TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following unaudited results of the Group for the second quarter ended 30 June 2006.

UNAUDITED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/6/2006 RM Million	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2005 RM Million	CURRENT YEAR TO DATE 30/6/2006 RM Million	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2005 RM Million
OPERATING REVENUE	**3,976.3**	3,322.3	**7,763.9**	6,737.2
OPERATING COSTS	**(2,318.2)**	(1,928.1)	**(4,206.0)**	(3,913.2)
DEPRECIATION AND AMORTISATION	**(968.3)**	(873.6)	**(1,959.1)**	(1,738.5)
OPERATING PROFIT	**689.8**	520.6	**1,598.8**	1,085.5
OTHER OPERATING INCOME	**16.4**	28.1	**35.1**	97.6
OPERATING PROFIT BEFORE FINANCE COST	**706.2**	548.7	**1,633.9**	1,183.1
NET FINANCE COST	**(65.0)**	(50.1)	**(183.2)**	(158.7)
ASSOCIATES/JOINTLY CONTROLLED ENTITIES				
- share of profits less losses (net of tax)	**30.7**	(0.1)	**36.5**	3.3
- gain on dilution/disposal	**-**	3.3	**-**	7.0
PROFIT BEFORE TAXATION	**671.9**	501.8	**1,487.2**	1,034.7
TAXATION	**(207.5)**	(55.5)	**(416.6)**	(199.2)
PROFIT FOR THE PERIOD	**464.4**	446.3	**1,070.6**	835.5
ATTRIBUTABLE TO:				
- equity holders of the Parent	**436.1**	426.1	**955.0**	800.6
- minority interest	**28.3**	20.2	**115.6**	34.9
PROFIT FOR THE PERIOD	**464.4**	446.3	**1,070.6**	835.5
EARNINGS PER SHARE (sen) (Note B12)				
- basic	**12.9**	12.6	**28.1**	23.6
- diluted	**12.8**	12.5	**28.1**	23.6
DIVIDENDS PER SHARE (sen) (Note B13)				
- interim - gross	**16.0**	-	**16.0**	-
- tax-exempt	**-**	10.0	**-**	10.0

(The above Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005)

UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2006

	AS AT END OF CURRENT QUARTER 30/6/2006	AS AT PRECEDING FINANCIAL YEAR END 31/12/2005 (AUDITED)
	RM Million	**RM Million**
SHARE CAPITAL	3,394.1	3,391.5
SHARE PREMIUM	3,920.0	3,904.2
RESERVES	12,412.9	12,088.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	19,727.0	19,384.1
MINORITY INTEREST	715.5	654.0
TOTAL EQUITY	20,442.5	20,038.1
Borrowings	10,559.0	10,405.0
Customer deposits	595.4	598.4
Deferred tax liabilities	2,491.6	2,368.7
DEFERRED AND LONG TERM LIABILITIES	13,646.0	13,372.1
	34,088.5	**33,410.2**
INTANGIBLE ASSETS	7,846.2	6,971.7
PROPERTY, PLANT AND EQUIPMENT	22,839.8	22,320.9
LAND HELD FOR DEVELOPMENT	172.1	170.7
ASSOCIATES	223.9	102.7
JOINTLY CONTROLLED ENTITIES	156.7	137.5
INVESTMENTS	257.8	258.0
LONG TERM RECEIVABLES	646.5	595.8
DEFERRED TAX ASSET	254.3	196.5
Inventories	219.2	204.2
Trade and other receivables	3,578.5	3,536.0
Non-current asset held for sale	24.0	-
Short term investments	297.6	274.7
Cash and bank balances	4,236.9	6,415.6
CURRENT ASSETS	8,356.2	10,430.5
Trade and other payables	5,051.5	6,177.7
Borrowings	1,515.3	1,414.1
Taxation	98.2	182.3
CURRENT LIABILITIES	6,665.0	7,774.1
NET CURRENT ASSETS	1,691.2	2,656.4
	34,088.5	**33,410.2**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)	581.2	571.5

(The above Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2006

	Attributable to equity holders of the Parent						
	Issued and Fully Paid of RM1 each	Non-distributable			Distributable		
	Share Capital RM Million	Share Premium RM Million	Employees' Share Option Scheme Reserves RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Minority Interest RM Million	Total Equity RM Million
At 1 January 2006	3,391.5	3,904.2	-	(251.2)	12,339.6	654.0	20,038.1
Currency translation differences arising during the period	-	-	-	(40.2)	-	(14.0)	(54.2)
Net loss not recognised in the Income Statements	-	-	-	(40.2)	-	(14.0)	(54.2)
Profit for the period	-	-	-	-	955.0	115.6	1,070.6
Total recognised income for the period	3,391.5	3,904.2	-	(291.4)	13,294.6	755.6	21,054.5
Acquisition of additional equity interest in subsidiaries	-	-	-	-	-	(87.4)	(87.4)
Acquisition of equity interest in a subsidiary	-	-	-	-	-	28.1	28.1
Dilution of equity interest in subsidiaries	-	-	-	-	-	15.9	15.9
Dividends paid to minority interest	-	-	-	-	-	(11.8)	(11.8)
Dividends paid for year ended - 31.12.2005 (Note A7)	-	-	-	-	(610.9)	-	(610.9)
Employees' share option scheme (ESOS) - value of employee services	-	-	20.6	-	-	0.9	21.5
Issue of shares - exercise of share options	2.6	15.8	-	-	-	14.2	32.6
At 30 June 2006	**3,394.1**	**3,920.0**	**20.6**	**(291.4)**	**12,683.7**	**715.5**	**20,442.5**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2005

	Attributable to equity holders of the Parent						
	Issued and Fully Paid of RM1 each	Non-distributable			Distributable		
	Share Capital RM Million	Share Premium RM Million	Employees' Share Option Scheme Reserves RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Minority Interest RM Million	Total Equity RM Million
At 1 January 2005	3,382.4	3,848.5	-	(258.3)	12,480.7	287.8	19,741.1
Currency translation differences arising during the period	-	-	-	22.2	-	(8.0)	14.2
Net gain not recognised in the Income Statements	-	-	-	22.2	-	(8.0)	14.2
Profit for the period	-	-	-	-	800.6	34.9	835.5
Total recognised income for the period	3,382.4	3,848.5	-	(236.1)	13,281.3	314.7	20,590.8
Acquisition of equity interest in subsidiaries	-	-	-	-	-	8.3	8.3
Dividends paid to minority interest	-	-	-	-	-	(12.1)	(12.1)
Dividends paid for year ended - 31.12.2004	-	-	-	-	(677.3)	-	(677.3)
Issue of shares - exercise of share options	4.6	27.7	-	-	-	12.7	45.0
At 30 June 2005	**3,387.0**	**3,876.2**	**-**	**(236.1)**	**12,604.0**	**323.6**	**19,954.7**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2006

	FOR THE SIX MONTHS ENDED 30/6/2006 RM Million	FOR THE SIX MONTHS ENDED 30/6/2005 RM Million
Receipts from customers	7,508.1	6,570.5
Payments to suppliers and employees	(4,390.3)	(3,937.3)
Payment of compensation	(874.0)	-
Payment of finance cost	(303.7)	(337.9)
Payment of income taxes	(286.5)	(221.6)
Tax refund	-	55.5
CASH FLOWS FROM OPERATING ACTIVITIES	**1,653.6**	**2,129.2**
Disposal of property, plant and equipment	6.2	6.7
Purchase of property, plant and equipment	(2,631.2)	(1,478.2)
Payment of intangible asset (3G Spectrum Licence)	(173.6)	(8.0)
Disposal of long term investments	0.5	60.8
Disposal of short term investments	63.4	32.2
Purchase of short term investments	(85.6)	(24.3)
Acquisition of subsidiaries (net of cash acquired)	(661.1)	(1,048.8)
Acquisition of additional equity interest in subsidiaries	(252.4)	-
Acquisition of an associate	(124.8)	(184.5)
Repayment of loans by employees	59.4	61.7
Loans to employees	(26.3)	(37.3)
Interest received	122.0	145.7
Dividend received	2.3	2.0
CASH FLOWS USED IN INVESTING ACTIVITIES	**(3,701.2)**	**(2,472.0)**
Issue of share capital	18.4	32.3
Issue of share capital to minority interest	14.2	12.7
Proceeds from borrowings	1,768.5	240.3
Repayments of borrowings	(1,278.2)	(430.1)
Dividends paid to shareholders	(610.9)	(677.3)
Dividends paid to minority interest	(11.8)	(12.1)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(99.8)**	**(834.2)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,147.4)	(1,177.0)
EFFECT OF EXCHANGE RATE CHANGES	(33.4)	(9.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,401.0	8,791.1
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**4,220.2**	**7,604.9**

(The above Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005)

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

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation

(a) The unaudited condensed interim financial statements for the second quarter ended 30 June 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 unaudited condensed interim financial statements are consistent with those used in the preparation of the 2005 audited financial statements except for the followings:

(i) 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. The new and revised FRSs considered in this announcement are as follows:

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

The adoption of the above FRSs does not have any significant financial impact to the Group.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All new and revised FRSs adopted by the Group require retrospective application other than those stated otherwise.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation (continued)

Enumerated below are the changes to the accounting policies, presentation and disclosures to the financial statements of the Group resulting from the adoption of the new and revised FRSs:

FRS 2

The adoption of FRS 2 has resulted in a change in the accounting policy for share-based payment.

The Company and its following subsidiaries have Employees' Share Option Scheme (ESOS) whereby share options are granted to eligible employees:

- VADS Berhad
- Dialog Telekom Limited
- PT Excelcomindo Pratama Tbk

Prior to 1 January 2006, share options granted to employees were not recognised as compensation expense in the income statement. Following the adoption of FRS 2, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. For ESOS of the Company granted to the employees of subsidiaries, the expense will be recognised in the subsidiaries financial statements over the vesting period.

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

FRS 2 is applied retrospectively in respect of equity instruments granted after 31 December 2004 and not vested as at 1 January 2006.

The financial impact to the Group arising from the retrospective application of FRS 2 is not material and hence, no restatement of retained earning is performed.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation (continued)

FRS 3, FRS 136 and FRS 138

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in changes in accounting policy for goodwill. The accounting policy for goodwill is now extended 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 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;
- Impairment of goodwill is charged to Consolidated Income Statement as and when it arises and reversal is not allowed;
- The accounting for goodwill and fair value adjustment arising from the acquisition of a foreign entity are treated as assets and liabilities of the acquiring entity and are recorded at the exchange rate at the date of acquisition. This change is in accordance with the transitional provision of FRS 121.

The above changes in accounting policy have been applied prospectively for business combinations with agreement dated on or after 1 January 2006.

The Group has reassessed the useful lives of its intangible assets in accordance with the transitional provisions of FRS 138. No material adjustment resulted from this assessment.

FRS 5

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. Consequent from the adoption of FRS 5, the Group has reclassified the carrying amount of a building to non-current assets held for sale.

1. Basis of Preparation (continued)

FRS 101

The adoption of FRS 101 has no financial impact on the Group but affected the presentation of minority interest, share of associates' results and certain disclosures. Minority interest is now presented within total equity in the Consolidated Balance Sheet and as an allocation from net profit for the period in the Consolidated Income Statement. The movement of minority interest is now presented in the Consolidated Statement of Changes in Equity. The share of associates' results is now presented net of tax in the Consolidated Income Statement.

The presentation of the comparative financial statements of the Group has been restated to conform with current period presentation.

FRS 116

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;
- 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.

FRS 121

The adoption of FRS 121 has no material effect on the Group's policies. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard. Majority of the Group's entities have the same functional currency as their measurement currency.

The Group has applied the accounting for goodwill and any fair value adjustment arising on the acquisition of a foreign entity as assets and liabilities of the foreign entity prospectively in accordance with the transitional provision of FRS 121.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation (continued)

FRS 127

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 and this FRS does not have any financial impact on the Group.

FRS 140

The adoption of FRS 140 requires properties which are held for long-term rental yields and not occupied by the Group to be accounted for as investment properties.

The Group has assessed the status of all properties based on the provisions of FRS 140 and concluded that the adoption of FRS 140 has no material financial impact on the Group.

(ii) changes in segmental reporting information as presented in Note A8 for Internet and multimedia, fixed line and data and other segments to give a fairer presentation of the results of operations. The comparatives have been restated to conform with current period classification.

(b) The principal closing rates (units of Malaysian Ringgit per foreign currency) used in translating significant balances at 30 June 2006 are as follows:

Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
US Dollar	3.67200	Singapore Dollar	2.32067
Japanese Yen	0.03209	Special Drawing Rights	5.43667
Sri Lanka Rupee	0.03535	Gold Franc	1.77611
Bangladesh Taka	0.05406	Thai Baht	0.09638
Indonesian Rupiah	0.00040	Indian Rupee	0.08005
Pakistani Rupee	0.06110		

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 last financial year amounting to USD232.0 million (RM874.0 million).

(b) During the first quarter, intangible assets increased by RM152.6 million due to the upfront premium fees in relation to the 3G licence paid by PT Excelcomindo Pratama Tbk (XL), a subsidiary held via TM International (L) Limited.

Based on the letter of the Minister of Communications andInformatics No. 206/M.KOMINFO/7/2005 dated 7 July 2005, XL 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 obliged to pay upfront premium fees amounting to twice of bid price or Rp376.0 billion (full amount) within 30 working days after the date of announcement. In addition, XL has to lodge a Performance Bond of Rp20 billion (full amount) and has to pay annual Frequency License Right Expenses 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

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 period ended 30 June 2006.

5. Material Changes in Estimates

There were no 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 RM2.6 million from 3,391.5 million shares of RM1.00 each to 3,394.1 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 period ended 30 June 2006.

7. Dividends Paid

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.

8. Segmental Information

Segmental information for the financial period ended 30 June 2006 and 30 June 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	3,610.4	403.2	2,138.4	1,907.0	314.3	8,373.3
Inter-segment *	(347.7)	(3.6)	(67.7)	(2.1)	(188.3)	(609.4)
External operating revenue	3,262.7	399.6	2,070.7	1,904.9	126.0	7,763.9

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

8. Segmental Information (continued)

2006

All amounts are in RM Million	Fixed line and data	Internet and multimedia	Cellular Domestic	Cellular Foreign	Others	Total
Results						
Segment result	629.5	33.8	541.5	595.6	21.2	1,821.6
Unallocated income **						29.0
Corporate expenses ***						(306.3)
Foreign exchange gains						89.6
Operating profit before finance cost						1,633.9
Finance cost						(323.7)
Finance income						140.5
Associates/Jointly controlled entities						
- share of profits less losses (net of tax)	11.6	-	(2.3)	27.2	-	36.5
Profit before taxation						1,487.2
Taxation	(93.8)	(10.5)	(166.4)	(143.2)	(2.7)	(416.6)
Profit for the period						1,070.6

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	3,729.4	274.6	2,236.1	691.0	353.8	7,284.9
Inter-segment *	(197.9)	(4.0)	(113.1)	-	(232.7)	(547.7)
External operating revenue	3,531.5	270.6	2,123.0	691.0	121.1	6,737.2
Results						
Segment result	616.2	0.7	496.9	234.6	(16.0)	1,332.4
Unallocated income **						81.1
Corporate expenses ***						(262.5)
Foreign exchange gains						32.1
Operating profit before finance cost						1,183.1
Finance cost						(339.4)
Finance income						180.7
Associates						
- share of profits less losses (net of tax)	4.4	0.6	-	(1.7)	-	3.3
- gain on dilution/disposal						7.0
Profit before taxation						1,034.7
Taxation	(33.1)	(2.6)	(138.7)	(9.1)	(15.7)	(199.2)
Profit for the period						835.5

8. Segmental Information (continued)

* 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.

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 Quarter

There were no material events subsequent to the end of the quarter that have not been reflected in the interim 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 period ended 30 June 2006 were as follows:

(a) Samart Corporation Public Company Limited (Samart)

The shareholding of the Company's wholly owned subsidiary, TM International Sdn Bhd (TMI) 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. The dilution has no material effect to the results of the Group.

(b) VADS Berhad (VADS)

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

(c) MobileOne Limited (M1)

Following the purchases of shares from open market which was more than the dilution arising form the exercise of share options by the employees of M1, the percentage of shareholding in SunShare Investment Limited (SunShare) (a joint venture company between TMI and Khazanah Nasional Berhad) increased from 24.76% to 29.79% in the first quarter of 2006.

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

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 dilution has no material effect to the results of the Group.

(d) Dialog Telekom Limited (Dialog)

During the first quarter, TM's equity interest in Dialog, held via TM International (L) Ltd, reduced from 90.1% to 90.02% due to exercise of share options by the employees of Dialog under Dialog's Employees' Share Option Scheme. It was further reduced to 89.85% during the second quarter. The dilution has no material effect to the results of the Group.

(e) Fiberail Sdn Bhd (Fiberail)

Pursuant to TM's announcement dated 9 February 2006 on the Proposed 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) Cambodia Samart Communication Company Limited (Casacom)

TM's equity interest in Casacom, held via TMI increased from 51% to 100% on 27 March 2006, pursuant to the completion of the Conditions Precedent stipulated in 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 Casacom for a consideration price of USD29.0 million.

The goodwill on acquisition arising from the above was RM57.2 million, being the excess of the purchase price over the Group's share of the provisional fair value of Casacom's identifiable net assets as at 27 March 2006. This acquisition has no material effect to the results of the Group.

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

TM (via TMI) acquired a 24.42% equity interest in SIM on 27 March 2006 for a consideration price of THB1,312.5 million, pursuant to the completion of the Condition Precedent stipulated in the Share Sale and Purchase Agreement and a Shareholders Agreement with Samart on 17 February 2006 on the acquisition of 105 million ordinary shares of THB1.00 each.

The goodwill on acquisition arising from the above 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. This acquisition has no material effect to the results of the Group.

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

(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 and Fibrecomm is now a 51% subsidiary of TM, held via Celcom (Malaysia) Berhad.

(i) Distacom Communications (India) Limited (DCIL)

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

The goodwill on acquisition arising from the above was RM666.4 million, being the excess of the purchase price over the Group's share of the provisional fair value of DCIL's identifiable net assets as at 10 May 2006. This acquisition has no material effect to the results of the Group.

(j) Spice Communications Private Limited (Spice)

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

(k) PT Excelcomindo Pratama Tbk (XL)

On 7 June 2006, TMIL, a wholly owned subsidiary of the Company held via TMI, 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 (formerly known as PT Telekomindo Primabhakti) (Telekomindo) 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

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

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 and TM's effective equity interest in XL increased from 56.9% to 59.7%.

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 Letter of Release on the guarantee and indemnity was furnished by the Security Agent on 1 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.

13. Capital Commitments

	Group	
	30/6/2006	30/6/2005
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**3,797.3**	3,001.1
Commitments in respect of expenditure approved but not contracted for	**1,415.2**	879.6

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 19.7% (RM654.0 million) to RM3,976.3 million as compared to RM3,322.3 million in second quarter 2005, mainly attributed to higher revenue from cellular, interconnect, Internet and multimedia services. Significant increase in cellular revenue was mainly attributed to the consolidation of PT Excelcomindo Pratama Tbk (XL), which became a subsidiary in the fourth quarter 2005. XL also reported better revenue in the current quarter, up 56.5% to RM544.7 million from RM348.1 million in the second quarter 2005. As compared to second quarter 2005, the Group profit before taxation increased by 33.9% (RM170.1 million) to RM671.9 million, attributed to the higher revenue and contribution from associates and a jointly controlled entity, after setting off higher loss on foreign exchange.

For the first half of the financial year under review, the Group revenue increased by 15.2% (RM1,026.7 million) to RM7,763.9 million, driven primarily by the cellular, interconnect, Internet and multimedia services. The Group profit before taxation increased by 43.7 % (RM452.5 million) to RM1,487.2 million, attributed to higher revenue, gain on foreign exchange and contribution from associates as well as a jointly controlled entity.

2. Comparison with Preceding Quarter's Results

Group revenue for the current quarter of RM3,976.3 million increased by 5.0% over RM3,787.6 million recorded in the preceding quarter, mainly due to higher contribution from cellular segment and Internet and multimedia services. The Group profit before taxation of RM671.9 million was however lower than RM815.3 million recorded in the preceding quarter, primarily due to loss on foreign exchange of RM75.1 million recorded in second quarter 2006 as compared to gain on foreign exchange of RM212.9 million in first quarter 2006.

3. Prospects for the Current Financial Year

TM will focus on improving the performance of its mobile arm in particular mobile data and in the enterprise segment amidst the competitive and highly penetrated market.

TM fixed line and data revenue for the first half 2006 declined by 7.6% (RM268.8 million) to RM3,262.7 million. Such decline was partially mitigated by an increase of RM129.0 million in Internet and multimedia revenue over the same period. The Board expects the decline in fixed line revenue to continue in the second half 2006 primarily due to migration of traffic to mobile network in line with global trends. TM will however, continue with our efforts to mitigate the decline in fixed voice revenue with non-traditional revenue streams and hope to revitalise it with a strong push for data, broadband and its related services.

On its international operations, TM shall further entrench its position in the current markets of presence through execution of strategies and growing the value of our investments. Further growth in revenue is expected to come from TM's investments in Indonesia, Sri Lanka and Bangladesh. We will adopt an opportunistic approach for new markets in our effort to position TM as a regional telecommunications player.

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

3. Prospects for the Current Financial Year (continued)

Barring any unforeseen circumstances, the Board of Directors expects the Group's performance for current financial year to improve as compared to last year.

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 period ended 30 June 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
	30/6/2006	**30/6/2005**	**30/6/2006**	**30/6/2005**
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Current year taxation	**82.6**	47.1	**206.0**	158.5
In respect of prior year	**(0.4)**	(40.9)	**3.0**	(39.9)
Deferred taxation – net	**55.4**	49.9	**64.0**	74.4
	137.6	56.1	**273.0**	193.0
Overseas				
Current year taxation	**5.8**	3.7	**15.1**	7.1
In respect of prior year	**-**	(4.3)	**(0.3)**	(0.9)
Deferred taxation – net	**64.1**	-	**128.8**	-
	69.9	(0.6)	**143.6**	6.2
TOTAL TAXATION	**207.5**	55.5	**416.6**	199.2

The current quarter and financial period to date effective rate of taxation for the Group was higher than the statutory rate principally due to certain expenses which were not deductible for tax purposes.

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

There were no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the financial period ended 30 June 2006.

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

(a) Total purchases and disposals of quoted securities for the current quarter and financial period ended 30 June 2006 are as follows:

	Current quarter RM Million	Period to date RM Million
Total purchases	25.7	55.2
Total disposals	27.1	50.9
Total loss on disposal	(2.3)	(5.6)

(b) Total investments in quoted securities as at 30 June 2006 are as follows:

	RM Million
At cost	198.1
At book value	114.5
At market value	114.5

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial period ended 30 June 2006 are as follows:

	Current quarter RM Million	Period to date RM Million
Total purchases	14.4	30.4
Total disposals	-	12.5
Total loss on disposal	-	(0.4)

(b) Total investments in quoted fixed income securities as at 30 June 2006 are as follows:

	RM Million
At cost	188.1
At book value	183.1
At market value	183.1

8. Status of Corporate Proposals

(a) Proposed Acquisition of up to 80% equity interest in PT Excelcomindo Pratama Tbk (XL)

On 9 December 2004, TM International (L) Limited (TMIL), our wholly owned subsidiary, entered into a Share Sale and Purchase Agreement (Original SPA) with Rogan Partners Inc (Rogan) and PT Telekomindo Primabhakti (now known as PT Rajawali Capital) (Telekomindo) for the acquisition of 618,345 ordinary shares of Indonesian Rupiah (Rp) 250,000 each in XL (XL Shares), representing 27.3% equity interest in XL, through the acquisition of 100% equity interest in Indocel Holding Sdn

8. Status of Corporate Proposals (continued)

Bhd (Indocel), for a total cash consideration of USD314.0 million (RM1,193.0 million).

On 11 January 2005, TMIL entered into an Amended and Restated Share Sale and Purchase Agreement (Amended SPA) superseding the Original SPA. The Amended SPA had split the acquisition of XL into a 2 step process:

(i) acquisition by TMIL from Rogan of 523,215 XL Shares, representing 23.1% equity interest in XL, through the acquisition of 100% equity interest in Indocel for a cash consideration of USD265.7 million (RM1,009.5 million), which was completed on 11 January 2005; and

(ii) acquisition by Indocel from Rogan of an additional 95,130 XL Shares, representing 4.2% equity interest in XL, for a cash consideration of USD48.3 million (RM183.5 million), which was completed on 15 June 2005.

On 11 January 2005, TMIL and Telekomindo entered into an Option Agreement (Option Agreement) where Telekomindo may require TMIL to purchase, and TMIL may require Telekomindo to sell to TMIL, the following:

(i) 906,001 XL Shares, representing 40.0% equity interest in XL, held by Telekomindo; and

(ii) up to 287,655 XL Shares, representing up to 12.7% equity interest in XL, to be acquired by Telekomindo from AIF (Indonesia) Limited (AIF) prior to the exercise of the call/put option (Later Purchased Shares).

If Telekomindo purchases the Later Purchased Shares after the exercise of the call/put option, but within 18 months from the date of the Original SPA, within 30 days of such acquisition of Later Purchased Shares, Telekomindo may require TMIL to purchase, and TMIL may require Telekomindo to sell to TMIL, such Later Purchased Shares.

TMIL, Indocel and Telekomindo had also entered into a Shareholders' Agreement on 11 January 2005 in recognition of the role of TMIL as the new strategic investor in XL.

TMIL has completed the acquisition of Indocel, 95,130 XL Shares and the 906,001 XL Shares referred to above. As a result our equity interest in XL was approximately 56.9%.

As mentioned above, pursuant to the Option Agreement, TMIL has the option to acquire up to 10.14% of XL's enlarged issued and paid-up capital (after initial public offering of XL).

On 7 June 2006, TMIL entered into an agreement with 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 (RM144.7 million).

8. Status of Corporate Proposals (continued)

On the same date, Telekomindo issued a letter to TMIL whereby it agreed that the AIF Purchased Shares are deemed to be part of the Later Purchased Shares 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 and TM effectively holds 59.7% equity interest in XL.

(b) Proposed Acquisition by Celcom Transmission (M) Sdn Bhd (CTX) of an additional 10% equity interest in Fibrecomm Network (M) Sdn Bhd (Fibrecomm) (Proposed Acquisition)

On 18 March 2005, CTX, our wholly owned subsidiary held through Celcom (Malaysia) Berhad (Celcom), entered into a Heads of Agreement (HoA) with Tenaga Nasional Berhad (TNB), its joint venture partner in Fibrecomm, in relation to the proposed acquisition by CTX of an additional 10% equity in Fibrecomm. Currently, CTX holds 41% of the issued and paid-up share capital of Fibrecomm while TNB holds the remaining 59%. The completion of the Proposed Acquisition will result in the increase of CTX's equity interest in Fibrecomm to 51%.

In line with the HoA, on 29 April 2005, CTX entered into the following agreements:

(i) Share Sale Agreement between TNB and CTX (SSA) in relation to the Proposed Acquisition where the completion of the Proposed Acquisition is expected to be within 6 months from the signing of the SSA;

(ii) Shareholders' Agreement between TNB and CTX in relation to Fibrecomm (SA); and

(iii) Deed of Assignment between CTX and Fibrecomm (DoA).

Further to the above, on 5 December 2005, Celcom entered into a Deed of Variation (DoV) with Fibrecomm for the purposes of varying the terms of the Deed of Assignment. In addition, the completion date of the SSA was extended for a further 6 months from 29 October 2005 to 28 April 2006.

On 28 April 2006, TM announced that the Minister of Energy, Water and Communications has granted the Network Facilities Provider (Individual) Licence and the Network Services Provider (Individual) Licence to Fibrecomm on 10 February 2006.

Accordingly, CTX and Fibrecomm entered into a Deed of Revocation and Rescission to revoke the DoA and DoV with immediate effect. TNB and CTX have also simultaneously entered into Supplemental Agreements to amend the terms of the SSA and the SA.

With the execution of the Deed of Revocation and Rescission and the Supplemental Agreements, the Proposed Acquisition has been completed on 28 April 2006 and Fibrecomm is now a 51% subsidiary of TM held via Celcom.

8. Status of Corporate Proposals (continued)

(c) Proposed Acquisition of Business and Business Assets of Petrofibre Network (M) Sdn Bhd (Petrofibre) by Fiberail Sdn Bhd (Fiberail), TM's 60% owned subsidiary (Proposed Asset Acquisition)

On 12 December 2005, TM announced that, Fiberail has entered into an agreement (Agreement) with Petrofibre to acquire Petrofibre's business and all property and rights of Petrofibre used in the conduct of the business at a total consideration of RM100.5 million.

Fiberail shall satisfy the Proposed Asset Acquisition in the following manner:

(i) Fiberail shall pay an initial cash deposit of up to RM2.0 million within 14 days from the signing of the Agreement;

(ii) Fiberail shall issue to Petrofibre up to 1,580,000 ordinary shares of RM1.00 each in Fiberail, at an issue price of RM8.08 each amounting to RM12.8 million or at an adjusted net tangible assets per share as per the terms and conditions stipulated in the Agreement (referred to as "Consideration Shares"); and

(iii) Fiberail shall pay the remaining balance of the purchase consideration in cash.

Subsequently, on 9 February 2006, TM entered into the following agreements:

(i) a Joint Venture Agreement with Keretapi Tanah Melayu Berhad (KTMB) and Petrofibre to regulate the relationship between KTMB, Petrofibre and TM as shareholders of Fiberail and also to regulate and conduct the affairs and business of Fiberail;

(ii) a Put Option Agreement with KTMB and Petrofibre where in consideration of the completion of the Proposed Asset Acquisition and payment of RM1.00 by Petrofibre to TM and KTMB, TM and KTMB grant an option to Petrofibre or its nominee(s) to require TM and KTMB to purchase (in the proportion of 60% by TM and 40% by KTMB) up to 10% of Fiberail's enlarged issued and paid-up share capital (1,580,000 ordinary shares of RM1.00 each), being part of the consideration payable by Fiberail to Petrofibre under the Agreement (Option Shares) at an exercise price of RM8.08 per share. If KTMB declines to purchase any or all of its portion of the Option Shares, TM shall purchase such Option Shares within the period commencing 1 year from 9 February 2006 and ending on the 5th anniversary of that date or 30 days from the date of receipt of notice from Fiberail of the engagement of the lead adviser for an initial public offering (IPO) of Fiberail, whichever is earlier; and

8. Status of Corporate Proposals (continued)

(iii) a Call Option Agreement with KTMB where in consideration of KTMB paying RM1.00 to TM, TM grant an option to KTMB to require TM to sell to KTMB Fiberail shares (Fiberail Call Option) which were acquired by TM due to KTMB declining to acquire those Fiberail shares under the Put Option Agreement. The Fiberail Call Option may be exercised within the following period:

(a) in the case where Fiberail has appointed the lead adviser for an IPO of Fiberail and we have acquired the Option Shares under the Put Option Agreement, the period of 1 month from the date of registration of the Option Shares in our name or from the date the Put Option was exercised by Petrofibre, whichever is later; or

(b) in any other case, the period of 12 months commencing from the date of registration of the Option Shares in our name.

Save for the assignment and/or novation of relevant contracts to Fiberail, all of the conditions to the completion of the Proposed Asset Acquisition have been satisfied.

(d) 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. The consideration includes all outstanding claims as well as consideration for the equity component. The sale will be effected through either:

(i) the disposal of the 60% equity interest in TNM to Tess International Ltd (Tess) (incorporated in the Republic of Mauritius), TM's wholly owned subsidiary held via TMIL and the acquisition by Econet of the entire equity interest in Tess (Restructuring); or

(ii) if the Restructuring is not completed by 10 April 2006, the direct acquisition by Econet of the 60% equity interest in TNM.

The proceeds from the disposal will form part of the working capital of TMIL.

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.

TM has applied to set aside the injunction on, amongst others, the following basis:

(i) TM has complied with the JVA at all times;

8. Status of Corporate Proposals (continued)

(ii) no sale to Econet has taken place as it is still subject to regulatory and other authorities approvals;

(iii) MTL is acting in bad faith as MTL has not complied with the terms of the JVA and has instead sought to use the injunction as a tool to delay or destroy TM's proposed sale to Econet; and

(iv) if the injunction is continued, TM will suffer damage for a total of USD24.5 million and MTL is not in a position to pay damages to TM given its outstanding payments to TNM for operational matters such as interconnection.

The hearing for the injunction has been postponed pending the outcome of the settlement discussions between MTL and TM.

(e) Proposed Acquisition of the entire equity interest in Distacom Communications (India) Limited (DCIL), which has a 49% equity interest in Spice Communications Private Limited (Spice) by TM International Sdn Bhd (TMI), for a cash consideration of USD178.8 million (Proposed Acquisition)

On 10 March 2006, TM announced that TMI entered into a Share Sale and Purchase Agreement (Spice SPA) to acquire the entire issued and paid-up share capital of DCIL (Sale Shares), for a cash consideration of USD178.8 million.

On the same date, TMI entered into a Shareholders' Agreement with the other shareholders of Spice in recognition of TMI's role as the new strategic investor in Spice.

Few salient terms of the Spice SPA are as follows:

(i) TMI shall buy the Sale Shares free from all encumbrances and with full rights attaching on and from the completion of the Proposed Acquisition;

(ii) TMI is not obliged to purchase any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously;

(iii) Distacom India Holdings Limited and DAI (Mauritius) Company Limited are not obliged to sell the Sale Shares unless certain debts of Spice (Debt), amounting to USD215.0 million (approximately RM802.0 million based on exchange rate of USD1.00 : RM3.73 on 9 March 2006), are fully settled and discharged simultaneously. TMI will make available or procure to be made available to Spice sufficient funds to enable it to settle and discharge the Debt.

(iv) the Ashmore Cayman SPC Limited (Ashmore) Funds guarantee to fully indemnify TMI against any liabilities arising from a breach by Ashmore of its warranties under the SPA;

8. Status of Corporate Proposals (continued)

(v) the Proposed Acquisition is conditional on, among others, the following:

(a) receipt of a “no objection” confirmation from the Financial Services Commission of the Republic of Mauritius for the change in the ownership of DCIL;

(b) receipt of approval from Bank Negara Malaysia; (approval was received on 4 April 2006)

(c) delivery by Deutsche Bank AG (acting through its Hong Kong branch) and Ashmore to TMI of agreements and/or confirmations executed by lenders of the Debt with respect to the settlement of the Debt and evidence that all documents necessary to settle and discharge the Debt and dispose of litigation and other proceedings in connection with a portion of the Debt have been executed;

(d) execution of the Shareholders’ Agreement between TMI and other shareholders of Spice, namely, Modi Wellvest Private Limited, Super Infosys Private Limited, MCorpGlobal Private Limited, Indian Televentures Private Limited and Mcorp Telecom Limited, and Spice; and

(e) full settlement and discharge of the Debt.

With the completion of the Proposed Acquisition on 10 May 2006, DCIL is now a wholly owned subsidiary of TMI.

On 21 April 2006, a Deed of Undertaking has been signed between Spice Communications Private Limited (Spice), Telekom Malaysia Berhad (TM), TM International Sdn Bhd (TMI) and DBS Bank Ltd in connection with the provision of limited sponsor support for the USD Facility Agreement and INR 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 TMI and TM ability to exercise its 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.

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 30 June 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	632.0	744.3	462.3	994.5
Unsecured	883.3	9,814.7	1,096.8	8,013.0
Total	**1,515.3**	**10,559.0**	**1,559.1**	**9,007.5**

(b) Foreign currency borrowings and debt securities in Ringgit Malaysia equivalent as at 30 June were as follows:

	2006	**2005**
Foreign Currency	**RM Million**	**RM Million**
US Dollar	6,841.4	4,891.5
Japanese Yen	549.8	595.9
Sri Lanka Rupee	209.1	113.3
Bangladesh Taka	150.6	12.9
Guinea Franc	-	10.4
Pakistani Rupee	0.7	6.5
Euro	5.6	6.3
Canadian Dollars	4.9	4.7
Pound Sterling	0.6	1.0
Total	**7,762.7**	**5,642.5**

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:

Interest Rate Swap (IRS)

(a) <u>Underlying Liability</u>

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.

<u>Hedging Instrument</u>

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.

10. Off Balance Sheet Financial Instruments (continued)

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

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

(b) 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.

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") vs Buying Guide (M) Sdn Bhd (BGSB)**

The Judge has set 7 November 2006 as the next case management date to enable parties to start preparing the respective bundles of documents.

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

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

The Court has fixed 6 November 2006 as the hearing date for the said Motion.

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

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

As at 30 June 2006, TM had received in total USD71.06 million from the GoG arising from the Settlement Agreement. The balance of the settlement sum of USD31.14 million is expected to be fully paid by 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.

The continued hearing of this case is from 1 to 4, 7 to 9, 15 to 16 and 23 to 25 August 2006 respectively.

Our 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 us, by way of counterclaim, is currently uncertain, as it is dependent on the evidence given by our witnesses.

11. Material Litigation (continued)

(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 our application to transfer this matter from the Kuala Lumpur High Court to the Johor Bahru High Court and as directed by the High Court, our Statement of Defence was filed in the Kuala Lumpur High Court on 21 February 2006.

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

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 applications to strike out TSDTR's counterclaim filed by Rego, TRI and the directors have been 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 appeal against the Registrar's decision on the striking out application to the Judge in Chambers (Appeal). The Appeal is fixed for hearing on 1 August 2006.

A case management is also fixed for mention on 2 August 2006.

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/an account of profits.

11. Material Litigation (continued)

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 that was fixed for clarification/decision on 30 June 2006 and later fixed for mention on 18 July 2006.

MCAT has also filed an application to amend the First Suit's Writ of Summons and Statement of Claim, which has also been fixed for hearing on 18 July 2006.

On the hearing date i.e. 18 July 2006, MCAT's solicitors informed the Court of an application for abridgement 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 extracted, MCAT's solicitors requested that the striking out application and the application to amend the Statement of Claim be adjourned to a later date.

The Court then directed that the striking out application be fixed for mention, the application to amend the Statement of Claim and the application for abridgement of time be fixed for hearing on 3 August 2006.

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.

A case management has been fixed for mention for the Second Suit on 14 August 2006.

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 pending disposal of the applications by MCAT (i) to amend the Statement of Claim and (ii) adduce further evidence in the form of the Judge's Grounds of Decision dated 13 April 2006 in the Second Suit above. No dates have yet to be fixed for these applications.

11. Material Litigation (continued)

On 28 February 2006, Celcom filed an application to transfer the Third Suit to the Kuala Lumpur High Court Civil Division 6 where the First Suit is currently being heard (Consolidation Application). The grounds in support of the Consolidation Application include (i) similarity in subject matter and issues to be tried, (ii) the possibility of conflicting decisions if the First Suit and the Third Suit are not heard together, (iii) to promote expediency and uniformity in the conduct of the First Suit and the Third Suit and (iv) to reduce litigation costs.

The Consolidation Application has been fixed for hearing on 24 May 2006. On the hearing date, the Court directed the parties to file written submission and fixed the application for hearing on 14 July 2006, which was later adjourned to 25 September 2006.

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 hearing on 23 May 2006 has been adjourned to 20 July 2006. Upon hearing DeTeAsia's solicitors request to file further affidavits, the Court has fixed the matter for mention on 17 August 2006.

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.

On 24 July 2006, the Court of Appeal has allowed the appeal of Mobikom as abovementioned with costs in the High Court and Court of Appeal to be paid to Mobikom. The Court of Appeal has further ordered that:

(i) Inmiss be restrained, whether by themselves, or by their servants or agents or otherwise howsoever, from advertising, gazetting and/or taking any steps in respect of the Winding-up Petition until after the disposal of Mobikom's application to set aside the Award;

11. Material Litigation (continued)

(ii) the Order of the High Court dated 10 August 2005, dismissing Mobikom's application to *inter alia* restrain the presentation of Winding-up Petition, be set aside; and

(iii) the Order dated 6th April 2006 in the Winding-up Petition, among others, restraining Mobikom and TM whether by themselves and/or their respective directors and/or shareholders and/or employees and/or servants and/or agents and/or any other party(ies) from transferring, surrendering, dealing, negotiating with and/or entering into any agreement, understanding or compromise with any party(ies) in any manner whatsoever and howsoever with reference to and concerning all assets of Mobikom particularly the 8MHz of the Spectrum License, be stayed until a further Order of Court.

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.

Meanwhile, the High Court has fixed 9 August 2006 for the hearing of Inmiss' application for Mobikom to deposit RM27.6 million as security into the Court and the mention of 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.

(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").

11. Material Litigation (continued)

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.

The breaches of duty complained of in the legal proceedings relate mainly to the entry into the Subscription Agreement dated 25 June 1996 (Subscription Agreement) between Deutsche Telekom AG and TRI and the Amended and Restated Supplemental Agreement dated 4 April 2002 (ARSA) between Celcom, TRI, TRIL and DeTeAsia. The claim against TSDTR also relates to unauthorised profits claimed to have been made by him in connection with the entry of TRI/Celcom into the Subscription Agreement and the ARSA.

Celcom and TRI are seeking, *inter alia*, the following relief in the claim:

(a) A declaration that the Defendants are liable to indemnify Celcom to the extent of all sums paid by Celcom to DeTeAsia in satisfaction of an Award dated 2 August 2005 handed down by the Arbitral Tribunal in International Court of Arbitration of the International Chamber of Commerce Case No 12615/MS instituted by DeTeAsia against Celcom and all costs incurred thereof.

(b) As against TSDTR, for unauthorised profits made amounting to RM446.0 million.

(c) An account of all monies received by the Defendants arising out of such breaches.

(d) Loss and Damages to be assessed.

TRI/Celcom's *ex parte* application for leave to serve out of jurisdiction was granted order in terms on 7 June 2006. TRI/Celcom are awaiting for the sealed Notices of Writ to be extracted from the Court and service of process will then have to be effected in Singapore/Germany as the relevant directors may be.

Service of process has however already been effected on i) Tan Sri Dato' Tajudin bin Ramli, (ii) Dato' Bistamam bin Ramli (iii) Dato' Lim Kheng Yew who have entered appearance but have yet to file their respective defences.

(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.

11. Material Litigation (continued)

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;

(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 an application for the striking out of the Amended Counterclaim by way of Summons in Chambers (SIC) in Court. The SIC and the Supporting Affidavits have been served to TSDTR's solicitors on 28 July 2006.

The Court has fixed 14 September 2006 as the hearing date of the SIC.

11. Material Litigation (continued)

(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.

On 7 July 2006, Celcom via it solicitors filed its Memorandum of Appearance into Court.

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.

On 7 July 2006, Celcom via it solicitors filed its Memorandum of Appearance into Court.

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 **30/6/2006**	Preceding year corresponding quarter 30/6/2005	Current year to date **30/6/2006**	Preceding year corresponding period 30/6/2005
(a) Basic earnings per share				
Profit attributable to equity holders of the Parent (RM million)	**436.1**	426.1	**955.0**	800.6
Weighted average number of ordinary shares (million)	**3,393.5**	3,386.4	**3,392.7**	3,385.6
Basic earnings per share (sen)	**12.9**	12.6	**28.1**	23.6
(b) Diluted earnings per share				
Profit attributable to equity holders of the Parent (RM million)	**436.1**	426.1	**955.0**	800.6
Weighted average number of ordinary shares (million)	**3,393.5**	3,386.4	**3,392.7**	3,385.6
Adjustment for ESOS (million)	**7.2**	9.9	**7.9**	11.9
Weighted average number of ordinary shares (million)	**3,400.7**	3,396.3	**3,400.6**	3,397.5
Diluted earnings per share (sen)	**12.8**	12.5	**28.1**	23.6

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

The Board of Directors has 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 will be paid on 18 September 2006 to shareholders whose names appeared in the Register of Members and Record of Depositors on 23 August 2006.

By Order of the Board

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

Kuala Lumpur
2 August 2006