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 third quarter ended 30 September 2007.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/9/2007	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2006 (RESTATED)	CURRENT YEAR TO DATE 30/9/2007	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2006 (RESTATED)
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	**4,608.7**	4,227.5	**13,108.7**	11,991.4
DEPRECIATION AND AMORTISATION	**(971.3)**	(1,028.0)	**(3,021.2)**	(2,970.9)
OTHER OPERATING COSTS	**(2,849.5)**	(2,384.2)	**(7,661.4)**	(6,562.3)
OTHER OPERATING INCOME	**79.1**	33.3	**407.9**	68.4
OPERATING PROFIT BEFORE FINANCE COST	**867.0**	848.6	**2,834.0**	2,526.6
Finance Income	**46.2**	69.5	**147.1**	210.0
Finance Cost	**(285.5)**	(196.5)	**(667.0)**	(520.2)
NET FINANCE COST	**(239.3)**	(127.0)	**(519.9)**	(310.2)
JOINTLY CONTROLLED ENTITIES				
- share of results (net of tax)	**13.4**	6.9	**25.1**	25.8
- gain on dilution	**53.5**	-	**71.3**	-
ASSOCIATES				
- share of results (net of tax)	**(2.0)**	1.9	**14.7**	19.5
PROFIT BEFORE TAXATION	**692.6**	730.4	**2,425.2**	2,261.7
TAXATION	**(69.6)**	(188.3)	**(435.7)**	(604.9)
PROFIT FOR THE PERIOD	**623.0**	542.1	**1,989.5**	1,656.8
ATTRIBUTABLE TO:				
- equity holders of the Company	**658.5**	478.9	**1,955.2**	1,478.0
- minority interests	**(35.5)**	63.2	**34.3**	178.8
PROFIT FOR THE PERIOD	**623.0**	542.1	**1,989.5**	1,656.8
EARNINGS PER SHARE (sen) (Note B12)				
- basic	**19.2**	14.1	**57.1**	43.6
- diluted	**-**	14.1	**-**	43.5

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007

	AS AT END OF CURRENT QUARTER 30/9/2007	AS AT PRECEDING FINANCIAL YEAR END 31/12/2006 (AUDITED & RESTATED)
	RM Million	RM Million
SHARE CAPITAL	3,439.8	3,397.6
SHARE PREMIUM	4,262.1	3,941.9
RESERVES	12,779.3	12,571.6
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	20,481.2	19,911.1
MINORITY INTERESTS	828.0	836.5
TOTAL EQUITY	21,309.2	20,747.6
Borrowings	10,705.6	10,282.8
Deferred tax liabilities	2,342.0	2,261.9
Provision for liabilities	77.9	64.6
DEFERRED AND LONG TERM LIABILITIES	13,125.5	12,609.3
	34,434.7	**33,356.9**
INTANGIBLE ASSETS	7,024.8	7,059.1
PROPERTY, PLANT AND EQUIPMENT	24,294.2	23,680.3
LAND HELD FOR PROPERTY DEVELOPMENT	165.1	168.4
JOINTLY CONTROLLED ENTITIES	961.3	807.5
ASSOCIATES	233.6	220.6
INVESTMENTS	220.5	226.7
LONG TERM RECEIVABLES	522.8	557.7
DEFERRED TAX ASSETS	190.8	115.6
PREPAID LEASE PAYMENT	391.5	346.2
Non-current assets held for sale	54.5	24.0
Inventories	174.7	172.8
Trade and other receivables	4,060.9	3,464.1
Short term investments	362.2	320.1
Cash and bank balances	3,761.0	4,680.4
CURRENT ASSETS	8,413.3	8,661.4
Trade and other payables	6,074.9	5,740.9
Customer deposits	734.8	718.9
Borrowings	1,023.1	1,803.1
Current tax liabilities	150.4	223.7
CURRENT LIABILITIES	7,983.2	8,486.6
NET CURRENT ASSETS	430.1	174.8
	34,434.7	**33,356.9**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	595.4	586.0

(The above Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

	Attributable to equity holders of the Company						
	Issued and Fully Paid of RM1 each						
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserves RM Million	Retained Profits RM Million	Minority Interests RM Million	Total Equity RM Million
At 1 January 2007	3,397.6	3,941.9	(282.4)	25.0	12,829.0	836.5	20,747.6
Currency translation differences arising during the period							
- subsidiaries	-	-	(128.7)	-	-	(56.2)	(184.9)
- jointly controlled entities/associates	-	-	89.5	-	-	-	89.5
Net loss not recognised in the Income Statement	-	-	(39.2)	-	-	(56.2)	(95.4)
Profit for the period	-	-	-	-	1,955.2	34.3	1,989.5
Total recognised (expense)/income for the period	-	-	(39.2)	-	1,955.2	(21.9)	1,894.1
Transaction with minority interests	-	-	-	-	(293.1)	(43.6)	(336.7)
Partial disposal of equity interest in a subsidiary	-	-	-	-	-	43.6	43.6
Disposal of a subsidiary	-	-	-	-	-	(30.0)	(30.0)
Dilution of equity interest in subsidiaries	-	-	-	-	-	8.0	8.0
Rights issue of a subsidiary	-	-	-	-	-	67.7	67.7
Final dividends paid for the year ended 31 December 2006 (Note A6)	-	-	-	-	(749.5)	-	(749.5)
Interim dividends paid for the year ending 31 December 2007 (Note A6 & B14)	-	-	-	-	(652.9)	-	(652.9)
Dividends paid to minority interests	-	-	-	-	-	(36.0)	(36.0)
Employees' share option scheme (ESOS)							
- shares issued	42.2	304.2	-	-	-	-	346.4
- options granted	-	-	-	3.2	-	3.7	6.9
- options exercised	-	16.0	-	(16.0)	-	-	-
At 30 September 2007	**3,439.8**	**4,262.1**	**(321.6)**	**12.2**	**13,088.7**	**828.0**	**21,309.2**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

	Attributable to equity holders of the Company						
	Issued and Fully Paid of RM1 each						
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserves RM Million	Retained Profits RM Million	Minority Interests RM Million	Total Equity RM Million
At 1 January 2006	3,391.5	3,904.2	(251.2)	-	11,942.9	654.0	19,641.4
Currency translation differences arising during the period							
- subsidiaries	-	-	10.1	-	-	19.2	29.3
- jointly controlled entities/associates	-	-	(0.3)	-	-	-	(0.3)
Net gain not recognised in the Income Statement	-	-	9.8	-	-	19.2	29.0
Profit for the period	-	-	-	-	1,478.0	178.8	1,656.8
Total recognised income for the period	-	-	9.8	-	1,478.0	198.0	1,685.8
Transaction with minority interests	-	-	-	-	(173.5)	(72.1)	(245.6)
Acquisition of equity interest in a subsidiary	-	-	-	-	-	29.4	29.4
Dilution of equity interest in subsidiaries	-	-	-	-	-	20.2	20.2
Final dividends paid for the year ended 31 December 2005	-	-	-	-	(610.9)	-	(610.9)
Interim dividends paid for the year ended 31 December 2006	-	-	-	-	(391.0)	-	(391.0)
Dividends paid to minority interests	-	-	-	-	-	(26.6)	(26.6)
Employees' share option scheme (ESOS)							
- shares issued	3.4	20.6	-	-	-	-	24.0
- options granted	-	-	-	24.6	-	4.3	28.9
At 30 September 2006	**3,394.9**	**3,924.8**	**(241.4)**	**24.6**	**12,245.5**	**807.2**	**20,155.6**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

	FOR THE NINE MONTHS ENDED 30/9/2007 RM Million	FOR THE NINE MONTHS ENDED 30/9/2006 RM Million
Receipts from customers	12,378.8	11,551.7
Payments to suppliers and employees	(6,485.9)	(6,297.4)
Payment of compensation	-	(874.0)
Payment of finance cost	(694.0)	(553.1)
Payment of income taxes	(419.9)	(363.6)
CASH FLOWS FROM OPERATING ACTIVITIES	**4,779.0**	**3,463.6**
Disposal of property, plant and equipment	31.4	34.2
Purchase of property, plant and equipment	(4,914.7)	(3,977.9)
Disposal of non-current asset held for sale	70.0	-
Payment of intangible asset (Telecommunication and Spectrum Licence)	(8.1)	(173.7)
Disposal of long term investments	7.2	1.7
Disposal of short term investments	156.4	91.5
Purchase of short term investments	(152.7)	(116.6)
Disposal of a subsidiary (net of cash disposed)	41.1	-
Partial disposal of a subsidiary	278.4	-
Acquisition of subsidiaries (net of cash acquired)	-	(14.3)
Acquisition of additional equity interest in subsidiaries	(396.6)	(252.8)
Acquisition of an associate	(2.5)	(124.8)
Disposal of an associate	0.1	-
Investment on a jointly controlled entity	-	(659.3)
Repayments of loans by employees	84.3	88.5
Loans to employees	(37.9)	(40.3)
Interest received	132.8	180.3
Dividend received	19.0	4.5
CASH FLOWS USED IN INVESTING ACTIVITIES	**(4,691.8)**	**(4,959.0)**
Issue of share capital	346.4	24.0
Issue of share capital to minority interests	81.1	16.7
Proceeds from borrowings	1,757.7	2,044.3
Repayments of borrowings	(1,736.6)	(1,618.1)
Dividends paid to shareholders	(1,402.4)	(1,001.9)
Dividends paid to minority interests	(36.0)	(26.6)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(989.8)**	**(561.6)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(902.6)	(2,057.0)
EFFECT OF EXCHANGE RATE CHANGES	(33.2)	(20.4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,666.4	6,401.0
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**3,730.6**	**4,323.6**

(The above Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006)

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation

(a) The unaudited condensed interim financial statements for the third quarter ended 30 September 2007 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 2006. 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 2006 audited financial statements except for the changes arising from the adoption of FRS 117 "Leases" and FRS "124 Related Party Disclosure", which are the revised FRSs issued by MASB that are effective for accounting periods beginning on or after 1 October 2006.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. The revised FRSs adopted by the Group require retrospective application. A summary of the impact of the revised FRSs on the financial statements of the Group is set out in note A13.

(b) The principal closing rates (units of Ringgit Malaysia per foreign currency) used in translating significant balances are as follows:

Foreign Currency	**Exchange Rate At 30 September 2007**	**Exchange Rate At 31 December 2006**	**Exchange Rate At 30 September 2006**
US Dollar	3.40500	3.52700	3.68600
Japanese Yen	0.02966	0.02964	0.03119
Sri Lanka Rupee	0.03003	0.03284	0.03554
Bangladesh Taka	0.04989	0.05107	0.05666
Indonesian Rupiah	0.00037	0.00039	0.00040
Pakistani Rupee	0.05621	0.05807	0.06093
Singapore Dollar	2.29231	2.29967	2.32218
Special Drawing Rights	5.31906	5.30659	5.43969
Thai Baht	0.10708	0.09958	0.09816
Indian Rupee	0.08588	0.07996	0.08052

2. Seasonal or Cyclical Factors

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

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

(a) The Group registered RM17.4 million and RM62.6 million net gain on foreign exchange during the current quarter and financial period to date respectively, mainly arising from revaluation of USD borrowings.

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

(b) During the current quarter and financial period to date, the Group reversed excess tax provision in respect of prior years amounting to RM46.5 million and RM153.2 million respectively.

(c) In the second quarter, the Group recorded a net gain on disposal of subsidiaries of RM201.1 million arising from the disposal of 3.82% and 60% equity interest in Dialog Telekom PLC (formerly known as Dialog Telekom Limited) (Dialog) and Telekom Networks Malawi Limited respectively. In the third quarter, the Group recorded additional gain of RM40.6 million arising from disposal of 0.8% equity interest in Dialog.

(d) The Group recognised gain on dilution in the equity interest of a jointly controlled entity, Spice Communications Limited of RM53.5 million and RM71.3 million during the third quarter and financial period to date respectively.

(e) During the third quarter, a foreign subsidiary has recognised a one-time compensation to the local government of RM72.8 million for revenue loss.

(f) During the third quarter, Celcom (Malaysia) Berhad (Celcom) undertook a core network rationalisation exercise which is expected to be completed in the second quarter 2008. Celcom made a provision for impairment amounting to RM20.0 million in the current quarter.

(g) In June 2006, PT Excelcomindo Pratama Tbk (Excelcomindo) received the 2004 tax assessment results on withholding tax applicable for offshore interest including penalty amounting to RM13.1 million, based on withholding tax of 10%. Excelcomindo has submitted an objection in September 2006. However, the objection was rejected by the local tax authority in August 2007 and Excelcomindo was assessed to pay the 2004 withholding tax at 20%. In June 2007, Excelcomindo received the tax assessment results for year 2005 for the similar issue amounting to RM33.0 million. The above additional withholding tax payment was duly paid by Excelcomindo in the third quarter 2007. Although the tax assessment for year 2006 and financial period to date 2007 has not been issued by the local tax authority, Excelcomindo has accrued and paid the additional withholding tax for this period on the basis that similar tax assessment would be applied. Hence, additional withholding tax and penalty of RM129.9 million was recognised in the third quarter 2007.

Excelcomindo is in the process of appealing to the local tax authority on the 2004 and 2005 tax assessment.

(h) During the first quarter, there was a provision for assets write-off amounting to RM32.3 million by the Company arising from asset verification exercise.

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial period ended 30 September 2007 other than as mentioned above and in note B6 of this announcement.

4. Material Changes in Estimates

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

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

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 September 2007 except for the following:

(a) The issued and paid-up capital of the Company increased from 3,397.6 million shares of RM1.00 each to 3,439.8 million shares by RM42.2 million 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, RM8.69, RM9.22 and RM9.32 per share and Performance Linked Employee Options Scheme (PLES) at exercise price of RM10.24 per share.

(b) On 20 July 2007, Telekom Malaysia Berhad (TM) had, through itself and its wholly owned subsidiary, Hijrah Pertama Berhad, issued the TM Islamic Stapled Income Securities consisting of:

(a) (i) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) consisting of 2,000 Class C NCRPS of RM1,000 each issued by TM at the issue price of RM1,000 each;
(ii) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by Hijrah Pertama Berhad; and

(b) (i) RM925,000 Class D NCRPS consisting of 925 Class D NCRPS of RM1,000 each issued by TM at the issue price of RM1,000 each;
(ii) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by Hijrah Pertama Berhad.

Class A Sukuk carries a profit distribution rate of 6.20% payable semi-annually in arrears on 30 June and 30 December and will mature on 30 December 2013. Class B Sukuk carries a profit distribution rate of 5.25% payable semi-annually in arrears on 30 June and 30 December which will be reset to the then 5 year Malaysia Government Securities (MGS) plus 1.20% from December 2008 to December 2013 and from December 2013 to December 2018. Class B Sukuk will mature on 28 December 2018.

The issuance of the TM Islamic Stapled Income Securities was made in exchange for the existing Tekad Mercu Bonds (Exchange Offer). Holders of RM2,925.0 million of the existing Tekad Mercu Bonds accepted the Exchange Offer. TM purchased the remaining RM75.0 million Tekad Mercu Bonds which were cancelled subsequently. For details of the Exchange Offer, please refer to note B8(b) of the second quarter 2007 announcement.

(c) Celcom (Malaysia) Berhad redeemed in full its RM400.0 million Tranche C of the Al-Bai Bithaman Ajil Bonds upon its maturity on 13 April 2007.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

6. Dividends Paid

(a) A final gross dividend of 30.0 sen per share less tax at 27% amounting to RM749.5 million in respect of financial year ended 31 December 2006 was paid on 12 June 2007.

(b) An interim gross dividend of 26.0 sen per share less tax at 27% amounting to RM652.9 million for the financial year ending 31 December 2007 was declared on 6 August 2007 and was paid on 4 September 2007.

7. Segmental Information

Segmental information for the financial period ended 30 September 2007 and 30 September 2006 were as follows:

By Business Segment

2007

All amounts are in RM Million	**Malaysia Business**	**Celcom**	**TMI Group**	**TM Ventures**	**Total**
Operating Revenue					
Total operating revenue	5,728.5	3,786.0	3,548.1	892.2	13,954.8
Inter-segment *	(237.2)	(129.5)	(25.2)	(454.2)	(846.1)
External operating revenue	5,491.3	3,656.5	3,522.9	438.0	13,108.7
Results					
Segment result	1,151.3	996.7	630.5	49.2	2,827.7
Unallocated income **					401.4
Corporate expenses ***					(547.3)
Foreign exchange gains					152.2
Operating profit before finance cost					2,834.0
Finance income					147.1
Finance cost					(667.0)
Jointly controlled entities					
- share of results (net of tax)	-	-	25.1	-	25.1
- gain on dilution	-	-	71.3	-	71.3
Associates					
- share of results (net of tax)	-	2.2	12.6	(0.1)	14.7
Profit before taxation					2,425.2
Taxation	11.6	(275.8)	(168.0)	(3.5)	(435.7)
Profit for the period					1,989.5

7. Segmental Information (continued)

All amounts are in RM Million	Malaysia Business	Celcom	TMI Group	TM Ventures	Total
2006					
Operating Revenue					
Total operating revenue	5,571.3	3,309.5	3,007.2	696.5	12,584.5
Inter-segment *	(258.3)	(96.3)	(4.4)	(234.1)	(593.1)
External operating revenue	5,313.0	3,213.2	3,002.8	462.4	11,991.4
Results					
Segment result	1,123.2	842.9	906.3	68.2	2,940.6
Unallocated income **					59.8
Corporate expenses ***					(549.2)
Foreign exchange gains					75.4
Operating profit before finance cost					2,526.6
Finance income					210.0
Finance cost					(520.2)
Jointly controlled entities					
- share of results (net of tax)	-	-	25.8	-	25.8
Associates					
- share of results (net of tax)	-	(3.3)	22.9	(0.1)	19.5
Profit before taxation					2,261.7
Taxation	(124.2)	(254.4)	(216.4)	(9.9)	(604.9)
Profit for the period					1,656.8

* 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 and special purpose entities which are not allocated to a particular business segment.

During the first quarter 2007, the Group had reviewed and changed the grouping of segmental reporting information to reflect the change in the business structure. The comparatives have been restated to conform with the current period classification.

(i) Malaysia Business is a Strategic Business Unit (SBU) consolidating all domestic fixed line services. It comprises TM Wholesale, TM Retail, TM Net Sdn Bhd, GITN Sdn Berhad, Telekom Sales and Services Sdn Bhd, Telekom Research and Development Sdn Bhd, Telekom Applied Business Sdn Bhd, Mobikom Sdn Bhd, Telekom Malaysia (UK) Limited, Telekom Malaysia (Hong Kong) Limited, Telekom Malaysia (S) Pte Ltd and Telekom Malaysia (USA) Inc. This is intended to align businesses with a common agenda and maximise synergies.

7. Segmental Information (continued)

(ii) Celcom is made up of Celcom (Malaysia) Berhad, a domestic subsidiary involved in the cellular business and its group of companies.

(iii) TMI Group comprises all international operations of the Group except those companies that fall within the ambit of Malaysia Business.

(iv) TM Ventures is a SBU established to separately manage the large number of non-core businesses with the objective of rationalising and streamlining the non-core businesses in maximising TM Group assets/entities' value proposition, whilst growing the business that offers potentials.

8. Valuation of Property, Plant and Equipment

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

9. Material Events Subsequent to the End of the Quarter

There were no material events subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited condensed interim financial statements to date.

10. 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 September 2007 were as follows:

(a) VADS Berhad (VADS)

The Company's shareholding in VADS decreased from 67.16% to 66.86% in the first quarter and further reduced to 65.58% and 65.12% during the second and third quarter respectively, due to issuance of shares under the Employees' Share Option Scheme of VADS. The dilution has no material effect to the results of the Group.

(b) MobileOne Limited (M1)

The Company's shareholding in M1, held via TM International Sdn Bhd (TM International), through SunShare Investment Limited (a jointly controlled entity between TM International and Khazanah Nasional Berhad) decreased from 29.78% to 29.73% in the first quarter and subsequently to 29.71% and 29.70% in the second and third quarter respectively, following the issuance of shares under M1's Employees' Share Option Scheme. The dilution has no material effect to the results of the Group.

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

(c) Dialog Telekom PLC (Dialog)

Following the issuance of shares 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, decreased from 89.62% to 89.57% in the first quarter.

TM's interest further decreased to 85.65% in the second quarter following the issuance of shares under Dialog's Employees' Share Option Scheme and the disposal of its 3.82% shareholding on 17 and 21 May 2007.

In the third quarter, TM's interest further decreased to 84.83% due to the exercise of share options and the disposal of its 0.8% shareholding on 24 September 2007.

(d) C-Mobile Sdn Bhd (C-Mobile)

On 16 January 2007, a joint venture agreement (JVA) was entered into between CT Paging Sdn Bhd (CTP), a wholly owned subsidiary of the Company held via Celcom (Malaysia) Berhad (Celcom), with I-Mobile International Co Ltd (I-Mobile) and C-Mobile. The JVA is to establish C-Mobile as a vehicle to operate a joint venture business to set up a distribution network of dealers and concept retail stores based on intellectual property rights owned by Celcom (Concept Stores), within Malaysia. The Concept Stores will market and distribute exclusively products of Celcom Mobile Sdn Bhd, a wholly owned subsidiary of Celcom, and also of Samart I-Mobile (Malaysia) Sdn Bhd, a wholly owned subsidiary of I-Mobile. The equity interest of CTP in C-Mobile effective from 14 February 2007 is 49% representing 2,450,000 ordinary shares of RM1.00 each.

(e) Telekom Networks Malawi Limited (TNM)

On 5 April 2007, TM sold its entire 60% shareholding in TNM, a joint venture company between Malawi Telecommunications Limited (formerly known as Malawi Posts and Telecommunications Corporation) and TM, to MTL Mobile Ltd for a total cash consideration of USD16.0 million.

(f) Multinet Pakistan (Private) Limited (Multinet)

On 30 September 2006, TMIL entered into a Sale and Purchase Agreement with Mr Nasser Khan Ghazi on the acquisition of an additional 11% equity in Multinet, a private limited liability company incorporated in the Islamic Republic of Pakistan in 1996 for a total cash consideration of USD2.42 million.

The acquisition was completed on 6 April 2007 whereby TMIL's shareholding in Multinet increased from 78% to 89%.

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

(g) PT Excelcomindo Pratama Tbk (Excelcomindo)

On 19 April 2007, TMIL entered into a Stock Purchase Agreement with AIF (Indonesia) Ltd (AIF) to purchase all of AIF's stake in Excelcomindo.

TMIL has agreed to purchase 523,532,100 ordinary shares of Indonesian Rupiah 100 each in Excelcomindo (AIF Purchased Shares), representing approximately 7.38% of the issued and paid-up share capital of Excelcomindo from AIF for a cash consideration of USD113.0 million.

The acquisition of the AIF Purchased Shares was completed on 4 June 2007. Consequently, TM Group's equity interest in Excelcomindo increased to 67.02% as at end of second quarter.

TM's shareholding in Excelcomindo remained unchanged in the third quarter.

(h) Hijrah Pertama Berhad ([formerly known as Hijrah Pertama Sendirian Berhad] formerly known as Malaysian Logistics Sdn Bhd) (HPB)

On 7 May 2007, TM acquired 100% equity interest in HPB for a total consideration of RM2.00. HPB was acquired to facilitate the issuance of up to RM3,000 million Islamic Stapled Income Securities under the Islamic principle of Ijarah.

(i) Meganet Communications Sdn Bhd (Meganet)

On 23 May 2007, TM entered into the following agreements:

i. Share Sale Agreement (SSA) with VADS and NTT Communications Corporation (NTT Com) for the disposal of its entire equity interest of 70% in Meganet to VADS; and

ii. Termination Agreement (TA) with NTT Com to terminate the Joint Venture Agreement which was entered into between TM and NTT Com on 17 May 1997, to carry on a business through Meganet as the joint venture company.

Under the SSA, TM agreed to sell its entire 70% equity interest in Meganet, to VADS at a total consideration of RM5.7 million, whilst NTT Com shall dispose its entire 30% equity interest in Meganet, to VADS at a total consideration of RM2.5 million (the Disposal).

The Disposal was completed on 31 May 2007 and Meganet became a wholly owned subsidiary of VADS.

(j) Celcom Academy Sdn Bhd (Celcom Academy)

On 26 May 2007, Celcom Academy, a wholly owned subsidiary of Celcom (Malaysia) Berhad, was dissolved pursuant to Section 272(5) of the Companies Act 1965.

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

(k) Spice Communications Limited (Spice)

On 5 June 2007, Spice, a 49% owned jointly controlled entity of TM, held through TMI India Limited, concluded a Pre-IPO placement of 24,873,889 shares at INR45 per shares. On completion of the Pre-IPO placement, TM's equity interest in Spice reduced from 49% to 46.89% as at the end of the second quarter.

Spice commenced trading on the Bombay Stock Exchange (BSE) on 19 July 2007 with a debut price of INR55.75 per share. Pursuant to the Initial Public Offering, 113,111,111 equity shares was issued at INR46 per share. Consequently, TM's shareholding was further diluted from 46.89% to 39.2%.

(l) MySpeed.com Sdn Bhd (MySpeed)

On 2 February 2007, TM, Pernec Corporation Berhad and Heitech Padu Berhad (collectively referred to as "the Vendors") has entered into a Share Sale and Purchase Agreement (SSPA) with MY E.G. Services Berhad (MY E.G.) on the disposal of the Vendors' 79.46% equity interest, in MySpeed to MY E.G.

Under the SSPA, TM agreed to sell its entire 16.22% equity interest in MySpeed to MY E.G. at a total consideration of RM1.00 (the Disposal).

The Disposal was completed on 16 July 2007 and MySpeed ceased to be an associate company of TM with effect from the said date.

(m) Freemantle Holdings (M) Sdn Bhd (Freemantle)

On 2 August 2007, Freemantle, a wholly owned subsidiary of TM held via Celcom, was dissolved pursuant to Section 272(5) of the Companies Act 1965.

(n) Dialog Television (Private) Limited (formerly known as Asset Media (Private) Limited) (DTV)

On 14 September 2007, Dialog acquired the remaining 10% equity interest in DTV from Mr Muhunthan Canagasooryam and Mr Niranjan Canagasooryam for a purchase consideration of USD0.35 million. As a result of the said acquisition, DTV is now a wholly owned subsidiary of Dialog.

11. 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 2006.

12. Commitments

(a) Capital Commitments

	Group	
	30/9/2007	30/9/2006
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**3,195.8**	3,321.9
Commitments in respect of expenditure approved but not contracted for	**1,269.2**	1,182.0

(b) Other Commitments

On 21 April 2006, a Deed of Undertaking has been signed between Spice Communications 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 a USD215.0 million Indian Rupee facility and a USD50.0 million USD facility. Under the terms, TMI, failing which TM, is required to make payment of any outstanding principal and/or interest under the facilities to the lenders upon occurrence of a specified trigger event. TMI's and TM's obligation on behalf of Spice give the Group the rights to exercise a call option under the terms of a shareholders' agreement to acquire additional shares in Spice from the existing shareholder, namely Modi Wellvest.

13. Changes in Accounting Policies

(a) Changes in Accounting Policies in Current Financial Year

The following describes the impact of the new accounting standards adopted by the Group for the financial year beginning 1 January 2007 as listed in note A1(a).

(i) FRS 117 Leases

Prior to 1 January 2007, lease of land and buildings held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss.

FRS 117 requires that lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Upfront payments of leasehold interests are allocated between land and building elements in proportion to their relative fair values at the inception of the leases.

13. Changes in Accounting Policies (continued)

Consequent to the change in accounting policies arising from the adoption of FRS 117, the Group has reclassified upfront payments of leasehold land as prepaid lease payments. These payments are amortised on a straight-line basis over the remaining lease period.

The Group has applied the change in accounting policy with respect to leasehold land in accordance with the transitional provisions of FRS 117. This reclassification has been applied retrospectively. Consequently, certain comparatives within the Consolidated Balance Sheet as at 31 December 2006 and Consolidated Income Statement for the period ended 30 September 2006 have been restated as set out in sub-note (c) below.

(ii) FRS 124 Related Party Disclosures

This standard affects the identification of related parties and other similar related party disclosures. This standard requires the disclosure of related party transactions and outstanding balances with other entities in a group. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

The adoption of this FRS has no financial impact on the Group's consolidated financial statements.

(b) Restatement of the Comparatives for the Third Quarter of the Previous Financial Period due to Changes in Accounting Policies

Prior to the fourth quarter of 2006, the Group has translated foreign currency transactions and monetary items at contracted rates as if those amounts are hedged by forward foreign exchange contracts. FRS 121 only allows exchange rates at date of transactions to be used in translating foreign currency transactions and exchange rates at balance sheet date for translation of monetary items. Consequently, certain comparatives of the Consolidated Income Statement for the period ended 30 September 2006 have been restated as set out in sub-note (c) below.

13. Changes in Accounting Policies (continued)

(c) Comparative Figures

The effects of changes in accounting policies as mentioned in sub-note (a)(i) and (b) above are illustrated below:

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	As previously reported RM Million	Effect of change in policies RM Million	As restated RM Million	As previously reported RM Million	Effect of change in policies RM Million	As restated RM Million
Income Statement for the financial period ended 30 September 2006						
Depreciation and Amortisation	(1,037.4)	9.4	(1,028.0)	(2,996.5)	25.6	(2,970.9)
Other Operating Costs	(2,371.5)	(12.7)	(2,384.2)	(6,577.5)	15.2	(6,562.3)
Profit Before Taxation	733.7	(3.3)	730.4	2,220.9	40.8	2,261.7
Profit for the Period	545.4	(3.3)	542.1	1,616.0	40.8	1,656.8
Profit Attributable to Equity Holders of the Company	482.2	(3.3)	478.9	1,437.2	40.8	1,478.0
Earnings per Share (sen)						
- basic	14.2	(0.1)	14.1	42.4	1.2	43.6
- diluted	14.2	(0.1)	14.1	42.3	1.2	43.5

	As previously reported RM Million	Effect of change in policies RM Million	As restated RM Million
Balance Sheet as at 31 December 2006			
Property, Plant and Equipment	24,026.5	(346.2)	23,680.3
Prepaid Lease Payment	-	346.2	346.2

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

1. Review of Performance

(a) Quarter-on-Quarter

For the current quarter under review, Group revenue increased by 9.0% to RM4,608.7 million as compared to RM4,227.5 million in the third quarter 2006, mainly attributed to higher revenue from cellular, data, Internet and multimedia.

The increase in cellular revenue was mainly contributed by Celcom (Malaysia) Berhad and PT Excelcomindo Pratama Tbk arising from increased customers and usage.

Internet and multimedia revenue registered a growth of 23.8% from third quarter 2006 of RM236.3 million to third quarter 2007 of RM292.6 million due to continued growth of broadband customers to 1.2 million from 0.7 million in the previous year corresponding quarter.

Group profit after tax and minority interests (PATAMI) increased by 37.5% to RM658.5 million as compared to RM478.9 million recorded in the third quarter 2006 mainly ascribed to higher revenue, net of higher operating and finance costs with lower taxation charge. Lower taxation charge was mainly due to reversal of excess tax provision as disclosed in note A3(b).

(b) Year-on-Year

For the nine months financial period under review, Group revenue increased by 9.3% (RM1,117.3 million) to RM13,108.7 million, driven primarily by the cellular, data, Internet and multimedia segments.

Group PATAMI increased by 32.3% (RM477.2 million) to RM1,955.2 million mainly due to better financial performance of Malaysia Business and Celcom, higher other operating income, gain on IPO listing of Spice of RM71.3 million and lower taxation charge as explained earlier. Higher other operating income was primarily due to gain on placement/disposal of 4.6% shares in Dialog totalling RM234.8 million as disclosed in note A3(c).

The strengthening of Ringgit Malaysia vs. Indonesian Rupiah, Sri Lanka Rupee and Bangladesh Taka for the nine months financial period under review has resulted in lower revenue on translation from international business by approximately RM106.9 million and RM257.6 million in the third quarter and year to date 2007 respectively.

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

1. Review of Performance (continued)

(c) Economic Profit Statement

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter **30/9/2007** **RM Million**	Preceding Year Corresponding Quarter 30/9/2006 RM Million	Current Year To Date **30/9/2007** **RM Million**	Preceding Year Corresponding Period 30/9/2006 RM Million
EBIT*	**931.9**	857.4	**2,945.1**	2,571.9
Adjusted Tax	251.6	240.1	795.2	720.1
NOPLAT**	**680.3**	617.3	**2,149.9**	1,851.8
AIC***	5,585.3	5,229.0	16,756.0	15,687.0
WACC****	8.46%	9.01%	8.48%	9.05%
ECONOMIC CHARGE	**472.5**	471.1	**1,420.9**	1,419.7
ECONOMIC PROFIT	**207.8**	146.2	**729.0**	432.1

* EBIT = Earnings before Interest & Taxes
** NOPLAT = Net Operating Profit/Loss after Tax
*** AIC = Average Invested Capital
**** WACC = Weighted Average Cost of Capital

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

TM's third quarter 2007 EP increased by RM61.6 million quarter-on-quarter to RM207.8 million (42.1%) as compared to the third quarter 2006 EP of RM146.2 million. As for the financial period to date, TM's EP of RM729.0 million is also showing a remarkable improvement of RM296.9 million (68.7%) when compared to the preceding year corresponding period of RM432.1 million.

The factors contributing to the higher EP in the current quarter and financial period to date are mainly higher NOPLAT arising from higher revenue and lower WACC as a result of reduced borrowings and favourable exchange rate.

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

2. Comparison with Preceding Quarter's Results

Group revenue for the current quarter of RM4,608.7 million increased by 6.7% (RM289.9 million) from RM4,318.8 million recorded in the preceding quarter, mainly due to increase in cellular, data, Internet and multimedia and other telecommunication related services.

The increase in cellular services resulted from more attractive packages and promotions offered to customers as well as aggressive and focused marketing initiative in the period under review.

Group PATAMI of RM658.5 million was 6.1% lower than RM701.0 million recorded in the preceding quarter, primarily due to higher net finance costs and lower other operating income. The gain on dilution of Spice and lower taxation charge as mentioned earlier mitigated the decrease in Group PATAMI.

3. Prospects for the Current Financial Year

The stabilisation of the overall domestic business continued with on-going initiatives under the current Performance Improvement Program (PIP). This has resulted in stable growth in Malaysia Business and Celcom. On the international front, respective PIPs are already in place to mitigate challenges from regulatory constraints, competition as well as appreciating Ringgit Malaysia against the local currencies of overseas markets.

Malaysia Business recorded a revenue growth of 2.8% compared to the corresponding period last year through greater push for broadband and data related services. Revitalisation of voice revenue continued through sales stimulation initiatives under the PIP. Other areas of focus would include on-going development of its international connectivity and regional Internet Protocol (IP) hub.

The improvements at Celcom resulted in revenue growth of 14.4% year-on-year through improved sales effort on prepaid, postpaid, mobility and enterprise solutions. Better delivery channels and customer experience remain a priority moving forward.

Based on the current performance by all the operating units under TM Group, barring any unforeseen circumstances, the Board of Directors is of the view that the Group is on track to achieve the main headline KPIs of Earnings Before Interest, Tax and Depreciation (EBITDA) Margin and Return on Equity (ROE). However the Revenue KPI will remain challenged due to the continued increase in competition, unstable political and regulatory environment in certain markets and foreign currency translation losses resulting from the stronger Ringgit Malaysia in the overseas markets.

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 September 2007.

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

5. Taxation

The taxation charge for the Group comprises:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30/9/2007	30/9/2006	**30/9/2007**	30/9/2006
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Income Tax:				
Current year	**212.6**	117.2	**475.0**	323.2
Prior year	**(127.5)**	87.8	**(177.9)**	90.8
Deferred tax (net):				
Current year	**(140.8)**	29.0	**(61.3)**	93.0
Prior year	**81.6**	(119.3)	**27.7**	(119.3)
	25.9	114.7	**263.5**	387.7
Overseas				
Income Tax:				
Current year	**(2.0)**	9.0	**18.3**	24.1
Prior year	**(0.6)**	-	**(3.0)**	(0.3)
Deferred tax (net):				
Current year	**46.3**	64.6	**156.9**	193.4
	43.7	73.6	**172.2**	217.2
TOTAL TAXATION	**69.6**	188.3	**435.7**	604.9

Excluding adjustments for prior year, the current quarter and financial period to-date effective tax rate of the Group was lower than the statutory tax rate mainly attributed to profits registered by subsidiaries with tax exemption status and exceptional gain which was not subjected to tax.

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

During the first quarter, the Group disposed off an office building classified as non-current asset held for sale for RM70.0 million. This disposal resulted in a net gain of RM44.0 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 period ended 30 September 2007 are as follows:

	Current quarter RM Million	Period to date RM Million
Total purchases	34.5	96.0
Total disposals	27.8	110.2
Total profit on disposal	3.5	12.3

(b) Total investments in quoted securities as at 30 September 2007 are as follows:

	RM Million
At cost	189.8
At book value	157.4
At market value	157.4

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial period ended 30 September 2007 are as follows:

	Current quarter RM Million	Period to date RM Million
Total purchases	17.0	56.7
Total disposals	16.0	46.2
Total profit on disposal	-	0.3

(b) Total investments in quoted fixed income securities as at 30 September 2007 are as follows:

	RM Million
At cost	206.6
At book value	204.8
At market value	204.8

8. Status of Corporate Proposals

(a) Proposed Islamic Sale & Leaseback Transaction of up to RM1,100 million

On 25 May 2007, TM announced a proposed Islamic Sale and Leaseback transaction (Proposed Transaction) involving the issuance of up to RM1,100 million Islamic Trust Certificates (Sukuk) by a special purpose vehicle.

8. Status of Corporate Proposals (continued)

The Proposed Transaction involves the sale of four (4) of its property assets (Properties) at a total value of up to RM1,100 million to Menara ABS Berhad, a special purpose vehicle with the objective of implementing the transaction. The Properties identified are known as Menara TM, Menara Celcom, Cyberjaya Complex and Wisma TM Taman Desa. Subsequent to the sale, the Properties will then be leased back to TM on a portfolio basis, under the Ijarah principle, for a lease term of up to fifteen (15) years.

The Proposed Transaction will involve a true sale transaction with respect to the Properties and an operating lease treatment with respect to the lease arrangement while allowing TM and its group of companies (TM Group) uninterrupted occupation of its existing premises.

The Proposed Transaction, which will be implemented under the Securities Commission’s Guidelines on the Offering of Asset-Backed Securities read together with the Guidelines on the Offering of Islamic Securities, will facilitate the issuance of three (3) different classes of Sukuk in tranches by Menara ABS Berhad (MAB). The funds to be raised from the issuance of such Sukuk shall be utilised by MAB to pay TM for the purchase of the Properties.

The Proposed Transaction will facilitate TM’s implementation of its strategy to monetise its non-core assets with a view to further improve operating financial ratios while focusing on its core business of providing telecommunication services.

The Securities Commission (SC), vide its letter dated 27 July 2007, approved the Proposed Transaction, subject to inter alia, the following conditions imposed on its Principal Adviser/Lead Arranger, Citibank Berhad and/or MAB:

- To obtain SC's prior approval should there be any changes to the terms and conditions of the ABS Sukuk Ijarah;
- To notify the SC before any variation to or replacement of the identified assets for the ABS Sukuk Ijarah;
- To obtain all necessary approvals from all relevant parties in relation to the ABS Sukuk Ijarah; and
- To disclose in writing to potential investors that each ABS Sukuk Ijarah issue will carry different risks and all potential investors are strongly encouraged to evaluate each ABS Sukuk Ijarah issue on its own merit.

(b) Proposed Demerger of the Mobile and Fixed line businesses of TM Group (Proposed Demerger)

On 28 September 2007, TM announced the proposed demerger of the mobile and fixed line businesses of the TM Group to create 2 separate entities to serve the different market segments within the telecommunications industry.

8. Status of Corporate Proposals (continued)

The Proposed Demerger will accelerate operational improvements and growth efforts through clearer strategic and organisational focus. It is also expected to provide greater transparency on the financial and operational performance of each entity. In addition, the Proposed Demerger is expected to improve the execution capacity of the respective entities.

The Proposed Demerger is expected to involve the following:

(i) an internal restructuring whereby Telekom Enterprise Sdn Bhd (TESB) (a wholly owned subsidiary of TM) transfers Celcom (Malaysia) Berhad (Celcom) to TM International Sdn Bhd (TM International), where TM International will become the holding company for all of TM Group's mobile and non-Malaysian businesses excluding TM Regional Offices (RegionCo) (Proposed Internal Restructuring);

(ii) a demerger of RegionCo from the TM Group through the distribution by TM of all the ordinary shares of RM1.00 each in TM International (TM International Shares) to its shareholders; and

(iii) a listing of TM International on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities).

The remaining TM Group after the demerger of RegionCo (i.e. FixedCo) will comprise the fixed line voice, data and broadband services and other telecommunication and non-telecommunication related businesses. FixedCo will remain listed as TM on the Main Board of Bursa Securities.

The Proposed Demerger will result in the creation of 2 telecommunication champions:

(i) RegionCo - Regional Mobile Champion
RegionCo is proposed to undertake the mobile business of the TM Group, which is presently being carried out by Celcom and the various operating subsidiaries and associated companies of TM International. RegionCo will focus on becoming a best-in-class regional mobile champion with strong exposure to high growth mobile markets.

In addition, the Proposed Demerger would enable RegionCo to better position itself in expanding its regional presence. Such strategic initiatives, which will continue to spur RegionCo's growth, are expected to be supported through the steady cashflow streams derived from Celcom and a flexible capital structure.

(ii) FixedCo – Domestic Broadband Champion
FixedCo will carry on the fixed-line voice, data and broadband services and other telecommunication and non-telecommunication related businesses.

8. Status of Corporate Proposals (continued)

While pursuing growth in the broadband business by working with the Government of Malaysia (Government) to develop a high-speed broadband (HSBB) infrastructure and service through a Public-Private Partnership (PPP) arrangement, FixedCo remains focus on enhancing international connectivity within the region. This would establish Malaysia as a regional Internet Protocol (IP) hub, serving as a digital gateway for South-East Asia.

Further to FixedCo's growth potential, there is potential upside to be derived through the improvement in FixedCo's operational efficiencies. These may be achieved through the streamlining of network operations, cost savings from procurement, leveraging of cross-sectional marketing and other various initiatives.

Upon completion of the Proposed Demerger, FixedCo will adopt an appropriate dividend policy to enhance shareholders' value.

The final terms of the Proposed Demerger is expected to be announced by December 2007 and completion by the end of second quarter 2008.

Save as disclosed above, there are no other corporate proposals announced and not completed as at the latest practicable date.

9. Group Borrowings and Debt Securities

(a) Breakdown of Group borrowings and debt securities as at 30 September were as follows:

	2007		2006	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	**Short Term Borrowings RM Million**	**Long Term Borrowings RM Million**
Secured	329.6	678.3	639.2	963.7
Unsecured	693.5	10,027.3	908.1	9,467.0
Total	**1,023.1**	**10,705.6**	**1,547.3**	**10,430.7**

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

	2007	**2006**
Foreign Currency	**RM Million**	**RM Million**
US Dollar	7,046.0	7,164.2
Indonesian Rupiah	556.8	-
Bangladesh Taka	343.8	302.5
Pakistani Rupee	101.1	0.4
Sri Lanka Rupee	43.2	212.4
Canadian Dollars	4.9	4.9
Euro	4.6	5.3
Pound Sterling	0.3	0.7
Total	**8,100.7**	**7,690.4**

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 17 to the audited financial statements of the Group for the year ended 31 December 2006. There were no new off balance sheet financial instruments since the last financial year except for the following:

(a) Interest Rate Swap (IRS)

<u>Underlying Liability</u>

SGD540 million Syndicated Term Loan Facility

<u>Hedging Instrument</u>

On 14 March 2007, SunShare entered into an IRS agreement with a notional principal of SGD50 million that entitles it to receive a floating interest rate of 6-month SOR plus 0.25% per annum with a cap of 4.50%, and obliges to pay fixed interest rate of 3.27% per annum. The swap will mature on 27 October 2010.

Subsequently, on 5 April 2007, SunShare entered into another IRS agreement with a notional principal of SGD100 million that entitles it to receive a floating interest rate of 6-month SOR plus 0.25% per annum, and obliges to pay fixed interest rate of 3.30% per annum. The swap will mature on 27 October 2010.

(b) Cross-Currency Swap (CCS)

<u>Underlying Liability</u>

USD350 million 8.0% Bond due in 2009

<u>Hedging Instrument</u>

During the current period to date, PT Excelcomindo Pratama Tbk (Excelcomindo), a subsidiary of the Group, entered into forward foreign currency contracts to hedge the USD Bond payment, which will mature in 2009.

The details of forward foreign currency contracts are as follow:

Type of contracts	Notional amount (in USD Million)	Strike rate (full amount)	Maturity
Deliverable	87.5	USD 1= IDR9,000	23 January 2009
Non Deliverable	87.5	USD 1= IDR9,000	23 January 2009
Total	175.0		

10. Off Balance Sheet Financial Instruments (continued)

The premium on the forward foreign currency contracts will be paid semi-annually.

On the deliverable contract; Excelcomindo would swap, at the final exchange date (termination date) in 2009, a total of IDR787.5 million for USD87.5 million.

On the non-deliverable contract; Excelcomindo would swap, at the final exchange date (termination date) in 2009:

- If settlement rate at expire time is less than IDR9,000, Excelcomindo would pay the banks USD87.5 million x (IDR. 9,000 – settlement rate)
- If settlement rate at expire time is more than IDR9,000, the banks would pay Excelcomindo USD 87.5 million x (settlement rate - IDR9,000)
- If settlements rate at expire time is equal to IDR9,000, no exchange payments between the banks and Excelcomindo.

(c) Cross-Currency Swap (CCS)

<u>Underlying Liability</u>

USD 250 million 7.125% Bond due in 2013

<u>Hedging Instrument</u>

During the current period to date, Excelcomindo entered into forward foreign currency contracts to hedge the USD Bond payment, which will mature in 2013.

The details of forward foreign currency contracts are as follow:

Type of contracts	Notional amount (in USD Million)	Strike rate (full amount)	Maturity
Deliverable	87.5	USD 1= IDR9,000	16 January 2013
Non Deliverable	37.5	USD 1= IDR9,000	16 January 2013
Total	125.0		

The premium on the forward foreign currency contracts will be paid semi-annually.

On the deliverable contract, Excelcomindo would swap, at the final exchange date (termination date) in 2013, a total of IDR787.5 million for USD87.5 million.

On the non-deliverable contract; Excelcomindo would swap, at the final exchange date (termination date) in 2013:

- If settlement rate at expire time is less than IDR9,000, Excelcomindo would pay the banks USD37.5 million x (IDR9,000 – settlement rate)
- If settlement rate at expire time is more than IDR9,000, the banks would pay ExcelcomindoUSD37.5 million x (IDR9,000 – settlement rate)

10. Off Balance Sheet Financial Instruments (continued)

- If settlements rate at expire time is equal to IDR9,000, no exchange payments between the banks and Excelcomindo.

On the non-deliverable contract; Excelcomindo would swap, at the final exchange date (termination date) in 2013:

- If settlement rate at expire time is less than IDR9,000, Excelcomindo would pay the banks USD37.5 million x (IDR9,000 – settlement rate)
- If settlement rate at expire time is more than IDR9,000, the banks would pay ExcelcomindoUSD37.5 million x (IDR9,000 – settlement rate)
- If settlements rate at expire time is equal to IDR9,000, no exchange payments between the banks and Excelcomindo.

(d) Cross-Currency Swap (CCS)

Underlying Liability

USD100 million Term Loan due in 2010

Hedging Instrument

On 18 April 2007, Excelcomindo entered into a CCS contract with a financial institution. Based on the contract commencing on 18 April 2007, Excelcomindo would swap, at the final exchange date (termination date) on 16 April 2010, a total of IDR90.88 million for USD10.0 million. Excelcomindo will make quarterly payment in IDR every 18 January, 18 April, 18 July and 18 October up to termination date, at the amount of USD10.0 million times fixed interest rate of 9.65% per annum with strike rate of IDR9,088 per USD, and will receive payment in USD amounted to USD10.0 million times floating rate of interest at quarterly intervals of SIBOR plus 1.05%.

(e) Cross-Currency Swap (CCS)

Underlying Liability

USD50 million Term Loan due in 2010

Hedging Instrument

On 23 April 2007, Excelcomindo entered into a CCS contract with a financial institution. Based on the contract commencing on 23 April 2007, Excelcomindo would swap, at the final exchange date (termination date) on 29 January 2010, a total of IDR225.0 million for USD25.0 million. Excelcomindo will make quarterly payment in IDR every 30 January, 30 April, 30 July and 30 October up to termination date, at the amount of USD25.0 million times fixed interest rate of 9.99% per annum with strike rate of IDR9,000 per USD, and will receive payment in USD amounted to USD25.0 million times floating rate of interest at quarterly intervals of LIBOR plus 0.95%.

10. Off Balance Sheet Financial Instruments (continued)

On 10 May 2007, Excelcomindo entered into another CCS contract with a financial institution. Based on the contract commencing on 10 May 2007, Excelcomindo would swap, at the final exchange date (termination date) on 29 January 2010, a total of IDR112.5 million for USD12.5 million. Excelcomindo will make quarterly payment in IDR every 28 June, 28 September, 28 December and 28 March up to termination date, at the amount of USD12.5 million times fixed interest rate of 7.73% per annum with strike rate of IDR 9,000 per USD, and will receive payment in USD amounted to USD12.5 million times floating rate of interest at quarterly intervals of LIBOR plus 0.95%.

(f) Cross-Currency Swap (CCS)

<u>Underlying Liability</u>

USD50 million Term Loan due in 2010

<u>Hedging Instrument</u>

On 26 April 2007, Excelcomindo entered into a CCS contract with a financial institution. Based on the contract commencing on 26 April 2007, Excelcomindo would swap, at the final exchange date (termination date) on 26 April 2010, a total of IDR135.0 million for USD15.0 million. Excelcomindo will make quarterly payment in IDR every 26 January, 26 April, 26 July and 26 October up to termination date, at the amount of USD 15.0 million times fixed interest rate of 9.825% per annum with strike rate of IDR9,000 per USD, and will receive payment in USD amounted to USD15.0 million times floating rate of interest at quarterly intervals of LIBOR plus 1%.

On 9 May 2007, Excelcomindo entered into another CCS contract with a financial institution. Based on the contract commencing on 9 May 2007, Excelcomindo would swap, at the final exchange date (termination date) on 26 April 2010, a total of IDR135.0 million for USD15.0 million. Excelcomindo will make quarterly payment in IDR every 26 January, 26 April, 26 July and 26 October up to termination date, at the amount of USD15.0 million times fixed interest rate of 8.20% per annum with strike rate of IDR9,000 per USD, and will receive payment in USD amounted to USD15.0 million times floating rate of interest at quarterly intervals of LIBOR plus 1%.

(g) Interest Rate Swap (IRS)

<u>Underlying Liability</u>

USD300.0 million 7.875% Debentures Due 2025
In 1998, the Company issued USD300.0 million 7.875% Debentures due 2025.

<u>Hedging Instrument</u>

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

10. Off Balance Sheet Financial Instruments (continued)

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

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

On 9 July 2007, the Company entered into another IRS range accrual swap with trigger feature agreement for the balance notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 7.875% times N1/N2 (where N1 is the number of the days when the reference floating rate, i.e. the 6-month USD LIBOR in this transaction, stays within a predetermined range, while N2 is the total number of days in the calculation period). In exchange, the Company obliges to pay interest at a floating rate of 6-month USD LIBOR plus 1.05%. This transaction will automatically terminate in whole, but not in part, on an Auto-Put Date, i.e. 1 August 2009, where the LIBOR rate fixes at or below the Trigger level. The swap was due to mature on 1 August 2010.

(h) Other foreign exchange transaction

Excelcomindo regularly purchases USD currency to meet monthly obligations by using Spot (two days settlement) or Tom (1 day settlement) transaction. In addition to this regular USD purchase, Excelcomindo entered into foreign currency forward contracts with two (2) financial institutions for the period of May 2007 until December 2007.

The strike rates of foreign exchange forwards entered into in 2007 are as follows:
- USD1 million per month at IDR8,999
- USD1 million per month at IDR8,995

The terms and condition for these contracts are as follows:

- If the spot rate is higher than IDR9,225, the contracts will cease to exist and no USD should be bought at the respective month.
- If the spot rate is between strike rate and IDR9,225, Excelcomindo will buy USD1 million at the strike rate at the respective month.
- If the spot rate is below the strike rate, Excelcomindo is obliged to buy USD2 million at the strike rate at the respective month.

10. Off Balance Sheet Financial Instruments (continued)

The accounting policies applied, which remained 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.

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

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

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in the audited financial statements of the Group for the year ended 31 December 2006, 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 (TMIM) vs Buying Guide (M) Sdn Bhd (BGSB)**

On 14 September 2007, the Court postponed the case to 5 November 2007 for further Case Management.

The Directors, based on legal advice, are of the view that TM and TMIM have a reasonably good chance of success in establishing its claim and defending BGSB's counterclaim.

ii. **TM and TM Info-Media Sdn Bhd (TMIM) vs BG Media Sdn Bhd (BGM) and BG Online Sdn Bhd (BGO)**

On 26 September 2007, the Court has fixed 3 October 2007 for the followings:

(a) Mention date for TM/TMIM's Notice of Motion to commit the directors of BGM and BGO to prison;
(b) Decision on the said directors' application to cross-examine the deponent of the affidavit in support of the Notice of Motion; and
(c) Mention date Case Management.

On 3 October 2007, the Court has dismissed the BGM/BGO directors' application to cross-examine the deponent of the affidavit in support of the Notice of Motion. The parties have been further requested to file their respective written submission in court in respect of TM/TMIM's Notice of Motion to commit the directors of BGM and BGO to prison. The next date is 23 November 2007 for the followings:

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

11. Material Litigation (continued)

(a) Decision on TM/TMIM's Notice of Motion to commit the directors of BGM and BGO to prison; and
(b) Mention date for Case Management.

The Directors, based on legal advice, are of the view that TM and TMIM have a reasonably good chance of success in establishing the said claim.

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

On 14 September 2007, the Kuantan High Court has adjourned the case to 30 October 2007 to decide on the withdrawal of the third party proceedings against TM. However, on 30 October 2007 the High Court was informed that KPT's previous solicitors had made an application to strike out the notice of change of solicitors filed by the current solicitors of KPT. The High Court fixed the hearing date of the striking out application on 25 January 2008 and further decided to defer in giving its decision on the withdrawal of the third party proceedings against TM pending the outcome of the striking out application above mentioned.

Meanwhile, the Arbitrator has yet to fix hearing dates for the continued arbitration proceedings pending the outcome of the application for withdrawal above mentioned.

The Directors, based on legal advice, are of the view that TM has a good chance of defending its claim and that the quantum of damages claimed by KPT is grossly inflated. In addition thereto, TM has a reasonable chance of success in its counterclaim against KPT. However, the amount which is recoverable from KPT is currently uncertain.

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

On 6 March 2006, the Court has fixed 10 to 12 December 2007 as the trial date of this case. The Court has also directed the parties to file the necessary cause papers before the said hearing dates.

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

(d) **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)

On 29 May 2006, Rego, TRI and the directors filed their respective appeals against the Registrar's decision on the striking out application to the Judge in Chambers (Appeals). Rego, TRI and the directors' Appeals were fixed for hearings on 12 July 2007, 27 July 2007 and 17 August 2007 respectively. However due to backlog of cases, the Appeals have been rescheduled to 17 January 2008.

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

11. Material Litigation (continued)

(e) MCAT GEN Sdn Bhd (MCAT) vs Celcom (Malaysia) Berhad (Celcom)

In the First Suit, Celcom filed a notice of appeal to Judge in Chambers against the Registrar's decision on its striking out application. The Court then directed parties to file written submission and fixed the appeal for decision/clarification on 29 January 2008.

The Court has also fixed the First Suit for case management on 29 January 2007.

On 11 December 2006, the Court allowed Celcom's application to consolidate and ordered that the Third Suit be transferred to the First Suit's Court. The Third Suit will be heard after the First Suit has been disposed off by the First Suit's Court. MCAT appealed and on 15 August 2007, MCAT through its solicitors indicated its intention to withdraw the appeal and seek Celcom's consent to withdraw the same with no costs. Celcom agreed and currently awaiting the Court of Appeal to fix a mention date where MCAT will withdraw the appeal with no order as to costs on the said mention date.

In the Second Suit, on 13 June 2007, the Court allowed Celcom's appeal against the quantum granted in its application for security of costs, and ordered that the amount be increased to RM250,000. MCAT has on 26 July 2007 paid the difference of RM150,000 into Court.

The Second Suit commenced for full trial on 13 & 14 June 2007. The Court then vacated the 30 & 31 July 2007 and 1 & 2 August 2007 hearing dates and fixed the trial to continue on 5 & 6 May 2008, 12 & 13 May 2008 and 19 & 20 May 2008.

In the Court of Appeal, Celcom's bill of costs which was fixed for hearing on 3 August 2007 has been adjourned to 9 November 2007.

In the Third Suit, Celcom filed a striking out application and the Court has instructed the parties to file written submissions and fixed the same for decision/clarification on 12 November 2007.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the three (3) cases above is remote.

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

The hearing date of TSDTR's application to re-amend his amended defence and counterclaim which was fixed on 6 June 2007 and 5 September 2007 has been postponed to 8 January 2008.

The hearing of TM/TESB's application to strike out TSDTR's Amended Counterclaim proceeded before the Senior Assistant Registrar (SAR) on 19 July 2007, 31 July 2007 and 15 August 2007.

11. Material Litigation (continued)

Meanwhile, the hearing of Celcom/TRI's application to strike out TSDTR's Amended Counterclaim proceeded before the SAR on 11 July 2007, 23 July 2007 and 13 August 2007.

On 28 August 2007, the SAR dismissed TM/TESB and Celcom/TRI's respective applications to strike out TSTR's Amended Counterclaim. TM Group's solicitors filed an appeal against the decision of the SAR mentioned above on behalf of both TM/TESB and Celcom/TRI. The Court has fixed 27 November 2007 as the hearing date for the above appeal.

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

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

The Defendants' appeal to the Judge in Chambers against the Registrar's decision on their striking out application was allowed with costs on 13 September 2007. On 11 October 2007, DS filed a notice of appeal to the Court of Appeal against the whole of the Court's decision. No date has been fixed for the appeal.

DS application to amend its Writ of Summons and Statement of Claim did not proceed as the matter has been struck out.

Based on legal advice, the Defendants have a reasonably good chance of success in defending the claims by DS.

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

The Defendants' appeal to the Judge in Chambers against the Registrar's decision on their striking out application was dismissed with costs on 17 September 2007. On 11 October 2007, the Defendants filed a notice of appeal to the Court of Appeal against the whole of the Court's decision. No date has been fixed for the appeal.

AM's application to amend its Writ of Summons and Statement of Claim is fixed for hearing on 13 December 2007.

Based on legal advice, the Defendants have a reasonably good chance of success in defending the claims by AM.

II. For the following material litigation cases as disclosed in the fourth quarter 2006 announcement to Bursa Malaysia on 23 February 2007, enumerated below are updates of the cases since the date of that announcement:

11. Material Litigation (continued)

(a) TM vs The Government of the Republic of Ghana (GoG)

As at 31 March 2007, TM had received a total of USD119.5 million from the GoG which is the full and final settlement sum payable by the GoG to TM pursuant to the Settlement Agreement. With the completion of the final payment and fulfilment of other applicable conditions, G-Com's 30% equity shareholding in GT has been transferred to the GoG accordingly.

TM and TMI are currently in the process to wind up G-Com Limited and the winding up proceedings is expected to be completed by end of the year.

(b) DeTeAsia Holding GmbH (DeTeAsia) vs Celcom

DeTeAsia's application to set aside the Originating Summons on the ground that the Court has no jurisdiction to determine the same is now fixed for mention on 23 November 2007.

Celcom's application to strike out the affidavit of Graham Dunning QC on the grounds that the same contains matter which is scandalous, irrelevant, inadmissible or otherwise oppressive is fixed for clarification/decision on 23 November 2007.

(c) 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 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 hearing date of Inmiss' leave application to appeal to the Federal Court fixed to be heard on 26 March 2007.

11. Material Litigation (continued)

On 26 March 2007, the Federal Court upon hearing submission of both counsel for the parties involved unanimously dismissed Inmiss' Motion for leave to appeal against the Court of Appeal decision dated 24 July 2006 with costs.

On 14 March 2007, the High Court has adjourned the following matters for mention to 4 July 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.

On 4 July 2007, the High Court has adjourned the above-mentioned matters for mention to 17 September 2007.

On 17 September 2007, the Court has fixed 21 January 2008 as the hearing date for Inmiss' application for Mobikom to deposit the sum of RM27.6 million as security into Court and also the hearing date for Mobikom's application to set aside the Arbitration Award.

The Court has also fixed 14 March 2008 as the mention date for the winding up proceedings against Mobikom pending the outcome of Mobikom's setting aside hearing on 21 January 2008 above.

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.

(d) **Celcom and TRI vs former directors of TRI/Celcom**

The service of the Writ of Summons and Statement of Claim (Writ) has already been effected on all the Defendants except for Axel Hass. Tan Sri Dato' Tajudin Ramli (TSDTR) and Bistamam Ramli (BR) have entered appearance and have applied to set aside the Writ on the basis that the issues which are the subject of this action has been litigated and decided on its merits by reason of the Award. This application is fixed for hearing on 10 December 2007.

Dato' Lim Kheng Yew (LKY) has also entered appearance. Celcom/TRI have filed an application to restrain his solicitors from acting for him on the grounds that the partner concerned rendered an advice to TM in relation to the agreements with DTAG/DeTeAsia during the acquisition of Celcom/TRI by TM. The application is fixed for mention on 14 December 2007.

Dieter Sieber (DS), Oliver Tim Axmann (OTA), Joachim Gronau (JG), Frank-Reinhard Bartsch (FRB) and Joerg Andreas Boy (JAB) have entered conditional appearance and filed their respective application to set aside the issue and service of the Notice of Writ and Statement of Claim. Their applications have been fixed for mention on 10 December 2007.

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

11. Material Litigation (continued)

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.

12. Earnings Per Share (EPS)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter **30/9/2007**	Preceding year corresponding quarter 30/9/2006	Current year to date **30/9/2007**	Preceding year corresponding period 30/9/2006
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	**658.5**	478.9	**1,955.2**	1,478.0
Weighted average number of ordinary shares (million)	**3,437.8**	3,394.4	**3,421.7**	3,393.3
Basic earnings per share (sen)	**19.2**	14.1	**57.1**	43.6
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	**N/A**	478.9	**N/A**	1,478.0
Weighted average number of ordinary shares (million)	**N/A**	3,394.4	**N/A**	3,393.3
Adjustment for ESOS (million)	**N/A**	5.7	**N/A**	7.7
Weighted average number of ordinary shares (million)	**N/A**	3,400.1	**N/A**	3,401.0
Diluted earnings per share (sen)	**N/A**	14.1	**N/A**	43.5

(N/A : Not Applicable)

In the preceeding year corresponding period, 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. On 31 July 2007, the Company's Employees' Share Option Scheme (ESOS 3) expired and the remaining options unexercised as at 31 July 2007 had lapsed and became null and void.

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

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2006 were not subject to any material qualification.

14. Dividend

(a) On 6 August 2007, the Board of Directors declared an interim gross dividend of 26.0 sen per share less tax at 27% (2006: an interim gross dividend of 16.0 sen per share less tax at 28%) for the financial year ending 31 December 2007. The dividend was paid on 4 September 2007 to shareholders whose names appeared in the Register of Members and Record of Depositors on 20 August 2007.

(b) No dividend was recommended for the current quarter ended 30 September 2007.

By Order of the Board

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

Kuala Lumpur
7 November 2007