SIBOR plus a 2.25% margin.

XL is required to comply with certain conditions, such as limitations on asset sales or transfers. It should also avoid obtaining new debt that will cause XL's Debt to EBITDA ratio to exceed 4.5 to 1.0, and the ownership of the Company in XL should not be less than 51%. The facility has been drawn down in full as at 31 December 2008.

(viii) JPMorgan Chase Bank, N.A.

On 13 August 2007, XL entered into a credit agreement with JPMorgan Chase Bank, N.A. amounting to USD30,000,000. The loan agreement will mature three (3) years from each drawdown date. Based on the agreement, XL agreed to pay a floating rate of interest at quarterly intervals of three months' LIBOR plus 1.00% margin per annum.

XL is required to comply with certain conditions, such as that XL should not obtain new debt that will cause XL's Debt to EBITDA ratio to exceed 4.5 to 1.0 and that the ownership of the Company in XL should not be less than 51%. The facility has been drawn down in full as at 31 December 2008.

(ix) PT Bank Sumitomo Mitsui Indonesia

On 28 July 2008, XL signed a credit facility agreement with PT Bank Sumitomo Mitsui Indonesia amounting to IDR300 billion. The loan will mature on 30 December 2011. Based on the contract, XL agreed to pay a floating rate of interest at monthly intervals of the Sertifikat Bank Indonesia (SBI) rate plus 1.50% margin per annum.

XL is required to comply with certain conditions, such as that XL should not obtain new debt if this causes the Debt to EBITDA ratio to exceed 4.5 to 1.0 and that the ownership of the Company in XL should not be less than 51%. The facility has been drawn down in full as at 31 December 2008.

(x) PT ANZ Panin Bank

On 22 September 2008, XL entered into a credit agreement with PT ANZ Panin Bank amounting to IDR250 billion. The loan agreement will mature two (2) years from the drawdown date or not later than 3 December 2010. Based on the agreement, XL agreed to pay a floating rate of interest on monthly basis at SBI rate plus 2.15% margin per annum.

XL is required to comply with certain conditions, such as that XL should not obtain new debt that will cause XL's Debt to EBITDA ratio to exceed 4.5 to 1.0 and that the ownership of the Company in XL should not be less than 51%. The facility has been drawn down in full as at 31 December 2008.

15 BORROWINGS (continued)

(f) Borrowings from financial institutions (continued)

(xi) SunShare loan facility

SunShare accepted a term loan facility of up to the maximum aggregate principal amount of SGD540,000,000. Floating interest rate is six (6) months' Swap Offer Rate (SOR) plus margin of 0.25% per annum due semi annually. The loan will mature on 27 November 2010 with bullet repayment. The amount due under this facility as of 31 December 2008 was SGD240,000,000. This loan is secured by negative pledge and a Letter of Comfort from the Company.

(g) Domestic borrowings from financial institutions

The long term borrowing comprises of a Bridging Loan (BL) Facility amounting to RM3,200,000,000 with a Floating rate of interest of Cost of Funds (COF) plus a 0.35% margin due quarterly. On 5 November 2008, the Company accepted a Supplemental Letter of Offer for Term Loan Facilities which extends the tenor of all the above BL facility up to four years and three months to mature on 7 August 2012.

The conditions in the Supplemental LO for the extended tenor are as follows:

- The conversion of the Banking Facilities to Islamic Financing Facilities from 31 December 2008 to 31 March 2009
- The execution of the definitive agreements for the Islamic Financing Facilities from 15 December 2008 to 16 March 2009

16 AMOUNTS DUE TO FORMER HOLDING COMPANY

The former holding company is Telekom Malaysia Berhad (TM), ceased to be the holding company of the Company upon demerger of the TM Group (as disclosed in Note 5 (l)), whilst continuing to have common shareholders with the Company.

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Amounts due to former holding company				
Loans	**–**	–	**–**	1,164,622
Advances	**4,063,613**	4,025,000	**4,063,613**	13,725
	4,063,613	4,025,000	**4,063,613**	1,178,347

16 AMOUNTS DUE TO FORMER HOLDING COMPANY (continued)

Advances, which are unsecured, consist of the following:

(a) Interest bearing advances – RM4,025,000,000
Following the demerger of TM Group as disclosed in Note 5(l) to the financial statements, TM is no longer the holding company of the Group and Company. The amount due to the former holding company bears an interest of 5.9% and 6.72% per annum on RM2,925,000,000 and RM1,100,000,000 respectively which are payable within 12 months from the date of completion of the group restructuring.

(b) The balance of RM38,613,000 is non-interest bearing and has no fixed term of repayment.

The loans and advances of the Company in the previous financial year were extended by the former holding company for investments in subsidiaries and associates and for working capital purposes. These loans were unsecured, interest free and not repayable within 12 months.

17 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND RELATED COMPANIES

Current portion

The effective interest rate as at balance sheet date of amounts owing from a subsidiary amounting to RM578,428,800 (2007: nil) is 4.39% (2007: nil). All other balances are interest free. Amounts due from subsidiaries and related companies are unsecured and have no fixed terms of repayment.

The currency exposure profile of current portion of amounts due from subsidiaries and related companies is as follows:

	Amounts due from subsidiaries		**Amounts due from related companies**	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Ringgit Malaysia	**16,762**	–	**–**	4,761
US Dollar	**25,791**	7,874	**575**	–
Singapore Dollar	**596,187**	–	**–**	–
	638,740	7,874	**575**	4,761

All amounts due to subsidiaries are denominated in Ringgit Malaysia, unsecured, interest free and have no fixed terms of repayment.

17 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND RELATED COMPANIES (continued)

Non-current portion

Amounts due from subsidiaries of RM7,100,278,199 (2007: RM601,254,269) is unsecured and interest free and is treated as an extension of investments in subsidiaries and consequently is classified as long term.

Of the balance of RM3,533,942,851, RM47,440,659 bears effective interest of 6.11% at balance sheet date. Other amounts owing from subsidiaries are unsecured, interest free and is not repayable in the next 12 months.

	Amounts due from subsidiaries	
	2008 RM'000	**2007 RM'000 Restated**
Ringgit Malaysia	**3,416,614**	213,160
US Dollar	**7,217,607**	601,254
	10,634,221	814,414

18 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2008 RM'000	**2007 RM'000 Restated**
Subject to income tax:		
Deferred tax assets	**(141,188)**	(162,890)
Deferred tax liabilities	**777,263**	881,885
TOTAL DEFERRED TAX	**636,075**	718,995
At 1 January	**718,995**	612,836
– property, plant and equipment	**(88,782)**	168,826
– tax losses	**7,913**	(124,776)
– provision and others	**8,053**	93,715
	(72,816)	137,765
– currency translation differences	**(10,104)**	(31,606)
At 31 December	**636,075**	718,995

18 DEFERRED TAX (continued)

The tax effect of deductible temporary differences and unutilised tax losses of the Group and the Company for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Deductible temporary differences	**44,496**	43,703	**1,189**	282
Unutilised tax losses	**139,707**	106,826	**73,212**	41,554
	184,203	150,529	**74,401**	41,836

The benefits of these tax losses and credits will only be obtained if the Company and 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:

	Group	
	2008 RM'000	**2007 RM'000 Restated**
(a) Deferred Tax Assets		
- Property, plant and equipment	**201,740**	385,587
- Tax losses	**18,075**	25,988
- Provision and others	**158,253**	199,220
Offsetting	**(236,880)**	(447,905)
Total deferred tax assets	**141,188**	162,890
(b) Deferred Tax Liabilities		
- Property, plant and equipment	**1,046,436**	1,319,065
- Provision and others	**(32,293)**	10,725
Offsetting	**(236,880)**	(447,905)
Total deferred tax liabilities	**777,263**	881,885

19 PROVISION FOR LIABILITIES

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

	Group	
	2008 RM'000	**2007 RM'000 Restated**
At 1 January	**87,196**	67,541
Current year provision	**25,986**	16,619
Accretion of interest	**8,511**	4,181
Currency translation differences	**92**	(219)
	121,785	88,122
Utilised during the financial year	**(1,079)**	(926)
At 31 December	**120,706**	87,196

20 INTANGIBLE ASSETS

Group	**Goodwill RM'000**	**Licences RM'000**	**Total RM'000**
Net book value			
At 1 January 2008	**7,268,116**	**150,320**	**7,418,436**
Additions	**1,039,229**	**40,100**	**1,079,329**
Currency translation differences	**(142,740)**	**(8,975)**	**(151,715)**
Amortisation	**—**	**(19,705)**	**(19,705)**
At 31 December 2008	**8,164,605**	**161,740**	**8,326,345**
Net book value			
At 1 January 2007 (as restated)	7,005,666	190,683	7,196,349
Additions	—	588	588
Additional interest in subsidiaries	293,429	—	293,429
Currency translation differences	(3,393)	(21,101)	(24,494)
Partial disposal of a subsidiary	(3,774)	—	(3,774)
Impairment	(23,812)	—	(23,812)
Amortisation	—	(19,850)	(19,850)
At 31 December 2007 (as restated)	7,268,116	150,320	7,418,436

20 INTANGIBLE ASSETS (continued)

Group	Goodwill RM'000	Licences RM'000	Total RM'000
At 31 December 2008			
Cost	**8,188,417**	**219,117**	**8,407,534**
Accumulated amortisation	**—**	**(57,377)**	**(57,377)**
Accumulated impairment	**(23,812)**	**—**	**(23,812)**
Net book value	**8,164,605**	**161,740**	**8,326,345**
At 31 December 2007 (as restated)			
Cost	7,291,928	187,992	7,479,920
Accumulated amortisation	—	(37,672)	(37,672)
Accumulated impairment	(23,812)	—	(23,812)
Net book value (as restated)	7,268,116	150,320	7,418,436

The remaining amortisation period of acquired licences range from one (1) year to nine (9) years.

Impairment tests for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required as at 31 December 2008 as the recoverable amount of goodwill was in excess of carrying amounts.

The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the Groups' total goodwill:

	2008 RM'000	2007 RM'000 Restated
Mobile services		
Indonesia	**4,021,564**	3,121,118
Malaysia	**4,031,110**	4,031,110
Mobile services and others		
Multiple units without significant goodwill	**111,931**	115,888
Total goodwill	**8,164,605**	7,268,116

20 INTANGIBLE ASSETS (continued)

Impairment tests for goodwill (continued)

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

(a) Key assumptions used in the fair value less cost to sell (FVLCS)

The recoverable amounts of the cash-generating units including goodwill in these tests are determined based on FVLCS calculations.

This FVLCS calculations apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by management covering a three-year period for the mobile business in Malaysia and a ten-year period for the mobile business in Indonesia. These forecasts and projections reflect management's expectation of revenue growth, operating costs and margins for each cash-generating unit based on past experience and future outlook.

Cash flows beyond the third year for the mobile business in Malaysia and tenth year for the mobile business in Indonesia are extrapolated in perpetuity using estimated terminal growth rates which takes into consideration the current GDP, inflation and average growth rate for the telecommunication industry. These rates have been determined with regards to projected growth rates for the respective markets in which the cash-generating units participate and are not expected to exceed the long term average growth rates for those markets.

The FVLCS calculation for the Group's cash-generating unit in Indonesia reflects the growth potential given the low subscriber penetration of mobile telecommunications in that country overall currently and the expectation of strong revenue growth throughout the ten-year plan. The Directors' are of the view that as penetration rate in Indonesia is low, based on past experience of emerging markets, the prospects are good, notwithstanding that it would take a longer time frame to achieve optimal operational levels.

Discount rates applied to the cash flow forecasts are derived from the cash-generating units pre-tax weighted average cost of capital plus a reasonable risk premium at the date of the assessment of the respective cash-generating units.

The following assumptions have been applied in the FVLCS calculations:

	2008		**2007**	
	Malaysia	**Indonesia**	**Malaysia**	**Indonesia**
	%	**%**	**%**	**%**
Pre-tax discount rate	**14.5**	**16.6**	14.5	16.3
Terminal growth rate	**1.5**	**3.0**	1.5	3.0
Revenue growth	**9%**	**5%-20%**	7%-9%	2%-35%
	over 3 years	**over 10 years**	over 3 years	over 10 years

20 INTANGIBLE ASSETS (continued)

(b) Impact of possible change in key assumptions

Changing the assumptions selected by management, in particular the discount rate assumptions used in the discounted cash flow model could significantly affect the Group's results. The Group's review includes an impact assessment of changes in key assumptions.

The circumstances where a reasonably possible change in key assumptions will result in the carrying amounts of the cash generating units including goodwill to equal the corresponding recoverable values, having incorporated the consequential effects on other variables, are as follows:

	2008		**2007**	
	Malaysia %	**Indonesia %**	**Malaysia %**	**Indonesia %**
Pre-tax discount rate	**35.4**	**17.6**	36.5	18.6
Revenue growth	**4.2% over 3 years**	**4%-19% over 10 years**	4.5% over 3 years	1%-34% over 10 years

21 PROPERTY, PLANT AND EQUIPMENT

Group	**Freehold land RM'000**	**Buildings RM'000**	**Telecom-munication network equipment RM'000**	**Movable plant and equipment RM'000**	**Computer support systems RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
Net book value							
At 1 January 2008	**25,047**	**123,667**	**9,320,947**	**189,610**	**216,983**	**2,283,583**	**12,159,837**
Additions	**537**	**3,641**	**3,068,685**	**53,630**	**164,030**	**2,361,037**	**5,651,560**
Assetisation	**–**	**39,544**	**2,226,719**	**27,817**	**50,396**	**(2,344,476)**	**–**
Disposals	**–**	**(56)**	**(56,351)**	**(864)**	**(15)**	**(191)**	**(57,477)**
Write off	**–**	**–**	**(4,929)**	**(137)**	**(2)**	**–**	**(5,068)**
Depreciation	**–**	**(22,999)**	**(2,084,926)**	**(60,019)**	**(132,902)**	**–**	**(2,300,846)**
Impairment	**–**	**–**	**(16,704)**	**(21)**	**–**	**3,887**	**(12,838)**
Currency translation differences	**209**	**570**	**(340,997)**	**1,710**	**(5,672)**	**(131,318)**	**(475,498)**
At 31 December 2008	**25,793**	**144,367**	**12,112,444**	**211,726**	**292,818**	**2,172,522**	**14,959,670**

21 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM'000	Buildings RM'000	Telecommunication network equipment RM'000	Movable plant and equipment RM'000	Computer support systems RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2008							
Cost	**32,858**	**243,537**	**19,305,008**	**459,436**	**1,158,691**	**2,220,836**	**23,420,366**
Accumulated depreciation	**—**	**(73,501)**	**(6,882,955)**	**(242,291)**	**(855,096)**	**—**	**(8,053,843)**
Accumulated impairment	**(7,065)**	**(25,669)**	**(309,609)**	**(5,419)**	**(10,777)**	**(48,314)**	**(406,853)**
Net book value	**25,793**	**144,367**	**12,112,444**	**211,726**	**292,818**	**2,172,522**	**14,959,670**
Net book value							
At 1 January 2007 (as restated)	23,683	110,289	7,844,201	207,384	246,173	1,705,608	10,137,338
Additions	2,173	16,005	1,735,354	17,256	55,649	2,550,383	4,376,820
Assetisation	—	19,467	1,805,956	19,667	44,630	(1,889,720)	—
Disposals	—	(18)	(17,533)	(322)	(3)	—	(17,876)
Write off	—	—	(1,607)	(59)	(12)	—	(1,678)
Depreciation	—	(17,642)	(1,548,510)	(48,364)	(126,125)	—	(1,740,641)
Impairment	—	—	(54,591)	(320)	—	(6,958)	(61,869)
Transfer	—	—	(21,036)	—	—	21,036	—
Currency translation differences	(809)	(4,434)	(421,287)	(5,632)	(3,329)	(96,766)	(532,257)
At 31 December 2007 (as restated)	25,047	123,667	9,320,947	189,610	216,983	2,283,583	12,159,837

21 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM'000	Buildings RM'000	Telecom-munication network equipment RM'000	Movable plant and equipment RM'000	Computer support systems RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2007 (as restated)							
Cost	32,111	203,091	16,861,153	499,032	1,183,150	2,345,371	21,123,908
Accumulated depreciation	—	(53,755)	(7,186,733)	(301,320)	(955,323)	—	(8,497,131)
Accumulated impairment	(7,064)	(25,669)	(353,473)	(8,102)	(10,844)	(61,788)	(466,940)
Net book value (as restated)	25,047	123,667	9,320,947	189,610	216,983	2,283,583	12,159,837

(a) The net book value of plant and machineries held under hire purchase and finance lease arrangements are as follows:

	2008 RM'000	2007 RM'000 Restated
Telecommunication network equipment	**9,527**	16,265
Moveable plant and equipment	**3,614**	4,154
	13,141	20,419

(b) During the financial year, the Group incurred net impairment losses of RM12.8 million (2007: RM61.9 million). The allowance for impairment losses relates primarily to the write down of certain telecommunication network assets and assets buyback plans in which the assets had been written down to its recoverable values, net of reversal of impairment losses of RM16 million in relation to capital work-in-progress made on a subsidiary's long outstanding projects which are now completed.

21 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Net book value of property, plant and equipment of certain subsidiaries pledged as security for borrowings (Note 15(a) and 15(b) to the financial statements):

	2008 RM'000	2007 RM'000
Telecommunication network	**1,600,651**	1,500,531
Movable plant and equipment	**73,538**	71,821
Computer support systems	**5,889**	7,296
Land	**7,189**	5,015
Buildings	**21,976**	23,654
	1,709,243	1,608,317

(d) There has been a change in the expected pattern of consumption of future economic benefits embodied in certain telecommunication network equipment of the Group due to physical verification exercise and assets replacement plans. The revision was accounted for as a change in accounting estimations and had increased the current year depreciation charge for the Group by RM295,731,823 (2007: RM63,716,105).

(e) XL's ownership of one parcel of land in Yogyakarta has been claimed by an individual since January 2007. The claim has been through a series of legal proceedings and as at balance sheet date, the parties involved are still waiting for the Supreme Court to rule on the case. The Directors believe that this matter will not affect XL's operations in Yogyakarta.

(f) In relation with the signing of Contact Management Services agreement with VADS Business Process Sdn Bhd, on 3 November 2008, certain PPE of XL related to call centre activity will be sold to the same party. The Purchase Agreement was signed on 3 November 2008. However, this would only be effective upon the completion of a due diligence by VADS Business Process Sdn. Bhd. As at balance sheet date, the due diligence process is still on going.

(g) XL owns land located throughout Indonesia with Building Use Rights *(Hak Guna Bangunan* or *HGB)* for periods of 20-30 years which will expire between 2012-2039. As at 31 December 2008, there are 177 locations with a total book value of RM14,154,240 (IDR44,232 million) and for which *HGB* certificates are in process. The Directors believe that there will be no difficulty in renewing the land rights when they expire.

21 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Moveable plant and equipment Office equipment RM'000	Furniture and fitting RM'000	Mobile equipment RM'000	Motor vehicles RM'000	Total RM'000
Net book value					
At 1 January 2008	**1,082**	**733**	**72**	**51**	**1,938**
Additions	**540**	**102**	**101**	**683**	**1,426**
Depreciation	**(328)**	**(191)**	**(14)**	**(55)**	**(588)**
At 31 December 2008	**1,294**	**644**	**159**	**679**	**2,776**
At 31 December 2008					
Cost	**2,375**	**1,309**	**230**	**751**	**4,665**
Accumulated depreciation	**(1,081)**	**(665)**	**(71)**	**(72)**	**(1,889)**
Net book value	**1,294**	**644**	**159**	**679**	**2,776**
Net book value					
At 1 January 2007	601	757	59	64	1,481
Additions	746	113	51	—	910
Depreciation	(265)	(137)	(38)	(13)	(453)
At 31 December 2007	1,082	733	72	51	1,938
At 31 December 2007					
Cost	1,835	1,207	129	68	3,239
Accumulated depreciation	(753)	(474)	(57)	(17)	(1,301)
Net book value	1,082	733	72	51	1,938

22 INVESTMENT PROPERTIES

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Net book value			
At 1 January 2008	**1,787**	**257**	**2,044**
Depreciation	**–**	**(8)**	**(8)**
At 31 December 2008	**1,787**	**249**	**2,036**
At 31 December 2008			
Valuation	**1,787**	**413**	**2,200**
Accumulated depreciation	**–**	**(164)**	**(164)**
Net book value	**1,787**	**249**	**2,036**
Net book value			
At 1 January 2007 (as restated)	1,787	265	2,052
Depreciation	–	(8)	(8)
At 31 December 2007 (as restated)	1,787	257	2,044
At 31 December 2007 (as restated)			
Valuation	1,787	413	2,200
Accumulated depreciation	–	(156)	(156)
Net book value (as restated)	1,787	257	2,044

Details of independent professional valuations of freehold and buildings carried out by the Group is as follows:

Year of valuation	Description of property	Valuation RM'000	Basis of valuation
1988	Freehold land and building at Jalan Ampang, Kuala Lumpur	2,200	Open market basis

22 INVESTMENT PROPERTIES (continued)

The land and building held at valuation has not been valued since it was first valued in 1988. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provision of FRS 116 "Property, Plant and Equipment", these assets continue to be stated at their 1988 valuation less accumulated depreciation.

The fair value of the property was estimated at RM9.2 million as at 31 December 2008, based on a valuation performed by an independent professionally qualified valuer during the financial year ended 31 December 2008. The valuation was based on current price in an active market.

23 PREPAID LEASE PAYMENTS

	Group	
	2008 RM'000	**2007 RM'000 Restated**
Net book value		
At 1 January	**321,860**	301,763
Additions	**79,956**	108,230
Amortisation	**(45,601)**	(48,393)
Currency translation differences	**(27,863)**	(39,740)
At 31 December	**328,352**	321,860
At 31 December		
Cost	**521,982**	465,139
Accumulated amortisation	**(177,345)**	(126,994)
Accumulated impairment losses	**(16,285)**	(16,285)
Net book value	**328,352**	321,860

The prepaid lease rentals were payment for rights to use the followings:

	2008 RM'000	**2007 RM'000 Restated**
Long term leasehold land	**66,630**	63,121
Short term leasehold land	**261,722**	258,739
At 31 December	**328,352**	321,860

24 SUBSIDIARIES

The Company	2008 Malaysia RM'000	2008 Overseas RM'000	2008 Total RM'000	2007 Malaysia RM'000	2007 Overseas RM'000	2007 Total RM'000
Unquoted investments, at cost	**5,177,486**	**181,876**	**5,359,362**	223,686	185,509	409,195

The Group's equity interest in subsidiaries, their respective principal activities and countries of incorporation are listed in Note 44 to the financial statements.

The recoverability of the investment in subsidiaries is dependent on factors as disclosed in Note 20 to the financial statements under Impairment test for goodwill.

25 JOINTLY CONTROLLED ENTITIES

The Group	2008 Malaysia RM'000	2008 Overseas RM'000	2008 Total RM'000	2007 Restated Malaysia RM'000	2007 Restated Overseas RM'000	2007 Restated Total RM'000
Share of net assets of jointly controlled entities						
- quoted investment	**–**	**1,013,202**	**1,013,202**	–	877,495	877,495
- unquoted investment	**–**	**–**	**–**	146,959	–	146,959
TOTAL	**–**	**1,013,202**	**1,013,202**	146,959	877,495	1,024,454
Market value of quoted investments*	**–**	**831,803**	**831,803**	–	1,427,000	1,427,000

* the investment in jointly controlled entity, Spice Communications Limited, is closely held, thus the market price of the shares may not reflect the fair value.

25 JOINTLY CONTROLLED ENTITIES (continued)

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

	Group	
	2008 RM'000	**2007 RM'000 Restated**
Revenue	**374,658**	357,614
Other income	**14,880**	226,845
Expenses excluding tax	**(541,622)**	(392,034)
Share of profit of an associate of a jointly controlled entity	**11,324**	–
(Loss)/profit before taxation	**(140,760)**	192,425
Taxation	**(1,680)**	(16,898)
(Loss)/profit after taxation	**(142,440)**	175,527

In the previous financial year, included in other income and taxation above is the Group's share of the gain arising from the disposal of towers amounting to RM145.3 million and RM16.5 million respectively.

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

	Group	
	2008 RM'000	**2007 RM'000 Restated**
Long term assets	**1,688,450**	1,876,594
Current assets	**229,596**	169,741
Current liabilities	**(250,256)**	(148,251)
Long term liabilities	**(654,588)**	(873,630)
Net assets	**1,013,202**	1,024,454

The Group's share of contingent liabilities of a jointly controlled entity amounted to RM46.1 million (2007: RM37.9 million).

The Group's equity interest in the jointly controlled entities, their respective principal activities and countries of incorporation are listed in Note 45 to the financial statements.

25 JOINTLY CONTROLLED ENTITIES (continued)

In accordance with the Proposed Merger between Spice and Idea as disclosed in Note 36(d) to the financial statements, upon completion of the proposed transaction, the Company will cease to have any direct equity interest in Spice, but will have an equity interest of approximately 20% in the merged Idea Group, on a fully diluted basis. Spice will be a wholly owned subsidiary of Idea upon completion of the proposed transaction. The Proposed Merger has yet to be completed as at the date of the financial statements.

If the Proposed Merger was completed on 31 December 2008, the loss to the Group arising from the dilution of the Group's interest in Spice is approximately RM60 million, based on the closing market share price of Idea as at 31 December 2008 of Rs.52.65 per share. The actual gain or loss upon completion of the Proposed Merger, would depend on, amongst others, the fair value of Idea's share on completion date. The gain or loss, if any, will only be recognised in the financial year the Proposed Merger is completed.

The Company undertook a test for impairment of its investment in Spice. No impairment loss was required for the carrying amount of investment in Spice assessed as at 31 December 2008 as their recoverable amounts were in excess of their carrying amounts.

(a) Key assumptions used in the value in use (VIU) calculations

The recoverable amount of the cash-generating unit is determined based on VIU calculations. This VIU calculation apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by the Directors covering a ten (10) year period. These forecasts and projections reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on current assessment of market share, expectations of market growth and industry growth.

Cash flows beyond tenth (10^{th}) year for the mobile business in India are extrapolated in perpetuity using estimated terminal growth rates which takes into consideration the current GDP, inflation and average growth rate for the telecommunication industry. These rates have been determined with regards to projected growth rates for the respective markets in which the cash-generating units participate and are not expected to exceed the long term average growth rates for those markets.

The Directors' are of the view that as overall penetration rate in India is low, based on past experience of emerging markets, the prospects are good, notwithstanding that it would take a longer time frame to achieve optimal operational levels.

Discount rates applied to the cash flow forecasts are derived from the cash-generating unit's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of the assessment of the respective cash generating units. For purposes of the VIU calculation, a pre-tax discount rate of 17.86% and terminal rate of 4% have been applied. Revenue growth of 21% and tapering down to 2.7%.

(b) Impact of possible changes in key assumptions

The Company's review includes an impact assessment of changes in key assumptions. Sensitivity analysis shows that no impairment loss is required for the carrying amount of the investment in the jointly controlled entity, including when realistic variations are applied to key assumptions.

26 ASSOCIATES

Group	2008 Malaysia RM'000	2008 Overseas RM'000	2008 Total RM'000	2007 Restated Malaysia RM'000	2007 Restated Overseas RM'000	2007 Restated Total RM'000
Share of net assets of associates:						
Quoted investments	**–**	**1,550,836**	**1,550,836**	–	218,645	218,645
Unquoted investments	**25,646**	**13,423**	**39,069**	22,036	10,459	32,495
TOTAL	**25,646**	**1,564,259**	**1,589,905**	22,036	229,104	251,140
Market value of quoted investments	**–**	**1,058,821**	**1,058,821**	–	378,134	378,134

Company	2008 Malaysia RM'000	2008 Overseas RM'000	2008 Total RM'000	2007 Malaysia RM'000	2007 Overseas RM'000	2007 Total RM'000
At cost:						
Quoted investments	**–**	**323,706**	**323,706**	–	323,706	323,706
Accumulated impairment	**–**	**(32,003)**	**(32,003)**	–	(32,003)	(32,003)
TOTAL	**–**	**291,703**	**291,703**	–	291,703	291,703
Market value of quoted investments	**–**	**286,927**	**286,927**	–	378,134	378,134

26 ASSOCIATES (continued)

In the previous financial year, the Company reversed an allowance for diminution in value of investment in an associate amounting to RM135,053,000 based on its expected recoverable amount of the investment.

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

	2008 RM'000	2007 RM'000 Restated
Revenue	**979,297**	780,748
Profit after taxation	**83,007**	29,353

The Group's share of assets and liabilities of associates is as follows:

	2008 RM'000	2007 RM'000 Restated
Long term assets	**1,942,290**	271,874
Current assets	**422,146**	355,359
Current liabilities	**(425,965)**	(243,665)
Long term liabilities	**(348,566)**	(132,428)
Net assets	**1,589,905**	251,140

The Group's equity interest in the associates, their respective principal activities and countries of incorporation are listed in Note 46 to the financial statements.

The Company undertakes the test for impairment of its investments in Samart Corporation Public Company Limited (Samart) and MobileOne Ltd (M1). No impairment loss was required for the carrying amount of investment in Samart and M1 assessed as at 31 December 2008 as their recoverable amounts were in excess of their carrying amounts. The investments in Samart and M1 are identified as the Company's cash-generating units.

(a) Key assumptions used in the VIU calculations

The recoverable amount of the cash-generating unit is determined based on VIU calculations. This VIU calculation apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by management covering a three (3) year period for Samart and five (5) year period for M1. These forecasts and projections reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on current assessment of market share, expectations of market growth and industry growth.

26 ASSOCIATES (continued)

(a) Key assumptions used in the VIU calculations (continued)

Discount rates applied to the cash flow forecasts are derived from the cash-generating unit's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of the assessment of the respective cash generating units. For purposes of the VIU calculation, a pre-tax discount rate applied for the respective associates are as follows:

	2008	
	Samart	**M1**
	%	**%**
Pre-tax discount rate	**17.14**	**8.9**
Terminal growth rate	**0**	**0.5**
Revenue growth	**9.0 to 66.0**	**2.0**
	over 3 years	**over 5 years**

(b) Impact of possible changes in key assumptions

Changing the assumptions selected by management, in particular the discount rate assumptions used in the discounted cash flow model could significantly affect the Group's results. The Group's review includes an impact assessment of changes in key assumptions.

The circumstances where a reasonably possible change in key assumptions will result in the carrying amounts of the cash generating units including goodwill to equal the corresponding recoverable values, assuming all other variables remain unchanged are as follows:

	2008	
	Samart	**M1**
	%	**%**
Pre-tax discount rate	**19.44**	**8.95**
Terminal growth rate	**(3.3)**	**0.4**
Revenue growth	**7.0 to 64.0**	**1.5**
	over 3 years	**over 5 years**

27 INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Quoted shares, at cost:				
Outside Malaysia (sub note (i))	5,734,254	–	–	–
Unquoted shares, at cost:				
Outside Malaysia	489	–	–	–
In Malaysia, at written down value (sub note (ii))	–	–	–	–
Convertible bonds, at cost:				
Outside Malaysia (sub note (iii))	179,685	–	179,685	–
TOTAL	5,914,428	–	179,685	–
Market value of quoted shares	1,143,478	–	–	–

(i) On 13 August 2008, the Group acquired 464,734,670 ordinary shares of Rs.10 each in Idea Cellular Limited (Idea) representing 14.99% of the enlarged issued and paid-up share capital in Idea for RM5,734.3 million. The Group's equity interest in Idea remains at 14.99% as at 31 December 2008.

In accordance with the Proposed Merger between Spice and Idea as disclosed in Note 36(d) to the financial statements, upon the completion of the proposed transaction, the Company will have an equity interest of approximately 20% in the merged Idea Group. Spice will be a wholly owned subsidiary of Idea upon completion of the proposed transaction.

As indicated in the Circular to Shareholders dated 17 July 2008, given the merged Idea group's presence over 13 circles, which covers 70% of the population of India, Idea is well-positioned to become a pan-India mobile operator. The Indian mobile market has huge market potential, given its relatively low mobile subscriber penetration and wireline infrastructure, increasing competitive pressure to drive down tariffs and declining entry-level handset costs are likely to fuel demand from first time users. Further, the merged Idea group is expected to benefit from synergies. Accordingly, notwithstanding the risk that mobile telecommunications services market in India is highly competitive and the risk that the mobile telecommunications industry is subject to rapid, ongoing technological changes, the Directors are of the view that there is no diminution in value of the investment in Idea other than temporary, in view of the Group's long term view in investing in Idea.

27 INVESTMENTS (continued)

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

- Tripoly Communication Technology Corporation Ltd^
- TRI Telecommunication Zanzibar Limited*
- TRI Telecommunication Tanzania Limited

^ Special Liquidation had commenced on 20 February 2008 pursuant to Chapter 3 of Procedures for Liquidation of Foreign-Funded Enterprise of the People's Republic of China.

* On 13 March 2006, the Company obtained an order from the High Court of Zanzibar to wind up the company pursuant to Section 218 (c) and (f) of the Zanzibar Company Decree Cap. 153.

(iii) This investment comprise an investment in a 12 years, 3% convertible bond of USD55,000,000. The bond, together with interest is repayable after 12 years.

28 MARKETABLE SECURITIES

	Group	
	2008 **RM'000**	**2007** **RM'000** **Restated**
Quoted shares in Malaysia	**6**	1,713
Market value of quoted shares	**6**	1,713

29 INVENTORIES

	Group	
	2008 RM'000	2007 RM'000 Restated
Telecommunication equipment	**11,404**	11,892
Spares and others *	**70,694**	63,176
Total inventories	**82,098**	75,068
Allowance for inventories	**(4,835)**	(443)
TOTAL INVENTORIES AFTER ALLOWANCE	**77,263**	74,625

* Included in spares and others are trading inventories mainly comprise of SIM cards, phones and other consumables.

30 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Trade receivables	**1,275,038**	1,000,559	**–**	9,598
Allowance for doubtful debts	**(527,408)**	(513,864)	**–**	(9,598)
	747,630	486,695	**–**	–
Other receivables				
Deposits	**178,058**	67,365	**82,699**	–
Allowance for deposits	**(21,288)**	(21,003)	**–**	–
	156,770	46,362	**82,699**	–
Prepayments	**330,243**	141,144	**1,569**	–
Staff loans	**724**	526	**303**	–
Other receivables from associates and jointly controlled entity	**4,480**	1,656	**–**	102
Others	**351,745**	250,580	**11,042**	7,172
Allowance for doubtful debts	**(51,714)**	(23,728)	**–**	(4,680)
	300,031	226,852	**11,042**	2,492
Total other receivables after allowance	**792,248**	416,540	**95,613**	2,594
TOTAL TRADE AND OTHER RECEIVABLES AFTER ALLOWANCE	**1,539,878**	903,235	**95,613**	2,594

30 TRADE AND OTHER RECEIVABLES (continued)

The currency exposure profile of trade and other receivables after allowance is as follows:

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Ringgit Malaysia	**451,890**	162,137	**88,849**	593
US Dollar	**139,068**	95,529	**3,121**	2,001
Indonesian Rupiah	**567,157**	240,641	**–**	–
Sri Lanka Rupee	**154,293**	245,586	**–**	–
Bangladesh Taka	**153,265**	95,632	**–**	–
Special Drawing rights	**33,059**	42,838	**–**	–
Other currencies	**41,146**	20,872	**3,643**	–
	1,539,878	903,235	**95,613**	2,594

Included in trade receivables are amounts owing from a former related company of nil (2007: RM14,300,000) for the Group and Company. The amount was fully provided in the previous financial year and written off during the financial year.

Included in other receivables are government grants of RM1,096,000 (2007: RM243,000).

The Group is not exposed to major concentration of credit risk due to the diversed customer base. In addition, credit risk is mitigated to a certain extent by cash deposits and bankers' guarantee obtained from customers. The Group consider the allowance for doubtful debts at balance sheet date to be adequate to cover the potential financial loss.

Credit terms of trade receivables for the Group and the Company range from 30 to 90 days (2007: 30 to 90 days).

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

31 CASH AND BANK BALANCES

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Deposits with:				
– Licensed banks	**2,145,532**	1,366,533	**6,585**	17,475
– Other financial institutions	**78,307**	101,941	**–**	–
Deposits under Islamic principles	**895,236**	311,667	**–**	–
Total deposits	**3,119,075**	1,780,141	**6,585**	17,475
Cash and bank balances	**211,656**	187,602	**625**	9,859
TOTAL CASH AND BANK BALANCES	**3,330,731**	1,967,743	**7,210**	27,334
Less:				
Deposits pledged	**(11,667)**	(76,093)	**–**	–
Bank overdraft (Note 15)	**(82,307)**	(2,107)	**–**	–
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**3,236,757**	1,889,543	**7,210**	27,334

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Ringgit Malaysia	**2,563,440**	1,289,825	**5,773**	4,290
US Dollar	**472,479**	318,239	**1,437**	23,044
Indonesian Rupiah	**92,941**	203,915	**–**	–
Sri Lanka Rupee	**34,697**	113,998	**–**	–
Bangladesh Taka	**19,897**	7,632	**–**	–
Singapore Dollar	**141,467**	–	**–**	–
Other currencies	**5,810**	34,134	**–**	–
	3,330,731	1,967,743	**7,210**	27,334

31 CASH AND BANK BALANCES (continued)

In the previous financial year, included in fixed deposits and short term placements of the Group amounting to RM181,638,000 were funds earmarked for principal and interest repayments under terms of borrowings as disclosed in Note 15 (e) to the financial statements.

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. Maturity range of deposits are as follows:

		Group	Company
(In days)	**From**	**To**	**To**
Financial year ended 31 December 2008	Overnight	360	30
Financial year ended 31 December 2007	Overnight	360	30

Bank balances are deposits held at call with banks.

32 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Trade payables	**646,067**	1,312,335	**–**	–
Accrued expenses	**2,054,369**	1,267,039	**–**	–
Deferred revenue	**699,296**	482,298	**–**	–
Finance cost payable	**96,165**	86,981	**43,765**	–
Customer deposits	**208,194**	142,199	**–**	–
Business licence payable	**32,921**	57,183	**–**	–
Payroll liabilities	**124,400**	34,826	**3,795**	–
Other accruals	**241,924**	116,790	**11,422**	5,512
Other payables	**435,137**	447,110	**4,653**	50
TOTAL TRADE AND OTHER PAYABLES	**4,538,473**	3,946,761	**63,635**	5,562

32 TRADE AND OTHER PAYABLES (continued)

The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	**1,961,307**	1,917,371	**55,785**	5,562
US Dollar	**977,425**	897,115	**7,850**	–
Indonesian Rupiah	**718,076**	528,866	**–**	–
Sri Lanka Rupee	**313,059**	245,472	**–**	–
Bangladesh Taka	**320,651**	259,850	**–**	–
Special Drawing Rights	**104,989**	54,032	**–**	–
Euro Dollar	**10,393**	11,242	**–**	–
Other currencies	**132,573**	32,813	**–**	–
	4,538,473	3,946,761	**63,635**	5,562

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

33 CASH FLOWS FROM/(USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Receipts from customers	**11,065,368**	9,965,022	**558**	2,246
Payments to suppliers and employees	**(7,480,262)**	(4,858,071)	**(133,106)**	(34,781)
Dividends received	**–**	–	**8,567**	14,191
Payment of finance cost	**(789,457)**	(455,622)	**(275,690)**	–
Payment of income taxes (net of refunds)	**(407,854)**	(469,136)	**(1,583)**	(2,140)
TOTAL CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**2,387,795**	4,182,193	**(401,254)**	(20,484)

33 CASH FLOWS FROM/(USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES (continued)

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
Disposal of property, plant and equipment	**58,293**	13,637	**—**	—
Purchase of property, plant and equipment	**(5,323,990)**	(4,984,621)	**(1,426)**	(910)
Payment of other intangible asset-3G spectrum licence	**(40,100)**	(588)	**—**	—
Purchase of long term investments	**(5,914,428)**	—	**(179,685)**	—
Partial disposal of a subsidiary	**—**	280,396	**—**	—
Additional investment in subsidiaries	**(3,465)**	(394,141)	**—**	—
Additional investment in a jointly controlled entity	**(437,720)**	—	**—**	—
Additional investment in associates	**—**	(2,450)	**—**	—
Interest received	**99,319**	80,485	**8,064**	2,098
Loans to employees	**(161)**	(39)	**—**	—
TOTAL CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(11,562,252)**	(5,007,321)	**(173,047)**	1,188
Proceeds from rights issue	**102,771**	71,944	**—**	—
Proceeds from ESOS share issuance	**303**	4,043	**—**	—
Proceeds from borrowings	**13,936,841**	2,602,235	**7,483,156**	—
Repayments of borrowings	**(3,459,546)**	(1,360,060)	**—**	—
Dividends paid to minority interests	**(29,549)**	(27,701)	**—**	—
(Repayment to)/advances from holding company	**—**	(264,560)	**—**	72,117
Advances to subsidiaries	**—**	—	**(6,965,391)**	(72,042)
Repayments from subsidiaries	**—**	—	**36,010**	—
Advances to a related company	**—**	—	**—**	(28)
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	**10,550,820**	1,025,901	**553,775**	47

34 CONTINGENCIES AND COMMITMENTS

(a) Capital commitments

	Group	
	2008 **RM'000**	**2007** **RM'000** **Restated**
Property, plant and equipment		
Commitments in respect of expenditure approved and contracted for	**1,001,228**	2,999,980
Commitments in respect of expenditure approved but not contracted for	**995,823**	688,509
TOTAL	**1,997,051**	3,688,489

(b) Other commitments

(i) On 21 April 2006, a Deed of Undertaking was signed between Spice Communications Limited (Spice), Telekom Malaysia Berhad (TM), the Company and DBS Bank Ltd in connection with the provision of limited sponsor support for an Indian Rupee equivalent of USD215.0 million facility (INR facility) and a USD50.0 million facility (USD facility) granted to Spice.

The INR facility was repaid on 4 June 2008. As at 31 December 2008, the USD facility is still available, therefore the Deed of Undertaking remains effective. The Deed of Undertaking obliges the Company as Sponsor to provide funding to Spice should Spice default on its payment obligations to DBS Bank under the USD facility. This funding can take the form of either an equity injection, subscription of preference shares or to refinance the DBS facility.

(ii) In 1999, XL entered into an office rental agreement denominated in Rupiah with PT Caraka Citra Sekar Lestari (third party) for a term of ten (10) years. On 23 March 2007, XL amended the office rental agreement until 31 October 2020, with a total commitment as follows:

	31 December 2008	
	IDR' million	**RM'000 equivalent***
Payable within one year	**11,088**	**3,548**
Payable within two years and five years	**94,248**	**30,159**
Payable more than five years	**116,424**	**37,256**
TOTAL	**221,760**	**70,963**

* based on closing rate

34 CONTINGENCIES AND COMMITMENTS (continued)

(b) Other commitments (continued)

(ii) The rental expenses related to XL's commitment for the financial year ended 31 December 2008 and 2007 amounted to RM3,481,632 (IDR11,088 million) and RM4,130,412 (IDR10,956 million) respectively.

On 6 September 2007, XL entered into an office rental agreement denominated in Rupiah with PT Wiratara Prima (third party) for a term of six years, with a total commitment as follows:

Year 1 – 3	=	IDR10,049 million per year
Year 4 – 6	=	based on a market value with a minimum increase of 10% and maximum 15% from prior rental fees.

Rental expenses related to this commitment for the year ended 31 December 2008 and 31 December 2007 are RM3,202,486 (IDR10,199 million) and RM656,888 (IDR2,092 million) respectively.

(iii) XL has committed to pay annual fees within ten (10) years, as long as XL holds the 3G licence. The amount of annual payment is based on the scheme of payment set out in Regulation No. 07/PER/M.KOMINFO/2/2006 of the Minister of Communication and Information. No penalty will be imposed in the event that XL returns the licence.

(iv) Dialog has a monthly commitment to pay Rs 21,500,000/- commencing 1st March 2008 over the next seven (7) years. The commitment is payable if and only upon fulfilment of certain stipulated conditions specified in the dealer/distributorship agreement signed by the Company with the said dealer/distributor.

(c) Contingent liabilities

(i) On 6 October 2005, TM International (L) Limited (TMIL) executed a blanket counter indemnity in favour of a financial institution in Labuan for all facilities offered. As at 31 December 2008, the amount outstanding is USD78.79 million (2007: USD16.6 million). A summary of the facilities offered by the financial institution in Labuan is as follows:

(a) SBLC Facility of up to USD33.0 million to TMIL on 18 December 2007, to counter guarantee a financial institution in Karachi for Bank Guarantee (BG) issuances on behalf of Multinet to Telenor Pakistan (Private) Limited (Telenor).

Multinet and Telenor entered into a twenty (20) years Indefeasible Right of Use (IRU) agreement which requires a BG favouring Telenor to be issued by Multinet. A financial institution in Karachi has issued a BG to Telenor on behalf of Multinet. The BG is to be issued in three (3) tranches. As at 31 December 2008, the full SBLC of USD33.0 million (2007: USD16.5 million) was issued. The tenure of the SBLC is one (1) year subject to annual review.

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(i) (b) Additional SBLC Facility of up to USD46.0 million to TMIL on 29 July 2008, to counter guarantee a financial institution in Karachi for a Medium Term Loan Facility (MTL) of PKR2,400 million granted to Multinet.

Multinet obtained the MTL offered by a financial institution in Karachi for the purpose of refinancing the existing Short Term Bridging Loan (STL) of PKR1,200 million and an additional PKR1,200 million funding requirement for its Project Ittehad. Project Ittehad is Multinet's project to establish its nationwide long haul optical fiber transmission network. The SBLC was issued according to the drawdown of the MTL. As at 31 December 2008, SBLC totaling USD45.79 million (2007: Nil) has been issued. The tenure of the SBLC is seven (7) years subject to annual renewal.

(ii) By a Joint Venture Agreement dated 13 September 1993 (JVA), TRI and VIP Engineering and Marketing Limited (VIPEM) agreed to establish TRI Telecommunications Tanzania Limited (Tritel) as a joint venture company, to provide telecommunications services in Tanzania.

In December 2001, vide Civil Case No. 427 of 2001 (the Suit) VIPEM claimed a sum of USD18.6 million from TRI as its share of loss of profits for the mismanagement of Tritel. TRI through its solicitors asserted that the Court has no jurisdiction to hear the Suit because of the arbitration clause in the JVA and applied for a stay of proceedings. The Court concurred with TRI's contention and TRI then filed a petition to stay the proceedings pending reference of the dispute to arbitration. Subsequently, in July 2003 the Court adjourned the Suit sine die pending completion of the liquidation of Tritel. In light of the winding-up order made against Tritel, TRI filed its claims of RM123.4 million with the liquidator of Tritel in July 2003.

The Directors, based on legal opinion received, are of the view that on the allegations of mismanagement, they are rhetorical and unsubstantiated. In view of the winding up proceedings, there is also a possibility that VIPEM will not pursue its claim.

(iii) In 2005, Rego Multi-Trades Sdn Bhd (Rego), a wholly owned subsidiary of Celcom commenced proceedings against Aras Capital Sdn Bhd (Aras Capital) and Tan Sri Dato' Tajudin Ramli (TSDTR) for amounts due to Rego pursuant to an investment agreement with Aras Capital and an indemnity letter given by TSDTR. The sum claimed in the proceedings is RM261,849,264 as at 30 November 2004 together with interests and costs. TSDTR filed its defense and instituted a counterclaim against Rego, TRI and its directors to void and rescind the indemnity letter and also claim damages. Subsequently, Rego, TRI and its directors filed their respective applications to strike-out TSDTR's counterclaim which were later dismissed by the Registrar. Rego, TRI and its directors then filed their respective appeals to the Judge in Chambers.

Rego and TRI withdrew their respective appeals. The directors' appeal is adjourned to 20 March 2009. The matter is fixed for full trial on 5, 6, 8 and 9 October 2009.

The Directors, based on legal advice received, are of the view that it has good prospects of succeeding on the claim and successfully defending the counterclaim if the same were to proceed to trial.

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(iv) In November 2005, MCAT GEN Sdn Bhd (MCAT) commenced 2 proceedings against Celcom, in particular, for (i) libel based on certain alleged press releases made by Celcom which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian (Local Newspapers) (1st Suit); and (ii) breach of contract on an alleged Resellers Agreement between Celcom and MCAT (2nd Suit). Subsequently in December 2005, MCAT's directors filed a claim against Celcom for libel based on certain alleged press releases which appeared in the Local Newspapers (3rd Suit).

(a) In the 1st Suit, MCAT is seeking, amongst other remedies, damages for libel in the sum of RM1 billion, an injunction restraining Celcom from further publishing any similar allegedly defamatory words, a public apology, interests and costs. Celcom filed a defence on the grounds that there was no concluded contract between the parties and, that its statements were published by third parties and, in any event, not defamatory of MCAT. It also instituted a counterclaim against MCAT for passing off its products and services as those of Celcom's, implying a trade association with Celcom when no such association exists and for misrepresenting itself as a reseller of its products and services, and filed an application to strike out MCAT's claim.

Celcom filed an application to strike out the claims which were dismissed by the High Court. Celcom filed an appeal to the Court of Appeal against the Court's decision to dismiss its application to strike out MCAT's claim. No dates have been fixed yet.

The 1st Suit has been consolidated with the 3rd Suit by the Court.

The matter is fixed for full trial on 27 & 28 August 2009, 28, 29 & 30 September 2009 and 1 & 2 October 2009.

(b) In respect of the 2nd Suit, MCAT is seeking, amongst other remedies, specific performance of the Reseller Agreement, damages in the sum of RM765.1 million and damages in lieu or in addition to specific performance. Celcom's position is that it did not enter into the Reseller Agreement and there is no agreement between the parties. In 2006, MCAT unsuccessfully applied for an injunction to restrain Celcom from entering into a similar agreement with any other party that would be detrimental to MCAT's alleged rights under the Reseller Agreement and from disclosing any confidential information to third parties.

The Court granted Celcom's application for security for costs and MCAT has paid an aggregate of RM250,000 into the Court. Celcom's application to strike out parts of MCAT's claim was however dismissed by the Court. The trial commenced in June 2007 and continued in May 2008 and February 2009. The trial is fixed for continued trial on 11, 12 and 23 to 26 March 2009.

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(iv) (c) In respect of the 3rd Suit, the MCAT's directors are seeking, amongst other remedies, an aggregate amount of RM1.01 billion in damages, aggravated and exemplary damages, a retraction of the allegedly defamatory statements and an injunction restraining Celcom from further publishing any similar allegedly defamatory words. Celcom filed its defence and striking out application on the same grounds as its defence in the 1st Suit. It also filed a counterclaim against Mohd Razi bin Adam for a breach of his employment contract with Celcom and his fiduciary duties as an employee of Celcom prior to his joining MCAT as its chief executive officer. Celcom also applied for an injunction to restrain him from disclosing confidential information acquired by him as an employee of Celcom.

Celcom filed an application to strike out the claims which were dismissed by the High Court. Celcom filed an appeal to the Court of Appeal against the Court's decision to dismiss its striking out application. No hearing date has been fixed yet. The proceedings will be heard only after the 1st Suit has been disposed off. The matter is fixed for case management on 8 April 2009.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the three (3) cases above is remote.

(v) In June 2006, Celcom and TRI were served with a Defence and Counterclaim by TSDTR in connection with proceedings initiated against him by Pengurusan Danaharta Nasional Berhad (Danaharta) and two others. Celcom, TRI and the other 22 defendants were joined in these proceedings via the counterclaim. Subsequently, in July 2006 TSDTR filed and served an Amended Defence and Amended Counterclaim on Celcom/TRI's solicitors.

TSDTR is seeking from Celcom, TRI and 9 others jointly and/or severally, amongst others, the following relief:

(i) the sum of RM6,246,492,000 (TRI shares at RM24.00 per share);

(ii) general damages to be assessed;

(iii) aggravated and exemplary damages to be assessed;

(iv) damages for conspiracy to be assessed;

(v) an account of all sums paid under the Facility Agreement and to Danaharta and its subsidiaries by TSDTR and received by Danaharta arising from the sale of the TRI shares and the Naluri Corporation Berhad 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 Telekom Malaysia Berhad (TM) arising out of or in relation to the TRI (now Celcom) Shares;

(ix) an Order that TM forthwith pays all sum adjudged to be paid to TSDTR under prayer (viii); and

(x) damages for breach of contract against Danaharta to be assessed.

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(vi) In addition, TSDTR is also seeking, *inter alia*, from all the 24 Defendants the following relief:

(i) the sum of RM7,214,909,224;

(ii) damages for conspiracy to be assessed;

(iii) a declaration that the Vesting Certificates are illegal and ultra vires that the Danaharta Act and/or unconstitutional against the provisions of the Federal Constitution and/or against Public Policy and void;

(iv) a declaration that the Settlement Agreement is illegal and ultra vires the Danaharta Act and/or the Federal Constitution and is void and unenforceable pursuant to S.24 of the Contracts Act 1950 inter alia as being against Public Policy;

(v) a declaration that all acts and deeds carried out and all agreements executed by Danaharta is illegal and unenforceable;

(vi) an order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta hereby declared as null and void and set aside;

(vii) all necessary and fit orders and directions as may be required to give full effect to the aforesaid declarations and orders;

(viii) damages to be assessed;

(ix) aggravated and exemplary damages to be assessed; and

(x) interest at the rate of 8% 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

The Court dismissed Celcom/TRI's solicitors applications to strike out the Amended Counterclaim. Celcom/TRI appealed to Judge in Chambers and the same is fixed for hearing on 29 April 2009.

TSDTR has successfully applied to re-amend the Amended Counterclaim to include 14 additional defendants, 11 of whom are present or former directors/officers of the TM Group and Celcom/TRI. Celcom/TRI had on the same day filed an appeal to the Judge in Chambers and the matter is fixed for hearing on 18 December 2009.

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

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(vii) In July 2006, Celcom was served with a Writ of Summons and Statement of Claim by the Plaintiff, Dato Saizo Abdul Ghani (trading under the name and style of Airtime Telecommunication). The claim against Celcom and Kamsani bin Hj Ahmad (Kamsani), an employee of Celcom at the material time, is for general damages in the sum of RM15 million for the alleged libel and breach of contract, a further sum of RM15 million in exemplary and aggravated damages for the alleged libel and an injunction to prevent Celcom and Kamsani from distributing or publishing any letters or content similar thereto, interest and costs.

Celcom and Kamsani filed a striking out application in August 2006 which was initially dismissed by the Court and later allowed by the Judge in Chambers. The Plaintiff filed a notice of appeal to the Court of Appeal against the whole of the Court's decision to allow the Defendants striking out application. No date has been fixed for the appeal.

The Directors, based on legal advice, are of the view that Celcom has reasonably good chance of success in defending the claims by the Plaintiff.

(viii) In July 2006, Celcom was served with a Writ of Summons and Statement of Claim by the Plaintiff, Asmawi bin Muktar (trading under the name and style of GM Telecommunication & Trading). The Plaintiff sought against Celcom and Kamsani, general damages in the sum of RM10 million for the alleged libel and breach of contract, a further sum of RM9 million in exemplary and aggravated damages for the alleged libel and an injunction to prevent Celcom and Kamsani from distributing or publishing any letters or content similar thereto, and interest and costs.

Celcom and Kamsani filed an application to strike out the claims which were dismissed by the High Court. In October 2007, the Defendants filed a notice of appeal to the Court of Appeal against the whole of the Court's decision to dismiss their striking out application. No date has been fixed for the appeal.

The Plaintiff has filed an application to amend its Writ of Summons and Statement of Claim and the said application was allowed by the Court in June 2008. The Court then adjourned the matter sine die pending disposal of the appeal.

The Directors, based on legal advice received, are of the view that Celcom has a reasonably good chance of success in defending the claims by the Plaintiff.

(ix) TRI filed a claim against TSDTR, Bistamam Ramli and Dato' Lim Kheng Yew (Defendants), being former directors of TRI for the recovery of a total sum RM55.8 million which was paid to the Defendants as compensation for loss of office and incentive payment and also the return of two (2) luxury vehicles which were transferred to the first two Defendants.

This matter is fixed for hearing on 2, 3, 4 and 5 March 2009.

The Directors have been advised that TRI has good prospect of success in respect of the claim.

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(x) In November 2007, Mohd Shuaib Ishak (MSI) filed a legal suit against Celcom seeking from Celcom and 13 others (including the former and existing directors of TM and Celcom) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 (SPA) between Celcom and TM (or Telekom Enterprise Sdn Bhd (TESB)) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd *(now known as Celcom Mobile Sdn Bhd)* (Celcom Mobile), 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 TM and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad *(now known as CIMB)* are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that TM by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed-line businesses of the TM Group; and

(v) various damages to be assessed.

In December 2007, Celcom and its directors filed their respective applications to strike out the suit and the hearing date for the striking out applications is fixed for mention on 17 April 2009.

The Directors are of the view that the claims made by MSI are not sustainable and accordingly will take steps to strike out the action.

(xi) In February 2008, MSI commenced proceedings to bring a derivative action in Celcom's name under Section 181A (1) of the Companies Act 1965 (Statutory Derivative Action).

The Statutory Derivative Action is against, inter alia, the former and existing directors of Celcom and TM for failing to obtain the consent of DeTeAsia Holding GmbH pursuant to the Amended and Restated Supplemental Agreement (ARSA) dated 4 April 2002 prior to entering into the SPA with TM for the acquisition by Celcom of the shares in Celcom Mobile.

MSI alleged that the directors are liable for damages calculated by reference to the difference between the Buy Out Offer price of RM7.00 per Celcom's share under the ARSA and the price of RM2.75 per Celcom's share under the Mandatory General Offer undertaken by TM through TESB in respect of Celcom. In July 2008, the Court allowed the Summons and Celcom's solicitors had on the same day filed an appeal to the Court of Appeal. The appeal has been fixed for hearing on 23 March 2009.

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(xi) In July 2008, Celcom filed an application to stay the Court's decision pending the appeal thereof. Thereafter, the Court allowed Celcom's stay application for all proceedings in this matter to be stayed pending disposal of the appeal.

The Directors are of the view that the claims made by MSI are not sustainable and accordingly will take steps to strike out the action.

(xii) Dialog has been issued with Value Added Tax assessments for RM17,808,222 (SLR555,673,434) and penalties of RM11,339,616 (SLR353,832,268) in respect of financial year 2006 (year of assessment 2006/07). Dialog is not in agreement with the assessments and has appealed against the said assessments under Section 34 of the Value Added Tax Act.

The Directors have sought legal opinion on the assessments and have been advised that the assessments are not sustainable in law.

(xiii) In August 2008, the Sri Lanka Customs (SLC) detained a shipment of CDMA Customer Premises Equipment (CPE), belonging to Dialog's subsidiary company, and commenced an investigation into the eligibility of these items falling under the duty exemptions granted under the terms and conditions of the Agreement the subsidiary has entered with the Board of Investment of Sri Lanka. The shipment was subsequently cleared by submitting bank guarantees and thereafter paying duty under a protest to clear subsequent shipments. The main contention of SLC was that the CDMA CPE could not be considered a fixed asset of the subsidiary. Having completed the investigation, SLC commenced an enquiry into this matter on 30 January 2009.

The Directors have sought the opinion of external legal counsel who are of the view that no material liability would result from the enquiry. The Directors therefore are of the view that the assessments made are unlikely to result in significant liabilities.

(xiv) Effective December 2005, all telecommunication providers in Bangladesh are required to remit Value Added Tax (VAT) on SIM Card sales to the National Board of Revenue (NBR) of BDT800 per card sold.

By a judgment dated 24 August 2006, a Division Bench of the High Court Division declared that fixation of tariff value of SIM Card for the purpose of imposition of supplementary duty was without lawful authority and was of no legal effect. TMIB had ceased making payments on the basis of the said Order. However, with effect from 27 March 2007, TMIB had resumed payment of the VAT on SIM Card sales due to the Stay Order issued by the Appellate Division of the High Court. The VAT on sales of SIM Card between August 2006 and March 2007, should a claw back of payment be required, amounted to RM89.9 million (BDT1.8 billion).

The matter is currently pending appeal before the Appellate Division of the Supreme Court of Bangladesh.

Based on the legal opinion received, the Directors are of view that TMIB has no further obligation.

34 CONTINGENCIES AND COMMITMENTS (continued)

(c) Contingent liabilities (continued)

(xv) In November 2007, Komisi Pengawasan Persaingan Usaha (KPPU) commenced investigations on XL and seven (7) other mobile operators in Indonesia on alleged price fixing on short message services.

Arising from its investigation, KPPU announced its decision in June 2008, which found that XL and five (5) other mobile operators were in breach of Article 5 of the Indonesian Anti-Monopoly Law and order XL to pay a fine of RM9.1 million (IDR25 billion). XL appealed this decision at the South Jakarta District Court and later, at the request of KPPU, file an application to the Supreme Court to consolidate XL's objection together with the proceedings of the other operators. As at the date hereof, the matter is still pending the Supreme Court's decision as to which the Court will hold this proceedings. Nonetheless, XL had accrued the penalty as at 31 December 2008.

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

35 HEDGING TRANSACTIONS

(a) Interest Rate Swap (IRS)

(i) *Underlying Liability*

Interest payment of Long Term Loan in USD

Hedging Instrument

On 7 January 2008, XL entered into an interest rate swap contract with a financial institution to hedge the payment of the quarterly interest of a long term loan in USD amounting to USD97.5 million. Based on the contract, XL will pay fixed interest as follows:

Notional Amount (in USD million)	Fixed Interest rate	Maturity date of Loan principal
15.0	4.675%	30 August 2010
30.0	4.730%	26 July 2010
10.0	4.730%	9 August 2010
10.0	4.730%	16 August 2010
20.0	4.635%	26 April 2010
12.5	4.575%	29 January 2010

35 HEDGING TRANSACTIONS (continued)

(a) Interest Rate Swap (IRS) (continued)

(ii) *Underlying Liability*

SGD240,000,000 Term Loan Facility

	2008 SGD'000	2007 SGD'000
Term Loan	**240,000**	480,000

On 23 September 2005, SunShare obtained term loan facility of SGD540,000,000. This loan is unsecured and part of a facility taken by SunShare, which is convertible into a term loan of up to the maximum aggregate principal amount i.e. SGD540,000,000.

On 27 April 2006, SunShare extended the repayment date of the facility so that it is repayable in full in 2010 and subsequently, the facility has been drawndown in full on 31 October 2006.

On 29 November 2007, SunShare made a partial principal repayment of SGD60,000,000.

On 10 April 2008, SunShare made another partial principal repayment of SGD240,000,000 which is paid on behalf by the Company.

The effective interest rate at balance sheet date is 1.36% (2007: 3.0%).

Hedging Instrument

On 14 March 2007, SunShare entered into an interest rate swap (IRS) agreement with notional principal of SGD50,000,000 that entitles it to receive interest at floating rate of 6 months SGD-SOR Telerate plus 0.25% subject to a maximum of 4.50% and obliges it to pay interest at fixed rate of 3.27% per annum. The swap was to mature on 27 October 2010 with the optional early termination by the other party on the 27 May 2008 and 27 May 2009. This interest rate swap, however, is effective from 27 November 2006.

On 5 April 2007, SunShare entered into another IRS agreement with a notional principal of SGD100,000,000 that entitles it to receive interest at floating rate of 6 months SGD-SOR Telerate plus 0.25% and obliges it to pay interest at fixed rate of 3.30% per annum. The swap was to mature on 27 October 2010. This interest swap, however, is effective from 27 November 2006.

35 HEDGING TRANSACTIONS (continued)

(b) Forward Foreign Currency Contracts

Details of the forward foreign currency contracts at financial year end are as follows:

Type of contracts	Notional amount (in USD Million)	Strike rate (full amount)
Deliverable	175.0	USD1 = IDR9,000
Non Deliverable	100.0	USD1 = IDR9,000
Total	**275.0**	

(b) (i) Forward Foreign Currency Contracts – Due in 2009

Bank	Notional amount USD	Strike rate	Settlement
Standard Chartered Bank	25,000,000	1 USD = IDR9,000	Deliverable
JPMorgan Securities (S.E.A.) Limited	25,000,000	1 USD = IDR9,000	NDF
Standard Chartered Bank	25,000,000	1 USD = IDR9,000	Deliverable
JPMorgan Securities (S.E.A.) Limited	25,000,000	1 USD = IDR9,000	NDF
JPMorgan Securities (S.E.A.) Limited	12,500,000	1 USD = IDR9,000	NDF
Standard Chartered Bank	12,500,000	1 USD = IDR9,000	Deliverable
Hong Kong and Shanghai Banking Corporation	12,500,000	1 USD = IDR9,000	Deliverable
Standard Chartered Bank	12,500,000	1 USD = IDR9,000	Deliverable
Total	**150,000,000**		

The premium on the forward foreign currency contracts will be paid semi-annually. The hedging instruments above are deliverable and non deliverable (NDF) types.

The total transaction for deliverable is USD87.5 million (5 items) and USD62.5 million (3 items) for non deliverable (NDF).

On the deliverable contract, XL would swap, at the final exchange date (termination date) in 2009, a total of IDR787,500,000 for USD87,500,000.

35 HEDGING TRANSACTIONS (continued)

(b) (i) Forward Foreign Currency Contracts – Due in 2009 (continued)

On the non deliverable contract, XL would swap, at the final exchange date (termination date) in 2009:

- If settlement rate at expire time is less than IDR9,000, XL would pay the banks USD62.5 million x (IDR9,000 – settlement rate)
- If settlement rate at expire time is more than IDR9,000, the banks would pay XL USD62.5 million x (settlement rate – IDR9,000)
- If settlement rate at expire time is equal to IDR9,000, no exchange payments between the banks and XL.

(b) (ii) Forward Foreign Currency Contracts – Due in 2013

Bank	Notional amount USD	Strike rate	Settlement
JPMorgan Securities (S.E.A.) Limited	25,000,000	1 USD = IDR9,000	NDF
Standard Chartered Bank	25,000,000	1 USD = IDR9,000	Deliverable
Standard Chartered Bank	25,000,000	1 USD = IDR9,000	Deliverable
Standard Chartered Bank	25,000,000	1 USD = IDR9,000	Deliverable
JPMorgan Chase Bank	12,500,000	1 USD = IDR9,000	Deliverable
JPMorgan Securities (S.E.A.) Limited	12,500,000	1 USD = IDR9,000	NDF
Total	**125,000,000**		

The premium on the forward foreign currency contracts will be paid semi-annually. The hedging instruments above are deliverable and non deliverable (NDF) types. The total transaction for deliverable is USD87.5 million (4 items) and USD37.5 million (2 items) for non deliverable (NDF).

On the deliverable contract, XL would swap, at the final exchange date (termination date) in 2013, a total of IDR787,500,000 for USD87,500,000.

On the non deliverable contract, XL would swap, at the final exchange date (termination date) in 2013:

- If settlement rate at expire time is less than IDR9,000, XL would pay the banks USD37.5 million x (IDR9,000 – settlement rate)
- If settlement rate at expire time is more than IDR9,000, the banks would pay XL USD37.5 million x (settlement rate – IDR9,000)
- If settlement rate at expire time is equal to IDR9,000, no exchange payments between the banks and XL.

35 HEDGING TRANSACTIONS (continued)

(c) Cross-Currency Swap

(i) *Underlying Liability*

RM2,400,000,000 Term Loan Facility

On 4 August 2008, the Company obtained term loan facility of RM2,400,000,000 with a financial institution. The loan will be based on a floating rate of interest at quarterly interval of 3 months COF plus 0.23% margin per annum. The loan will mature on 7 August 2009. As at 31 December 2008, RM1,728,694,000 have been swapped for USD currency.

Hedging Instrument

On 10 December 2008, the Company entered into a cross-currency swap (CCS) contract with a financial institution. Based on the contract, the Company would swap, at the final exchange date (termination date) on 12 January 2009, a total of RM1,642,400,000 for USD500,000,000. The Company will make monthly payment in USD at the amount of USD500,000,000 times floating rate of interest and will receive payment in RM amounting to RM1,642,400,000 times fixed interest rates.

On 15 December 2008, the Company entered into CCS contract with a financial institution. Based on the contract, the Company would swap, at the final exchange date (termination date) on 15 January 2009, a total of RM86,294,000 for USD26,000,000. The Company will make monthly payment in USD at the amount of USD26,000,000 times floating rate of interest and will receive payment in RM amounting to RM86,294,000 times fixed interest rates.

(ii) From 18 April to 10 May 2007, XL entered into cross-currency swap contracts to hedge the payment of the principal and interest of long term loans in USD, as follows:

Cross-currency swap contracts:	**Notional Amount USD**
Standard Chartered Bank (sub note a)	10,000,000
JP Morgan Chase Bank (sub note b)	25,000,000
Standard Chartered Bank (sub note c)	15,000,000
DBS Bank Indonesia (sub note d)	15,000,000
Standard Chartered Bank (sub note e)	12,500,000
Total	**77,500,000**

35 HEDGING TRANSACTIONS (continued)

(c) Cross-currency Swap (continued)

Hedging Instrument (continued)

(ii) (a) On 18 April 2007, XL entered into a cross-currency swap contract with Standard Chartered Bank. Based on the contract commencing on 18 April 2007, XL would swap, at the final exchange date (termination date) of 16 April 2010, a total of IDR90.88 billion (full amount) for USD10,000,000. XL will make quarterly payments in Rupiah every 18 January, 18 April, 18 July and 18 October up to the termination date, in the amount of USD10,000,000 times the fixed interest rate of 9.65% per annum with a strike rate of IDR9,088 (full amount) per USD, and will receive payment in USD amounting to USD10,000,000 times the floating rate of interest at quarterly intervals of three (3) months' SIBOR plus 1.05%.

(b) On 23 April 2007, XL entered into a cross-currency swap contract with JPMorgan Chase Bank. Based on the contract commencing on 23 April 2007, XL would swap, at the final exchange date (termination date) of 29 January 2010, a total of IDR225 billion (full amount) for USD25,000,000. XL will make quarterly payments in Rupiah every 30 January, 30 April, 30 July and 30 October up to the termination date, amounting to USD25,000,000 times the fixed interest rate of 9.99% per annum with a strike rate of IDR9,000 (full amount) per USD, and will receive payment in USD amounting to USD25,000,000 times the floating rate of interest at quarterly intervals of three (3) months' LIBOR plus 0.95%.

(c) On 26 April 2007, XL entered into a cross-currency swap contract with Standard Chartered Bank. Based on the contract commencing on 26 April 2007, XL would swap, at the final exchange date (termination date) of 26 April 2010, a total of IDR135 billion (full amount) for USD15,000,000. XL will make quarterly payments in Rupiah every 26 January, 26 April, 26 July and 26 October up to the termination date, amounting to USD15,000,000 times the fixed interest rate of 9.825% per annum with a strike rate of IDR9,000 (full amount) per USD, and will receive payment in USD amounting to USD15,000,000 times the floating rate of interest at quarterly intervals of three (3) months' LIBOR plus 1%.

(d) On 9 May 2007, XL entered into a cross-currency swap contract with DBS Bank Indonesia. Based on the contract commencing on 9 May 2007, XL would swap, at the final exchange date (termination date) of 26 April 2010, a total of IDR135 billion (full amount) for USD15,000,000. XL will make quarterly payments in Rupiah every 26 January, 26 April, 26 July and 26 October up to the termination date, amounting to USD15,000,000 times the fixed interest rate of 8.20% per annum with a strike rate of IDR9,000 (full amount) per USD, and will receive payment in USD amounting to USD15,000,000 times the floating rate of interest at quarterly intervals of three (3) months' LIBOR plus 1%.

35 HEDGING TRANSACTIONS (continued)

(c) Cross-currency Swap (continued)

Hedging Instrument (continued)

(ii) (e) On 10 May 2007, XL entered into a cross-currency swap contract with Standard Chartered Bank. Based on the contract commencing on 10 May 2007, XL would swap, at the final exchange date (termination date) of 29 January 2010, a total of IDR112.5 billion (full amount) for USD12,500,000. XL will make quarterly payments in Rupiah every 28 June, 28 September, 28 December and 28 March up to the termination date, in the amount of USD12,500,000 times the fixed interest rate of 7.73% per annum with a strike rate of IDR9,000 (full amount) per USD, and will receive payment in USD amounting to USD12,500,000 times the floating rate of interest at quarterly intervals of three (3) months' LIBOR plus 0.95%.

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

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Demerger of TM Group

On 28 September 2007, TM announced the proposed demerger of the TM Group to create 2 (two) separate entities with distinct business strategies and aspirations (Proposed Demerger) and the proposed listing of the entire issued and paid-up ordinary share capital of the Company on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities) (Proposed Listing).

TM had further announced on 10 December 2007 that the Board of Directors of TM had approved the final terms of the Proposed Demerger which comprises the proposed internal restructuring of TM Group (described in Note 5 (l) to the financial statements) to group the assets for the mobile and non-Malaysian businesses under the Company and the assets for the fixed-line voice, data and broadband business under TM (which includes the transfer of the 3G Spectrum Assignment from TM to Celcom (Malaysia) Berhad) (Proposed Internal Restructuring), and the proposed distribution by TM to the Entitled Shareholders of entire holding of and rights to ordinary shares of RM1.00 each in the Company (TM International Shares) (Proposed Distribution).

Accordingly, TM had, on the same date, entered into the Demerger Agreement with TM's wholly owned subsidiaries, Telekom Enterprise Sdn Bhd, the Company, Celcom (Malaysia) Berhad and Celcom Transmission (M) Sdn Bhd to give effect to the Proposed Internal Restructuring. Following the Proposed Internal Restructuring, TM proposed to distribute its entire holdings in and rights to TM International Shares to the entitled shareholders of TM (Proposed Distribution). The entire issued and paid-up ordinary share capital of the Company was proposed to be listed on the Main Board of Bursa Securities.

On 10 December 2007, the Board of TM proposed to have in place an employees' share option scheme for eligible employees and Executive Director(s) of TM's Group (Proposed Option Scheme).

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(a) Demerger of TM Group (continued)

The Proposed Option Scheme was implemented on 17 March 2008 whereby TM had issued 137,592,300 ordinary shares of RM1.00 each in TM (TM Shares) at an issue price of RM9.70 per share to TM ESOS Management Sdn Bhd, a trustee incorporated to acquire, hold and manage the TM Shares and other related benefits under the Proposed ESOS Scheme.

On 11 April 2008, all the conditions in relation to the Proposed Demerger, had been fulfilled and/or waived, where relevant, in accordance with the terms of the agreement for the Proposed Demerger. Accordingly, the Proposed Demerger became unconditional and was completed on 25 April 2008.

(b) Proposed issuance of up to 10% of the Issued and Paid-Up Share Capital of TMI

On 10 December 2007, the Board of TM proposed, amongst others, to obtain a shareholders' mandate (Shareholders' Mandate) for the issuance of up to 10% of the issued and paid-up share capital of the Company (Proposed Issue). In connection with the above, the SC had, vide its letter dated 30 January 2008, given its approval for, amongst others, the Proposed Issue. The shareholders of TM had at the Extraordinary General Meeting held on 6 March 2008 approved, amongst others, the Shareholders' Mandate on the Proposed Issue and the issuance by TMI to Employees Provident Fund Board (EPF) of up to 30% of the number of new shares available under the Shareholders' Mandate.

As the approval of the SC on the Proposed Issue had expired on 29 July 2008, an application was made to the SC on 14 July 2008 for an extension of time up to 29 January 2009 for the Company to undertake the Proposed Issue. SC had, vide its letter dated 28 July 2008, approved the extension of time on the Proposed Issue.

Further to the above, an application was submitted to SC on 15 January 2009 to extend further the period for the Company to implement the Proposed Issue. SC had vide its letter dated 22 January 2009 approved the extension of time of up 29 July 2009 for the Company to implement the Proposed Issue.

(c) Acquisition of additional interest in SunShare Investments Ltd (SunShare) and XL

On 6 February 2008, the Company and Indocel had entered into a Sale and Purchase Agreement (SPA) with Khazanah Nasional Berhad (Khazanah) (collectively referred to as the Parties) to acquire all of Khazanah's equity interests in SunShare and XL for an aggregate purchase consideration of RM1,580 million (Proposed Acquisition) which will be satisfied through the issuance of new ordinary shares of RM1 each in the Company under the Proposed Acquisition (Consideration Shares).

In accordance with the terms and conditions of the Demerger Agreement upon the Proposed Demerger becomes unconditional, Khazanah's equity interest in the Company after the Proposed Demerger would increase by more than 2% from 34.75% to 37.81% (based on Khazanah's shareholdings in TM as at 31 January 2008 adjusted for effects of the Proposed Option Scheme) as a result of the Proposed Acquisition. In accordance with Section 6, Part II of the Malaysian Code on Take-Overs and Mergers, 1998 (Code), Khazanah would then be required to carry out a mandatory take-over offer to acquire the remaining voting shares in the Company not held by Khazanah.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(c) Acquisition of additional interest in SunShare Investments Ltd (SunShare) and XL (continued)

Consequently, on 15 February 2008, an application to the Securities Commission (SC) had been made for an exemption for Khazanah under Practice Note 2.9.1 of the Code, from the obligation to carry out a mandatory take-over offer to acquire the remaining voting shares in the Company not held by Khazanah pursuant to the issuance of new TM International Shares under the Proposed Acquisition (Proposed Exemption). The SC had through its letter dated 18 February 2008, stated that it will consider the Proposed Exemption upon various conditions being met. The above acquisition was completed on 25 April 2008.

(d) Proposed acquisition in Idea and merger between Spice and Idea

On 25 June 2008, the Company announced:

(i) subscription by TMI Mauritius of 464,734,670 new ordinary shares of INR10 each in Idea (Idea Shares), representing approximately 14.99% of the enlarged issued and paid-up share capital of Idea after the subscription, for a total cash consideration of INR72,944.8 million (approximately RM5,536.5 million) or INR156.96 (approximately RM11.91) per Idea Share (Proposed Subscription);

(ii) mandatory general offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 by Idea, together with the Company, TMI Mauritius, TMI India and Green Acre Agro Services Private Limited (GAASPL) as the Persons Acting in Concert (PAC) with Idea, to acquire the remaining 137,985,050 ordinary shares of INR10 each in Spice (Spice Shares) not held by Idea and the PAC upon completion of the MCPL-Spice Acquisition described below at a cash offer price of INR77.30 (approximately RM5.87) per Spice Share (Proposed Offer); and

(iii) merging Spice into Idea in accordance with a scheme of arrangement under Sections 391 to 394 of the Companies Act, 1956 of India (Proposed Merger).

On 25 June 2008, Idea and MCorpGlobal Communications Private Limited (MCPL) entered into a share purchase agreement for Idea to acquire 281,489,350 Spice Shares, representing the entire 40.8% of the total issued share capital in Spice held by MCPL, for a total cash consideration of INR27,198.9 million (approximately RM2,064.4 million) or approximately INR96.62 (approximately RM7.33) per Spice Share (MCPL-Spice Acquisition). The purchase consideration includes a non-compete premium of INR5,439.8 million (approximately RM412.9 million) or INR19.32 (approximately RM1.47) per Spice Share where MCPL agrees that it will not compete with Idea and procures that its affiliates and its promoters will not compete with Idea for a period of 3 years from 25 June 2008.

Upon completion of the above proposed transactions, the Company will cease to have any direct equity interest in Spice, but will have an equity interest of approximately 19.0% in the merged Idea, on a fully diluted basis. In addition, the Group will have a call option to acquire the Spice Shares (to be converted to Idea Shares under the Proposed Merger) from GAASPL, to further increase the Group's stake in Idea to approximately 20%.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(d) Proposed acquisition in Idea and merger between Spice and Idea (continued)

On 30 July 2008, TMI India entered into a Shareholders Agreement with GAASPL, Idea and Spice relating to Spice (Spice Shareholders Agreement), pursuant to the terms of the Merger Cooperation Agreement that was entered into on 25 June 2008 between the Company, TMI Mauritius, TMI India, Spice, Idea, GAASPL and Aditya Birla Nuvo Limited (Merger Cooperation Agreement). The Spice Shareholders Agreement sets out inter alia, the terms and conditions for the operations of Spice and the relationship as shareholders in Spice, including matters such as transfer restrictions on the shareholdings of the parties and composition of the Board of Directors of Spice.

Since the date of the announcement on 25 June 2008, the following approvals in relation to the Proposals have been obtained:

(i) the approval of Bank Negara Malaysia (BNM), through its letter dated 25 July 2008, for, amongst others, the payment to be made by the Group for the Proposed Subscription and Proposed Offer. BNM's approval is subject to, amongst others, the following:

  (a) if the Company does not make any payment within 12 months from the date of BNM's approval letter, BNM's approval is deemed cancelled; and

  (b) if the Company enters into any contract to hedge its foreign exchange risk or interest rate risk, such contract may only be entered into with local licenced financial institutions, and has to be cancelled upon the full repayment of the borrowings taken by the Company;

(ii) the approval of Idea's shareholders for the Proposed Subscription at an extraordinary general meeting of Idea held on 30 July 2008; and

(iii) the approval of the Company's shareholders for the Proposals at an extraordinary general meeting of the Company held on 1 August 2008.

The Proposed Subscription and the Proposed Offer was completed on 13 August 2008 and 24 October 2008 respectively.

On the Proposed Offer, TMI India, GAASPL and Idea together have acquired a total of 130,380,693 Spice Shares of the 137,985,050 remaining Spice Shares not held by Idea and the PAC in the following manner:

(a) TMI India had acquired 67,612,650 Spice Shares, representing approximately 9.8% of the total issued and paid-up share capital of Spice;

(b) GAASPL had acquired 60,768,043 Spice Shares, representing approximately 8.8% of the total issued and paid-up share capital of Spice; and

(c) Idea had acquired 2,000,000 Spice Shares from the open market, representing approximately 0.3% of the total issued and paid-up share capital of Spice.

TMI India and GAASPL have paid in full the consideration for the above acquisitions of Spice Share under the Proposed Offer.

The Proposed Merger is not completed as at the date of the financial statements.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(e) Proposed disposal of partial equity interest in Excelcomindo Pratama TBK (XL) and proposed mandate in relation to the planned sale of its telecommunications tower and certain related assets (Proposed Disposal of Towers)

On 27 August 2008, the Company announced the proposed disposal of partial equity interest in XL which is held by Indocel Holding Sdn Bhd (Indocel), a wholly owned subsidiary of the Company and a proposed mandate in relation to the Proposed Disposal of Towers of up to 10,000 towers. The Proposed Disposal of Towers and mandate was approved by the shareholders at the EGM of XL held on 3 September 2008.

In the Extraordinary General Meeting of Shareholders on 3 September 2008, the shareholders approved the plan to execute the Proposed Disposal of Towers of up to a maximum of 7,000 telecommunication towers along with infrastructures and facilities related to such towers, and further sales of a maximum of 3,000 telecommunication towers.

The shareholders also approved XL's plan to provide assistance to Indocel, in relation to the plan of the Company and Indocel to sell down some of XL's shares owned by Indocel.

On 13 February 2009, the Company announced that XL has deferred its plan on the Proposed Disposal of Towers. The deferment is due to offers received from tenders on the Proposed Sale of Towers that did not meet XL's internal target.

(f) Consortium Agreement relating to the Bid for the Grant of a Third Public Mobile Network Licence in the Islamic Republic of Iran (Iran's 3rd Public Mobile Network License)

Indocel had on 19 November 2008 entered into a Consortium Agreement with Fanavari Moudj Khavar, JCS and Sarmayegozaric Atiyeh Saba (collectively Iranian Partners). The purpose of the entry by Indocel into the Consortium Agreement is inter alia, to formalise the terms of co-operation for the submission of a bid in relation to the award of the tender of the Iran's 3rd Public Mobile Network License (Tender).

The Company, through Indocel together with the Iranian Partners agreed to establish an unincorporated consortium for participating in the Tender. The Consortium, had on 19 November 2008, submitted their pre-acquisition application in respect of the Tender. The Consortium was qualified and hence eligible to proceed with a bid for the Tender which was submitted to the Communications Regulatory Authority of Iran (CRA of Iran) on 13 December 2008.

Following the official announcement by the CRA of Iran of the successful bidder of the Tender, the Company had on 14 January 2009 released an announcement to Bursa Securities that the Consortium was unsuccessful in their Tender and the Consortium Agreement entered into by Indocel with Fanamoj and Atiyeh Saba is terminated.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(g) Investment by Celcom in Tune Talk Sdn Bhd

Celcom had on 23 December 2008 entered into a Subscription Agreement and Shareholders' Agreement with Tune Ventures Sdn Bhd, Tune Strategic Investments Limited, six (6) individuals and Tune Talk Sdn Bhd (Tune Talk), in relation to Celcom's investment in Tune Talk.

Pursuant to the Subscription Agreement, Celcom will subscribe for 2,625,000 ordinary shares of RM1.00 each of the enlarged issued and paid-up share capital of Tune Talk for a cash consideration of RM2,625,000.

The Shareholders' Agreement is conditional upon the completion of the Subscription Agreement. The Subscription Agreement shall be completed within 30 days of the execution of the same or such other date as the parties may mutually agree, failing which the Subscription Agreement will automatically cease to have effect and the parties shall have no claim against each other.

The investment was completed on 16 February 2009.

37 SUBSEQUENT EVENTS

(a) On 10 February 2009, the Company announced the following:

- proposed amendment to the Article of Associates of the Company, and
- proposed Performance Based Employee Share Option Scheme for the eligible employees and Executive Directors of the Group (Proposed Option Scheme)

The proposed amendment to Article of Associates of the Company and the proposed Option Scheme are subject to the following:

(i) in respect of the Proposed Option Scheme, approval-in-principle of Bursa Securities for the listing of and quotation for the Company's shares to be issued pursuant to the exercise of Options on the Main Board of Bursa Securities: and

(ii) approval of the Company's shareholders at an extraordinary general meeting to be convened.

The application of Bursa Securities in relation to item (i) above is expected to be submitted within 3 months from the date of this announcement.

37 SUBSEQUENT EVENTS (continued)

(b) CT Paging Sdn Bhd (CT Paging), a wholly owned subsidiary of Celcom had on 19 February 2009 entered into a Shares Sale Agreement (Shares Sale Agreement) with I-Mobile International Co Ltd (I-Mobile) for the acquisition of I-Mobile's entire 51% equity interest in C-Mobile Sdn Bhd (C-Mobile) for a total purchase consideration of RM2,550,000 (Proposed Acquisition).

The purchase consideration of RM2,550,000 for the entire 51% equity interest in C-Mobile comprising 2,550,000 ordinary shares of RM1.00 each is payable in cash within a period of 1 month from the date of the execution of the Shares Sale Agreement. Upon the completion of the Proposed Acquisition, C-Mobile will be a wholly owned subsidiary of CT Paging.

(c) On 26 February 2009, the Company announced that the Board of Directors of the Company approved the proposal on the change of the Company's name to Axiata Group Berhad. The request for the availability of the name of Axiata Group Berhad had been approved by the Companies Commission of Malaysia (CCM). The proposal for the change of name is subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened and if approved by the shareholders will be effective from the date of issuance of the Certificate of Incorporation on change of name by CCM pursuant to Section 23 of the Companies Act, 1965.

(d) On 26 February 2009, the Company announced to undertake the following:

(i) a renounceable rights issue (Proposed Right Issue) of new ordinary share of the Company to the entitled shareholders of the Company to raise gross proceeds of approximately RM5,250 million,

(ii) an increase on the Company's authorised share capital from RM5,000,000,000 each to RM12,000,000,000 comprising of 12,000,000,000 ordinary share of RM1.00 each and corresponding amendments to the Company's Memorandum and Article of Association.

As part of the undertaking above (the Undertaking), Khazanah will also support an additional take-up of up to 20% of the Rights Shares to be issued under the Proposed Rights Issue, to the extent they are not taken up or not validly taken up by other entitled shareholders and/or their renouncee(s) under the Proposed Rights Issue (including after excess application) (Additional Support), of which the terms and mode of implementation (including any fees to be paid to Khazanah) have yet to be finalised.

In connection with the Proposed Rights Issue, Khazanah proposes to seek an exemption from the obligation to carry out a mandatory take over offer on the remaining shares of the Company not held by Khazanah after the Proposed Rights Issue, to allow Khazanah to support the Proposed Rights Issue (Proposed Exemption).

The Additional Support is subject to approval being obtained from the Securities Commission and the Company's shareholders for the Proposed Exemption while the Undertaking is subject to the pricing for the Proposed Rights Issue.

38 SIGNIFICANT NON-CASH TRANSACTIONS

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

		Group		Company	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) Share swap for the acquisition of 16.81% interest in XL	5II(a)	**1,245,848**	–	**1,245,848**	–
(b) Share swap for the acquisition of 49% interest in SunShare	5II(b)	**135,800**	–	**135,800**	–
(c) Partial consideration for the Group restructuring	5(I)	**7,826,000**	–	**7,826,000**	–

39 SEGMENTAL REPORTING

By geographical location

The Group operates in many countries as shown in Note 44 to the financial statements. Accordingly, the segmentisation of Group operation by geographical location is segmentised into main countries of operation which are Malaysia, Indonesia, Bangladesh, Sri Lanka, and others as no other individual overseas country contributed more than 10% of consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

Segment results represent segment operating revenue less segment expenses. Unallocated income includes interest income, dividend income and gain or loss on disposal of investments. Unallocated costs represent finance cost and net foreign exchange differences arising from revaluation of corporate borrowings. The accounting policies used to derive reportable segment results are consistent with those as described in Note 3 Significant accounting policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables (include receivables from related companies), inventories and cash and bank balances. Unallocated corporate assets comprise of deferred tax assets and tax recoverable.

Segment liabilities comprise operating liabilities and exclude borrowings, current tax and deferred tax liabilities.

39 SEGMENTAL REPORTING (continued)

Segment capital expenditure comprises additions to intangibles and property, plant and equipment, as shown in Note 20 and 21 to the financial statements.

Significant non-cash expenses comprise of provision for doubtful debts for trade and non trade, provision for stock obsolescence, write-off and adjustment, and unutilised foreign exchange on loans and net payables.

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
Financial year ended 31 December 2008						
Operating revenue						
Total operating revenue	5,557,913	3,696,947	758,542	1,164,618	222,661	11,400,681
Inter-segment *	(49,804)	—	—	—	(3,166)	(52,970)
External operating revenue	5,508,109	3,696,947	758,542	1,164,618	219,495	11,347,711
Results						
Segment results	1,611,544	171,016	23,317	(37,367)	32,917	1,801,427
Other operating income						178,941
Operating profit before finance cost						1,980,368
Finance income						99,319
Finance cost excluding foreign exchange losses						(876,299)
Foreign exchange losses						(238,140)
Jointly controlled entities						
- share of results (net of tax)					(142,440)	(142,440)
Associates						
- share of results (net of tax)					83,007	83,007
Profit before taxation						905,815
Taxation						(434,723)
Profit for the financial year						471,092

39 SEGMENTAL REPORTING (continued)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
As at 31 December 2008						
Segment assets	6,883,710	8,806,421	1,995,383	2,534,367	8,344,758	28,564,639
Jointly controlled entities	–	–	–	–	1,013,202	1,013,202
Associates	–	–	–	–	1,589,905	1,589,905
Investments	–	–	–	–	5,914,428	5,914,428
Tax related assets						270,223
Total assets						37,352,397
Segmental liabilities	2,083,335	1,565,819	382,694	548,235	4,142,709	8,722,792
Borrowings						15,959,351
Tax related liabilities						972,741
Total liabilities						25,654,884
Financial year ended 31 December 2008						
Other information						
Capital expenditure – additions during the year	782,232	3,462,109	296,287	869,705	241,227	5,651,560
Depreciation and amortisation	856,053	993,266	188,868	250,205	32,167	2,320,559
Write-off of property, plant and equipment	51	5,017	–	–	–	5,068
Impairment of property, plant and equipment	(12,418)	6,272	183	576	18,225	12,838
Significant non-cash expenses	63,207	229,336	6,317	59,929	59,086	417,875

39 SEGMENTAL REPORTING (continued)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
Financial year ended 31 December 2007 (As restated)						
Operating revenue						
Total operating revenue	5,078,713	3,010,974	718,656	1,062,806	172,814	10,043,963
Inter-segment *	(35,700)	—	—	—	(11,384)	(47,084)
External operating revenue	5,043,013	3,010,974	718,656	1,062,806	161,430	9,996,879
Results						
Segment results	1,353,937	618,285	(1,447)	291,228	25,032	2,287,035
Other operating income						281,963
Operating profit before finance cost						2,568,998
Finance income						80,485
Finance cost excluding foreign exchange losses						(478,823)
Foreign exchange losses						(109,602)
Jointly controlled entities						
- share of results (net of tax)					175,527	175,527
- gain on dilution of equity interest					71,265	71,265
Associates						
- share of results (net of tax)					29,353	29,353
Profit before taxation						2,337,203
Taxation						(489,604)
Profit for the financial year						1,847,599
As at 31 December 2007 (As restated)						
Segment assets	5,281,697	6,523,596	1,755,218	2,006,348	7,283,029	22,849,888
Jointly controlled entities	—	—	—	—	1,024,454	1,024,454
Associates	—	—	—	—	251,140	251,140
Tax related assets						363,978
Total assets						24,489,460
Segmental liabilities	2,049,164	1,387,582	244,213	272,160	4,105,838	8,058,957
Borrowings						5,069,554
Tax related liabilities						981,624
Total liabilities						14,110,135

39 SEGMENTAL REPORTING (continued)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
Financial year ended 31 December 2007						
Other information						
Capital expenditure						
– additions during the year	437,248	2,774,002	427,826	613,377	124,367	4,376,820
Depreciation and amortisation	838,019	591,354	175,254	133,133	22,739	1,760,499
Write off of property, plant and equipment	3	1,675	–	–	–	1,678
Impairment of property, plant and equipment	57,413	3,752	–	546	158	61,869
Impairment of goodwill	–	–	–	–	(23,812)	(23,812)
Significant non-cash expenses	(72,174)	(146,397)	1,035	(25,712)	(11,968)	(255,216)

* Inter-segment operating revenue has been eliminated in arriving at respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms.

By business segments

Segmental information is not presented by business segments as there are no other significant business segments other than the provision of mobile telecommunication services.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group has established risk management policies, guidelines and control procedures to manage its exposure to financial risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes.

(a) Foreign Exchange Risk

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Foreign Exchange Risk (continued)

The Group comprise subsidiaries, jointly controlled entities and associates operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The main currency exposures are Singapore Dollar, Sri Lanka Rupee, Bangladesh Taka and Indonesian Rupiah as well as borrowings denominated in US Dollar.

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

(b) Interest Rate Risk

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

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

(c) Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk are primarily trade receivables, cash and bank balances and financial instruments used in hedging activities.

The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of credit assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers.

The Group places its cash and cash equivalents with a number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution.

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity and cash flow risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

(e) Fair values

The carrying amount of financial assets and liabilities of the Group as at 31 December 2008 approximate their fair values except as disclosed in Note 43 to the financial statements.

41 INTEREST RATE RISK

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

41 INTEREST RATE RISK (continued)

The Group 2008	W.A.R.F*	1 year or less RM'000	>1 - 2 years RM'000	>2 - 3 years RM'000	>3 - 4 years RM'000	>4 - 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Balance under Islamic principle RM'000	Total RM'000
		Maturing or repriced in (whichever is earlier)									
Financial assets											
Investments in convertible bonds	3.00%	–	–	–	–	–	179,685	179,685	–	–	179,685
Marketable securities	–	–	–	–	–	–	–	–	6	–	6
Long term receivables	–	–	–	–	–	–	–	–	358	–	358
Trade and other receivables	–	–	–	–	–	–	–	–	1,539,878	–	1,539,878
Cash and bank balances	5.57%	2,223,839	–	–	–	–	–	2,223,839	211,656	895,236	3,330,731
Total		2,223,839	–	–	–	–	179,685	2,403,524	1,751,898	895,236	5,050,658
Financial liabilities											
Borrowings											
- floating interest rate	5.86%	5,168,381	580,185	4,836,121	3,427,918	245,656	300,039	14,558,300	–	–	14,558,300
- fixed interest rate	8.50%	244,918	62,821	–	478,322	443,038	–	1,229,099	171,952	–	1,401,051
Trade and other payables	–	–	–	–	–	–	–	–	4,538,473	–	4,538,473
Amount due to former holding company	6.12%	4,025,000	–	–	–	–	–	4,025,000	38,613	–	4,063,613
Total		9,438,299	643,006	4,836,121	3,906,240	688,694	300,039	19,812,399	4,749,038	–	24,561,437

41 INTEREST RATE RISK (continued)

The Group 2007 (restated)	W.A.R.F*	Maturing or repriced in (whichever is earlier): 1 year or less RM'000	>1 - 2 years RM'000	>2 - 3 years RM'000	>3 - 4 years RM'000	>4 - 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Balance under Islamic principle RM'000	Total RM'000
Financial assets											
Marketable securities	–	–	–	–	–	–	–	–	1,713	–	1,713
Long term receivables	–	–	–	–	–	–	–	–	395	–	395
Trade and other receivables	–	–	–	–	–	–	–	–	903,235	–	903,235
Cash and bank balances	4.24%	1,468,474	–	–	–	–	–	1,468,474	187,602	311,667	1,967,743
Total		1,468,474	–	–	–	–	–	1,468,474	1,092,945	311,667	2,873,086
Financial liabilities											
Borrowings											
- floating interest rate	7.62%	150,468		762,782	39,112	364,567	613,373	1,930,302	–	–	1,930,302
- fixed interest rate	8.67%	1,481,980	–	1,750	112,966	525,600	816,956	2,939,252	–	–	2,939,252
- balances under Islamic principles	–	–	–	–	–	–	–	–	–	200,000	200,000
Amount due to former holding company	6.12%	–	4,025,000	–	–	–	–	4,025,000	–	–	4,025,000
Trade and other payables	–	–	–	–	–	–	–	–	3,946,761	–	3,946,761
Total		1,632,448	4,025,000	764,532	152,078	890,167	1,430,329	8,894,554	3,946,761	200,000	13,041,315

41 INTEREST RATE RISK (continued)

The Company 2008	W.A.R.F*	1 year or less RM'000	>1 - 2 years RM'000	>2 - 3 years RM'000	>3 - 4 years RM'000	>4 - 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Total RM'000
		Maturing or repriced in (whichever is earlier)								
Financial assets										
Investments	3.00%	–	–	–	–	–	179,685	179,685	–	179,685
Trade and other receivables		–	–	–	–	–	–	–	95,613	95,613
Cash and bank balances	3.15%	6,585	–	–	–	–	–	6,585	625	7,210
Amount due from related companies	–	–	–	–	–	–	–	–	575	575
Amount due from subsidiaries	4.52%	578,429	–	–	–	–	47,441	625,870	10,647,091	11,272,961
Total		585,014	–	–	–	–	227,126	812,140	10,743,904	11,556,044
Financial liabilities										
Borrowings	4.10%	4,368,025	–	–	3,200,000	–	–	7,568,025	–	7,568,025
Trade and other payables	–	–	–	–	–	–	–	–	63,635	63,635
Amount due to subsidiaries	–	–	–	–	–	–	–	–	222,918	222,918
Amount due to former holding company	6.12%	4,025,000	–	–	–	–	–	4,025,000	38,613	4,063,613
Total		8,393,025	–	–	3,200,000	–	–	11,593,025	325,166	11,918,191

41 INTEREST RATE RISK (continued)

The Company 2007 (Restated)	W.A.R.F*	Maturing or repriced in (whichever is earlier): 1 year or less RM'000	>1 - 2 years RM'000	>2 - 3 years RM'000	>3 - 4 years RM'000	>4 - 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Total RM'000
Financial assets										
Trade and other receivables	–	–	–	–	–	–	–	–	2,594	2,594
Cash and bank balances	4.38%	17,475	–	–	–	–	–	17,475	9,859	27,334
Amount due from related companies	–	–	–	–	–	–	–	–	4,761	4,761
Amount due from subsidiaries	–	–	–	–	–	–	–	–	822,288	822,288
Total		17,475	–	–	–	–	–	17,475	839,502	856,977
Financial liabilities										
Trade and other payables	–	–	–	–	–	–	–	–	5,562	5,562
Amount due to subsidiaries	–	–	–	–	–	–	–	–	189,977	189,977
Amount due to former holding company	–	–	–	–	–	–	–	–	1,178,347	1,178,347
Total		–	–	–	–	–	–	–	1,373,886	1,373,886

* W.A.R.F. – Weighted average rate of finance

42 CREDIT RISK

For on-balance sheet financial instruments, the main credit risk exposure has been disclosed elsewhere in the financial statements.

Off-balance sheet financial instruments

The Group is exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group in the event of contract termination. The favourable fair values of the contracts, indicating the credit risk exposure is detailed in Note 43 to the financial statements below.

43 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) On-balance sheet

The carrying amounts of the financial assets and liabilities of the Group at the balance sheet date approximated their fair values except as set out below:

	2008		**2007**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Investments in convertible bonds	**179,685**	**70,086**	–	–
Financial liabilities				
Long term borrowings	**10,546,052**	**10,450,340**	3,159,808	3,146,697

The fair value of quoted bonds has been estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate and investments in convertible bonds, the fair values have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. For unquoted borrowings with floating interest rate, the carrying values are generally reasonable estimates of their fair values.

The financial liabilities will be realised at their carrying values and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term on-balance-sheet financial instruments maturing within one (1) year or are repayable on demand, the carrying values are assumed to approximate their fair values.

43 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Off-balance sheet

The financial derivative instruments are used to hedge foreign exchange and interest rate risks associated with certain long term foreign currency borrowings. The contract notional principal amounts of the derivative and the corresponding fair value adjustments are analysed as below:

	2008		2007	
	Contract or notional principal amount RM'000	Fair value favourable/ (unfavourable) RM'000	Contract or notional principal amount RM'000	Fair value favourable RM'000
Derivative instruments				
Cross currency swaps	**1,728,694**	**(94,484)**	256,950	7,089
Interest rate swaps	**361,518**	**(11,083)**	–	–
Forward foreign currency contracts	**1,035,750**	**242,652**	994,646	37,165

44 LIST OF SUBSIDIARIES

The subsidiaries are as follows:

Name of company	% of Group's effective shareholding 2008	2007 Restated	Principal activities	Place of incorporation
G-Com Limited	**–**	100.00	Investment holding	Ghana
TM International (L) Limited	**100.00**	100.00	Investment holding	Federal Territory, Labuan, Malaysia
TMI Mauritius Ltd #	**100.00**	100.00	Investment holding	Mauritius
Telekom Malaysia International (Cambodia) Company Limited#	**100.00**	100.00	Provision of mobile telecommunication services in Cambodia	Cambodia
Telekom Management Services Sdn Bhd	**100.00**	100.00	Provision of consultancy and engineering services in telecommunication and related area	Malaysia
Celcom (Malaysia) Berhad @	**100.00**	100.00	Provision of network capacity and services	Malaysia
SunShare Investments Ltd	**100.00**	51.00^	Investment holdings	Federal Territory, Labuan, Malaysia

44 LIST OF SUBSIDIARIES (continued)

Name of company	% of Group's effective shareholding 2008	% of Group's effective shareholding 2007 Restated	Principal activities	Place of incorporation
Subsidiaries held through TM International (L) Limited				
Dialog Telekom PLC #	**84.97**	84.81	Provision of mobile telecommunication services in Sri Lanka	Sri Lanka
TESS International Ltd	**100.00**	100.00	Dormant	Mauritius
TM International (Bangladesh) Limited *	**70.00**	70.00	Provision of mobile telecommunication services in Bangladesh	Bangladesh
TM International Lanka (Private) Limited #	**100.00**	100.00	Investment holding	Sri Lanka
Multinet Pakistan (Private) Limited *	**89.00**	89.00	Provision of cable television services, information technology (including software development) telecommunication and multimedia services in Pakistan	Pakistan
Indocel Holding Sdn Bhd	**100.00**	100.00	Investment holding	Malaysia
Subsidiaries held through Indocel Holding Sdn Bhd				
PT Excelcomindo Pratama Tbk #	**83.80**	66.99	Provision of mobile telecommunication services in Republic of Indonesia	Indonesia
Subsidiaries held through PT Excelcomindo Pratama Tbk				
Excel Phoneloan 818 BV #	**83.80**	66.99	Dormant	Netherlands
Excelcomindo Finance Company BV #	**83.80**	66.99	Investment holding	Netherlands
GSM One (L) Limited #	**83.80**	66.99	Dormant	Federal Territory, Labuan, Malaysia
GSM Two (L) Limited #	**83.80**	66.99	Dormant	Federal Territory, Labuan, Malaysia

44 LIST OF SUBSIDIARIES (continued)

Name of company	% of Group's effective shareholding 2008	2007 Restated	Principal activities	Place of incorporation
Subsidiaries held through Dialog Telekom PLC				
Dialog Broadband Networks (Private) Limited #	**84.97**	84.81	Provision of infrastructure facilities for voice and data communication systems, radio and television broadcasting systems and mobile radio communications systems and the provision of telecommunication services in Sri Lanka	Sri Lanka
Dialog Television (Private) Limited #	**84.97**	84.81	Provision of television broadcasting station and television broadcasting network including cable and pay television transmission	Sri Lanka
Subsidiaries held through Dialog Television (Private) Limited				
Communiq Broadband Network (Private) Limited #	**84.97**	84.81	Provision of information technology including data, content transmission services, audio visual services and television programmes services	Sri Lanka
CBN Sat (Private) Limited #	**84.97**	84.81	Provision of manufacturing, assembling, importing and exporting of electronic consumer products and audio visual goods	Sri Lanka
Subsidiaries held through TMI Mauritius Ltd				
TMI India Ltd #	**100.00**	100.00	Investment holding	Mauritius
Subsidiaries held through Celcom (Malaysia) Berhad @				
Celcom Mobile Sdn Bhd	**100.00**	100.00	Provision of mobile communication services, network services, application services and content	Malaysia
Celcom Transmission (M) Sdn Bhd	**100.00**	100.00	Provision of network transmission related services	Malaysia
Alpha Canggih Sdn Bhd	**100.00**	100.00	Property investment	Malaysia

44 LIST OF SUBSIDIARIES (continued)

Name of company	% of Group's effective shareholding 2008	% of Group's effective shareholding 2007 Restated	Principal activities	Place of incorporation
Celcom Technology (M) Sdn Bhd	**100.00**	100.00	Provision of telecommunication value added services through mobile or other forms of telecommunication network	Malaysia
CT Paging Sdn Bhd +	**100.00**	100.00	Provision of strategic and business development, management, administrative, support services and investment holding	Malaysia
Celcom Trunk Radio (M) Sdn Bhd	**100.00**	100.00	Ceased operations	Malaysia
Celcom Timur (Sabah) Sdn Bhd	**80.00**	80.00	Provision of fibre optic transmission network	Malaysia
Celcom Multimedia (Malaysia) Sdn Bhd	**100.00**	100.00	Intended for the provision of electronic wallet services	Malaysia
Technology Resources Industries Berhad	**100.00**	100.00	Investment holding	Malaysia
Alpine Resources Sdn Bhd +	**100.00**	100.00	Inactive	Malaysia
Rego Multitrades Sdn Bhd +	**100.00**	100.00	Dealing in marketable securities	Malaysia
Technology Resources Management Services Sdn Bhd +	**100.00**	100.00	Inactive	Malaysia
TR Components Sdn Bhd +	**100.00**	100.00	Investment holding	Malaysia
Technology Resources (Nominees) Sdn Bhd +	**100.00**	100.00	Dormant	Malaysia
TR International Limited * +	**100.00**	100.00	Investment holding	Hong Kong

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

* Audited by a firm other than member firm of PricewaterhouseCoopers International Limited

^ The equity interest of the Company in SunShare is 80%. However upon issuance of preference shares in SunShare, the Company and Khazanah Consortium have an economic interest and ratio of 51%:49%.
(Previously was classified as an investment in jointly controlled entity)

+ Inactive as at 31 December 2008

@ Consolidated by predecessor method of merger accounting

45 LIST OF JOINTLY CONTROLLED ENTITIES

Details of the jointly controlled entities are as follows:

Name of company	% of Group's effective shareholding 2008	% of Group's effective shareholding 2007	Principal activities	Place of incorporation
Joint venture held through TMI India Ltd				
Spice Communications Limited	**49.00**	39.20	Licenced mobile cellular telecommunications service provider in the states of Punjab and Karnataka in India	India

46 LIST OF ASSOCIATES

The investments in associates are as follows:

Name of company	% of Group's effective shareholding 2008	% of Group's effective shareholding 2007 Restated	Principal activities	Place of incorporation
Samart Corporation Public Company Limited	**18.97**	18.97	Design, implementation and installation of telecommunication systems and the sale and distribution of telecommunication equipment in Thailand	Thailand
Samart I-Mobile Public Company Limited*	**35.78**	35.58	Mobile phone distributor accessories, and bundled with content and administration of the distribution channels for, and management of customer care and billing system of 1900MHz mobile phone	Thailand
Associate held through TM International (L) Limited				
Mobile Telecommunication Company of Esfahan (MTCE)	**49.00**	49.00	Planning, designing, installing, operating and maintaining a GSM mobile telecommunication network to customers in the province of Esfahan, Iran	Iran

46 LIST OF ASSOCIATES (continued)

Name of company	% of Group's effective shareholding 2008	2007 Restated	Principal activities	Place of incorporation
Associates held through Celcom (Malaysia) Berhad				
Sacofa Sdn Bhd	**20.00**	20.00	Trade or business of a telecommunications infrastructure and services company	Malaysia
C-Mobile Sdn Bhd	**67.25**	67.20	Setting up a distribution network of dealers and concept retail stores based on intellectual property rights owned by Celcom	Malaysia
Associate held by SunShare Investments Ltd				
MobileOne Ltd	**29.66**	29.69	Provision of mobile telecommunication services, international call services, mobile retail sales, after sales support, customer services, paging services, research and development of mobile communication products and services and investment holding function	Singapore

All associates have co-terminous financial year end with the Company except Mobile Telecommunications Company of Esfahan with financial year ended on 20 March.

* The Company held directly 24.42% equity interest in Samart I-Mobile Public Company Limited (SIM).

47 CHANGES IN ACCOUNTING POLICIES

The following describes the impact of the IC interpretation as listed in Note 2(a) of the summary of significant accounting policy adopted in the financial statements of the Group for financial year beginning on 1 January 2008.

IC Interpretation 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation or a change in the discount rate.

The Group has applied the IC Interpretation 1 retrospectively to the provision for liabilities which relates to provision for dismantling costs of existing telecommunication network and equipment in Note 21. Pursuant to the application of IC Interpretation 1, the change in discount rate in a subsidiary resulted in additional provision for dismantling and property, plant and equipment of RM17,424,742 to the Group which have been reflected in Note 19 and Note 21 to the financial statements respectively.

The application of this IC Interpretation has no material impact to the Group in the previous financial year.

48 CHANGES IN COMPARATIVES

The comparative figures in the consolidated financial statements have been adjusted to reflect:-

(i) the predecessor method of merger accounting a described in Note 2 to the financial statements;

(ii) reclassification of foreign exchange losses arising from translation of foreign currency borrowings from operating expenditure to finance cost and foreign exchange losses to better reflect the effective cost of borrowings; and

(iii) reclassification of amounts due from subsidiaries from short term to long term to better reflect the terms of the loans and advances

48 CHANGES IN COMPARATIVES (continued)

A summary of the adjustments and reclassifications made are as follows:

(a) Consolidated income statements for the financial year ended 31 December 2007

Group	As previously reported RM'000	Effect of merger accounting (i) RM'000	Reclassi-fication (ii) RM'000	As restated RM'000
Operating revenue	4,953,866	5,043,013	—	9,996,879
Operating costs				
- depreciation, impairment and amortisation	(928,611)	(895,435)	—	(1,824,046)
- foreign exchange losses	—	—	(22,024)	(22,024)
- other operating costs	(3,201,759)	(2,793,641)	131,626	(5,863,774)
Other operating income	252,109	29,854	—	281,963
Operating profit before finance cost	1,075,605	1,383,791	109,602	2,568,998
Finance income	33,373	47,112	—	80,485
Finance cost				
- Finance cost excluding foreign exchange losses	(455,812)	(23,011)	—	(478,823)
- Foreign exchange losses	—	—	(109,602)	(109,602)
	(455,812)	(23,011)	(109,602)	(588,425)
Jointly controlled entities				
- share of results (net of tax)	133,312	42,215	—	175,527
- gain on dilution of equity interest	71,265	—	—	71,265
Associates				
- share of results (net of tax)	24,202	5,151	—	29,353
Profit before taxation	881,945	1,455,258	—	2,337,203
Taxation	(134,373)	(355,231)	—	(489,604)
Profit for the financial year	747,572	1,100,027	—	1,847,599
Attributable to:				
- equity holders of the Company	683,523	1,098,391	—	1,781,914
- minority interests	64,049	1,636	—	65,685
Profit for the financial year	747,572	1,100,027	—	1,847,599

48 CHANGES IN COMPARATIVES (continued)

(b) Consolidated balance sheet as at 31 December 2007

Group	As previously reported RM'000	Effect of merger accounting (i) RM'000	As restated RM'000
Share capital	35,693	3,541,700	3,577,393
Share premium	58,329	259,300	317,629
Other reserves:			
– Currency translation differences	(312,800)	–	(312,800)
– Capital distribution	824	8,289	9,113
– Merger (deficit)/reserve	(20,885)	367,659	346,774
– Retained earnings	4,015,323	1,750,145	5,765,468
Total capital and reserves attributable to equity holders of the Company	3,776,484	5,927,093	9,703,577
Minority interest	670,998	4,750	675,748
Total equity	4,447,482	5,931,843	10,379,325
Borrowings	3,159,808	–	3,159,808
Amount due to former holding company	3,066,921	958,079	4,025,000
Provision for liabilities	6,251	80,945	87,196
Deferred tax liabilities	428,263	453,622	881,885
Deferred and long term liabilities	6,661,243	1,492,646	8,153,889
	11,108,725	7,424,489	18,533,214
Intangible assets	3,387,166	4,031,270	7,418,436
Property, plant and equipment	8,398,844	3,760,993	12,159,837
Prepaid lease payments	296,996	24,864	321,860
Investment properties	–	2,044	2,044
Jointly controlled entities	877,555	146,899	1,024,454
Associates	245,715	5,425	251,140
Long term receivables	395	–	395
Deferred tax assets	162,890	–	162,890
Long term assets	13,369,561	7,971,495	21,341,056

48 CHANGES IN COMPARATIVES (continued)

(b) Consolidated balance sheet as at 31 December 2007 (continued)

Group	As previously reported RM'000	Effect of merger accounting (i) RM'000	As restated RM'000
Inventories	59,315	15,310	74,625
Trade and other receivables	698,853	204,382	903,235
Marketable securities	—	1,713	1,713
Amount due from former holding company	5,944	(5,944)	—
Amount due from related companies	9,850	(9,850)	—
Tax recoverable	436	200,652	201,088
Cash and bank balances	679,718	1,288,025	1,967,743
Current assets	1,454,116	1,694,288	3,148,404
Trade and other payables	1,981,121	1,965,640	3,946,761
Borrowings	1,709,746	200,000	1,909,746
Amount due to related companies	2,229	(2,229)	—
Current tax liabilities	21,856	77,883	99,739
Current liabilities	3,714,952	2,241,294	5,956,246
Net current liabilities	(2,260,836)	(547,006)	(2,807,842)
	11,108,725	7,424,489	18,533,214

48 CHANGES IN COMPARATIVES (continued)

(c) Consolidated cash flow statement for the financial year ended 31 December 2007

Group	As previously reported RM'000	Effect of merger accounting (i) RM'000	As restated RM'000
Receipts from customers	4,862,126	5,102,896	9,965,022
Payments to suppliers and employees	(2,253,809)	(2,604,262)	(4,858,071)
Payment of finance costs	(410,951)	(44,671)	(455,622)
Payment of income taxes (net of tax refund)	(10,604)	(458,532)	(469,136)
Total cash flows from operating activities	2,186,762	1,995,431	4,182,193
Disposal of property, plant and equipment	4,011	9,626	13,637
Purchase of property, plant and equipment	(4,266,461)	(718,160)	(4,984,621)
Payment of intangible asset	(588)	–	(588)
Partial disposal of a subsidiary	280,396	–	280,396
Additional investment in subsidiaries	(394,141)	–	(394,141)
Acquisition of associates	–	(2,450)	(2,450)
Loans to employees	(39)	–	(39)
Interest received	33,373	47,112	80,485
Total cash flows used in investing activities	(4,343,449)	(663,872)	(5,007,321)
Proceeds from rights share issuance	71,944	–	71,944
Proceeds from ESOS share issuance	4,043	–	4,043
Proceeds from borrowings	2,602,235	–	2,602,235
Repayments of borrowings	(846,310)	(513,750)	(1,360,060)
Dividend paid to minority interest	(27,701)	–	(27,701)
Repayment to holding company	465,554	(730,114)	(264,560)
Total cash flows from financing activities	2,269,765	(1,243,864)	1,025,901
Net increase in cash and cash equivalents	113,078	87,695	200,773
Effect of exchange rate changes	(39,347)	–	(39,347)
Cash and cash equivalents at beginning of financial year	527,787	1,200,330	1,728,117
Cash and cash equivalents at end of financial year	601,518	1,288,025	1,889,543

48 CHANGES IN COMPARATIVES (continued)

(d) Cash and bank balances as at 31 December 2007

Group	As previously reported RM'000	Effect of merger accounting (i) RM'000	As restated RM'000
Deposits with:			
Licenced banks	560,008	806,525	1,366,533
– Other financial institutions	—	101,941	101,941
– Deposits under Islamic principles	—	311,667	311,667
Total deposits	560,008	1,220,133	1,780,141
Cash and bank balances	119,710	67,892	187,602
Total cash and bank balances	679,718	1,288,025	1,967,743
Less:			
Deposits pledged	(76,093)	—	(76,093)
Bank overdraft	(2,107)	—	(2,107)
Total cash and cash equivalents at end of the financial year	601,518	1,288,025	1,889,543

(e) Consolidated statement of changes in equity for the financial year ended 31 December 2007

Group	As previously reported RM'000	Effect of merger accounting (i) RM'000	As restated RM'000
Share capital	35,693	3,541,700	3,577,393
Share premium	58,329	259,300	317,629
Currency translation differences	(312,800)	—	(312,800)
Capital contribution	824	8,289	9,113
Merger reserve	(20,885)	367,659	346,774
Retained profits	4,015,324	1,750,144	5,765,468
Minority interests	670,998	4,750	675,748
	4,447,483	5,931,842	10,379,325

48 CHANGES IN COMPARATIVES (continued)

(e) Consolidated statement of changes in equity for the financial year ended 31 December 2007 (continued)

As disclosed in Note 5 (l), the net consideration in respect of the Group restructuring was partially satisfied by the issuance of 3,541.7 million ordinary shares of RM1 each of the Company at a premium of RM0.073. The ordinary shares are issued as part settlement of the consideration sum payable by the Company to TM of RM3,801,000,000 under the demerger agreement entered between the Company and TM as mentioned Note 5(l).

(f) Consolidated statement of changes in equity for the financial year ended 31 December 2006

Group	As previously reported RM'000	Effect of merger accounting (i) RM'000	As restated RM'000
Share capital	35,693	3,541,700	3,577,393
Share premium	58,329	259,300	317,629
Currency translation differences	(182,620)	—	(182,620)
Capital contribution	521	8,458	8,979
Merger reserve	(20,885)	367,659	346,774
Retained profits	3,331,800	722,967	4,054,767
Minority interests	703,845	3,114	706,959
	3,926,683	4,903,198	8,829,881

(g) Company balance sheet as at 31 December 2007

	As previously reported RM'000	Reclassi-fication (iii) RM'000	As restated RM'000
Long term asset			
Amount due from subsidiaries	—	814,414	814,414
Current asset			
Amount due from subsidiaries	822,288	(814,414)	7,874

49 RELATED PARTY TRANSACTIONS

All related party transactions were entered into in the normal course of business and at prices available to third parties or at negotiated terms. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of FRS 124 “Related Party Disclosure”.

Khazanah Nasional Berhad (Khazanah) is a major shareholder of the Company.

The nature of transactions and relationship with related parties are as follows:

Related Parties	Nature of the relationship with related parties	Nature of transactions
Telekom Malaysia Berhad	Former holding company and entity with common shareholders with the Company	ITKP/VoIP revenue, leased line revenue, interconnection charges, other telecommunication services cost, reimbursement of expenses, advances and interest expenses
Telekom Malaysia (Hong Kong) Limited	Former fellow subsidiary	ITKP/VoIP and leased line revenue
Telekom Malaysia (S) Pte. Ltd.	Former fellow subsidiary	ITKP/VoIP revenue, interconnection charges and other telecommunication services cost
Celcom (Malaysia) Berhad	Subsidiary	ITKP/VoIP and International roaming revenue, interconnection charges and reimbursement of expenses
A.K. Khan & Company Limited	Former shareholder of the subsidiary (TMI Bangladesh)	Sale of Scratch Card & SIM Card
Fiberail Sdn Bhd	Former fellow subsidiary	Supply of fibre optic cables
Dialog Telekom PLC	Subsidiary	Technical and management services
TM International (Bangladesh) Limited	Subsidiary	Technical and management services
Samart Corporation Public Company Limited	Associate	Dividends and technical and management services
Samart I-Mobile Public Company Limited	Associate	Dividends
TM International (L) Limited	Subsidiary	Advances
TMI Mauritius Ltd	Subsidiary	Advances

49 RELATED PARTY TRANSACTIONS (continued)

Related Parties	Nature of the relationship with related parties	Nature of transactions
TMI India Ltd	Subsidiary	Advances
Spice Communications Limited	Jointly controlled entity	Advances, international roaming revenue and interconnection charges
SunShare Investments Ltd	Subsidiary	Advances
MobileOne Ltd	Associate	International roaming
C-Mobile Sdn Bhd	Associate	Sale of prepaid cards

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company or the Group either directly or indirectly. Key management personnel of the Group and the Company are the Senior Leadership Team who report directly to the Group Chief Executive Officer.

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

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties.

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
(a) Sale of goods and services				
Telekom Malaysia Berhad:				
- Interconnect and leased line revenue	**150,479**	156,055	**–**	–
- Others	**1,505**	13,464	**–**	–
	151,984	169,519	**–**	–
Shareholder of a subsidiary:				
- International roaming revenue	**1,546**	65	**–**	–
- Sale of prepaid cards	**–**	510,395	**–**	–
	1,546	510,460	**–**	–

49 RELATED PARTY TRANSACTIONS (continued)

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
(a) Sale of goods and services				
Associate:				
– International roaming	**6,757**	6,423	**–**	–
– Sale of prepaid cards	**10,740**	18,865	**–**	–
	17,497	25,288	**–**	–
Former fellow subsidiaries:				
– ITKP/VoIP and leased line revenue	**2,013**	1,415	**–**	–
Jointly controlled entity:				
– International roaming revenue	**27**	52	**–**	–
(b) Purchase of goods and services				
Telekom Malaysia Berhad:				
– Interconnect and leased circuit rental	**136,215**	137,205	**–**	–
– Others	**65,817**	53,845	**–**	–
	202,032	191,050	**–**	–
Former fellow subsidiaries:				
– Interconnection charges	**734**	938	**–**	–
– Supply of fibre optic cables	**12,300**	10,142	**–**	–
– Contact centre outsourcing	**1,538**	–	**–**	–
	14,572	11,080	**–**	–

49 RELATED PARTY TRANSACTIONS (continued)

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
(b) Purchase of goods and services				
Associates:				
– Interconnection charges	**1,828**	1,387	**—**	—
Jointly controlled entity:				
– Interconnection charges	**74**	81	**—**	—
Shareholder of a subsidiary:				
– Interconnection charges	**1,402**	110	**—**	—
(c) Intercompany service agreement technical and management services agreement	**575**	445	**7,407**	11,793
(d) Dividends received/receivable from subsidiaries/associates	**—**	—	**12,210**	14,191
(e) Interest charged by former ultimate holding company	**168,493**	—	**168,493**	—
(f) Advances to subsidiaries/related party (net of repayment)	**—**	—	**10,044,722**	—

49 RELATED PARTY TRANSACTIONS (continued)

	Group		Company	
	2008 RM'000	**2007 RM'000 Restated**	**2008 RM'000**	**2007 RM'000**
(g) Balances arising from advances and sale/purchases of goods/services				
Receivables from subsidiaries	**—**	—	**11,272,961**	822,288
Receivables from related parties	**4,889**	2,183	**575**	4,761
Payables to subsidiaries	**—**	—	**222,918**	189,977
Payables to related parties	**1,668**	56	**—**	—
Payable to former holding company	**4,063,613**	4,025,000	**4,063,613**	1,178,347
(h) Key management compensation short term employee benefits				
– Fees	**—**	—	**—**	—
– Salaries, allowances and bonus	**4,511**	798	**4,511**	798
– Contribution to Employees Provident Fund (EPF)	**761**	151	**761**	151
– Estimated money value of benefits	**10**	—	**10**	—
– Other staff benefits	**10**	—	**10**	—
Share-based payment – ESOS expense	**226**	19	**226**	19

Included in key management compensation is the Executive Directors' remuneration as disclosed in Note 7(b) to the financial statements.

50 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 26 February 2009.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Sri Jamaludin Ibrahim and Dato' Yusof Annuar Yaacob, being the two Directors of TM International Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 162 to 301 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company at 31 December 2008 and of the results and cash flows of the Group and 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.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2009.

DATO' SRI JAMALUDIN IBRAHIM
DIRECTOR

DATO' YUSOF ANNUAR YAACOB
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dato' Yusof Annuar Yaacob, being the Director primarily responsible for the financial management of TM International Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 162 to 301 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.

DATO' YUSOF ANNUAR YAACOB
DIRECTOR

Subscribed and solemnly declared at Kuala Lumpur on 26 February 2009.

Before me:

PESURUHJAYA SUMPAH
No: W259
Nama: AHMAD B. LAYA
MALAYSIA
LOT 5.28-5.30, TINGKAT 5
WISMA CENTRAL
JALAN AMPANG
50450 KUALA LUMPUR

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TM INTERNATIONAL BERHAD

(Incorporated in Malaysia) (Company No. 242188 H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of TM International Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 162 to 301.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TM INTERNATIONAL BERHAD
(Incorporated in Malaysia) (Company No. 242188 H) (continued)

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' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 44 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 material qualification or any adverse comment made under Section 174(3) of the Act.

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	**THAYAPARAN A/L S. SANGARAPILLAI**
(No. AF: 1146)	(No. 2085/09/10 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
26 February 2009

Group Financial Analysis

OPERATING REVENUE

For the year ended 31 December 2008, the Group registered 13.5% growth in operating revenue to RM11,347.7 million as compared to RM9,996.9 million recorded in 2007, largely driven by the mobile prepaid and postpaid business.

Mobile

The Group's revenue from mobile (prepaid and postpaid) grew to RM10,120.3 million, an increase of 16.0%, over RM8,723.8 million recorded in 2007, largely attributed to the improved performance in Celcom and XL. Prepaid and postpaid services revenue is inclusive of registration and subscription, rental/access fees, call charges, short message services and roaming revenue.

Higher mobile revenue for the year was a result of the increase in subscriber base in subsidiary companies from 34.4 million in 2007 to 49.6 million in 2008, from improvement in prepaid and postpaid sales. The improvements were driven by aggressive and focused marketing initiatives targeting the right customer segments.

Mobile revenue from Celcom which accounted for 50.1% of the Group mobile revenue continued to be the main revenue contributor to the Group. Celcom's current year mobile revenue increased by 10.3% YoY from RM4,594.2 million in 2007 to RM5,065.9 million in 2008.

Celcom prepaid revenue increased significantly mainly due to an increase in prepaid subscriber base from 5.2 million in 2007 to 6.2 million in 2008 and improved minutes of use year on year. This was achieved even in a competitive cellular market.

Celcom introduced attractive product offerings that are more segment focused such as 'youth plan' (S.O.X and U.O.X) for prepaid customers aged below 25 and 'Blue pack' for customers aged above 25. Celcom has managed to sustain its prepaid revenue via customer retention and loyalty programmes such as Prepaid 'Why Not Call Us' (Phase 1) and Retention Campaign such as Prepaid 'Anniversary More Than 3 Years Campaign'.

In the postpaid segment, Celcom's encouraging growth year on year was largely driven by the new postpaid acquisition drive of the 1+5 Plan launched in August 2008, Celcom Executive Plan and Broadband packages.

XL posted mobile revenue growth of 51.1% YoY arising from an increase in average daily recharge and successful execution of its minutes factory model from 'low volume with high price' to 'high volume with low price' strategy. This resulted in a 770.6% increase in XL's total outgoing prepaid minutes and 70.8% YoY growth in its prepaid subscriber base.

Others

The Group's revenue from 'Others' includes revenue from interconnect services, leased services and other data services.

Interconnection Charges

Revenue from interconnection charges terminating at mobile decreased by 11.6% YoY from RM957.1 million recorded in 2007 to RM846.3 million in 2008 and accounted for 7.5% of the total operating revenue.

Leased Services

Revenue from leased services marked a 9.9% growth from RM244.9 million in 2007 to RM269.1 million in the current year. Dialog showed higher leased services revenue in line with the increase in subscriber base of Dialog TV, rental revenue, International Private Leased Circuit (IPLC), optical fibre, Carrier DMR and Infra revenue.

Other Operating Revenues

Revenue from other segments comprising fixed line services, internet and multimedia, data services, other telecommunication and non-telecommunication services, registered a significant growth of 57.6% from RM71.1 million recorded in 2007 to RM112.1 million in 2008 largely due to Dialog's improved fixed line revenue by more than 50.0% as compared to previous years mainly due to subscriber growth in Dialog's broadband business.

OPERATING COSTS

For the year ended 31 December 2008, the Group's operating costs rose by 25.1% to RM9,784.4 million as compared to RM7,819.4 million recorded in 2007 mainly due to inflationary effects and cost escalation in all markets. Movement of major cost components are explained below.

Depreciation, Impairment and Amortisation

Depreciation, impairment and amortisation charges of property, plant and equipment (PPE) and intangible assets increased by 28.2% to RM2,338.5 million as compared to RM1,824.0 million recorded in 2007 and accounted for 23.9% of total operating costs.

The increase was mainly due to XL's higher depreciation over the increased asset base, accelerated depreciation of XL's remaining legacy Mobile Switching Centre (MSC) and higher Dialog capitalisation of assets during the year.

Marketing, Advertising and Promotion

The Group's marketing, advertising and promotion related expenses increased 31.6% YoY to RM1,404.8 million from RM1,067.5 million recorded in 2007 mainly due to 26.5% and 32.2% increase recorded in Celcom and XL respectively.

Celcom's higher dealer commission was in tandem with its 35.1% growth in new registration for 2008 from the previous year. In contrast XL's increase in dealer commission was mainly associated with its 58.0% increase in prepaid revenue.

In 2008, Celcom, XL and Dialog recorded higher advertising and promotional related expenses mainly due to the aggressive marketing campaigns carried out to promote mobile broadband take up and to sustain the revenue growth momentum.

Manpower

Increase in manpower costs was mainly due to increase in staff cost which is in line with the increase in the number of staff, annual salary increments, higher bonus provision and higher provisions of employee benefits. The Group manpower cost rose by 22.5% from RM615.4 million in 2007 to RM753.8 million in 2008.

Supplies and Inventories

The Group recorded 56.1% increase in supplies and inventories from RM189.4 million in 2007 to RM295.6 million in 2008. The incremental charges in the current year was mainly attributed to the higher cost of materials, cost of prepaid cards and increase in consumption and price of fuel and gas.

XL's cost of supplies and materials surged 61.3% YoY mainly due to the increase in XL starter pack, handset and voucher costs in line with increased sales as well as higher fuel cost.

Universal Service Provision

Dialog, Celcom and XL jointly contributed to the higher Group Universal Service Provision charges by 36.4% or RM86.4 million from RM237.4 million recorded in 2007.

Utilities

The Group's electricity charges increased from RM169.4 million to RM261.3 million in line with the enhanced power consumption for the additional number of BTS across the Group in 2008. This was coupled with the effect of upward revision of electricity charges in some of the operating countries.

Foreign Exchange Losses

Depreciation of RM and local currency in all markets against the USD has resulted in net loss on foreign exchange in 2008, predominantly arising from translation of USD denominated debt as well as payables in other foreign currencies.

The weakening of the IDR against USD has resulted in foreign exchange loss of RM354.4 million from XL in 2008 as compared to RM124.4 million in the previous year mainly from debt and payables in USD and other foreign currencies.

Higher foreign exchange losses in 2008 was also the result of RM84.3 million from translation loss of USD borrowings for the investment in Idea.

The overall loss on foreign exchange was however, partially offset by the foreign exchange gain of RM28.1 million from the SunShare loan due to the weakening of RM to SGD during the year.

Dialog and TMIB had registered RM25.8 million and RM5.3 million foreign exchange loss in 2008 respectively, due to the weakening of SLR and BDT against USD.

As a result, a net loss on foreign exchange of RM445.8 million was recorded in the current year as compared to a net loss of RM131.6 million recorded in the preceding year.

OTHER OPERATING INCOME

Other operating income was recorded at RM178.9 million, 36.6% lower from RM282.0 million in the preceding year. Other operating income in 2007 was inclusive of RM234.8 million gains on disposal of Dialog shares. In 2008, the Group's other operating income was mostly derived from XL's new revenue stream, the leasing out of tower space to other operators.

FINANCE COSTS

Year on year, finance costs increased by RM397.5 million, mainly driven by interest on TM's bridging loan and financing cost for Idea acquisition totaling RM275.3 million.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Negative contribution in the current year was mainly attributed to share of loss from Spice as opposed to profit in the preceding year.

Share of profit from SunShare in 2008 was attributed to its contribution as a jointly controlled entity up to 25 April 2008. SunShare had effectively become the Group's subsidiary following the completion of the demerger exercise and acquisition of remaining 49.0% stake from Khazanah.

GAIN ON DILUTION OF EQUITY INTEREST

The amount recorded in 2007 of RM71.3 million was attributed to the gain on Spice Initial Public Offering (IPO). There has been no dilution of equity interest for the Group in 2008.

SHARE OF RESULTS OF ASSOCIATES

The share of associate companies increased during the year by more than 100% mainly due to the contribution of M1 following the completion of the demerger exercise in April 2008 and acquisition of remaining 49.0% SunShare stake from Khazanah.

TAXATION

Tax expense for the current year decreased 11.2% as compared to the preceding year mainly due to the deferred tax adjustment arising from the change in Indonesian corporate tax rate from 30% to a fixed rate of 28% in 2009 and 25% in 2010 onwards.

MINORITY INTERESTS

The Group's minority interests has decreased by more than 100% from RM65.7 million in 2007 to negative RM26.9 million in 2008 primarily due to the higher share of losses from subsidiaries, mainly XL and Dialog.

PATAMI

As a consequence of the adverse performance of overseas subsidiaries during the year and one-off gains recorded in previous year, the Group recorded a 72.1% decrease in PATAMI from RM1,781.9 billion to RM498.0 million in 2008.

TOTAL CAPITAL AND RESERVES

Total capital and reserves increased by RM1,513.1 million during the year following increase in share capital and share premium arising from the acquisition of SunShare (49%) and XL (16.81%) and net profits recorded for the year.

TOTAL ASSETS

Total assets of the Group grew by 52.5% to RM37.4 billion as compared to RM24.5 billion in 2007 largely due to the increase in intangible assets, property, plant and equipment, long term investment, associates, cash and bank balances, and trade and other receivables.

Intangible Assets

Intangible assets rose year on year by RM907.9 million due to increase in goodwill of RM896.5 million and net book value of licences amounting to RM11.4 million. The increase in goodwill arising from the additional acquisition of 16.81% equity interest in XL and 0.17% additional stake in Dialog net-off the write-down arising from the revaluation of goodwill amounting to RM142.7 million.

Property, Plant and Equipment (PPE)

The Group's PPE increased by 23.0% to RM14,959.7 million from RM12,159.8 million in 2007 resulting from the increase in capital expenditure for network expansions at XL, Celcom, Dialog and TMIB.

The increase is netted off with depreciation charges and impact of foreign translation loss. The exchange translation loss is recorded in foreign translation reserve in the balance sheet.

Investments

The total investment balance amount of RM5,914.4 million incurred during the year was mainly derived from the amount of investment in Idea of RM5,734.3 million.

Associates

The total balance of investment in associates grew significantly by 533.1% from RM251.1 million in 2007 to RM1,589.9 million due to completion of demerger and acquisition of 49.0% stake in SunShare, which resulted in the recognition of M1 share of net assets.

Trade and Other Receivables

The Group's trade and other receivables grew significantly by 70.5% from RM903.2 million in 2007 to RM 1,539.9 million which is in line with increase in revenue and prepayments in subsidiaries. Trade and other receivables mainly consist of trade receivables, prepayments, deposits and other receivables.

Cash and Bank Balances

The Group's cash and bank balances increased by 69.3%, from RM1,967.7 million to RM3,330.7 million, mainly due to the cash inflow from operating activities of RM2,387.8 million, as a result of increase in revenue.

TOTAL LIABILITIES

The Group's total liabilities stood at RM25.7 billion as at end of 2008, an increase of 81.8% as compared to RM14.1 billion recorded in 2007 primarily attributed to a rise in borrowings, and trade and other payables.

Borrowings

The Group's borrowings increased significantly by more than 100% from RM5,069.6 million in 2007 to RM15,959.4 million in 2008 primarily to fund the investment made for Spice and Idea Cellular Limited amounted to RM6.6 billion. The remaining of the borrowings was spent on CAPEX related to network expansion in all the subsidiaries.

Amounts Due to Former Holding Company

This primarily refers to the amount owing to Telekom Malaysia Berhad (TM) of RM4,025.0 million arising from the demerger agreement between TM and TMI. This interest bearing amounts owing to TM is repayable within one year after the completion of the demerger on 25 April 2008.

Trade and Other Payables

The Group's trade and other payables increased by 15.0% YoY primarily due to increase in deferred revenue mainly contributed by XL from its Tower Business Unit operations and accrued expenses. Trade and other payables consist of trade payables, deferred revenue, customer deposits, payroll liabilities and other accruals and payables.

Shareholding Statistics
as at 31 March 2009

ANALYSIS OF SHAREHOLDINGS

Authorised Capital* : RM12,000,000,000 divided into 12,000,000,000 ordinary shares of RM1.00 each

Issued & Paid-Up Capital : RM3,753,401,980 divided into 3,753,401,980 ordinary shares of RM1.00 each
Voting rights : 1 vote per ordinary share

Total No. of Shareholders : 22,357

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100	554	2.48%	7	0.03%	4,302	0.00%	149	0.00%
100 - 1,000	7,676	34.33%	213	0.95%	6,686,702	0.18%	156,588	0.00%
1,001 - 10,000	11,364	50.83%	330	1.48%	41,239,816	1.10%	1,357,707	0.04%
10,000 - 100,001	1,524	6.82%	177	0.79%	43,289,205	1.15%	6,600,164	0.18%
100,001 - 187,670,099 (less than 5% of issued and paid up share capital)	311	1.39%	197	0.88%	793,511,927	21.14%	337,884,422	9.00%
187,670,099 and above	4	0.02%	-	-	2,522,670,998	67.21%	-	-
Total	**21,433**	**95.87%**	**924**	**4.13%**	**3,407,402,950**	**90.78%**	**345,999,030**	**9.22%**

SUBSTANTIAL SHAREHOLDERS (HOLDING 5% & ABOVE)
as per Register of Substantial Shareholders

No.	Name	Shares Held		Percentage	
		Direct	Indirect	Direct	Indirect
1.	Khazanah Nasional Berhad	1,670,737,173	-	44.51%	-
2.	Employees Provident Fund Board	533,716,025	69,300,200 ±	14.22%	1.85%
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd -Skim Amanah Saham Bumiputera	319,717,800	-	8.52%	-
Total		**2,524,170,998**	**69,300,200**	**67.25%**	**1.85%**

* *The shareholders of Axiata had, at the EGM held on 24 March 2009, approved the increase in the authorised capital from RM5,000,000,000 to RM12,000,000,000*

± *Employees Provident Fund Board (EPF) is deemed to have indirect interest by virtue of Axiata shares managed by other portfolio managers on behalf of EPF under Section 6A of the Companies Act*

Shareholding Statistics (cont'd.)

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

Based on the Register of Directors' Shareholdings, none of the Directors of the Company has any direct and/or indirect interest in the Company and its related corporations.

Dato' Yusof Annuar Yaacob holds an option to acquire 500,000 ordinary shares of RM1.00 each in the Company pursuant to TM's Special Employee Share Option Scheme established for eligible employees and Executive Directors of the TM Group (prior to the demerger exercise).

LIST OF TOP 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	% of Issued Shares
1.	Khazanah Nasional Berhad	1,400,666,613	37.32
2.	Employees Provident Fund Board	532,216,025	14.18
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	319,717,800	8.52
4.	Khazanah Nasional Berhad - Exempt An	270,070,560	7.20
5.	CIMSEC Nominees (Tempatan) Sdn Bhd - Exempt An For TM Esos Management Sdn Bhd (TM ESOS)	137,010,800	3.65
6.	Lembaga Tabung Haji	80,093,036	2.13
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	52,148,800	1.39
8.	Kumpulan Wang Persaraan (Diperbadankan)	44,891,000	1.20
9.	Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	42,321,200	1.13
10.	Valuecap Sdn Bhd	39,934,600	1.06
11.	HSBC Nominees (Tempatan) Sdn Bhd - Nomura Asset Management Malaysia for Employees Providend Fund	34,241,700	0.91
12.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An For Prudential Fund Management Berhad	28,632,300	0.76
13.	HSBC Nominees (Asing) Sdn Bhd - TNTC for Saudi Arabian Monetary Agency	27,878,388	0.74
14.	Permodalan Nasional Berhad	25,192,500	0.67
15.	Cartaban Nominees (Asing) Sdn Bhd - Government Of Singapore Investment Corporation Pte Ltd For Government Of Singapore (C)	25,090,400	0.67

LIST OF TOP 30 LARGEST SHAREHOLDERS (cont'd.)

No.	Name	No. of Shares Held	% of Issued Shares
16.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An For American International Assurance Berhad	19,964,200	0.53
17.	Amanah Raya Nominess (Tempatan) Sdn Bhd - Amanah Saham Didik	17,847,800	0.48
18.	SBB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	15,756,500	0.42
19.	HSBC Nominees (Asing) Sdn Bhd - Exempt An For JPMorgan Chase Bank, National Association (U.S.A)	14,252,400	0.38
20.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	13,366,500	0.36
21.	HSBC Nominees (Asing) Sdn Bhd - Exempt An For JPMorgan Chase Bank, National Association (U.K)	11,238,447	0.30
22.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC For Prudential Assurance Company Ltd	10,706,000	0.29
23.	HSBC Nominees (Asing) Sdn Bhd - Exempt An For JPMorgan Chase Bank, National Association (NOR GES Bank)	10,565,100	0.28
24.	Pertubuhan Keselamatan Sosial	10,061,900	0.27
25.	Citigroup Nominees (Asing) Sdn Bhd - CBHK For Kuwait Investment Authority (Fund 203)	9,970,900	0.27
26.	Lembaga Tabung Angkatan Tentera	9,664,100	0.26
27.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Exempt An for Deutsche Trustees Malaysia Berhad (MYETF-DJIM25)	8,740,200	0.23
28.	Cartaban Nominees (Asing) Sdn Bhd - Government Of Singapore Investment Corporation Pte Ltd For Monetary Authority Of Singapore (H)	8,504,000	0.23
29.	HSBC Nominees (Asing) Sdn Bhd - BNY LUX For International Opportunities Funds - Asian Equity	8,241,300	0.22
30.	AMSEC Nominees (Tempatan) Sdn Bhd - AM Trustee Berhad for CIMB Dali Equity Growth Fund (UT-CIMB-DALI)	7,905,800	0.21
	TOTAL	**3,236,890,869**	**86.24**

Additional Compliance Information

NO.	COMPLIANCE ISSUE
1.	**SHARE BUY-BACKS** Axiata did not carry out any share buy-back for the financial year ended (FY) 2008.
2.	**OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES** Axiata has not issued any options, warrants or convertible securities for the FY 2008. On 24 March 2009, the shareholders of Axiata approved the Long Term Performance-Based Employee Share Option Scheme (Option Scheme) for eligible employees and Executive Directors of the the Group. The Option Scheme shall be in force for a period of eight years from the effective date of implementation of the Option Scheme, being a date of full compliance with the relevant requirements of the LR in relation to the Option Scheme.
3.	**AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")** Axiata did not sponsor any ADR or GDR program for the FY 2008.
4.	**SANCTIONS AND/OR PENALTIES** Save for the following, there was no sanction and/or penalty imposed on Axiata and its subsidiaries, directors or management by regulatory bodies for the FY 2008: (i) In November 2007, Komisi Pengawasan Persaingan Usaha (KPPU) commenced investigations on XL and 7 other mobile operators in Indonesia on alleged price fixing on SMS. Arising from its investigations, KPPU announced its decision in June 2008, which found that XL and 5 other mobile operators were in breach of Article 5 of the Indonesian Anti-Monopoly Law and ordered XL to pay a fine of RM8.9 million (IDR 25 billion). XL appealed this decision at the South Jakarta District Court and later, at the request of KPPU, filed an application to the Supreme Court to consolidate XL's objection together with the proceedings of the other operators. As at the date hereof, the matter is still pending the Supreme Court's decision as to which appropriate court will hold these proceedings.
5.	**NON-AUDIT FEES** The amount of non-audit fees incurred for the services rendered to Axiata and the Group by its external auditors, PricewaterhouseCoopers and its affiliated companies for the FY 2008 are RM1,769,300 and RM60,613 respectively. Services rendered by PricewaterhouseCoopers are not prohibited by regulatory and other professional requirements, and are based on globally practiced guidelines on auditors' independence. PricewaterhouseCoopers was engaged in these services when their expertise and experience of Axiata 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 employ another firm of accountants.

NO.	COMPLIANCE ISSUE
6.	**VARIATION IN RESULTS** There were no estimations, forecasts or projections made or released by Axiata for the FY 2008.
7.	**PROFIT GUARANTEE** There were no profit guarantee given by Axiata for the FY 2008.
8.	**MATERIAL CONTRACTS INVOLVING DIRECTORS' / MAJOR SHAREHOLDERS' INTEREST** There were no material contracts entered into by Axiata and/or its subsidiaries involving directors' and major shareholders' interests either subsisting as at 31 December 2008 or entered into since the end of FY 2007 except for the Share Sale and Purchase Agreement dated 6 February 2008 between TM International Berhad (the former name of Axiata), Khazanah and Indocel Holding Sdn Bhd in relation to the:- (i) Acquisition by Axiata from Khazanah of 35,965,998 redeemable convertible preference shares of USD1.00 each in SunShare and 2 Class A ordinary shares of USD1.00 each in SunShare for a purchase consideration of RM155.0 million; and (ii) Acquisition by Indocel from Khazanah of 1,191,553,500 ordinary shares of IDR100 each in XL for a purchase consideration of RM1,425.0 million. The abovementioned agreement is no longer subsisting as at 31 December 2008.
9.	**REVALUATION POLICY** Axiata has not adopted any revaluation policy or carried out any revaluation exercise on its landed properties for the FY 2008.
10.	**UTILISATION OF PROCEEDS** There were no proceeds raised by Axiata from corporate proposals undertaken during the FY 2008.
11.	**RECURRENT RELATED PARTY TRANSACTION OF REVENUE IN NATURE** At the 23rd Annual General Meeting of TM held on 17 April 2008, the shareholders of TM have granted a mandate for TM Group to enter into recurrent related party transactions which included transactions with the Group. This is in view that Axiata, then a wholly-owned subsidiary of TM, shall upon completion of the demerger share a common major shareholder with TM, namely Khazanah. As a result thereof, post demerger, Axiata is deemed to be a related party to TM as defined under the LR.

NO.	COMPLIANCE ISSUE

The details of the RRPT entered into during the FY 2008 pursuant to the said shareholders' mandate are as follows:

Transacting Companies	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of relationship	Nature of Transaction	Value of Transaction RM'000
Axiata Group	TM Group	Khazanah, Tan Sri Dato' Azman Hj Mokhtar, Ismael Fariz Ali and Dr Farid Mohamed Sani	Khazanah are major shareholders of TM and Axiata	Interconnect revenue and cost between the TM Group and the Group	204,821
			Tan Sri Dato' Azman Hj Mokhtar, Ismael Fariz Ali and Dr Farid Mohamed Sani are representatives of Khazanah on the Board of Axiata	Voice Over Internet Protocol-related services revenue and cost between the TM Group and the Group	58,727
				Lease-line cost by TM to the Group	41,925
			Dr. Farid Mohamed Sani is the alternate Director to Tunku Mahmood Fawzy Tunku Muhiyiddin on the Board of TM	Provision of data and bandwidth related services by TM to Celcom	24,007
				Site rental for telecommunication infrastructure, equipments and related charges by TM to Celcom	22,800
				Internet access and broadband charges by TM to Celcom	4,305
				Commission on registration and collection to TM from Celcom	1,725
				Provision of contact centre and business process outsourcing services by VADS Berhad to Celcom	73,802
				Leasing of fibre optic core and provision of bandwidth services from Fiberail Sdn Bhd to Celcom	12,351
				Other telecommunication-related transactions between the TM Group and the Group	29,570
				TOTAL	474,033

Axiata proposes to seek a shareholders' mandate for the Group to enter into recurrent related party transactions at the forthcoming 17th Annual General Meeting.

Net Book Value of Land and Buildings

as at 31 December 2008

Location	Freehold		Leasehold		Net Book Value of Land	Net Book Value of Buildings
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	RM'000	RM'000
1. Malaysia						
(a) Federal Territory (Kuala Lumpur)	1	40.5	3	91.0	9,368.0	2,073.0
(b) Selangor	1	53.9	2	48.7	11,047.0	30,610.0
(c) Perak	1	43.5	4	63.0	1,133.0	120.0
(d) Pulau Pinang	7	15.3	4	129.6	3,098.0	2,071.0
(e) Kedah	-	-	1	15.9	179.0	447.0
(f) Johor	6	41.6	1	78.8	1,691.0	1,980.0
(g) Negeri Sembilan	2	50.0		-	990.0	268.0
(h) Terengganu	-	-	7	871.8	479.0	-
(i) Kelantan	-	-	3	107.2	254.0	398.0
(j) Pahang	1	37.1	17	429.6	4,056.0	1,718.0
(k) Sabah	-	-	5	210.6	1,473.0	1,730.0
(l) Sarawak	2	320.1	3	58.5	729.0	1,030.0
2. Indonesia	-	-	10,530	28,692.7	303,918.0	19,727.0
3. Sri Lanka	15	508.7	-	-	11,800.0	58,669.0
4. Bangladesh	236	1,315.6	-	-	5,716.0	21,927.0
5. Cambodia	-	-	-	-	-	1,849.0
Total	**272**	**2,426.3**	**10,580**	**30,797.4**	**355,931.0**	**144,617.0**

Note : The details of the top 10 properties as included in the above summary are disclosed in the next page

List of Top Ten Properties

as at 31 December 2008

No.	Address/Location	Freehold / Leasehold - Land and/ or Building	Land & Building	Approximate Age of Building	Date of Acquisition / Capitalisation*	Remaining Lease Period	Land area (sq. metre)	Built -up area (sq. metre)	Net Book Value as at 31 December 2008 RM
1	Seksyen 13 Jalan Kemajuan Petaling Jaya Selangor, Malaysia	Leasehold Land and Building	Network Office	15 years	23.3.1998	99 years	4,383.1	10,339.0	35,248,062
2	Jl. Rasuna Said Kav A5 No. 6, Bintaro Jakarta, Indonesia	Leasehold Land and Freehold Building	Telecommunications and Operations Office	20 years	29.6.2006 (Land) 30.9.2007 (Building)	18 years	3,350.0	1,219.0	10,308,158
3	Bandar Sri Manjalara Mukim Batu Kuala Lumpur, Wilayah Persekutuan, Malaysia	Leasehold Land	Tenaga Nasional Berhad Substation, Exchange and Guard House	5 years	23.5.1997	99 years	3,480.2	n/a	5,687,155
4	Corporate Building Union Palace Colombo, Sri Lanka	Freehold Building	Office Building	7 years	31.12.2002*	n/a	n/a	1,858.0	4,538,095
5	Maharaja Land Union Palace Colombo, Sri Lanka	Freehold Land	Office Building	n/a	31.12.2002	n/a	4,925.0	n/a	4,081,449
6	Jl. P. Mangkubumi No. 20-22 Yogyakarta, Indonesia	Leasehold Land and Freehold Building	Business Centres	14 years	16.8.2002 and 17.9.2002 (Land) 24.6.2003 (Building)	14 years	3,413.0	2,695.5	4,028,287
7	Foster Lane Union Palace Colombo, Sri Lanka	Freehold Land	Transmission Station	n/a	29.11.2007	n/a	972	n/a	3,970,278
8	No. 2 Jln 5/89 Off Jalan Sekilau Kompleks Batu 3½ Cheras, Kuala Lumpur Wilayah Persekutuan Malaysia	Leasehold Land and Building	Exchange and Training Centre	14 years	23.5.1997	85 years	522.0	2,643.0	3,719,718
9	KIT Building Union Palace Colombo, Sri Lanka	Freehold Building	Office Building	5 years	31.12.2004*	n/a	n/a	2,302.5	3,703,442
10	Jl. Soekarno Hatta Bandung, Indonesia	Leasehold Land and Freehold Building	Telecommunications Operations Office	20 years	23.10.2007 (Land) 16.2.2008 (Building)	19 years	4,770.0	6,731.0	3,271,228

Note : No revaluation was performed on the above properties

Group Directory

Axiata Group Berhad
Level 42, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia
Tel: +603 2240 3000 Fax: +603 2241 3005 Website: www.axiata.com

Celcom (Malaysia) Berhad
Menara Celcom
No. 82, Jalan Raja Muda Abdul Aziz
50300 Kuala Lumpur
Malaysia
Tel: +603 2688 3939
Fax: +603 2681 0361
Website: www.celcom.com.my

PT Excelcomindo Pratama Tbk
Jl. Mega Kuningan Lot. E4-7
No. 1, Kawasan Mega Kuningan
Jakarta 12950
Indonesia
Tel: +62 21 576 1881
Fax: +62 21 579 59036
Website: www.xl.co.id

Dialog Telekom PLC
No. 475, Union Place
Colombo 2
Sri Lanka
Tel: +94 11 267 8700
Fax: +94 11 266 9701
Website: www.dialog.lk

TM International (Bangladesh) Limited
BRAC Centre, 9th Floor
75, Mohakhali C/A
Dhaka 1212
Bangladesh
Tel: +88 02 988 7146/52
Fax: +88 02 988 7416
Website: www.aktel.com

Telekom Malaysia International (Cambodia) Company Limited
Phnom Penh Center
5th & 6th Corner Sihanouk (274)
& Sothearos BLVD
Sangkat Tonlebasac, Khan
Chamkamorn Phnom Penh
Cambodia
Tel: +855 16 810 001/3
Fax: +855 16 810 004
+855 23 219 090
Website: www.hello.com.kh

Idea Cellular Limited
5th Floor "Windsor"
Kalina, Santa Cruz (East)
Mumbai 400098
India
Tel: +91 22 6682 0000
Fax: +91 22 6682 0499
Website: www.ideacellular.com

Spice Communications Limited
D-1, Sector 3
Noida – 201301
Uttar Pradesh
India
Tel: +91 120 4363 600
Fax: +91 120 5320 467
Website: www.spiceindia.com

MobileOne Ltd
10 International Business Park,
Singapore 609928
Tel: +65 6895 1111
Fax: +65 6899 3902
Website: www.m1.com.sg

Mobile Telecommunications Company of Esfahan
Emam Khomaini Street
After Ghods Shahrak
Next to Payam Gyme
Esfahan
Iran
P.O.Box 81655-1446
Tel: +98 311 324 4040
Fax: +98 311 324 0024
Website: www.mtce.ir

Multinet Pakistan (Private) Limited
Plot 1D-203, Sector 30
Korangi Industrial Area
Karachi
Pakistan
Tel: +92 21 5113 626/41
Fax: +92 21 5113 648
Website: www.multi.net.pk

Samart Corporation Public Company Limited
99/1 Moo 4, Software Park 35 Fl.
Chaengwattana Rd.
Amphoe Pak Kret
Nonthaburi
Tel: +662 502 6000
Fax: +662 502 6186
Website: www.samartcorp.com

Samart I-Mobile Public Company Limited
99/3 Moo 4, Software Park 33 Fl.
Chaengwattana Rd.
Klong Gluar, Pak-kred
Nonthaburi 11120
Tel: +662 502 6000
Fax: +662 502 6900
Website: www.i-mobilephone.com

Glossary

2G
The second generation of digital mobile phone technologies including GSM, CDMA IS-95 and D-AMPS IS-136

2.5G
The enhancement of GSM which includes technologies such as GPRS

3G
The third generation of mobile phone technologies covered by the ITU IMT-2000 family

ARPU
Average Monthly Revenue Per User

Axiata
Axiata Group Berhad

BAC
Board Audit Committee

BNC
Board Nomination Committee

BRC
Board Remuneration Committee

BTS
Base Transceiver Station

Bursa Securities
Bursa Malaysia Securities Berhad

Casacom (now known as TMIC)
Cambodia Samart Communication Company Limited

CBNP
Communiq Broadband Network (Private) Limited

CBNSP
CBN Sat (Private) Limited

CDMA
Code Division Multiple Access

Celcom
Celcom (Malaysia) Berhad

Celcom Group
Celcom and its subsidiaries

Companies Act
Companies Act, 1965, as amended from time to time and any re-enactment thereof

CPP
Calling Party Pays

CR
Corporate Responsibility

DBN
Dialog Broadband Networks (Private) Limited

DCIL
Distacom Communications (India) Limited (now known as TMI India)

DCS 1800
Digital Cellular System at 1800MHz, now known as GSM1800

Dialog
Dialog Telekom PLC (formerly known as Dialog Telekom Limited)

DOCOMO
NTT DOCOMO, INC.

DTI
Dialog Tele-Infrastructure (Private) Limited

DTV
Dialog Television (Private) Limited (formerly known as Asset Media (Private) Limited)

EBITDA
Earning Before Interest Taxes Depreciation and Amortisation

EDGE
Enhanced Data rates for GSM Evolution

EPF
Employees Provident Fund

ESOS
Employees' Share Option Scheme

Etisalat Indonesia
Emirates Telecommunications Corporation (Etisalat) International Indonesia Limited

Fibrecomm
Fibrecomm Network (M) Sdn Bhd

FLL
Fixed Local Loop

FLP
Frequency Load Planning

GAASPL
Green Acre Agro Services Private Limited

GCEO
Group Chief Executive Officer

GCFO
Group Chief Financial Officer

GCIA
Group Chief Internal Auditor

GDP
Gross Domestic Product

GIA
Group Internal Audit

GLC
Government Linked Companies

GLCT
Government Linked Companies Transformation

GPRS
General Packet Radio Service

GRA
Group Regulatory Affairs

GSM
Global System for Mobile communications

HSDPA
High Speed Downlink Packet Access

HSPA
High Speed Packet Access

IAD
Internal Audit Division

ICT
Information and communications technology

ICX
Interconnection Exchange

IDD
International Direct Dialing

Idea
Idea Cellular Limited

IGW
International Gateway

IIG
International Internet Gateway

IN
Intelligent Network

Indocel
Indocel Holding Sdn Bhd

IP
Internet Protocol

IPLC
International Private Leased Circuit

Glossary (cont'd.)

ISP
Internet Service Provider

Khazanah
Khazanah Nasional Berhad

KPI
Key Performance Indicator

LDI
Long Distance and International

LR
Listing Requirements of Bursa Securities

LTE
Long Term Evolution

M&A
Mergers and Acquisitions

M1
MobileOne Ltd

MCPL
MCorpGlobal Communications Private Limited

MMS
Multimedia Messaging Service

MNC
Multinational Corporation

MNP
Mobile Number Portability

Mobile PABX
Mobile Private Automatic Branch Exchange

MOU
Minutes of Use

MPLS
Multiprotocol Label Switching

MPP
Mobile Party Pays

MSC
Mobile Switching Centre

MTCE
Mobile Telecommunications Company of Esfahan

MTN
MTN Networks (Private) Limited (now known as Dialog)

Multinet
Multinet Pakistan (Private) Limited

NBN
Next Generation National Broadband Network

NBT
National Building Tax

NGN
New Generation Network

NPAT
Net Profit After Tax

NRC
Nomination and Remuneration Committee

OpCos
Operating Companies

PAT
Profit after Tax

PATAMI
Profit after Taxation and Minority Interest

PSTN
Public Switched Telephone Network

QoS
Quality of Service

Samart
Samart Corporation Public Company Limited

SIM
Samart I-Mobile Public Company Limited

SLT
Senior Leadership Team

SME
Small Medium Enterprises

SMI
Small Medium Industries

SMS
Short Message Service

Spice
Spice Communications Limited

SunShare
SunShare Investments Ltd

TM
Telekom Malaysia Berhad

TMI
TM International Berhad (now known as Axiata Group Berhad)

TMI India
TMI India Ltd

TMI Mauritius
TMI Mauritius Ltd

TMIB
TM International (Bangladesh) Limited

TMIC
Telekom Malaysia International (Cambodia) Company Limited

TMIL
TM International (Labuan) Limited

TRI
Technology Resources Industries Berhad

USP
Universal Service Provider

VAS
Value Added Services

VoIP
Voice over Internet Protocol

VPN
Virtual Private Network

WCDMA
Wideband CDMA

WiFi
Wireless Fidelity

WiMax
Worldwide Interoperability for Microwave Access

XL
PT Excelcomindo Pratama Tbk

CURRENCIES

BDT
Bangladeshi Taka, the lawful currency of Bangladesh

IDR
Indonesian Rupiah, the lawful currency of Indonesia

INR
Indian Rupee, the lawful currency of India

PKR
Pakistani Rupee, the lawful currency of Pakistan

Ringgit Malaysia or RM
Ringgit Malaysia, the lawful currency of Malaysia

SGD
Singapore Dollars, the lawful currency of Singapore

SLR
Sri Lankan Rupee, the lawful currency of Sri Lanka

THB
Thai Baht, the lawful currency of Thailand

USD
United States Dollars, the lawful currency of the United States

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF AXIATA GROUP BERHAD (formerly known as TM International Berhad) WILL BE HELD AT GRAND BALLROOM, 1ST FLOOR, SIME DARBY CONVENTION CENTRE, 1A JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR, MALAYSIA ON WEDNESDAY, 20 MAY 2009 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Report of the Directors and the Auditors thereon. **(Ordinary Resolution 1)**

2. To re-elect Tan Sri Dato' Azman Hj. Mokhtar, who retires by rotation pursuant to Article 93 of the Company's Articles of Association. **(Ordinary Resolution 2)**

3. To re-elect the following Directors, who were appointed to the Board during the year and retire pursuant to Article 99 (ii) of the Company's Articles of Association:

   (i) Tan Sri Ghazzali Sheikh Abdul Khalid **(Ordinary Resolution 3)**

   (ii) Datuk Azzat Kamaludin **(Ordinary Resolution 4)**

   (iii) Juan Villalonga Navarro **(Ordinary Resolution 5)**

   (iv) Gita Irawan Wirjawan **(Ordinary Resolution 6)**

   (v) Ismael Fariz Ali **(Ordinary Resolution 7)**

   (vi) David Lau Nai Pek **(Ordinary Resolution 8)**

4. To approve payment of Directors' fees of RM1,376,697.00 for the financial year ended 31 December 2008. **(Ordinary Resolution 9)**

5. To re-appoint PricewaterhouseCoopers having consented to act as the Auditors of the Company for the financial year ending 31 December 2009 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 10)**

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following Ordinary Resolutions:

6. (i) **Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**

"**THAT** pursuant to Section 132D of the Companies Act, 1965, full authority be and is hereby given to the Directors to issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued, does not exceed 10% of the issued share capital of the Company for the time being, where such approval is necessary."

(Ordinary Resolution 11)

(ii) **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature**

"THAT in accordance with paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), approval be and is hereby given for Axiata Group Berhad (Company) and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Appendix I of the Circular to Shareholders despatched together with the Company's 2008 Annual Report, which are necessary for the day-to-day operations in the ordinary course of business of the Company and/or its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT such approval shall continue to be in full force and effect until:

(a) the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;

(b) the expiration of the period within which the Company's next Annual General Meeting is required to be held under Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed under Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier;

AND THAT the Board of Directors of the Company be and is hereby authorised to complete and do all such acts, deeds and things (including, without limitation, to execute such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) to give effect to the aforesaid shareholders' mandate and any transaction contemplated under this resolution."

(Ordinary Resolution 12)

7. To consider 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 Annual General Meeting, the Company shall request from Bursa Malaysia Depository Sdn. Bhd. in accordance with the provisions under Article 66 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors (General Meeting ROD) as at 11 May 2009. Only a depositor whose name appears on the General Meeting ROD as at 11 May 2009 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

Suryani Hussein (LS0009277)
Group Company Secretary

Kuala Lumpur, Malaysia
29 April 2009

NOTES:

1. *A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of* **AXIATA GROUP BERHAD** *and the provisions of Section 149(1) (a), (b), (c) and (d) 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. *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 89 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, Tenaga Koperat Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding of the Meeting or at any adjournment thereof.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

Authority to allot and Issue Shares under Section 132D of the Companies Act, 1965

(i) The proposed Ordinary Resolution 11, if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

Proposed New Shareholders' Mandate

(ii) The proposed Ordinary Resolution 12, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next Annual General Meeting unless authority for its renewal is obtained from shareholders of the Company at a general meeting.

Detailed information on the proposed new shareholders' mandate is set out in Appendix I of the Circular to Shareholders despatched together with the Company's 2008 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS RANKING FOR RETIREMENT AND RE-ELECTION AT THE SEVENTEENTH ANNUAL GENERAL MEETING

The following are Directors retiring pursuant to Article 93 and Article 99(ii) of the Company's Articles of Association:-

Article 93: Retirement by rotation:

Tan Sri Dato' Azman Hj. Mokhtar

Article 99(ii): Retirement after appointment to fill casual vacancy:

1. Tan Sri Ghazzali Sheikh Abdul Khalid
2. Datuk Azzat Kamaludin
3. Juan Villalonga Navarro
4. Gita Irawan Wirjawan
5. Ismael Fariz Ali
6. David Lau Nai Pek

The respective profiles of the above Directors are set out in the Profile of Directors' section of the Annual Report from page 56 to page 61. None of the above Directors have any direct and/or indirect interest in the Company and its related corporation.

Administrative Details for the 17th Annual General Meeting

Date : 20 May 2009

Time : 10.00 am

Place : Grand Ballroom, 1st Floor, Sime Darby Convention Centre (SDCC), 1A Jalan Bukit Kiara 1
60000 Kuala Lumpur, Malaysia

PARKING

1. Parking is free and you are advised to park your vehicle at SDCC car park.

REGISTRATION

2. Registration will start at 8.00 am at the entrance of the meeting hall.
3. Please read the signage to ascertain the registration area to register yourself for the meeting and join the queue accordingly.
4. Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC thereafter.
5. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
6. You will be given an identification wristband and no person will be allowed to enter the meeting hall without the wristband. There will be no replacement in the event that you lose or misplace the identification wristband.
7. If you are attending the meeting as shareholder as well as proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall.
8. After registration, please leave the registration area immediately and proceed to the meeting hall.
9. No person will be allowed to register on behalf of another person even with the original IC of that other person.
10. The registration counter will handle only verification of identity and registration.

HELP DESK

11. Please proceed to the Help Desk for any clarification or queries.
12. The Help Desk will also handle revocation of proxy's appointment.

GENERAL MEETING RECORD OF DEPOSITORS

13. For the purpose of determining a member who shall be entitled to attend the 17th AGM the Company shall request Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 66 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 11 May 2009. Only a depositor whose name appears on the Record of Depositors as at 11 May 2009 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf respect of the number of shares registered in their name at that time.

PROXY

14. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him/her. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.
15. If you wish to attend the meeting yourself, please do not submit any Proxy Form for the meeting that you wish to attend. You will not be allowed to attend the meeting together with a proxy appointed by you.
16. If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.
17. If you wish to submit your Proxy Form by facsimile, please fax to the office of the Share Registrar, Tenaga Koperat Sdn Bhd (Share Registrar) at Fax No. 603-2282 886 not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Please also ensure that the original Form of Proxy is deposited at the office of the Share Registrar not less than 48 hours before the time appointed for holding the meeting.

CORPORATE MEMBER

18. Any corporate member who wishes to appoint a representative instead of a proxy to attend the meeting should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the meeting or to the registration staff on the meeting day for the Company's records.

ENQUIRY

18. If you have general queries prior to the meeting, please contact the Share Registrar during office hours:-

Telephone	:	General	603-22643883
		Suzana Abdul Rahim	603-22643887
		Afifah Abu Bakar	603-22643894
Fax	:	603-22821886	

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PROXY FORM

(Before completing the form, please refer to the notes overleaf)

AXIATA GROUP BERHAD
(formerly known as TM International Berhad)
(Company No. 242188-H)
(Incorporated in Malaysia)

"A" I/We, ...
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) .... (OLD NRIC NO.) .... (Company No.) ....

of..
(FULL ADDRESS)

....

being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint ....

....
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) .... (OLD NRIC NO.) ....

of ....
(FULL ADDRESS)

or failing him/her, ...
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) .... (OLD NRIC NO.) ....

of ....
(FULL ADDRESS)

....

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy to vote for me/us on my/our behalf at the 17th Annual General Meeting of **AXIATA GROUP BERHAD (Company)** to be held at Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 20 May 2009 at 10.00 a.m. or at any adjournment thereof.

"B" If you wish to appoint a second proxy, please complete this section.

I/We, ...
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) .... (OLD NRIC NO.) .... (Company No.) ....

of..
(FULL ADDRESS)

....

being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint ....

....
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) .... (OLD NRIC NO.) ....

of ....
(FULL ADDRESS)

or failing him/her, ...
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) .... (OLD NRIC NO.) ....

of ....
(FULL ADDRESS)

....

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy to vote for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held at Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 20 May 2009 at 10.00 a.m. or 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%

Please fill in the proportion of the holding to be represented by each proxy

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 or abstain at his/her discretion.

		Proxy "A"		Proxy "B"	
No.	**Resolutions**	**For**	**Against**	**For**	**Against**
1.	Ordinary Resolution 1 – To receive the Audited Financial Statements for the financial year ended 31 December 2008 and Reports				
2.	Ordinary Resolution 2 – Re-election of Tan Sri Dato' Azman Hj Mokhtar				
3.	Ordinary Resolution 3 – Re-election of Tan Sri Ghazalli Sheikh Abdul Kadir				
4.	Ordinary Resolution 4 – Re-election of Datuk Azzat Kamaludin				
5.	Ordinary Resolution 5 – Re-election of Juan Villalonga Navarro				
6.	Ordinary Resolution 6 – Re-election of Gita Irawan Wirjawan				
7.	Ordinary Resolution 7 – Re-election of Ismael Fariz Ali				
8.	Ordinary Resolution 8 – Re-election of David Lau Nai Pek				
9.	Ordinary Resolution 9 – Approval of payment of Directors' Fees				
10.	Ordinary Resolution 10 – Re-appointment of Auditors				
11.	**Special Business** i) Ordinary Resolution 11 – Authority to Allot and Issue shares under Section 132D of the Companies Act, 1965 ii) Ordinary Resolution 12 – Proposed Shareholders' Mandate				

Signed this __________ day of ____________________ 2009

No. of ordinary shares held	CDS Account No. of Authorised Nominee*

* Applicable to shares held through a nominee account

Signature(s)/Common Seal of Member(s)

Notes:

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of **AXIATA GROUP BERHAD (Company)** and the provisions of Section 149(1)(a), (b), (c) and (d) 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. 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 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 89 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, Tenaga Koperat Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding of the Meeting or at any adjournment thereof.

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STAMP

Tenaga Koperat Sdn Bhd (118401-V)

Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

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