TM VENTURES

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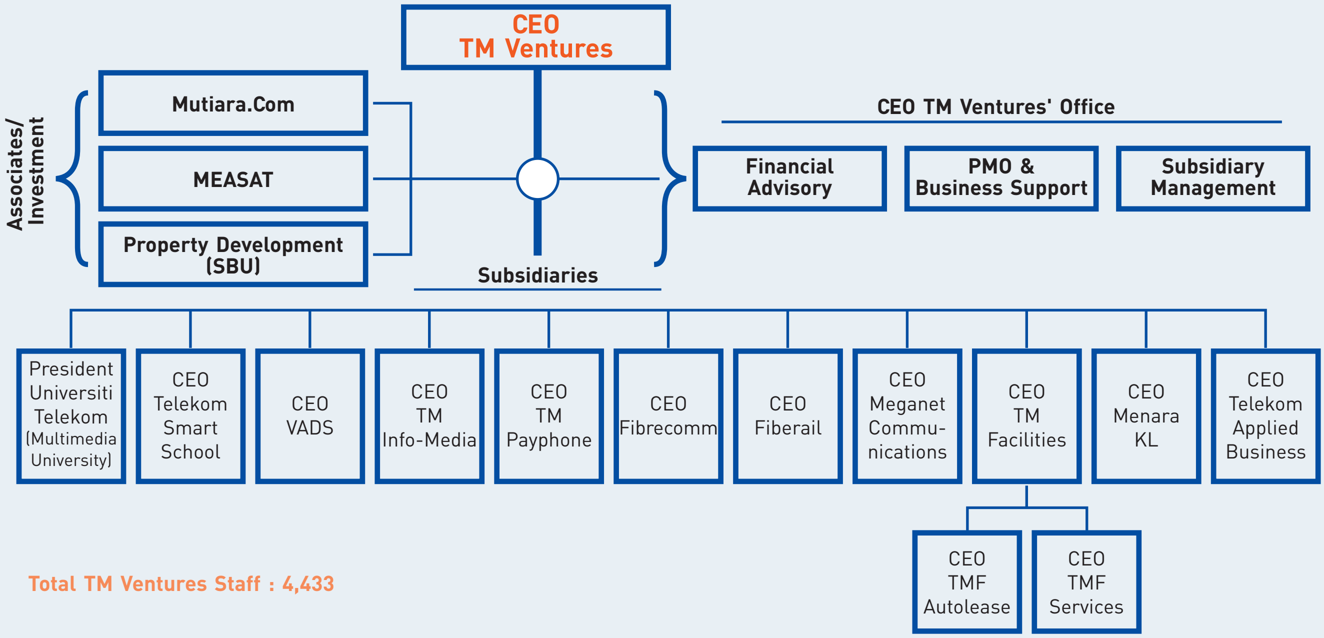
CHIEF EXECUTIVE OFFICER
TM Ventures

THE MAIN STRATEGIC ROLE OF TM VENTURES, THE NEWLY FORMED SBU OF TM GROUP, IS TO ENSURE THAT THE MANDATE UNDER THE PERFORMANCE IMPROVEMENT PROGRAM (PIP) IS ACHIEVED, BY PROVIDING A STRATEGIC AND HOLISTIC APPROACH TO THE FOLLOWING:

- REVIEW AND STREAMLINE BUSINESS ACTIVITIES, BUILD SCALE AND CLARIFY COMPETENCY LEVELS OF EACH SUBSIDIARY
- PROVIDE BUSINESS ADVISORY AND STRATEGY TO TM VENTURES CORPORATE PORTFOLIOS
- UNDERTAKE PERIODIC REVIEWS AND MONITOR THE BUSINESS PERFORMANCE OF CORPORATE PORTFOLIOS; AND
- ENSURE ACCOUNTABILITY AND COMPLIANCE

TM Ventures' office is supported by three key units, namely Financial Advisory, Subsidiary Management and Program Management Office (PMO) cum Business Support.



For the year ending 2006, TM Ventures Group recorded a 7.8% growth in revenue at RM1,214.5 million (2005: RM1,126.6 million). Meanwhile, operating costs (without depreciation) went up by 9.2% to RM999.1 million (2005: RM915.1 million). TM Ventures' earning before interest, tax, depreciation and amortisation (EBITDA) stood at RM215.4 million, an increase of 1.8% from the previous year (2005: RM211.5 million). This has resulted in a profit after tax and minority interest (PATAMI) of RM89.4 million, a growth of 63.7% compared to 2005 PATAMI (RM54.6 million).

During the year, a total of RM302.3 million was spent on capital expenditure (Capex), mainly to support the acquisition of business and business assets of Petrofibre Network (M) Sdn Bhd (PFN) by Fiberail, the Rationalisation & Transformation exercise of Kedai Telekom (TMpoint), construction of the TM Annex 2 and TMR&D Complex (Cyberjaya) and the phase 2 development at Multimedia University.

Following the establishment of TM Ventures in September 2006, activities during the initial months centred on strengthening resource requirements under the new organisation structure. TM Ventures also formulated a high-level roadmap to chart the activities and future corporate direction for subsidiaries under its purview.

In December 2006, TM Ventures successfully integrated Telekom Applied Business Sdn Bhd (TAB) into TM Malaysia Business (TMMB) to become the product development house for TMMB, especially in supporting TMMB to develop value-added services such as Voicemail and VoiceSMS.

In 2007, TM Ventures' focus will be to review and streamline the business activities of the portfolio of companies and investments under its purview, and at the same time identify opportunities and strategies for business growth, with the eventual aim of enhancing the shareholder value of TM Group.

VADS BERHAD

Managed ICT Services leader – VADS

VADS strives to be a leading Managed ICT Services Provider with a focus on empowering companies to be more productive and efficient with the industry's most advanced information, communications and technology. VADS aims to add value for its customers through professional solutions, services consulting and training in the business areas of Managed Network Services (MNS), Systems Integration Services (SIS) and Contact Centre Services (CCS).

VADS strengthened its market position with its fifteenth year of uninterrupted revenue growth. This was achieved through effective cost management, improvement of overall operating margins, and growing services in tandem with customers' needs. In 2006, VADS hit a new milestone when its revenue surpassed the RM300 million mark at RM368.1 million. This was reflected in a profit after tax (PAT) of RM32.4 million, an increase of 87.3% from the previous year.

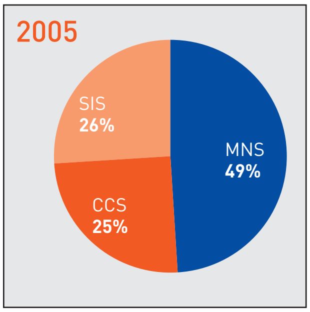
Given the focus on corporate and government sector networking requirements, MNS revenue increased to RM202.1 million for 2006. Despite a challenging SIS market, VADS managed to grow its customer accounts, and SIS contributed

RM57.6 million to the VADS Group. As one the largest contact centre service operators in Malaysia, CCS revenue has also grown by 60.1% to RM108.4 million in 2006.

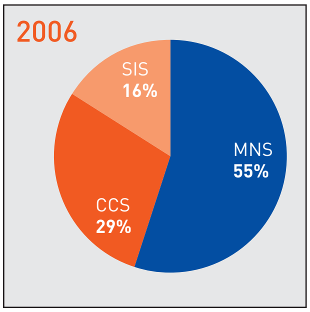
Total shareholders' return in 2006 was 91.6% through encouraging share price performance and dividend payments.

The Board of Directors recommended to the shareholders a final tax-exempt dividend of 15 sen per share on top of the 10 sen per share interim dividend already paid. This represents a total tax-exempt dividend of 25 sen per share, translating to a dividend payout of 47.8% of PAT for the year. With the encouraging share price performance and dividend payments, total shareholders' return in 2006 was 91.6%.

Breakdown of Revenue



Total Operating Revenue: RM266.3 million



Total Operating Revenue: RM368.1 million

MANAGED NETWORK SERVICES (MNS)

MNS focuses on corporate and government networking requirements with a suite of products that meet diverse customer requirements. In an effort to continuously innovate for a consistent delivery of quality technical support, network expertise and customer service, VADS enhanced its service levels and offerings for MNS and its value added services such as Managed Security, Managed IP Telephony and Managed Data Center Services.

VADS was re-certified as Cisco's Silver Partner which reflects its strong commitment to customer service and to enhance MNS' value and capabilities.

VADS actively collaborates with international and regional telecommunication companies to offer a portfolio of managed global and local networking services in Malaysia. In 2006, VADS added three new partnerships – Orange, Asia Netcom and Pacific Internet. These collaborations will enable VADS to capitalise on their partners' global experience and expertise.

SYSTEMS INTEGRATION SERVICES (SIS)

SIS provides e-infrastructure solutions in areas such as hardware (servers and PCs), software, maintenance and performance monitoring services. The division continues to build on its skills, knowledge and experience for its products and services, whilst actively collaborating with alliances such as Microsoft and IBM to advance and empower companies in their efficiency and productivity. The Managed Messaging Service was well received by the corporate sector as messaging becomes a critical business communications tool.

CONTACT CENTRE SERVICES (CCS)

Through CCS, VADS helps corporations to effectively and productively manage their customer relationships. CCS provides Inbound and Outbound Customer Service and Technical Support through an integrated multi-lingual and multi-channel interaction. In addition, CCS also offers Contact Centre Technologies, Training and Consultancy.

The key focus for CCS has been to ensure better service experience for customers whilst increasing the value of these interactions for clients.

VADS has also started certification from the internationally recognised Customer Operations Performance Centre to ensure world class standards for CCS.

GROWING OUR FUTURE

VADS will continue to improve on its success by focusing on people and business growth, by upgrading human knowledge and professionalism with high quality customer service, and by keeping abreast of industry and technology developments for better innovation in service offerings.

Looking at 2007, VADS is optimistic about the receptiveness of the marketplace, and the continued demand for Managed ICT Services. VADS also anticipates to secure new contracts from the corporate and government sectors as they face challenges in hiring experienced IT personnel, the increased demand for communications beyond geographical boundaries and technological changes. VADS will continue to invest in and develop innovative customer solutions, synergising with TM Group offerings in our core areas of MNS, SIS and CCS to sustain growth momentum.

FIBERAIL SDN BHD

Incorporated in 1992 to provide telecommunications network related services, Fiberail Sdn Bhd (Fiberail) was set up as a joint–venture company between TM (60%) and Keretapi Tanah Melayu Berhad (KTM) (40%). The Company plays a vital role in complementing TM Group's support for the establishment of Malaysia as a global hub for communications and multimedia. In February 2006, Fiberail concluded the purchase of Petrofibre Network (M) Sdn Bhd (PFN)'s assets for RM101.8 million. As a result, PFN became a shareholder in Fiberail, holding a 10% stake, whilst TM and KTM's shareholding were diluted to 54% and 36% respectively. This presents an opportunity for future business growth from greater synergies and combined experience. With the acquisition, Fiberail now has the exclusive usage of two corridors, namely the KTM railway corridor and Petronas's gas pipeline corridor. Known as a "carrier's carrier", Fiberail provides the backbone infrastructure which comprises Dark Fibre leasing, Bandwidth services, Metro Ethernet, Ancillary services and Turnkey Network solutions. With 20 Operations Centres nationwide, the National Control Centre at KTM Railway Station Building and a 24-hour Helpdesk, Fiberail is able to cater to its customers' needs in a timely and efficient manner.

Fiberail's MS ISO 9001:2000 Quality Management Systems certification encompasses planning, development, operations and maintenance, business management and support services of the fibre optic network for telecommunication purposes and business development for new products. The Company strictly adheres to ISO procedures thus ensuring quality management and customer satisfaction at all times. Fiberail's current 138,293 km fibre optic core network rides along the railway and gas pipeline corridor from Padang Besar and Bukit Kayu Hitam to Johor Bahru, and branches out from Gemas to Tumpat and Rantau Panjang, and from Segamat to Paka in Terengganu.

For the financial year ended 31 December 2006, Fiberail recorded revenue of RM98.7 million, representing a significant growth of 104.6%, while profit after tax was at RM6.38 million, an increase of 81.7%. The significant growth recorded was mainly due to the acquisition of assets and business of PFN coupled with Fiberail's growth in existing revenue.

In 2006, Fiberail ventured into new locations namely Kuala Lumpur City Centre; Kompakar Data Centre, Petaling Jaya; Petronas Bangi Data Centre, Bangi; E2 Data Centre, Cyberjaya and Great Eastern Mall Data Centre, Jalan Ampang.

The year also marked another milestone for Fiberail with the granting of a nationwide operating licence by the Malaysian Communications and Multimedia Commission (MCMC). With this licence, Fiberail is able to add value to its customers via a wider network reach. As part of its sustainable growth and development, Fiberail will, together with its Strategic Global Alliances, constantly work towards improving network coverage. Intrinsic to its growth initiatives, Fiberail will continue to invest in staff training, enhance customer confidence and measure customer satisfaction to further foster a competent service culture.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur Sdn Bhd (Menara Kuala Lumpur) operates the fourth tallest telecommunications tower in the world, which is one of the most popular destinations for tourists who visit the capital. Located atop Bukit Nanas at a breathtaking height of 421 meters, Menara Kuala Lumpur plays a vital role in broadcasting and telecommunications, with national broadcaster Radio Televisyen Malaysia (RTM) and TM as its main partners. Built to improve transmission quality, Menara Kuala Lumpur has become an icon that symbolises Malaysia as a business hub providing world class services.

A Kuala Lumpur landmark – Menara KL

Menara Kuala Lumpur is dedicated to offering a complete experience and adventure for its visitors who have the opportunity to enjoy spectacular views of Kuala Lumpur city, shop and dine in comfort and grandeur while witnessing the tower's very own culture troupe showcasing a variety of performances. Its reputation from these experiences has benefited its retail outlets as a result of extended stays by visitors.

From the day it was opened in 1996, Menara Kuala Lumpur has received a total of 8,822,142 visitors. In 2006 alone, the tower attracted a total of 678,626 visitors, of which approximately 464,492 were foreigners. While Menara Kuala Lumpur tends to attract visitors predominantly from India, Saudi Arabia, Indonesia, Japan, Hong Kong, Singapore, China, United Kingdom and

Australia, the majority of foreigners in 2006 were from Hong Kong. The tower is expected to receive more encouraging visitors in conjunction with Visit Malaysia Year 2007.

For the financial year ended 31 December 2006, Menara Kuala Lumpur recorded total revenue of RM88.8 million (2005: RM84.6 million). Profit after tax was at RM48.8 million (2005: RM45.1 million).

Both local and international events have always been a popular attraction and a mainstay for Menara Kuala Lumpur. For the past eight years, the tower has played host to international events such as the Kuala Lumpur Tower International Jump (KLTIJ). The initiative was also extended to other states, including Sabah, Sarawak and Pulau Pinang, in an effort to promote the Visit Malaysia Year 2007.

Another annual event in which Menara Kuala Lumpur plays host to is the International Towerthon, an uphill 800-meter run from the foot of the tower right to the Mega View Banquet Deck (Tower Head Level 3 or about 288 metres above sea level), via the 2,058 step stairwell of the tower.

In conjunction with its 10th Anniversary Celebration, Menara Kuala Lumpur also organised a Nationwide Charity Musical Walkathon in 2006, which was endorsed by the Ministry of Women, Family & Community Development, for the benefit of Orang Kurang Upaya (OKUs). Popular local artiste Mawi was appointed as the tower's Brand

A Bird's eye view of Kuala Lumpur from Menara KL

Ambassador in a bid to attract a larger crowd to the event and for them to also experience TM's showcase of products at the various locations. About 70,000 participants, including the disabled, participated in this event.

As a member of the World Federation of Great Towers (WFGT), Menara Kuala Lumpur is currently preparing to host the WFGT 2007 Conference in Kuala Lumpur from 3 – 8 September 2007. Delegates from 20 renowned towers around the world will gather at this conference.

To further boost traffic to the tower, Menara Kuala Lumpur has set up a premise at the KLIA Satellite Building to provide transit packages to the tower, targeting a potential market of 4 million transit passengers.

For 2007, Menara Kuala Lumpur has planned for more world-class events, including the regular KL International Jump, Towerthon, KL Tower Hunt, Tower Kidz Birthday Celebration, and Walk Down Memory Lane in conjunction with the 50th Independence Day Celebrations. New 'Agro-tourism' and 'Eco-tourism' products will also be promoted in 2007.

Leveraging on its track record and experience, Menara Kuala Lumpur will be managing Menara Alor Star and Muzium Telekom in 2007. Menara Kuala Lumpur is also confident that Visit Malaysia Year 2007 will generate even more support from key industry players, and will work in partnership with the Ministry of Tourism and City Hall to help make the auspicious year a success. With the dedication and commitment of management and staff of TM Group, Menara Kuala Lumpur's iconic status will continue to prevail.

TM INFO-MEDIA SDN BHD (TMIM)

TM Info-Media, formerly known as Telekom Publications Sdn Bhd, is widely recognised as the publisher of Yellow Pages, White Pages, Malaysian Chinese Pages, Malaysia Tourist Pages, Halal Pages, Oil & Gas Directory and Corporate Agriculture Pages. Being the custodian of updated information on Malaysian businesses nationwide, TMIM's competitive edge has brought the annual Yellow Pages to the No. 1 spot in terms of directory listings for Malaysian businesses in the country. With user-friendly listings, wide distribution and excellent client servicing, the Yellow Pages has certainly maintained its popularity.

At company level, TMIM registered an EBITDA growth of 89.3% as well as a pre-tax profit of RM12.4 million for the year under review.

Realising the vast information cache that has been mined over the years, TMIM's focus in 2006 was to unleash the potential of the Company through various strategies and products that would take advantage of smart partnerships with other parties (including TM Group subsidiaries and the Government). As such, the year under review saw significant progress within TMIM's business.

In support of Visit Malaysia Year 2007, TMIM collaborated with Pempena Sdn Bhd, an agency of the Ministry of Tourism Malaysia, to produce the Malaysia Tourist Pages. Targeted for nationwide distribution in the first three months of 2007, the Malaysia Tourist Pages will have a new look and tourist-friendly content, and is positioned to be the ideal information platform for both advertisers and tourists.

Complementing the Yellow Pages is the Internet Yellow Pages: Launched in 2006, the site proved to be a winner with an average of 65,000 page views a day. The website features comprehensive and user-friendly listings and new features such as mapping services.

To provide further support for advertisers of Yellow Pages TMIM launched YellowPost, a free weekly English paper in September 2006. With 100,000 copies of this content-rich media hitting the streets every Friday, YellowPost is a perfect platform for advertisers who want to target the urban population of the Klang Valley during the weekends, giving the paper a longer 'read' life than national dailies.

YellowPost has created its exclusivity by being focused on social, welfare and community issues, with the aim of fostering a better understanding and respect among Malaysians towards national unity.

TMIM's direction in providing publishing services to corporations and other government agencies is in full swing. The booklet-sized Kitar Semula directory was published for the Ministry of Housing and Local Government, with the aim of providing a listing of companies that operate in the waste recycling industry. Kitar Semula also marks TMIM's strategy to broaden its publishing services.

The Company is well positioned to perform even better in 2007, and is poised to become a broad-based multi-channel company that offers much more than directories. As a comprehensive media company, TMIM expects to see many more innovative products that will meet telecommunications, information and consumer needs, while pursuing collaborative efforts locally and internationally.

FIBRECOMM NETWORK (M) SDN BHD

Fibrecomm Network (M) Sdn Bhd (Fibrecomm) was incorporated as a Joint Venture Company between Celcom (M) Bhd and Tenaga Nasional Bhd. Fibrecomm is a 51% owned subsidiary of Celcom catering to the needs of service providers. Fibrecomm's core business is in the provision of telecommunication network services focusing on connectivity and applications, including dark fibre, wavelength, bandwidth, IP, Ethernet and Co-location services. To-date, Fibrecomm has installed approximately 98,000 km of fibre optic cables that forms a unique transport and access network throughout Peninsular Malaysia.

Despite operating in a highly competitive environment which saw a continued decrease in bandwidth prices, 2006 was a successful one for Fibrecomm, having achieved strong year-on-year growth in revenue and an increase in profit by more than twofold. The Company recorded revenue of RM49.3 million compared to RM43.4 million in the preceding year, signifying continued confidence from its customers.

In an effort to expand its network and sustain competitiveness, Fibrecomm upgraded its backbone capacity in 2006 by using the state-of-the-art DWDM (Dense Wavelength Digital Multiplexer) technology, which enables Fibrecomm to increase its backbone capacity up to 40 Lambda, thus allowing the Company to offer more flexible and cost effective solutions for its customers. The DWDM platform is expected to serve as a main catalyst for growth for the Company in the future. Another milestone in 2006 was recorded when Fibrecomm's network reach extended beyond Peninsular Malaysia, with the establishment of new Point of Interconnections (POI) at the Malaysia-Thailand border, in addition to the current point with Singapore, as well as the extension of Fibrecomm's reach to East Malaysia through the collaboration with Sacofa Sdn Bhd.

Fibrecomm remains committed to boosting shareholder value as well as sustaining and improving its growth momentum. This will be done by further enhancing customers' experiences, developing people and accelerating profitable growth. The Company is also well positioned to offer state-of-the-art technologies and solutions to the marketplace, to live up to its core vision: *To be the network carrier of choice in Malaysia and in the region.*

UNIVERSITI TELEKOM SDN BHD (MULTIMEDIA UNIVERSITY)

As the first fully private university to be established in Malaysia, Multimedia University (MMU) strives to be a world-class academic institution in the fields of engineering, information technology, management, creative arts and multimedia technology. The year 2006 witnessed outstanding success in positioning MMU as a major international institution, and to be profoundly engaged within the Asia-Pacific region across the full range of the university's functions, including research, undergraduate and postgraduate education and community services.

Faculties in MMU also stepped up their activities and offerings, employing the best teaching resources to offer cutting-edge degree programmes. This has brought a wealth of learning opportunities to MMU students and enhanced the market value of MMU graduates worldwide.

MMU graduates are renowned for their superior quality, which has resulted in a consistently high employment rate in the industry. In 2006, MMU produced a total of 121 diploma graduates, 2,625 bachelors degree graduates, 197 masters degree graduates, 12 PhD degree graduates and 1 Honorary Doctorate. Student enrolment rose to 4,549, comprising 2,624 undergraduates and 1,925 postgraduates. MMU has a total of 19,144 students comprising 16,345 local and 2,799 international students from 81 countries.

Financially, MMU continued to be a self-sustaining university throughout 2006 with healthy cash flow.

For more information on MMU's activities for 2006, please refer to *Fostering a Knowledge Based Nation.*

MMU – Malaysia's leading private university

TELEKOM SMART SCHOOL SDN BHD

Building Malaysia's Smart School curriculum – TSS

Telekom Smart School Sdn Bhd (TSS) was established on 22 July 1999 to develop and implement the Malaysian Smart School pilot project in collaboration with the Malaysian Ministry of Education (MOE) and Multimedia Development Corporation (MDeC). Since the completion of the project in December 2002, TSS, an MSC Status Company has established several key businesses in eEducation such as content development and school applications (School Management System – eSkool and Learning Management Systems-eLearn). The Company is also a pioneer in eEducation solutions for schools and organisations, locally and abroad.

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

In its effort to reinforce itself as the leading e-Learning player in the market, TSS is also dynamically involved in promoting its products and services via exhibitions and seminars to a targeted audience.

For more information on TSS' activities for 2006, please refer to *Fostering a Knowledge Based Nation.*

MEGANET COMMUNICATIONS SDN BHD

Meganet Communications Sdn Bhd (Meganet) was incorporated in 1997 as a Joint Venture Company between TM (70%) and NTT Communications Corporation of Japan (30%). Meganet is a systems integrator which specialises in system solutions and project management in the areas of ICT, security and convergence technologies. Its main target markets are government agencies, GLCs and SMEs. For the financial year ended 31 December 2006, the Company recorded revenue of RM14.1 million, 42.7% lower than last year (2005: RM24.6 million). The decline in revenue was due to the effects of a highly competitive business environment.

In 2006, Meganet secured projects with Lembaga Hasil Dalam Negeri, Majlis Bandaraya Shah Alam, Bank Negara Malaysia, Government Integrated Telecommunications Network (GITN) and other similar projects worth more than RM20 million. These achievements were a result of the Company's strategic alliances with the government sector.

In response to rapid technological advances and to remain competitive in the Malaysian System Integrator market, Meganet has managed to form more strategic alliances with global partners such as Huawei-3Com Technology Co. Ltd, Gallagher Security Management Systems, Air Broadband

Communications Inc, Top Layer Networks and Exinda Networks. In its effort to further promote TM Group's products and services, Meganet has also joined the corporate reseller programme with TM Net and also formed a partnership with TM Retail.

Meganet's tagline of 'Smart Ideas, Smart Solutions' translates into the Company's creative and innovative solutions developed under the Technology Innovation Group. The innovative guard tour system (a system that tracks the movement of security personnel on duty) is a prime example of Meganet's innovation and has been marketed overseas via Gallagher Security Management Systems, in tandem with their products. Its partnerships with other advanced technology groups worldwide have taken Meganet to the next level, including the development of value added software and services, some of which have been adopted by its partners for worldwide distribution.

Meganet will continue its efforts to grow its business, as well as strategically position itself to be one of the respected companies in the Malaysian IT industry.

TM FACILITIES SDN BHD

TM Facilities Sdn Bhd (TMF) is the management holding company of TM which owns a landbank targeted for disposal and/or joint development.

In January 2006, TMF successfully completed the transfer of management of three SBUs, namely Property Development (PD), Malaysian Security (MS) and Malaysian Logistics (ML) back into TM, with the objective of streamlining the TMF Group as the service provider for TM Group's fleet management and facility management requirements (Phase 1 of TMF transformation). In September 2006, under Phase two of TMF's transformation, two SBUs, namely Fleet Management (FM) and Facilities Management & Infrastructure Development (FMID) were subsumed into two wholly owned TMF subsidiaries, TMF Autolease Sdn Bhd (TMFA) and TMF Services Sdn Bhd (TMFS). TMFA provides autoleasing and vehicle-related services to the TM Group while TMFS provides facilities management services. Both subsidiaries have commenced full operations effective 1 January 2007.

For the financial year ended 2006, TMF registered revenue of RM50.6 million at company level, compared to RM8.8 million in 2005. Costs came to RM30.8 million (2005: RM6.5 million). Correspondingly, there was a reduction in PAT to RM14.3 million (2005: RM8.9 million loss due to RM10.7 million impairment of assets).

TMF AUTOLEASE SDN BHD

(formerly known as TM AUTOLEASE SDN BHD)

TMF Autolease Sdn Bhd (TMFA) is the sole vehicle provider to TM Group and is responsible for management of the entire TM fleet, which stood at 6,093 units as at December 2006. This figure included 500 new units purchased during the year for RM51.7 million. A total of 530 vehicles were returned due to cost saving initiatives and reorganisation by various divisions within TM at the end of 2006. Light utility vehicles and saloon cars were the most popular types, accounting for 47.8% and 14.6% respectively of the total number of vehicles. TM Wholesale remained the major customer, with about 3,400 vehicles or 55.8% of TMFA's vehicle base. With a staff strength of 225, TMFA operates from seven zone offices and manages 30 service outlets nationwide.

TMF SERVICES SDN BHD

(formerly known as TELEHARTA SDN BHD)

TMF Services Sdn Bhd (TMFS) oversees daily operations and maintenance services for all TM facilities and installations, including office buildings, exchanges, telecommunication towers and masts. TMFS' work comprises mainly servicing of electrical AC & DC, as well as generator and air-conditioning systems management. Others include mechanical and civil engineering services. Responsible for a total lettable area of 26 million square feet, TMFS mobilises its 693 staff to manage various types of buildings (4,054 units), cabins (1,582 units), FTTO/FTTS (4,500 units) and towers & masts (719 units). There are currently 12 zone offices located at the respective regions which manage vendors and contractors nationwide.

In 2006, TMFS embarked on several quality initiatives in an effort to uphold its high standard of services, including the application for the Environment Management System (EMS) and ISO 9001 certifications. The EMS installation at Menara TM, which carries the ISO 4001 certification, is expected to be completed by March 2007. Meanwhile, TMFS is reviewing processes to expedite the completion of the ISO 9001 certification. TMFS also achieved an Internal Customer Satisfaction of 90% based on a survey conducted in December 2006.

PROPERTY DEVELOPMENT

As the internal advisor and custodian for land and building matters for TM Group, the Property Development (PD) division manages the Group's land bank and assets. The key responsibilities which form a positive contribution to the Company's profitability are as follows:

- To administer TM's land and property.
- To turn idle land banks into value by disposing or developing pieces of land jointly with reputable developers, in a strategic manner.
- To weigh and study options on cost saving initiatives especially in utilities consumption and related property taxes.

In 2006, PD unlocked RM43.0 million worth of idle landbank, namely Lorong Kuda (RM32.5 million), Manjalara (RM4.6 million) and Lengkok Setiabudi (RM5.9 million). PD also contributed savings of RM7.8 million on reductions in quit rents, lease rentals & utilities. To date, PD has successfully unlocked over 1,678 acres of land, of which 14 acres were sold off and the remaining jointly developed with other parties, with a development period ranging from three to seven years.

Over the next few years, PD targets to unlock the remaining parcels of land located in Melaka, the Klang Valley, Penang, Johor, Negeri Sembilan, Sabah and Sarawak with a total acreage of about 1,500 acres.

TM PAYPHONE SDN BHD

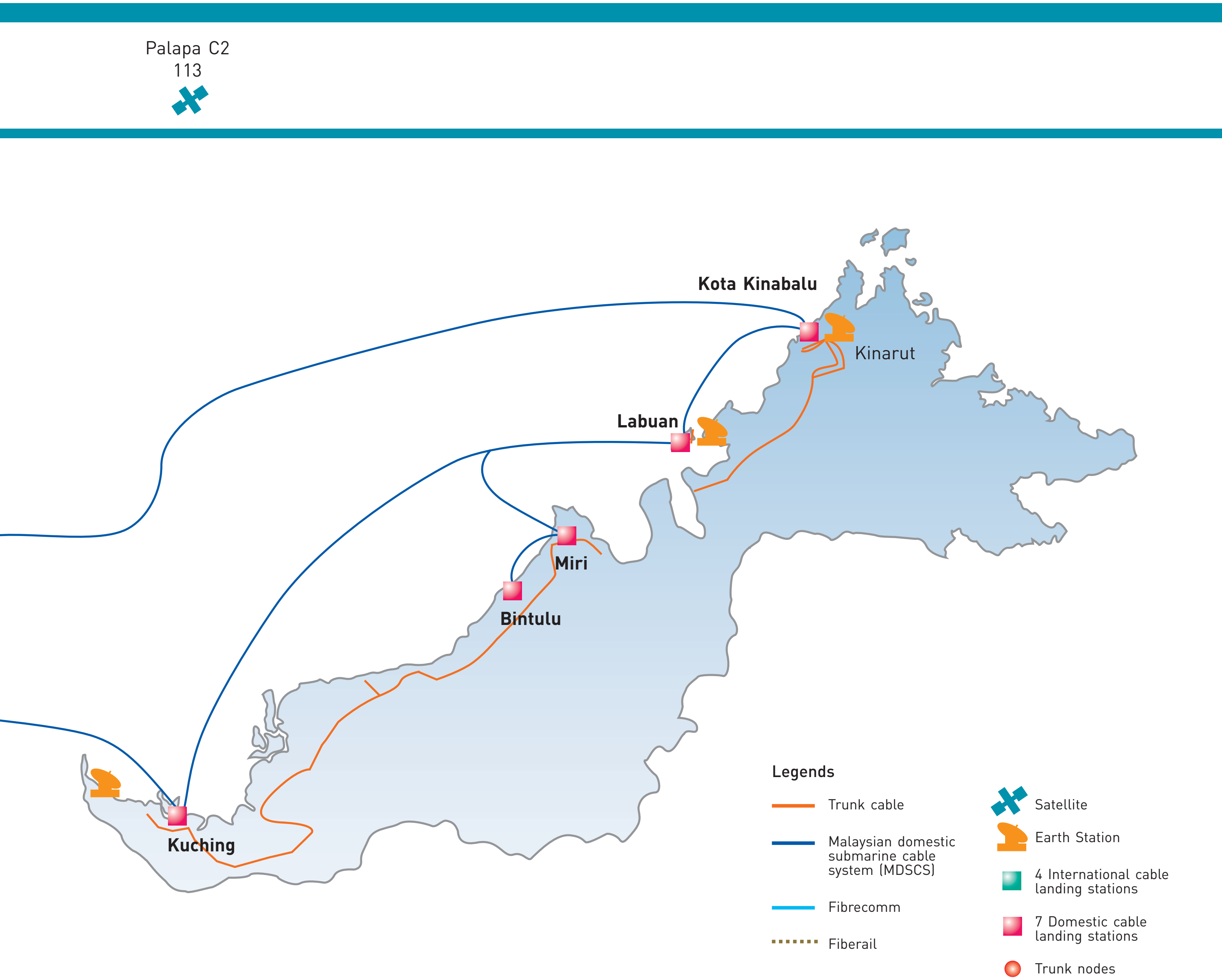
TM Payphone Sdn Bhd (TMP) is the main payphone operator in the country. For the financial year ended 31 December 2006, TMP recorded revenue of RM154.4 million, 24.4% lower than last year (2005: RM204.1 million). ARPU per phone per month stood at RM198 compared to RM264 in the previous year.

As at December 2006, TMP had 57,311 sets of payphones throughout Malaysia. During the year, TMP implemented the Universal Service Provider project whereby a total of 1,413 payphones were installed in rural areas. TMP also continued with the refurbishing and repainting of the payphone booths to reflect the Group's new brand identity.

TMP also embarked on numerous initiatives in 2006, including campaigns and talks, on ways to improve overall performance and awareness on payphones. Regular anti-vandalism campaigns in schools were also held in 2006 to educate the younger generation on the safeguarding of public property.

The payphone business continues to face challenges in today's mobile fast moving communications world. To improve its competitive advantage, TMP is making efforts to provide better serviceability. For example, the introduction of Project Tumpu, based on the Group's "Wake-up call" campaign, saw an increase in serviceability (from 96.0% to 96.7%) of payphones. TMP is also relocating low yielding payphones to serve the more lucrative areas. Furthermore, prepaid Kadfons have been promoted aggressively in schools and the National Service training centres, all of which have shown positive results. In addition to accelerating the above measures, TMP will also focus on improving revenue per phone, controlling costs and increasing efficiencies within its workforce.

INTERNATIONAL AND DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK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113
Kota Kinabalu
Kinarut
Labuan
Miri
Bintulu
Kuching
Legends
Trunk cable
Malaysian domestic submarine cable system (MDSCS)
Fibrecomm
Fiberail
Satellite
Earth Station
4 International cable landing stations
7 Domestic cable landing stations
Trunk nodes

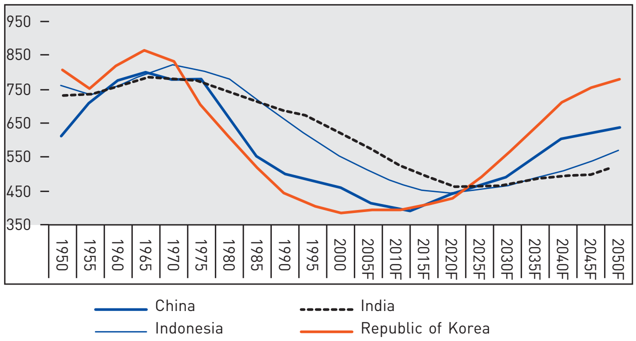
ASIAN ECONOMIES and the TELECOMMUNICATIONS SECTOR: Review & Outlook

By P.K. Basu, Chief Economist, Khazanah Nasional Bhd

Ever since the de-regulation of the global telecommunications sector began about a quarter-century ago – led in Asia by the de-regulation and privatization of Malaysia's own telecommunications sector in 1984 – the sector has emerged as a magnet of technological innovation. The dissemination of that innovation became all the more possible as wider utilisation of technology in the developed world lowered costs and enabled the diffusion of those technologies across the developing world. In today's Asian telecommunications landscape, the sector's dynamics continue to be driven by the two forces of technological innovation and diffusion – with the former driving the developed/mature markets and the latter driving the developing/emerging ones.

Asian telecommunications companies need to position themselves to capitalise on technological innovation in mature markets with modest growth, while also ensuring that they are adapting the low-cost and scalable solutions that will enable them to access vast opportunities in the rapidly-growing, low-penetration markets of developing Asia. While Korea, Hong Kong, Singapore and Taiwan are nearly saturated telecommunications markets (with extremely high penetration rates), Malaysia and China too have achieved relatively high penetration rates for cellular and fixed-line phones (China unusually so: for a low-income country with per capita income of about US$1500, its cellular-phone penetration rate approaching 50% is remarkably high, resulting in relatively slower growth in new subscriptions). By contrast, India (and other economies in the subcontinent), Indonesia, Thailand and Indochina have much lower penetration rates – and the scope for rapid growth in new subscriptions.

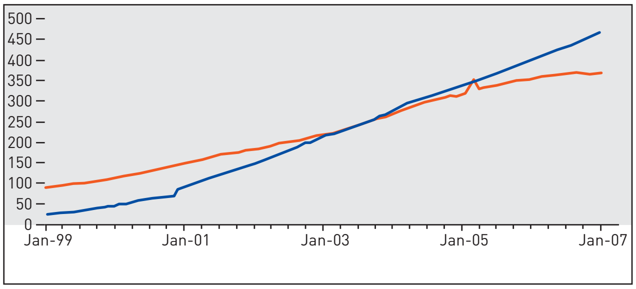
Dependency ratio (Ratio of population aged 0-14 and 65+ per thousand population 15-64)



Source: *KNB, based on UN projections*

As the economies of "Chindia" integrate more closely into the rest of Asia, they not only unleash the productive potential of their own 2.5 billion people, but the tide of their growth lifts all Asian boats. In 2006, China's real GDP grew 10.7% while India's grew 9% – with much faster growth in urban areas than in rural ones for both nations. For China, this represented the third consecutive year of double-digit real GDP growth, while India's real GDP has grown 8.5% annually over that 3-year period. Both economies are well-positioned to sustain strong growth over the next 10 years, as their demographics remain favourable until about 2020. From around 2015, however, China's dependency ratio is slated to start rising, while India's will continue to decline through 2030. Falling dependency ratios will allow both nations to further increase national savings rates, thereby ensuring high rates of investment relative to GDP – which should ensure continued increases in productivity that are the key well-springs of prosperity in the long-term. With India and Indonesia seeing their dependency ratios declining through 2030, the second and third largest Asian nations by population should benefit from the virtuous circle of the demographic dividend for at least 15 years more than China will – and their economies should therefore grow faster than China in the decade from 2020 to 2030 in particular. (Malaysia's demographics also look similar to Indonesia's).

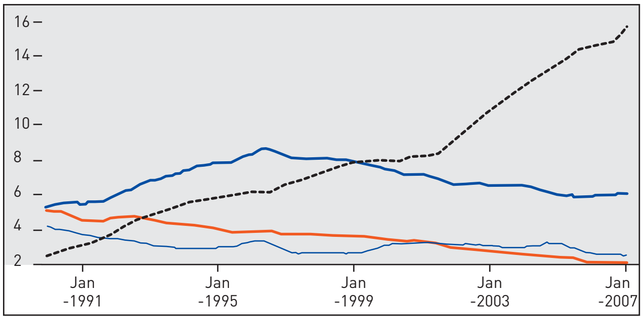
China: Phone subscriptions are still growing rapidly
(total subscribers in millions)



China: Local phone subscribers
China: Cell-phone subscribers

Sources: *CEIC, KNB*

China's exports rapidly gain market share in the US
(12-month moving averages)



ASEAN exports: market share in US
China exports: market share in US
S.Korea exports: market share in US
Taiwan exports: market share in US

Sources: *CEIC, US Customs Bureau, KNB*

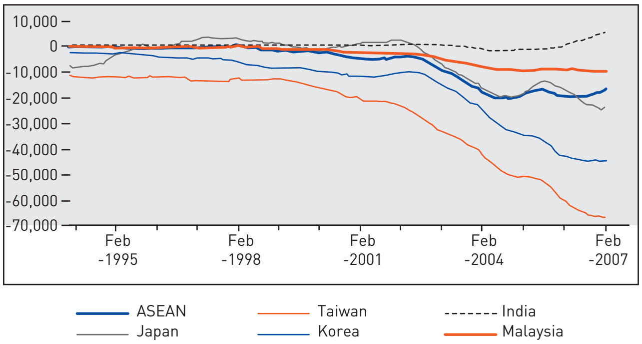
While India and Indonesia hold out the prospect of accelerated economic growth over the next two decades, they are still currently dwarfed (in terms of economic size) by China – which has benefited from the rapid diffusion of technology from Hong Kong (which has been part of China since 1997, but began investing heavily there after the Anglo-Chinese treaty of 1984) and Taiwan (the majority of whose trade and investment flows are directed to mainland China). In telecommunications, this rapid technology-diffusion (and the resulting decline in equipment costs) has enabled brisk increases in telecommunication usage in China over the past decade, with mobile subscriptions rising particularly fast. With 461 million mobile customers at end-2006, China was still adding 6 million new customers every month. Fixed-line subscriptions appear to have peaked at about 370 million (the level they have fluctuated around for the latest five months), having quadrupled over the previous 8 years.

China's manufacturing-driven growth serves as a magnet for imports from the rest of Asia – but, at the same time, China has become the key competitor to other Asian exporters in third-country markets like the US, Europe and Japan, steadily eroding their market share. Thus China runs large bilateral trade deficits with all its main Asian trading partners, but also continues to gain market share in key developed-country markets such as the US: as shown in the chart below, China's share of US imports has risen sharply over the past 15 years, while all other Asian economies (with the exception of India) have seen their shares decline or stagnate. China now accounts for about 16% of US imports (up from 3% in 1991) while Taiwan accounts for just 2% now (down from 5% in 1991).

But while China appears to be hurting other Asian exporters by snatching market-share in key markets like the US and Europe, its emergence is actually fostering a new Asia-wide supply chain that allows all of Asia to benefit from specialisation – without distributing growth evenly across the region. Final assembly is largely concentrated in China, while other Asian nations sustain niches of the and new capacity expansion across the value-chain increasingly focuses on China as well. The rest of Asia (with the exception of India and Vietnam) has suffered from something of an "investment drought" over the past decade since the Asian crisis (seeing little growth in investment spending), while China sees a boom in investment spending. Nonetheless, despite the dearth of investment growth, the rest of Asia has still been able to post reasonably good growth rates in real GDP over the past decade (5-6% for Malaysia, Singapore, Hong Kong and Korea; 4-5% for Taiwan, Thailand, the Philippines and Indonesia). While all these Asian economies are poised to sustain those growth rates over the next few years, Indonesia is clearly poised to move up to the higher-growth group (about 6% annual growth in real GDP), with the return of political and fiscal stability against the backdrop of a well-diversified export base that was able to sustain good growth even as the rest of the economy went into a tailspin post-1998.

An important reason why the rest of Asia has sustained good economic growth despite the loss of export market share in key markets like the US and EU is the rapid growth of intra-Asian exports. The rest of Asia's exports to China, in particular, have grown very rapidly in the past decade – completing the regional supply chain. Thus, while Taiwan has seen its market share in the US decline most sharply among Asian economies, it has also been the biggest beneficiary of greater exports to mainland China – sustaining a bilateral trade surplus of US$67bn with China. Similarly, China's bilateral trade deficit with Korea runs at US$45bn annually, with Japan US$24bn, and with ASEAN US$17.4bn (of which the bilateral deficit with Malaysia alone is US$10.2bn). While China's bilateral trade balance with India has moved into a surplus, China also imports large services (particularly software services) from India.

China's bilateral trade balances with Asian economies US$mn, 12 month rolling sum



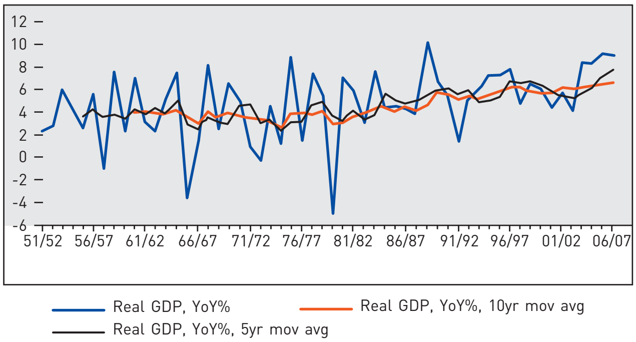
Sources: *CEIC, KNB*

This pattern of symbiotic growth across Asia should be sustained into the medium-term, suffering only slightly from any global downturn. While the key leading indicator of US manufacturing (ISM new orders) suggests that US demand for Asian exports will decelerate sharply through the next half year (chart below), the downturn will be mild (stopping well short of an overall recession, with no significant contraction even in US manufacturing) – and ISM new orders also suggest the likelihood of a rebound before the final quarter of the year. Importantly, the European Union (EU) is poised to post its strongest growth in 6 years this year – as indicated by the OECD leading indicator for Europe, which has been at 6-year highs over the past 9 months. Similarly, with the end of deflation (and its negative impact on corporate balance sheets), Japan is set to see stronger growth this year and next. With the EU, Japan and emerging markets (in Asia, Latin America, eastern Europe and Africa) set for stronger growth, the impact of the likely downturn in the US this year (and possibly into 2008) should be significantly mitigated by the strength of the rest of the world.

Sources: *US Institute of Supply Management, CEIC, KNB*

In particular, India should sustain another year of 9%-plus growth in real GDP – its third successive year of such growth. India's potential growth rate has risen to about 8% (the average growth rate of the past 5 years) from 6.7% (the average growth rate of the past 10 years) – partly because of a significant increase in the national savings rate to 33.2% of GDP, which enabled the gross domestic investment rate to rise to 35% of GDP last year. While there is some evidence of over-heating in the Indian economy (with inflation at 6%, and the current account deficit at 1.9% of GDP), monetary policy has responded quite aggressively to this mild over-heating.

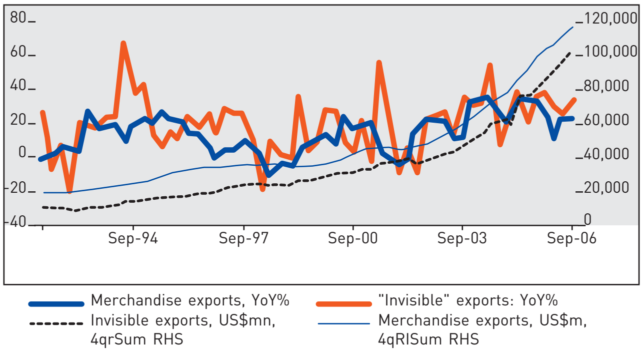
India: Real GDP growth, 5- and 10-year moving averages



Source: *CEIC, CSO (Central Statistical Organisation, India), KNB*

In the past year, India's central bank (RBI) has raised the repo rate by 100bp, banks' reserve requirements by 75bp and tightened prudential norms for property lending. These measures, coupled with lower global crude-oil prices (which are likely to be 10-20% lower, on average, in 2007 relative to those in 2006) should allow inflation and the current account deficit to moderate, without significantly hurting real GDP growth – which is likely to benefit from the continued surge in investment spending that is pushing out India's production-possibility frontier. India's declining dependency ratio is helping to boost the national savings and investment, bolstering productivity growth. With demand for India's services exports remaining strong, software and BPO exports should continue growing 35% annually through the next decade – ensuring that those exports will rise from 5% of GDP at present to about 10%, with attendant multiplier effects across the economy.

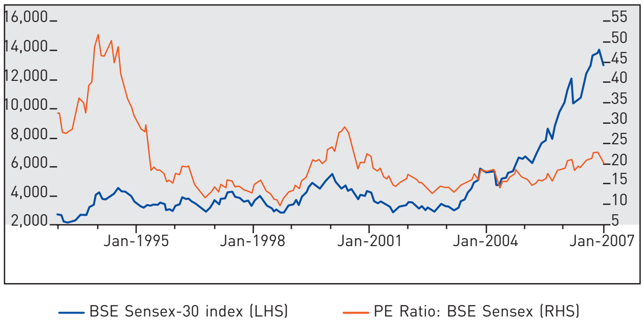
India: All exports have surged, but especially services



Sources: *Reserve Bank of India, CEIC, KNB*

The sustained strength of the Indian economy will continue to translate into strong growth in demand for telecommunications services. The number of cellular customers in India rose past 150 million in January 2007, with monthly increases of 7 million new customers in each of the first two months of the year. While fixed line subscriptions in India are a more modest 50 million, these numbers represent a remarkable transformation: just 13 years ago, the total number of telephone lines in the whole country was 7 million, while now that is the number of new mobile phone customers being added every month! The Indian department of telecommunications' network rollout in rural India aims to increase population coverage of the wireless network to 75% by the first half of 2008; this, coupled with continuing declines in the cost of equipment, should sustain strong demand. Even with the rapid rise in new customers in recent years, the penetration rate for mobile telephones remains low, with only 13% of the population having mobile-phone access. By contrast, the cellular penetration rate in Malaysia is approaching 70%, while that in Singapore is over 99% and 83% in Korea. The Indian market should continue to grow rapidly over the next 5-8 years (with cellular penetration possibly rising to about 70% by 2015), and these prospects are well-reflected in equity prices.

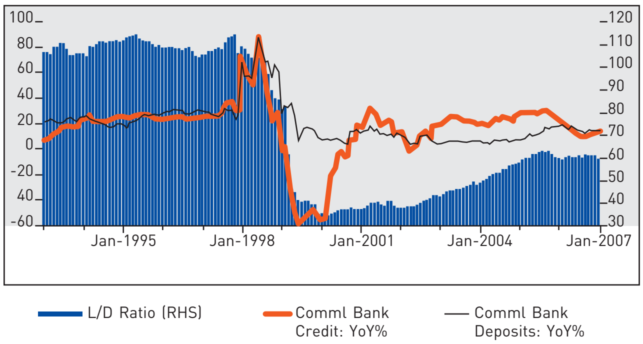
India: 2003-2006 stock-price surge reflected a broad earnings rebound ...end-06 valuations stretched, but less than '94 and '00



Sources: *CEIC, KNB*

India's overall equity market does not look particularly over-valued as of end-February 2007 despite the massive run-up in equity prices over the past 4 years – mainly because Indian corporate earnings have sustained 25-30% growth over the period, and Indian equities were probably under-valued at the start of this multi-year rally. As the chart above shows, the trailing price-earnings ratio of Indian equities was slightly below 20x at end-February 2007 – which is at the high end of the 12-year valuation range, but well below the 30x ratio reached in late-2000 or the 50x price-earnings ratio in 1994. While the broad market is not over-valued, recent benchmark M&A transactions in India's telecommunications sector have established valuation ranges in the sector that appear quite rich, although these will be tested by two major initial public offerings (IPOs), including of Spice Telecom (in which Telekom Malaysia has a 49% stake).

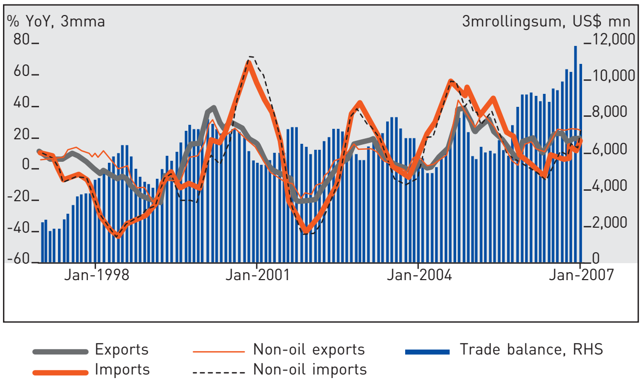
Indonesia: Credit growth slumped with higher interest rates -but liquid banks to resume lending this year



Sources: *CEIC, KNB*

Indonesia should this year post real GDP growth of over 6%, the strongest growth since the Asian crisis of a decade ago – and, barring severe natural calamities, growth should accelerate over the next 2 years. With its banks recapitalised and liquid (with a loan-deposit ratio of just 59.6% in January 2007), credit growth should recover strongly this year – as indeed it already began to do in Q4 2006, as interest rates declined sharply with the moderation in headline inflation rates (after the impact of the October 2005 oil-price hike had been fully absorbed). Indonesia's external sector remains a source of strength, with its well-diversified export basket continuing to post very strong growth, outpacing strong import growth and delivering monthly trade surpluses well in excess of US$3bn. Although capital flight (or non-repatriation of export proceeds) remains a significant factor, Indonesia has seen strong additions to its foreign reserves in the past half year, and this healthy backdrop should help underpin the overall growth performance.

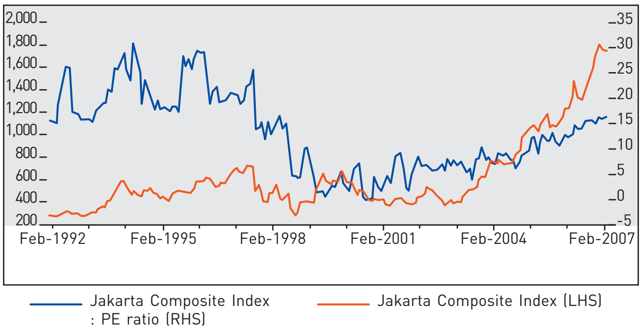
Trade surplus is still over US$3b monthly on average



Sources: *CEIC, KNB*

In Indonesia, too, the broad equity market does not look particularly over-valued despite the huge run-up in the Jakarta Composite Index over the past 3 years. Corporate earnings have remained strong, and the trailing P/E ratio of the market remains well below the pre-1997 levels – although it is at a post-crisis high.

Indonesia: Valuations at a post-crisis peak but not excessively stretched



Sources: *CEIC, KNB*

Cellular and fixed-line penetration rates in Indonesia remain low, enabling very strong growth in mobile subscription rates in particular – with reasonably strong ARPUs. However, the key feature of the Indonesian market is heightened competition, with several new entrants (including two from Malaysia!) putting pressure on existing players' margins. Successful incumbents (including Excelcomindo, TM's subsidiary) are investing heavily to retain their lead in their market segments (Excelcomindo capex reached US$474mn in FY06 and is slated to rise to US$700mn in FY2007, hopefully translating to revenue growth of 40% this year; in Q4 06, revenue rose 53% yoy and EBITDA 47.3%).

While Sri Lanka and Bangladesh are slightly slower-growing economies, TM's subsidiaries in those markets have dominant positions – which enable them to grow at or above the growth rates within their markets. Here, too, penetration rates are extremely low, and the potential for growth is being rapidly realised. As political uncertainty is reduced in Bangladesh once the elections are held under the new regime, economic growth is likely to accelerate from the recent pace of 5-6% annually. Telekom Malaysia, has established a significant footprint across the Indian sub-continent – with Spice (the 9th largest cellular player in the fast-expanding Indian market), Dialog (TM's 87.7%-owned premier digital cellular network provider in Sri Lanka, which became the first company with a US$1 billion market capitalisation on the Colombo stock exchange), TMI Bangladesh/Aktel (with a 30% share of the Bangladesh cellular market) and Multinet (a fibre-optic backbone provider in Pakistan) providing an ecology of strong cellular assets across the Indian subcontinent, where penetration rates have considerable room to grow and are currently rising at a frenetic pace. TM's co-branding arrangement with Vodafone should provide an additional source of revenue-generation across its growing international network throughout the ASEAN and SAARC regions, especially with Vodafone gaining a significantly expanded presence in India. And TM's position in ASEAN – highlighted by its stakes in M1 and Excelcomindo – also position the company very strongly to take advantage of both the value-added services in a mature market like Singapore, while rolling out an expanded network in Indonesia, Cambodia and elsewhere in ASEAN.

Telecommunications remains a growth sector both in Malaysia and across ASEAN and the Indian subcontinent. Having meticulously built an international network, the challenger for regionalising companies like TM is to develop cross-border synergies that will lower costs across the network and allow technology- and process-sharing across the attractive agglomeration of telecommunication assets that the company has acquired and absorbed this fast-growing region.

KEY INITIATIVES


If there is one thing we take pride in,
it is our caring response to any situation.
TM
Coleman

While it may be impossible to prevent disaster and misfortune from happening, it is possible to provide relief. In fact, we feel it is our duty to do so. It is as simple as that.

BUILDING ENDURING CUSTOMER RELATIONSHIPS

Good customer relationships are vital for business success, and in today's highly competitive environment, Customer Relationship Management or CRM is no longer just a catch-phrase. It has become an essential strategy that is widely adopted across industries to help build and sustain customer loyalty. At TM, we believe customers are the life-blood of an organisation and we continuously strive to build enduring and mutually satisfying customer relationships based on trust.

As each customer is unique with different needs and expectations, our integrated and evolving CRM programme is focused on gathering customer insights and using this knowledge to understand our customers better when meeting their needs.

CUSTOMERS FIRST

During the past year, TM Group has focused its energy and merged the effective deployment of appropriate strategies, processes, people and systems in acquiring, satisfying and retaining customers. The key aim of our CRM programme is to identify and target valued customers, generate quality sales leads, plan and implement marketing campaigns with clear goals and objectives that are aligned with enhancing customer relationships.

Phase 1 of the Integrated Customer Allied Relationship System (iCARE) project which was launched in 2005, has been successfully completed in December 2006. The second and third phases will be implemented concurrently and the system is expected to be deployed in mid-2007. With iCARE, TM has a fully integrated CRM programme to better serve its wide customer base and to transform the entire customer value chain based on global best practices, guidelines and business processes.

Once iCARE is fully deployed in 2007, it will improve the Group's operational effectiveness, enhance customers' experiences when they come into contact with TM, and address current operational challenges faced by call centres, TMpoint outlets, back office, field engineers and dealers.

The introduction of iCARE Integrated Customer Interaction capabilities and workforce scheduling has resulted in superior management of customer interaction, while the quality of customer interactions monitored through sampling has also shown improved efficiency in call centre services.

The introduction of field service workforce scheduling, visibility of order status and remote order update capabilities has also helped track the effectiveness of delivery service fulfilment which is vital for customer satisfaction. iCARE has also improved field force management techniques, which emphasise on monitoring the effectiveness and efficiency of installation and restoration. As a result of this, the most updated customer information is available to the field-force which will enable them to address and resolve customers' complaints quickly.

Apart from iCARE, TM's upgraded Sales Force Automation, or SFA system, allows sales personnel to access real-time customer information which enables them to pursue leads and conclude transactions effectively. They can then proactively identify valuable prospects and target them with sales efforts and campaigns to generate greater returns. The SFA system also comes equipped with a Marketing Encyclopedia, which includes a product library with information on all TM's products and services.

Meanwhile, the Business Intelligence Unit has successfully initiated the first season of the RM1 Million Reward

Programme. Launched on 3 May 2006, this group-wide customer profile enrichment initiative is targeted at fixed line, mobile and Internet customers. The reward programme ended on 30 November 2006 with encouraging response from customers.

The programme, aimed at facilitating better understanding of customer profiles and behaviour, has provided valuable customer insights for TM to provide personalised business solution packages through target marketing. With this data, the Group will be able to improve the effectiveness of its marketing campaigns through customer segmentation, while increasing customer retention through predictive churn analysis, as well as loyalty and retention campaigns.

CUSTOMER CONTACT POINTS MADE EVEN EASIER

A key initiative to further enhance our customer service and operational effectiveness was the transformation, rationalisation and consolidation of the call centre network. The rationalisation exercise was completed in the first quarter of 2006, with the relocation of the existing 19 Contact Centres to four strategic areas i.e. in Kuala Lumpur, Penang, Kuching and Malacca.

Apart from the relocation exercise, TM has also streamlined key numbers that customers need to remember whenever they want to request for any service through the contact centres. These include the Single Number Access (SNA) or the '100' number for these products and other services.

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

SNA will be further enhanced with the incorporation of Celcom and TM Net into the system by the second quarter of 2007. Similarly, Celcom and TM Net customers need not remember the numbers 013-1111, 03-36308888, 1300889515, and 1300881515 to contact Celcom and TM Net Call Centres. Instead, they can just have to dial '100' and the call will be diverted automatically to the Call Centres.

FOCUS ON CUSTOMER SERVICE EXCELLENCE

A customer's perception of TM is shaped by his or her point of contact with the Group. As such, all customer service representatives in the contact centres are being retrained in specific areas to achieve excellence in customer service delivery. TM's subsidiary, VADS Berhad, has been assigned to provide consultancy and training services, as well as to redesign key contact centre operating processes.

Throughout the year, the customer centricity programme conducted has included several modules i.e. CRM System Tools & Training (758 End Users), CRM Structured Process (202 Key Users) and Competency Based Training (5,139 Sales, Marketing, Customer Service Management and TMpoint) in an effort to change the mindset and enhance customer management and servicing skills. This programme will be enhanced with Business Process Training for all front liners to further improve the customer service culture at TM.

CLICK ON TM ONLINE

TM Online, launched in 2005, provides customers with the convenience of performing transactions through a secure and customised self-service portal. Through this customer interaction platform, customers are able to download, analyse billing information, make payments and apply for new services online. This platform has the added benefit of reducing congestion at payment counters and lowering customer service costs for TM.

In October 2006, TM successfully rolled out the B2C payment gateway which enables customers to make payments online. The B2B functionality will extend these online services to business and corporate customers and is expected to be launched in the first quarter of 2007.

DELIVERING COMMUNICATION NEEDS AT TMpoint

Following TM's rebranding exercise in 2005, Kedai Telekom outlets (now known as TMpoint) have undergone a transformation programme aimed at improving efficiency, productivity, customer service and customer experience (convenience, reach, grade of service and image). In 2006, a total of 94 Kedai Telekom outlets have been rationalised, including the conversion of six TM Net service centres called "Clickers" into TMpoint. The remaining outlets will be transformed in 2007.

As a result of the transformation, TMpoint Alor Star won the *Anugerah Perkhidmatan Kaunter Terbaik* from the Ministry of Energy, Water and Communications in August 2006. The first Drive-Thru service was also introduced at TMpoint Alor Star with the second Drive-Thru counter at TMpoint Jalan Burmah, targeted for opening in early 2007. E-kiosk facilities were also deployed in selected TMpoints to provide convenience for customers to pay their TM bills 24 hours a day, seven days a week. In 2007, more e-kiosks will be made available nationwide.

TMpoint – a new customer experience

Meanwhile, the TMpoint dealership programme is expected to be rolled out in 2007 in an effort to expand TM's channel reach for more customer convenience. The integration of Celcom outlets with TMpoint is also expected to take place in 2007 with the intention of establishing a one-stop customer service and retail centre for all TM customers.

In June 2006, TM successfully launched the New Payment Collection System (Phase 1) for the front-end Point of Sale. This has significantly improved customer payment collection processes at all TMpoints and enabled the handling of larger volumes of transactions. As a result, the average customer waiting and serving time has improved significantly. Phase 2 of the system, which involves the back-end payment clearing house, is scheduled to be rolled out in the third quarter of 2007. When implemented, updating of customer payments will be done in real-time into the billing system, thereby providing an updated customer bill at any time.

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

For TM, CRM is an important process that helps to bring together information about customers, sales, marketing effectiveness, responsiveness and market trends. Our efforts are geared toward establishing loyal relationships with customers that are not only profitable but enduring.

FOSTERING A KNOWLEDGE-BASED NATION

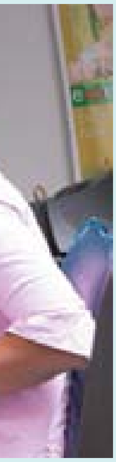
DATUK PROF GHAUTH JASMON
President
Universiti Telekom Sdn Bhd (Multimedia University)

DATUK IR AHMAD ZAINI MOHD AMIN
Chief Executive Officer
Multimedia College

DR NAS TAMIMI IBRAHIM
Chief Executive Officer
Telekom Smart School Sdn Bhd (TSS)

The rapid advancement in Information and Communication Technology (ICT) has resulted in an acceleration of the global economy, profoundly impacting economies of nations worldwide. Knowledge is the key to success in this intensively competitive environment. As such, to continue to thrive, the nation's education system must ensure that there exists a wide base of knowledge and skilled workers in the country with a deep understanding and appreciation of ICT. TM's three educational establishments, namely Multimedia University, Multimedia College and TSS, are collectively helping to nurture a whole future generation of ICT savvy Malaysians through their academic, training and curriculum development activities.

Multimedia University (MMU) was set up in 1996 as the country's first private university, specialising in engineering, information technology, management and multimedia technology. With a vision of becoming an acclaimed world-class academic establishment, MMU has continued to make commendable progress in the year under review via its intense involvement in the full range of the university's responsibilities. These include research, undergraduate and postgraduate education and community services with local and international parties, in addition to winning several notable international and local awards.



With continuing collaboration with some of the best teaching resources in the world, the quality of MMU faculties has been aligned to international standards, enhancing the market value of MMU degrees across the globe. Notable alliances initiated or established in 2006 include partnerships with Soongsil University in Seoul, South Korea, Warsaw School of Economics in Poland, University of Egypt and Falah International University, Saudi Arabia.

As testimony to its notable standing as a respectable institution of higher learning, a number of prestigious awards were conferred to lecturers and students of MMU, namely:

- Bronze medal at the 34th International Exhibition of Inventors, New Techniques and Products 2006 (5th – 9th April 2006), Geneva, for the invention of "Synthesising the Semiconducting Nano Crystalline Material by the Novel Approach Using Microwave Solvothermal Way and Studying its Opto Electronic Properties".
- The 2006 World Congress Achievement Award in Computer Science, Computer Engineering, and Applied Computing, WorldComp '06, Las Vegas, Nevada, USA organised by WorldComp '06.

In the year under review, MMU generated a total of 121 diploma graduates, 2,625 Bachelor degree graduates, 197 Master degree graduates and 12 PhD graduates with one Honorary Doctorate. The total number of students had also increased to 19,144, of which 16,345 are local and the remaining 2,799 represent international students from a total of 81 countries. Four new courses were also approved by the Ministry of Education in 2006, namely Master of Engineering in Telecommunications (PSDC), Foundation in Biological Sciences, Bachelor of Science (Hons) in Bio Informatics and Bachelor of Science (Hons) in Medical Information Technology.

To inculcate an entrepreneurial spirit throughout the MMU community, the Centre for Commercialisation and Technopreneur Development (CCTD) of MMU was set up. The success of the initiative is evident in the number of awards and prizes received, such as the 2nd Runner-Up position for the MSC-IHL Business Plan Competition 2005 (Business Idea Category) and HSBC Young Entrepreneurs Awards 2006, as well as third prize for the Intel Cup Undergraduate Electronic Design Contest 2006.

As part of an effort to significantly enhance its support for the University's scholarly pursuits and research activities, the Siti Hasmah Digital Library is committed to implementing the MS ISO 9001:2000 Quality Management System in 2007. This project covers the departments within the libraries of its two campuses. With the successful implementation of this project, MMU's digital library would be on par with other reputable academic libraries in the country.

Established in 1948, **Multimedia College (MMC)** is the foremost training institution for telecommunications in the country. Since inception, it has progressed from a college that was originally responsible for providing training to staff of the nation's Telecommunications Department to its appointment in 1980 as a training provider for other Commonwealth countries. This was achieved through its agreement with the Commonwealth Telecommunication Organisation (CTO), which has a membership of more than 130 countries.

In line with its primary role as the provider of training and development at various levels for TM staff group-wide, MMC conducted 2,475 courses for over 41,364 trainees

MMC – a leader in telecommunications training during the year under review. The SmartOrange Programmes were also introduced in the same year where, based on a 360-degree feedback system, participants were selected and required to attend a structured training programme according to their job grades at MMC. Ranging from Business Process Re-engineering to Strategic Marketing Management, the scheme ensures that an expanding pool of technology savvy and skilled workers is in place. In addition to the Group's extensive workforce, external groups such as TM's suppliers, contractors, the armed forces, police personnel and other corporate customers have also benefited from MMC training courses.

To support the Government's call for a knowledge-based economy, a broad range of courses at diploma level are also offered at MMC that meet the precise requirements of the K-economy. Courses under its wing include Diploma in Multimedia (Business & Computing), Diploma in Multimedia Technology and Diploma in Technology (Telecommunications Engineering), which are all recognised by Lembaga Akreditasi Negara (LAN) Certification. During MMC's 11th Convocation, 462 graduates obtained their diploma from the total of six programmes offered at the college.

TM recognises the importance of education as the source of the Group's future knowledge workforce and as such, MMC intends to continue developing and improving programmes that address the current and future needs of Human Resource Training and Development, focusing on the fields of Structured Training, Talent Development and Succession Planning. Moving forward, with a vision of becoming a "University College", MMC aims to be a leading training provider and private higher education institution in the country, offering first-class education to all its students.

E-learning, the future of education

Telekom Smart School Sdn Bhd (TSS), the country's premier e-Education provider, attained the Capability Maturity Model Integration (CMMI-SW V1.1) Maturity Level 3 in June 2006, in line with its mission to become a "Leading World-Class Multimedia Education Solutions Provider". With its success in completing and acquiring numerous projects, including one for the Brunei Ministry of Education for content development, TSS has set its sights on delivering its products and services further into the global market.

During the year under review, the 88 existing smart schools nationwide, identified as benchmark schools for the Smart School National Roll-out, were equipped with enhanced TSS Smart School solutions, eSkool and eLearn. TSS has also been entrusted to carry out data migration and population for these 88 schools and to provide applications training, installation and maintenance works.

A fresh retail product, designed especially for UPSR students known as eExam, was introduced in June 2006, alongside TSS's first mass-market product launch, BestariEd. In addition, the Company was also given the mandate to supply, install and commission a series of kindergarten courseware for 40 kindergartens in Penang.

To promote and expose teachers and students to novel ways of creating teaching and learning content using e-Learn, a content creation competition was organised at the Company's adopted school, Sekolah Menengah Kebangsaan Bandar Baru Bangi. At the same time, TSS also played an active role in narrowing the technology gap through numerous initiatives such as the adoption of Sekolah Kebangsaan Batu Tujuh in Tapah, Perak, which provides primary education for the Orang Asli community. The success of the programme is evident in the improvement in the recent UPSR results for the school, where one student also scored 5As.

Our employees are our most prized resource. Each and everyone of them is a valuable asset as much for their dedication as for the promise of their potential. Believing in this, TM conducts comprehensive training programmes and offers staff every opportunity to further their studies. By helping them to achieve their true potential, we end up improving ours as well.


It is the polished jewel,
that shines the brightest.
MULTIMEDIA UNIVERSITY

AS ORGANISATIONS AROUND THE WORLD STRIVE TO IMPROVE THEIR BUSINESS PERFORMANCE, THE ROLE OF HUMAN RESOURCES HAS BECOME MORE COMPLEX AND STRATEGIC. A KEY CHALLENGE IN TODAY'S EXTREMELY COMPETITIVE WORK ENVIRONMENT IS TO DELIVER A HUMAN CAPITAL STRATEGY THAT ADDRESSES THE ORGANISATION'S CHANGING TALENT REQUIREMENTS, DEMOGRAPHICS, THE LABOUR MARKET AND SOCIAL TRENDS. APART FROM BEING ABLE TO BUILDING AND STRENGTHENING THE LEADERSHIP TALENT POOL, TM'S HR DIVISION ALSO DRIVES BUSINESS STRATEGY BY CONTRIBUTING HR DATA AND ASSESSMENT TO THE ORGANISATION'S MAJOR STRATEGIC DECISIONS AND INVESTMENTS.

WORKING TOWARDS A HIGH PERFORMANCE WORKFORCE

For TM, 2006 was an extremely challenging year as the Group, embarked on the TM Performance Improvement Program (PIP), focusing on three major initiatives, namely Intensifying Performance Culture, Enhancing Operational Efficiency as well as Developing Leadership and Talent Pool.

INTENSIFYING PERFORMANCE CULTURE

A high performance culture organisation fosters a work environment that contributes to continuous learning and improvement and provides both accountability and fairness for all employees. In order to strengthen the performance culture, TM has taken initiatives to enhance staff capabilities while, at the same time, creating an environment of personal accountability for performance. This is reinforced by a system of rewards and consequences.

ENHANCING STAFF CAPABILITIES

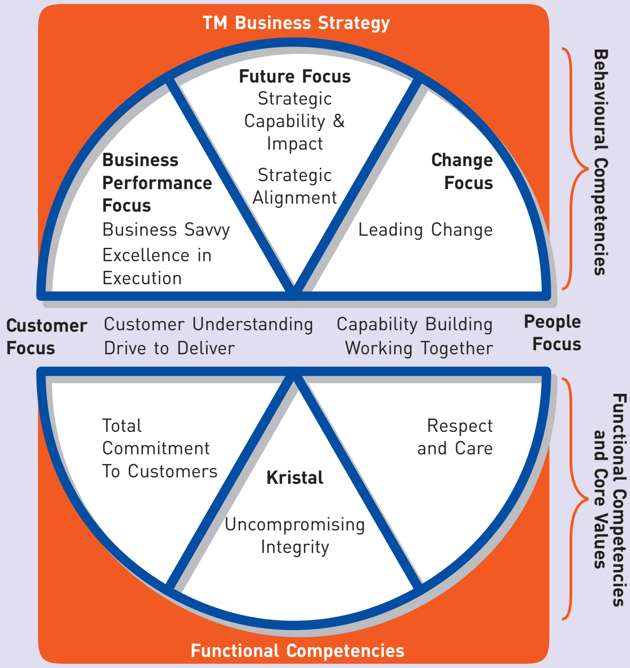
As part of its ongoing efforts to develop its human resources, the Human Capital Development (HCD) has created an infrastructure to support this initiative. Building on its existing competency frameworks, HCD recognises that career paths need to be augmented with tested behavioural and technical competencies. In line with this, it has introduced the TM Competency Model which sets the framework of competencies to address the critical capabilities the Group needs in order to achieve business results. There are three components within the TM Competency Model, namely TM Core Values (Kristal), Functional and Behavioural competencies.

With the introduction of the SmartOrange TM Competency Based Development Framework in the fourth quarter of 2005, which highlights the required behavioural competencies for executives at various job levels, HCD has strengthened the 360-degree Feedback, its competency evaluation system. This developmental feedback is related to five behavioural competencies, which are People Focus, Customer Focus, Business Performance Focus, Change Focus and Future Focus, as outlined by the TM Competency Model.

As the 360 degree Feedback evolved, the system has been modified to link to performance. This will help the organisation to focus on career development and succession planning, as well as reinforce the current assessment practice and assessment of future talents.

Besides Behavioural Competencies, HCD has also built a set of Functional Competencies for Technical, Sales and Marketing which provide Career Path structures and Functional Competencies required for each career level. The purpose of building the Functional Competencies Framework is to institutionalise best practices in the telecommunications industry especially in new technologies, such as the New Generation Network, Broadband and Internet Protocol.

TM COMPETENCY MODEL



With the objective of producing a more comprehensive performance evaluation mechanism, 2006 saw an improvement in the composition of performance appraisal. Instead of evaluating an executive solely based on job performance (KPIs), the element of behavioural competencies was also taken into account in determining overall performance.

For 2006, TM approved the score composition of KPIs (from Managing Performance System) against behavioral competencies (from 360-degree Feedback system) at 80% and 20% respectively.

SALES INCENTIVE SCHEME

In view of TM's aspiration to become a performance driven organisation, a differentiated rewards program, the Sales Incentive Scheme (SIS), was introduced to recognise and reward efforts of sales executives in customer service and to strengthen the link between salary and performance. The scheme was launched on 1 October 2006 for executives within the different Corporate Sales Divisions in TM Retail.

GROUP CEO MERIT AWARD

The ever increasing complexity of the business environment and the resulting accountabilities for executives require for greater flexibility and promptness in TM's internal reward system. To address this need, the Group CEO Merit Award continues to reward exceptional achievements or honourable deeds by employees. Apart from the Group CEO Merit Award, the TM Group Awards Nite 2006 was held as a special night to reward and recognise deserving employees and operating companies for outstanding efforts and contributions.

EMPLOYEE PRODUCTIVITY ENHANCEMENT

The Employee Productivity Enhancement (EPE) programme has also been introduced to complement the current Performance Management System. The focus is on managing employees identified as non-performers. The programme focuses on guiding and assisting them towards improving their work performance.

ENHANCING OPERATIONAL EFFICIENCY

In today's competitive business environment, TM must enhance its efficiencies through operational excellence. In striving for operational excellence, the Group has embarked on a dynamic and continuous effort to ensure operational efficiency through process and procedures reviews, restructuring of workforce and other initiatives.

RESTRUCTURING

In August 2006, TM implemented the second phase of its restructuring in a move towards greater alignment of strategy and to increase the execution capacity of the organisation for profitability and growth. Following the reorganisation and in view of the impending retirement of some senior management, key personnel were appointed to head various offices on 1 October 2006. Among others, the businesses of TM Retail, TM Wholesale and TM Net were consolidated under Malaysia Business. TM Ventures, which encompasses other subsidiaries, was created to consolidate the non-core businesses of the Group. These changes were part of the continuing transformation initiatives under the Group's Performance Improvement Program to strengthen its domestic businesses.

UNIFIED SALES FORCE

In April 2006, TM Group Enterprise Sales launched a unified sales force to serve TM enterprise customers was created. Under this initiative there would be a single sales force, i.e. a single point of customer contact for products and services in all lines of business under TM Group.

HR HELPDESK

To enhance operational efficiency and service delivery, the HR HelpDesk was launched on 18 July 2006 as a single point of contact for all HR inquiries and complaints. This centralised and coordinated service represents the best avenue for employee inquiries requiring personalised attention. It enhances employee morale and boosts HR efficiency. As at 31 December 2006, a total of 2,967 inquiries have been channelled to HR through the HelpDesk, of which 75% of inquiries were resolved at first contact by Customer Service Representatives. The balance was referred to the relevant specialised support staff.

OCCUPATIONAL SAFETY AND HEALTH

Safety is of paramount importance at TM. Throughout the organisation, a high standard of management is applied in all operations to ensure occupational safety for the entire workforce. TM will endeavour to achieve global best practices in the formulation of its Occupational, Safety, Health and Environment (OSHE) policy.

The OSHE policy encompasses several prevailing principles, such as OSHE commitment, hazardous materials, emergency situations, communication and consultation training, field execution, environmental impact, management and resources. To further reinforce the policy, an OSHE Management System, based on the current ISO standards of OHSAS 18001 and EMS 14001, was established in December 2006 and is ready to be adopted by the entire TM Group.

In the year under review, the Group achieved a good safety record with no fatality cases reported. The success of work safety initiatives undertaken by management, especially at state level, is also reflected in the drastic reduction in the corporate severity rate (SR) to 92.3 per million man hours worked, compared to the previous year's 3,924.21 per million man hours. Consistency in communication and providing consultation on OSHE issues has also helped to underline the importance of occupational safety and health in daily operations.

TM believes that the most effective method to eliminate or diminish workplace health hazards, such as chemicals, noise, radiation and heat stress, is to design and incorporate safeguards. As such, the traditional method of line supervision, procedures and worker training will gradually be replaced with such safeguards.

Health & Safety – a key component of HR practices

TM's overseas subsidiaries also remain committed to the improvement of OSHE matters of its employees. PT Excelcomindo Pratama Tbk (XL) has established a comprehensive set of guidelines and initiated efforts to protect its employees as well as indigenous communities against short and long term health hazards. Efforts include periodic monitoring and analysis of work activities which may affect the health of the workforce, and ensuring that appropriate personal protective equipment is provided.

To remain competitive in today's business environment, effective OSHE management of contractors is imperative. In line with this, TM and the National Institute for Occupational Safety and Health (NIOSH) have signed a Memorandum of Understanding on 21 November 2006 to develop the "NIOSH-TM Safety Passport" (NTMSP) programme to enhance awareness of and compliance with Occupational, Safety and Health (OSH) practices among TM's contractors.

The Memorandum of Understanding which was held in conjunction with the TM OSH Campaign and Exhibition 2006 was witnessed by Dato' Abdul Wahid Omar with NIOSH's Chairman, Tan Sri Dato' Lee Lam Thye.

The TM OSH Campaign and Exhibition 2006 was aimed at elevating awareness on the importance of safety and health in the work environment among TM Group employees. The three-day campaign attracted the participation of organisations, such as NIOSH, Department of Occupational Safety & Health (DOSH), Polis DiRaja Malaysia, Fire & Rescue Department, *Pasukan Mencari dan Menyelamat Khas Malaysia*, Ministry of Health, Tenaga Nasional Berhad, *Majlis Kanser Negara (MAKNA)* and PM Care Sdn Bhd. A series of talks, a blood donation drive and an exhibition themed "Realising the Safe and Healthy Working Culture" were coordinated during the drive.

As a result of the strong support from the OSHE Committees at all levels and the initiatives undertaken, TM was conferred the National Occupational Safety and Health Award for 2006, with Pulau Pinang state office receiving the Gold medal whilst the Kedah state office was awarded Silver, in recognition of the respective unit's dedication to creating a safe and healthy workplace for their employees.

EXCELLENCE THROUGH TRAINING AND ORGANISATIONAL DEVELOPMENT

A MAJOR FOCUS IN TM GROUP TODAY IS DEVELOPING LEADERS AND TALENTS WHO CAN DELIVER THE GROUP'S VISION. HENCE, TM GROUP IS COMMITTED TO DEVELOPING ITS STRATEGIC HUMAN CAPITAL WHICH IS PARAMOUNT TO REALISING ITS VISION OF BEING THE 'COMMUNICATIONS COMPANY OF CHOICE' AND TO IMPROVING OPERATIONAL EFFICIENCY WITHIN THE GROUP.

To create and nurture a talent pool, the Group has introduced a new improved assessment tool, known as 'Presently Estimated Potential' in mid 2006 to replace existing tools. These assessments are used as a basis to identify our future leadership and subsequent succession planning for key positions.

EXCELLENCE THROUGH LEADERSHIP AND TALENT DEVELOPMENT

Under the leadership development framework, a number of programmes have been carried out in 2006. These include programmes in leadership skill enhancement and leadership role modeling. To boost the execution capability of the Group's leaders and talents, the Leadership & Talent Management (LTM) unit of the Transformation and Development division (TDD), organised programmes, such as the Senior Management Development Programme with various organisations such as INSEAD and Harvard Business School as well as other renowned training providers.

In addition, Cross Posting and Internship Programme among companies within TM Group was introduced to enhance skills. This programme has produced a pool of experts support group with improved and enriched cross cultural exposure.

EXCELLENCE THROUGH CONTINUOUS LEARNING

During the year under review, the Group has continued to invest in several training initiatives to enhance staff capabilities in the pursuit of excellence. Continuous education is critical to create a highly skilled and efficient workforce focusing on technology such as Next Generation Network (NGN) and Internet Protocol (IP), to give the Group a competitive advantage in the challenging telecommunications sphere.

In line with this, several training programmes were carried out in 2006 for TM Group employees. These programmes ranged in length from 2-hour to 2-week long trainings in the areas of functional and generic skills. Functional skills training include sales and marketing, engineering, management, telecommunications and finance. Meanwhile,

generic skills training cover areas such as communication, work ethics, professionalism, leadership, integrity and career development.

Under the TM Group's competency model, employees with competency gaps were also identified and invited to attend training programmes related to the required competencies. The SmartOrange Programme which revolves around improving behavioural competencies of employees started in May 2006. Since then, more than 90 sessions have been conducted and more than 1,700 executives have attended these programmes. The SmartOrange training programmme was established to ensure that our key assets, the employees, are competent to face current and future challenges.

EXCELLENCE THROUGH PERFORMANCE MANAGEMENT

Throughout the year, inculcating and intensifying performance management at all levels continued to be the primary catalyst to boost workforce performance. TM was faced with challenges such as increasing competition from businesses locally and across the world. The organisation and its workforce have been more careful on the choice of strategies and have managed to remain competitive. All employees in the organisation have demonstrated their accountability and commitment to ensuring that strategies were implemented effectively.

Our experience has shown that training, strong commitment and hard work are the critical enablers, contributing towards performance management that yields results.

Consequently, TM has been putting more focus on effectiveness, ensuring that systems and processes in the organisation are applied in the right way to achieve results.

A major vehicle in achieving excellence through performance, was the adoption of the Balanced Scorecard methodology as a tool for performance management. Using this methodology, results across the organisation were properly aligned to achieve the overall results needed for TM to survive and thrive.

In support of the organisation's Balanced Scorecard, Group Human Resource has implemented its Strategy Map. This will ensure that all HR practitioners understand their contributions towards TM's overall goals and improve their position as strategic business partners.

The strategy map focuses on realising a motivated and knowledgeable workforce that strives on operational excellence to delight the customers and working partners, which will eventually translate into increased productivity and business profitability.

Moving forward, the expansion of TM Group's businesses in the domestic and international markets will necessitate a greater pool of talent and a more responsive and highly skilled workforce. The Group will continue to move towards a productivity and performance-based culture and to focus on improvements in staff performance.

TOWARDS GREATER INNOVATION

WITH TECHNOLOGY PROGRESSING AT BREAKNECK SPEED, THERE IS A NEED TO SUSTAIN COMPETITIVENESS THROUGH CONTINUOUS OFFERINGS OF BETTER PRODUCTS AND SERVICES IN THE MARKETPLACE. IN VIEW OF THIS, TELEKOM RESEARCH & DEVELOPMENT SDN BHD (TMR&D) WAS SET UP TO SPEARHEAD RESEARCH AND DEVELOPMENT ACTIVITIES TO BETTER POSITION THE GROUP AMIDST CONTINUOUS TECHNOLOGICAL CHALLENGES IN AN EVER-CHANGING ICT ENVIRONMENT.

Since its incorporation in October 2000, TMR&D has played a significant role in ensuring that TM continues to provide customised solutions to its customers, through constant identification and analysis of priority research areas in ICT. Its research and development efforts are designed to correspond with TM's objectives and are guided by emerging technology trends, the national ICT roadmap and MyICMS886 that specify technologies of interest in the fields of services, infrastructure and growth.

2006 was another year of strong financial performance for TMR&D where a profit after tax (PAT) of RM2.88 million was recorded for the financial year ended 31 December 2006, representing an increase of 55% from RM1.866 million in 2005. This was achieved on the back of a 6% growth in total revenue to RM87.7 million compared to RM82.6 million in the previous year.

KEEPING UP WITH THE INDUSTRY THROUGH COMMERCIALISATION & QUALITY

In line with the Group's direction to move towards the commercialisation of R&D products and services, 15 products were successfully commercialised during the course of 2006 by TMR&D. It continued to actively participate in product exhibitions, international conferences, award competitions, as well as strengthen its research collaborations with international partners in its effort to stay ahead in the technology space and support its commercialisation activities.

Covering essentially basic and applied research, together with experimental development in 9 research programmes, the Company's R&D activities seek to focus on niche technologies with high returns and to bridge the gap between research and commercialisation activities. The research areas identified include High-Speed Optical Networks & NGN, High-Speed Wireless Broadband and 4G Cellular & Radio Technologies as well as Microelectronic & Nanotechnology. In 2006, a total of 69 research projects were planned and executed, of which 33 were successfully completed according to schedule. The remaining projects are scheduled for completion in 2007 and beyond.

TMR&D is mindful that, to spur creativity and innovativeness of its research team, it is essential that a culture of K-Sharing and entrepreneurship is infused in the R&D environment. In this regard, TMR&D has implemented quality initiatives such as Capability Maturity Model Integrated (CMMI) and Product Quality Assurance (PQA) to ensure that R&D processes can be further reinforced.

To demonstrate TMR&D's commitment to excellence, several of the Company's products were awarded with recognition in 2006, such as:

- International Invention, Innovation, Industrial Design & Technology Exhibition (ITEX'06)
  - Innovative Product Award for KenalMuka (Face Recognition System)
  - Genius Prize Budapest for KenalMuka
  - Gold Awards for KenalMuka and XstreamX (Video-streaming engine)
  - Bronze Awards for EPON Network Solution & Micro Probes
- International Federation of Inventors' Associations (IFIA) Genius-Budapest International Invention Fair
  - Grand Genius Award for KenalMuka
  - Diploma (awarded by the Romanian Ministry of Education & Research) for KenalMuka

INTELLECTUAL PROPERTY & COLLABORATION TO ENHANCE CAPACITY BUILDING

The increased awareness of Intellectual Property as a manifestation of a company's competitive edge has led to a 4.7% growth in the number of filed applications compared to the previous year. As of December 2006, TMR&D has successfully filed 22 patents, 24 industrial designs, 11 layout designs for integrated circuits and 54 copyrights.

Fostering innovation through Research & Development

With a view towards creating synergies and increasing capacity building, TMR&D signed a number of collaborative agreements with several organisations in 2006, including alliances with Ericsson, ZTE and Huawei on various NGN-related network platforms and services. Among them are NGN Integration for Multivendor Platform and IP Multimedia Subsystem (IMS) Application using Service Development Studio (SDS) with Ericsson, NGN and Internet Protocol Television (IPTV) infrastructure with ZTE and local number portability over Smart Home Location Register (SHLR) with Huawei.

TMR&D has also signed a Memorandum of Understanding (MoU) with PT Telekomunikasi Indonesia (Telkom RDC) for collaboration in the field of NGN.

In 2006, TMR&D also signed an MoU with the Center for TeleInFrastruktur (CTIF), Aalborg University, Denmark. The MoU covers several areas including Antennas and Transmission Conditions, Cellular Systems, Digital Communication, RF Integrated Systems and Circuits, Wireless Networks, Speech and Multimedia Communication, Network Planning, Satellite, and Wireless Computing & Security.

HUMAN AND INTELLECTUAL CAPITAL

Recognising the importance of boosting staff strength to provide a wider intellectual network and to meet market demand, TMR&D expanded its workforce to 369 in 2006 compared to 342 in the previous year.

Of the 369 personnel, 270 are researchers in the Research Division while the rest are in non-research divisions.

TMR&D recognises the role of education in producing multi-skilled professionals in specialised areas and also in the development of human capital via the enhancement of their technological and business skills. As such, the Post-Graduate Scheme programme (Skim Ijazah Lanjutan) was introduced in 2004 to provide opportunities for TMR&D staff to acquire postgraduate qualifications while working. As of 31 December 2006, 43 full-time employees have been offered the opportunity to pursue their studies through this scheme. As a commitment towards skill enhancing and sharing of expertise and knowledge, a number of TMR&D researchers have also been involved in industrial attachments through sabbatical programmes.

In 2006, 90 papers were submitted by researchers at TMR&D, out of which, 51 were presented in several international conferences including:

- 9th IEEE International Conference on Advanced Communication Technology (Korea);
- The International Association of Science and Technology for Development (IASTED) International Conference on Networks and Communication Systems (Thailand);
- Electrical Engineering/Electronics, Computer, Telecommunications and Information Technology Conference (Thailand);
- Advanced International Conference on Telecommunication (AICT'06) (French Caribbean);
- Asia Pacific Conference on Communications (Korea);
- IEEE TENCON 2006 (Hong Kong);
- 6th International Conference Numerical Simulation of Optoelectronic Devices, Nanyang Technological University (Singapore);
- OCEANS 2006 Asia Pacific IEEE (Singapore);
- 6th IEEE International Conference on Computer and Information Technology (Korea);
- 6th International Conference Numerical Simulation of Optoelectronic Devices Nanyang Technological University (Singapore);
- The Fourth International Conference on Advances in Mobile Computing & Multimedia (MoMM2006) (Indonesia).

GIVING BACK TO SOCIETY THROUGH KNOWLEDGE & SKILLS ENHANCEMENT

The year 2006 witnessed TMR&D playing a vital role in nation-building via its commitment to providing education. During the year, 74 students of various levels were offered to participate in its internship programmes. Industrial training programmes were also conducted through collaboration with local universities throughout the country.

Capability Building via Research & Development

SAFEGUARDING THE ENVIRONMENT

TM CONTINUES TO UPHOLD ITS COMMITMENT TO BUILD AND CONDUCT ITS BUSINESS RESPONSIBLY WHEREVER IT OPERATES. AS A REGIONAL ORGANISATION, THE GROUP RECOGNISES THE PROFOUND IMPACT ITS BUSINESS HAS ON THE INDIGENOUS COMMUNITIES. AS SUCH, TM CONTINUES TO ADOPT INITIATIVES AND SET GUIDELINES THAT CAN BE ADHERED TO BY THE ENTIRE GROUP TO ENSURE THE PROTECTION OF THE ENVIRONMENT IT OPERATES IN.

The Group controls a great amount of equipment and network elements within its vast network. To date, there are 845 exchanges, 4,941 mobile base transceiver stations and 1,100 wireless Internet hotspot locations throughout Malaysia alone, serving a total of 4.4 million fixed line customers, 864,358 broadband Internet customers and 972,007 narrowband Internet customers. As such, a number of activities have been undertaken throughout the Group to ensure that the organisational impact on the environment is kept to a minimum.

COMPLYING WITH RADIO FREQUENCY EXPOSURE SAFETY STANDARDS

TM has rigorous processes in place to ensure that the design and the operation of its mobile phone base stations comply with the national and international radio frequency exposure safety standards. In 2006, Celcom and the Malaysian Institute of Nuclear Technology (MINT) conducted a survey to measure the level of radiation and radio frequency exposure to operational and maintenance staff who performed regular inspection work at the tower. The findings indicate that the measured field strengths are well below the exposure limits set by the Malaysian Communications and Multimedia Commission (MCMC) and the International Commission of Non-Ionising Radiation Protection (ICNIRP) guidelines for workers as well as members of the public.

MINIMISING ENVIRONMENTAL INTRUSIONS

The Group also takes a meticulous approach in the selection of locations for its operational and network infrastructure. In this regard, TM's environmental commitment is to ensure that environmental nuisances and intrusions due to its infrastructure are minimised. Procedures and guidelines, which are either aligned with or exceeding Government requirements, are established and continuously improved to ensure that the impact on landscape and biodiversity are minimised.

CONTRIBUTING TOWARDS ENVIRONMENTAL RESEARCH

To further independent research on the environment, TM has supported studies on the planet's climate balance. The internationally recognised achievement of the Multimedia University Antarctica Research Team in conducting "ground truth measurements" involving field measurements in the sea ice and ice shelf areas annually since 2001, demonstrates TM's role in research activities to preserve the planet for future generations.

PROTECTING THE ENVIRONMENT

TM has embarked on an awareness and conservation programme of the environment by building a 1,233 square feet retaining wall at a cost of RM430,000.00 to protect a 100-year old Jelutong tree in the forest reserve on top of Bukit Nanas, near Menara Kuala Lumpur. A wooden platform, which links to a 70-metre hanging bridge that runs through the forest reserve, was also constructed for visitors to walk on. For additional unique eco-tourism experiences within city walls, other ecological attractions such as Boardwalk, Day and Night Tours, Forest Walk, Campings, and BBQ facilities are offered at the site.

RECYCLING FOR THE FUTURE

As a staunch supporter of recycling the past for the benefit of the future, Multimedia College, the Group's training arm, has started a campaign to encourage TM's staff to donate their old books to the college's library, which has successfully collected over 300 books of various relevant genres.

At the same time, TM, through Multimedia University, has contributed recyclable used PCs that can be put to good use by schools and charitable organisations. Apart from being a charitable deed, the drive, first initiated in 2004, allows the Group to play its part in addressing the global issue of electronic waste. During 2006, two separate events were organised, one in May and another in November, to give away 110 units of second-hand PCs to 30 schools and one charitable organisation.

TM also recognises the importance of efficient vehicle waste management. With a fleet of 5,343 vehicles and 29 service centres to serve the Group's vast transportation needs, TM has engaged professional waste disposal contractors to ensure effective waste management. To further facilitate the waste management process, the Compliance and Safety Unit of TM Facilities was created to ensure that regular audits are conducted on compliance with set standards in waste management.

This commitment is not limited to the Group's local establishments but also extended regionally. TM's Indonesian subsidiary, PT Excelcomindo Pratama Tbk (XL), applies comprehensive policies and guidelines in this area. For instance, all waste oils and greases are appropriately labelled and stored in designated storage areas. Dialog Telekom, TM's Sri Lankan subsidiary, also ensures that best practices are adhered to during network rollout and waste disposal. This ensures that its activities are conducted responsibly to protect the environment as well as the safety and health of its employees.

CORPORATE SOCIAL RESPONSIBILITY

TM GROUP'S LONG STANDING TRADITION OF CONTRIBUTING TO SOCIETY AND THE NATION IS DERIVED FROM ITS FIRM BELIEF IN GOOD CORPORATE GOVERNANCE AND RESPONSIBILITY.

BY INTEGRATING SOCIAL RESPONSIBILITY WITH ALL ITS ACTIVITIES, THE GROUP'S EFFORTS ARE CARRIED OUT TO ACHIEVE VALUABLE OBJECTIVES, FROM HELPING TO BRIDGE THE DIGITAL DIVIDE BETWEEN RURAL AND URBAN SOCIETIES, MOVING THE NATION INTO THE DIGITAL ERA, IMPROVING EDUCATION, SPORTS DEVELOPMENT, SUPPORTING THE STAGING OF WORLD CLASS SPORTS EVENTS, TO CONTRIBUTING TO THE COMMUNITY.

Maintaining its CSR thrust through three major platforms, i.e. education, sports development and community & nation-building, the TM Group spent in excess of RM75 million in 2006 towards programmes and activities which are guided by its CSR policies and objectives.

WHAT DO WE STAND FOR?

TM CSR POLICY

'Companies within the TM Group shall undertake social, philanthropic or community development programmes which are aligned with their business strategies or that will benefit the broader interests of the community, while complementing the efforts of the Government towards nation-building.'

TM CSR OBJECTIVES

In carrying out its CSR responsibilities, the TM Group is committed to achieving several broad objectives which serve as beacons for the planning of all activities and ensuring that all actions meet expectations of good corporate governance, ethical corporate values and corporate citizenry. The Group also ensures that its initiatives in this area bring value to society in meaningful and tangible ways, build a corporate culture of social service and responsibility as well as reinforce the Group's brand position and business relationships.

In addition, these objectives serve as useful guidelines for the Group in the evaluation of proposals received from our various stakeholders for CSR projects, programmes and activities.

OUR CORE CSR THRUSTS

Within the platforms of education, sports development and community & nation-building, the Group carries out activities that create a value proposition for all parties concerned.

EDUCATION

Under its education platform, the Group seeks to contribute towards building human capital for the nation in the areas of ICT, multimedia and language proficiency, especially in the English language.

Established since 1994 and having provided financial support for over 10,000 students, Yayasan Telekom Malaysia (Yayasan TM or TM Foundation) continued to provide scholarships and educational loans in 2006 to support the cause of human capital development for the nation. The year saw the foundation allocating RM45.6 million for this purpose, forming the major portion of its activities and expenditure under the education platform.

Assisting human capital development through scholarships

A total of 123 scholarships were awarded to students at Preparatory, Diploma, First Degree and Post-Graduate levels for academic programmes in recognised local and overseas institutes of higher learning, some of which include the reputable Cambridge University, Oxford University and the London School of Economics, among others. Meanwhile, Yayasan TM also provided financial assistance to 700 needy students from government secondary schools. Overall, Yayasan TM currently sponsors 3,558 students in its various scholarship schemes.

Befitting its objective of providing for human capital development, TM has also contributed to the development of its own staff. In 2006, Yayasan TM allocated RM5.26 million for staff to enroll in programmes from Diploma to PhD level, both locally and abroad. A total of 110 staff members benefited from this assistance.

With the aim of being the catalyst for the nation's thrust into the digital era and the development of the Multimedia Super Corridor (MSC), TM had set up Multimedia University (MMU) in 1997 at a cost of more than RM800 million. As the nation's first private university dedicated to ICT education, MMU has grown from strength to strength since its inception. MMU today enjoys the reputation as the best private university in Malaysia. With a current student population in excess of 20,000, MMU has to date produced more than 12,900 graduates with ICT skills. On the average, 93% of MMU graduates are employed within six months of graduating, with many being sought after by multinational companies locally and abroad.

SPORTS DEVELOPMENT

Under this platform, the Group aims to contribute towards the building of talent at grassroots level through its support of developmental programmes especially in football. Going beyond this objective, the Group's initiatives under this platform also serve to promote Malaysia as a preferred destination for sports tourism.

TM's role as the major and title sponsor of Liga Malaysia, the national professional football league, continued in 2006.

In supporting the government's call for GLCs to help champion one of the eight core sports identified for further development, TM has sponsored Liga Malaysia since 2005, with an allocation of RM8.5 million a year. TM's sponsorships have enabled all states to benefit from an injection of funds to aid the development and promotion of football in their respective areas, which has resulted in a marked increase in interest towards local football from increased gate attendance at football stadiums.

Meanwhile in early 2006, the Group sponsored a football reality programme, *MyTeam*, aimed at identifying and nurturing football talent at grassroots level. Scouting the country for football talents, the programme garnered an interest of more than 200,000 enthusiasts, out of which 18,000 went through the trials to go head-on with Malaysia's national team. The final match showdown saw spirit and determination in *MyTeam*, although it narrowly lost to the national team.

The *Le Tour de Langkawi* international cycling event, which the Group has long been associated with, continued to receive sponsorship and organisational assistance from the Group. Over the years, this event has not only helped put the nation on the world map, but more importantly has spurred the development of home grown cycling talents able to compete at international level.

In addition to these major sponsorships, TM Group also provided cash and in-kind contributions for other sports events such as the Monsoon Cup, an international world-class match-race sailing regatta in Terengganu, the FEI World Cup Show Jumping, SUKMA XI Kedah, the North-Pole expedition, TM Forest Towerthon Challenge and the Mount Kinabalu International Climbathon.

COMMUNITY/NATION-BUILDING

Under its community/nation-building platform, the Group seeks to enrich the lives of the needy and less fortunate through its sponsorship assistance to NGOs, charitable organisations and welfare institutions. In the sphere of nation-building, the Group supports activities, community development programmes and national events that aim to enhance national unity, economic development and bridge the digital divide.

Service to the community and the nation

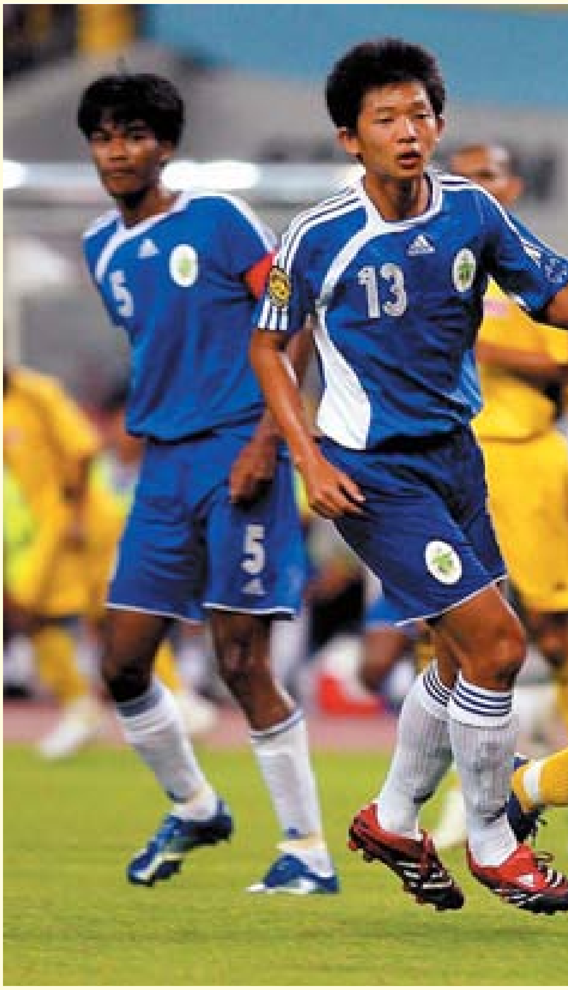
A major initiative under this platform was the Certificate in Business English & Communication Skills Programme (CiBEC), intended to provide skills training to unemployed graduates. With an allocation of RM2 million, TM targeted a total of 1,000 graduates and provided them with intensive English language and communication skills training. At the end of the training session, each participant received a certificate issued by the Business Advanced Technology Centre (BATC) of Universiti Teknologi Malaysia (UTM).

TM also continued its support and involvement in school adoption programmes in 2006. Its collaboration with the Ministry of Energy, Water & Communications' Sekolah Angkat Programme saw TM adopting the rural SMK Ayer Lanas school in Jeli, Kelantan, for a period of three years since 2004. Under this programme, the Group's involvement included the installation of ICT infrastructure, facilities and training for teachers, students and the local community, resulting in marked improvements in students' ICT skills and understanding. A total of 1,200 students, 86 teachers and the PIBG were provided with ICT training.

In late 2006, Khazanah Nasional coordinated a similar programme to help rural schools in Penang under its PINTAR Programme. With an allocation of close to RM1 million, TM Group adopted two rural primary schools for a period of three years beginning early 2007, in Penang. Assistance will be in the form of providing ICT support such as PCs and hardware, broadband infrastructure, ICT training, motivational courses, financial assistance and scholarships to students with academic potential. Educational visits are also planned, as well as financial and in-kind assistance for school repairs and infrastructural needs.

Celcom and TM Net, the Group's mobile and Internet arms respectively, also played a key role in community/nation building with school and community benefit programmes. The Celcom Xchange Programme was created to empower youth through the element of community service. With a yearly allocation of RM1.5 million, the programme, involving 20 students per school from 140 schools throughout the country, enabled students to develop creative community service ideas for implementation. The programme was created with the ultimate objective of instilling a culture of community service and caring values.

TM Net, meanwhile, continued its national level Cyberschool Community Project involving 17 schools throughout the country. This three-year Streamyx sponsorship programme which began in 2004 saw TM Net providing broadband access, PCs and ICT training to the schools. In addition, and in support of the nation's broadband agenda, the 'TM Net Goes to School' initiative saw the Company embrace programmes to educate students on leveraging the benefits of broadband. The programme saw participation from more than 5,000 students from over 100 schools in Negeri Sembilan, Melaka, Selangor and Kelantan.



Building a brighter future for football

In line with its yearly commitment, TM continued its sponsorship of school students to the Formula 1 Grand Prix in Sepang. TM sponsored the full cost of tickets, F&B and transport for 400 students from 10 schools in Wilayah Persekutuan and Selangor to witness the world-renowned sporting event.

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

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

The Group also spent in excess of RM500,000 to support National Day celebrations, through sponsorship and distribution of the national flags, national parade, TV clips, banners and buntings.

BEYOND CORE CSR PLATFORMS

In its belief that CSR should take on a holistic approach, TM Group has also placed emphasis on its commitment to internal CSR practices. These include adherence to good corporate governance principles, risk management, performance measurement, employee satisfaction monitoring, staff training as well as health and safety issues.

On the corporate governance front, TM has established positions for independent non-executive directors on its Board. A clear demarcation of the roles of the Board and the Management Committee has provided for smooth running of Group operations. Strict financial authority limits have been set for management personnel throughout the Group. A code of conduct covering ethical business practices for employee behaviour and procurement processes has also been published and provided for staff reference.

Enterprise risk management practices have been introduced and embedded into daily business operations through the Group's Balanced Scorecard process. This has helped to mitigate risk and cost in the Group's conduct of its business activities.

The Group's performance targets or Key Performance Indicators (KPIs) are cascaded throughout the organisation through the Balanced Scorecard process. It is against this backdrop that staff performance evaluations are carried out through the Group's online measurement system called MAPS, which is accessible to employees. An online employee satisfaction survey conducted on a yearly basis helps to gauge employee satisfaction and sentiments at the workplace.

With training as an important component for development, all staff of the Group are required to undergo at least 40 hours of training yearly. Through the Group's SmartOrange initiative, all staff are assessed on their competencies on a yearly basis, where gaps are identified and directed towards the appropriate training and skills development programmes. Health and safety steering and working committees have been established at corporate and regional levels to allow for effective monitoring and escalation of health and safety related issues throughout the Group.

CSR BEYOND MALAYSIAN SHORES

With business operations and investments in nine countries that include Indonesia, Singapore, Thailand, Cambodia, Sri Lanka, Bangladesh, India, Pakistan and Iran, CSR practices within TM Group extend beyond Malaysian shores.

For example, under the banner of XL Care, PT Excelcomindo Pratama TBK (XL), TM's Indonesian subsidiary, carried out a host of CSR programmes throughout Indonesia. Focusing its CSR activities primarily on ICT education and community support, XL provided assistance in the form of computer donations, construction of labs, training and support for IT competitions for schools and organisations around the country. In terms of community support, XL provided cash and in-kind assistance such as food, medicine and telecommunication services to disaster victims of the earthquake in Jogjakarta, Sumatran floods and the mini tsunami in Western Java.

The Change Trust Fund established in 1999 by Dialog Telekom Limited, TM's Sri Lankan subsidiary, has established itself as one of the company's key CSR initiatives. Funded through a unique one-to-one matching donations framework between the Company and its customers, the trust fund provides support through numerous charitable initiatives to marginalised segments of Sri Lankan society. A major project in 2006 included the setting up of a 'listening library' to enhance the capabilities of visually-impaired soldiers.

Other notable contributions include the establishment of a teaching studio at the Ministry of Education for the transmission of lectures to remote schools via microwave radio communications (Digital Bridge), and the development of a mass alert disaster warning system for Sri Lanka in the wake of the 2004 tsunami using GSM communications technology (DEWN).

TM's other subsidiaries in Bangladesh and Cambodia as well as affiliate companies in Thailand and Singapore continued their contributions through various programmes such as scholarship support for deserving students, support for sports development, community and global social responsibility initiatives, educational, vocational and IT development.

HUMANITARIAN ASSISTANCE

In its commitment to humanitarian efforts in times of national and international calamities, TM Group mobilised its resources in aid of the flood victims in the hard-hit state of Johor and other affected parts of the country.

Contributing over RM1.2 million for this cause, the Group provided in-kind assistance and essential items for victims at the various relief centres. The Group also deployed its fleet of vehicles at the disposal of relief and rescue personnel. Celcom, TM's mobile arm, ran an SMS-based donation drive while providing relief workers and its affected customers with airtime reload cards.

Some 200 TM staff affected by the floods in Johor, Melaka and Pahang were also provided with an immediate cash contribution of RM500 each. Meanwhile, an internal staff donation drive was organised to raise funds to further assist affected staff.

Heeding the government's call for its 'Village Adoption Programme', TM Group adopted five flood-affected villages in the district of Muar. Over 200 TM staff were mobilised to provide assistance to the villagers to clean-up their homes, schools, mosques and community centres. In addition, Celcom also provided cash and in-kind contributions to families in affected villages, including RM150 each to families in affected villages. In-kind contributions of clothing and prayer items were also provided to flood victims in the respective villages.

SILVER BOOK GUIDELINES

Towards the third quarter of 2006, Khazanah Nasional, the government's investment arm, came up with a series of guidelines called the Silver Book Guidelines governing social contributions by GLCs.

Based on these guidelines, the TM Group was assessed and was found to have a well-managed CSR contribution structure and process in place. Areas for further improvements were recommended, including the need for the introduction of standard cost-benefit assessment tools, the roll-out of the contributions policy and institutionalising a standardised CSR tracking and reporting system.

TM has taken steps to streamline, enhance and implement the areas recommended for improvement by the end of the first quarter of 2007.

Overall, 2006 saw TM Group maintain its CSR efforts on all its three major platforms, while also paying attention to internal programmes. The assessment by Khazanah Nasional on TM's management of its CSR activities in line with the Silver Book Guidelines proves that the Group is well on track towards having an effective social contributions programme. The TM Group is proud of its rich and long tradition of fulfilling its social contributions and its track record of good corporate governance. It stands committed to the practice of good CSR activities for the benefit of Company, community and nation.

CSR activities by our regional subsidiaries

Once lit it is impossible to take passion away.

Football is more than just a game. It is a symbol that ignites passion and instils pride amongst multitudes of Malaysians. More importantly, it is a shining example of what can be achieved through discipline, perseverance and unity. As a firm supporter of Liga Malaysia, it is our aim that this sport continues to inspire and bring out the best in all Malaysians.

FINANCIAL STATEMENTS

Statement of RESPONSIBILITY BY DIRECTORS

IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

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

In preparing the financial statements, the Directors have:

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

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

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

DIRECTORS' REPORT
for the year ended 31 December 2006

1. The Directors have pleasure in submitting their annual report and the audited financial statements of the Group and the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

2. The principal activities of the Company during the year are the establishment, maintenance and provision of telecommunication and related services under the licence issued by the Ministry of Energy, Water and Communications. The principal activities of the subsidiaries are set out in note 50 to the financial statements. There was no significant change in the nature of these activities during the year.

RESULTS

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

	The Group RM million	The Company RM million
Profit for the year attributable to:		
– Equity holders of the Company	2,068.8	534.7
– Minority interests	233.5	—
Profit for the year	2,302.3	534.7

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

DIVIDENDS

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

		RM million
(a)	In respect of the year ended 31 December 2005, a final gross dividend of 25.0 sen per share less tax at 28% was paid on 20 June 2006	610.9
(b)	In respect of the year ended 31 December 2006, an interim gross dividend of 16.0 sen per share less tax at 28% was paid on 18 September 2006	391.0

(c) In respect of the year ended 31 December 2006, the Directors now recommend a final gross dividend of 30.0 sen per share less tax at 27% (2005: a final gross dividend of 25.0 sen per share less tax at 28%) subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

DIRECTORS' REPORT
for the year ended 31 December 2006

EMPLOYEES' SHARE OPTION SCHEME

6. Details of the Company's Employees' Share Option Scheme (ESOS 3) are as disclosed in note 13(a) to the financial statements. The expiry date of ESOS 3 is 31 July 2007.

   The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 19 January 2007 from having to disclose in this report the names of the persons to whom options have been granted during the period and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965, except for information on employees who were granted options representing 100,000 ordinary shares and above.

   None of the employees of the Group and the Company were granted options representing 100,000 ordinary shares and above during the year ended 31 December 2006.

SHARE CAPITAL

7. During the year, the issued and fully paid-up share capital of the Company was increased by the issuance of 6,139,500 ordinary shares of RM1 each for cash under ESOS 3, detailed as follows:

Number of shares issued	Exercise price per share
5,995,000	RM7.09
1,000	RM8.02
46,000	RM9.32
97,500	RM9.22

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

MOVEMENTS ON RESERVES AND PROVISIONS

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

9. Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to:

   (a) ascertain that actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (b) ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

10. At the date of this report, the Directors are not aware of any circumstances which:

    (a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and the Company misleading; and

    (b) have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

11. In the interval between the end of the year and the date of this report:

    (a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and the Company for the year in which this report is made; and

    (b) no charge has arisen on the assets of any company in the Group which secures the liability of any other person nor has any contingent liability arisen in any company in the Group.

12. No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

13. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company, which would render any amount stated in the financial statements misleading.

DIRECTORS

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

Directors	Alternate Director
Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor	
Dato' Abdul Wahid Omar	
Dato' Ahmad Haji Hashim	Leonard Wilfred Yussin (ceased on 8 February 2007)
	Dyg Sadiah Abg Bohan (appointed on 8 February 2007)
Dato' Azman Mokhtar	
Dato' Dr. Abdul Rahim Haji Daud	
Dato' Lim Kheng Guan	
YB. Datuk Nur Jazlan Tan Sri Mohamed	
Ir. Prabahar NK Singam	
Rosli Man	

15. According to Article 103 of the Company's Articles of Association, Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor and Ir. Prabahar NK Singam shall retire from the Board at the Company's Twenty-Second Annual General Meeting and being eligible offer themselves for re-election.

DIRECTORS' REPORT
for the year ended 31 December 2006

DIRECTORS' INTEREST

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

	Number of ordinary shares of RM1 each			
Interest in the Company	**Balance at 1.1.2006**	**Bought**	**Sold**	**Balance at 31.12.2006**
Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor	123,500	—	—	123,500
Dato' Dr. Abdul Rahim Haji Daud	145,000	—	—	145,000

	Number of options over ordinary shares of RM1 each			
Interest in the Company	**Balance at 1.1.2006**	**Granted**	**Exercised**	**Balance at 31.12.2006**
Dato' Abdul Wahid Omar	53,700*	—	—	53,700

* Options granted and vested under the Performance Linked ESOS Scheme on 6 September 2005 as detailed in note 13(a) to the financial statements.

	Number of ordinary shares of RM1 each			
Interest in VADS Berhad	**Balance at 1.1.2006**	**Bought**	**Sold**	**Balance at 31.12.2006**
Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor	15,000	—	—	15,000
Dato' Dr. Abdul Rahim Haji Daud	15,000	—	—	15,000

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

DIRECTORS' BENEFITS

18. Since the end of the previous year, none of the Directors have received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest and any benefit that may deem to have been received by certain Directors.

    Neither during nor at the end of the year was the Company or any of its related corporations, a party to any arrangement with the object(s) of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 23 February 2007.

TAN SRI DATO' Ir. MUHAMMAD RADZI HAJI MANSOR
Chairman

DATO' ABDUL WAHID OMAR
Group Chief Executive Officer

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2006

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

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards (FRSs), the Malaysian Accounting Standards Board (MASB) approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965. During the year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial year beginning on or after 1 January 2006 as described in (a) below.

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

The preparation of financial statements in conformity with FRSs, the MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

(a) Standards, amendments to published standards and Interpretations Committee (IC) interpretations that are effective

The new accounting standards, amendments to published standards and IC interpretations to existing standards effective for the Group's and the Company's financial year beginning on 1 January 2006 are as follows:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

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

(a) Standards, amendments to published standards and IC interpretations that are effective (continued)

Amendment to FRS 119 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the "asset ceiling" test

IC 107	Introduction of the Euro
IC 110	Government Assistance – No Specific Relation to Operating Activities
IC 112	Consolidation – Special Purpose Entities
IC 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC 115	Operating Leases – Incentives
IC 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
IC 125	Income Taxes – Changes in Tax Status of an Entity or its Shareholders
IC 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC 129	Disclosure – Services Concessions Arrangement
IC 131	Revenue – Barter Transactions Involving Advertising Services
IC 132	Intangible Assets – Website Costs

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, amendments to the published standards and IC interpretations. All standards, amendments to the published standards and IC interpretations adopted by the Group and the Company (where applicable) require retrospective application other than:

FRS 2 – retrospective application on all equity instruments granted after 31 December 2004 and not vested as at 1 January 2006;

FRS 3 – prospectively for business combination with agreements dated on or after 1 January 2006;

FRS 5 – prospectively for non-current assets or disposal groups that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued on or after 1 January 2006;

FRS 116 – the exchange of property, plant and equipment is accounted at fair value prospectively; and

FRS 121 – prospective accounting for goodwill and fair value adjustments as part of foreign operations.

A summary of the impact of the new accounting standards, amendments to the published standards and IC interpretations to existing standards on the financial statements of the Group and the Company is set out in note 49 to the financial statements.

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

The new standards, amendments to published standards and IC interpretations that are mandatory for the Group's financial year beginning on 1 January 2007, which the Group has not early adopted, are as follows:

- FRS 117 Leases (effective for accounting period beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payment. The Group will apply this standard from financial year beginning on 1 January 2007. The Group has not disclosed the financial impact of the application of this standard following the transitional provision which provides exemption from early disclosure of the financial impact prior to its effective date.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2006

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

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

- FRS 124 Related Party Disclosures (effective for accounting period beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial year beginning 1 January 2007. The Group has not disclosed the financial impact of the application of this standard following the transitional provision which provides exemption from early disclosure of the financial impact prior to its effective date.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

(c) Standards that are not yet effective and not relevant or material for the Group's operations

- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting year beginning on or after 1 January 2007). FRS 6 is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.
- Amendment to FRS 119 Employee Benefits – *Actuarial Gains and Losses, Group Plans and Disclosures* (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group will apply this amendment from financial year beginning 1 January 2007, where applicable.

2. ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

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

Subsidiaries are consolidated using the purchase method of accounting. 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.

2. ECONOMIC ENTITIES IN THE GROUP (continued)

(a) Subsidiaries (continued)

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 (see Significant Accounting Policies note 3(a)).

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.

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

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

(b) Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposal to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(c) Jointly Controlled Entities

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

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

2. ECONOMIC ENTITIES IN THE GROUP (continued)

(c) Jointly Controlled Entities (continued)

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

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

(d) Associates

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

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

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

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

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

Dilution gains and losses are recognised in the Income Statement.

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

3. INTANGIBLE ASSETS

(a) Goodwill

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

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

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

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

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

(b) Licences

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

4. PROPERTY, PLANT AND EQUIPMENT

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

(a) Cost

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

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Depreciation

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

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

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

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

(c) Impairment

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

(d) Gains or Losses on Disposal

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

(e) Asset Exchange Transaction

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

(i) the exchange transaction lacks commercial substance; or

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

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

(f) Repairs and Maintenance

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

5. INVESTMENT PROPERTIES

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

Investment properties are carried at cost less accumulated depreciation and impairment losses.

Investment properties are depreciated on a straight line basis to write off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

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

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

6. LAND HELD FOR PROPERTY DEVELOPMENT

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

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

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

7. INVESTMENTS

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

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

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

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2006

7. INVESTMENTS (continued)

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

8. IMPAIRMENT OF ASSETS

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

9. GOVERNMENT GRANTS

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

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

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

10. INVENTORIES

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

Cost is determined on a weighted average basis and comprises all 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.

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

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

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

12. TRADE RECEIVABLES

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

13. CASH AND CASH EQUIVALENTS

For the purpose of the Cash Flow Statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 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.

14. SHARE CAPITAL

(a) Classification

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

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

(b) Share issue costs

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

(c) Dividend to shareholders of the Company

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

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2006

15. BONDS, NOTES, DEBENTURES AND BORROWINGS

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

Interests, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the Income Statement.

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

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

16. OPERATING LEASES

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

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

17. INCOME TAXES

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

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

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

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

17. INCOME TAXES (continued)

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

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

18. PROVISIONS

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

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

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

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

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

20. REVENUE RECOGNITION

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

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

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

21. EMPLOYEE BENEFITS

(a) Short Term Employee Benefits

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

(b) Contribution to Employees Provident Fund (EPF)

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

(c) Termination Benefits

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

21. EMPLOYEE BENEFITS (continued)

(d) Share-Based Compensation

The Group has applied the provision of FRS 2 to all equity instruments granted after 31 December 2004 but not yet vested as at 1 January 2006, the effective date the Group adopted this FRS.

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

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

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

22. FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

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

(c) Group Companies

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

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

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

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

22. FOREIGN CURRENCIES (continued)

(c) Group Companies (continued)

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

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

(d) Closing Rates

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

Foreign Currency	31.12.2006	31.12.2005
US Dollar	3.52700	3.77900
Japanese Yen	0.02964	0.03205
Sri Lanka Rupee	0.03284	0.03705
Bangladesh Taka	0.05107	0.05709
Indonesian Rupiah	0.00039	0.00039
Pakistani Rupee	0.05807	0.06328

Foreign Currency	31.12.2006	31.12.2005
Singapore Dollar	2.29967	2.27281
Thai Baht	0.09958	0.09214
Indian Rupee	0.07996	0.08403
Gold Franc	1.73361	1.76499
Special Drawing Rights	5.30659	5.40263

23. FINANCIAL INSTRUMENTS

(i) Description

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

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

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

(ii) Financial Instruments Recognised on the Balance Sheet

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

23. FINANCIAL INSTRUMENTS (continued)

(iii) Financial Instruments Not Recognised on the Balance Sheet

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

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

(iv) Fair Value Estimation for Disclosure Purposes

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

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

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

24. SEGMENT REPORTING

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

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

These accounting policies form an integral part of the financial statements set out on pages 239 to 346.

INCOME STATEMENTS

for the year ended 31 December 2006

		The Group		The Company	
All amounts are in millions unless otherwise stated	**Note**	**2006 RM**	2005 RM	**2006 RM**	2005 RM
OPERATING REVENUE	4	**16,399.2**	13,942.4	**6,753.5**	6,948.4
OPERATING COSTS					
– depreciation and amortisation		**(4,039.0)**	(3,444.5)	**(2,202.0)**	(2,192.8)
– provision for a claim	5	**—**	(879.5)	**—**	—
– other operating costs	6	**(9,048.1)**	(8,393.5)	**(3,951.7)**	(4,344.2)
OTHER OPERATING INCOME	7	**178.5**	543.9	**292.8**	504.8
OPERATING PROFIT BEFORE FINANCE COST		**3,490.6**	1,768.8	**892.6**	916.2
FINANCE INCOME	8	**234.0**	313.0	**100.5**	197.2
FINANCE COST	8	**(621.9)**	(663.4)	**(376.0)**	(538.9)
NET FINANCE COST	8	**(387.9)**	(350.4)	**(275.5)**	(341.7)
JOINTLY CONTROLLED ENTITIES					
– share of results (net of tax)		**10.6**	(3.7)	**—**	—
ASSOCIATES					
– share of results (net of tax)		**19.9**	14.2	**—**	—
– gain on dilution/disposal		**—**	91.5	**—**	—
PROFIT BEFORE TAXATION		**3,133.2**	1,520.4	**617.1**	574.5
TAXATION	9	**(830.9)**	(664.9)	**(82.4)**	(166.1)
PROFIT FOR THE YEAR		**2,302.3**	855.5	**534.7**	408.4
ATTRIBUTABLE TO:					
– equity holders of the Company		**2,068.8**	811.3	**534.7**	408.4
– minority interests		**233.5**	44.2	**—**	—
PROFIT FOR THE YEAR		**2,302.3**	855.5	**534.7**	408.4
EARNINGS PER SHARE (sen)					
– basic	10	**61.0**	23.9		
– diluted	10	**60.8**	23.9		

The above Income Statements are to be read in conjunction with the Significant Accounting Policies on pages 223 to 238 and the Notes to the Financial Statements on pages 245 to 346.

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BALANCE SHEETS

as at 31 December 2006

All amounts are in millions unless otherwise stated	Note	The Group 2006 RM	The Group 2005 RM	The Company 2006 RM	The Company 2005 RM
SHARE CAPITAL	12	**3,397.6**	3,391.5	**3,397.6**	3,391.5
SHARE PREMIUM		**3,941.9**	3,904.2	**3,941.9**	3,904.2
RESERVES	14	**12,571.6**	11,691.7	**8,243.4**	8,685.6
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**19,911.1**	18,987.4	**15,582.9**	15,981.3
MINORITY INTERESTS		**836.5**	654.0	**—**	—
TOTAL EQUITY		**20,747.6**	19,641.4	**15,582.9**	15,981.3
Borrowings	15	**10,282.8**	10,801.7	**2,368.0**	3,279.7
Payable to subsidiaries	16	**—**	—	**4,747.0**	4,873.2
Deferred tax liabilities	18	**2,261.9**	2,368.7	**1,434.0**	1,694.8
Provision for liabilities	19	**64.6**	65.0	**—**	—
DEFERRED AND LONG TERM LIABILITIES		**12,609.3**	13,235.4	**8,549.0**	9,847.7
		33,356.9	32,876.8	**24,131.9**	25,829.0
INTANGIBLE ASSETS	20	**7,059.1**	6,971.7	**43.6**	47.4
PROPERTY, PLANT AND EQUIPMENT	21	**24,026.5**	22,320.9	**11,931.9**	12,519.4
INVESTMENT PROPERTY	22	**—**	—	**179.8**	191.4
LAND HELD FOR PROPERTY DEVELOPMENT	23	**168.4**	170.7	**—**	—
SUBSIDIARIES	24	**—**	—	**9,836.8**	9,949.4
JOINTLY CONTROLLED ENTITIES	25	**807.5**	137.5	**141.2**	141.2
ASSOCIATES	26	**220.6**	102.7	**—**	1.5
INVESTMENTS	27	**226.7**	258.0	**220.5**	220.9
LONG TERM RECEIVABLES	28	**557.7**	595.8	**557.3**	595.4
DEFERRED TAX ASSETS	18	**115.6**	196.5	**—**	—
Non-current asset held for sale	29	**24.0**	—	**24.0**	—
Inventories	30	**172.8**	204.2	**68.4**	100.2
Trade and other receivables	31	**3,464.1**	3,536.0	**2,498.0**	2,831.3
Short term investments	32	**320.1**	274.7	**318.4**	273.5
Cash and bank balances	33	**4,680.4**	6,415.6	**2,035.3**	2,210.5
CURRENT ASSETS		**8,661.4**	10,430.5	**4,944.1**	5,415.5
Trade and other payables	34	**5,740.9**	5,980.9	**2,348.7**	2,306.8
Customer deposits	35	**718.9**	730.2	**590.3**	598.3
Borrowings	15	**1,803.1**	1,414.1	**736.0**	247.2
Current tax liabilities		**223.7**	182.3	**48.3**	100.8
CURRENT LIABILITIES		**8,486.6**	8,307.5	**3,723.3**	3,253.1
NET CURRENT ASSETS		**174.8**	2,123.0	**1,220.8**	2,162.4
		33,356.9	32,876.8	**24,131.9**	25,829.0

The above Balance Sheets are to be read in conjunction with the Significant Accounting Policies on pages 223 to 238 and the Notes to the Financial Statements on pages 245 to 346.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

All amounts are in millions unless otherwise stated	Note	Attributable to equity holders of the Company						
		Issued and Fully Paid of RM1 each						
		Special Share*/ Ordinary Shares						
		Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2006								
– as previously reported		3,391.5	3,904.2	(251.2)	—	12,339.6	654.0	20,038.1
– change in accounting policy	49(c)(viii)	—	—	—	—	(396.7)	—	(396.7)
– as restated		3,391.5	3,904.2	(251.2)	—	11,942.9	654.0	19,641.4
Currency translation differences arising during the year	27(a)	—	—	(31.2)	—	—	(2.5)	(33.7)
Net loss not recognised in the Income Statement		—	—	(31.2)	—	—	(2.5)	(33.7)
Profit for the year		—	—	—	—	2,068.8	233.5	2,302.3
Total recognised (expense)/income for the year		—	—	(31.2)	—	2,068.8	231.0	2,268.6
Transaction with minority interests		—	—	—	—	(180.8)	(77.4)	(258.2)
Acquisition of equity interest in subsidiaries		—	—	—	—	—	28.1	28.1
Dilution of equity interest in subsidiaries		—	—	—	—	—	23.6	23.6
Final dividends paid for the year ended 31 December 2005	11	—	—	—	—	(610.9)	—	(610.9)
Interim dividends paid for the year ended 31 December 2006	11	—	—	—	—	(391.0)	—	(391.0)
Dividends paid to minority interests		—	—	—	—	—	(33.6)	(33.6)
Employees' share option scheme (ESOS)								
– shares issued		6.1	37.7	—	—	—	—	43.8
– options granted		—	—	—	25.0	—	10.8	35.8
At 31 December 2006		3,397.6	3,941.9	(282.4)	25.0	12,829.0	836.5	20,747.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

		Attributable to equity holders of the Company						
		Issued and Fully Paid of RM1 each						
		Special Share*/ Ordinary Shares						
All amounts are in millions unless otherwise stated	Note	Share Capital RM	Share Premium RM	Currency Translation Differences RM	ESOS Reserve RM	Retained Profits RM	Minority Interests RM	Total Equity RM
At 1 January 2005								
– as previously reported		3,382.4	3,848.5	(258.3)	—	12,480.7	287.8	19,741.1
– change in accounting policy	49(c)(viii)	—	—	—	—	(332.8)	—	(332.8)
– as restated		3,382.4	3,848.5	(258.3)	—	12,147.9	287.8	19,408.3
Currency translation differences arising during the year		—	—	7.1	—	—	(25.1)	(18.0)
Net gain/(loss) not recognised in the Income Statement		—	—	7.1	—	—	(25.1)	(18.0)
Profit for the year	49(c)(viii)	—	—	—	—	811.3	44.2	855.5
Total recognised income for the year		—	—	7.1	—	811.3	19.1	837.5
Acquisition of equity interest in subsidiaries		—	—	—	—	—	304.7	304.7
Partial disposal of equity interest in a subsidiary		—	—	—	—	—	24.5	24.5
Dilution of equity interest in subsidiaries		—	—	—	—	—	27.9	27.9
Final dividends paid for the year ended 31 December 2004	11	—	—	—	—	(677.3)	—	(677.3)
Interim dividends paid for the year ended 31 December 2005	11	—	—	—	—	(339.0)	—	(339.0)
Dividends paid to minority interests		—	—	—	—	—	(22.6)	(22.6)
Employees' share option scheme (ESOS) – shares issued		9.1	55.7	—	—	—	—	64.8
Issue of shares to minority interests		—	—	—	—	—	12.6	12.6
At 31 December 2005		3,391.5	3,904.2	(251.2)	—	11,942.9	654.0	19,641.4

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1. Refer to note 12 to the financial statements for details of the terms and rights attached to Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 223 to 238 and the Notes to the Financial Statements on pages 245 to 346.

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COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

All amounts are in millions unless otherwise stated	Note	Issued and Fully Paid of RM1 each Special Share*/ Ordinary Shares Share Capital RM	Non-Distributable Share Premium RM	Non-Distributable ESOS Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2006						
– as previously reported		**3,391.5**	**3,904.2**	**—**	**9,082.3**	**16,378.0**
– change in accounting policy	49(c)(viii)	**—**	**—**	**—**	**(396.7)**	**(396.7)**
– as restated		**3,391.5**	**3,904.2**	**—**	**8,685.6**	**15,981.3**
Profit for the year		**—**	**—**	**—**	**534.7**	**534.7**
Final dividends paid for the year ended 31 December 2005	11	**—**	**—**	**—**	**(610.9)**	**(610.9)**
Interim dividends paid for the year ended 31 December 2006	11	**—**	**—**	**—**	**(391.0)**	**(391.0)**
Employees' share option scheme (ESOS)						
– shares issued		**6.1**	**37.7**	**—**	**—**	**43.8**
– options granted to employees of the Company		**—**	**—**	**8.0**	**—**	**8.0**
– options granted to employees of the subsidiaries	24	**—**	**—**	**17.0**	**—**	**17.0**
At 31 December 2006		**3,397.6**	**3,941.9**	**25.0**	**8,218.4**	**15,582.9**
At 1 January 2005						
– as previously reported		3,382.4	3,848.5	—	9,626.3	16,857.2
– change in accounting policy	49(c)(viii)	—	—	—	(332.8)	(332.8)
– as restated		3,382.4	3,848.5	—	9,293.5	16,524.4
Profit for the year	49(c)(viii)	—	—	—	408.4	408.4
Final dividends paid for the year ended 31 December 2004	11	—	—	—	(677.3)	(677.3)
Interim dividends paid for the year ended 31 December 2005	11	—	—	—	(339.0)	(339.0)
Employees' share option scheme (ESOS)						
– shares issued		9.1	55.7	—	—	64.8
At 31 December 2005		3,391.5	3,904.2	—	8,685.6	15,981.3

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1. Refer to note 12 to the financial statements for details of the terms and rights attached to Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 223 to 238 and the Notes to the Financial Statements on pages 245 to 346.

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CASH FLOW STATEMENTS
for the year ended 31 December 2006

All amounts are in millions unless otherwise stated	Note	The Group 2006 RM	The Group 2005 RM	The Company 2006 RM	The Company 2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES	36	**5,339.8**	5,504.3	**2,592.7**	2,251.3
CASH FLOWS USED IN INVESTING ACTIVITIES	37	**(6,503.2)**	(6,513.7)	**(1,531.9)**	(3,716.9)
CASH FLOWS USED IN FINANCING ACTIVITIES	38	**(501.8)**	(1,329.2)	**(1,205.0)**	(1,738.4)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,665.2)**	(2,338.6)	**(144.2)**	(3,204.0)
EFFECT OF EXCHANGE RATE CHANGES		**(69.4)**	(32.8)	**(31.0)**	(25.9)
EFFECT OF EXCLUSION FROM CONSOLIDATION OF A FORMER SUBSIDIARY	27(b)(i)	**—**	(18.7)	**—**	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**6,401.0**	8,791.1	**2,210.5**	5,440.4
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33	**4,666.4**	6,401.0	**2,035.3**	2,210.5

The above Cash Flow Statements are to be read in conjunction with the Significant Accounting Policies on pages 223 to 238 and the Notes to the Financial Statements on pages 245 to 346.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

All amounts are in millions unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year are the establishment, maintenance and provision of telecommunication and related services under the licence issued by the Ministry of Energy, Water and Communications. The principal activities of the subsidiaries are set out in note 50 to the financial statements. There was no significant change in the nature of these activities during the year.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

2.1 Critical judgements in applying the entity's accounting policies

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

(i) Intangible Assets

The Group has applied judgement in determining the treatment of the annual fees payable over 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.

(ii) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

(ii) Classification between investment properties and property, plant and equipment (continued)

During the year, the Group has temporarily sub-let several vacant warehouses but has decided not to recognise these properties as investment properties because it is not the Group's intention to hold these properties in the long term for capital appreciation or rental income. Accordingly, these properties continue to be classified as property, plant and equipment.

2.2 Critical accounting estimates and assumptions

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

(i) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or change in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 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. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

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

(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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.2 Critical accounting estimates and assumptions (continued)

(iv) Taxation

(a) Income taxes

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

(b) Deferred tax assets

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

(v) Share-based Payments

Equity settled share-based payments (share options) are measured at fair values at the grant dates. In addition, the Group revises the estimated number of performance linked share options that participants are expected to receive based on non-market conditions at each balance sheet date. The assumptions used in the valuation to determine these fair values are explained in note 13 to the financial statements.

(vi) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Please refer to note 41(b) to (m) to the financial statements for legal proceedings that the Group is involved as at 31 December 2006.

3. SIGNIFICANT ACQUISITIONS

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

In 2005, the Group through TM International (L) Limited (TMIL), a wholly owned subsidiary, acquired 56.9% equity interest in XL through various stage of acquisitions as summarised below. XL became a subsidiary of the Group on 27 October 2005.

		% of equity interest acquired	Completion Date
(i)	Acquisition of 523,215 ordinary shares through the acquisition of Indocel Holding Sdn Bhd	23.1	11 January 2005
(ii)	Acquisition of additional 95,130 ordinary shares	4.2	15 June 2005
(iii)	Subscription of new shares issued during the Initial Public Offering (IPO)	3.2	29 September 2005
(iv)	Dilution of equity interest as a result of the IPO	(5.5)	29 September 2005
(v)	Exercise of call options	31.9	27 October 2005
	Effective equity interest as at 27 October 2005	56.9	

The effect of the acquisition of XL to the financial results of the Group as reported in the previous year is disclosed below.

	Period from 11 January 2005 to 26 October 2005	Period from 27 October 2005 to 31 December 2005	
	As an associate RM	As a subsidiary RM	Total RM
Operating revenue	—	293.6	293.6
Operating costs	—	(207.6)	(207.6)
Operating profit	—	86.0	86.0
Other operating income	—	0.3	0.3
Operating profit before finance cost	—	86.3	86.3
Net finance cost	—	(19.1)	(19.1)
Share of results of associate	(12.5)	—	(12.5)
(Loss)/profit before taxation	(12.5)	67.2	54.7
Taxation	10.2	(14.1)	(3.9)
(Loss)/profit after taxation	(2.3)	53.1	50.8
Minority interests	—	(22.9)	(22.9)
Profit attributable to shareholders	(2.3)	30.2	27.9

3. SIGNIFICANT ACQUISITIONS (continued)

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

The effect of the acquisition of XL on the Group's financial position at the previous year end was as follows:

	2005 RM
Non-current assets (including goodwill on acquisition of XL)	5,249.4
Current assets	546.4
Non-current liabilities	(1,371.4)
Current liabilities	(855.6)
Total net assets	3,568.8
Minority interests	(319.5)
Less: Amount accounted for as an associate at 26 October 2005	(230.7)
Increase in Group's net assets	3,018.6
Goodwill on acquisition offset against gain on dilution	126.2
Actual increase in Group's net assets*	3,144.8

* including the amount relating to the fair value adjustments attributable to interest held in XL at balance sheet date.

Details of net assets acquired, goodwill and cash flow arising from the acquisition in previous year were as follows:

	At date of acquisition RM
Property, plant and equipment	2,076.4
Deferred tax assets	12.6
Inventories	10.6
Trade and other receivables	216.0
Cash and bank balances	455.1
Trade and other payables	(436.7)
Current tax liabilities	(1.0)
Borrowings	(1,644.9)
Fair value of total net assets as at 27 October 2005	688.1
Minority interests at 43.1%	(296.6)
Less: Amount accounted for as an associate as at 26 October 2005	(230.7)
Fair value of net assets acquired as at 27 October 2005	160.8
Goodwill on acquisition offset against gain on dilution	126.2
Goodwill on acquisition retained as an asset	2,827.4
Cost of acquisition (comprising purchase consideration and expenses directly attributable to the acquisition)	3,114.4
Purchase consideration discharged by cash	3,096.8
Expenses directly attributable to the acquisition, paid by cash	17.6
Less: Cash and cash equivalents of subsidiary acquired	(455.1)
Cash outflow of the Group on acquisition	2,659.3

3. SIGNIFICANT ACQUISITIONS (continued)

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

The fair value of the net assets acquired at 27 October 2005 was provisional as at 31 December 2005 pending finalisation of the fair value determination of XL's telecommunication plant and equipment and certain assets and liabilities. Following the completion of the fair value determination in 2006, the provisional fair value of net assets acquired increased by RM104.1 million.

On 7 June 2006, TMIL, entered into an agreement with AIF (Indonesia) Limited (AIF) to purchase 195,605,400 ordinary shares of Indonesian Rupiah 100 each in XL, representing approximately 2.8% of the issued and paid-up share capital of XL from AIF (the AIF Purchased Shares) for a cash consideration of USD39.7 million. The acquisition of the AIF Purchased Shares was completed on 12 June 2006. Consequently, the Group's effective equity interest in XL increased from 56.9% to 59.7%.

	RM
Purchase consideration:	
Cash consideration	144.7
Expenses directly attributable to the acquisition	0.2
	144.9
Carrying value of net assets acquired	(29.6)
Difference between purchase consideration over net assets acquired	115.3

The acquisition of additional shares was treated as a transaction with minority shareholders and thus the difference between the consideration paid and the Group's share of the carrying value of net assets as at 12 June 2006 was taken directly to equity.

The Group's effective equity interest in XL was reduced to 59.6% following the sale of 3,507,000 of XL shares through the Jakarta Stock Exchange.

(b) Acquisition of the remaining 49.0% equity interest in Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Samart Communication Company Limited) (Casacom)

As at 1 January 2006, the Group held 51.0% equity interest in Casacom through its wholly owned subsidiary, TM International Sdn Bhd (TMI).

On 17 February 2006, TMI entered into a Share Sale and Purchase Agreement with Samart Corporation Public Company Limited (Samart), a company incorporated in Thailand, for the acquisition of 1,038,700 ordinary shares of USD4.00 each representing the remaining 49.0% equity interest in Casacom from Samart for a consideration of USD29.0 million (RM107.9 million).

Casacom became a wholly owned subsidiary of the Group upon completion of the transaction on 27 March 2006.

3. SIGNIFICANT ACQUISITIONS (continued)

(b) Acquisition of the remaining 49.0% equity interest in Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Samart Communication Company Limited) (Casacom) (continued)

	RM
Purchase consideration:	
cash consideration	107.2
expenses directly attributable to the acquisition	0.7
	107.9
Carrying value of net assets acquired	(50.7)
Difference between purchase consideration over net assets acquired	57.2

The acquisition of additional shares was treated as a transaction with minority shareholders and thus the difference between the consideration paid and the Group's share of the carrying value of net assets as at 27 March 2006 was taken directly to equity. This acquisition has no material effect to the results of the Group in the current year.

On 3 October 2006, Casacom changed its name to Telekom Malaysia International (Cambodia) Company Limited.

(c) Acquisition of 24.42% equity interest in Samart I-Mobile Public Company Limited (SIM)

On 17 February 2006, TMI entered into a Share Sale and Purchase Agreement with Samart for the acquisition of 105 million ordinary shares of Thai Baht (THB)1.00 each representing 24.42% equity interest in SIM from Samart for a consideration of THB1,312.5 million (RM124.8 million).

SIM became an associate of the Group upon completion of the transaction on 27 March 2006.

The goodwill on acquisition arising from the above transaction was RM62.0 million, being the excess of the purchase price over the Group's share of the fair value of SIM's identifiable net assets as at 27 March 2006. The above goodwill is included in the cost of investment in associates. This acquisition has no material effect to the results of the Group in the current year.

(d) Acquisition of 49.0% equity interest in Spice Communications Limited (formerly known as Spice Communications Private Limited) (Spice) through the acquisition of the entire equity interest in TMI India Ltd (TMI India) (formerly known as Distacom Communications (India) Limited) (DCIL)

TMI Mauritius Ltd (TMIM), a wholly owned subsidiary of the Group, held via TMI, acquired a 100% equity interest in DCIL, pursuant to the Share Sale and Purchase Agreement on 10 March 2006, for a cash consideration of USD178.8 million (RM659.4 million). DCIL is an investment holding company having a 49.0% equity interest in Spice.

DCIL became a wholly owned subsidiary and Spice became a jointly controlled entity of the Group upon completion of the acquisition on 10 May 2006.

3. SIGNIFICANT ACQUISITIONS (continued)

(d) Acquisition of 49.0% equity interest in Spice Communications Limited (formerly known as Spice Communications Private Limited) (Spice) through the acquisition of the entire equity interest in TMI India Ltd (TMI India) (formerly known as Distacom Communications (India) Limited) (DCIL) (continued)

The goodwill on acquisition arising from the above transaction was RM691.1 million, being the excess of the purchase price over the Group's share of the provisional fair value of Spice's identifiable net assets as at 10 May 2006. The above goodwill is included in the cost of investment in jointly controlled entities. This acquisition has no material effect to the results of the Group in the current year.

On 22 August 2006 and 28 December 2006, DCIL and Spice changed their names to TMI India Ltd and Spice Communications Limited respectively.

(e) Acquisition of business and business assets of Petrofibre Network (M) Sdn Bhd (PFN)

During the year, Fiberail Sdn Bhd (Fiberail), a 60.0% owned subsidiary of the Group, acquired the business and business assets of PFN for RM101.9 million via a cash consideration of RM89.1 million and share consideration of RM12.8 million. Consequently, the Group's equity interest in Fiberail reduced to 54.0%. This acquisition has no material effect to the results of the Group in the current year.

(f) During the year, the Group also acquired the following companies for a total consideration of RM56.6 million:

(i) 90.0% equity interest in Asset Media (Pvt) Ltd for USD3.15 million (RM11.6 million).

(ii) 100% stake in Communiq Broadband Network (Private) Limited for USD3.51 million (RM18.3 million).

(iii) 100% stake in CBN SAT (Private) Limited for USD1.39 million (RM6.7 million).

(iv) Additional 20.0% equity interest in a subsidiary, Celcom Timur Sabah for a consideration of RM12.6 million.

(v) Additional 10.0% equity interest in an associate, Fibrecomm Network Sdn Bhd (Fibrecomm) for a consideration of RM7.4 million. Consequently, Fibrecomm became a 51.0% owned subsidiary of the Group.

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

4. OPERATING REVENUE

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Calls/usage	**2,966.8**	3,448.4	**2,933.6**	3,256.6
Rentals	**1,415.6**	1,481.8	**1,435.6**	1,495.9
Interconnect and international inpayment	**615.4**	488.8	**576.8**	549.5
Others	**128.7**	139.2	**129.3**	139.4
Total fixed line	**5,126.5**	5,558.2	**5,075.3**	5,441.4
Data services	**870.4**	878.7	**1,374.8**	1,209.2
Other telecommunication related services	**615.7**	544.8	**303.4**	297.8
Total fixed line, data services and other telecommunication related services	**6,612.6**	6,981.7	**6,753.5**	6,948.4

4. OPERATING REVENUE (continued)

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Calls/usage	**5,402.4**	3,928.0	**—**	—
Rentals	**171.8**	356.5	**—**	—
Interconnect and international inpayment	**957.5**	629.2	**—**	—
Messaging and roaming	**1,801.7**	985.5	**—**	—
Others	**231.1**	153.3	**—**	—
Total cellular	**8,564.5**	6,052.5	**—**	—
Internet and multimedia	**869.9**	608.0	**—**	—
Non-telecommunication related services	**352.2**	300.2	**—**	—
TOTAL OPERATING REVENUE	**16,399.2**	13,942.4	**6,753.5**	6,948.4

5. PROVISION FOR A CLAIM

The provision for a claim in the previous year, comprised the potential satisfaction of the DeTeAsia Holdings GmbH which included arbitration costs, legal, interest, other related costs and tax thereon.

6. OTHER OPERATING COSTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Allowance for doubtful debts (net of bad debt recoveries)	**303.9**	497.5	**111.2**	154.9
Allowance for diminution in value of an associate	**—**	—	**1.5**	—
Allowance for amount owing by subsidiaries	**—**	—	**134.7**	—
Charges and agencies commissions	**132.0**	76.1	**165.1**	110.7
Domestic interconnect and international outpayment	**1,962.1**	1,781.5	**1,183.7**	1,298.6
Impairment of land held for property development	**—**	14.3	**—**	—
Impairment of property, plant and equipment (PPE)	**4.1**	82.6	**—**	6.5
Maintenance	**731.8**	692.4	**310.1**	361.1
Marketing, advertising and promotion	**1,133.7**	918.6	**142.6**	156.8
Net loss/(gain) on foreign exchange – realised	**72.3**	46.0	**(0.3)**	(6.7)
Net (gain)/loss on foreign exchange – unrealised	**(433.3)**	54.6	**(260.4)**	22.4

6. OTHER OPERATING COSTS (continued)

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Rental – land and buildings	**243.0**	188.3	**92.7**	84.2
Rental – equipment	**42.9**	21.5	**29.5**	26.4
Rental – others	**44.1**	32.5	**6.1**	3.0
Research and development	**—**	—	**76.9**	83.7
(Reversal of)/allowance for diminution in value of quoted investments	**(28.7)**	10.6	**(28.1)**	10.3
(Reversal of)/allowance for diminution in value of long term investments	**(10.3)**	105.7	**(10.3)**	84.2
Reversal of allowance for doubtful debts	**—**	(140.5)	**—**	(140.5)
Reversal of impairment of land held for property development	**(3.6)**	—	**—**	—
Reversal of impairment of PPE	**(7.4)**	(76.0)	**(3.9)**	—
Staff costs	**1,991.4**	1,810.9	**1,126.1**	1,155.0
Staff costs capitalised in PPE	**(74.9)**	(61.5)	**(60.6)**	(58.5)
Supplies and inventories	**619.1**	524.8	**273.5**	239.9
Transportation and travelling	**128.7**	107.0	**42.3**	42.6
Universal Service Provision	**398.4**	307.9	**113.7**	124.5
Utilities	**295.3**	235.7	**172.9**	161.8
Write off of PPE	**2.0**	9.3	**—**	8.7
Others	**1,501.5**	1,153.7	**332.7**	414.6
TOTAL OTHER OPERATING COSTS	**9,048.1**	8,393.5	**3,951.7**	4,344.2

Staff costs include:				
– salaries, allowances, overtime and bonus	**1,555.0**	1,354.0	**875.2**	846.0
– termination benefit	**38.8**	161.0	**37.2**	114.7
– contribution to Employees Provident Fund (EPF)	**210.0**	190.5	**145.3**	137.7
– other staff benefits	**149.4**	103.2	**58.7**	55.1
– ESOS expense	**35.5**	—	**7.7**	—
– remuneration of Directors of the Company				
– fees	**0.8**	0.8	**0.4**	0.3
– salaries, allowances and bonus	**1.6**	1.2	**1.3**	1.0
– contribution to EPF	**—**	0.2	**—**	0.2
– ESOS expense	**0.3**	—	**0.3**	—

6. OTHER OPERATING COSTS (continued)

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Others include:				
– audit fees				
– PricewaterhouseCoopers Malaysia – current year	**2.2**	2.0	**0.9**	0.7
– in respect of prior year	**—**	0.2	**—**	—
– PricewaterhouseCoopers Malaysia's affiliates	**1.1**	0.7	**—**	—
– others	**0.3**	0.2	**—**	—

(a) Estimated money value of benefits of Directors amounted to RM125,141 (2005: RM115,052) for the Group and RM40,729 (2005: RM33,611) for the Company.

7. OTHER OPERATING INCOME

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Compensation for loss of exclusive rights	**—**	137.0	**—**	137.0
Dividend income from subsidiaries	**—**	—	**142.4**	151.3
Dividend income from quoted shares	**4.5**	4.2	**3.3**	4.2
Dividend income from unquoted shares	**2.7**	0.5	**2.7**	0.5
Gain on dilution/partial disposal of subsidiaries	**13.8**	259.0	**—**	—
Interest income from subsidiaries	**—**	—	**8.0**	15.3
Other income from subsidiaries	**—**	—	**16.7**	6.2
Penalty on breach of contract	**10.7**	3.3	**6.4**	9.6
Profit on disposal of property, plant and equipment	**12.4**	14.8	**11.7**	20.2
Profit/(loss) on disposal of long term investments	**68.5**	40.8	**(8.9)**	40.8
Loss on disposal of fixed income securities	**(0.2)**	—	**(0.2)**	—
Loss on disposal of short term investments	**(1.7)**	(10.9)	**(1.7)**	(10.9)
Rental income from buildings	**9.2**	14.8	**39.7**	51.8
Rental income from vehicles	**—**	—	**14.7**	9.5
Revenue from training and related activities	**13.2**	13.1	**14.1**	14.4
Sale of scrap stores	**7.4**	7.4	**7.2**	7.4
Others	**38.0**	59.9	**36.7**	47.5
TOTAL OTHER OPERATING INCOME	**178.5**	543.9	**292.8**	504.8

8. NET FINANCE COST

	2006				2005			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
THE GROUP								
Finance income	80.9	110.5	42.6	234.0	152.0	105.7	55.3	313.0
TOTAL FINANCE INCOME	80.9	110.5	42.6	234.0	152.0	105.7	55.3	313.0
Finance cost from borrowings	(500.4)	(90.6)	(79.0)	(670.0)	(392.4)	(188.3)	(111.1)	(691.8)
Amortisation of fair value adjustment on borrowings	19.2	18.6	—	37.8	3.2	25.4	—	28.6
Accretion of finance income	10.8	1.0	—	11.8	—	—	—	—
Amortisation of discounts	—	(1.5)	—	(1.5)	—	(0.2)	—	(0.2)
TOTAL FINANCE COST	(470.4)	(72.5)	(79.0)	(621.9)	(389.2)	(163.1)	(111.1)	(663.4)
NET FINANCE COST	(389.5)	38.0	(36.4)	(387.9)	(237.2)	(57.4)	(55.8)	(350.4)
THE COMPANY								
Finance income	30.5	52.7	17.3	100.5	121.0	49.7	26.5	197.2
TOTAL FINANCE INCOME	30.5	52.7	17.3	100.5	121.0	49.7	26.5	197.2
Finance cost from borrowings	(285.3)	—	(22.4)	(307.7)	(330.2)	—	(33.7)	(363.9)
Dividend for redeemable preference shares	—	(78.6)	—	(78.6)	—	(174.8)	—	(174.8)
Accretion of finance income	10.8	1.0	—	11.8	—	—	—	—
Amortisation of discounts	—	(1.5)	—	(1.5)	—	(0.2)	—	(0.2)
TOTAL FINANCE COST	(274.5)	(79.1)	(22.4)	(376.0)	(330.2)	(175.0)	(33.7)	(538.9)
NET FINANCE COST	(244.0)	(26.4)	(5.1)	(275.5)	(209.2)	(125.3)	(7.2)	(341.7)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

9. TAXATION

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**413.7**	448.9	**255.3**	261.6
Prior year	**269.8**	(105.6)	**87.9**	(154.0)
Deferred Tax (net)				
Current year	**(95.7)**	130.1	**(141.5)**	58.5
Prior year	**(54.3)**	—	**(119.3)**	—
	533.5	473.4	**82.4**	166.1
Overseas				
Income Tax				
Current year	**31.1**	23.0	**—**	—
Prior year	**(0.4)**	3.7	**—**	—
Deferred Tax (net)				
Current year	**266.7**	164.8	**—**	—
	297.4	191.5	**—**	—
TOTAL TAXATION	**830.9**	664.9	**82.4**	166.1
Current taxation:				
Current year	**444.8**	471.9	**255.3**	261.6
Under/(over) accrual in prior years (net)	**269.4**	(101.9)	**87.9**	(154.0)
Deferred taxation:				
Origination and reversal of temporary differences	**393.0**	339.0	**(208.9)**	58.5
Benefit from previously unrecognised deductible temporary differences and tax losses	**(157.2)**	(127.1)	**—**	—
Change in tax rate	**(64.8)**	—	**(51.9)**	—
(Over)/under accrual of deferred tax	**(54.3)**	83.0	**—**	—
	830.9	664.9	**82.4**	166.1

9. TAXATION (continued)

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

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

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Profit Before Taxation	**3,133.2**	1,520.4	**617.1**	574.5
Taxation calculated at the applicable Malaysian taxation rate of 28%	**877.3**	425.7	**172.8**	160.9
Tax effects of:				
– shares of results of jointly controlled entities and associates	**1.0**	6.7	**—**	—
– different taxation rates in other countries	**45.4**	28.1	**—**	—
– expenses not deductible for taxation purposes	**192.7**	708.4	**107.9**	293.2
– income not subject to taxation	**(260.2)**	(346.3)	**(86.6)**	(118.3)
– expenses allowed for double deduction	**(11.4)**	(15.7)	**(11.4)**	(15.7)
– previously unrecognised temporary differences	**(157.2)**	(127.1)	**—**	—
– tax incentives	**(17.0)**	—	**(17.0)**	—
– change in tax rate	**(64.8)**	—	**(51.9)**	—
– current year tax losses not recognised	**10.0**	4.0	**—**	—
– (over)/under accrual of deferred tax (net)	**(54.3)**	83.0	**(119.3)**	—
– under/(over) accrual of income tax (net)	**269.4**	(101.9)	**87.9**	(154.0)
TOTAL TAXATION	**830.9**	664.9	**82.4**	166.1

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	The Group	
	2006	2005
Profit attributable to equity holders (RM million)	**2,068.8**	811.3
Weighted average number of ordinary shares in issue (million)	**3,394.0**	3,387.6
Basic earnings per share (sen)	**61.0**	23.9

10. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

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

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

For details of the Company's Employees' Share Option Scheme, please refer to note 13(a) to the financial statements.

	The Group	
	2006	2005
Profit attributable to equity holders (RM million)	**2,068.8**	811.3
Weighted average number of ordinary shares in issue (million)	**3,394.0**	3,387.6
Adjustment for ESOS 3 (million)	**7.3**	13.6
Weighted average number of ordinary shares for computation of diluted earnings per share (million)	**3,401.3**	3,401.2
Diluted earnings per share (sen)	**60.8**	23.9

11. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	The Group and Company			
	2006		2005	
	Gross dividend per share Sen	**Amount of dividend, net of 28% tax RM**	Gross dividend per share Sen	Amount of dividend, tax-exempt RM
Interim dividends in respect of the year ended:				
– 31 December 2005	**—**	**—**	10.0	339.0
– 31 December 2006	**16.0**	**391.0**	—	—
Final dividends in respect of the year ended:				
– 31 December 2004	**—**	**—**	20.0	677.3
– 31 December 2005	**25.0**	**610.9**	—	—
DIVIDEND RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**41.0**	**1,001.9**	30.0	1,016.3

11. DIVIDENDS IN RESPECT OF ORDINARY SHARES (continued)

The Board now recommends a final gross dividend of 30.0 sen per share less tax at 27% (2005: a final gross dividend of 25.0 sen per share less tax at 28%) for shareholders' approval at the forthcoming Annual General Meeting of the Company. The total dividend payout for the current year based on issued share capital as at 31 December 2006 is approximately RM1,135.1 million, representing 54.9% of the profit attributable to equity holders of the Company. This is in line with the dividend payout policy of between 40% to 60% of profit attributable to shareholders. These financial statements do not reflect this final dividend which will only be accrued as a liability when approved by shareholders.

12. SHARE CAPITAL

	The Group and Company			
	2006		2005	
	Number of shares	**RM**	Number of shares	RM
Authorised:				
Ordinary shares of RM1 each	**5,000.0**	**5,000.0**	5,000.0	5,000.0
Special share of RM1 (sub-note a)	**—**	**—**	—	—
Class A Redeemable Preference Shares of RM0.01 each (sub-note b)	**—**	**—**	—	—
Class B Redeemable Preference Shares of RM0.01 each (sub-note b)	**—**	**—**	—	—
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	**3,391.5**	**3,391.5**	3,382.4	3,382.4
Exercise of share options	**6.1**	**6.1**	9.1	9.1
At 31 December	**3,397.6**	**3,397.6**	3,391.5	3,391.5
Special share of RM1 (sub-note a)				
At 1 January and 31 December	**—**	**—**	—	—
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,397.6**	**3,397.6**	3,391.5	3,391.5

12. SHARE CAPITAL (continued)

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

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

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

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

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

The details of TM RPS A and TM RPS B are set out in note 16(a) to the financial statements.

(c) During the year, the issued and fully paid-up share capital of the Company was increased by the issuance of 6,139,500 ordinary shares of RM1 each for cash under ESOS 3, detailed as follows:

Number of shares issued	Exercise price per share
5,995,000	RM7.09
1,000	RM8.02
46,000	RM9.32
97,500	RM9.22

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

13. EMPLOYEES' SHARE OPTION SCHEME

Total expense recognised arising from share-based payments amounted to RM35.8 million and RM8.0 million for the Group and the Company respectively as disclosed in note 6 to the financial statements. No expense is recognised for outstanding share options granted before 31 December 2004 or share options granted after 31 December 2004 but vested before 1 January 2006.

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

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

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

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

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

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

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

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

General features of ESOS 3 and PLES

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

(ii) The total number of shares to be offered shall not exceed 10% of the total issued and paid-up shares of the Company.

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

(iv) The subscription price of each RM1 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 the Company during the option period which expires on 31 July 2007, such corresponding alterations shall be made in:

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

(ii) and/or the subscription price.

Specific features of ESOS 3

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

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

	Percentage of options exercisable (%)				
Number of options granted	**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 (not inclusive of PLES options), the number of options which a grantee may exercise in a relevant year shall be evenly distributed over the number of unexpired years of the scheme, as calculated on the date of acceptance of the option, save as determined otherwise by the Option Committee.

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

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

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

Option Scheme (ESOS 3)	Exercise Price (RM)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (RM)
2006							
Phase 1	**7.09**	**28,798.0**	**—**	**(5,995.0)**	**—**	**22,803.0**	**—***
Phase 1	**8.02**	**14.0**	**—**	**(1.0)**	**—**	**13.0**	**—***
Phase 2	**9.32**	**3,176.0**	**—**	**(46.0)**	**(38.0)**	**3,092.0**	**—***
Phase 2	**9.22**	**19,356.5**	**—**	**(97.5)**	**(421.0)**	**18,838.0**	**1.61**
Phase 3	**8.69**	**—**	**5,470.0**	**—**	**(327.0)**	**5,143.0**	**1.07**
Total		**51,344.5**	**5,470.0**	**(6,139.5)**	**(786.0)**	**49,889.0**	
2005							
Phase 1	7.09	37,675.0	—	(8,874.0)	(3.0)	28,798.0	—*
Phase 1	8.02	23.0	—	(9.0)	—	14.0	—*
Phase 2	9.32	—	3,365.0	(189.0)	—	3,176.0	—*
Phase 2	9.22	—	19,439.0	(5.0)	(77.5)	19,356.5	1.61
Total		37,698.0	22,804.0	(9,077.0)	(80.5)	51,344.5	

Option Scheme (PLES)	Exercise Price (RM)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 31 December Vested ('000)	At 31 December Not yet vested ('000)	Fair value at grant date (RM)
2006								
Performance for:								
– 2004	**10.24**	**1,629.0**	**—**	**—**	**(26.8)**	**1,602.2**	**n/a**	**—***
– 2005	**10.24**	**5,991.2**	**—**	**—**	**(5,991.2)**	**—**	**n/a**	**1.14**
– 2006	**10.24**	**5,991.2**	**—**	**—**	**—**	**n/a**	**5,991.2**	**1.14**
Aggregate	**10.24**	**11,982.4**	**—**	**—**	**—**	**n/a**	**11,982.4**	**1.14**
Total		**25,593.8**	**—**	**—**	**(6,018.0)**	**1,602.2**	**17,973.6**	
2005								
Performance for:								
– 2004	10.24	—	5,991.2	—	(4,362.2)	1,629.0	n/a	— *
– 2005	10.24	—	5,991.2	—	—	n/a	5,991.2	1.14
– 2006	10.24	—	5,991.2	—	—	n/a	5,991.2	1.14
Aggregate	10.24	—	11,982.4	—	—	n/a	11,982.4	1.14
Total		—	29,956.0	—	(4,362.2)	1,629.0	23,964.8	

* FRS 2 not applicable for these tranches
n/a Not applicable

The above unexercised options remain in force until 31 July 2007.

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

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

Exercise date	Fair value of shares at exercise date	Exercise price/ Number of options exercised ('000)			
	RM/share	RM7.09	RM8.02	RM9.32	RM9.22
2006					
January to May 2006	**9.50-9.95**	**2,292.0**	**—**	**42.0**	**41.5**
June to October 2006	**8.90-9.10**	**1,687.0**	**1.0**	**—**	**—**
November to December 2006	**9.30-9.70**	**2,016.0**	**—**	**4.0**	**56.0**
		5,995.0	**1.0**	**46.0**	**97.5**
2005					
January 2005	11.35	2,209.0	7.0	—	—
February to March 2005	10.35-10.65	1,329.0	—	—	—
April to May 2005	9.60-10.05	563.0	—	2.0	—
June to August 2005	10.25-10.80	2,706.0	2.0	164.0	—
September to October 2005	10.10-10.25	1,238.0	—	22.0	—
November to December 2005	9.40-9.55	829.0	—	1.0	5.0
		8,874.0	9.0	189.0	5.0

	2006	2005
	RM million	RM million
Ordinary share capital – at par	**6.1**	9.1
Share premium	**37.7**	55.7
Proceeds received on exercise of share options	**43.8**	64.8
Fair value at exercise date of shares issued	**58.0**	96.1

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

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

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

	ESOS 3		
	Phase 2	Phase 3	PLES
Exercise price	RM9.22	RM8.69	RM10.24
Option life (number of days to expiry)	649	225	649
Weighted average share price at grant date	RM10.10	RM9.65	RM10.10
Expected dividend yield	3.0%	3.0%	3.0%
Risk free interest rates (Yield of Malaysian Government securities)	3.18%	3.21%	3.18%
Expected volatility	23.27%	15.74%	23.27%
TM share historical volatility period:			
From	24.10.2003	18.12.2004	24.10.2003
To	14.10.2005	18.12.2006	14.10.2005

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

(b) ESOS of VADS Berhad (VADS)

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

The principal features of ESOS are as follows:

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

(ii) The total number of shares to be offered shall not exceed 15% of the total issued and paid-up shares of VADS.

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

(iv) The subscription price of each RM1 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.

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

The principal features of ESOS are as follows (continued):

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

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

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

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

(b) and/or the subscription price.

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

The movement during the year in the number of options over the ordinary shares of RM1 each of VADS are as follows:

Grant date	Exercise Price (RM)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (RM)
2006							
14 April 2005	**2.65**	**4,761.0**	**—**	**(1,242.0)**	**(344.0)**	**3,175.0**	**0.62**
31 August 2005	**2.76**	**400.0**	**—**	**(104.0)**	**(40.0)**	**256.0**	**0.86**
30 November 2005	**2.94**	**220.0**	**—**	**(82.0)**	**—**	**138.0**	**0.74**
19 January 2006	**3.08**	**—**	**800.0**	**(248.0)**	**(200.0)**	**352.0**	**0.63**
28 April 2006	**3.69**	**—**	**848.0**	**(136.0)**	**(54.0)**	**658.0**	**1.02**
28 July 2006	**3.82**	**—**	**504.0**	**(100.0)**	**(24.0)**	**380.0**	**0.88**
20 October 2006	**5.75**	**—**	**628.0**	**(18.0)**	**(56.0)**	**554.0**	**1.41**
Total		**5,381.0**	**2,780.0**	**(1,930.0)**	**(718.0)**	**5,513.0**	
2005							
14 April 2005	2.65	—	5,455.0	(178.0)	(516.0)	4,761.0	0.62
31 August 2005	2.76	—	400.0	—	—	400.0	0.86
30 November 2005	2.94	—	220.0	—	—	220.0	0.74
Total		—	6,075.0	(178.0)	(516.0)	5,381.0	

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

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

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

Exercise price	RM5.75	RM3.82	RM3.69	RM3.08	RM2.94	RM2.76	RM2.65
Option life (number of days to expiry)	1,259	1,343	1,434	1,533	1,581	1,673	1,812
Weighted average share price at grant date	RM6.60	RM4.26	RM4.42	RM3.42	RM3.28	RM3.38	RM2.84
Expected dividend yield	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Risk free interest rates (Yield of Malaysian Government securities)	3.76%	4.22%	4.07%	3.56%	3.68%	3.28%	3.70%
Expected volatility	24.04%	23.08%	22.20%	20.59%	26.00%	26.00%	26.00%
VADS share historical volatility period:							
From	30.6.2003	30.6.2003	30.8.2002	30.8.2002	30.8.2002	30.8.2002	30.8.2002
To	20.10.2006	28.7.2006	28.4.2006	19.1.2006	30.11.2005	31.8.2005	14.4.2005

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) to four (4) years from the grant date.

(c) ESOS of Dialog Telekom Limited (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%) are accounted as treasury shares of Dialog as at 31 December 2006 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 granted 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.

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

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

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

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

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

Grant date	Exercise price (SLR)	At 1 January ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	At 31 December ('000)	Fair value at grant date (SLR)
2006							
11 July 2005	**12**	**87,725.0**	**—**	**(38,341.0)**	**(649.0)**	**48,735.0**	**4.4**
2005							
11 July 2005	12	—	88,841.0	(1,116.0)	—	87,725.0	4.4

The fair values of options granted in which FRS 2 applies, was determined using the Black Scholes Valution 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	2.1%
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 devived after considering the patent and level of historical volatility of entities in the same industry since Dialog does not have sufficient information on historical volatility as it was only listed on the Colombo Stock Exchange in July 2005.

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

13. EMPLOYEES' SHARE OPTION SCHEME (continued)

(d) Employee share allocation scheme of PT Excelcomindo Pratama Tbk (XL)

Based on the Resolution of an Extraordinary General Meeting of Shareholders, as stated in Deed No. 127, dated 19 July 2005, XL's shareholders approved the plan to implement an employees' stock option program through the Employee Stock Allocation (ESA) which was realised together with XL's initial stock public offering.

The members of ESA received free shares from XL totalling 5,000,000 shares which were distributed proportionally to XL's employees based on their respective working periods and positions. This program is only valid for permanent employees who have been working for a minimum of twelve (12) months on the date of stock listing on the Jakarta Stock Exchange (Stock Exchange). The IPO price of Indonesian Rupiah 2,000 was deemed the fair value of the free shares.

The shares from the ESA program will be returned to XL if the employees resign or have their contracts terminated within one (1) year from the date on which the shares were recorded. Shares for this program cannot be sold within one (1) year of the stock listing on the Stock Exchange and cannot be taken as cash by the member of the ESA.

14. RESERVES

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Retained profits	**12,829.0**	11,942.9	**8,218.4**	8,685.6
ESOS reserve	**25.0**	—	**25.0**	—
Currency translation differences arising from translation of foreign subsidiaries/jointly controlled entities/associates	**(282.4)**	(251.2)	**—**	—
TOTAL RESERVES	**12,571.6**	11,691.7	**8,243.4**	8,685.6

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt income under Section 8 of the Income Tax (Amendment) Act, 1999 at 31 December 2006 to frank the payment of net dividends out of all (2005: all) its retained profits without incurring additional taxation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

15. BORROWINGS

THE GROUP	2006 Weighted Average Rate of Finance	2006 Long Term RM	2006 Short Term RM	2006 Total RM	2005 Weighted Average Rate of Finance	2005 Long Term RM	2005 Short Term RM	2005 Total RM
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note a)	5.70%	—	113.8	113.8	5.27%	113.8	113.7	227.5
Borrowings under Islamic Banking facilities (sub-note a)	8.10%	210.3	400.0	610.3	8.10%	628.9	300.0	928.9
	7.72%	210.3	513.8	724.1	7.54%	742.7	413.7	1,156.4
Unsecured								
Redeemable Bonds (note 16(c))	5.88%	3,000.0	—	3,000.0	5.84%	3,000.0	—	3,000.0
Borrowings from financial institutions	4.74%	10.0	50.2	60.2	4.00%	—	5.1	5.1
Borrowings under Islamic Banking facilities	5.07%	243.0	207.9	450.9	5.19%	443.0	246.0	689.0
	5.76%	3,253.0	258.1	3,511.1	5.72%	3,443.0	251.1	3,694.1
Total Domestic	6.10%	3,463.3	771.9	4,235.2	6.16%	4,185.7	664.8	4,850.5
FOREIGN								
Secured								
Borrowings from financial institutions (sub-note b)	7.90%	498.0	301.4	799.4	8.88%	178.2	29.4	207.6
Other borrowings (sub-note c)	1.96%	200.9	12.0	212.9	—	113.3	—	113.3
Bank overdrafts (sub-note d)	14.00%	—	1.7	1.7	12.00%	—	1.9	1.9
	6.66%	698.9	315.1	1,014.0	5.78%	291.5	31.3	322.8
Unsecured								
Notes and Debentures (sub-note e)	7.00%	6,013.6	—	6,013.6	7.00%	5,516.4	264.9	5,781.3
Borrowings from financial institutions	6.72%	98.3	712.7	811.0	2.58%	797.9	451.9	1,249.8
Other borrowings	1.26%	8.7	1.4	10.1	1.25%	10.2	1.2	11.4
Bank overdrafts	17.34%	—	2.0	2.0	—	—	—	—
	6.96%	6,120.6	716.1	6,836.7	6.20%	6,324.5	718.0	7,042.5
Total Foreign	6.92%	6,819.5	1,031.2	7,850.7	6.19%	6,616.0	749.3	7,365.3
TOTAL BORROWINGS	6.63%	10,282.8	1,803.1	12,085.9	6.17%	10,801.7	1,414.1	12,215.8

15. BORROWINGS (continued)

	2006			2005		
	Domestic RM	**Foreign RM**	**Total RM**	Domestic RM	Foreign RM	Total RM
The Group's long term borrowings are repayable as follows:						
After one year and up to five years	**463.3**	**3,078.2**	**3,541.5**	1,185.7	3,481.0	4,666.7
After five years and up to ten years	**2,000.0**	**2,680.4**	**4,680.4**	2,000.0	2,006.0	4,006.0
After ten years and up to fifteen years	**1,000.0**	**0.8**	**1,000.8**	1,000.0	0.8	1,000.8
After fifteen years	**—**	**1,060.1**	**1,060.1**	—	1,128.2	1,128.2
	3,463.3	**6,819.5**	**10,282.8**	4,185.7	6,616.0	10,801.7

	2006				2005			
THE COMPANY	**Weighted Average Rate of Finance**	**Long Term RM**	**Short Term RM**	**Total RM**	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic Banking facilities	**5.16%**	**243.0**	**200.0**	**443.0**	5.19%	443.0	246.0	689.0
Total Domestic	**5.16%**	**243.0**	**200.0**	**443.0**	5.19%	443.0	246.0	689.0
FOREIGN								
Unsecured								
Notes and Debentures (sub-note e)	**7.80%**	**2,116.3**	**—**	**2,116.3**	7.87%	2,259.6	—	2,259.6
Borrowings from financial institutions	**5.55%**	**—**	**534.6**	**534.6**	3.38%	566.9	—	566.9
Other borrowings	**1.26%**	**8.7**	**1.4**	**10.1**	1.25%	10.2	1.2	11.4
Total Foreign	**7.32%**	**2,125.0**	**536.0**	**2,661.0**	6.94%	2,836.7	1.2	2,837.9
TOTAL BORROWINGS	**7.02%**	**2,368.0**	**736.0**	**3,104.0**	6.60%	3,279.7	247.2	3,526.9

15. BORROWINGS (continued)

	2006			2005		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's long term borrowings are repayable as follows:						
After one year and up to five years	243.0	1,062.0	1,305.0	443.0	1,705.1	2,148.1
After five years and up to ten years	—	2.1	2.1	—	2.6	2.6
After ten years and up to fifteen years	—	0.8	0.8	—	0.8	0.8
After fifteen years	—	1,060.1	1,060.1	—	1,128.2	1,128.2
	243.0	2,125.0	2,368.0	443.0	2,836.7	3,279.7

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	4,235.2	4,850.5	443.0	689.0
US Dollar	7,259.3	7,107.4	2,650.9	2,826.5
Bangladesh Taka	322.7	11.4	—	—
Sri Lanka Rupee	188.8	233.2	—	—
Other currencies	79.9	13.3	10.1	11.4
	12,085.9	12,215.8	3,104.0	3,526.9

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

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

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

(b) Secured by way of fixed charge on property, plant and equipment of subsidiaries (note 21 to the financial statements).

15. BORROWINGS (continued)

(c) Consists of USD60.0 million (2005: USD29.2 million) supplier credit that bears 0% interest during the first two (2) years and is repayable from 2007 to 2012. This supplier credit is secured by way of fixed charge on property, plant and equipment of a foreign subsidiary (note 21 to the financial statements).

(d) The bank overdrafts were secured by way of fixed charge over property, plant and equipment of a subsidiary and interests were payable at rates which varied according to the lenders' prevailing base lending rates. Interest rate during the year was 14% per annum (2005: 12% per annum) (note 21 to the financial statements).

(e) Consists of the following:

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
USD70.0 million London Interbank Offer Rate (LIBOR) plus 2.25% Floating Rate Notes due 2006	**—**	264.9	**—**	—
USD250.0 million 7.125% Notes due 2013	**868.0**	—	**—**	—
USD350.0 million 8.0% Notes due 2009	**1,265.8**	1,367.1	**—**	—
USD300.0 million 8.0% Guaranteed Notes due 2010	**1,058.2**	1,133.8	**1,058.2**	1,133.8
USD500.0 million 5.25% Guaranteed Notes due 2014	**1,763.5**	1,889.7	**—**	—
USD300.0 million 7.875% Debentures due 2025	**1,058.1**	1,125.8	**1,058.1**	1,125.8
	6,013.6	5,781.3	**2,116.3**	2,259.6

16. PAYABLE TO SUBSIDIARIES

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

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

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

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

16. PAYABLE TO SUBSIDIARIES (continued)

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

Listed below are the effects of the transactions to the Company:

The Company	2006 RM	2005 RM
(i) Payable to a subsidiary company, RUSB		
TM RPS A of RM1,000 (sub-note a)	—	—
TM RPS B of RM1,000 (sub-note a)	—	—
10-year redeemable unsecured bonds due 2013 (Tranche 1) (sub-note b)	1,983.5	1,983.5
15-year redeemable unsecured bonds due 2018 (Tranche 2) (sub-note b)	1,000.0	1,000.0
(ii) Payable to a subsidiary company, TM Global Incorporated	1,763.5	1,889.7
	4,747.0	4,873.2

(a) TM RPS A and TM RPS B

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

The salient terms of the RPS are as follows:

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

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

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

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

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

16. PAYABLE TO SUBSIDIARIES (continued)

(b) TM Bonds

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

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

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

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

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

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

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

(c) Tekad Mercu Bonds

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

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

(ii) In respect of Tranche 2 only,

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

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

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

16. PAYABLE TO SUBSIDIARIES (continued)

(c) Tekad Mercu Bonds (continued)

(iv) Payment of coupon on the bonds
Interest rate of 6.20% per annum payable semi-annually in arrears on the Tranche 1 bonds and interest rate of 5.25% per annum payable semi-annually in arrears on the Tranche 2 bonds with the option to reset these rates after the fifth year.

(v) The bonds will constitute direct, unconditional and unsecured obligations of Tekad Mercu and will at all times rank pari-passu without discrimination, preference or priority amongst themselves and at least pari-passu with all other present and future unsecured and unsubordinated obligations of Tekad Mercu, subject to those preferred by law or the transaction documents.

(vi) The bonds are not convertible but transferable, subject to certain selling restrictions.

(vii) The Company has granted a Put Option in favour of the security trustee of the bonds for the benefit of the holders of the bonds. The Put Option will allow the holders of the bonds to have direct recourse on the Company for the following circumstances:

(a) on a pre-agreed time frame, there is insufficient amounts in the relevant Designated Account to meet coupon payments and/or principal redemption of the bonds on the relevant due date for payment;

(b) an event of default has been declared under the bonds; and

(c) an event of default has been declared under the Put Option.

None of the TM RPS, TM bonds, Tekad Mercu bonds and TM Global Incorporated Notes have been redeemed, purchased or cancelled during the year.

17. HEDGING TRANSACTIONS

(a) Long Dated Swap
Underlying Liability
USD300.0 million 7.875% Debentures Due 2025
In 1998, the Company entered into a long dated swap, which will mature on 1 August 2025.

Hedging Instrument
The Company made a payment of USD5.0 million and is obliged to pay fixed amounts of JPY209.9 million semi-annually on each 1 February and 1 August, up to and including 1 August 2025.

Prior to 1 February 2004, the counter-party was not obliged to agree to any request by the Company to terminate the transaction. Commencing from 1 February 2004, the Company has the right to terminate the transaction at a rate mutually agreed with the counter-party. However, the Company intends to hold the contract to maturity.

On 1 August 2025, the Company will receive RM750.0 million from the counter-party. These proceeds will be swapped for USD300.0 million at a pre-determined exchange rate of RM2.5 to USD1.0, which will be used for the repayment of the USD300.0 million 7.875% redeemable unsecured Debentures. The effect of this transaction is to effectively build up a sinking fund with an assured value of USD300.0 million on 1 August 2025 for the repayment of the Debentures.

17. HEDGING TRANSACTIONS (continued)

(b) Cross-currency Interest Rate Swap (CCIRS)
Underlying Liability
USD150.0 million Unsecured Syndicated Term Loan

On 29 June 2000, the Company refinanced its former USD350.0 million syndicated term loan into two (2) tranches comprising USD200.0 million due on 30 June 2003 and USD150.0 million due on 29 June 2007. The first tranche of USD200.0 million has been fully paid in 2003.

Hedging Instrument

On 26 July 2001, the Company entered into a USD150.0 million CCIRS. The swap has the following new terms whereby, the Company will receive USD150.0 million in return for the payment of JPY17,324.0 million on maturity of the USD150.0 million tranche of the syndicated term loan on 29 June 2007. The swap entitles the Company to receive floating interest at 6-month USD LIBOR, and obliges it to pay interest at 6-month USD LIBOR less 1.504% per annum. The net effect of the CCIRS is to convert the Company's USD150.0 million debt obligation into JPY at the principal exchange rate of JPY115.4933 at the maturity date of 29 June 2007.

On 2 April 2004, the Company restructured its existing USD150.0 million CCIRS. Following the restructuring of the CCIRS, the Company will now receive USD150.0 million in return for payment of JPY17,134.5 million on maturity of the underlying syndicated term loan on 29 June 2007. The restructured swap entitles the Company to receive a floating interest rate of 6-month USD LIBOR per annum and obliges it to pay interest at a floating rate of 6-month USD LIBOR-in-arrears minus 1.504%.

The objective of this transaction is effectively to convert the principal loan amount from USD liability into JPY liability and reducing the interest payable on the USD150.0 million outstanding syndicated term loan.

The Company terminated this transaction on 18 September 2006.

(c) Interest Rate Swap (IRS)
Underlying Liability
USD300.0 million 8.0% Guaranteed Notes Due 2010

In the year 2000, the Company issued USD300.0 million 8.0% Guaranteed Notes due 2010. The Notes are redeemable in full on 7 December 2010.

Hedging Instrument

On 1 April 2004, the Company entered into an IRS agreement with a notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 8.0% per annum and obliges it to pay interest at a floating rate of 6-month USD LIBOR-in-arrears plus 5.255%. The swap was due to mature on 7 December 2006.

On 7 June 2005, the Company restructured the existing USD150.0 million IRS into a range accrual swap. Following the restructuring, the Company will now receive interest at a rate of 8.0% times N1/N2 (where N1 is the number of the days when the reference floating rate, i.e. the 6-month USD LIBOR in this transaction, stays within a predetermined range, while N2 is the total number of days in the calculation period). In exchange, the Company will pay interest at a floating rate of 6-month USD LIBOR plus 2.15%. The restructured swap will mature on 7 December 2010.

On 25 January 2006, the Company further restructured the above USD150.0 million IRS range accrual swap. The Company will now pay interest at a floating rate of 6-month USD LIBOR plus 2.35% for a new predetermined range. The maturity date remains the same.

17. HEDGING TRANSACTIONS (continued)

(d) Interest Rate Swap (IRS)
Underlying Liability
USD300.0 million 7.875% Debentures Due 2025
In 1998, the Company issued USD300.0 million 7.875% Debentures due 2025.

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

On 1 August 2005, the Company restructured its existing USD150.0 million IRS into a range accrual swap. Following the restructuring, the Company will now receive interest at a rate of 7.875% times N1/N2 (where N1 is the number of the days when the reference floating rate, i.e. the 6-month USD LIBOR in this transaction, stays within a predetermined range, while N2 is the total number of days in the calculation period). In exchange, the Company will pay interest at a floating rate of 6-month USD LIBOR plus 1.85%. The restructured swap was to mature on 1 August 2010.

On 5 December 2005, the Company restructured its existing USD150.0 million IRS range accrual swap. Following the restructuring, the Company will receive interest at a rate of 7.875% times N1/N2 (where N1 is the number of the days when the reference floating rate, i.e. the 6-month USD LIBOR in this transaction, stays within a predetermined range, while N2 is the total number of days in the calculation period). In exchange, the Company will now pay interest at a floating rate of 6-month USD LIBOR plus 2.24%. The restructured swap will mature on 1 August 2010.

(e) Interest Rate Swap (IRS)
Underlying Liability
RM1,000.0 million 5.25% Bond Due 2018
In 2003, the Company issued RM1,000.0 million 5.25% Bond due 2018.

Hedging Instrument
On 2 April 2004, the Company entered into an IRS agreement with a notional principal of RM200.0 million that entitles it to receive interest at a fixed rate of 5.25% per annum and obliges it to pay interest at a floating rate of 6-month USD Kuala Lumpur Interbank Offer Rate (KLIBOR)-in-arrears plus 1.78%. The swap has matured on 13 June 2006.

Subsequently, on 22 April 2004, the Company entered into another IRS agreement with a notional principal of RM200.0 million that entitles it to receive interest at a fixed rate of 5.25% per annum and obliges it to pay interest at a floating rate of 6-month USD KLIBOR-in-arrears plus 1.62%. The swap has matured on 13 June 2006.

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:

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Subject to income tax:				
Deferred tax assets	**115.6**	196.5	**—**	—
Deferred tax liabilities	**2,261.9**	2,368.7	**1,434.0**	1,694.8
TOTAL DEFERRED TAX	**2,146.3**	2,172.2	**1,434.0**	1,694.8
At 1 January	**2,172.2**	1,895.2	**1,694.8**	1,636.3
Current year charged/(credited) to Income Statement arising from:				
– property, plant and equipment	**395.0**	513.6	**(227.5)**	146.6
– tax losses	**180.2**	(124.1)	**—**	—
– intangible assets	**—**	(14.0)	**—**	(14.0)
– others	**(458.5)**	(80.6)	**(33.3)**	(74.1)
	116.7	294.9	**(260.8)**	58.5
– acquisition of subsidiaries	**(120.6)**	(12.6)	**—**	—
– currency translation differences	**(22.0)**	(5.3)	**—**	—
At 31 December	**2,146.3**	2,172.2	**1,434.0**	1,694.8

The tax effect of deductible temporary differences and unutilised tax losses of subsidiaries for which no deferred tax asset is recognised in the balance sheet are as follows:

	The Group	
	2006 RM	2005 RM
Deductible temporary differences	**544.3**	701.5
Unutilised tax losses	**189.3**	179.3
	733.6	880.8

18. DEFERRED TAX (continued)

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
(a) Deferred Tax Assets				
Property, plant and equipment	**96.2**	355.3	**—**	—
Tax losses	**18.3**	198.5	**—**	—
Others	**731.1**	253.5	**267.2**	233.9
	845.6	807.3	**267.2**	233.9
Offsetting	**(730.0)**	(610.8)	**(267.2)**	(233.9)
Total Deferred Tax Assets After Offsetting	**115.6**	196.5	**—**	—
(b) Deferred Tax Liabilities				
Property, plant and equipment	**2,984.4**	2,979.5	**1,701.2**	1,928.7
Others	**7.5**	—	**—**	—
	2,991.9	2,979.5	**1,701.2**	1,928.7
Offsetting	**(730.0)**	(610.8)	**(267.2)**	(233.9)
Total Deferred Tax Liabilities After Offsetting	**2,261.9**	2,368.7	**1,434.0**	1,694.8

19. PROVISION FOR LIABILITIES

THE GROUP	**2006 RM**	2005 RM
At 1 January	**65.0**	—
Current year provision	**8.0**	65.0
Over accrual of provision in respect of previous year	**(7.6)**	—
	65.4	65.0
Utilised during the year	**(0.8)**	—
At 31 December	**64.6**	65.0

The provision for liabilities relates to provision for dismantling costs of existing telecommunication network and equipment of a subsidiary.

20. INTANGIBLE ASSETS

	Goodwill RM	Licences RM	Total RM
THE GROUP			
Net Book Value			
At 1 January 2006	6,891.3	80.4	6,971.7
Addition	—	184.5	184.5
Currency translation differences	(1.5)	(8.9)	(10.4)
Acquisition of subsidiaries (including adjustments to initial fair value accounting)	(63.7)	—	(63.7)
Amortisation	—	(23.0)	(23.0)
At 31 December 2006	**6,826.1**	**233.0**	**7,059.1**
At 1 January 2005	4,022.7	50.0	4,072.7
Acquisition of subsidiaries	2,868.6	33.0	2,901.6
Amortisation	—	(2.6)	(2.6)
At 31 December 2005	**6,891.3**	**80.4**	**6,971.7**
At 31 December 2006			
Cost	6,870.8	258.6	7,129.4
Accumulated amortisation	—	(25.6)	(25.6)
Accumulated impairment	(44.7)	—	(44.7)
Net Book Value	**6,826.1**	**233.0**	**7,059.1**
At 31 December 2005			
Cost	6,936.0	83.0	7,019.0
Accumulated amortisation	—	(2.6)	(2.6)
Accumulated impairment	(44.7)	—	(44.7)
Net Book Value	**6,891.3**	**80.4**	**6,971.7**

20. INTANGIBLE ASSETS (continued)

	Goodwill RM	Licences RM	Total RM
THE COMPANY			
Net Book Value			
At 1 January 2006	—	47.4	47.4
Amortisation	—	(3.8)	(3.8)
At 31 December 2006	**—**	**43.6**	**43.6**
Net Book Value			
At 1 January 2005	—	50.0	50.0
Amortisation	—	(2.6)	(2.6)
At 31 December 2006	**—**	**47.4**	**47.4**
At 31 December 2006			
Cost	—	50.0	50.0
Accumulated amortisation	—	(6.4)	(6.4)
Net Book Value	**—**	**43.6**	**43.6**
At 31 December 2005			
Cost	—	50.0	50.0
Accumulated amortisation	—	(2.6)	(2.6)
Net Book Value	**—**	**47.4**	**47.4**

The remaining amortisation period of acquired licences ranged from two (2) years to twelve (12) years.

Impairment tests for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2006 as their recoverable amounts were in excess of their carrying amounts.

Goodwill is allocated to the Group's cash-generating units identified according to business segment and the country of operations.

20. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill (continued)

The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the Group's total goodwill:

	2006 RM	2005 RM
Cellular		
Malaysia	**4,022.7**	4,022.7
Indonesia	**2,722.9**	2,827.4
	6,745.6	6,850.1
Cellular and Others		
Multiple units without significant goodwill	**80.5**	41.2
	6,826.1	6,891.3

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 value-in-use calculations**

The recoverable amounts of the cash-generating units including goodwill in these tests are determined based on value-in-use calculations.

This value-in-use calculations apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by management covering a five-year period for the cellular business in Malaysia and a ten-year period for the cellular business in Indonesia. These forecasts and projections reflect management's expectation of revenue growth, operating costs and margins for each cash-generating unit based on past experience. Cash flows beyond the fifth year for the cellular business in Malaysia and tenth year for the cellular business in Indonesia are extrapolated using estimated terminal growth rates. These rates have been determined with regards to projected growth rates for the respective markets in which the cash-generating units participate and are not expected to exceed the long term average growth rates for those markets.

The value-in-use calculation for the Group's cash-generating unit in Indonesia reflects the low penetration of mobile telecommunications in that country and the expectation of strong revenue growth throughout the ten-year plan.

Discount rates applied to the cash flow forecasts are derived from the cash-generating unit's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of the assessment of the respective cash-generating units.

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

	Malaysia %	Indonesia %
Pre-tax discount rate	13.1	18.5
Terminal growth rate	1.5	4.0

20. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill (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. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amounts of the cash-generating units to exceed their recoverable amounts.

If the following pre-tax discount rates are applied to the cash flow forecasts and projections of the Group's cash-generating units, the carrying amounts of the cash-generating units including goodwill will equal the corresponding recoverable values, assuming all other variables remain unchanged.

	Malaysia %	Indonesia %
Pre-tax discount rate	26.7	20.0

21. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note e) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2006	15,132.3	581.0	801.6	571.5	3,273.6	1,960.9	22,320.9
Acquisition of subsidiaries	147.0	3.7	1.8	—	—	3.8	156.3
Additions	1,718.4	91.1	72.4	106.3	35.6	3,716.0	5,739.8
Assetisation	2,740.1	47.6	389.6	3.6	63.0	(3,243.9)	—
Disposals	(27.1)	(0.9)	—	(0.3)	(0.7)	—	(29.0)
Write off	(0.1)	(0.3)	(1.6)	—	—	—	(2.0)
Depreciation	(3,157.2)	(150.7)	(444.9)	(34.8)	(228.4)	—	(4,016.0)
Impairment	(3.5)	—	—	—	—	(0.6)	(4.1)
Reversal of impairment	—	—	—	3.9	—	3.5	7.4
Currency translation differences	(110.3)	(13.3)	(1.9)	2.5	(3.1)	—	(126.1)
Reclassification	5.9	31.6	—	16.9	(54.4)	—	—
Reclassified from land held for property development (note 23)	—	—	—	3.3	—	—	3.3
Reclassified to non-current asset held for sale (note 29)	—	—	—	—	(24.0)	—	(24.0)
At 31 December 2006	**16,445.5**	**589.8**	**817.0**	**672.9**	**3,061.6**	**2,439.7**	**24,026.5**
At 31 December 2006							
Cost	43,824.9	1,822.6	4,572.3	815.9	4,719.3	2,494.6	58,249.6
Accumulated depreciation	(26,728.5)	(1,226.7)	(3,738.0)	(124.8)	(1,622.2)	—	(33,440.2)
Accumulated impairment	(650.9)	(6.1)	(17.3)	(18.2)	(35.5)	(54.9)	(782.9)
Net Book Value	**16,445.5**	**589.8**	**817.0**	**672.9**	**3,061.6**	**2,439.7**	**24,026.5**

21. PROPERTY, PLANT AND EQUIPMENT (continued)

THE GROUP	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note e) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
At 1 January 2005	13,183.0	398.9	842.4	509.5	3,230.7	1,481.2	19,645.7
Acquisition of subsidiaries	1,509.9	30.8	31.2	165.0	9.9	367.6	2,114.4
Additions	673.4	222.5	110.7	17.6	27.0	3,228.4	4,279.6
Assetisation	2,510.7	70.1	258.9	9.2	209.5	(3,058.4)	—
Disposals	(43.8)	(1.0)	(0.1)	(0.7)	(0.6)	—	(46.2)
Write off	(5.8)	—	—	—	(3.5)	—	(9.3)
Depreciation	(2,706.8)	(134.6)	(437.9)	(5.4)	(156.7)	—	(3,441.4)
Impairment	(1.3)	(1.4)	—	(22.1)	(33.8)	(24.0)	(82.6)
Reversal of impairment	76.0	—	—	—	—	—	76.0
Currency translation differences	(25.2)	(1.3)	(1.3)	1.1	(3.7)	—	(30.4)
Reclassification	—	—	—	(7.4)	—	7.4	—
Reclassified to land held for property development (note 23)	—	—	—	(91.5)	—	—	(91.5)
Exclusion from consolidation of a former subsidiary	(37.8)	(3.0)	(2.3)	(3.8)	(5.2)	(41.3)	(93.4)
At 31 December 2005	**15,132.3**	**581.0**	**801.6**	**571.5**	**3,273.6**	**1,960.9**	**22,320.9**
At 31 December 2005							
Cost	39,819.9	1,714.1	4,246.8	659.3	4,829.8	2,018.7	53,288.6
Accumulated depreciation	(24,038.2)	(1,127.0)	(3,427.9)	(65.7)	(1,520.7)	—	(30,179.5)
Accumulated impairment	(649.4)	(6.1)	(17.3)	(22.1)	(35.5)	(57.8)	(788.2)
Net Book Value	**15,132.3**	**581.0**	**801.6**	**571.5**	**3,273.6**	**1,960.9**	**22,320.9**

Net book value of property, plant and equipment of certain subsidiaries pledged as security for borrowings (note 15(b), (c) and (d) to the financial statements):

	2006 RM	2005 RM
Telecommunication network	**1,838.2**	1,457.0
Movable plant and equipment	**75.2**	131.7
Computer support systems	**23.9**	28.5
Land	**4.2**	3.0
Buildings	**51.3**	22.2
	1,992.8	1,642.4

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

21. PROPERTY, PLANT AND EQUIPMENT (continued)

THE COMPANY	Telecom-munication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note e) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2006	8,481.0	339.6	430.1	213.1	2,258.4	797.2	12,519.4
Additions @	15.3	78.9	21.4	2.1	—	1,503.3	1,621.0
Assetisation	1,292.5	31.3	311.7	—	48.4	(1,683.9)	—
Disposals	—	(0.1)	—	—	—	—	(0.1)
Write off	—	(0.2)	(1.5)	—	—	—	(1.7)
Depreciation	(1,691.0)	(77.7)	(295.3)	(0.3)	(122.3)	—	(2,186.6)
Reversal of impairment	—	—	—	3.9	—	—	3.9
Reclassified to non-current asset held for sale (note 29)	—	—	—	—	(24.0)	—	(24.0)
Reclassification	—	—	—	(10.9)	10.9	—	—
At 31 December 2006	**8,097.8**	**371.8**	**466.4**	**207.9**	**2,171.4**	**616.6**	**11,931.9**
At 31 December 2006							
Cost	30,073.4	1,201.8	3,321.8	215.1	3,503.8	616.6	38,932.5
Accumulated depreciation	(21,759.8)	(830.0)	(2,855.4)	(4.6)	(1,332.4)	—	(26,782.2)
Accumulated impairment	(215.8)	—	—	(2.6)	—	—	(218.4)
Net Book Value	**8,097.8**	**371.8**	**466.4**	**207.9**	**2,171.4**	**616.6**	**11,931.9**
At 1 January 2005	8,704.0	249.2	470.2	275.0	2,352.5	1,157.2	13,208.1
Additions	22.5	137.3	18.0	0.2	11.5	1,803.2	1,992.7
Assetisation	1,695.9	36.2	219.8	9.2	204.1	(2,165.2)	—
Disposals#	(224.9)	(2.0)	(3.1)	(49.4)	—	(5.4)	(284.8)
Write off	(5.2)	—	—	—	(3.5)	—	(8.7)
Depreciation	(1,711.3)	(81.1)	(274.8)	(0.5)	(122.3)	—	(2,190.0)
Impairment	—	—	—	(6.5)	—	—	(6.5)
Reclassified to investment property (note 49(c)(viii))	—	—	—	(7.5)	(183.9)	—	(191.4)
Reclassification	—	—	—	(7.4)	—	7.4	—
At 31 December 2005	**8,481.0**	**339.6**	**430.1**	**213.1**	**2,258.4**	**797.2**	**12,519.4**
At 31 December 2005							
Cost	28,916.0	1,171.1	3,058.5	223.9	3,489.3	797.2	37,656.0
Accumulated depreciation	(20,219.2)	(831.5)	(2,628.4)	(4.3)	(1,230.9)	—	(24,914.3)
Accumulated impairment	(215.8)	—	—	(6.5)	—	—	(222.3)
Net Book Value	**8,481.0**	**339.6**	**430.1**	**213.1**	**2,258.4**	**797.2**	**12,519.4**

@ Included in additions for 2006 was RM22.3 million being telecommunication network assets, computer support system and land transferred from subsidiaries.

Included in disposals for 2005 was RM283.8 million being telecommunication network assets and land transferred to subsidiaries. There was no disposal to subsidiaries in 2006.

21. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM19,100.6 million (2005: RM16,451.8 million) and RM15,359.2 million (2005: RM13,091.9 million) respectively.

(b) During the year, a subsidiary had reviewed the estimated useful life of certain telecommunication network and equipment. The revision was accounted for as a change in accounting estimates and resulted in an accelerated depreciation of RM46.5 million.

(c) During the year, the Group incurred impairment losses of RM4.1 million following impairment assessments performed by subsidiaries. The allowance for impairment losses relates primarily to the write down of certain telecommunication network assets.

(d) During the year, the Group reversed impairment losses amounting to RM7.4 million comprising RM3.5 million in relation to capital work-in-progress which was previously made by a subsidiary on long outstanding projects which are now completed. The remaining RM3.9 million was in relation to a piece of land of the Company.

(e) Details of land are as follows:

THE GROUP	Freehold RM	Long term leasehold RM	Short term leasehold RM	Other RM	Total RM
Net Book Value					
At 1 January 2006	235.3	63.2	186.7	86.3	571.5
Additions	0.3	—	106.0	—	106.3
Assetisation	3.5	—	0.1	—	3.6
Disposals	—	(0.3)	—	—	(0.3)
Depreciation	—	(0.9)	(33.8)	(0.1)	(34.8)
Reversal of impairment	3.9	—	—	—	3.9
Currency translation differences	(1.4)	—	3.9	—	2.5
Reclassification	0.5	0.4	(0.1)	(0.8)	—
Reclassified from/(to) building	6.8	19.6	1.4	(10.9)	16.9
Reclassified from land held for property development (note 23)	3.3	—	—	—	3.3
At 31 December 2006	**252.2**	**82.0**	**264.2**	**74.5**	**672.9**
At 31 December 2006					
Cost	262.8	94.9	382.8	75.4	815.9
Accumulated depreciation	—	(6.1)	(117.8)	(0.9)	(124.8)
Accumulated impairment	(10.6)	(6.8)	(0.8)	—	(18.2)
Net Book Value	**252.2**	**82.0**	**264.2**	**74.5**	**672.9**

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21. PROPERTY, PLANT AND EQUIPMENT (continued)

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

THE GROUP	Freehold RM	Long term leasehold RM	Short term leasehold RM	Other RM	Total RM
At 1 January 2005	259.3	161.1	4.2	84.9	509.5
Acquisition of subsidiaries	0.4	—	164.6	—	165.0
Additions	0.9	—	16.5	0.2	17.6
Assetisation	—	—	—	9.2	9.2
Disposals	(0.7)	—	—	—	(0.7)
Depreciation	—	(0.6)	(4.6)	(0.2)	(5.4)
Impairment	(14.5)	(6.8)	(0.8)	—	(22.1)
Currency translation differences	(2.3)	—	3.4	—	1.1
Reclassification	—	(3.4)	3.4	(7.4)	(7.4)
Reclassified to land held for property development (note 23)	(4.0)	(87.1)	—	(0.4)	(91.5)
Exclusion from consolidation of a former subsidiary	(3.8)	—	—	—	(3.8)
At 31 December 2005	**235.3**	**63.2**	**186.7**	**86.3**	**571.5**
At 31 December 2005					
Cost	249.8	75.2	247.2	87.1	659.3
Accumulated depreciation	—	(5.2)	(59.7)	(0.8)	(65.7)
Accumulated impairment	(14.5)	(6.8)	(0.8)	—	(22.1)
Net Book Value	**235.3**	**63.2**	**186.7**	**86.3**	**571.5**

THE COMPANY	Freehold RM	Long term leasehold RM	Short term leasehold RM	Other RM	Total RM
Net Book Value					
At 1 January 2006	88.9	32.0	5.9	86.3	213.1
Additions	2.1	—	—	—	2.1
Depreciation	—	(0.1)	(0.1)	(0.1)	(0.3)
Reversal of impairment	3.9	—	—	—	3.9
Reclassification	0.5	0.4	(0.1)	(0.8)	—
Reclassified to building	—	—	—	(10.9)	(10.9)
At 31 December 2006	**95.4**	**32.3**	**5.7**	**74.5**	**207.9**

21. PROPERTY, PLANT AND EQUIPMENT (continued)

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

THE COMPANY	Freehold RM	Long term leasehold RM	Short term leasehold RM	Other RM	Total RM
At 31 December 2006					
Cost	98.0	34.3	7.4	75.4	215.1
Accumulated depreciation	—	(2.0)	(1.7)	(0.9)	(4.6)
Accumulated impairment	(2.6)	—	—	—	(2.6)
Net Book Value	**95.4**	**32.3**	**5.7**	**74.5**	**207.9**
At 1 January 2005	95.4	90.5	4.2	84.9	275.0
Additions	—	—	—	0.2	0.2
Assetisation	—	—	—	9.2	9.2
Disposals	—	(49.0)	—	(0.4)	(49.4)
Depreciation	—	(0.2)	(0.1)	(0.2)	(0.5)
Impairment	(6.5)	—	—	—	(6.5)
Reclassified to investment property	—	(7.5)	—	—	(7.5)
Reclassification	—	(1.8)	1.8	(7.4)	(7.4)
At 31 December 2005	**88.9**	**32.0**	**5.9**	**86.3**	**213.1**
At 31 December 2005					
Cost	95.4	33.9	7.5	87.1	223.9
Accumulated depreciation	—	(1.9)	(1.6)	(0.8)	(4.3)
Accumulated impairment	(6.5)	—	—	—	(6.5)
Net Book Value	**88.9**	**32.0**	**5.9**	**86.3**	**213.1**

The title deeds pertaining to other land have not yet been registered in the name of the Company and a subsidiary. Pending finalisation with the relevant authorities, these land have not been classified according to their tenure.

22. INVESTMENT PROPERTY

THE COMPANY	2006 RM	2005 RM
Net Book Value		
At 1 January	191.4	—
Transfer from property, plant and equipment (note 49(c)(viii))	—	191.4
Depreciation	(11.6)	—
At 31 December	179.8	191.4
At 31 December		
Cost	229.1	229.1
Accumulated depreciation	(49.3)	(37.7)
Net Book Value	179.8	191.4

The fair value of the property was estimated at RM180.0 million based on a valuation performed by an independent professionally qualified valuer. Valuation was based on current price in an active market.

23. LAND HELD FOR PROPERTY DEVELOPMENT

THE GROUP	2006 RM	2005 RM
Net Book Value		
At 1 January	170.7	93.5
Transfer (to)/from property, plant and equipment (note 21)	(3.3)	91.5
Transfer to land held for sale	(2.6)	—
Reversal of impairment/(impairment)	3.6	(14.3)
At 31 December	168.4	170.7
At 31 December		
Land at cost	179.1	185.0
Accumulated impairment	(10.7)	(14.3)
Net Book Value	168.4	170.7

24. SUBSIDIARIES

THE COMPANY	2006 Malaysia RM	2006 Overseas RM	2006 Total RM	2005 Malaysia RM	2005 Overseas RM	2005 Total RM
Quoted investment, at cost	**19.5**	**—**	**19.5**	19.5	—	19.5
Unquoted investments, at cost	**1,116.8**	**37.1**	**1,153.9**	1,117.3	23.9	1,141.2
Allowance for diminution in value	**(9.0)**	**—**	**(9.0)**	(9.0)	—	(9.0)
Options granted to employees of subsidiaries	**17.0**	**—**	**17.0**	—	—	—
	1,144.3	**37.1**	**1,181.4**	1,127.8	23.9	1,151.7
Unquoted investments, at written down value (sub-note a)	**—**	**—**	**—**	—	—	—
Net investments	**1,144.3**	**37.1**	**1,181.4**	1,127.8	23.9	1,151.7
Amount owing by subsidiaries (sub-note b)	**9,216.1**	**111.7**	**9,327.8**	9,030.0	308.6	9,338.6
Allowance for loans and advances	**(672.4)**	**—**	**(672.4)**	(540.9)	—	(540.9)
Amount owing by subsidiaries after allowance	**8,543.7**	**111.7**	**8,655.4**	8,489.1	308.6	8,797.7
TOTAL INTEREST IN SUBSIDIARIES	**9,688.0**	**148.8**	**9,836.8**	9,616.9	332.5	9,949.4
Market value of quoted investment	**266.9**	**—**	**266.9**	143.5	—	143.5

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

(b) The amount owing by subsidiaries represents shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 0% to 8.9% (2005: 0% to 8.2%) and are principally with no fixed repayment terms. However, the Company has indicated that it will not demand substantial repayment within the next twelve (12) months. Shareholder loans and advances provided to overseas subsidiaries are in US Dollar.

The Group's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 50 to the financial statements.

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25. JOINTLY CONTROLLED ENTITIES

	2006			2005		
THE GROUP	**Malaysia RM**	**Overseas RM**	**Total RM**	Malaysia RM	Overseas RM	Total RM
Share of net assets of jointly controlled entities	**175.5**	**632.0**	**807.5**	137.5	—	137.5
THE COMPANY						
Unquoted shares, at cost	**141.2**	**—**	**141.2**	141.2	—	141.2

The Group's share of the revenue and results of the jointly controlled entities are as follows:

	2006 RM	2005 RM
Revenue	**227.5**	—
Other income	**6.7**	—
Expenses excluding tax	**(281.4)**	(7.5)
Share of results of an associate (net of tax)	**57.8**	3.8
Profit/(loss) after tax	**10.6**	(3.7)

The Group's share of the assets and liabilities of the jointly controlled entities are as follows:

	2006 RM	2005 RM
Non-current assets	**1,807.8**	608.1
Current assets	**203.8**	46.5
Current liabilities	**(98.2)**	(517.1)
Non-current liabilities	**(1,105.9)**	—
Net assets	**807.5**	137.5

During the year, the Group acquired 49.0% interest in a jointly controlled entity, Spice Communications Limited as detailed in note 3(d) to the financial statements.

The Group's equity interest in the jointly controlled entities, their respective principal activities and countries of incorporation are listed in note 51 to the financial statements.

26. ASSOCIATES

	2006			2005		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
THE GROUP						
Share of net assets of associates						
Quoted	—	197.2	197.2	—	50.1	50.1
Unquoted (sub-note a)	15.1	8.3	23.4	46.0	6.6	52.6
TOTAL	15.1	205.5	220.6	46.0	56.7	102.7
Market value of quoted investments	—	361.5	361.5	—	137.4	137.4
THE COMPANY						
Unquoted investment, at cost	1.5	—	1.5	1.5	—	1.5
Allowance for diminution in value	(1.5)	—	(1.5)	—	—	—
TOTAL	—	—	—	1.5	—	1.5

(a) During the year, a former associate, Fibrecomm Network (M) Sdn Bhd became a 51.0% owned subsidiary of the Group. Details as disclosed in note 3(f)(v) to the financial statements.

The Group's share of revenue and profit of associates are as follows:

	2006 RM	2005 RM
Revenue	537.8	362.4
Profit after taxation	19.9	14.2

The Group's share of assets and liabilities of associates are as follows:

	2006 RM	2005 RM
Non-current assets	250.7	240.5
Current assets	350.5	193.4
Current liabilities	(250.7)	(155.6)
Non-current liabilities	(129.9)	(175.6)
Net assets	220.6	102.7

26. ASSOCIATES (continued)

The Group has excluded the amount that would otherwise have been accounted for in respect of the current and cumulative year share of (losses)/profit after taxation of associates amounting to (RM0.3 million) (2005: RM1.7 million) and (RM2.2 million) (2005: (RM1.9 million)) respectively from the financial statements as the carrying amount of these investments have been fully eroded. The Group has no obligation to finance any further losses.

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

27. INVESTMENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Investments in International Satellite Organisations, at cost	**79.1**	79.1	**79.1**	79.1
Allowance for permanent diminution in value	**(77.7)**	(77.7)	**(77.7)**	(77.7)
	1.4	1.4	**1.4**	1.4
Investments in quoted shares, at cost	**251.9**	252.3	**251.9**	252.3
Allowance for permanent diminution in value	**(75.0)**	(75.0)	**(75.0)**	(75.0)
	176.9	177.3	**176.9**	177.3
Investments in unquoted shares, at cost (sub-note a)	**78.7**	119.9	**192.8**	203.1
Allowance for permanent diminution in value	**(30.3)**	(40.6)	**(150.6)**	(160.9)
	48.4	79.3	**42.2**	42.2
	226.7	258.0	**220.5**	220.9
Investments in unquoted shares, at written down value (sub-note b)	**—**	—	**—**	—
TOTAL INVESTMENTS AFTER ALLOWANCE	**226.7**	258.0	**220.5**	220.9
Market value of quoted investments	**159.7**	103.7	**159.7**	103.7

(a) During the year, the Group recognised the disposal of its investment in Ghana Telecommunications Company Limited, resulting in a gain of RM77.4 million, which includes the realisation of foreign exchange loss of RM83.6 million.

27. INVESTMENTS (continued)

(b) (i) The following corporations in which the Group owns more than one half of the voting power, which, due to permanent loss of control or significant influence, have been accounted as investments and written down to recoverable amounts of RM1 each.

Held by the Company
- Societe Des Telecommunications De Guinee

Held by Celcom Group
- TRI Telecommunication Tanzania Limited
- TRI Telecommunication Zanzibar Limited*
- Tripoly Communication Technology Corporation Ltd

In view of the above, the financial statements of the respective companies have not been consolidated nor equity accounted for. The Directors are of the view that the amounts would be insignificant to the Group results.

* On 13 March 2006, the Group through a subsidiary had obtained an order from the High Court of Zanzibar to wind up the company.

(ii) The Ministry of Commerce of Cambodia vide its Letter of Confirmation dated 2 October 2006 approved the deletion of TRI Celullar Communications Cambodia Company (TRICELCAM), a joint venture company between Celcom (Malaysia) Berhad (Celcom) and Ministry of Posts and Telecommunications of Cambodia (MPTC) from the trade list upon the date of signing of the above letter. Consequently, TRICELCAM has ceased to be an investee company of Celcom from 2 October 2006. The deletion of TRICELCAM did not have any significant impact to the Group.

28. LONG TERM RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Staff loans under Islamic principles	**441.4**	457.3	**441.4**	457.3
Staff loans	**120.1**	157.9	**119.0**	157.2
Total staff loans (sub-note a)	**561.5**	615.2	**560.4**	614.5
Other long term receivables (sub-note b)	**66.8**	58.0	**66.8**	58.0
Allowance for other long term receivables	**(7.4)**	(7.4)	**(7.4)**	(7.4)
	620.9	665.8	**619.8**	665.1
Staff loans receivable within twelve months included under other receivables (note 31)	**(63.2)**	(70.0)	**(62.5)**	(69.7)
TOTAL LONG TERM RECEIVABLES	**557.7**	595.8	**557.3**	595.4

28. LONG TERM RECEIVABLES (continued)

(a) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost are repayable in equal monthly instalments as follows:

(i) Housing loans – twenty-five (25) years or upon employees attaining fifty-five (55) years of age, whichever is earlier

(ii) Vehicle loans – maximum of eight (8) years for new cars and six (6) years for second hand cars

(iii) Computer loans – three (3) years

(b) Other long term receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are interest free and if not converted to scholarship will be repayable over a period of not more than eight (8) years.

During the year, RM3.9 million (2005: RM11.6 million) was converted to scholarship and expensed off to the Income Statement.

29. NON-CURRENT ASSET HELD FOR SALE

During the year, the Company entered into a Sale and Purchase Agreement (SPA) with University of Malaya (UM), for the disposal of a twenty-five (25) storey office building known as Wisma TM at Jalan Pantai Baharu, Kuala Lumpur for a total consideration of RM70.0 million. Consequently, the carrying value of the building was reclassified as non-current asset held for sale as follows:

	The Group and Company		
	Carrying amount immediately before classification RM	Allocation of remeasurement RM	Carrying amount as at 31 December 2006 RM
Amount transferred from property, plant and equipment (note 21)	24.0	—	24.0

The Company was subsequently informed that the Ministry of Higher Education has requested for the asset to be in the name of Pesuruhjaya Tanah Persekutuan (PTP) instead of UM. Consequently, PTP has instructed UM to request the Company to amend the SPA where the new SPA is to be executed between the Company and PTP which is currently in progress.

30. INVENTORIES

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Cables and wires	**39.1**	48.5	**39.1**	48.5
Network materials	**33.8**	48.3	**19.0**	32.0
Telecommunication equipment	**14.1**	14.8	**7.3**	10.0
Spares and others	**84.8**	91.2	**3.0**	9.7
Land held for sale	**1.0**	1.4	**—**	—
TOTAL INVENTORIES	**172.8**	204.2	**68.4**	100.2

31. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Receivables from telephone customers	**2,639.8**	2,617.7	**1,522.1**	1,411.1
Receivables from non-telephone customers	**1,805.1**	1,895.5	**1,073.1**	1,252.1
Receivables from subsidiaries	**—**	—	**562.6**	594.7
	4,444.9	4,513.2	**3,157.8**	3,257.9
Advance rental billings	**(394.9)**	(370.9)	**(368.9)**	(365.9)
	4,050.0	4,142.3	**2,788.9**	2,892.0
Allowance for doubtful debts	**(1,557.0)**	(1,647.2)	**(763.2)**	(700.3)
Total trade receivables after allowance	**2,493.0**	2,495.1	**2,025.7**	2,191.7
Deposit for additional investment	**—**	142.9	**—**	142.9
Prepayments	**246.0**	182.7	**29.0**	18.7
Tax recoverable	**15.1**	102.0	**15.1**	102.0
Staff loans (note 28)	**63.2**	70.0	**62.5**	69.7
Other receivables from subsidiaries	**—**	—	**27.1**	78.6
Other receivables from associates	**19.0**	25.0	**1.1**	0.6
Other receivables (sub-note a)	**787.2**	700.3	**465.4**	374.3
Allowance for doubtful debts	**(159.4)**	(182.0)	**(127.9)**	(147.2)
Total other receivables after allowance	**971.1**	1,040.9	**472.3**	639.6
TOTAL TRADE AND OTHER RECEIVABLES AFTER ALLOWANCE	**3,464.1**	3,536.0	**2,498.0**	2,831.3

31. TRADE AND OTHER RECEIVABLES (continued)

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
The currency exposure profile of trade and other receivables after allowance is as follows:				
Ringgit Malaysia	**2,079.2**	2,415.8	**1,694.6**	2,225.3
US Dollar	**690.6**	486.5	**670.3**	443.7
Indonesian Rupiah	**202.0**	151.5	**—**	—
Sri Lanka Rupee	**166.2**	96.4	**—**	—
Special Drawing Rights	**137.9**	202.1	**132.1**	162.0
Bangladesh Taka	**114.7**	116.9	**—**	—
Other currencies	**73.5**	66.8	**1.0**	0.3
	3,464.1	3,536.0	**2,498.0**	2,831.3
The following table represents credit risk exposure of trade receivables, net of allowances for doubtful debts and without taking into account any collateral taken:				
Business	**1,838.3**	1,946.7	**1,217.9**	1,338.6
Residential	**654.7**	548.4	**245.2**	258.4
Subsidiaries	**—**	—	**562.6**	594.7
	2,493.0	2,495.1	**2,025.7**	2,191.7

(a) Included in other receivables are amounts owing from a former subsidiary amounting to RM83.9 million (2005: RM83.9 million) and RM70.0 million (2005: RM70.0 million) for the Group and the Company respectively as at 31 December 2006, which has been fully provided for.

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. In addition, credit risk is mitigated to a certain extent by cash deposits and bankers' guarantee obtained from customers. The Group and the Company consider the allowance for doubtful debts at balance sheet date to be adequate to cover the potential financial loss.

Credit terms of trade receivables excluding advance rental billing range from 30 to 90 days (2005: 30 to 90 days).

Other receivables from subsidiaries and associates are unsecured and interest free with no fixed repayment terms.

32. SHORT TERM INVESTMENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Shares quoted on the Bursa Malaysia Securities Berhad	**125.3**	106.1	**123.6**	104.9
Quoted fixed income securities	**194.8**	168.6	**194.8**	168.6
TOTAL SHORT TERM INVESTMENTS	**320.1**	274.7	**318.4**	273.5
Market value of quoted shares	**125.3**	106.1	**123.6**	104.9
Market value of fixed income securities	**194.8**	168.6	**194.8**	168.6

33. CASH AND BANK BALANCES

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Deposits with:				
Licensed banks	**2,388.0**	4,057.5	**1,197.8**	1,897.6
Licensed finance companies	**20.1**	68.4	**—**	28.5
Other financial institutions	**392.1**	837.5	**259.3**	176.6
Deposits under Islamic principles	**1,096.0**	973.2	**296.2**	41.8
Total Deposits	**3,896.2**	5,936.6	**1,753.3**	2,144.5
Cash and bank balances	**705.2**	433.2	**282.0**	66.0
Cash and bank balances under Islamic principles	**79.0**	45.8	**—**	—
TOTAL CASH AND BANK BALANCES	**4,680.4**	6,415.6	**2,035.3**	2,210.5
Less:				
Bank overdraft (note 15)	**(3.7)**	(1.9)	**—**	—
Deposits pledged	**(10.3)**	(12.7)	**—**	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**4,666.4**	6,401.0	**2,035.3**	2,210.5
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**3,537.8**	4,909.5	**1,510.3**	1,678.2
US Dollar	**817.8**	1,005.2	**525.0**	532.3
Indonesian Rupiah	**143.2**	86.0	**—**	—
Bangladesh Taka	**77.8**	190.0	**—**	—
Sri Lanka Rupee	**15.3**	179.8	**—**	—
Other currencies	**88.5**	45.1	**—**	—
	4,680.4	6,415.6	**2,035.3**	2,210.5

33. CASH AND BANK BALANCES (continued)

Deposits of the Group included RM377.3 million (2005: RM314.6 million) being funds earmarked for principal and interest repayments under terms of borrowings of Celcom as mentioned in note 15(a) 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. Deposits have maturity range from overnight to 365 days (2005: from overnight to 360 days) and from overnight to 91 days (2005: from 9 to 182 days) for the Group and the Company respectively. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits (excluding deposits under Islamic principles) as at 31 December 2006 is 4.14% (2005: 3.71%) and 3.85% (2005: 3.37%) for the Group and the Company respectively.

34. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Trade payables	**3,683.7**	3,106.1	**1,440.1**	1,408.1
Provision for a claim (sub-note a)	**—**	879.5	**—**	—
Accruals for Universal Service Provision	**294.6**	288.2	**183.2**	194.1
Deferred revenue	**386.6**	281.1	**—**	—
Finance cost payable	**182.8**	161.6	**91.3**	91.6
Duties and other taxes payable	**48.0**	38.9	**53.2**	38.6
Deposits and trust monies	**42.1**	44.1	**20.9**	25.6
Other payables to subsidiaries	**—**	—	**116.5**	53.3
Other payables to associates	**—**	1.2	**—**	—
Other payables (sub-note b)	**1,103.1**	1,180.2	**443.5**	495.5
TOTAL TRADE AND OTHER PAYABLES	**5,740.9**	5,980.9	**2,348.7**	2,306.8
The currency exposure profile of trade and other payables is as follows:				
Ringgit Malaysia	**3,696.5**	4,371.1	**1,798.1**	1,820.7
US Dollar	**970.9**	735.6	**399.4**	377.0
Indonesian Rupiah	**445.4**	272.3	**—**	—
Special Drawing Rights	**178.5**	124.7	**147.8**	94.0
Sri Lanka Rupee	**165.7**	155.1	**—**	—
Bangladesh Taka	**160.3**	245.1	**—**	—
Other currencies	**123.6**	77.0	**3.4**	15.1
	5,740.9	5,980.9	**2,348.7**	2,306.8

34. TRADE AND OTHER PAYABLES (continued)

(a) This was in respect of a provision made for legal claim as detailed in note 5 to the financial statements.

(b) Included in other payables is government grant of RM27.2 million (2005: RM21.7 million) for the Group and RM11.6 million (2005: RM9.4 million) for the Company.

Credit terms of trade and other payables vary from 30 to 180 days (2005: from 30 to 180 days) depending on the terms of the contracts.

Other payables to subsidiaries and associates are unsecured, interest free and have no fixed terms of repayment.

35. CUSTOMER DEPOSITS

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Telephones	**559.4**	567.3	**559.4**	567.2
Cellular services	**128.6**	131.8	**—**	—
Data services	**30.9**	30.8	**30.9**	30.8
Others	**—**	0.3	**—**	0.3
TOTAL CUSTOMER DEPOSITS	**718.9**	730.2	**590.3**	598.3

Telephone customer deposits are subjected to rebate at 5% per annum in accordance with Telephone Regulations, 1996.

36. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Receipts from customers	**16,180.9**	13,750.2	**6,897.0**	6,757.6
Payments to suppliers and employees	**(8,787.4)**	(6,978.8)	**(3,632.9)**	(3,631.9)
Payment of compensation	**(874.0)**	—	**—**	—
Payment of finance cost	**(648.8)**	(700.5)	**(386.6)**	(557.8)
Payment of income taxes	**(530.9)**	(621.2)	**(284.8)**	(371.2)
Tax refund	**—**	54.6	**—**	54.6
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**5,339.8**	5,504.3	**2,592.7**	2,251.3

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for the year ended 31 December 2006

37. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Disposal of property, plant and equipment	**41.4**	61.0	**11.8**	11.4
Purchase of property, plant and equipment	**(5,698.7)**	(4,160.6)	**(1,699.1)**	(2,081.9)
Payment of intangible asset (telecommunication and spectrum licence)	**(192.5)**	(8.0)	**(8.0)**	(8.0)
Disposal of long term investments	**157.3**	61.8	**1.7**	61.8
Disposal of short term investments	**147.0**	81.0	**147.0**	81.0
Purchase of short term investments	**(166.2)**	(227.4)	**(166.2)**	(227.4)
Acquisition of subsidiaries (net of cash acquired)	**(39.4)**	(2,750.5)	**—**	—
Additional investment in subsidiaries	**(265.4)**	(3.5)	**—**	—
Partial disposal of a subsidiary	**3.5**	185.2	**—**	—
Investment in a jointly controlled entity	**(659.4)**	(141.2)	**—**	(141.2)
Acquisition of an associate	**(124.8)**	—	**—**	—
Redemption of preference shares in a subsidiary	**—**	—	**—**	80.0
Payments to subsidiaries	**—**	—	**(30.6)**	(1,799.6)
Repayments from subsidiaries	**—**	—	**1,043.1**	1,267.8
Advances to subsidiaries	**—**	—	**(1,113.3)**	(1,620.2)
Advances from subsidiaries	**—**	—	**9.3**	261.2
Repayments of loans by employees	**112.2**	116.9	**112.2**	116.9
Loans to employees	**(52.2)**	(70.3)	**(51.3)**	(70.3)
Interest received	**226.8**	337.2	**99.1**	195.6
Dividend received	**7.2**	4.7	**112.4**	156.0
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(6,503.2)**	(6,513.7)	**(1,531.9)**	(3,716.9)

38. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2006	2005	**2006**	2005
	RM	RM	**RM**	RM
Issue of share capital	**43.8**	64.8	**43.8**	64.8
Issue of share capital to minority interests	**20.7**	142.6	**—**	—
Proceeds from borrowings	**2,344.9**	786.5	**—**	—
Repayments of borrowings	**(1,875.7)**	(1,284.2)	**(246.9)**	(786.9)
Dividends paid to shareholders	**(1,001.9)**	(1,016.3)	**(1,001.9)**	(1,016.3)
Dividends paid to minority interests	**(33.6)**	(22.6)	**—**	—
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(501.8)**	(1,329.2)	**(1,205.0)**	(1,738.4)

39. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the year are as follows:

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
(a) Conversion of amount owing into paid-up capital of a subsidiary	**—**	—	**13.2**	649.0
(b) Contra settlements with subsidiaries between receivables and payables	**—**	—	**105.2**	162.3
(c) Transfer of telecommunication network assets, computer support system and land from subsidiaries	**—**	—	**22.3**	—
(d) Transfer of telecommunication network assets and land to subsidiaries	**—**	—	**—**	293.6
(e) Contra settlements with a subsidiary between amount owing by subsidiaries and other payables	**—**	—	**—**	10.9
(f) Purchase of business and business assets by a subsidiary satisfied by the issuance of shares (note 3(e))	**12.8**	—	**—**	—
(g) Disposal of an associate satisfied by issuance of shares and novation of debt	**—**	43.4	**—**	—

40. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2006 RM	2005 RM	**2006 RM**	2005 RM
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**3,817.2**	3,988.5	**1,594.3**	2,602.4
Commitments in respect of expenditure approved but not contracted for	**1,226.7**	382.2	**—**	—
(b) Donation to Yayasan Telekom				
Amount approved and committed	**62.4**	120.1	**62.4**	120.1

40. CAPITAL AND OTHER COMMITMENTS (continued)

	The Company	
	2006 Future minimum lease payments RM	2005 Future minimum lease payments RM
(c) Non-cancellable operating lease commitments		
Not later than one year	**52.4**	52.4
Later than one year and not later than five years	**74.3**	126.7
	126.7	179.1

The above lease payments relate to the non-cancellable operating lease of a telecommunication tower from a wholly owned subsidiary.

(d) Other Commitments

On 21 April 2006, a Deed of Undertaking has been signed between Spice Communications Limited (Spice) (formerly known as Spice Communications Private Limited), the Company, TM International Sdn Bhd (TMI) and DBS Bank Ltd in connection with the provision of limited sponsor support for a USD215.0 million Indian Rupee facility and a USD50.0 million USD facility. Under the terms, TMI, failing which the Company, is required to make payment of any outstanding principal and/or interest under the facilities to the lenders upon occurrence of a specified trigger event. TMI's and the Company's obligation on behalf of Spice give the Group the rights to exercise a call option under the terms of a shareholders' agreement to acquire additional shares in Spice from the existing shareholder, namely Modi Wellvest.

41. CONTINGENT LIABILITIES (UNSECURED)

(a) On 6 October 2005, TM International (L) Limited (TMIL) had executed a blanket counter indemnity in favour of a financial institution in Labuan for all facilities offered. As at 31 December 2006, the amount outstanding is USD16.6 million. A summary of the facilities offered by the financial institution is as follows:

(i) Issuance of USD10.0 million Standby Letter of Credit (SBLC) to a financial institution in Karachi on behalf of TMIL on 6 October 2005 to counter guarantee a USD10.0 million SBLC to Pakistan Telecommunication Authority (PTA) on behalf of a subsidiary, Multinet Pakistan (Private) Limited (Multinet).

This SBLC was part of a requirement in awarding a long distance international licence to Multinet. The tenure of the SBLC is three (3) years and is subject to an annual review.

(ii) Offering of an additional SBLC facility of up to USD33.0 million to TMIL on 18 December 2006, to counter guarantee a financial institution in Karachi for Bank Gurantee (BG) issuances on behalf of Multinet to Telenor Pakistan (Private) Limited (Telenor).

Multinet and Telenor had entered into a twenty (20) years Indefeasible Right of Use agreement which requires a BG favouring Telenor to be issued by Multinet. A financial institution in Karachi has issued a BG to Telenor on behalf of Multinet. The BG is to be issued in three (3) tranches. As at 31 December 2006, a USD6.6 million SBLC was issued, being the first tranche. The tenure of the SBLC is one (1) year and is subject to an annual review.

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(b) (i) On 11 August 2003, the Company jointly with TM Info-Media Sdn Bhd (TMIM) (formerly known as Telekom Publications Sdn Bhd), a wholly owned subsidiary, instituted legal proceedings against Buying Guide (M) Sdn Bhd (BGSB) relating to an infringement of the Company's and TMIM's copyright and passing off.

BGSB filed their defence and counterclaim on 15 October 2003 for RM114.3 million being special damages for the suspension of BGSB's corporate exercise. BGSB also claimed for general, aggravated and exemplary damages, interests and costs against TMIM.

On 27 July 2004, BGSB filed a notice of appeal against the assistant registrar's decision in dismissing BGSB's application for further and better particulars against the Company with costs. On 8 April 2005, the Court dismissed the said appeal with costs. On 10 June 2005, the Company and/or TMIM filed their reply to BGSB's statement of defence and defence to BGSB's counterclaim. The matter was fixed for further case management on 6 March 2006.

The case management fixed on 14 February 2007 has been adjourned to 11 June 2007 for the parties to prepare an "Agreed and Non-Agreed Bundle of Document".

The Directors, based on legal advice, are of the view that the Company and TMIM have a reasonably good chance of success in winning and defending the said claim and BGSB's counterclaim.

(ii) The Company and TMIM filed an application for an injunction against BG Online Sdn Bhd (BGO) and BG Media Sdn Bhd (BGM) on 10 August 2004 to prevent them from publishing any telephone directories including the "Super Pages" directory comprising the "Yellow Pages" mark and/or the Yellow Pages Get-Up as set out in the relevant application papers to the High Court or a mark or get-up which is confusingly similar thereto.

On 9 August 2005, the High Court allowed the Company's and TMIM's application for an interim injunction. The said interim injunction would be effective and valid until the full trial of the case. At the current moment, no trial dates have been fixed by the High Court.

On 29 August 2005, BGO and BGM filed an appeal at the Court of Appeal against the decision of the High Court dated 9 August 2005. The Court has yet to fix the hearing date for the said appeal.

Meanwhile on 25 January 2006, the Court granted leave for the Company and TMIM to file committal proceedings against the directors of BGM and BGO due to BGM's and BGO's failure to comply with the Court Order of 9 August 2005. A notice of motion for committal was filed against the said directors on 27 January 2006 by the Company and TMIM.

On 15 February 2007, an alleged contemnors' application to cross examine the deponent of plaintiff's supporting affidavit (the said application) has been fixed for mention on 8 March 2007 and 22 March 2007 for the parties to file submissions. On the same day, the plaintiffs' application to commit the directors of BGM and BGO to prison for the contempt of the court's order has been kept in abeyance pending the hearing of the said application. The Court has also fixed 26 April 2007 for the hearing of the said application and as mention date for the plaintiffs' application for committal and case management.

The Directors, based on legal advice, are of the view that the Company and TMIM have a reasonably good chance of success in establishing the said claim.

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(c) Kabel Pantai Timur Sdn Bhd (KPT) had suspended remedial work contracted resulting in termination of their service under the "Perlaksanaan Projek Rangkaian Tempatan secara JKH for Pahang, Terengganu & Kelantan". The Company had called for the performance bond in the form of a BG in view of KPT's failure to rectify the works in accordance with the required specifications. The Company also demanded KPT to return materials supplied under the contract. KPT challenged the above action taken by the Company by initiating arbitration proceedings in accordance with the contract and claimed for an amount of RM10.4 million plus further damages, interests and costs. By a letter dated 6 June 2005 from KPT, KPT quantified its total claims as at the date of the letter at RM90.2 million. The Company has also filed its counterclaim for RM19.1 million in damages, interests and costs.

The arbitration hearing dates fixed from 5 August 2005 to 8 August 2005 and 12 September 2005 to 15 September 2005 had been adjourned to another date to be fixed by the Arbitrator. On the continued hearing date of 18 December 2006, both counsel addressed the Arbitrator on the lists of payments that have been made by the Company to KPT for the works carried out in Terengganu as the instructions by the Arbitrator.

The Company's solicitors are of the view that the quantum of damages claimed by KPT is grossly inflated and that KPT may fail to prove a substantial part of its case. Based on legal advice, the quantum of damages that will be recoverable by the Company, by way of counterclaim, is currently uncertain.

The Directors, based on legal advice, are of the view that the Company has a good chance of defending their claim.

(d) Bukit Lenang Development Sdn Bhd (BLDSB) had instituted legal proceeding against the Company, Tenaga Nasional Berhad (TNB) and SAJ Holdings Sdn Bhd (SAJ Holdings) (collectively referred to as the "Parties and/or Defendants") by way of a writ of summons dated 27 November 2004 and statement of claim dated 15 December 2004 in the High Court of Malaya at Kuala Lumpur.

BLDSB is seeking special damages for the sum of RM29.4 million and other damages and relief from the Parties for:

(i) wrongfully conspiring with the occupants on Mukim Plentong, Daerah Johor Bahru, Johor Darul Takzim (the Land) by facilitating the occupants with telecommunications, electricity and water services and illegally assisting the occupants in their occupation with the obvious and foreseeable consequence of adversely affecting and seriously prejudicing BLDSB;

(ii) joint tortfeasor with the occupants in the commission of the wrongs committed by the occupants;

(iii) jointly and independently trespassing and continue to trespass the Land by reason of emplacement of the telecommunication, electricity and water equipments to the occupants;

(iv) wrongfully and/or unconscionably derived and still deriving pecuniary benefits from its wrongful actions and the wrongful use of the Land and that the same amount to unjust enrichment of the law; and

(v) loss of opportunity in that the plaintiff has been wrongfully prevented from developing the Land and as such has not had the benefit of the full potential of the development and the advantageous economic circumstances in the period immediately following the acquisition of the Land by the plaintiff.

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(d) On 23 January 2006, the Court granted an order in terms for the Company's application to transfer this matter from Kuala Lumpur High Court to Johor Bahru High Court and as directed by the High Court, the Company filed its statement of defence in the Kuala Lumpur High Court on 21 February 2006.

On 10 November 2006, the plaintiff's solicitors had served the Company with the unsealed notice to attend pre-trial case management. However, the plaintiff's solicitors have yet to serve the Company with the sealed copy of the said notice.

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

(e) Acres & Hectares Sdn Bhd (AHSB) had instituted legal proceeding against the Company by way of a writ of summons dated 22 April 2005 and statement of claim dated 7 April 2005 in the High Court of Malaya at Kuala Lumpur.

In the said statement of claim, AHSB claimed that the Company was indebted to AHSB in the judgement sum of RM2.9 million plus 8% interest per annum on the said sum from 29 November 2004 (Notice of Demand) until the date of full settlement for consultancy works rendered to TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Company in respect of the management and development of the Company's land. Further, AHSB claimed for damages in the sum of RM26.9 million plus 8% interest per annum on the said sum from date of the statement of claim until date of full settlement for alleged losses suffered by AHSB due to the Company's failure to proceed with the said project and cost.

On 15 June 2005, the Company filed its statement of defence disputing the appointment of AHSB as the Company's consultant in relation to the said project and put AHSB to strict proof thereof. In addition, the Company contended that the preliminary reports prepared by AHSB were part of the requirements to be fulfilled by AHSB prior to the selection of the appointment of a consultant to be approved by TMF Board of Directors.

On 7 July 2005, the Company filed an interlocutory application to strike out AHSB's claim and the matter was originally fixed for hearing on 29 September 2005. The Court heard the said application on 17 October 2005 and then adjourned the said hearing to 22 December 2005.

On 22 December 2005, the Court directed the Company and AHSB to file their written submission on 6 January 2006 and 20 January 2006 respectively and the decision was fixed on 10 February 2006. However, on 10 February 2006, the Court dismissed the Company's application with costs on grounds that there were triable issues to be decided before a full and proper hearing. Meanwhile, AHSB had served a notice to attend for pre-trial case management on the Company and this notice is fixed for hearing on 6 March 2006.

On 6 March 2006, the Court had fixed this matter for hearing on 10 December 2007 to 12 December 2007. The Court has also directed the parties to file the necessary cause papers before the said hearing dates.

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

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(f) By a Joint Venture Agreement dated 13 September 1993 (JVA), Technology Resources Industries Berhad (TRI) and VIP Engineering and Marketing Limited (VIPEM) agreed to establish TRI Telecommunications Tanzania Limited (Tritel) as a joint venture company, to provide telecommunications services in Tanzania.

On 10 December 2001, vide Civil Case No. 427 of 2001 (the Suit) VIPEM claimed a sum of USD18.6 million as its share of loss of profits for mismanagement of Tritel. TRI through its solicitors asserted that the Court has no jurisdiction to hear the Suit because of the arbitration clause in the JVA and applied for a stay of proceedings. The Court concurred with TRI's contention. TRI then filed a petition to stay the proceedings pending reference of the dispute to arbitration. Subsequently, on 17 July 2003 the Court adjourned the Suit sine die pending completion of the liquidation of Tritel. In light of the winding up order made against Tritel, on 22 July 2003, TRI filed its claims of RM123.4 million with the liquidator of Tritel.

The Directors, based on legal opinion received, are of the view that on the allegations of mismanagement, unless more evidence can be produced, the allegations are rhetorical and unsubstantiated. In view of the winding up proceedings, there is also a possibility that VIPEM will not pursue its claim. Hence, no provision has been made in the financial statements for the claim made by VIPEM.

(g) On 16 February 2005, Rego Multi-Trades Sdn Bhd (Rego), a wholly owned subsidiary of TRI, which is also a subsidiary of Celcom (Malaysia) Berhad (Celcom), filed a claim against Aras Capital Sdn Bhd (Aras Capital) and Tan Sri Dato' Tajudin Ramli (TSDTR) for RM261.8 million, as at 30 November 2004, together with interest and cost.

The claim was made for recovery of the said sums pursuant to:

(i) an investment management agreement dated 10 January 1997 (the investment agreement) and a supplemental agreement dated 21 April 1997 (the supplemental agreement) between Rego and Aras Capital; and

(ii) a letter of indemnity dated 1 April 1998 (the letter of indemnity) given by TSDTR to Rego relating to the investments made by Rego under the investment agreement and the supplemental agreement.

On 13 May 2005, TSDTR filed its defence and instituted a counterclaim against Rego, TRI and its directors.

In the counterclaim, TSDTR seeks, inter alia, (i) a declaration that the letter of indemnity given by TSDTR to Rego relating to the investments made by Rego under the investment agreement and the supplemental agreement between Rego and Aras Capital is void or alternatively is avoided, (ii) rescission of the letter of indemnity, (iii) the return of the sum of RM100.0 million as being a sum allegedly paid by TSDTR to Rego and (iv) general, exemplary and aggravated damages to be assessed. The claim against the Rego/TRI directors is for general, exemplary and aggravated damages to be assessed arising from a claim of alleged conspiracy. On 4 July 2005, Rego filed its reply and defence to counterclaim while TRI and the directors filed their respective defences to the counterclaim. Subsequently Rego, TRI and the directors filed their respective application to strike out TSDTR's counterclaim on 19 July 2005. The striking out applications were fixed for hearing on 8 December 2005. On 18 May 2006, the Registrar dismissed Rego, TRI and the directors striking out applications. On 29 May 2006, Rego, TRI and the directors filed their respective appeals against the Registrar's decision on the striking out application to the Judge in Chambers (Appeals) and the Appeals for Rego, TRI and the directors are fixed for hearing on 12 July 2007, 27 July 2007 and 17 August 2007 respectively.

The Directors, based on legal advice received, are of the view that there are good prospects of striking out the counterclaim against the Group.

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(h) On 24 November 2005 and 29 November 2005, Celcom was served with two (2) writs of summons and statement of claim by MCAT GEN Sdn Bhd (MCAT). The claims instituted were for (i) libel based on certain alleged press releases made by Celcom which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian (First Suit) and (ii) breach of contract on an alleged resellers agreement between Celcom and MCAT (Second Suit). In the First Suit, MCAT is seeking, amongst others, damages for libel in the sum of RM1.0 billion, aggravated and exemplary damages, an injunction restraining Celcom from further publishing any similar defamatory words, a public apology, interests and costs. In the Second Suit, MCAT seeks, amongst others, specific performance of the alleged resellers agreement, damages in the sum of RM609.7 million, damages in lieu or in addition to specific performance, interests and costs. On 24 January 2007, the Court allowed MCAT's amendment application, primarily to amend its claim for damages from RM609.7 million to RM765.1 million.

Subsequently on 13 December 2005, Celcom was served with a writ of summons and statement of claim by MCAT's directors, whereby the directors have pleaded a cause of action for libel against Celcom based on certain alleged press releases which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian. The directors are seeking, amongst others, damages for libel totalling RM1.01 billion, aggravated and exemplary damages, an injunction restraining Celcom from further publishing any similar defamatory words, a public apology, interests and costs (Third Suit).

On 16 January 2006, Celcom filed its statement of defence in the Third Suit and instituted a counterclaim against the fifth plaintiff, Mohd Razi bin Adam, the Chief Executive Officer of MCAT claiming damages and other reliefs for breach of fiduciary duty and breach of confidential information. The fifth plaintiff was an employee of Celcom before joining MCAT on 31 May 2005.

On 9 January 2006, Celcom filed its statement of defence for both the First Suit and the Second Suit. Celcom instituted a counterclaim in the First Suit against MCAT for passing off and filed a striking out application to strike out MCAT's claim in the First Suit on the grounds that the statement of claim discloses no cause of action, is frivolous, vexatious and an abuse of the process of the Court. The striking out application is now fixed for hearing on 22 March 2007.

On the direction of the Court, Celcom filed an application to consolidate the First Suit with the Third Suit. On 11 December 2006, the Court allowed Celcom's application to consolidate and ordered that the Third Suit be transferred to the First Suit's Court. The Third Suit will be heard after the First Suit has been disposed off by the Court.

In respect of the Second Suit, MCAT's application for an interim injunctive relief was heard and dismissed with costs on 13 April 2006. MCAT filed an appeal to the Court of Appeal. On 30 August 2006 the appeal was dismissed with costs. Subsequently, MCAT has filed a motion for leave to appeal to the Federal Court. On 31 October 2006, Celcom filed an application for security of costs in the Federal Court seeking RM150,000 for security.

Celcom had filed an application to strike out certain paragraphs in MCAT's amended statement of claim due to MCAT's failure to comply with the Court's direction to furnish further and better particulars to the Company. The Court has directed parties to file written submission and fixed the same for clarification/decision on 23 February 2007. Case management is fixed for mention on 2 March 2007.

In respect of the Third Suit, in light of Celcom's consolidation application, which was allowed by the Court in the First Suit, the Court will inform the parties on the next hearing date for the striking out application. Case management is fixed for hearing on 9 March 2007.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the three (3) cases above is remote.

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(i) On 29 June 2006, the Company, Telekom Enterprise Sdn Bhd (TESB), Celcom and Technology Resources Industries Berhad (TRI) (hereinafter collectively referred to as "TM Group") were each served with a copy of a defence and counterclaim by TSDTR's solicitors making TM Group parties to the above legal proceedings via counterclaim. Subsequently, on 13 July 2006 TSDTR filed an amended defence and counterclaim and served a copy of the same on TM Group's Solicitors.

In the amended counterclaim, TSDTR is seeking from TM Group and twenty (20) others jointly and/or severally the following reliefs:

(i) the sum of RM6.2 billion (TRI shares at RM24.00 per share);

(ii) general damages to be assessed;

(iii) aggravated and exemplary damages to be assessed;

(iv) damages for conspiracy to be assessed;

(v) an account of all sums paid under the facility agreement and/or to Danaharta by TSDTR including all such sums received by Danaharta including as a result of the sale of the TRI shares and the Naluri 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 the Company arising out of or in relation to the TRI (now Celcom) Shares;

(ix) an order that the Company forthwith pays all sum adjudged to be paid to TSDTR under prayer (viii);

(x) damages for breach of contract against Danaharta to be assessed.

In addition, TSDTR is also seeking, inter alia, from all twenty-four (24) defendants to the counterclaim the following reliefs:

(i) the sum of RM7.2 billion;

(ii) damages for conspiracy to be assessed;

(iii) a declaration that the vesting certificates are illegal and ultra vires that the Danaharta Act and/or unconstitutional against the provisions of the Federal Constitution and/or against Public Policy and void;

(iv) a declaration that the settlement agreement is illegal and ultra vires the Danaharta Act and/or the Federal Constitution and is void and unenforceable pursuant to Section 24 of the Contracts Act 1950 inter alia as being against Public Policy;

(v) a declaration that all acts and deeds carried out and all agreements executed by Danaharta is illegal and unenforceable;

(vi) an order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta hereby declared as null and void and set aside;

(vii) all necessary and fit orders and directions as may be required to give full effect to the aforesaid declarations and orders;

(viii) damages to be assessed;

(ix) aggravated and exemplary damages to be assessed;

(x) interest at the rate of 8% 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.

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(i) On 20 July 2006, TM Group's Solicitors filed two (2) separate summonses in chambers on behalf of the Company/TESB and Celcom/TRI respectively to strike out TSDTR's amended defence and counterclaim (SIC to Strike Out). The Court has fixed 6 June 2007 as the mention date in respect of the Company/TESB's SIC to Strike Out. Meanwhile, Celcom/TRI's SIC to Strike Out is fixed for mention on 11 July 2007.

On 2 February 2007, TSDTR's solicitors served on TM Group's Solicitors a sealed copy of a summons in chambers containing TSDTR's application to re-amend his amended defence and counterclaim (SIC to Re-Amend). Under the SIC to Re-Amend, TSDTR intends to include fourteen (14) new defendants to its counterclaim, of which eleven (11) are directors/former directors/officers of TM Group. The hearing date of the SIC to Re-Amend is fixed for mention on 6 June 2007.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the above is remote.

(j) On 6 July 2006, Celcom was served with a writ of summons and statement of claim by the plaintiff, Dato' Saizo Abdul Ghani (trading under the name and style of Airtime Telecommunication). The plaintiff seeks against Celcom and Kamsani bin Hj Ahmad (Kamsani), an employee of Celcom, general damages in the sum of RM15.0 million for the alleged libel and breach of contract, a further sum of RM15.0 million in exemplary and aggravated damages for the alleged libel and an injunction to prevent Celcom and Kamsani from distributing or publishing any letters or content similar thereto, interests and costs.

A memorandum of appearance and a statement of defence was filed on 7 July 2006 and 21 July 2006 respectively on behalf of Celcom and Kamsani (Defendants). On 28 August 2006, the Defendants filed a striking out application and the same has been fixed for hearing on 5 February 2007, which was later adjourned to 16 April 2007.

Based on legal advice, the Defendants have a reasonably good chance of success in defending the claims by the plaintiff.

(k) On 6 July 2006, Celcom was served with a writ of summons and statement of claim by the plaintiff, Asmawi bin Muktar (trading under the name and style of GM Telecommunication & Trading). The plaintiff seeks against Celcom and Kamsani, general damages in the sum of RM10.0 million for the alleged libel and breach of contract, a further sum of RM9.0 million in exemplary and aggravated damages for the alleged libel and an injunction to prevent Celcom and Kamsani from distributing or publishing any letters or content similar thereto, and interests and costs.

A memorandum of appearance and a statement of defence was filed on 7 July 2006 and 21 July 2006 respectively on behalf of Celcom and Kamsani (Defendants). On 28 August 2006, the Defendants filed a striking out application and the same has been fixed for mention on 17 October 2006 and later fixed for hearing on 2 February 2007, which was later adjourned to 7 February 2007. On the hearing date, the Court has fixed 22 February 2007 for clarification/decision. On 22 February 2007, the Court dismissed the striking out application.

Based on legal advice, the Defendants have a reasonably good chance of success in defending the claims by the plaintiff.

41. CONTINGENT LIABILITIES (UNSECURED) (continued)

(l) TRI filed a claim against TSDTR, Bistamam Ramli and Dato' Lim Kheng Yew (Defendants), being former directors of TRI for the recovery of a total sum of RM55.8 million which was paid to the Defendants as compensation for loss of office and incentive payment and also the return of two (2) luxury vehicles which were transferred to the first two (2) Defendants.

On 18 September 2006, TRI was served with a copy of the first and second Defendants' defence and counterclaim.

This matter is fixed for case management on 23 April 2007 and trial dates have been fixed for 2 March 2009 to 5 March 2009.

The Directors have been advised that TRI has a good chance of success in respect of the claim.

(m) A public interest litigation was filed in July 2006, impugning arbitrary determination of tariff value of SIM cards for the purpose of the Government of Bangladesh's decision of imposition of Value Added Tax (VAT) on SIM cards in Bangladesh. The Honorable High Court Division by a judgement dated 24 August 2006 made the rule absolute and declared that determination of tariff value of SIM card for the purpose of imposition of VAT was without lawful authority and of no legal effect. A civil petition for leave to appeal was filed by the National Board of Revenue and the Government of Bangladesh respectively before the Appellate Division of the Supreme Court of Bangladesh, which is still pending for hearing. Meanwhile, there is no order of stay of the judgement dated 24 August 2006.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the above is remote.

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

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these no material losses are anticipated.

42. SIGNIFICANT EVENT DURING THE YEAR

There were no other significant events during the year that have not been reflected in the audited financial statements.

43. SIGNIFICANT SUBSEQUENT EVENTS

(i) At an Extraordinary General Meeting of shareholders of a foreign subsidiary on 22 December 2006, the shareholders approved the subsidiary's plan to obtain new borrowings in the aggregate amount not exceeding USD430.0 million through one or a number of transactions in the form of bilateral credit facility, syndicated credit facility, and/or through issuances of bonds and/or other debts instruments, denominated in foreign currencies and/or Indonesian Rupiah (IDR) for fiscal year 2007. Currently, the subsidiary is in the process of issuing an IDR Bond amounting to IDR1.5 trillion.

(ii) On 3 January 2007 to 5 January 2007, a foreign subsidiary entered into several foreign currency contracts to hedge the US Dollar Bond payment, which will mature in 2009 and 2013. The notional amount of the contract is USD125.0 million. The premium on the foreign currency contract will be paid semi-annually.

(iii) On 8 January 2007, a foreign subsidiary entered into a credit agreement with a foreign bank amounting to USD50.0 million. The facility will be available for drawdown commencing on 8 January 2007 up to the termination date on 30 May 2007. Based on the contract, the subsidiary agreed to pay a floating rate of interest at quarterly intervals of USD London Interbank Offer Rate (LIBOR) plus 1.05% margin per annum. The loan will mature in thirty-six (36) months from the first drawdown date.

(iv) On 15 January 2007, a foreign subsidiary entered into a credit agreement with a foreign bank amounting to USD50.0 million. The facility will be available for drawdown commencing on 30 January 2007 up to 30 April 2007. Based on the contract, the subsidiary agreed to pay a floating rate of interest at quarterly intervals of USD LIBOR plus 0.95% margin per annum. The loan will mature on 29 January 2010. On 30 January 2007, the subsidiary made its first drawdown of USD25.0 million.

There were no other material events subsequent to the end of the year that have not been reflected in the audited financial statements.

44. SEGMENTAL REPORTING

By Business

The Group is organised on a worldwide basis in four main business segments:

(a) Fixed line and data
- represents fixed line, data and other telecommunication related services

(b) Internet and multimedia
- represents Internet related services

(c) Cellular
- represents mobile telecommunication services

(d) Non-telecommunication related services (others)
- represents services provided by subsidiaries with core business in education, printing and publication of directories, property management and other activities, none of which is of a sufficient size to be reported separately.

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44. SEGMENTAL REPORTING (continued)

Segment results represent segment operating revenue less segment expenses. Unallocated income includes interest income, dividend income and gain or loss on disposal of investments. Unallocated costs represent corporate expenses and net foreign exchange differences arising from revaluation of corporate borrowings. The accounting policies used to derive reportable segment results are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables, inventories and cash and bank balances. Unallocated corporate assets mainly include staff loans, other long term receivables, investments, deferred tax assets and property, plant and equipment of the Company's corporate centre including training centre.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, current tax and deferred tax liabilities.

Segment capital expenditure comprises additions to intangibles, property, plant and equipment, including additions resulting from acquisition of subsidiaries as shown in note 20 and 21 to the financial statements.

Significant non-cash expenses comprise mainly allowances and unrealised foreign exchange losses (excluding net foreign exchange differences arising from revaluation of borrowings) as shown in note 6 to the financial statements.

	Fixed line and data* RM	Internet and multimedia* RM	Cellular Malaysia RM	Cellular Overseas RM	Others* RM	Total RM
Year Ended 31 December 2006						
Operating Revenue						
Total operating revenue	7,352.1	881.2	4,528.7	4,154.9	747.0	17,663.9
Inter-segment**	(739.5)	(11.3)	(104.7)	(14.4)	(394.8)	(1,264.7)
External operating revenue	6,612.6	869.9	4,424.0	4,140.5	352.2	16,399.2
Results						
Segment results	1,271.0	65.6	1,129.9	1,254.1	33.9	3,754.5
Unallocated income						155.5
Corporate expenses						(721.8)
Foreign exchange gains						302.4
Operating profit before finance cost						3,490.6
Finance income						234.0
Finance cost						(621.9)
Jointly controlled entities						
– share of results (net of tax)	—	—	—	10.6	—	10.6
Associates						
– share of results (net of tax)	17.8	—	(7.5)	9.6	—	19.9
Profit before taxation						3,133.2
Taxation	(97.4)	(19.4)	(398.7)	(296.1)	(19.3)	(830.9)
Profit for the year						2,302.3

44. SEGMENTAL REPORTING (continued)

	Fixed line and data* RM	Internet and multimedia* RM	Cellular Malaysia RM	Cellular Overseas RM	Others* RM	Total RM
At 31 December 2006						
Segment assets	17,206.9	384.6	9,679.9	10,766.1	1,526.0	39,563.5
Jointly controlled entities	—	—	—	807.5	—	807.5
Associates	80.8	0.5	14.5	124.8	—	220.6
Unallocated corporate assets						1,251.9
Total assets						41,843.5
Segment liabilities	2,627.4	130.1	1,779.3	1,576.6	228.2	6,341.6
Borrowings						12,085.9
Unallocated liabilities						2,668.4
Total liabilities						21,095.9
Year Ended 31 December 2006						
Other Information						
Capital expenditure						
– additions during the year	1,819.6	39.3	857.1	3,137.1	71.2	5,924.3
– acquisition of subsidiaries (including fair value adjustments)	3.1	—	146.6	(57.1)	—	92.6
Depreciation and amortisation	2,268.7	32.3	808.2	817.7	112.1	4,039.0
Write off of property, plant and equipment	1.8	—	0.2	—	—	2.0
Impairment of property, plant and equipment	0.1	—	0.5	3.5	—	4.1
Reversal of impairment of property, plant and equipment	(3.9)	—	(3.5)	—	—	(7.4)
Significant non-cash expenses	186.3	35.9	77.5	(118.0)	5.5	187.2
Year Ended 31 December 2005						
Operating Revenue						
Total operating revenue	7,511.9	617.8	4,495.7	1,770.7	812.9	15,209.0
Inter-segment**	(530.2)	(9.8)	(213.9)	—	(512.7)	(1,266.6)
External operating revenue	6,981.7	608.0	4,281.8	1,770.7	300.2	13,942.4

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

44. SEGMENTAL REPORTING (continued)

	Fixed line and data* RM	Internet and multimedia* RM	Cellular Malaysia RM	Cellular Overseas RM	Others* RM	Total RM
Results						
Segment results	1,208.6	20.2	1,129.2	579.2	(32.8)	2,904.4
Unallocated income						388.6
Corporate expenses***						(1,559.7)
Foreign exchange gains						35.5
Operating profit before finance cost						1,768.8
Finance income						313.0
Finance cost						(663.4)
Jointly controlled entities						
– share of results (net of tax)	—	—	—	(3.7)	—	(3.7)
Associates						
– share of results (net of tax)	20.6	0.4	(11.1)	4.3	—	14.2
– gain on dilution/disposal						91.5
Profit before taxation						1,520.4
Taxation	(170.4)	(8.3)	(257.6)	(194.3)	(34.3)	(664.9)
Profit for the year						855.5
At 31 December 2005						
Segment assets	18,214.9	386.2	10,585.9	8,649.6	1,628.7	39,465.3
Jointly controlled entities	—	—	—	137.5	—	137.5
Associates	50.1	0.5	45.5	6.6	—	102.7
Unallocated corporate assets						1,478.8
Total assets						41,184.3
Segment liabilities	2,932.1	75.4	2,460.3	992.9	153.8	6,614.5
Borrowings						12,215.8
Unallocated liabilities						2,712.6
Total liabilities						21,542.9

44. SEGMENTAL REPORTING (continued)

	Fixed line and data* RM	Internet and multimedia* RM	Cellular Malaysia RM	Cellular Overseas RM	Others* RM	Total RM
Year Ended 31 December 2005						
Other Information						
Capital expenditure						
– additions during the year	2,110.3	31.3	730.7	1,355.7	51.6	4,279.6
– acquisition of subsidiaries (including fair value adjustments)	124.2	—	—	4,891.8	—	5,016.0
Depreciation and amortisation	2,245.0	46.8	864.2	231.8	56.7	3,444.5
Write off of property, plant and equipment	8.7	—	—	0.6	—	9.3
Impairment of property, plant and equipment	6.5	—	72.9	2.5	0.7	82.6
Significant non-cash expenses	150.5	44.2	151.8	74.8	56.9	478.2

* Segmental information of overseas entities with respect to fixed line and data and other segments were not disclosed as they are insignificant.

** 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.

*** Included in the unallocated corporate expenses of the previous year is the one-off provision for a claim as disclosed in note 5 to the financial statements.

By Geographical Location

The Group operates in many countries as shown in note 50 to the financial statements. Accordingly, the segmentisation of Group operation by geographical location is segmentised to Malaysia and overseas. The overseas operation is further segregated into Indonesia and others as no other individual overseas country contributed more than 10% 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.

44. SEGMENTAL REPORTING (continued)

	Operating Revenue		Total Assets		Capital Expenditure	
	2006	2005	**2006**	2005	**2006**	2005
	RM	RM	**RM**	RM	**RM**	RM
Malaysia	**12,087.4**	12,002.7	**30,387.0**	30,539.9	**2,865.2**	2,864.9
Overseas						
– Indonesia (sub-note a)	**2,296.1**	293.6	**6,081.2**	5,223.5	**1,900.7**	5,886.6
– Others	**2,015.7**	1,646.1	**3,095.3**	3,701.9	**1,251.0**	544.1
	16,399.2	13,942.4	**39,563.5**	39,465.3	**6,016.9**	9,295.6
Jointly controlled entities			**807.5**	137.5		
Associates			**220.6**	102.7		
Unallocated corporate assets			**1,251.9**	1,478.8		
Total assets			**41,843.5**	41,184.3		

(a) Current year include full year results as compared to two (2) months results in 2005.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group has established risk management policies, guidelines and control procedures to manage its exposure to financial risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes.

Foreign Exchange Risk

The foreign exchange risk of the Group arises from borrowings denominated in foreign currencies. The Group has long dated and interest rate swaps that are primarily used to hedge selected long term foreign currency borrowings to reduce the foreign currency exposures on these borrowings. The main currency exposure is US Dollar.

The Group also has subsidiaries and associates operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The main currency exposures are Sri Lanka Rupee, Bangladesh Taka and Indonesian Rupiah.

The Group's foreign exchange objective is to achieve the acceptable level of foreign exchange fluctuation on the Company's assets and liabilities and manage the consequent impact to the income statement. To achieve this objective, the Group targets a composition of currencies based on assessment of the existing exposure and desirable currency profile. To obtain this composition, the Group uses various types of hedging instruments such as cross-currency swaps.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest Rate Risk

The Group has cash and bank balances and deposits placed with creditworthy licensed banks and financial institutions. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

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 and range accrual swaps.

Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk are primarily trade receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

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

The Group places its cash and cash equivalents and marketable securities with a number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution.

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

Liquidity Risk

In the management of liquidity and cash flow risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

46. INTEREST RATE RISK

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of repricing or contractual maturity dates. 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.

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46. INTEREST RATE RISK (continued)

THE GROUP	W.A.R.F.*	Maturing or repriced in: 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
2006											
Financial Assets											
Investments	—	—	—	—	—	—	—	—	226.7	—	226.7
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	441.4	441.4
– non-interest sensitive	—	—	—	—	—	—	—	—	60.5	—	60.5
– fixed interest rate	4.00%	0.8	2.0	11.2	5.8	9.8	89.4	119.0	—	—	119.0
Trade and Other Receivables (excluding short term staff loans)											
– non-interest sensitive	—	—	—	—	—	—	—	—	3,350.2	—	3,350.2
– floating interest rate	7.37%	50.7	—	—	—	—	—	50.7	—	—	50.7
Short Term Investments											
– non-interest sensitive	—	—	—	—	—	—	—	—	125.3	—	125.3
– fixed interest rate	4.67%	194.8	—	—	—	—	—	194.8	—	—	194.8
Cash and Bank Balances											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	1,175.0	1,175.0
– non-interest sensitive	—	—	—	—	—	—	—	—	705.2	—	705.2
– fixed interest rate	4.14%	2,800.2	—	—	—	—	—	2,800.2	—	—	2,800.2
Total		3,046.5	2.0	11.2	5.8	9.8	89.4	3,164.7	4,467.9	1,616.4	9,249.0
Financial Liabilities											
Borrowings											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	1,061.2	1,061.2
– non-interest sensitive	—	—	—	—	—	—	—	—	5.0	—	5.0
– floating interest rate	7.04%	724.9	5.5	—	611.2	127.2	972.1	2,440.9	—	—	2,440.9
– fixed interest rate	6.46%	409.5	119.1	1,329.7	529.1	25.9	6,165.5	8,578.8	—	—	8,578.8
Customer Deposits	—	—	—	—	—	—	—	—	718.9	—	718.9
Trade and Other Payables	—	—	—	—	—	—	—	—	5,740.9	—	5,740.9
Total		1,134.4	124.6	1,329.7	1,140.3	153.1	7,137.6	11,019.7	6,464.8	1,061.2	18,545.7
On-balance-sheet interest sensitivity gap		1,912.1	(122.6)	(1,318.5)	(1,134.5)	(143.3)	(7,048.2)				
Off-balance-sheet interest sensitivity gap		—	—	—	—	—	—				
Total interest sensitivity gap		1,912.1	(122.6)	(1,318.5)	(1,134.5)	(143.3)	(7,048.2)				

46. INTEREST RATE RISK (continued)

THE GROUP	W.A.R.F.*	Maturing or repriced in: 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
2005											
Financial Assets											
Investments	–	–	–	–	–	–	–	–	258.0	–	258.0
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	457.3	457.3
– non-interest sensitive	–	–	–	–	–	–	–	–	51.3	–	51.3
– fixed interest rate	4.00%	4.8	1.8	3.6	14.3	8.9	123.8	157.2	–	–	157.2
Trade and Other Receivables (excluding short term staff loans)											
– non-interest sensitive	–	–	–	–	–	–	–	–	3,323.1	–	3,323.1
– floating interest rate	6.70%	92.2	50.7	–	–	–	–	142.9	–	–	142.9
Short Term Investments											
– non-interest sensitive	–	–	–	–	–	–	–	–	106.1	–	106.1
– fixed interest rate	4.56%	168.6	–	–	–	–	–	168.6	–	–	168.6
Cash and Bank Balances											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	1,019.0	1,019.0
– non-interest sensitive	–	–	–	–	–	–	–	–	370.6	–	370.6
– fixed interest rate	3.71%	5,026.0	–	–	–	–	–	5,026.0	–	–	5,026.0
Total		5,291.6	52.5	3.6	14.3	8.9	123.8	5,494.7	4,109.1	1,476.3	11,080.1
Financial Liabilities											
Borrowings											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	1,617.9	1,617.9
– non-interest sensitive	–	–	–	–	–	–	–	–	5.7	–	5.7
– floating interest rate	6.35%	266.9	886.0	–	–	1,236.3	1,252.6	3,641.8	–	–	3,641.8
– fixed interest rate	5.97%	414.0	22.1	92.3	1,369.1	1.8	5,051.1	6,950.4	–	–	6,950.4
Customer Deposits	–	–	–	–	–	–	–	–	730.2	–	730.2
Trade and Other Payables	–	–	–	–	–	–	–	–	5,980.9	–	5,980.9
Total		680.9	908.1	92.3	1,369.1	1,238.1	6,303.7	10,592.2	6,716.8	1,617.9	18,926.9
On-balance-sheet interest sensitivity gap		4,610.7	(855.6)	(88.7)	(1,354.8)	(1,229.2)	(6,179.9)				
Off-balance-sheet interest sensitivity gap		–	–	–	–	–	–				
Total interest sensitivity gap		4,610.7	(855.6)	(88.7)	(1,354.8)	(1,229.2)	(6,179.9)				

* W.A.R.F. – Weighted Average Rate of Finance as at 31 December

46. INTEREST RATE RISK (continued)

The table below summarises the weighted average rate of finance as at 31 December by major currencies for each class of financial asset and liability:

	2006		2005	
THE GROUP	**USD**	**RM**	USD	RM
Financial Assets				
Staff Loans	—	4.00%	—	4.00%
Trade and Other Receivables (excluding short term staff loans)	7.37%	—	6.70%	—
Short Term Investments	—	4.67%	—	4.56%
Cash and Bank Balances	4.90%	3.52%	4.10%	2.97%
Financial Liabilities				
Borrowings	6.47%	5.86%	6.14%	5.80%

THE COMPANY	W.A.R.F.*	Maturing or repriced in 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
2006											
Financial Assets											
Amount Owing by Subsidiaries, net of allowances											
– non-interest sensitive	—	—	—	—	—	—	—	—	8,500.9	—	8,500.9
– floating interest rate	5.60%	—	—	9.1	34.7	—	—	43.8	—	—	43.8
– fixed interest rate	2.97%	—	—	7.7	—	—	103.0	110.7	—	—	110.7
Investments	—	—	—	—	—	—	—	—	220.5	—	220.5
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	441.4	441.4
– non-interest sensitive	—	—	—	—	—	—	—	—	59.4	—	59.4
– fixed interest rate	4.00%	0.8	2.0	11.2	5.8	9.8	89.4	119.0	—	—	119.0
Trade and Other Receivables (excluding short term staff loans)											
– non-interest sensitive	—	—	—	—	—	—	—	—	2,384.8	—	2,384.8
– floating interest rate	7.37%	50.7	—	—	—	—	—	50.7	—	—	50.7
Short Term Investments											
– non-interest sensitive	—	—	—	—	—	—	—	—	123.6	—	123.6
– fixed interest rate	4.67%	194.8	—	—	—	—	—	194.8	—	—	194.8
Cash and Bank Balances											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	296.2	296.2
– non-interest sensitive	—	—	—	—	—	—	—	—	282.0	—	282.0
– fixed interest rate	3.85%	1,457.1	—	—	—	—	—	1,457.1	—	—	1,457.1
Total		1,703.4	2.0	28.0	40.5	9.8	192.4	1,976.1	11,571.2	737.6	14,284.9

46. INTEREST RATE RISK (continued)

THE COMPANY	W.A.R.F.*	Maturing or repriced in 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
2006											
Financial Liabilities											
Borrowings											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	443.0	443.0
– non-interest sensitive	—	—	—	—	—	—	—	—	5.0	—	5.0
– floating interest rate	6.96%	534.6	—	—	529.1	—	529.1	1,592.8	—	—	1,592.8
– fixed interest rate	7.87%	—	—	—	529.1	—	534.1	1,063.2	—	—	1,063.2
Payable to Subsidiaries											
– fixed interest rate	5.67%	—	—	—	—	—	4,747.0	4,747.0	—	—	4,747.0
Customer Deposits	—	—	—	—	—	—	—	—	590.3	—	590.3
Trade and Other Payables	—	—	—	—	—	—	—	—	2,348.7	—	2,348.7
Total		534.6	—	—	1,058.2	—	5,810.2	7,403.0	2,944.0	443.0	10,790.0
On-balance-sheet interest sensitivity gap		1,168.8	2.0	28.0	(1,017.7)	9.8	(5,617.8)				
Off-balance-sheet interest sensitivity gap		—	—	—	—	—	—				
Total interest sensitivity gap		1,168.8	2.0	28.0	(1,017.7)	9.8	(5,617.8)				
2005											
Financial Assets											
Amount Owing by Subsidiaries, net of allowances											
– non-interest sensitive	—	—	—	—	—	—	—	—	8,526.8	—	8,526.8
– floating interest rate	7.32%	94.7	—	—	29.9	35.6	—	160.2	—	—	160.2
– fixed interest rate	2.97%	—	—	—	7.7	—	103.0	110.7	—	—	110.7
Investments	—	—	—	—	—	—	—	—	220.9	—	220.9
Staff Loans and Other Long Term Receivables											
– balances under Islamic principles	—	—	—	—	—	—	—	—	—	457.3	457.3
– non-interest sensitive	—	—	—	—	—	—	—	—	50.6	—	50.6
– fixed interest rate	4.00%	4.8	1.8	3.6	14.3	8.9	123.8	157.2	—	—	157.2
Trade and Other Receivables (excluding short term staff loans)											
– non-interest sensitive	—	—	—	—	—	—	—	—	2,618.7	—	2,618.7
– floating interest rate	6.70%	92.2	50.7	—	—	—	—	142.9	—	—	142.9

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for the year ended 31 December 2006

46. INTEREST RATE RISK (continued)

THE COMPANY	W.A.R.F.*	Maturing or repriced in: 1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Balances under Islamic principles RM	Total RM
2005											
Financial Assets (continued)											
Short Term Investments											
– non-interest sensitive	–	–	–	–	–	–	–	–	104.9	–	104.9
– fixed interest rate	4.56%	168.6	–	–	–	–	–	168.6	–	–	168.6
Cash and Bank Balances											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	41.8	41.8
– non-interest sensitive	–	–	–	–	–	–	–	–	66.0	–	66.0
– fixed interest rate	3.37%	2,102.7	–	–	–	–	–	2,102.7	–	–	2,102.7
Total		2,463.0	52.5	3.6	51.9	44.5	226.8	2,842.3	11,587.9	499.1	14,929.3
Financial Liabilities											
Borrowings											
– balances under Islamic principles	–	–	–	–	–	–	–	–	–	689.0	689.0
– non-interest sensitive	–	–	–	–	–	–	–	–	5.7	–	5.7
– floating interest rate	6.74%	–	566.8	–	–	566.9	566.9	1,700.6	–	–	1,700.6
– fixed interest rate	7.74%	–	–	–	–	566.9	564.7	1,131.6	–	–	1,131.6
Payable to Subsidiaries											
– floating interest rate	4.96%	–	–	–	–	–	400.0	400.0	–	–	400.0
– fixed interest rate	5.69%	–	–	–	–	–	4,473.2	4,473.2	–	–	4,473.2
Customer Deposits	–	–	–	–	–	–	–	–	598.3	–	598.3
Trade and Other Payables	–	–	–	–	–	–	–	–	2,306.8	–	2,306.8
Total		–	566.8	–	–	1,133.8	6,004.8	7,705.4	2,910.8	689.0	11,305.2
On-balance-sheet interest sensitivity gap		2,463.0	(514.3)	3.6	51.9	(1,089.3)	(5,778.0)				
Off-balance-sheet interest sensitivity gap		–	–	–	–	–	–				
Total interest sensitivity gap		2,463.0	(514.3)	3.6	51.9	(1,089.3)	(5,778.0)				

* W.A.R.F. – Weighted Average Rate of Finance as at 31 December

46. INTEREST RATE RISK (continued)

The table below summarises the weighted average rate of finance as at 31 December by major currencies for each class of financial asset and liability:

	2006		2005	
THE COMPANY	**USD**	**RM**	**USD**	**RM**
Financial Assets				
Amount Owing by Subsidiaries, net of allowances	**5.60%**	**2.97%**	7.31%	2.97%
Staff Loans	**—**	**4.00%**	—	4.00%
Trade and Other Receivables (excluding short term staff loans)	**7.37%**	**—**	6.70%	—
Short Term Investments	**—**	**4.57%**	—	4.56%
Cash and Bank Balances	**5.31%**	**3.52%**	4.42%	3.01%
Financial Liabilities				
Borrowings	**7.35%**	**—**	6.97%	—
Payable to Subsidiaries	**5.25%**	**5.91%**	5.25%	5.88%

47. CREDIT RISK

For on-balance-sheet financial instruments, the main credit risk exposure has been disclosed elsewhere in the financial statements.

Off-balance-sheet financial instruments

The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination. The following table summarises the favourable fair values of the contracts, indicating the credit risk exposure.

	The Group and Company			
	2006		2005	
	Contract or notional principal amount RM	Favourable fair value RM	Contract or notional principal amount RM	Favourable fair value RM
Long dated swap	**1,058.1**	**64.2**	1,133.7	71.4

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

Quoted market prices, when available, are used as the measure of fair values. However, for a significant portion of the Group and the Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

(a) On-balance-sheet

The carrying amounts of the financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below:

	The Group				The Company			
	2006		2005		**2006**		2005	
	Carrying amount RM	**Net fair value RM**	Carrying amount RM	Net fair value RM	**Carrying amount RM**	**Net fair value RM**	Carrying amount RM	Net fair value RM
Financial assets								
Investments	**226.7**	**290.6**	258.0	237.8	**220.5**	**284.4**	220.9	200.7
Staff loans	**119.0**	**110.0**	157.2	145.9	**119.0**	**110.0**	157.2	145.9
Financial liabilities								
Borrowings (excluding redeemable bonds)	**8,024.7**	**8,255.5**	7,597.9	7,856.1	**2,661.0**	**2,821.4**	2,837.9	3,069.3
Redeemable bonds/ Payable to subsidiaries	**3,000.0**	**3,164.2**	3,000.0	3,138.8	**4,747.0**	**4,898.7**	4,873.2	5,010.5

The above carrying amounts and net fair values of borrowings exclude swaps, which are disclosed in sub-note (b).

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets

The fair value of publicly traded financial instruments is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where allowances of permanent diminution in value or impairment, where applicable, is made in respect of any investment, the carrying amount net of allowance made is deemed to be a close approximation of its fair value.

The fair value of staff loans have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. The fair value of staff loans is lower than carrying amount at the balance sheet date as the Company and its subsidiaries charged interest rates on staff loans at below current market rates. The Directors consider the carrying amount fully recoverable as they do not intend to realise the financial asset via exchange with another counterparty but to hold it to contract maturity. Collaterals are taken for these loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

For educational loans, amount owing by subsidiaries and associates and customer deposits, it is not practicable to determine the fair values of these balances as they are mainly interest free and do not have fixed repayment terms. However, the carrying amounts recorded are anticipated to approximate their fair values at the balance sheet date.

Financial liabilities

The fair value of quoted bonds has been estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. For unquoted borrowings with floating interest rate, the carrying values are generally reasonable estimates of their fair values.

The financial liabilities will be realised at their carrying values and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term on-balance-sheet financial instruments maturing within one (1) year or are repayable on demand, the carrying values are assumed to approximate their fair values.

48. 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:

	The Group and Company					
	2006			2005		
	Contract or notional principal amount RM	Net fair value Favourable RM	Net fair value Unfavourable RM	Contract or notional principal amount RM	Net fair value Favourable RM	Net fair value Unfavourable RM
Off-Balance-Sheet Financial Derivative Instruments						
Long dated swap	1,058.1	64.2	—	1,133.7	71.4	—
Cross-currency interest rate swap	—	—	—	566.9	—	(5.5)
Interest rate swaps	1,058.1	—	(55.0)	1,540.0	—	(87.3)

Fair values of financial derivative instruments are the present values of their future cash flows and are arrived at based on valuations carried out by the Company's bankers. Favourable fair value indicates amount receivable by the Company if the contracts are terminated as at 31 December 2006 or vice versa.

49. CHANGES IN ACCOUNTING POLICIES

The following describes the impact of the new accounting standards, amendments to the published standards and IC interpretations adopted by the Group for financial year beginning on 1 January 2006 as listed in note 1(a) of the Significant Accounting Policies on Basis of Preparation of the Financial Statements.

(a) Irrelevant or immaterial effect on financial statements

The adoption of FRS 1, 102, 108, 110, 128, 131, 132, 133, 140 and the 'assets ceiling' amendments to FRS 119 did not result in significant changes to the Group's accounting policies. In summary:

- FRS 1 is not relevant to the Group's operation.
- FRS 102, 108, 110, amendment to FRS 119, 128, 131, 132, 133 and 140 and IC interpretations had no material impact on the Group's accounting policies.

(b) Reclassification of prior year comparatives

Set out below are changes in accounting policies that resulted in the reclassification of prior year comparatives but did not affect the recognition and measurement of Group's net assets:

- FRS 101 has affected the presentation of minority interests. Minority interests are now presented within total equity, separately from the parent shareholders equity in the Consolidated Balance Sheet and as an allocation from net profit for the year in the Consolidated Income Statement. The movement of minority interests is now presented in the Consolidated Statement of Changes in Equity.
- Under FRS 101, the Group's share of results of jointly controlled entities and associates are now presented net of tax in the Consolidated Income Statement.

49. CHANGES IN ACCOUNTING POLICIES (continued)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies

(i) FRS 2 "Share-based Payment"

The adoption of FRS 2 had resulted in a change in accounting policy for share-based payment. In the previous year, the provision of share options to employees did not result in a charge in the Income Statement. Upon adoption of FRS 2, the Group recognises the fair value of such share options as an expense in the Income Statement over the vesting period of the grant with a corresponding increase in equity.

The Company and its following subsidiaries have Employees' Share Option Scheme (ESOS) whereby share options are granted to eligible employees:

- VADS Berhad
- Dialog Telekom Limited (a company listed on the Colombo Stock Exchange)
- PT Excelcomindo Pratama Tbk (a company listed on the Jakarta Stock Exchange)

The new accounting policy has been applied retrospectively in respect of equity instruments granted after 31 December 2004 and not yet vested as at 1 January 2006. The financial impact to the Group arising from the retrospective application is not material and hence, no restatement of retained earnings is performed.

The impact of the application of FRS 2 to the financial results of the Group and the Company in the current year was RM35.8 million and RM8.0 million respectively.

(ii) FRS 3 "Business Combination", FRS 136 "Impairment of Assets" and FRS 138 "Intangible Assets"

Goodwill and Negative Goodwill

The adoption of FRS 3, FRS 136 and FRS 138 had resulted in the extension of accounting policy for goodwill to cover the following:

- Recognition of contingent liabilities and intangible assets as part of allocation of the cost of acquisition in determining goodwill arising from acquisition;
- Recognition of the excess in fair value of the net identifiable assets acquired over the cost of acquisition immediately to the Consolidated Income Statement;
- Allocation of goodwill to cash-generating units for the purpose of impairment testing. Each cash-generating unit 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; and
- Impairment of goodwill is charged to Consolidated Income Statement as and when it arises and reversal is not allowed.

Business Combination

The adoption of FRS 3, FRS 136 and FRS 138 had also resulted in change in the accounting policy for business combinations with agreement dated on or after 1 January 2006.

Previously, where shares were issued as cost of a business combination, the measurement of the shares issued were that valued by independent advisers and agreed upon by the parties to the acquisition. Under FRS 3, the fair value of the shares at the date of exchange is used instead.

49. CHANGES IN ACCOUNTING POLICIES (continued)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies (continued)

(ii) FRS 3 "Business Combination", FRS 136 "Impairment of Assets" and FRS 138 "Intangible Assets" (continued)

Business Combination (continued)

Previously, intangible assets acquired in a business combination are recognised if, and only if, the probability recognition criterion was met. Under FRS 3, the probability recognition criterion for intangible assets is always considered to be satisfied. In addition, the cost of business combinations is now also allocated to contingent liabilities of the entity acquired.

The above changes in accounting policy have been applied prospectively for business combinations with agreement dated on or after 1 January 2006. This change in accounting policy has no material financial impact on the Group's consolidated financial statements.

Reassessment of the Useful Lives of Intangible Assets

The Group has reassessed the useful lives of its recognised intangible assets in accordance with the transitional provisions of FRS 138. No adjustment resulted from this assessment.

(iii) FRS 5 "Non-current Assets Held For Sale and Discontinued Operations"

The adoption of FRS 5 requires a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively on or after 1 January 2006. As a consequence of the adoption of FRS 5, the Group has reclassified the carrying amount of a building to non-current assets held for sale.

(iv) FRS 116 "Property, Plant and Equipment"

The adoption of FRS 116 had resulted in an extension of the accounting policy on property, plant and equipment as follows:

- The cost of property, plant and equipment includes costs of dismantling, removal and restoration, the obligation incurred as a consequence of installing the assets;
- The assets' residual values and useful life are reviewed and adjusted as appropriate at least at each financial year-end; and
- Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

The Group has applied the aforesaid and no material adjustment resulted from this assessment.

49. CHANGES IN ACCOUNTING POLICIES (continued)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies (continued)

(v) FRS 121 "The Effects of Changes in Foreign Exchange Rates"

Functional Currency

Previously, the results and financial position of Group entities were measured in local currency and where applicable, translated into Ringgit Malaysia upon consolidation. Exchange differences arising thereon were taken directly to currency translation reserve.

Under FRS 121, the concept of functional currency is emphasised as being the currency of the primary economic environment in which the Group entities operate. The functional currency of each Group entity has been re-evaluated and as a result, the results and financial position of certain Group entities are now measured in the functional currency which is not the presentation currency.

This change in accounting policy has no material impact on the consolidated financial statements as majority of the Group entity have the same functional currency as their measurement currency.

Goodwill and Fair Value Adjustments

Previously, goodwill arising on the acquisition of foreign operations and fair value adjustments to the carrying amounts of assets and liabilities arising on such acquisition were deemed to be assets and liabilities of the parent company and were translated using the exchange rate at the date of acquisition. On adoption of FRS 121, goodwill and fair value adjustment arising from acquisition of foreign entities are now treated as assets and liabilities of the acquiring entity and are translated at the closing rate.

The Group has applied this change in accounting policy prospectively to all acquisitions completed on or after 1 January 2006 in accordance with the transitional provision of FRS 121. This change in accounting policy has no material impact on the Group's consolidated financial statements.

Translation Using Spot Rate

Previously, the Group translated foreign currency transactions and monetary items at contracted rates if those amounts are hedged by forward foreign exchange contracts. FRS 121 only allows exchange rates at date of transactions to be used in translating foreign currency transactions and exchange rates at balance sheet date for translation of monetary items.

This change in accounting policy has been applied retrospectively. The effects of the change in accounting policy are illustrated in sub-note (viii).

(vi) FRS 127 "Consolidated and Separate Financial Statements"

The adoption of FRS 127 has resulted in a change in accounting policy on recognition of subsidiaries by the inclusion of existence and effect of potential voting rights that are currently exercisable in assessing control.

The Group has applied FRS 127 retrospectively. This FRS does not have any financial impact on the Group's consolidated financial statements.

49. CHANGES IN ACCOUNTING POLICIES (continued)

(c) Relevant effect from adoption of new accounting policies or changes in accounting policies (continued)

(vii) FRS 140 "Investment Property"

The adoption of FRS 140 has resulted in a change in accounting policy for investment properties.

The definition of investment properties under FRS 140 has resulted in identification of assets of the Group and the Company that meet the definition of investment properties. The identified assets will be classified into a separate asset category on the balance sheet. Previously, investment properties were included in property, plant and equipment.

This change in accounting policy has been applied retrospectively. Consequent from the adoption of FRS 140, the Company has reclassified the carrying amount of an office building that is occupied by a subsidiary as an investment property as illustrated in sub-note (viii).

(viii) Effects of change in accounting policies

The effects of the change in accounting policies as mentioned in (v) and (vii) above are illustrated below:

	As previously reported	Effects of change in accounting policies		As restated
THE GROUP	**RM**	**FRS 121 RM**	**FRS 140 RM**	**RM**
Income statement for the year ended 31 December 2005				
Other operating costs	(8,329.6)	(63.9)	—	(8,393.5)
Profit before taxation	1,584.3	(63.9)	—	1,520.4
Profit for the year	919.4	(63.9)	—	855.5
Profit attributable to equity holders of the Company	875.2	(63.9)	—	811.3
Earnings per share (sen)				
– basic	25.8	(1.9)	—	23.9
– diluted	25.7	(1.8)	—	23.9
Balance sheet as at 31 December 2005				
Retained profits as at 1 January 2005	12,480.7	(332.8)	—	12,147.9
Retained profits as at 31 December 2005	12,339.6	(396.7)	—	11,942.9
Long term borrowings	10,405.0	396.7	—	10,801.7
THE COMPANY				
Income statement for the year ended 31 December 2005				
Other operating costs	(4,280.3)	(63.9)	—	(4,344.2)
Profit before taxation	638.4	(63.9)	—	574.5
Profit for the year	472.3	(63.9)	—	408.4
Profit attributable to equity holders of the Company	472.3	(63.9)	—	408.4
Balance sheet as at 31 December 2005				
Retained profits as at 1 January 2005	9,626.3	(332.8)	—	9,293.5
Retained profits as at 31 December 2005	9,082.3	(396.7)	—	8,685.6
Long term borrowings	2,883.0	396.7	—	3,279.7
Property, plant and equipment	12,710.8	—	(191.4)	12,519.4
Investment property	—	—	191.4	191.4

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006

The subsidiaries are as follows:

	% of Shareholdings		Paid-up Capital		
Name of Company	**2006**	2005	**2006 Million**	2005 Million	**Principal Activities**
Fiberail Sdn Bhd	**54**	60	**RM15.8**	RM14.2	Installation and maintenance of optic fibre telecommunication system along the railway corridor in Peninsular Malaysia
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Dormant
Mediatel (Malaysia) Sdn Bhd	**100**	100	**RM#**	RM#	Investment holding
Meganet Communications Sdn Bhd	**70**	70	**RM11.0**	RM11.0	Provision of interactive multimedia communication services and solution
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM91.0**	RM91.0	Management and operation of the telecommunication and tourism tower of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM260.0**	RM260.0	Provision/transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Rebung Utama Sdn Bhd	**100**	100	**RM#**	RM#	Special purpose entity
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Consultancy Sdn Bhd	**51**	51	**RM#**	RM#	Dormant
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Infotech Sdn Bhd+	**—**	100	**RM—**	RM0.5	Dormant

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50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	% of Shareholdings 2005	Paid-up Capital 2006 Million	Paid-up Capital 2005 Million	Principal Activities
Telekom Malaysia-Africa Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Investment holding
Telekom Malaysia (Hong Kong) Limited**	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunication services
Telekom Malaysia (S) Pte Ltd**	**100**	100	**SGD#**	SGD#	Provision of international telecommunication services
Telekom Malaysia (UK) Limited**	**100**	100	**STR#**	STR#	Provision of international telecommunication services
Telekom Malaysia (USA) Inc**	**100**	100	**USD3.5**	USD#	Provision of international telecommunication services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding and provision of interactive multimedia communication services and solutions
Telekom Networks Malawi Limited**	**60**	60	**MKW350.0**	MKW350.0	Provision of telecommunication and related services in the Republic of Malawi
Telekom Payphone Sdn Bhd	**100**	100	**RM9.0**	RM9.0	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of telecommunication and multimedia, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Trading in customer premises equipment and maintaining telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Dormant
Telesafe Sdn Bhd	**100**	100	**RM4.0**	RM4.0	Dormant

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	% of Shareholdings 2005	Paid-up Capital 2006 Million	Paid-up Capital 2005 Million	Principal Activities
TM Cellular (Holdings) Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of facilities management services and property development activities
TM Info-Media Sdn Bhd (*formerly known as Telekom Publications Sdn Bhd*)	**100**	100	**RM6.0**	RM6.0	Provision of printing and publications services
TM International (Cayman) Ltd	**100**	100	**USD#**	USD#	Dormant
TM International Leasing Incorporated+	**—**	100	**USD—**	USD#	Investment holding
TM International Sdn Bhd	**100**	100	**RM35.7**	RM35.7	Investment holding and provision of telecommunication and consultancy services on an international scale
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Provision of Internet related services
TM Payphone Sdn Bhd	**100**	100	**RM65.0**	RM65.0	Provision of national payphone network and related services
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**67.16**	69.31	**RM62.1**	RM60.2	Provision of international and national managed network services for businesses and organisations

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	% of Shareholdings 2005	Paid-up Capital 2006 Million	Paid-up Capital 2005 Million	Principal Activities
Subsidiaries held through Telekom Enterprise Sdn Bhd					
Celcom (Malaysia) Berhad	**100**	100	**RM1,767.9**	RM2,357.2	Provision of network capacity and services
Mobitel Sdn Bhd	**100**	100	**RM8.0**	RM8.0	Dormant
Subsidiaries held through Telekom Multi-Media Sdn Bhd					
TM Orion Sdn Bhd+	**—**	100	**RM—**	RM#	Dormant
Telekom Smart School Sdn Bhd	**51**	51	**RM15.0**	RM15.0	Implementation of government smart school project, provision of multimedia education systems and software, portal services and other related services
Subsidiary held through TM Info-Media Sdn Bhd (*formerly known as Telekom Publications Sdn Bhd*)					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Dormant
Subsidiaries held through TM Facilities Sdn Bhd					
TM Land Sdn Bhd	**100**	100	**RM#**	RM#	Property development activities
TMF Services Sdn Bhd (*formerly known as Teleharta Sdn Bhd*)	**100**	—	**RM#**	RM—	Provision of facilities management services
TMF Autolease Sdn Bhd (*formerly known as TM Autolease Sdn Bhd*)	**100**	—	**RM#**	RM—	Provision of fleet management and services
Subsidiaries held through TM International Sdn Bhd					
TM International (L) Limited	**100**	100	**USD78.4**	USD78.4	Investment holding
Telekom Management Services Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Provision of consultancy and engineering services in telecommunication and related area
TMI Mauritius Ltd##	**100**	100	**USD#**	USD#	Investment holding

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	2005	Paid-up Capital 2006 Million	2005 Million	Principal Activities
Subsidiaries held through TM International Sdn Bhd (continued)					
G-Com Limited**	**100**	100	**CED455.0**	CED455.0	Investment holding
Telekom Malaysia International (Cambodia) Company Limited (*formerly known as Cambodia Samart Communication Company Limited*)##	**100**	51	**USD8.5**	USD8.5	Provision of mobile telecommunication services in Cambodia
Subsidiary held through TMI Mauritius Ltd					
TMI India Ltd (*formerly known as Distacom Communications (India) Limited*)##	**100**	—	**USD72.7**	USD—	Investment holding
Subsidiaries held through TM International (L) Limited					
Dialog Telekom Limited##	**89.62**	90.10	**SLR7,243.0**	SLR7,204.7	Provision of mobile telecommunication services in Sri Lanka
TESS International Ltd	**100**	100	**USD#**	USD#	Dormant
TM International (Bangladesh) Limited##	**70**	70	**TK3,060.0**	TK3,060.0	Provision of mobile telecommunication services in Bangladesh
TM International Lanka (Private) Limited##	**100**	100	**SLR222.0**	SLR222.0	Investment holding
Indocel Holding Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Investment holding
Multinet Pakistan (Private) Limited**	**78**	78	**PKR1,000.0**	PKR1,000.0	Provision of cable television services, information technology (including software development), telecommunication and multimedia services in Pakistan

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	% of Shareholdings 2005	Paid-up Capital 2006 Million	Paid-up Capital 2005 Million	Principal Activities
Subsidiary held through Indocel Holding Sdn Bhd					
PT Excelcomindo Pratama Tbk##	**59.63**	56.92	**IDR709,000**	IDR709,000	Provision of mobile telecommunication services in Republic of Indonesia
Subsidiaries held through Dialog Telekom Limited					
Dialog Broadband Networks (Private) Limited (*formerly known as MTT Network (Private) Limited*)##	**100**	100	**SLR823.7**	SLR823.7	Provision of voice and data communication systems, radio and television broadcasting systems and mobile radio communication systems in Sri Lanka
Asset Media (Private) Limited##	**90**	—	**SLR#**	SLR—	Provision of television broadcasting station and a television broadcasting network in Sri Lanka
Subsidiaries held through Asset Media (Private) Limited					
Communiq Broadband Network (Private) Limited##	**100**	—	**SLR50.0**	SLR—	Provision of information technology including data, content transmission services, audio visual services and television programmes services
CBN Sat (Private) Limited##	**100**	—	**SLR#**	SLR—	Provision of manufacturing, assembling, importing and exporting of electronic consumer products and audio visual goods
Subsidiary held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Adopting research ideas from Multimedia University for further development and prototyping, directing consultancy project to faculties and centres at Multimedia University and collaborating with other business partners in joint exercise

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	% of Shareholdings 2005	Paid-up Capital 2006 Million	Paid-up Capital 2005 Million	Principal Activities
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd (*formerly known as Lensa MMU JV Sdn Bhd*)	**100**	100	**RM#**	RM#	Business of digital video and film production and post production utilising technology made available in the related industry
Subsidiaries held through VADS Berhad					
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Contact centre and related services
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Provision of personnel for contact centre services
Subsidiary held through VADS e-Services Sdn Bhd					
VADS Contact Centre Services Sdn Bhd	**100**	—	**RM#**	RM—	Provision of managed contact centre services
Subsidiaries held through Celcom (Malaysia) Berhad					
Celcom Academy Sdn Bhd<	**100**	100	**RM#**	RM#	Dormant
Celcom Multimedia (Malaysia) Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
Celcom Technology (M) Sdn Bhd	**100**	100	**RM2.0**	RM2.0	Provision of telecommunication value added services through cellular or other forms of telecommunications network
Celcom Timur (Sabah) Sdn Bhd	**80**	60	**RM7.0**	RM7.0	Provision of fibre optic transmission network
Celcom Transmission (M) Sdn Bhd	**100**	100	**RM25.0**	RM25.0	Provision of network transmission related services
Celcom Trunk Radio (M) Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
CT Paging Sdn Bhd	**100**	100	**RM0.5**	RM0.5	Dormant

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	2005	Paid-up Capital 2006 Million	2005 Million	Principal Activities
Subsidiaries held through Celcom (Malaysia) Berhad (continued)					
Technology Resources Industries Berhad	**100**	100	**RM#**	RM#	Investment holding
Celcom Mobile Sdn Bhd	**100**	100	**RM1,565.0**	RM1,565.0	Provision of mobile communications services, network services, application services and content
Alpha Canggih Sdn Bhd	**100**	100	**RM#**	RM#	Property investment
Subsidiary held through Celcom Transmission (M) Sdn Bhd					
Fibrecomm Network (M) Sdn Bhd (note 3(f)(v))	**51**	—	**RM75.0**	RM—	Provision of fibre optic transmission network services
Subsidiaries held through Technology Resources Industries Berhad					
Alpine Resources Sdn Bhd	**100**	100	**RM2.5**	RM2.5	Dormant
Freemantle Holdings (M) Sdn Bhd^	**100**	100	**RM13.5**	RM13.5	Dormant
Malaysian Motorhomes Sdn Bhd@	**—**	62.4	**RM—**	RM0.7	Ceased operations
Rego Multi-Trades Sdn Bhd	**100**	100	**RM2.0**	RM2.0	Dealing in marketable securities
Technology Resources Management Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
Technology Resources (Nominees) Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TR Components Sdn Bhd	**100**	100	**RM#**	RM#	Investment holding
TR International Limited**	**100**	100	**HKD#**	HKD#	Investment holding
Subsidiary held through TR Components Sdn Bhd					
Aseania Plastics Sdn Bhd**>	**99**	99	**RM0.3**	RM0.3	Dormant

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
Asset Media (Private) Limited	– Sri Lanka
Communiq Broadband Network (Private) Limited	– Sri Lanka
CBN Sat (Private) Limited	– Sri Lanka
Dialog Telekom Limited	– Sri Lanka
Dialog Broadband Networks (Private) Limited	– Sri Lanka
G-Com Limited	– Ghana
Multinet Pakistan (Private) Limited	– Pakistan
PT Excelcomindo Pratama Tbk	– Indonesia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
Telekom Malaysia International (Cambodia) Company Limited	– Cambodia
Telekom Networks Malawi Limited	– Republic of Malawi
TESS International Ltd	– Republic of Mauritius
TM International (Bangladesh) Limited	– Bangladesh
TM International (Cayman) Ltd	– British West Indies, USA
TM International Lanka (Private) Limited	– Sri Lanka
TMI Mauritius Ltd	– Republic of Mauritius
TMI India Ltd	– Republic of Mauritius
TR International Limited	– Hong Kong

Amounts less than 0.1 million in their respective currency

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

** Not audited by PricewaterhouseCoopers

^ Undergoing members' voluntary winding up pursuant to Section 254(1) of the Companies Act, 1965 (CA) since 2 August 2006

> Undergoing members' voluntary winding up pursuant to Section 254(1) of the CA since 14 July 2005

< Undergoing members' voluntary winding up pursuant to Section 254(1) of the CA since 25 April 2006

+ Dissolved during the year pursuant to members' voluntary winding up under Section 272(5) of the CA

@ Dissolved pursuant to Section 239(a), (c) and (d) of the CA effective 3 November 2006

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

50. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2006 (continued)

CED	Ghanaian Cedi
HKD	Hong Kong Dollar
IDR	Indonesian Rupiah
MKW	Malawi Kwacha
PKR	Pakistani Rupee
SGD	Singapore Dollar
SLR	Sri Lanka Rupee
STR	Pound Sterling
TK	Bangladesh Taka
USD	US Dollar

51. LIST OF JOINTLY CONTROLLED ENTITIES AS AT 31 DECEMBER 2006

The jointly controlled entities are as follows:

Name of Company	% of Shareholdings 2006	2005	Principal Activities
Jointly controlled entity held through TM International Sdn Bhd			
SunShare Investments Ltd (sub-note a)	**51**	51	Investment holding company
Jointly controlled entity held through TMI India Ltd (*formerly known as Distacom Communications (India) Limited*)			
Spice Communications Limited (*formerly known as Spice Communications Private Limited*)**(note 3(d))	**49**	—	Licensed Mobile Cellular Telecommunications Service Provider in the state of Punjab and Karnataka in India

Name of Company	Place of Incorporation
SunShare Investments Ltd	– Federal Territory, Labuan
Spice Communications Limited	– India

(a) The Group has an 80.0% interest in the ordinary shares of SunShare Investments Ltd (SunShare), a jointly controlled entity incorporated in the Federal Territory of Labuan, which is an investment holding company. Notwithstanding the ordinary shareholding, the economic benefit of the Group in SunShare is 51.0%.

SunShare in turn owns a 29.78% stake in an associate, MobileOne Limited (M1), a company incorporated in Singapore and listed on the Singapore Stock Exchange. M1 provides mobile and other related telecommunication services as well as development of mobile telecommunication products and services.

** Not audited by PricewaterhouseCoopers

All jointly controlled entities have co-terminous financial year end with the Company except for Spice Communications Limited with financial year end on 30 June.

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2006

The associates are as follows:

Name of Company	% of Shareholdings 2006	% of Shareholdings 2005	Principal Activities
mySPEED.com Sdn Bhd	**16.22**	16.22	Creating, implementing and operating e-business activities including electronic commerce delivery services, multimedia related activities and other computerised or electronic services
Sistem Iridium Malaysia Sdn Bhd	**40**	40	Dormant
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd	**49**	49	Development, management and marketing of educational products offered by local and overseas educational institutions electronically
Mutiara.Com Sdn Bhd	**30**	30	Provision of promotion of Internet-based communication services
Associates held through TM International Sdn Bhd			
Samart Corporation Public Company Limited	**18.98**	19.24	Design, implementation and installation of telecommunication systems and the sale and distribution of telecommunication equipment in Thailand
Samart I-Mobile Public Company Limited	**24.42**	—	Mobile phone distributor accessories and bundled with content and administration of the distribution channels for and management of customer care and billing system of I900MHz mobile phone
Associate held through TM International (L) Limited			
Mobile Telecommunications Company of Esfahan (sub-note a)	**49**	—	Planning, designing, installing, operating and maintaining a GSM cellular telecommunication network to customers in the province of Esfahan, Iran
Associate held through Celcom (Malaysia) Berhad			
Sacofa Sdn Bhd	**20**	20	Trade or business of a telecommunications infrastructure and services company

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2006 (continued)

Name of Company	% of Shareholdings 2006	% of Shareholdings 2005	Principal Activities
Associate held through Technology Resources Industries Berhad			
Mobile Telecommunications Company of Esfahan (sub-note a)	—	49	Planning, designing, installing, operating and maintaining a GSM cellular telecommunication network to customers in the province of Esfahan, Iran
Associate held through Celcom Transmission (M) Sdn Bhd			
Fibrecomm Network (M) Sdn Bhd (note 3(f)(v))	—	41	Provision of fibre optic transmission network services

All associates are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
Mobile Telecommunications Company of Esfahan	– Iran
Samart Corporation Public Company Limited	– Thailand
Samart I-Mobile Public Company Limited	– Thailand

All associates have co-terminous financial year end with the Company except for mySPEED.com Sdn Bhd and Mobile Telecommunications Company of Esfahan with financial year end on 31 January and 20 March respectively.

(a) On 7 December 2005, Celcom (Malaysia) Berhad (Celcom), signed a Share Sale Agreement (SSA) with TM International (L) Limited (TMIL) to transfer all its equity holding in Mobile Telecommunications Company of Esfahan (MTCE) for a consideration of USD6.0 million. The completion of the transfer in accordance with the SSA was on 3 August 2006 and consequently MTCE ceased to be an associate of Celcom and became an associate of TMIL.

53. COMPARATIVES

In addition to the restatement of the comparative financial statements as disclosed in note 49(c)(viii) to the financial statements, summarised below are other comparatives that were restated:

(i) During the year, the Group had reviewed and changed the grouping of segmental reporting information for Internet and multimedia, fixed line and data and other segments to give a fairer presentation of the results of operations. The comparatives have been restated to conform with current year classification. As a consequence, the presentation of operating revenue in note 4 to the financial statements has been changed and comparatives are restated.

(ii) The following balances as at 31 December 2005 for the Group and the Company were also reclassified to conform with current year presentation:

	The Group			The Company		
	As previously reported RM	Reclassified RM	As restated RM	As previously reported RM	Reclassified RM	As restated RM
Non-current liabilities						
Customer deposits	598.4	(598.4)	—	598.3	(598.3)	—
Provision for liabilities	—	65.0	65.0	—	—	—
Current liabilities						
Trade and other payables	6,177.7	(196.8)	5,980.9	—	—	—
Customer deposits	—	730.2	730.2	—	598.3	598.3

54. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 23 February 2007.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor and Dato' Abdul Wahid Omar being two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 223 to 346 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the results and the cash flows of the Group and the Company for the year ended on that date in accordance with Financial Reporting Standards, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 23 February 2007.

TAN SRI DATO' Ir. MUHAMMAD RADZI HAJI MANSOR
Chairman

DATO' ABDUL WAHID OMAR
Group Chief Executive Officer

STATUTORY DECLARATION

I, Bazlan bin Osman, being the Officer primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 223 to 346 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared at Kuala Lumpur)
this 23 February 2007.) **BAZLAN BIN OSMAN**

Before me:

PESURUHJAYA SUMPAH
No. W 036
T. Thanapalasingam
MALAYSIA

T. THANAPALASINGAM
Commissioner for Oaths

Bilik 302, Tingkat 3
Bangunan Loke Yew,
Jalan Mahkamah Persekutuan
50050 Kuala Lumpur.
Tel: 03-26938528

Kuala Lumpur

REPORT OF THE AUDITORS
to the Members of Telekom Malaysia Berhad (Company No. 128740-P)

We have audited the financial statements set out on pages 223 to 346. These financial statements are the responsibility of the Company's Directors. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Auditing Standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:

    (i) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

    (ii) the state of affairs of the Group and the Company as at 31 December 2006 and of the results and the cash flows of the Group and the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in note 50 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any material qualification and did not include any comment made under subsection (3) of section 174 of the Act.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(AF: 1146)
Chartered Accountants

Johan

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
[1867/09/08(J)]
Partner

Kuala Lumpur
Date: 23 February 2007

GENERAL INFORMATION
as at 31 December 2006

1. Telekom Malaysia Berhad is a public limited liability Company, incorporated and domiciled in Malaysia, and listed on the main board of the Bursa Malaysia Securities Berhad.

2. The address of the registered office of the Company is:

   Level 51, North Wing
   Menara TM
   Jalan Pantai Baharu
   50672 Kuala Lumpur

3. The principal office and place of business of the Company is:

   Menara TM
   Jalan Pantai Baharu
   50672 Kuala Lumpur

4. The number of employees at the end of the year amounted to:

	2006	2005
Group	**35,824**	34,552
Company	**19,094**	19,643

OTHER INFORMATION

SHAREHOLDING STATISTICS
as at 6 March 2007

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital	:	5,000,000,021
Issued and Paid-up Capital	:	RM3,407,963,101 comprising 3,407,963,080 ordinary shares of RM1.00 each, one (1) Special Rights Redeemable Preference Share (RPS) of RM1.00 each,
	:	1,000 Class A RPS of RM0.01 each, and 1,000 Class B RPS of RM0.01 each.
Voting Rights	:	One vote per ordinary share. The Special Share has no voting right other than those referred to in note 12(a) to the financial statements.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100	477	2.51	15	0.08	2,964	0.00	560	0.00
100 – 1,000	7,028	37.01	736	3.88	6,108,575	0.18	467,779	0.01
1,001 – 10,000	8,604	45.31	557	2.93	28,876,154	0.85	1,924,156	0.06
10,001 – 100,000	868	4.57	224	1.18	23,858,305	0.70	8,335,957	0.24
100,001 – 170,398,253 (less than 5% of paid-up capital)	236	1.24	240	1.27	770,197,526	22.60	446,140,632	13.09
above 170,398,253	4	0.02	0	0.00	2,122,052,473	62.27	0	0.00
TOTAL	**17,217**	**90.66**	**1,772**	**9.34**	**2,951,095,997**	**86.60**	**456,869,084**	**13.40**

DIRECTORS' DIRECT AND DEEMED INTERESTS IN THE COMPANY AND ITS RELATED CORPORATION AS AT 6 MARCH 2007

In accordance with the Register of Directors' Shareholdings, the directors' direct and deemed interests in shares in the Company and its related corporation are as follows:-

	Telekom Malaysia Berhad			VADS Berhad		
Name of Directors	Direct	Indirect	%	Direct	Indirect	%
Tan Sri Dato' Ir Muhammad Radzi Haji Mansor	122,000	—	0.003*	15,000	—	0.024*
Dato' Dr Abdul Rahim Haji Daud	145,000	—	0.004*	15,000	—	0.024*

* Less than 0.1%

LIST OF TOP 30 SHAREHOLDERS
as at 6 March 2007

No.	Name	Share Held	Percentage (%)
1.	Khazanah Nasional Berhad	1,191,326,073	34.96
2.	Employees Provident Fund Board	416,723,000	12.23
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Skim Amanah Saham Bumiputera*	262,323,400	7.70
4.	Bank Negara Malaysia	251,680,000	7.39
5.	Cimsec Nominees (Tempatan) Sdn Bhd *Security Trustee (KCW Issue 2)*	169,549,600	4.98
6.	CIMB Investment Bank Berhad *CLR for Hibiscus Investments Pte Ltd*	114,281,900	3.35
7.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	91,086,500	2.67
8.	Kumpulan Wang Amanah Pencen	72,963,800	2.14
9.	Lembaga Tabung Haji	47,116,136	1.38
10.	Permodalan Nasional Berhad	37,867,500	1.11
11.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund GB01 for Harbor International Fund*	36,750,000	1.08
12.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Amanah Saham Malaysia*	29,317,300	0.86
13.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Amanah Saham Wawasan 2020*	28,549,400	0.84
14.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	28,000,000	0.82
15.	Valuecap Sdn Bhd	21,837,400	0.64
16.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund HG09 International Fund (AM Fund Ins SR)*	21,665,000	0.64
17.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for American International Assurance Malaysia Company Limited*	16,087,300	0.47
18.	Citigroup Nominees (Asing) Sdn Bhd *GSI for Perry Partners Inter Inc*	14,671,041	0.43
19.	HSBC Nominees (Tempatan) Sdn Bhd *Nomura Asset Mgmt SG for Employees Provident Fund*	13,642,000	0.40
20.	HSBC Nominees (Asing) Sdn Bhd *TNTC for Saudi Arabian Monetary Agency*	13,578,600	0.40
21.	Pertubuhan Keselamatan Sosial	12,321,500	0.36
22.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for Prudential Assurance Malayisa Berhad*	11,659,400	0.34

LIST OF TOP 30 SHAREHOLDERS
as at 6 March 2007

No.	Name	Share Held	Percentage (%)
23.	Cartaban Nominees (Asing) Sdn Bhd *Investors Bank And Trust Company for iShares Inc.*	11,592,000	0.34
24.	Cartaban Nominees (Tempatan) Sdn Bhd *Amanah SSCM Nominees (Tempatan) Sdn Bhd* *for Employees Provident Fund Board (JF404)*	11,000,000	0.32
25.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for JPMorgan Chase Bank, National Association (U.A.E)*	7,964,489	0.23
26.	Cartaban Nominees (Asing) Sdn Bhd *Government of Singapore Investment Corporation Pte Ltd* *for Government of Singapore*	7,790,800	0.23
27.	Citigroup Nominees (Asing) Sdn Bhd *GSCO for Indus Asia Pacific Master Fund Ltd*	7,136,100	0.21
28.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Morgan Stanley & Co Incorporated*	7,100,876	0.21
29.	Lembaga Tabung Angkatan Tentera	6,730,200	0.20
30.	Citigroup Nominees (Tempatan) Sdn Bhd *ING Insurance Berhad (INV-IL PAR)*	6,678,100	0.20
	TOTAL	**2,968,989,415**	**87.13**

SUBSTANTIAL SHAREHOLDERS' HOLDING 5% AND ABOVE AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name	Share Held		Percentage (%)	
		Direct	Indirect	Direct	Indirect
1.	Khazanah Nasional Berhad	1,203,141,373	169,549,600*	35.30	4.98
2.	Employees Provident Fund Board	421,373,000	47,849,000**	12.36	1.40
3.	Bank Negara Malaysia	251,680,000	—	7.39	—
4.	Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera	262,823,400	—	7.71	—
	TOTAL	**2,139,017,773**	**217,398,600**	**62.76**	**6.38**

* Khazanah Nasional Berhad (Khazanah) is deemed to have indirect interest by virtue of TM Shares held by CIMSEC Nominees (Tempatan) Sdn Bhd on behalf of Khazanah under Section 6A of the Companies Act, 1965 (CA 1965).

** Employees Provident Fund Board (EPF) is deemed to have indirect interest by virtue of TM Shares managed by other portfolio managers on behalf of EPF under Section 6A of the CA 1965.

AUTHORISED AND ISSUED SHARE CAPITAL

AUTHORISED SHARE CAPITAL

The authorised share capital as at 6 March 2007 is RM5,000,000,021 divided into 5,000,000,000 ordinary shares of RM1.00 each; One Special Rights Redeemable Preference Share of RM1.00; 1,000 Class A Redeemable Preference Shares ("RPS") of RM0.01 each and 1,000 Class B RPS of RM0.01 each. The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Type of Share	Total Authorised Share Capital (RM)
12/10/1984	1,000,000.00	Ordinary shares	1,000,000.00
06/08/1984	4,999,000,000.00	Ordinary shares	5,000,000,000.00
11/09/1990	1.00	Special Share	5,000,000,001.00
31/03/2003	10.00	Class A RPS	5,000,000,011.00
31/03/2003	10.00	Class B RPS	5,000,000,021.00

ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up capital as at 6 March 2007 is RM3,407,963,101.00 comprising 3,407,963,080 ordinary shares of RM1.00 each; One Special Rights RPS of RM1.00; 1,000 Class A RPS of RM0.01 each and 1,000 Class B RPS of RM0.01 each.

The changes in the issued and paid-up share capital are as follows on annual basis:-

Date	No. of Shares Allotted	Description	Total (RM)
31/12/1984	2	Cash	2
31/12/1986	9,999,998	Cash	10,000,000
31/12/1987	490,000,000	Bonus issue on the basis of forty nine (49) ordinary shares for every one (1) existing ordinary share held	500,000,000
11/09/1990	1,000,000,000	Bonus issue on the basis of two (2) ordinary shares for every one (1) existing ordinary share held	1,500,000,000
11/09/1990	1	Special Rights Redeemable Preference Share	1,500,000,001
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001
31/12/1992	9,249,000	Cash	1,979,749,001
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001

AUTHORISED AND ISSUED SHARE CAPITAL

ISSUED AND PAID-UP SHARE CAPITAL (continued)

Date	No. of Shares Allotted	Description	Total (RM)
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds Due 2004	1,999,090,921
20/06/1997	999,545,460	Bonus issue on the basis of one (1) ordinary share for every two (2) existing ordinary shares held	2,998,636,381
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381
12/12/2003	1,000	Class A RPS	3,238,510,391
12/12/2003	1,000	Class B RPS	3,238,510,401
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901
04/01/2007 – 06/03/2007	10,306,200	Issued pursuant to the exercise of options under the ESOS	3,407,963,101
	3,407,965,081		

NET BOOK VALUE OF LAND & BUILDINGS
as at 31 December 2006

	Location	Freehold No. of Lots	Freehold Area ('000 sq ft)	Leasehold No. of Lots	Leasehold Area ('000 sq ft)	Other Land* No. of Lots	Other Land* Area ('000 sq ft)	Excepted Land** No. of Lots	Excepted Land** Area ('000 sq ft)	Net Book Value of Land RM (million)	Net Book Value of Buildings RM (million)
1.	Federal Territory										
	a. Kuala Lumpur	26	1,271	9	774	12	1,257	–	–	97.3	1,536.7
	b. Labuan	–	–	2	443	4	427	–	–	–	–
2.	Selangor	11	10,163	20	25,213	5	324	78	15,928	203.7	545.6
3.	Perlis	–	–	4	52	–	–	11	605	0.6	3.7
4.	Perak	5	61	17	679	5	297	109	9,603	5.9	79.7
5.	Pulau Pinang	8	18	19	1,049	–	–	32	7,523	8.1	65.3
6.	Kedah	8	433	15	1,319	–	–	37	2,566	10.9	87.1
7.	Johor	11	148	27	1,325	16	538	103	13,079	9.5	110.2
8.	Melaka	8	1,074	22	62,293	2	152	24	4,070	16.4	142.1
9.	Negeri Sembilan	10	47,523	9	321	6	317	55	4,098	2.6	35.7
10.	Terengganu	–	–	21	1,585	3	121	40	5,660	1.4	49.3
11.	Kelantan	–	–	11	463	4	173	34	2,502	0.8	26.2
12.	Pahang	4	80	45	2,095	16	664	72	5,368	10.7	93.3
13.	Sabah	–	–	18	351	6	655	68	31,123	6.9	102.4
14.	Sarawak	7	522	29	858	9	342	90	11,095	25.9	110.5
15.	Sri Lanka	14	498	–	–	–	–	–	–	8.4	35.5
16.	Republic of Malawi	–	–	18	92	18	108	–	–	3.6	6.6
17.	Bangladesh	130	960	–	–	–	–	–	–	3.7	16.9
18.	Cambodia	–	–	–	–	–	–	–	–	–	1.2
19.	Indonesia	–	–	6,763	16,880	–	–	–	–	256.5	13.6
	TOTAL	**242**	**62,751**	**7,049**	**115,792**	**106**	**5,375**	**753**	**113,220**	**672.9**	**3,061.6**

No revaluation has been made on any of the land and buildings.

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the land have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are land situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these land to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

USAGE OF PROPERTIES

as at 31 December 2006

	Location	Exchanges	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	Kedai TM/ Primatel/ Business Centre	University	Telecom-munication/ Tourism Tower
1.	Federal Territory										
	a. Kuala Lumpur	28	6	24	39	19	1	–	–	–	1
	b. Labuan	3	2	1	4	12	2	–	–	–	–
2.	Selangor	85	11	20	–	42	–	–	3	1	–
3.	Perlis	10	–	–	2	1	–	–	1	–	–
4.	Perak	70	22	32	81	42	–	–	2	–	–
5.	Pulau Pinang	29	–	18	33	24	2	1	3	–	–
6.	Kedah	48	11	5	26	11	–	1	2	–	1
7.	Johor	90	17	6	51	22	1	–	6	–	–
8.	Melaka	19	2	5	23	6	2	–	1	1	–
9.	Negeri Sembilan	31	15	4	16	–	1	2	1	–	–
10.	Terengganu	33	17	5	15	6	2	–	–	–	–
11.	Kelantan	23	6	7	18	13	–	–	1	–	–
12.	Pahang	45	34	14	49	17	3	4	1	–	–
13.	Sabah	45	33	21	22	22	2	1	3	–	–
14.	Sarawak	72	43	23	47	25	1	–	1	–	–
15.	Sri Lanka	–	13	7	–	2	–	–	–	–	–
16.	Republic of Malawi	1	121	–	–	–	1	–	–	–	–
17.	Bangladesh	–	201	–	–	–	–	–	–	–	–
18.	Cambodia	1	–	–	–	–	–	–	–	–	–
19.	Indonesia	–	–	10	–	–	–	–	–	–	–

GROUP DIRECTORY

HEAD OFFICE:
Level 51, North Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur, Malaysia

Tel.	**: 03-2240 9494**
	: 101 Operator Assisted Calls (Domestic and International)
	: 103 Directory Enquiry Services
	: 100 For Everything else TM
Fax	**: 03-2283 2415**
Website	**: www.tm.com.my**

MALAYSIA BUSINESS

HEAD OFFICE
Level 5, South Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 9494
Fax : 03-2283 2415/03-7958 5533

CUSTOMER CARE
Level 3, Menara TM Annex 1
Jalan Pantai Baharu
50672 Kuala Lumpur

SERVICE ASSURANCE CENTRE
Ground Floor, IDC Building
TM Cyberjaya Complex
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor

TM NET SERVICE CENTRE

CASO Wangsa Maju
No. 48, Jalan 1/27F
Pusat Bandar Wangsa Maju
53300 Wangsa Maju
Kuala Lumpur

CASO Sri Petaling
43, Jalan Radin Anum 1
Sri Petaling
57000 Kuala Lumpur

CASO Taman Connaught
No. 118, Jalan Cerdas
Taman Connaught
56000 Kuala Lumpur

CASO Damansara Utama
No. 84, Jalan 21/35
Damansara Utama
47400 Petaling Jaya
Selangor

CASO Subang
No. 85, Jalan SS15/5A
47500 Subang
Selangor

CASO Shah Alam
40, Jalan Badminton 13/29
Section 13
40100 Shah Alam
Selangor

CASO Bukit Tinggi
26-00-1, Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Selangor

CASO Taman Setia Indah
No. 8, Jalan Setia 3/6
Taman Setia Indah
81100 Johor Bahru

CASO Melaka Raya
No. 674, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka

CASO Alor Star
260E, Jalan Dato' Kumbar
05300 Alor Star
Kedah

CASO egate
1-01-09, Ground Floor, e-gate
Lebuh Tunku Kudin 2
11700 Gelugor
Pulau Pinang

CASO Seberang Jaya
42, Ground Floor, Jalan Todak 2
Bandar Sunway Seberang Jaya
13700 Seberang Jaya
Pulau Pinang

CASO Bukit Mertajam
456, Ground Floor
Jalan Permatang Rawa
Bandar Perda
14000 Bukit Mertajam
Pulau Pinang

CASO Medan Ipoh
25, Jalan Medan Ipoh 3
Bandar Medan Ipoh
31400 Ipoh
Perak

GROUP DIRECTORY

CASO Kota Bharu
150-D, Hadapan Bangunan
IPK Kelantan, Jalan Bayam
15200 Kota Bharu
Kelantan

CASO Kuching
Lot 418, Ground Floor
Travilion Commercial Centre
Section 54, KTLD
Jalan Padungan
93100 Kuching
Sarawak

CASO Tawau
Block A, TB4482
Ba Zhong Commercial Centre
Jalan Tawau Lama
91000 Tawau
Sabah

CASO Luyang
Lot No. 3, Ground Floor
Jalan Kolam Luyang Phase 1
88300 Kota Kinabalu
Sabah

TELEKOM SALES & SERVICES SDN BHD

HEAD OFFICE
Level 18, Menara Mutiara Bangsar
Jalan Liku off Jalan Riong, Bangsar
59100 Kuala Lumpur
Tel : 03-2297 1200
Fax : 03-2282 7799

TMpoint

KUALA LUMPUR

Muzium
Bangunan Muzium TM
Jalan Raja Chulan
50200 Kuala Lumpur

Jalan TAR
No. 374, Ground Floor
Wisma CS Holiday
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

Taman Maluri
Lot 1 & 2, Block 154
Maluri Business Centre
Jalan Jejaka, Taman Maluri
55100 Kuala Lumpur

Menara TM
Ground Floor, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur

Bangsar
No. 8 & 10, Ground Floor
Jalan Telawi 5
Bangsar Baru
59100 Kuala Lumpur

Setapak
Ibu sawat TM Setapak
44, Persiaran Kuantan
53200 Kuala Lumpur

Kepong
No. 67, Jalan Metro Perdana Barat 1
Taman Usahawan Kepong Utara
52100 Kepong
Kuala Lumpur

SELANGOR

Shah Alam
Bangunan TM Shah Alam
Persiaran Damai, Section 11
40150 Shah Alam
Selangor

Ampang
42, Jalan Mamanda 7
Ampang Point
68000 Ampang
Selangor

Rawang
Lot 21, Jalan Maxwell
48000 Rawang
Selangor

Kuala Kubu Bahru
Level 1, Ibu sawat TM
Kuala Kubu Bahru
44000 Kuala Kubu Bahru
Selangor

Bukit Raja
Jalan Meru
41050 Klang
Selangor

Banting
No. 1-1-1A, Jalan Suasa 1
42700 Banting
Selangor

Kuala Selangor
Bangunan TM, Jalan Klinik
45000 Kuala Selangor
Selangor

Sabak Bernam
27, Jalan Raja Chulan
45200 Sabak Bernam
Selangor

Port Klang
Lot 2.1, Level 2
Bangunan Hentian Pelabuhan Klang
41672 Jalan Perbandaran, Klang
Selangor

Damansara Utama
No. 91-93, Jalan SS 21/1A
Damansara Utama
47400 Petaling Jaya
Selangor

Petaling Jaya
No. 22 & 24, Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor

Kajang
Batu 14½, Jalan Cheras
43400 Kajang
Selangor

Cyberjaya
Ground Floor, TM IT Complex
3300 Lingkaran Usahawan 1 Timur
60000 Cyberjaya
Selangor

MALAYSIA BUSINESS (CONT'D.)

Kelana Jaya
Unit 109B, Ground Floor
Kelana Park View Tower
No. 1 Jalan SS 6/2
47301 Kelana Jaya
Selangor

Subang Jaya
No. 27 & 29, Jalan USJ 10/1A
47620 Subang Jaya
Selangor

JOHOR

Johor Bahru
Jalan Abdullah Ibrahim
80672 Johor Bahru
Johor

Plaza Pelangi
Unit 1.19A, Ground Floor
(Main Entrance)
Plaza Pelangi Jalan Kuning
80400 Johor Bahru
Johor

Skudai
Ground Floor, Ibu sawat TM
Batu 9½ Jalan Skudai
81300 Skudai
Johor

Pontian
Level 1, Ibu sawat TM
Jln Alsagoff
82000 Pontian
Johor

Kluang
Jalan Sultanah
86000 Kluang
Johor

Segamat
No. 22, Jalan Sultan
85000 Segamat
Johor

Batu Pahat
39, Jalan Rahmat
83000 Batu Pahat
Johor

Muar
No. 5-5 & 5-6, Ground Floor
Jalan Ibrahim
84000 Muar
Johor

Kota Tinggi
No. 2 & 4, Jalan Indah
Taman Medan Indah
81900 Kota Tinggi
Johor

Kulai
Lot 435, Jalan Kenanga 29/11
Taman Indah Putra
81100 Kulai
Johor

Pelangi
Wisma TM Pelangi
Jalan Sutera 3, Taman Sentosa
80150 Johor Bahru
Johor

Mersing
Lot 384, Jalan Ismail
86800 Mersing
Johor

Yong Peng
No. 18, Ground Floor
Jalan Bayan, Taman Semberong
83700 Yong Peng
Johor

Pasir Gudang
No. 23A, Ground Floor
Jalan Bandar Pusat Perdagangan
81700 Pasir Gudang
Johor

NEGERI SEMBILAN

Seremban
No. 176 & 177, Ground Floor
Jalan Dato' Bandar Tunggal
70000 Seremban
Negeri Sembilan

Port Dickson
No. 25, Jalan Mahajaya
PD Center Point
71000 Port Dickson
Negeri Sembilan

Kuala Pilah
Jalan Bahau
72000 Kuala Pilah
Negeri Sembilan

Tampin
Jalan Besar
73000 Tampin
Negeri Sembilan

MELAKA

Melaka
527 & 529A, Plaza Melaka
Jalan Gajah Berang
75200 Melaka

Alor Gajah
Batu 14½, Jalan Melaka Kendong
78000 Alor Gajah
Melaka

Menara Pertam
Ground Floor
Menara Pertam, Jalan Batu
Berendam BBP 2
Taman Batu Berendam Putra
75350 Melaka

KEDAH/PERLIS

Kangar
Jalan Bukit Lagi
Pekan Kangar
01000 Kangar
Perlis

Alor Star
Kristal Complex
Jalan Kolam Air
05672 Alor Star
Kedah

GROUP DIRECTORY

Jitra
19A, Jalan PJ 1
Pekan Jitra 2
06000 Jitra
Kedah

Langkawi
Jalan Pandak Mayah 6
07000 Pekan Kuah
Langkawi
Kedah

Sungai Petani
Bangunan TM, Jalan Petani
08000 Sungai Petani
Kedah

Kulim
No. 4 & 5, Jalan Tunku Asaad
09000 Kulim
Kedah

PULAU PINANG

Bayan Baru
No. 68, Jalan Mahsuri
11950 Bayan Baru
Pulau Pinang

Jalan Burmah
Jalan Burmah
10150 Georgetown
Pulau Pinang

Sungai Nibong
No. 12-14, Block 1, Ground Floor
Lebuh Bukit Kecil 6, Krystal Point 2
11900 Sungai Nibong
Pulau Pinang

Lebuh Downing
Bangunan Syed Putra
Lebuh Downing
10300 Pulau Pinang

Butterworth
Wisma TM Butterworth
Ground Floor, Jalan Bagan Luar
12000 Butterworth
Pulau Pinang

Bukit Mertajam
Jalan Arumugam Pillai
14000 Bukit Mertajam
Pulau Pinang

Sungai Bakap
1282, Jalan Besar
14200 Sungai Bakap
Pulau Pinang

PERAK

Ipoh Wisma
Wisma TM
Jalan Sultan Idris Shah
30672 Ipoh
Perak

Batu Gajah
Bangunan TM
Jalan Dewangsa
31000 Batu Gajah
Perak

Ipoh Tasek
Jalan Sultan Azlan Shah Utara
31400 Ipoh
Perak

Kampar
Bangunan TM
Jalan Baru
31900 Kampar
Perak

Taiping
Bangunan TM
Jalan Berek
34672 Taiping
Perak

Teluk Intan
Bangunan TM
Jalan Jawa
36672 Teluk Intan
Perak

Parit Buntar
36, Persiaran Perwira
Pusat Bandar
34200 Parit Buntar
Perak

Kuala Kangsar
Bangunan TM
Jalan Raja Chulan
33000 Kuala Kangsar
Perak

Gerik
Wisma Kosek
Jalan Takong Datoh
33300 Gerik
Perak

Sungai Siput
No. 188, Jalan Besar
31100 Sungai Siput
Perak

Sitiawan
179 & 180, Taman Sitiawan Maju
32000 Sitiawan
Perak

Tapah
Bangunan TM
Jalan Stesyen
35672 Tapah
Perak

Tanjung Malim
No. 27, Jalan Cahaya
Taman Anggerik Desa
35900 Tanjung Malim
Perak

KELANTAN

Kota Bharu
Jalan Doktor
15000 Kota Bharu
Kelantan

Pasir Mas
606, Jalan Masjid Lama
17000 Pasir Mas
Kelantan

MALAYSIA BUSINESS (CONT'D.)

Tanah Merah
4088, Jalan Ismail Petra
17500 Tanah Merah
Kelantan

Kuala Krai
Lot 1522
Jalan Tengku Zainal Abidin
18000 Kuala Krai
Kelantan

Pasir Puteh
258B, Jalan Sekolah Laki-laki
16800 Pasir Puteh
Kelantan

TERENGGANU

Kuala Terengganu
Level 1, Bangunan TM
Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu

Kemaman
Jalan Masjid, Chukai
24000 Kemaman
Terengganu

Dungun
Jalan Nibong
23000 Dungun
Terengganu

Jerteh
Level 1, Ibu sawat TM Jerteh
Jalan Zainal Abidin
22000 Jerteh
Terengganu

PAHANG

Kuantan
Bangunan TM
No. 168, Jalan Besar
25000 Kuantan
Pahang

Jalan Tun Ismail
B30 Lorong Tun Ismail 11
Jalan Tun Ismail
25000 Kuantan
Pahang

Pekan
No. 87 Jalan Sultan Abdullah
26600 Pekan
Pahang

Mentakab
Jalan Tun Razak
28400 Mentakab
Pahang

Bentong
111, Bangunan Persatuan Bola Sepak
Jalan Ah Peng
28700 Bentong
Pahang

Kuala Lipis
10, Jalan Bukit Bius
27200 Kuala Lipis
Pahang

Raub
Jalan Kuala Lipis
27600 Raub
Pahang

SARAWAK

Batu Lintang
Jalan Batu Lintang
93200 Kuching
Sarawak

Padang Merdeka
Ground Floor
Bangunan Yayasan Sarawak
Lot 2, Section 24
Jalan Barrack/Masjid
93000 Kuching
Sarawak

Pending
Jalan Gedong
93450 Pending
Sarawak

Sri Aman
Jalan Club
95000 Sri Aman
Sarawak

Miri
Jalan Post
98000 Miri
Sarawak

Limbang
Jalan Kubu
98700 Limbang
Sarawak

Lawas
Jalan Punang
98850 Lawas
Sarawak

Bintulu
Jalan Law Gek Soon
97000 Bintulu
Sarawak

Sibu
Persiaran Brooke
96000 Sibu
Sarawak

Sarikei
Jalan Berek
96100 Sarikei
Sarawak

Kapit
Jalan Kapit By Pass
96800 Kapit
Sarawak

SABAH

Sadong Jaya
Ground Floor, Lot 68 & 69, Block J
Sadong Jaya, Karamunsing
88100 Kota Kinabalu
Sabah

GROUP DIRECTORY

Tanjung Aru
Lot B3, B3A & B5, Ground Floor
Plaza Tanjung Aru
Jalan Mat Salleh, Tanjung Aru
88100 Kota Kinabalu
Sabah

Tawau
TB 307, Block 35
Fajar Complex
Jalan Perbandaran
91000 Tawau
Sabah

Lahad Datu
Ground Floor, MDLD 3307
Fajar Complex
Jalan Segama
91100 Lahad Datu
Sabah

Sandakan
Level 6, Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan
Sabah

Mailing address
Locked Bag 44
90009 Sandakan
Sabah

Keningau
Commercial Centre
Jalan Arusap, Off Jalan Masak
Block B7, Lot 13 & 14
89007 Keningau
Sabah

Beaufort
Choong Street
P.O. Box 269
89807 Beaufort
Sabah

Kudat
Jalan Wan Siak
P.O. Box 340
89058 Kudat
Sabah

GITN SDN BERHAD

HEAD OFFICE
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 0708
Fax : 03-2240 0709

NETWORK OPERATION CENTRE
Level 2, TM IT Complex
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : 1-300-88-2888
Fax : 03-8319 4775

TELEKOM RESEARCH & DEVELOPMENT SDN BHD

HEAD OFFICE
Idea Tower, UPM-MTDC
Technology Incubation Centre
Lebuh Silikon
43400 Serdang
Selangor
Tel : 03-8944 1820
Fax : 03-8945 1591

CUSTOMER SERVICE CENTRE
Marketing & Business Development Division
TM Research & Development
Idea Tower, UPM-MTDC
Technology Incubation Centre
Lebuh Silikon
43400 Serdang
Selangor
Tel : 03-8944 1820
Fax : 03-8944 1246

TELEKOM APPLIED BUSINESS SDN BHD

HEAD OFFICE
Level 16, Menara 2, Faber Tower
Jalan Desa Bahagia, Taman Desa
Off Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7984 4989
Fax : 03-7980 1605

CYBERJAYA OFFICE
Level 2, TM IT Complex
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : 03-8318 1706
Fax : 03-8318 1721

TM REGIONAL OFFICE

USA
Telekom Malaysia (US) Inc.
Elden Professional Building
209, Elden Street
Herndon VA 20170
Tel : +1 703 467 5962
Fax : +1 703 467 5966

UNITED KINGDOM
Telekom Malaysia (UK) Limited
St. Martin's House
16 St. Martin's Le Grand
London EC1A 4EN
Tel : +44 (0) 207 397 8579
Fax : +44 (0) 207 397 8400

HONG KONG
Telekom Malaysia (Hong Kong) Limited
Room 1612, 16th Floor
Tower 1, Silvercard
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong
Tel : +852 2992 0190
Fax : +852 2992 0570

SINGAPORE
Telekom Malaysia (S) Pte Ltd
65 Chulia Street
No. 39-02 OCBC Centre
Singapore 049513
Tel : +65 6532 6369
Fax : +65 6532 3742

CELCOM (MALAYSIA) BERHAD

KUALA LUMPUR

HEAD OFFICE
Celcom (Malaysia) Berhad (167469-A)
Level 15, Menara Celcom
82, Jalan Raja Muda Abdul Aziz
50300 Kuala Lumpur

CENTRAL REGIONAL OFFICE
Level 2, Menara TR
161B, Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2848 1201
Fax : 03-2848 1202

Menara Celcom
Ground Floor, Menara Celcom
82, Jalan Raja Muda Abdul Aziz
50300 Kuala Lumpur

Taman Segar
62, Jalan Manis 3
Taman Segar, Cheras
56100 Kuala Lumpur

Selayang
No. 101, Jalan 2/3A
Pusat Bandar Utara, Selayang
68100 Kuala Lumpur

Jalan Ampang
Level 1 & 2, Podium Block
161B, Menara Naluri
Jalan Ampang
50450 Kuala Lumpur

Pekeliling
Pekeliling Business Centre
Ground Floor
Pharmacare Building
Lot 14 (129), Jalan Pahang Barat
Off Jalan Pahang
53000 Kuala Lumpur

Taman Tun Dr Ismail
No. AB 40, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur

SELANGOR

Petaling Jaya
Ground Floor, Menara PKNS PJ
No. 17, Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor

Bandar Baru Klang
No. 1, Lorong Tiara 1A
Bandar Baru Klang
41150 Klang

Port Klang
Lot 1-3, Level 1
Hentian Pelabuhan Klang
42000 Klang
Selangor

Kajang
Lot No. 1, Taman Sri Saga
Jalan Sungai Chua
43000 Kajang
Selangor

Shah Alam
No. 1
Jalan Tengku Ampuan Zabedah B
9/B, Section 9
40000 Shah Alam
Selangor

KLIA
Lot MTBAP NA 1
Arrival Hall, Level 3
Main Terminal Building
KL International Airport
64000 KLIA
Selangor

NEGERI SEMBILAN

Seremban
Lot 1520 & 1521, Ground Floor
Jalan Tun Dr Ismail
70200 Seremban
Negeri Sembilan

PULAU PINANG

NORTHERN REGIONAL OFFICE
Wisma Celcom
No. 245, Jalan Burmah
10350 Pulau Pinang
Tel : 04-242 1902/010-401 6011
Fax : 04-228 8903

Pulau Pinang
Ground & 1st Floor, Wisma Celcom
No. 245, Jalan Burmah
10350 Pulau Pinang

Bayan Baru
No. 29, Persiaran Mahsuri 1/3
Sunway Tunas, Bayan Lepas
11900, Pulau Pinang

Seberang Jaya
No. 31, Jalan Todak 4
Bandar Seberang Jaya
13700 Seberang Perai
Pulau Pinang

Bukit Mertajam
No. 22, Level Ciku 1
Taman Ciku
14000 Bukit Mertajam
Pulau Pinang

GROUP DIRECTORY

KEDAH

Alor Star
Level 2 & 3
Menara Bina Darul Aman Berhad
Lebuhraya Darul Aman
05100 Alor Star, Kedah

Langkawi
No. 53, Langkawi Mall
Jalan Kelibang
07000 Kuah
Langkawi, Kedah

Sungai Petani
No. 23-D, Jalan Kampung Baru
08000 Sungai Petani
Kedah

PERAK

Ipoh
No. 2, Persiaran Greentown 3
Greentown Business Centre
30450 Ipoh
Perak

Taiping
No. 430, Ground & 1st Floor
Jalan Kemunting, Taman Saujana
34600 Kemunting, Taiping
Perak

Teluk Intan
Lot 12, Medan Sri Intan
Jalan Sekolah
36000 Teluk Intan
Perak

PERLIS

Kangar
Lot 1, Ground & 1st Floor
Taman Simpang Tiga
Persiaran Jubli Emas
01000 Kangar
Perlis

JOHOR

SOUTHERN REGIONAL OFFICE
Lot G1, 1st Floor, Bangunan Ang
No. 1, Jalan Jeram
Taman Tasek
80200 Johor Bahru
Johor
Tel : 07-234 6200
Fax : 07-237 3631

Johor Bahru
Lot G-1, Ground Floor
Bangunan Ang
No. 1, Jalan Jeram
Taman Tasek
80200 Johor Bahru
Johor

Taman Molek
1-3, Jalan Molek 1/9
Taman Molek
81100 Johor Bahru
Johor

Batu Pahat
No. 22 Jalan Maju, Taman Maju
83000 Batu Pahat
Johor

MELAKA

Melaka
No. 233, Taman Melaka Raya
75000 Melaka

PAHANG

EASTERN REGIONAL OFFICE
Wisma Celcom
No. 7, Persiaran Sultan Abu Bakar
Kawasan Perindustrian Ringan IM3
Bandar Indera Mahkota
25200 Kuantan
Pahang
Tel : 09-559 3902
Fax : 09-573 2019

Kuantan
A93 & A95
Sri Dagangan Business Centre
Jalan Tun Ismail
25000 Kuantan
Pahang

Temerloh
No. 62, Jalan Ahmad Shah 1
28000 Temerloh
Pahang

KELANTAN

Kota Bharu
Lot 825 & 826
Section 27, Jalan Seri Cemerlang
15300 Kota Bharu
Kelantan

Tanah Merah
Bangunan Merdeka Jaya
Jalan Taman Hiburan
17500 Tanah Merah
Kelantan

CELCOM (MALAYSIA) BERHAD (CONT'D.)

TERENGGANU

Kuala Terengganu
6C & 6D, Jalan Air Jernih
20300 Kuala Terengganu
Terengganu

Kemaman
K 9709 & 9710, Taman Chukai Utama
Jalan Kubang Kurus
24000 Kemaman
Terengganu

SABAH

SABAH REGIONAL OFFICE
Lot 2-7-1/2, Level 7
Plaza Wawasan
88000 Kota Kinabalu, Sabah
Tel : 088-291 701
Fax : 088-317 261

Kota Kinabalu
Wawasan Plaza
Level 1 & 2
88000 Kota Kinabalu
Sabah

Kota Kinabalu International Airport
Level 2, KKIA
88200 Kota Kinabalu
Sabah

Sandakan
Lot 9 & 10
Ground & Mezzanine Floor
Block B, Phase 2
Taman Grand View
90000 Sandakan, Sabah

Damai
Wisma CTF, Lot 4
Block B, Damai Plaza Phase 3
P.O. Box 20005
88757 Damai Plaza Luyang
Kota Kinabalu, Sabah

Tawau
TB 309, Ground to 3rd Floor
Block 36, Jalan St. Patrick
Fajar Complex
91000 Tawau, Sabah

SARAWAK

SARAWAK REGIONAL OFFICE
Level 2, Wisma NAIM
Lot 2679, Block 10
KCLD, Jalan Rock
93200 Kuching
Sarawak

Central Park
Ground Floor, No. 322, Lot 2734
Central Park Commercial Centre
3rd Mile
Jalan Tun Ahmad Zaidi Adruce
93150 Kuching
Sarawak

Jalan DAAR
Ground Floor, Lot 445
Sub Lot 6, Section 64, KTLD
Jalan Dato Abang Abdul Rahim
93450 Kuching, Sarawak

Bintulu
Ground to 3rd Floor, Lot 22
Park City Commercial Square
Phase 3, Jalan Tun Ahmad Zaidi
97000 Bintulu
Sarawak

Kuching
Wisma Lim Kim Soon
Lot 609, Block 195, Jalan Satok
93400 Kuching
Sarawak

Miri
Ground Floor & 3rd Floor, Lot 935
Block 9, MCLD Jalan Asmara
98000 Miri, Sarawak

Sibu Service Centre
No. 44, Lot 1557, Jalan Keranji
Off Jalan Tuanku Osman
96000 Sibu
Sarawak

WILAYAH PERSEKUTUAN LABUAN

Labuan
Ground to 2nd Floor
Lot 6, Jalan Anggerik
87007 Wilayah Persekutuan Labuan

GROUP DIRECTORY

TM INTERNATIONAL SUBSIDIARIES & AFFILIATES COMPANY

Dialog Telekom Limited
No. 475, Union Place
Colombo 2
Sri Lanka
Tel : +94 11 267 8700
Fax : +94 11 267 8703
Website : www.dialog.lk

Samart Corporation Public Company Limited
No. Bor.Nor Jor 92
99/1 Moo 4 Software Park
Level 35, Chaengwattana Road
Klong Gluar, Pak-Kred
Nonthaburi, 11120
Thailand
Tel : +66 2 502 6000
Fax : +66 2 502 6043
Website : www.samartcorp.com

PT Excelcomindo Pratama Tbk
GrahaXL
JL Mega Kuningan, Lot E4-7
No. 1, Kawasan Mega Kuningan
Jakarta 12950
Indonesia
Tel : +62 21 575 61881
Fax : +62 21 575 61880
Website : www.xl.co.id

Telekom Malaysia International (Cambodia) Company Limited
No. 56, Preah Norodom Blvd
Sangkat Chey Chumneah
Khan Doun Penh
Phnom Penh
Kingdom of Cambodia
Tel : +855 16 810003/2/1
Fax : +855 16 810004
Website : www.hellogsm.com.kh

Multinet Pakistan (Private) Limited
239 Staff Lines
Fatima Jinnah Road
Karachi 75530
Pakistan
Tel : +92 (21) 530 1391/2/3/4/5
Fax : +92 (21) 536 1573
Website : www.multinet.net.pk

TM International (Bangladesh) Limited
Brac Centre, 9th Floor
75 Mohakali Commercial Area
Dhaka 1212
Bangladesh
Tel : +880 2 988 7149/50/51/52
Fax : +880 2 988 5463
Website : www.aktel.com

Samart I-Mobile Public Company Limited
No. Bor.Nor Jor 92
99/13 Moo 4 Software Park
33rd Floor, Chaengwattana Road
Klong Gluar, Pak-Kred
Nonthaburi, 11120
Thailand
Tel : +66 2 5026071
Tel : +66 2 5026072
Website : www.samartimobile.com

Spice Communications Limited
(Formerly known as Spice Communication Private Limited)
D-1, Sector-3, Noida-201 301
Uttar Pradesh, India
Tel : +91 120 4320 467
Fax : +91 120 4363 600
Website : www.spiceindia.com

MobileOne Ltd
10 International Business
Park Singapore
609928
Tel : +(65) 6895 1111
Fax : +(65) 6899 3200
Website : www.m1.com.sg

Mobile Telecommunications of Esfahan
P.O Box 81655-1446
Esfahan
Iran
Tel : +98 311 324 4040
Fax : +98 311 324 0024
Website : www.mtce.ir

TM VENTURES – SUBSIDIARIES & ITS ASSOCIATE/AFFILIATE COMPANY

TM Ventures
Level 11, South Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 1355
Fax : 03-7960 3359

TM Facilities Sdn Bhd
6th Floor, Wisma TM Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 4905
Fax : 03-7987 4303

TMF Services Sdn Bhd
(Formerly known as
Teleharta Sdn Bhd)
Lot 1, Persiaran Jubli Perak
Section 17, 40000 Shah Alam
Tel : 03-5548 9400
Fax : 03-5541 2141

TMF Auto Lease Sdn Bhd
(Formerly known as
TM Autolease Sdn Bhd)
Lot 1, Persiaran Jubli Perak
Section 17, 40000 Shah Alam
Tel : 03-5548 9412
Fax : 03-5510 0286

Property Development
11th Floor, Wisma TM Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : 03-7987 5040
Fax : 03-7983 6390

Menara Kuala Lumpur Sdn Bhd
No. 2 Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax : 03-2072 8409

TM Payphone Sdn Bhd
7A Floor, Menara PKNS
No. 17, Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor
Tel : 03-7968 8000/8020
Fax : 03-7968 8022

TM Info-Media Sdn Bhd
(Formerly known as
Telekom Publications Sdn Bhd)
10th Floor, Menara D
Persiaran MPAJ
Jalan Pandan Utama, Pandan Indah
55100 Kuala Lumpur
Tel : 03-4292 1111/03-4289 1222
Fax : 03-4291 9191

Universiti Telekom Sdn Bhd
Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : 03-8312 5031
Fax : 03-8312 5022

Meganet Communications Sdn Bhd
Level 14, Wisma Pantai
Off Jalan Pantai Baharu
59200 Kuala Lumpur
Tel : 03-2284 5515
Fax : 03-2284 3464

Fiberail Sdn Bhd
7th & 8th Floor, Wisma TM
Jalan Desa Utama
Pusat Bandar Taman Desa
58100 Kuala Lumpur
Tel : 03-7980 9696
Fax : 03-7980 9900

VADS Berhad
15th Floor, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7712 8888
Fax : 03-7728 2584

Telekom Smart School Sdn Bhd
45-8, Level 3, Block C
Plaza Damansara
Jalan Medan Setia 1
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2092 5252
Fax : 03-2093 4993

Fibrecomm Network (M) Sdn Bhd
Level 37, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 1843
Fax : 03-2240 5001

ASSOCIATE/AFFILIATE COMPANY

Mutiara.com Sdn Bhd
114-F, Bangunan JKPSB
Jalan Sungai Pinang
10150 Pulau Pinang
Tel : 04-281 1600/2600
Fax : 04-281 8600

MEASAT Global Berhad
Level 39, Menara Maxis
50088 Kuala Lumpur
Tel : 03-8213 2188
Fax : 03-8213 2233

GLOSSARY

3G

Third Generation Mobile System. The generic term for the next generation of wireless mobile communications networks

ADSL

Asymmetric Digital Subscriber Line, which is designed to deliver more bandwidth from the central office to the customer site

APCN

Asia Pacific Cable Network

ARPU

Average Revenue Per User. The average revenue generated per customer unit per month

Bandwidth

The width of a communications channel. In digital communications, bandwidth is typically measured in bits per second

Broadband

Any circuit significantly faster than a dial-up phone line

BTS

Base Transceiver Station

CAGR

Compounded Annual Growth Rate

CDMA

Code Division Multiple Access is a digital, spread spectrum, packet-based access technique generally used in radio frequency systems

CJ

China Japan

CMC

Chikura-Miyazaki Cable

CRM

Customer Relationship Management

CUCN

China-US Cable Network

DMCS

Dumai-Malacca Cable System

EBITDA

Earning Before Interest, Taxes, Depreciation and Amortization

ESOS

Employee Share Option Scheme

FLAG

Fibre Link Around the Globe

FLAG-ATLANTIC

Fibre Link Around the Globe – Atlantic

GLC

Government-Linked Companies

GPRS

General Packet Radio Service. It is the always-on packet data service for GSM, which is the cell phone standard that is used by most countries in the world. GPRS will be most useful for data applications such as mobile internet, browsing and e-mail

Group

Telekom Malaysia Berhad and its Local & International Subsidiaries/ Associated Companies/Affiliates

GSM

Global System for Mobile communications. It is the standard digital cellular phone service that is commonly used in Europe, Japan, Australia and elsewhere – a total of 85 countries

HSDPA

High Speed Downlink Packet Access

IBSS

Industrial Business Solution Seminar

ICT

Information and Communication Technology

IDD

International Direct Dialing. The capability to directly dial an overseas phone number from one's own home or office telephone

IP

Internet Protocol. A software that keeps track of the internet's addresses for different nodes, routes outgoing messages and recognises incoming messages

IPLC

International Private Leased Circuit

IPVPN

Internet Protocol Virtual Private Network. It is a private network for a corporation or an institution connecting any number of end points using a combination of private and public circuits

ISDN

Integrated Services Digital Network. ISDN is a set of international standards set by the ITU-T (International Telecommunications Services Sector for a circuit-switched digital network that supports access to any type of service (e.g. voice, data and video) over a single, integrated local loop from the customer premises to the network edge

ISP

Internet Service Provider. A vendor who provides access for customers (companies and private individuals) to the internet and the World Wide Web

JUCN

Japan-US Cable Network

LAN

Local Area Network. A communication network connecting personal computer workstations, printer, file servers and other devices inside a building

GLOSSARY

MB
Malaysia Business. A Strategic Business Unit that consolidates all TM's domestic fixed services under a single leadership team

Mbps
Million bits per second, the speed of a telcommunications, networking or local area networking transmission facility

MCMC
Malaysian Communications and Multimedia Commission

MDSCS
Malaysia Domestic Submarine Cable System

MMS
Multimedia Messaging Service, a service that allows cell phone users to send pictures, movie clips, cartoons and other graphic materials from one cell phone to another

MNP
Mobile Number Portability

MPLS
Multi Protocol Label Switching

NIOSH
National Institute of Occupational Safety and Health

NPC
North Pacific Cable

Opco
Operating Company

OSH
Occupational Safety and Health

OSHA
Occupational Safety and Health Association

PATAMI
Profit after tax and minority interest

PIP
Performance Improvement Programme

R-J-K
Russia-Japan-Korea

ROCE
Return on Capital Employed

SAT3-WASC-SAFE
South Atlantic 3-Western Africa Submarine Cable-South Asia Far East

SBU
Strategic Business Unit

SEA-ME-WE
South East Asia-Middle East-Western Europe Submarine Cable System

SME
Small and Medium Entreprise

SMIDEC
Small and Medium Industries Development Corporation

SMS
Short Message Service. A means to send or receive short messages to or from mobile telephones

TAT
Trans Atlantic

TM
Telekom Malaysia Berhad (Company No. 128740-P)

TMR
TM Retail

TMW
TM Wholesale

TPC
Trans Pacific Cable

TVH
Thailand, Vietnam, Hong Kong

USF
Unified Sales Force

VoIP
Voice Over Internet Protocol. The technology used to transmit voice converations over a data network using the internet protocol

VPN
Virtual Private Network. With VPN an individual can lock into a distant corporate local area network, server or corporate intranet over the internet

VSAT
Very Small Aperture Terminal. A relatively small satellite antenna, typically 1.5 to 3.0 metres in diameter used for satellite-based point-to-multipoint data communications applications

VSS
Voluntary Separation Scheme

WAN
Wide Area Network. A public voice or data network that extends beyond the metropolitan area.

WCDMA
Wideband CDMA. A high speed 3G mobile wireless technology that works by transmitting the input signals in a coded, spread spectrum mode over a range of frequencies

Wi-Fi
Wireless Fidelity. Wi-Fi runs in the 2.4GHz wireless range at speeds of up to 11 Mbps

WiMAX
Worldwide Interoperabilty For Microwave Access

WLL
Wireless Local Loop

PROXY FORM

(Company No.: 128740-P)
(Incorporated in Malaysia)

I/We ____
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________________ (OLD NRIC NO.) ______________________

(PASSPORT NO.) ______________________ (COMPANY NO.) ______________________

of ____
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** hereby appoint ______________________
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ____
(FULL ADDRESS)

or failing him/her, ____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

with (NEW NRIC NO.) ______________ (OLD NRIC NO.) ______________ (PASSPORT NO.) ______________

of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Twenty-Second Annual General Meeting of Telekom Malaysia Berhad (128740-P) (Company) to be held at Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 8 May 2007 at 10:00 a.m.; or at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below:

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion)

	Resolutions	For	Against
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2006 – **Ordinary Resolution 1**		
2.	Declaration of a final dividend of 30 sen per share (less 27% Malaysian Income Tax) – **Ordinary Resolution 2**		
3.	Re-election of Tan Sri Dato' Ir Muhammad Radzi Haji Mansor pursuant to Article 103 – **Ordinary Resolution 3**		
4.	Re-election of Ir Prabahar NK Singam pursuant to Article 103 – **Ordinary Resolution 4**		
5.	Approval of payment of Directors' fees – **Ordinary Resolution 5**		
6.	Re-appointment of Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration – **Ordinary Resolution 6**		
7.	Special Business: Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares – **Ordinary Resolution 7**		

Signed this ________ day of ________________ 2007

No. of shares held	CDS* Account No.

** CDS – Central Depository System*

____

Signature(s)/Common Seal of Member(s)

Notes:

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading *"signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation having been received"*. If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading *"signed under a Power of Attorney which is still in force, no notice of revocation having been received"*. A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. This instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

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STAMP

THE SHARE REGISTRARS

TENAGA KOPERAT SDN BHD

20th Floor, Plaza Permata

Jalan Kampar, Off Jalan Tun Razak

50400 Kuala Lumpur

Malaysia

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