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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation

(a) The audited condensed financial statements for the financial year ended 31 December 2006 of the Group have been prepared in accordance with Financial Reporting Standards (FRS) 134 “Interim Financial Reporting”, paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2005. The accounting policies, method of computation and basis of consolidation applied in the audited condensed financial statements are consistent with those used in the preparation of the 2005 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by MASB that are effective for financial year beginning on or after 1 January 2006, summarised as follows:

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

The new accounting standards, amendments to published standards and IC Interpretations to existing standards effective for the Group’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
Amendment to FRS 119_{2004} 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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation (continued)

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 Concession Arrangements
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 transition provisions in the respective standards. All new and revised applicable accounting standards adopted by the Group 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 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;

FRS 121 - prospective accounting for goodwill and fair value adjustments as part of foreign operations; and

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 is set out in note A14.

1. Basis of Preparation (continued)

(ii) 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 cost of leasehold land as prepaid lease payment. The Group will apply this standard from financial year beginning on 1 January 2007.

- 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 the above standards from financial year beginning on 1 January 2007.

- Amendment to FRS 119_{2004} 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.

- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). 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.

(iii) Standards that are not yet effective and not relevant 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.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation (continued)

(b) The principal closing rates (units of Malaysian Ringgit per foreign currency) used in translating significant balances at 31 December 2006 are as follows:

Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
US Dollar	3.52700	Singapore Dollar	2.29967
Japanese Yen	0.02964	Special Drawing Rights	5.30659
Sri Lanka Rupee	0.03284	Gold Franc	1.73361
Bangladesh Taka	0.05107	Thai Baht	0.09958
Indonesian Rupiah	0.00039	Indian Rupee	0.07996
Pakistani Rupee	0.05807		

2. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2005 were not subject to any material qualification.

3. Seasonal or Cyclical Factors

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

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

(a) During the first quarter, Celcom (Malaysia) Berhad, a wholly owned subsidiary has made a payment under protest for a claim in respect of the arbitration award to DeTeAsia Holding GmbH that was provided in the last financial year amounting to USD232.0 million (RM874.0 million).

(b) Based on the letter of the Minister of Communications and Informatics No. 206/M.KOMINFO/7/2005 dated 7 July 2005, PT Excelcomindo Pratama Tbk (XL), a subsidiary held via TM International (L) Limited obtained a 3G technology trial licence. Subsequently on 14 February 2006, XL was announced as one of the winners for the 3G licence auction with bid price of Rp188.0 billion (full amount) per block 2x5 MHz based on Decree of the Minister of Communication and Informatics No. 19/KEP/M.KOMINFO/2/2006, dated 14 February 2006, regarding the Statement of the Winner of Cellular Mobile Network Selection IMT-2000 on Radio Frequency Bands 2.1 GHz (*"KM.19 Tahun 2006").*

Following the bid results, XL paid an upfront premium fees amounting to Rp376.0 billion (full amount) in the first quarter. In addition, XL has also lodged a Performance Bond of Rp20 billion (full amount). The upfront premium fee was recognised as intangible asset in the first quarter.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows (continued)

XL is also required to pay annual Frequency License Right Expenses to be calculated as follows:

Payment Year	BI Rate (%)	Multiply Index	Annual Frequency BHP
Year 1			20% x HL
Year 2	R1	I1 = (1+R1)	40% x I1 x HL
Year 3	R2	I2 = I1(1+R2)	60% x I2 x HL
Year 4	R3	I3 = I2(1+R3)	100% x I3 x HL
Year 5	R4	I4 = I3(1+R4)	130% x I4 x HL
Year 6	R5	I5 = I4(1+R5)	130% x I5 x HL
Year 7	R6	I6 = I5(1+R6)	130% x I6 x HL
Year 8	R7	I7 = I6(1+R7)	130% x I7 x HL
Year 9	R8	I8 = I7(1+R8)	130% x I8 x HL
Year 10	R9	I9 = I8(1+R9)	130% x I9 x HL

Notes:

- BI Bank Indonesia
- BHP License Right Expense
- HL Auction Result per block 2x5 MHz (refer to PT Indosat Tbk's bid price of Rp 160.0 billion, full amount)
- Ri Average BI Rate issued by BI on the previous year
- Multiply index is index (Ii) used to adjust the auction price in yearly basis

XL paid an annual Frequency License Right Expense of Rp32.0 billion for Year 1, calculated as per the above table. The annual fee is charged to the Income Statement when it is incurred.

(c) In the fourth quarter, the Group registered RM144.4 million net gain on foreign exchange mainly arising from revaluation of USD borrowings. The total net gain on foreign exchange for the year was RM285.4 million.

(d) During the fourth quarter, the Group disposed its investment in Ghana Telecommunications Company Limited, resulting in a gain of RM77.4 million.

(e) In the fourth quarter, two subsidiaries have recognised additional Universal Service Provision expenses totalling RM61.0 million following change in basis of calculation.

(f) During the year, the Group implemented a Voluntary Separation Scheme. The total expenses incurred in the current quarter and full year were RM27.5 million and RM38.8 million respectively.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows (continued)

Other than the above, there were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial year ended 31 December 2006.

5. Material Changes in Estimates

During the year, Celcom (Malaysia) Berhad, a 100% owned subsidiary, had reviewed the estimated useful life of certain telecommunication network and equipment and resulted in an accelerated depreciation of RM46.5 million.

There were no other material changes in estimates reported in the prior interim period or prior financial year.

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

(a) The issued and paid-up capital of the Company increased by RM6.1 million from 3,391.5 million shares of RM1.00 each to 3,397.6 million shares of RM1.00 each as a result of employees exercising their options under the Employees' Share Option Scheme (ESOS) at respective exercise prices of RM7.09, RM8.02, RM9.32 and RM9.22 per share.

(b) The Company redeemed in full its RM246.0 million Al-Murabahah Medium Term Notes upon its maturity on 18 January 2006.

(c) Celcom (Malaysia) Berhad redeemed in full its RM300.0 million Tranche B of the Al-Bai Bithaman Ajil Bonds upon its maturity on 14 April 2006.

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31 December 2006.

7. Dividends Paid

(a) A final gross dividend of 25.0 sen per share less tax at 28% amounting to RM610.9 million in respect of financial year ended 31 December 2005 was paid on 20 June 2006.

(b) An interim gross dividend of 16.0 sen per share less tax at 28% amounting to RM391.0 million for the financial year ended 31 December 2006 was declared on 2 August 2006 and was paid on 18 September 2006.

8. Segmental Information

Segmental information for the financial year ended 31 December 2006 and 31 December 2005 were as follows:

By Business Segment

2006

All amounts are in RM Million	Fixed line and data	Internet and multimedia	Cellular Domestic	Cellular Foreign	Others	Total
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 result	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

2005

All amounts are in RM Million	Fixed line and data	Internet and multimedia	Cellular Domestic	Cellular Foreign	Others	Total
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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

8. Segmental Information (continued)

All amounts are in RM Million	Fixed line and data	Internet and multimedia	Cellular Domestic	Cellular Foreign	Others	Total
2005						
Results						
Segment result	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

* Inter-segment operating revenue has been eliminated at the respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms.

** Unallocated income comprises other operating income which is not allocated to a particular business segment.

*** Corporate expenses are expenditure incurred by corporate centre which is not allocated to a particular business segment.

During the year, the Group had reviewed and changed the grouping of segmental reporting information for Internet and multimedia, fixed line and data and others segments to give a fairer presentation of the results of operations. The comparatives have been restated to conform with current period classification.

9. Valuation of Property, Plant and Equipment

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

10. Material Events Subsequent to the End of the Year

(a) On 3 to 5 January 2007, a foreign subsidiary entered into several foreign currency contracts used to hedge the USD Bond payment, which will be matured 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.

(b) 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 LIBOR plus 1.05% margin per annum. The loan will mature in 36 months from the first drawdown date.

(c) 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 be matured on 29 January 2010. On 30 January 2007, the subsidiary made its first drawdown of USD 25.0 million.

(d) Based on the 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 USD 430.0 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 Rupiah for fiscal year 2007. Currently, the foreign subsidiary is still in the process of issuing an IDR Bond amounting to Rp 1.5 trillion (full amount).

There were no other material events subsequent to the end of the year that have not been reflected in the audited condensed financial statements.

11. Effects of Changes in the Composition of the Group

Changes in the composition of the Group for the current quarter and financial year ended 31 December 2006 were as follows:

(a) Samart Corporation Public Company Limited (Samart)

The shareholding of the Company’s wholly owned subsidiary, TM International Sdn Bhd (TM International) in Samart was reduced from 19.24% to 19.23% in the first quarter of 2006, due to issuance of shares under its Employees’ Share Option Scheme. It was further reduced to 18.98% in the fourth quarter. The dilution has no material effect to the results of the Group.

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

(b) VADS Berhad (VADS)

The Company's shareholding in VADS was reduced from 69.31% to 69.07%, 67.97% and 67.47% during the first, second and third quarter respectively, and further reduced in the fourth quarter to 67.16% due to the issuance of shares under the Employees' Share Option Scheme of VADS. The dilution has no material effect to the results of the Group.

(c) MobileOne Limited (M1)

The Company's shareholding in M1, held via TM International, through SunShare Investment Limited (a jointly controlled entity between TM International and Khazanah Nasional Berhad) (SunShare) increased from 24.76% to 29.79% in the first quarter of 2006, following the purchases of shares from the open market which was more than the dilution arising from the exercise of share options by M1 employees.

During the second quarter, the percentage of shareholding in SunShare decreased from 29.79% to 29.78% due to issuance of shares under its Employees' Share Option Scheme. The Company's shareholding in M1 remains unchanged up to the fourth quarter. The dilution has no material effect to the results of the Group.

(d) Dialog Telekom Limited (Dialog)

Due to the exercise of share options by the employees of Dialog under Dialog's Employees' Share Option Scheme, TM's equity interest in Dialog, held via TM International (L) Limited (TMIL), a wholly owned subsidiary of TM International, was reduced from 90.1% to 90.02%, 89.85% and 89.75% in the first, second and third quarter respectively. It was further reduced to 89.62% in the fourth quarter. The dilution has no material effect to the results of the Group.

(e) Fiberail Sdn Bhd (Fiberail)

Pursuant to the acquisition of business and business assets of Petrofibre Network (M) Sdn Bhd (Petrofibre) by Fiberail Sdn Bhd (Fiberail) and the conclusion of a new Joint Venture Agreement with Keretapi Tanah Melayu Berhad (KTMB) and Petrofibre, TM's equity interest in Fiberail has been diluted from 60% to 54% in the first quarter of 2006. The dilution has no material effect to the results of the Group.

(f) Telekom Malaysia International (Cambodia) Company Limited (TMIC) [formerly known as Cambodia Samart Communication Company Limited]

TM's equity interest in TMIC, held via TM International increased from 51% to 100% on 27 March 2006, pursuant to the completion of the Share Sale and Purchase Agreement with Samart on the acquisition of 1,038,700 ordinary shares of USD4.00 each, representing 49% equity interest in TMIC for a consideration of USD29.0 million.

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

The acquisition of additional shares is treated as a transaction with minority shareholder and thus the excess of the purchase price over the Group's share of TMIC's identifiable net assets as at 27 March 2006 of RM57.2 million was taken directly to equity. This acquisition has no material effect to the results of the Group.

(g) Samart I-Mobile Public Company Limited (SIM)

TM, via TM International, acquired 105 million ordinary shares of THB1.00 each representing 24.42% equity interest in SIM on 27 March 2006 for a consideration of THB1,312.5 million, pursuant to the Share Sale and Purchase Agreement and a Shareholders Agreement with Samart on 17 February 2006.

The Company's equity interest of 24.42% in SIM remained unchanged up to the fourth quarter.

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 provisional 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.

(h) Fibrecomm Network (M) Sdn Bhd (Fibrecomm)

With the execution of the Deed of Revocation and Rescission on 28 April 2006 by Celcom Transmission (M) Sdn Bhd (CTX) and Fibrecomm (to revoke the Deed of Assignment and Deed of Variation which were executed earlier by both parties on 29 April 2005 and 5 December 2005 respectively) and the Supplemental Agreements on 28 April 2006 by Tenaga Nasional Berhad (TNB) and CTX (to amend the terms of the Share Sale Agreement and the Shareholders Agreement which were executed earlier by both parties on 29 April 2005), CTX had, on 28 April 2006, completed the acquisition of 7,500,000 ordinary shares of RM1.00 each in Fibrecomm representing 10% of the total issued and paid-up capital of Fibrecomm from TNB. Thereafter, Fibrecomm became a 51% subsidiary of TM, held via Celcom (Malaysia) Berhad (Celcom) during the second quarter.

(i) TMI India Ltd (TMI India) [formerly known as Distacom Communications (India) Limited]

TMI Mauritius Ltd (TMIM), a wholly owned subsidiary of the Company, held via TM International, acquired 100% equity interest in TMI India on 10 May 2006, pursuant to the Share Sale and Purchase Agreement on 10 March 2006, for a cash consideration of USD178.8 million. TMI India is an investment holding company having 49% equity interest in Spice Communications Limited.

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

(j) Spice Communications Limited (Spice) [formerly known as Spice Communications Private Limited]

TMIM acquired 49% equity interest in Spice on 10 May 2006 through the acquisition of TMI India as mentioned in note (i) above. Consequently, Spice became a jointly controlled entity of TM via TMIM.

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 entity. This acquisition has no material effect to the results of the Group.

(k) PT Excelcomindo Pratama Tbk (XL)

On 7 June 2006, TMIL, entered into an agreement with AIF (Indonesia) Limited (AIF) to purchase 195,605,400 ordinary shares of Rp100 each in XL (AIF Purchased Shares), representing approximately 2.8% of the issued and paid-up share capital of XL from AIF for a cash consideration of USD39.7 million.

On the same date, PT Rajawali Capital (Telekomindo) [formerly known as PT Telekomindo Primabhakti] issued a letter to TMIL whereby it agreed that the AIF Purchased Shares are deemed to be part of the Later Purchased Shares (i.e. up to 287,655 XL Shares, representing up to 12.7% equity interest in XL, to be acquired by Telekomindo from AIF prior to the exercise of the call/put option) acquired by TMIL from Telekomindo in accordance with the Call and Put Option Agreement dated 11 January 2005, as supplemented.

The acquisition of the AIF Purchased Shares was completed on 12 June 2006.

The Company's effective equity interest in XL, held through Indocel Holding Sdn Bhd, a wholly owned subsidiary of TMIL, increased from 56.91% to 59.67% during the second quarter. It was further reduced to 59.63% due to the sale of 3,507,000 of XL shares through the Jakarta Stock Exchange to increase the number of floated shares in the market to improve its trading liquidity.

The acquisition of additional shares is treated as a transaction with minority shareholder and thus the excess of the purchase price over the Group's share of XL's identifiable net assets as at 12 June 2006 of RM115.3 million was taken directly to equity. This acquisition has no material effect to the results of the Group.

(l) TMF Autolease Sdn Bhd (TMF Autolease) [formerly known as TM Autolease Sdn Bhd]

On 1 August 2006, TM Facilities Sdn Bhd, a wholly owned subsidiary of the Company, acquired 100% equity interest in TMF Autolease. TMF Autolease is to undertake the functions of TM's existing Strategic Business Unit, namely, Fleet Management to enhance operational efficiency for TM Group.

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

(m) TMF Services Sdn Bhd (TMF Services) [formerly known as Teleharta Sdn Bhd]

On 1 August 2006, TM Facilities Sdn Bhd, a wholly owned subsidiary of the Company, acquired 100% equity interest in TMF Services. TMF Services is to undertake the functions of TM's existing Strategic Business Unit, namely, Facilities Management & Infrastructure Development to enhance operational efficiency for TM Group.

(n) TM International Leasing Limited (TMI Leasing)

On 6 August 2006, TMI Leasing, a wholly owned subsidiary of the Company has been dissolved pursuant to section 272(5) of the Companies Act 1965.

(o) VADS Contact Centre Services Sdn Bhd (VADS CCS) [formerly known as Meridian Manpower Sdn Bhd]

On 21 September 2006, VADS, via its wholly owned subsidiary, VADS e-Services Sdn Bhd, acquired 100% equity interest in VADS CCS. VADS CCS is to undertake the provision of managed contact centre services including but not limited to contact insourcing, outsourcing, training, consulting, solutioning and any other related customer relationship management services.

(p) Asset Media (Private) Limited (Asset Media)

On 29 September 2006, Dialog acquired 90% equity interest in Asset Media for a purchase consideration of USD3.15 million.

Asset Media possesses licences from the Ministry of Media and the Telecommunications Regulatory Commission of Sri Lankan to carry out the business of television broadcasting, delivery of pay television services and the operation of a television broadcasting station.

This acquisition has no material effect to the results of the Group.

(q) TRI Cellular Communications Cambodia Company (TRICELCAM)

TRICELCAM, a joint venture company between Technology Resources Industries Berhad (TRI) (70%), a wholly owned subsidiary of Celcom, with the Ministry of Posts and Telecommunications of Cambodia (30%) ceased to be a subsidiary of TRI from 2 October 2006, the date of signing of the Letter of Confirmation from the Ministry of Commerce of Cambodia approving the deletion of TRICELCAM from the trade list.

(r) Malaysian Motorhomes Sdn Bhd (Motorhomes)

On 30 November 2006, Motorhomes, a 62% subsidiary held via Celcom, was dissolved pursuant to Section 239 (1), (c) and (d) of the Companies Act, 1965 and ceased to be a subsidiary of Celcom.

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

(s) Celcom Timur (Sabah) Sdn Bhd (CTSB)

On 24 November 2006, Celcom acquired 1,400,000 ordinary shares of RM1.00 each in CTSB equivalent to 20% equity interest in CTSB from Hugold Success Sdn Bhd (HSSB) for a cash consideration of RM12.6 million pursuant to a Share Sale Agreement dated 23 August 2006 (SSA). As a result, Celcom's shareholding in CTSB has increased from 60% to 80%.

In addition to the completion of the SSA, Celcom has been granted a put option to purchase HSSB's remaining shares, whereby parties have on 24 November 2006 executed a Put Option Agreement to reflect the arrangement.

(t) Communiq Broadband Networks (Private) Limited (CBN)

On 27 November 2006, Asset Media, a subsidiary of Dialog, entered into a Share Sale and Purchase Agreement for the acquisition of 100% of the share capital of CBN from Mr Muhunthan Canagasooryam and Mr Niranjan Canagasooryam at a purchase consideration of SLR equivalent of USD3.505 million.

CBN's principal activities are to undertake, market, sell, operate, maintain and provide information technology enabled services of all types not limited to data and content transmission services and all ancillary activities.

CBN possesses telecommunication licence issued by the Sri Lankan Telecommunication Regulatory Commission (SLTRC) to provide non-voice telephony services. CBN also possess Satellite up-linking frequency licence issued by the SLTRC and licence to provide 'direct to home' television programmes via satellite connectivity issued by the Hon. Minister of Media.

The acquisition was completed on 2 December 2006.

(u) CBN SAT (Private) Limited (CBN Sat)

On 27 November 2006, Asset Media, a subsidiary of Dialog, entered into a Share Sale and Purchase Agreement for the acquisition of 100% of the share capital of CBN Sat from Mr Muhunthan Canagasooryam and Mr Niranjan Canagasooryam at a purchase consideration of the SLR equivalent of USD1.390 million.

CBN SAT is a Direct to Home Satellite TV service operated by CBN. CBN SAT supports a broad array of International content including CNN, BBC, HBO, Cinemax, AXN, ESPN, Discovery Channel, MTV (Music Television) and Cartoon Network, in addition to a wide portfolio of Sri Lankan television channels. CBN SAT services are based on cutting edge DVB-S digital broadcast infrastructure and reach out to over 20,000 Sri Lankan homes as of December 2006.

The acquisition was completed on 2 December 2006.

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

(v) TM Orion Sdn Bhd (TM Orion)

Pursuant to Section 272(5) of the Companies Act, 1965, TM Orion, a wholly owned subsidiary of TM held via Telekom Multi-Media Sdn Bhd, was dissolved effective from 7 December 2006.

(w) Telekom Infotech Sdn Bhd (TM Infotech)

Pursuant to Section 272(5) of the Companies Act, 1965, TM Infotech, a wholly owned subsidiary of TM, was dissolved effective from 21 December 2006.

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

There were no material changes in contingent liabilities (other than material litigations disclosed in note B11 of this announcement) since the latest audited financial statements of the Group for the financial year ended 31 December 2005 except for the following:

(a) A guarantee and indemnity on a USD26.0 million (RM98.8 million) financing facility granted to a subsidiary, TM International (Bangladesh) Limited (TMIB), which was executed on 26 July 2000. TM had obtained an indemnity from A.K. Khan & Co Ltd, a shareholder of TMIB, their proportionate share of 30% of all obligations made under the said Guarantee and Indemnity. The exposure sum as at 31 December 2005 was USD13.08 million (RM49.43 million) and Bangladesh Taka 286.0 million (RM16.33 million). This guarantee will expire on 26 January 2012.

The above facility was fully prepaid on 20 January 2006. The security agent furnished the Letter of Release for the guarantee and indemnity on 1 May 2006.

In addition to the above-mentioned Letter of Release, the security agent has also provided a Deed of Release, which is dated 5 May 2006. Due to the mismatch in dates, the Letter of Release has been reissued dated 8 May 2006.

(b) Guarantee of a series of Promissory Notes totalling approximately USD6.7 million (RM25.4 million) issued by Sotelgui s.a., a former subsidiary, in favour of an equipment supplier on 18 April 2002. The Promissory Notes are payable during the period between November 2003 to December 2005.

As at 30 June 2006, all principal and interest had been paid in full.

12. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date (continued)

(c) 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 in Labuan 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 5 October 2005 to counter guarantee USD10.0 million SBLC to Pakistan Telecommunication Authority (PTA) on behalf of a subsidiary, Multinet Pakistan (Private) Limited (Multinet).

This SBLC was part of the requirement in awarding the Long Distance International License to Multinet. The tenure of the SBLC is three (3) years subject to annual review.

(ii) Offering of additional SBLC Facility of up to USD33.0 million to TMIL on 18 December 2006, to counter guarantee a financial institution in Karachi for BG issuances on behalf of Multinet to Telenor Pakistan (Private) Limited (Telenor). As at 31 December 2006, the SBLC issued was USD6.6 million being the 1st tranche. The tenure of the SBLC is one (1) year subject to annual review.

Multinet and Telenor had entered into a 20 years Indefeasible Right of Use (IRU) agreement which requires a Bank Guarantee (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.

(d) A public interest litigation was filed in July 2006, impugning arbitrary determination of tariff value of SIM card for the purpose of the Government of Bangladesh’s decision of imposition of VAT on SIM card 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. Civil Petition for Leave to Appeal were 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. According to information available to the management and as per the opinion of the legal advisors, there is no material contingent event that may require the recognition of contingent liabilities for the current year.

13. Commitments

(a) Capital Commitments

	Group	
	31/12/2006	31/12/2005
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**3,817.2**	3,988.5
Commitments in respect of expenditure approved but not contracted for	**1,226.7**	382.2

(b) 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), Telekom Malaysia Berhad (TM), TM International Sdn Bhd (TMI) and DBS Bank Ltd in connection with the provision of limited sponsor support for the USD215.0 million INR Facility Agreement and USD50.0 million USD Facility Agreement dated 21 April 2006 between DBS Bank Ltd as Facility Agent and Spice as borrower. Under the terms, TMI, failing which TM, is required to make payment of any outstanding principal or interest under the facilities to the lenders upon occurrence of any of the specific trigger events. TMI's and TM's obligations on behalf of Spice is also derived from their ability to exercise their call option under the terms of the Shareholders' Agreement to acquire additional shares in Spice from existing shareholder, namely Modi Wellvest, thereby making Spice a subsidiary of TMI.

14. 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 A1(a).

(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_{2004} 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 FRS119_{2004}, 128, 131, 132, 133, 140 and IC interpretations had no material impact on the Group's accounting policies.

14. Changes in Accounting Policies (continued)

(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 interest. Minority interest is 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 interest 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.

(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 has resulted in a change in the accounting policy for share-based payment. In the previous financial 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 whereby share options are granted to eligible employees:

- VADS Berhad
- Dialog Telekom Limited (a company listed in the Colombo Stock Exchange)
- PT Excelcomindo Pratama Tbk (a company listed in 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 in the current year was RM35.8 million charged to the Income Statement.

14. Changes in Accounting Policies (continued)

(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 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 138 also resulted in change in the accounting policy for business combinations with agreement dates on/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, fair value of the shares at the date of exchange is used instead.

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 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.

14. Changes in Accounting Policies (continued)

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 consequent 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 has resulted in 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.

14. 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 emphasized 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 operation 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 the acquisition of a foreign entity 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 amount 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.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

14. Changes in Accounting Policies (continued)

This change in accounting policy has been applied retrospectively. The effects of the change in accounting policy are illustrated below:

	As previously reported (RM million)	Effect of change in policy (RM million)	As restated (RM million)
For the financial 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
Retained Profits			
- at 1 January 2005	12,480.7	(332.8)	12,147.9
- at 31 December 2005	12,339.6	(396.7)	11,942.9
Long Term Borrowings			
- at 31 December 2005	10,405.0	396.7	10,801.7
Net Assets Per Share Attributable To Ordinary Equity Holders Of The Company	571.5	(11.6)	559.9

14. Changes in Accounting Policies (continued)

(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.

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

1. Review of Performance

For the current quarter under review, the Group revenue increased by 17.4% to RM4,407.8 million as compared to RM3,754.0 million in the fourth quarter 2005, mainly attributed to higher revenue from cellular, Internet and multimedia segments. The increase in cellular revenue was mainly attributed to longer consolidation period of PT Excelcomindo Pratama Tbk's revenue and increased revenue recorded by Celcom (Malaysia) Berhad, TM International (Bangladesh) Limited (TMIB) and Dialog Telekom Limited (Dialog). The Group profit after tax and minority interests (PATAMI) increased by 190.1% to RM631.6 million as compared to a loss of RM701.3 million in the fourth quarter 2005, mainly attributed to the absence of provision for a claim in fourth quarter 2005 which was made under protest in respect of the award to DeTeAsia Holding GmbH (Arbitration Award). Lower impairment losses, gain on disposal of Ghana Telecommunications Company Limited, better performance by Dialog and TMIB, better cost management and foreign exchange gain were the other contributing factors.

For the financial year under review, the Group revenue increased year on year by 17.6% to RM16,399.2 million, driven primarily by the cellular, data services, Internet and multimedia segments. The Group PATAMI increased year on year by 155.0% to RM2,068.8 million, attributed mainly to the higher revenue, foreign exchange gain and absence of the abovementioned Arbitration Award and impairment losses.

2. Comparison with Preceding Quarter's Results

The Group revenue for the current quarter of RM4,407.8 million increased by 4.3% over RM4,227.5 million recorded in the preceding quarter, mainly due to higher contribution from cellular and others segments. The Group PATAMI of RM631.6 million was 31.0% higher than RM482.2 million recorded in the preceding quarter, primarily due to the higher revenue, improved cost management and foreign exchange gain.

3. Prospects for the Next Financial Year Ending 31 December 2007

To improve its domestic fixed business, TM will seek to drive broadband deployment aggressively, strengthen its position in the enterprise market with voice and data solutions whilst stimulating usage of the voice traffic in the retail market.

Improvement of revenue market share will be Celcom's primary aim this year amidst the competitive mobile landscape in Malaysia. Celcom will focus on customer centricity in its service offerings, expand enterprise channels and tap further into the growing mobile data segment.

Liberalisation of the regulatory environment will continue with the expected awarding of the Broadband Wireless Access (BWA) spectrum and the impending Mobile Number Portability (MNP).

TM International will strive to maximize shareholders' value of the current portfolio of investments and adopt an opportunistic approach in TM's closer-to home international expansion.

3. Prospects for the Next Financial Year Ending 31 December 2007 (continued)

Moving forward, boosting execution capacity, evaluating our non-core businesses as well as capital and cost management will remain our priority.

Barring any unforeseen circumstances, the Board of Directors expects the Group's performance for the financial year ending 31 December 2007 to remain favourable.

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

The Group has not provided any profit forecast or profit guarantee in a public document in respect of the financial year ended 31 December 2006.

5. Taxation

The taxation charge for the Group comprises:

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/12/2006	**31/12/2005**	**31/12/2006**	**31/12/2005**
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Income Tax:				
Current year	**90.5**	75.3	**413.7**	448.9
Prior year	**179.0**	(65.8)	**269.8**	(105.6)
Deferred Tax (net):				
Current year	**(188.7)**	151.1	**(95.7)**	130.1
Prior year	**65.0**	-	**(54.3)**	-
	145.8	160.6	**533.5**	473.4
Overseas				
Income Tax:				
Current year	**7.0**	6.6	**31.1**	23.0
Prior year	**(0.1)**	4.7	**(0.4)**	3.7
Deferred Tax (net):				
Current year	**73.3**	164.8	**266.7**	164.8
	80.2	176.1	**297.4**	191.5
TOTAL TAXATION	**226.0**	336.7	**830.9**	664.9

5. Taxation (continued)

The current quarter and financial year to date effective tax rate of the Group was lower than the statutory rate mainly attributed to higher foreign exchange gain which is not subjected to tax, profit registered by subsidiary with low tax charge due to tax exemption status as well as reduction in deferred tax expense arising from the change in tax rate.

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

During the fourth quarter, the Group disposed off its investment in Ghana Telecommunications Company Limited for USD52.2 million. This disposal resulted in a gain of RM77.4 million.

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

(a) Total purchases and disposals of quoted securities for the current quarter and financial year ended 31 December 2006 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	17.6	91.8
Total disposals	28.1	97.9
Total gain/(loss) on disposal	2.9	(1.7)

(b) Total investments in quoted securities as at 31 December 2006 are as follows:

	RM Million
At cost	191.6
At book value	125.3
At market value	125.3

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial year ended 31 December 2006 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	32.0	74.4
Total disposals	27.4	49.1
Total loss on disposal	0.3	(0.2)

(b) Total investments in quoted fixed income securities as at 31 December 2006 are as follows:

	RM Million
At cost	195.7
At book value	194.8
At market value	194.8

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

8. Status of Corporate Proposals

(a) Disposal of TM's stake in Telekom Networks Malawi Limited (TNM)

On 27 January 2006, TM announced the sale of its 60% stake in TNM to Econet Wireless Global Limited (Econet) for a total purchase consideration of USD24.5 million.

Malawi Telecommunications Limited (MTL) which holds the remaining 40% stake in TNM, had on 28 February 2006, applied to the High Court of Malawi in Blantyre for an interlocutory injunction restraining TM from selling TM's shares in TNM to any party. This incidentally is the last day specified by TM for MTL to exercise its pre-emption rights in accordance with the Joint Venture Agreement (JVA) between MTL and TM.

On 26 October 2006, the High Court of Malawi granted a consent order entered into between MTL, TNM and TM to settle the interlocutory injunction brought by MTL.

Under the terms of the consent order, TM will sell its 60% stake in TNM to MTL for a total cash consideration of USD16.0 million. TNM will repay to TM and TM International Sdn Bhd (TMI) a sum of USD4.9 million. This repayment consist of:

(i) repayment of shareholder loans given by TM to TNM of USD3.8 million; and

(ii) payment of management fees owed to TMI of USD1.1 million.

The completion of the sale is conditional upon, *inter alia*, approval:

(i) by the Malawi Communications Regulatory Authority approving the transfer of the shares by TM to MTL; and

(ii) by the Reserve Bank of Malawi for the payment by MTL to TM of the USD16.0 million.

Prior to completion, TM will also be required to pay any capital gains tax arising from the disposal of the shares to the Malawian Revenue Authority. The payment will be made by TNM on behalf of TM and the quantum of tax payable will be deducted from the amounts that TNM owes to TM.

The parties have 60 days from 25 October 2006 to fulfil the conditions precedent. If the condition precedents are not fulfilled or MTL fails to go through with the purchase of the shares despite the conditions precedent being met, TM will be at liberty to sell the shares to any third party without reference to MTL for a period of 6 months thereafter. With the entry of this consent order, the dispute between MTL, TNM and TM is now resolved. On 21 December 2006, the parties filed a further consent order to extend the date for fulfilling the conditions precedent to 31 January 2007. On 31 January 2007, the parties filed another order to extend the date for fulfilling the conditions precedent to 14 February 2007. This date has now been further extended to 9 March 2007.

Pursuant to the above, TM's agreement with Econet has duly expired.

8. Status of Corporate Proposals (continued)

(b) Sale and Purchase Agreement between Telekom Malaysia Berhad and University of Malaya (UM) on the Disposal of Wisma TM, Jalan Pantai Baharu, Kuala Lumpur

On 28 April 2006, TM announced that it has concluded and entered into a Sale and Purchase Agreement with UM, for the disposal of a twenty-five (25) storey office building known as Wisma TM, Jalan Pantai Baharu, Kuala Lumpur (Wisma TM) for a total consideration of RM70.0 million (the SPA). The estimated net floor area of the office tower is 223,211 square feet (excluding usable area at podium estimated at 29,495 square feet) and 241 parking bays.

Pursuant to the SPA, UM agreed to purchase Wisma TM for a total consideration of RM70.0 million subject to and upon the terms and conditions therein contained.

Deposit of RM7.0 million shall be paid by UM to TM's Solicitors, as stakeholder upon the execution of the SPA and to be released to TM upon fulfillment of all Conditions Precedent (CP).

The SPA with UM was supposed to be completed by 27 Dec 2006. However, when TM was in the midst of finalising the final CP viz. the consent from Wilayah Persekutuan Land Office to transfer the asset to UM, TM was 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 TM to amend the SPA. The new SPA is to be executed between TM and PTP. The new SPA is in circulation for signature by both parties at this juncture.

The proposed disposal of Wisma TM is not expected to have any material adverse impact on the earnings and net asset of TM for the year ended 31 December 2006.

(c) Proposed Capital Repayment by Celcom (Malaysia) Berhad (Celcom) to its Sole Shareholder, Telekom Enterprise Sdn Bhd (TESB)

On 18 August 2006, TM announced that Celcom, a wholly owned subsidiary of TM, had presented a petition for the proposed capital repayment pursuant to Sections 60, 62 and 64 of the Companies Act, 1965 (CA 1965).

Details of the Proposed Capital Repayment (Proposal) are as follows:

(i) To reduce the issued and paid-up capital of Celcom of RM2,357.2 million comprising 2,357,208,918 ordinary shares of RM1.00 each by RM589.3 million to RM1,767.9 million comprising 2,357,208,918 ordinary shares of 75.0 sen each, representing a capital reduction of 25.0 sen for every existing ordinary share of RM1.00 each. In effecting the said reduction, the fractional sum of 50.0 sen of the paid-up capital shall be disregarded.

8. Status of Corporate Proposals (continued)

(ii) To cancel and utilise Celcom's Share Premium Account in the sum of RM110.7 million.

(hereinafter both amounts of RM589.3 million and RM110.7 million totalling RM700.0 million shall be collectively referred to as the "Distribution Sum").

(iii) To consolidate the issued and paid-up capital of Celcom of RM1,767.9 million on the basis of every one (1) share of 75.0 sen each into one (1) ordinary share of RM1.00 each, thereby consolidating 2,357,208,918 shares of 75.0 sen each into 1,767,906,688 ordinary shares of RM1.00 each credited as fully paid-up.

(iv) To distribute the Distribution Sum to Telekom Enterprise Sdn Bhd (TESB) whose name appear in the Record of Depositors as the sole registered shareholder of Celcom at the date of book closure, which date shall be determined by the Company Secretary.

(Proposed Capital Repayment).

All approvals required for the Proposal were duly obtained as follows:

(i) From the High Court, pursuant to Sections 60 and 64 of the Companies Act, 1965 which was obtained on 9 November 2006; and

(ii) From the lenders of the RM650.0 million Syndicated Term Loan and holders of the RM1.1 billion Al-Bai' Bithaman Ajil Bonds, which were obtained on 13 July 2006 and 25 July 2006 respectively.

Two (2) major creditors, namely our wholly owned subsidiaries held via Celcom, Celcom Mobile Sdn Bhd and Celcom Transmission (M) Sdn Bhd, have given their written consent to the Proposed Capital Repayment on 17 August 2006.

The Proposed Capital Repayment was completed on 6 December 2006.

This exercise has no effect on the earnings and net tangible assets of the Group.

Save as disclosed above, there are no other corporate proposals announced and not completed as at the date of this announcement.

9. Group Borrowings and Debt Securities

(a) Breakdown of Group borrowings and debt securities as at 31 December were as follows:

	2006		**2005**	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	**Short Term Borrowings RM Million**	**Long Term Borrowings RM Million**
Secured	828.9	909.2	445.0	1,034.2
Unsecured	974.2	9,373.6	969.1	9,767.5
Total	**1,803.1**	**10,282.8**	**1,414.1**	**10,801.7**

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

9. Group Borrowings and Debt Securities (continued)

(b) Foreign currency borrowings and debt securities in Ringgit Malaysia equivalent as at 31 December were as follows:

	2006	**2005**
Foreign Currency	**RM Million**	**RM Million**
US Dollar	7,259.3	7,107.4
Bangladesh Taka	322.7	11.4
Sri Lanka Rupee	188.8	233.2
Pakistani Rupee	69.7	1.9
Euro	5.1	5.7
Canadian Dollars	4.4	4.9
Pound Sterling	0.7	0.8
Total	**7,850.7**	**7,365.3**

10. Off Balance Sheet Financial Instruments

The details and the financial effects of the hedging derivatives that the Group has entered into are described in note 16 to the audited financial statements of the Group for the year ended 31 December 2005. There were no new off balance sheet financial instruments since the last financial year except for the following:

(a) Interest Rate Swap (IRS)

Underlying Liability

USD300.0 million 8% Guaranteed Notes due 2010

In 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 interest rate swap (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.

10. Off Balance Sheet Financial Instruments (continued)

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.

(b) 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 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.

(c) 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 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.

10. Off Balance Sheet Financial Instruments (continued)

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.

The accounting policies applied, which remain the same as in the latest audited financial statements, are as follows:

“Financial derivative hedging instruments are used in the Group’s risk management of foreign currency and interest rate exposures of its financial liabilities. Hedge accounting principles are applied for the accounting of the underlying exposures and their hedge instruments. These hedge instruments are not recognised in the financial statements on inception. The underlying foreign currency liabilities are translated at their respective hedged exchange rate, and differential interest receipts and payments arising from interest rate derivative instruments are accrued, so as to match the net differential with the related expenses on the hedged liabilities.

Exchange gains and losses relating to hedge instruments are recognised as a component of finance costs 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.”

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

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities, Significant Events and Significant Subsequent Events in the audited financial statements of the Group for the year ended 31 December 2005, listed below are updates of the relevant cases since the date of the last audited financial statements:

(a) i. **TM and TM Info-Media Sdn Bhd (formerly known as “Telekom Publications Sdn Bhd” or TMIM) vs Buying Guide (M) Sdn Bhd (BGSB)**

The case management fixed on 14 February 2007 has been adjourned to 11 June 2007 for the parties to prepare Agreed and Non-Agreed Bundle of Document.

Based on legal advice, TM and TMIM have a reasonably good chance of success in winning and defending the said claim and BGSB’s counter claim.

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

11. Material Litigation (continued)

ii. **TM and TM Info-Media Sdn Bhd (formerly known as "Telekom Publications Sdn Bhd" or TMIM) vs BG Media Sdn Bhd (BG Media) and BG Online Sdn Bhd (BG Online)**

On 15 February 2007, the Alleged Contemnors' Application to Cross Examine the deponent of Plaintiff's supporting Affidavit ("the said Application") has been fixed for mention on 8 and 22 March 2007 respectively for the parties to file submission. On the same day, the Plaintiffs' Application to commit the directors of BG Media and BG Online 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.

Based on legal advice, TM and TMIM have a reasonably good chance of success in establishing the said claim.

(b) **TM vs The Government of the Republic of Ghana (GoG)**

As at 31 December 2006, TM had received in total USD95.6 million from the GoG arising from the Settlement Agreement. The last payment of the settlement sum is due from the GoG in April 2007.

(c) **Kabel Pantai Timur Sdn Bhd (KPT) vs TM**

KPT challenged the action taken by TM by initiating arbitration proceedings in accordance with the contracts and claimed for an amount of RM10.4 million plus further damages, interest and cost. 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. TM has also filed its counterclaim for RM19.1 million in damages, interest and cost.

On the continued hearing date of 18 December 2006, both counsel addressed the Arbitrator on the lists of payments that have been made by TM to KPT for the works carried out in Terengganu as per the instruction by the Arbitrator. The Plaintiff's counsels informed the Arbitrator that their next witness was unwell due to some heart problems and hence, could not attend Court.

On 12 February 2007, TM received a notification from KPT's Solicitors informing that they have requested the Arbitrator to vacate the hearing dates on 13-14 February 2007 based on the same reason as abovestated.

The next hearing dates are as follows:

(i) 26-28 February 2007;

(ii) 5-8, 19-22, 28-30 March 2007;

(iii) 9-13, 18-20, 24-27 April 2007;

(iv) 2, 3, 7-10, 14-17, 21-24, 28-31 May 2007; and

(v) 11-14, 25-28 June 2007.

11. Material Litigation (continued)

TM'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 TM, by way of counterclaim, is currently uncertain, as it is dependent on the evidence given by TM's witnesses.

(d) **Bukit Lenang Development Sdn Bhd (BLDSB) vs TM, Tenaga Nasional Berhad and SAJ Holdings Sdn Bhd**

On 23 January 2006, the Court granted an Order in terms for TM's application to transfer this matter from Kuala Lumpur High Court to Johor Bahru High Court and as directed by the High Court, TM filed its Statement of Defence in the Kuala Lumpur High Court on 21 February 2006.

Meanwhile, TM's application to strike out BLDSB's Summons filed on 26 January 2005 has been postponed pending the transfer of the file to Johor Bahru High Court.

On 15 September 2006, this matter has been transferred to the High Court, Johor Bahru from the High Court, Kuala Lumpur, however, TM's solicitors have yet to receive the new civil reference number from Johor Bahru High Court.

On 10 November 2006, the Plaintiff's Solicitors has served TM with the unsealed Notice to Attend Pre Trial Case Management. However, the Plaintiff's Solicitors have yet to serve TM with the sealed copy of the said Notice.

Based on legal advice, TM has a reasonably good chance of success in defending its case against BLDSB.

(e) **Acres & Hectares Sdn Bhd (AHSB) vs TM**

On 6 March 2006, the Court has fixed this matter for hearing on 10 to 12 December 2007. The Court has also directed the parties to file the necessary cause papers before the said hearing dates.

Based on legal advice, TM has a reasonably good chance of success in defending its case against AHSB.

(f) **Rego Multi-Trades Sdn Bhd (Rego) vs Aras Capital Sdn Bhd and Tan Sri Dato' Tajudin Ramli (TSDTR)(By Original Claim)**
TSDTR vs Rego, Technology Resources Industries Berhad (TRI) and 5 Ors (By Counterclaim)

The striking out applications filed by Rego, TRI and the directors against TSDTR's counterclaim was fixed for hearing on 8 December 2005. However when the matter was called on the aforesaid date, the Registrar requested the parties to file written submissions and fixed the same for clarification/decision on 18 May 2006. 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

11. Material Litigation (continued)

appeal against the Registrar's decision on the striking out application to the Judge in Chambers (Appeal). The Appeal was fixed for hearing on 1 August 2006. On the hearing date, the Appeal was adjourned to 16 October 2006. On 16 October 2006, the Court has directed the parties to file written submissions and fixed the Appeal for hearing on 29 January 2007, which was later adjourned to the following dates:

(i) Rego's appeal is fixed for hearing on 12 July 2007

(ii) TRI's appeal is fixed for hearing on 27 July 2007

(iii) The directors' appeal is fixed for hearing on 17 August 2007

The Directors, based on legal advice received, are of the view that there are good prospects of striking out the counterclaim against the Group.

(g) **MCAT GEN Sdn Bhd (MCAT) vs Celcom (Malaysia) Berhad (Celcom)**

In respect of the First Suit, Celcom in its Counterclaim sought relief by way of an injunction to restrain such acts of passing off and also an order for an inquiry as to damages on account of profits.

On 9 January 2006, Celcom filed an application to strike out the First Suit on the grounds that MCAT's claim disclosed no cause of action, was frivolous, vexatious and an abuse of process of the Court. Celcom also sought, in the alternative, to strike out MCAT's claim for damages of RM1.0 billion on the grounds that the claim was frivolous, vexatious and an abuse of process of the Court. The striking out application which was fixed for hearing before the Registrar on 27 March 2006 was adjourned to 17 April 2006. Upon hearing the solicitors' submissions, the striking out application was fixed for clarification/decision on 4 May 2006. However, since then, the Registrar who heard the said application has been transferred to another Court and as such the striking out application was fixed for mention on 18 July 2006 pending the disposal of MCAT's application to amend the Statement of Claim.

MCAT's application to amend the First Suit's Writ of Summons and Statement of Claim was fixed for hearing on 6 September 2006. Upon hearing submissions by the parties' solicitors, the Court has fixed the same for decision/clarification on 10 October 2006.

On the hearing date, MCAT's solicitors informed the Court of an application for extension of time to refer to the written grounds of judgement of Datuk Wahab Patail in dismissing MCAT's injunction application in the Second Suit. As this application has yet to be sealed, MCAT's solicitors requested that the striking out application and the application to amend the Statement of Claim be adjourned to a later date.

11. Material Litigation (continued)

On 3 August 2006, MCAT's application for extension of time was allowed with no order as to costs. The Court then fixed the striking out application for mention and the application to amend the Statement of Claim for hearing on 6 September 2006 respectively. Upon hearing submissions by the parties, the Court then fixed the application to amend for decision/clarification and striking out application for mention on 10 October 2006 respectively. On the mention date, the Court allowed MCAT's application to amend with costs in the cause and the striking out application fixed for hearing on 29 January 2007, which was later adjourned to 22 March 2007 in view of MCAT's appeal against the Court's decision which allowed Celcom's application for consolidation.

On the direction of the Court Celcom has 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 First Suit's Court. The Third Suit will be heard after the First Suit has been disposed off by the Court.

Case management is fixed for mention on 9 March 2007.

In respect of the Second Suit, MCAT's application for an interim injunctive relief was heard and dismissed with costs on 13 April 2006. The application to amend the Writ of Summons was not contested by Celcom and was therefore allowed on 13 April 2006 subject to payment of costs by MCAT. Subsequently on 24 April 2006, MCAT filed a Notice of Appeal with the Court of Appeal against the said decision of 13 April 2006. On 29 June 2006, the appeal was fixed for mention before the Registrar of the Court of Appeal. The Court then fixed 30 August 2006 for the hearing of the appeal. On the hearing date, the Appeal was dismissed with costs. Celcom then filed a bill of costs and the same is fixed for hearing on 2 March 2007.

MCAT 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.

On 11 October 2006, MCAT filed an application to re-amend its Writ of Summons and Amended Statement of Claim primarily to amend its claim for damages from RM609.7 million to RM765.1 million (Re-Amendment Application). On 24 January 2007, the Re-Amendment Application was allowed by the Court with costs to be borne by MCAT.

Celcom has 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 Celcom. Court has directed parties to file written submission and later fixed the same for clarification/decision on 23 February 2007.

Case management is fixed for mention on 24 March 2007.

11. Material Litigation (continued)

The application to strike out the Third Suit which was fixed for hearing on 3 April 2006 was adjourned to 4 July 2006. Upon hearing the solicitors' submission, the striking out application was fixed for decision on 13 July 2006. The decision was subsequently fixed for mention on 11 August 2006 and later fixed for mention on 2 November 2006 pending the disposal of MCAT's application to amend the Statement of Claim, which has been fixed for hearing on 2 November 2006. The application to amend the Statement of Claim was allowed with costs to be borne by MCAT on 2 November 2006. The striking out application is now fixed for hearing on 31 January 2007. In light of Celcom's application for consolidation in the First Suit, which was allowed by the Court, the Court has adjourned all proceedings and will inform the parties on the next hearing date for the striking out application.

In the mean time, case management is fixed for mention on 9 March 2007.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from this case is remote.

(h) **DeTeAsia Holding GmbH (DeTeAsia) vs Celcom**

The cause papers in relation to the Originating Summons against DeTeAsia have been served upon DeTeAsia in Germany. On 22 March 2006, DeTeAsia entered a conditional appearance in this matter.

On 28 April 2006, DeTeAsia served a sealed copy of its application to set aside the Originating Summons on the ground that the Court has no jurisdiction to determine the same. The said application which was fixed for mention on 29 November 2006 to enable parties to file their respective affidavits has been adjourned to 5 March 2007.

Meanwhile, Celcom's Originating Summons which was fixed for hearing on 22 November 2006 has been adjourned to a later date as there is presently no Judge sitting in the *Rayuan dan Kuasa-Kuasa Khas* Court No. 1 (the former Judge, Dato' Raus was recently elevated to the Court of Appeal).

II. For the following material litigation cases as disclosed in the fourth quarter 2005 announcement to Bursa Malaysia on 28 February 2006, enumerated below are updates of the cases since the date of that announcement:

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

Following the decision by the High Court on 10 August 2005 pertaining to the dismissal of Mobikom's application for, *inter alia*, an injunction to restrain Inmiss from presenting a Winding-up Petition pending the disposal of Mobikom's application to set aside the Arbitration Award dated 31 March 2005 (the "Award"), Mobikom had, on 11 August 2005 filed an appeal at the Court of Appeal.

11. Material Litigation (continued)

On 24 July 2006, the Court of Appeal allowed the appeal of Mobikom as abovementioned with costs in the High Court and Court of Appeal to be paid to Mobikom. Following the said decision by the Court of Appeal and subject to Inmiss' right of appeal to the Federal Court, the ongoing Winding-up proceedings against Mobikom in the High Court will have to be stayed pending the disposal of Mobikom's setting aside application of the Award.

On 31 July 2006, the High Court fixed 27 July 2007 for mention of the following:

(i) Winding-up Petition;

(ii) Inmiss' application to appoint a provisional liquidator;

(iii) Mobikom's application for a stay of the Winding-up proceedings;

(iv) Mobikom's application to strike out Inmiss' affidavit i.e. Dr William Lau's Further Affidavit of 27 March 2006;

(v) Malaysian Communications and Multimedia Commission's (MCMC) application to intervene; and

(vi) Inmiss' *ex parte* application for leave to issue committal proceedings.

However, the Federal Court has, on 16 August 2006, granted an interim stay of the Order of the Court of Appeal dated 24 July 2006 pending the next hearing date to be fixed by the Court for Inmiss' leave application to appeal to the Federal Court. As to date, no hearing date has been fixed by the Federal Court for the said leave application. On 5 December 2006, the High Court has adjourned the following matters for mention to 14 March 2007:

(i) Inmiss' application for Mobikom to deposit RM27.6 million as security into the Court; and

(ii) Mobikom's Originating Motion to set aside the Award.

Based on legal advice, Mobikom has a reasonably good chance of success in its applications to the High Court for setting aside of the Award.

(b) **Technology Resources Industries Berhad (TRI) vs Tan Sri Dato' Tajudin Ramli (TSDTR), Bistamam Ramli (BR) and Dato' Lim Kheng Yew (LKY) (collectively referred to as 'Defendants')**

On 10 March 2006, the Registrar dismissed the Summary Judgement application with costs on the recovery of a total sum RM55.8 million which were paid to the Defendants as compensation for loss of office and incentive payment and also the return of two (2) luxury vehicles which were transferred to the first two Defendants. On 21 March 2006, TRI filed an appeal against the Registrar's decision on the Summary Judgement application to the Judge in Chambers (Appeal). The Appeal is fixed for hearing on 14 June 2006. However, on 22 May 2006, upon procuring its solicitors' advice, TRI withdrew the Appeal.

11. Material Litigation (continued)

TRI then filed an application to retransfer the matter to Commercial Court Division based on its solicitors' advice due to long backlog of cases in the Civil Court Division. The said application was fixed for hearing on 2 October 2006 and later adjourned to 30 November 2006. Upon hearing oral and written submissions from both parties, the Court dismissed TRI's application to retransfer with costs.

On 18 September 2006, TRI was served with a copy of TSDTR and BR Defence and Counterclaim.

The matter has been fixed for full hearing on 2, 3, 4 and 5 March 2009.

(c) Celcom and TRI vs former directors of TRI/Celcom

Celcom and TRI have on 28 April 2006 commenced legal proceedings in the High Court of Malaya against certain of their former directors for breach of fiduciary and other duties owed as directors.

The former directors of TRI/Celcom who are named in the suit are: (i) TSDTR, (ii) BR (iii) LKY (iv) Dieter Sieber (v) Frank-Reinhard Bartsch (vi) Joachim Gronau (vii) Joerg Andreas Boy (viii) Axel Hass and (ix) Oliver Tim Axmann (collectively referred to as "Defendants").

With respect to the persons at (iv) to (ix) above, TRI/Celcom have also filed an *ex parte* application for leave to issue and serve the Writ of Summons upon those former directors in Germany and/or Singapore in the manner required under the Rules of the High Court 1980.

TRI/Celcom's *ex parte* application for leave to serve out of jurisdiction was granted order in terms on 7 June 2006. The sealed Notices of Writ and Order for Service Out of Jurisdiction have been extracted from the Court. Service of process will be effected in Singapore/Germany as the relevant directors may be upon procuring certification from the German Embassy.

Service of process has however already been effected on i) TSDTR (ii) BR and (iii) LKY. They will file their respective defences in due course. On 12 September 2006, Dieter Sieber filed and served, through his solicitors in Malaysia, a memorandum of conditional appearance.

On 31 January 2007, Joachim Gronau filed and served, through his solicitors in Malaysia, a memorandum of conditional appearance.

TSDTR and DBR have filed a striking out application and the same has been fixed for hearing on 1 March 2007.

11. Material Litigation (continued)

(d) **Pengurusan Danaharta Nasional Berhad & 2 Ors vs TSDTR (By Original Claim) TSDTR vs Celcom, TRI & 22 Ors (By Counterclaim)**

On 29 June 2006, TM, Telekom Enterprise Sdn Bhd (TESB), Celcom and TRI was served each with a copy of a Defence and Counterclaim dated 29 June 2006 by TSDTR's solicitors making Celcom and TRI a party to the above legal proceedings via the Counterclaim.

On 6 July 2006, the solicitors for TM, TESB, Celcom and TRI (TM Group's Solicitors) filed a Memorandum of Conditional Appearance in Court.

On 13 July 2006, TM Group's Solicitors was served with an Amended Defence and Counterclaim dated 13 July 2006.

TSDTR is seeking TM, TESB, Celcom, TRI and 9 others jointly and/or severally the following relief in the Amended Counterclaim:

(i) the sum of RM6.2 billion (TRI shares at RM24.00 per share);

(ii) general damages to be assessed;

(iii) aggravated and exemplary damages to be assessed;

(iv) damages for conspiracy to be assessed;

(v) an Account of all sums paid under the Facility Agreement and/or to Danaharta by TSDTR including all such sums received by Danaharta including as a result of the sale of the TRI shares and the Naluri shares;

(vi) an assessment of all sums due to be repaid by Danaharta to TSDTR as a result of overpayment by TSDTR to Danaharta;

(vii) an Order that Danaharta forthwith pays all sums adjudged to be paid to TSDTR under prayer (vi);

(viii) an Account of all dividends and/or payments received by TM arising out of or in relation to the TRI (now Celcom) Shares;

(ix) an Order that TM forthwith pays all sum adjudged to be paid to TSDTR under prayer (viii);

(x) damages for breach of contract against Danaharta to be assessed.

In addition, TSDTR is also seeking, *inter alia*, from all the 24 Defendants to the Counterclaim the following relief:

(i) the sum of RM7.2 billion;

(ii) damages for conspiracy to be assessed;

11. Material Litigation (continued)

(iii) aggravated and exemplary damages to be assessed;

(iv) 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;

(v) costs.

On 20 July 2006, TM Group's solicitors have filed two applications on behalf of TM & TESB and Celcom & TRI for the striking out of the Amended Counterclaim by way of Summons in Chambers (SIC) in Court.

On 7 September 2006, TSDTR's solicitors filed and served on TM Group's solicitors, TSDTR's Affidavit in Reply to TM & TESB and Celcom & TRI Supporting Affidavit respectively.

On 19 October 2006, TM & TESB and Celcom & TRI filed and served on TSDTR's solicitors with their respective Affidavit in Reply.

On 23 November 2006, TSDTR's solicitors filed and served on TM Group's solicitors, TSDTR's Affidavit in Reply (2).

On 4 January 2007, TM & TESB and Celcom & TRI filed and served on TSDTR's solicitors with their respective Affidavit in Reply (2).

On 15 January 2007, TSDTR 's solicitors filed and served on TM Group's solicitors, TSDTR's Affidavit in Reply (3).

The Court has adjourned the matter to the following dates:

(i) 27 February 2007 as mention date for Celcom & TRI's application to strike out TSDTR's Amended Statement of Claim.

(ii) 6 June 2007 as the hearing date of TM & TESB's application to strike out TSDTR's Amended Statement of Claim.

(e) **Dato' Saizo Abdul Ghani (trading under the name and style of Airtime Telecommunication) (DS) vs Celcom & Anor**

On 6 July 2006, Celcom was served with a sealed copy of a Writ of Summons and Statement of Claim by DS. He is seeking 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, interest and costs.

11. Material Litigation (continued)

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, Celcom and Kamsani have a reasonably good chance of success in defending the claims by the Plaintiffs.

(f) **Asmawi bin Muktar (trading under the name and style of GM Telecommunication & Trading) (AM) vs Celcom & Anor**

On 6 July 2006, Celcom was served with a sealed copy of a Writ of Summons and Statement of Claim by AM. He is seeking against Celcom and Kamsani general damages in the sum of RM10.0 million for the alleged libel and breach of contract, a further sum of RM9.0 million in exemplary and aggravated damages for the alleged libel and an injunction to prevent Celcom and Kamsani from distributing or publishing any letters or content similar thereto, and interest and costs.

A Memorandum of Appearance and a Statement of Defence was filed on 7 July 2006 and 21 July 2006 respectively on behalf of Celcom and Kamsani (Defendants). On 28 August 2006, the Defendants filed a striking out application and 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.

During the hearing on 7 February 2007, the case is fixed for decision on 22 February 2007.

Based on legal advice, Celcom and Kamsani have a reasonably good chance of success in defending the claims by the Plaintiffs.

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

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

12. Earnings Per Share (EPS)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter **31/12/2006**	Preceding year corresponding quarter 31/12/2005	Current year to date **31/12/2006**	Preceding year corresponding period 31/12/2005
(a) Basic earnings per share				
Profit attributable to equity holders of the Parent (RM million)	**631.6**	(701.3)	**2,068.8**	811.3
Weighted average number of ordinary shares (million)	**3,395.9**	3,390.8	**3,394.0**	3,387.6
Basic earnings per share (sen)	**18.6**	(20.7)	**61.0**	23.9
(b) Diluted earnings per share				
Profit attributable to equity holders of the Parent (RM million)	**631.6**	(701.3)	**2,068.8**	811.3
Weighted average number of ordinary shares (million)	**3,395.9**	3,390.8	**3,394.0**	3,387.6
Adjustment for ESOS (million)	**6.5**	9.6	**7.3**	13.6
Weighted average number of ordinary shares (million)	**3,402.4**	3,400.4	**3,401.3**	3,401.2
Diluted earnings per share (sen)	**18.6**	(20.6)	**60.8**	23.9

Fully diluted earnings per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, adjusted to assume the conversion of dilutive potential ordinary shares.

13. Dividend

(a) The Board of Directors has on 2 August 2006 declared an interim gross dividend of 16.0 sen per share less tax at 28% (2005: an interim tax-exempt dividend of 10.0 sen per share) for the financial year ending 31 December 2006. The dividend has been paid on 18 September 2006 to shareholders whose names appeared in the Register of Members and Record of Depositors on 23 August 2006.

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

13. Dividend (continued)

(b) 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. Upon shareholders' approval, the total dividend payout for the current year is approximately RM1,135.1 million, representing 55% of the profit attributable to shareholders. This is in line with the dividend payout policy between 40% to 60% of profit attributable to shareholders.

By Order of the Board

Wang Cheng Yong (MAICSA 0777702)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
23 February 2007