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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation

(a) The audited condensed financial statements for the financial year ended 31 December 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 audited condensed 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 new accounting standards and amendments to published standards effective for the Group's and the Company's financial year beginning on 1 January 2007 summarised as follows:

(I) Standards and amendments to published standards that are effective

- FRS 6 Exploration for and Evaluation of Mineral Resources
- FRS 117 Leases
- FRS 124 Related Party Disclosures
- Amendments to FRS 119 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the option of an alternative recognition approach for actuarial gains and losses.
- TR i-1 Accounting for Zakat on Business
- TR i-2 Ijarah

All changes in the accounting policies, where applicable have been made in accordance with the transitional provisions in the respective standards and amendments to the published standards. All standards and amendments to the published standards (where applicable) 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.

(II) Standards, amendments to published standards and Interpretations Committee (IC) interpretations that are not yet effective and have not been early adopted.

The new standards, amendments to published standards and IC interpretations which are effective for accounting year beginning on or after 1 July 2007 and hence are mandatory for the Group's financial year beginning on 1 January 2008, which the Group has not early adopted, are as follows:

(i) Standards, amendments to published standards and IC interpretations that are relevant for the Group's operations

- FRS 107 Cash Flow Statements
- FRS 112 Income Taxes

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation (continued)

- FRS 118 Revenue
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB).
- Amendments to FRS 121 The Effects of Changes in Foreign Rates – Net Investment in Foreign Operations
- IC Interpretation 1 Changes in Existing Decommissioning Restoration & Similar Liabilities
- IC Interpretation 8 Scope of FRS 2

FRS 112 removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group will apply this standard from financial year beginning on 1 January 2008.

FRS 120 allows the alternative treatment of recording non-monetary government grant at nominal amount.

Amendment to FRS 121 requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in.

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Company. The Group will apply this standard when effective.

FRS 107, FRS 118, FRS 134 and FRS 137 have no significant changes compared to the original standards.

IC Interpretation 1 deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation or a change in the discount rate.

IC Interpretation 8 clarifies that FRS 2 “Share-based Payment” applies even in the absence of specifically identifiable goods or services.

1. Basis of Preparation (continued)

With the exception of FRS 139, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact to the financial position of the Company.

The Group will apply the above revised standards, amendments to published standards and IC Interpretations where applicable from financial year beginning on 1 January 2008.

(ii) Standards and IC Interpretations to existing standards that are not relevant or material for the Group's operations

- FRS 111 — Construction Contracts
- IC Interpretation 2 — Members' Shares in Co-operative Entities & Similar Instruments
- IC Interpretation 5 — Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
- IC Interpretation 6 — Liabilities arising from Participating in a Specific Market-Waste Electrical & Electronic Equipment
- IC Interpretation 7 — Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies

FRS 111 has no significant changes compared to the original standards.

IC Interpretation 2 deals with liability or equity classification of financial instruments which give the holder the right to request redemption, but subject to limits on whether it will be redeemed.

IC Interpretation 5 deals with accounting in the financial statements of a contributor for its interests arising from decommissioning funds.

IC Interpretation 6 provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union Directive in respect of sales of historical household equipment.

IC Interpretation 7 provides guidance on how to apply the requirements of FRS 129 in a reporting period in which an entity identifies the existence of hyperinflationary in the economy of its functional currency, when that economy was not hyperinflationary in the prior period.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation (continued)

(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 31 December 2007	Exchange Rate At 31 December 2006
US Dollar	3.30500	3.52700
Japanese Yen	0.02969	0.02964
Sri Lanka Rupee	0.03043	0.03284
Bangladesh Taka	0.04843	0.05107
Indonesian Rupiah	0.00035	0.00039
Pakistani Rupee	0.05370	0.05807
Singapore Dollar	2.29307	2.29967
Special Drawing Rights	5.22510	5.30659
Thai Baht	0.11054	0.09958
Indian Rupee	0.08393	0.07996

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) In the current financial year, there was an assets write-off amounting to RM32.3 million by the Company arising from asset verification exercise.

(b) 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.

(c) The Group recognised gain on dilution in the equity interest of a jointly controlled entity, Spice Communications Limited (Spice) of RM71.3 million in the current financial year.

(d) During the third quarter, a foreign subsidiary, TM International (Bangladesh) Limited has recognised an administrative fine by the local government of RM72.8 million for revenue loss.

(e) 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 RM32.4 million and RM52.4 million in the current quarter and financial year to date respectively.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

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

(f) In June 2006, PT Excelcomindo Pratama Tbk (Excelcomindo) received its 2004 tax assessment letter from the Directorates General for Taxation (DGT) on withholding tax (WHT) applicable to Excelcomindo's offshore interest at a rate of 10%. Excelcomindo had submitted an objection letter to the tax authority on its decision, but the objection was subsequently rejected and Excelcomindo was requested to pay the WHT at 20% rate. The WHT and its related penalty amounted to RM25.8 million for 2004 assessment. For 2005, the DGT requested Excelcomindo to pay WHT at a rate of 20%. Excelcomindo had submitted an objection letter for the 2005 tax assessment as well. For 2006 and 2007, Excelcomindo had voluntarily made the payment for the WHT in August 2007 to prevent potential penalties. In total, Excelcomindo had recorded a total sum of RM138.7 million covering the WHT and penalty for the 2004 to 2007 period. However, Excelcomindo is currently in the process of appealing and re-appealing to the tax court on the 2005 and 2004 assessment results.

(g) The Company made a provision for impairment for investment in MEASAT Global Bhd amounting to RM80.0 million in the current quarter.

(h) The Group registered net loss of RM24.0 million and net gain of RM38.6 million on foreign exchange during the current quarter and financial year to date respectively, being the net impact of revaluation of USD borrowings, deposits, receivables and payables.

(i) During the current quarter, Spice recognised a net gain of RM328.6 million arising from the sale of telecommunication towers. The towers will be leased back from the purchaser effective 1 January 2008. The Group's share of the gain was RM128.8 million.

(j) During the current quarter and financial year to date, the Group reversed excess corporate and deferred tax provisions in respect of prior years amounting to RM71.6 million and RM224.8 million respectively.

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 year ended 31 December 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

(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) 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.

(c) 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 (TM NCRPS C) of RM1.00 each at a premium of RM999 issued by the Company 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 (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999 issued by the Company 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.

(d) Pursuant to Dialog Telekom PLC's (Dialog) shareholders' approval on 21 May 2007, Dialog, has on 23 October 2007, entered into agreement(s) with participating investors including banks and financial institutions to raise SLR5.0 billion through Rated Cumulative Redeemable Preference Shares (RCRPS). Subsequently on 1 November 2007, Dialog issued 5.0 billion RCRPS of SLR1 each at SLR1 per share to the said investors. The RCRPS is classified as borrowing.

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

Save for the above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31 December 2007.

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 ended 31 December 2007 was declared on 6 August 2007 and paid on 4 September 2007.

7. Segmental Information

Segmental information for the financial year ended 31 December 2007 and 31 December 2006 were as follows:

By Business Segment

2007

All amounts are in RM Million	**Malaysia Business**	**Celcom**	**International Operations**	**TM Ventures**	**Total**
Operating Revenue					
Total operating revenue	7,643.2	5,127.0	4,987.2	1,265.7	19,023.1
Inter-segment *	(341.3)	(161.9)	(51.0)	(626.0)	(1,180.2)
External operating revenue	7,301.9	4,965.1	4,936.2	639.7	17,842.9
Results					
Segment result	1,431.4	1,345.7	790.7	53.3	3,621.1
Unallocated income **					446.9
Corporate expenses ***					(847.0)
Foreign exchange gains					262.3
Operating profit before finance cost					3,483.3
Finance income					203.9
Finance cost					(820.9)
Jointly controlled entities					
- share of results (net of tax)	-	-	175.5	-	175.5
- gain on dilution	-	-	71.3	-	71.3
Associates					
- share of results (net of tax)	-	5.1	24.5	(0.1)	29.5
Profit before taxation					3,142.6
Taxation	2.9	(344.2)	(145.5)	(24.2)	(511.0)
Profit for the year					2,631.6

7. Segmental Information (continued)

All amounts are in RM Million	Malaysia Business	Celcom	International Operations	TM Ventures	Total
2006					
Operating Revenue					
Total operating revenue	7,495.9	4,528.6	4,165.4	989.4	17,179.3
Inter-segment *	(347.3)	(104.6)	(14.4)	(313.8)	(780.1)
External operating revenue	7,148.6	4,424.0	4,151.0	675.6	16,399.2
Results					
Segment result	1,344.8	1,132.7	1,212.2	64.8	3,754.5
Unallocated income **					155.5
Corporate expenses ***					(721.8)
Foreign exchange gains					302.4
Operating profit before finance cost					3,490.6
Finance income					234.0
Finance cost					(621.9)
Jointly controlled entities					
- share of results (net of tax)	-	-	10.6	-	10.6
Associates					
- share of results (net of tax)	-	(8.6)	28.5	-	19.9
Profit before taxation					3,133.2
Taxation	(116.1)	(398.7)	(296.8)	(19.3)	(830.9)
Profit for the year					2,302.3

* 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 such as interest income, dividend income and gain on disposal of investment 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.

7. Segmental Information (continued)

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 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.

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

(iii) International Operations comprises all overseas 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

(i) On 21 December 2007, PT Excelcomindo Pratama Tbk (Excelcomindo) through its wholly owned subsidiary, Excelcomindo Finance Company B.V. declared its plan to buyback the USD350.0 million Bond on 25 January 2008 at a price of 100% of nominal value. The buyback was completed on 25 January 2008 at the above mentioned price.

(ii) On 18 January 2008, Excelcomindo entered into a credit agreement amendment with a foreign bank as follows:

- to amend the availability period until 31 August 2008 and automatically extended for another 6 months period unless otherwise amended.

- to add bridging loans facility to retire existing USD bonds and/or other debt amounting to USD110.0 million and a maximum of IDR1,000.0 billion (full amount), which can be drawdown in USD and IDR. The facility is subject to floating rate of interest at monthly intervals of Sertifikat Bank Indonesia (SBI) rate plus 1.10% margin per annum.

9. Material Events Subsequent to the End of the Quarter (continued)

On 22 January 2008, Excelcomindo made drawdown on this credit facility amounting to IDR1,000 billion (full amount).

(iii) In January 2008, Excelcomindo undertook the following financing and hedging activities:

- made drawdowns on credit facilities amounting to IDR1,300.0 billion (full amount) and USD50.0 million.
- entered into a credit facility agreement and made drawdown amounting to USD50.0 million. Excelcomindo will pay a floating rate of interest at quarterly intervals of three months SIBOR plus 1.75% margin per annum. The loan will mature 1 year from the first drawdown date.
- entered into a credit facility agreement of USD50.0 million. Excelcomindo will pay a floating rate of interest at quarterly intervals of three months LIBOR plus 1.20% margin per annum. The loan will mature 1 year from the first drawdown date.
- entered into a foreign currency contract to hedge the payment of quarterly interest of a long term loan in USD amounting to USD97.5 million.
- terminated one of the forward foreign currency contracts amounting to USD25.0 million used to hedge the payment of long term loan in USD.

Save for the above, there were no material events subsequent to the balance sheet date that requires disclosure or adjustments to the audited condensed financial statements to date except as disclosed in paragraph 8(a) and 8(c) of part B of this announcement.

10. Effects of Changes in the Composition of the Group

Changes in the composition of the Group for the current quarter and financial year ended 31 December 2007 were as follows:

(a) VADS Berhad (VADS)

TM’s shareholding in VADS decreased from 67.16% to 66.86%, 65.12% and 65.58% during the first, second and third quarter respectively.

On 25 October 2007, VADS had completed the split of the par value of its shares from RM1.00 for each share to RM0.50 resulted in TM’s holding 83,421,000 shares of RM0.50 each in VADS. Thereafter, TM’s shareholding further reduced to 64.87% in the fourth quarter due to the issuance of shares under the Employees’ Share Option Scheme of VADS.

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

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

(b) MobileOne Limited (M1)

TM's shareholding in M1, held via TM International Berhad (TM International) (formerly known as TM International Sdn Bhd), through SunShare Investment Limited (a jointly controlled entity between TM International and Khazanah Nasional Berhad) decreased from 29.78% to 29.73%, 29.71% and 29.70% during the first, second and third quarter respectively, and further reduced to 29.69% in the fourth quarter following the issuance of shares under M1's Employees' Share Option Scheme.

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

(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.

TM's shareholding in Dialog further reduced to 84.81% in the fourth quarter due to the exercise of share options.

(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. C-Mobile is accounted for as an associate of the Group.

(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.

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

(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%.

(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, the Group's equity interest in Excelcomindo increased to 67.02% as at the end of second quarter and remained unchanged in the third quarter.

In the fourth quarter, the Group's effective equity interest in Excelcomindo was reduced to 66.99% due to the disposal of 2,050,000 shares in Excelcomindo in December 2007 in order to increase the number of floated shares in the market and improve its trading liquidity, through the Indonesia Stock Exchange.

(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.

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

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.

(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%.

TM's shareholding in Spice remained unchanged at 39.2% in the third and fourth quarters.

(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.

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

(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.

(o) TM Payphone Sdn Bhd (TM Payphone)

On 14 August 2007, TM has entered into a Sale and Purchase Agreement to dispose off its entire equity interest in its wholly owned subsidiary, TM Payphone, for a total consideration of RM22.0 million to Pernec.

The disposal was completed on 31 December 2007 and TM Payphone ceased to be a subsidiary of TM with effect from the said date.

(p) Tekad Mercu Berhad (Tekad Mercu)

On 9 October 2007, TM acquired 100% equity interest in Tekad Mercu for a total consideration of RM2.00. TM's acquisition of Tekad Mercu was the final step towards concluding TM's corporate exercise of redeeming the conventional stapled securities and issuance of the Islamic Stapled Income Securities whereby Tekad Mercu has ceased to function as the required special purpose vehicle company for the issuance of the conventional stapled securities.

(q) Rebung Utama Sdn Bhd (RUSB)

On 9 October 2007, TM acquired 100% equity interest in RUSB for a total consideration of RM2.00. TM's acquisition of RUSB was the final step towards concluding TM's corporate exercise of redeeming the conventional stapled securities and issuance of the Islamic Stapled Income Securities whereby RUSB has ceased to function as the required special purpose vehicle company for the issuance of the conventional stapled securities.

(r) Aseania Plastics Sdn Bhd (Aseania)

On 12 November 2007, Aseania, a subsidiary of TM held via Celcom, was dissolved pursuant to Section 272(5) of the Companies Act 1965.

(s) Samart Corporation Public Company Limited (Samart)

The shareholding of the Company's wholly owned subsidiary, TM International in Samart remained unchanged at 18.98% in the first and second quarters of 2007. However, it decreased to 18.97% in the third quarter of 2007 due to the issuance of shares under Samart's Employees' Share Option Scheme and remained unchanged in the fourth quarter of 2007.

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

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

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

The Company's direct equity interest of 24.42% in SIM, held via TM International remained unchanged up to the fourth quarter of 2007. However, the Company's indirect equity interest in SIM (by virtue of the Company's equity interest in Samart) increased from 10.90% as at January 2007 to 11.16% as at December 2007 due to acquisition of additional shares in SIM from the open market by Samart Group throughout 2007. Hence, TM's effective shareholding in SIM increased from 35.32% as at January 2007 to 35.58% as at December 2007.

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

On 15 November 2007, Excelcomindo received a notice letter from KPPU (the Commission for Fair Business Practices) concerning the investigation on potential cartelistic practices allegedly involving GSM operators in Indonesia in relation to the perceived price SMS charges. If Excelcomindo is found guilty of price fixing, based on Article 47 of Law No. 5 of 1999 concerning Anti Monopolistic Practices and Unfair Business Competition (the Anti Monopoly Law), Excelcomindo may be ordered to amend the agreement that forms the basis of existing prices and to pay certain fines and other sanctions as deemed enforceable by the Anti Monopoly Law. The investigation is still in process and currently the outcome cannot be determined.

Save for the above, 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	
	31/12/2007	31/12/2006
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**3,832.1**	3,817.2
Commitments in respect of expenditure approved but not contracted for	**921.5**	1,226.7

12. Commitments (continued)

(b) Other Commitments

On 21 April 2006, a Deed of Undertaking has been signed between Spice, Telekom Malaysia Berhad (TM), TM International 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, TM International, 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. TM International's and TM's obligation on behalf of Spice gives 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 and Reclassifications

(a) Changes in Accounting Policies in the 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) Irrelevant or immaterial effect on financial statements

The adoption of FRS 6, amendments to FRS 119, FRS 124, TR i-1 and TR i-2 did not result in significant changes to the Group's accounting policies. In summary:

- FRS 6, amendments to FRS 119, TR i-1 and TR i-2 are not relevant or material to the Group's operations.
- FRS 124 has no material financial impact on the Group's accounting policies. 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.

(ii) Reclassification of prior year comparatives

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 to be 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 and Reclassifications (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 in FRS 117. This change in accounting policy has been applied retrospectively. Consequently, certain comparatives within the Consolidated Balance Sheet as at 31 December 2006, Consolidated Income Statement for the year ended 31 December 2006 and Consolidated Cash Flow Statement for the year ended 31 December 2006 have been restated as set out in sub-note (d) below.

(b) Restatement of Comparatives for the Fourth Quarter of the Previous Financial Year

Prior to the fourth quarter of 2006, the Group has translated foreign currency transactions and monetary items at contracted rates if those amounts are hedged by forward foreign exchange contracts. FRS 121 only allows exchange rates at date of transactions to be used in translating foreign currency transactions and exchange rates at balance sheet date for translation of monetary items. Consequently, certain comparatives of the Consolidated Income Statement for the fourth quarter ended 31 December 2006 have been restated as set out in sub-note (d) below.

(c) Reclassifications

During the year, the Group had reviewed and changed the presentation of write offs and impairment of property, plant and equipment for the fourth quarter and financial year ended 31 December 2006. These expenditure items which were previously included in other operating costs are now presented with depreciation, impairment and amortisation to conform with current year presentation and better reflect the nature of expenses as set out in sub-note (d) below.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

13. Changes in Accounting Policies and Reclassifications (continued)

(d) Comparative Figures

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

	4TH QUARTER ENDED				FINANCIAL YEAR ENDED			
	As previously reported RM Million	Effect of change in policies RM Million	Reclassifi-cations RM Million	As restated RM Million	As previously reported RM Million	Effect of change in policies RM Million	Reclassifi-cations RM Million	As restated RM Million
Income Statement for the financial year ended 31 December 2006								
Depreciation, impairment and amortisation	(1,042.5)	9.1	(0.3)	(1,033.7)	(4,039.0)	34.7	2.8	(4,001.5)
Other Operating Costs	(2,470.6)	(49.9)	0.3	(2,520.2)	(9,048.1)	(34.7)	(2.8)	(9,085.6)
Profit Before Taxation	912.3	(40.8)	-	871.5	-	-	-	-
Profit for the Year	686.3	(40.8)	-	645.5	-	-	-	-
Profit Attributable to Equity Holders of the Company	631.6	(40.8)	-	590.8	-	-	-	-
Earnings per Share (sen) -basic -diluted	 18.6 18.6	 (1.2) (1.2)	 - -	 17.4 17.4	 - -	 - -	 - -	 - -

13. Changes in Accounting Policies and Reclassifications (continued)

	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
Cash Flow Statement for the financial year ended 31 December 2006			
Purchase of property, plant and equipment	(5,698.7)	106.0	(5,592.7)
Payments to suppliers and employees	(8,787.4)	(106.0)	(8,893.4)
Cash flows used in investing activities	(6,503.2)	106.0	(6,397.2)
Cash flows from operating activities	5,339.8	(106.0)	5,233.8

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 7.4% to RM4,734.2 million as compared to RM4,407.8 million in the fourth quarter 2006, mainly attributed to higher revenue from cellular, Internet and multimedia and other telecommunication services.

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 14.7% from fourth quarter 2006 of RM252.0 million to fourth quarter 2007 of RM289.1 million due to continued growth of broadband customers to 1.3 million from 0.9 million in the corresponding quarter 2006.

Group profit after tax and minority interests (PATAMI) increased marginally by 0.3% to RM592.5 million as compared to RM590.8 million recorded in the fourth quarter 2006 mainly attributed to higher contribution from jointly controlled entities, mainly Spice partially offset by higher impairment of property, plant and equipment (PPE) and investment of RM63.0 million and RM80.0 million respectively in the current year quarter. Improved performance of Spice was largely attributed to the gain on the sale of telecommunication towers. In addition, current year quarter recorded a foreign exchange loss of RM24.0 million as compared to a gain of RM179.1 million in the fourth quarter 2006. Lower taxation charge in the current year quarter also contributed to the higher Group PATAMI. Lower taxation charge was mainly due to reversal of excess tax provision as disclosed in note A3(j).

(b) Year-on-Year

For the financial year under review, Group revenue increased by 8.8% (RM1,443.7 million) to RM17,842.9 million, driven primarily by the cellular, leased services and Internet and multimedia services.

Group PATAMI increased by 23.1% (RM478.9 million) to RM2,547.7 million mainly due to better financial performance of Celcom, higher other operating income, gain on dilution pursuant to IPO listing of Spice, higher share of profits in jointly controlled entities and lower taxation charge. Higher other operating income was primarily due to gain on disposal of 4.6% shares in Dialog totalling RM234.8 million as disclosed in note A3(b).

The strengthening of Ringgit Malaysia vs. Indonesian Rupiah, Sri Lanka Rupee and Bangladesh Taka for the financial year under review has resulted in lower revenue from translation of international businesses by approximately RM141.6 million and RM380.5 million in the fourth 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

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2007 RM Million	31/12/2006 RM Million	**31/12/2007 RM Million**	31/12/2006 RM Million
EBIT	**814.5**	949.2	**3,759.6**	3,521.1
Adjusted Tax	219.9	265.8	1,015.1	985.9
NOPLAT	**594.6**	683.4	**2,744.5**	2,535.2
AIC	5,520.2	5,253.9	22,081.0	21,015.7
WACC	8.70%	8.51%	8.67%	8.52%
ECONOMIC CHARGE	**480.3**	447.1	**1,914.4**	1,790.5
ECONOMIC PROFIT	**114.3**	236.3	**830.1**	744.7

Definitions:

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 returns a business generates over its cost of capital. This can be measured from the difference of NOPLAT and Economic Charge.

TM’s fourth quarter 2007 EP has shown a reduction of RM122.0 million quarter-on-quarter to RM114.3 million from RM236.3 million recorded in fourth quarter 2006. For the current financial year, TM’s EP of RM830.1 million has shown an increase of RM85.4 million when compared to the preceding financial year of RM744.7 million.

The factors contributing to the lower EP in the current quarter was mainly from lower NOPLAT and higher WACC. For the current financial year, the higher EP was contributed by higher NOPLAT which has been partially offset by the increased economic charge resulting from higher WACC. The higher WACC was due to higher market capitalisation and after tax cost of debt recorded in both the current quarter and the financial year.

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 RM4,734.2 million increased by 2.7% (RM125.5 million) from RM4,608.7 million recorded in the preceding quarter, mainly due to increase in cellular and other telecommunication related services.

The increase in revenue from cellular services was the results from more attractive packages and promotions offered to customers coupled with the aggressive and more targeted marketing activities initiated in the period under review.

Group PATAMI of RM592.5 million was 10.0% lower than RM658.5 million recorded in the preceding quarter, primarily due to higher impairment of PPE and investment and lower investment income.

3. Prospects for the Next Financial Year Ending 31 December 2008

Pursuant to TM's announcement dated 28 September 2007, the Group will undertake a demerger of the mobile and fixed-line businesses of TM Group, which is targeted to complete by second quarter 2008. The exercise will result in the creation of two separate telecommunication entities, with distinct business strategies and aspirations, namely, RegionCo as the regional mobile entity and FixedCo as the domestic broadband entity.

The prospects for FixedCo, which encompasses the retail, domestic and global wholesale fixed-line voice, data and broadband services continue to be encouraging. After arresting the revenue decline in 2007, FixedCo in 2008 aims to stabilise its revenue and create momentum by focusing on Internet, Data Services, and Value Added Services for consumers and businesses in line with the Performance Improvement Programme which was initiated in 2006. Additionally, efforts will concentrate on the implementation of the recently announced High Speed Broadband (HSBB) network, in partnership with the Government of Malaysia.

RegionCo which comprises TM International Group and Celcom Group is expected to continue to register further revenue growth in 2008. This is in line with its aspiration to become the leading regional mobile operator. On the international front, RegionCo will continue to strengthen its market share and improve its financial position in Sri Lanka, Bangladesh, Indonesia and Cambodia. RegionCo will also seek to expand its presence in the South/South East Asia regions by selectively looking for new investment opportunities.

Although the domestic mobile industry is reaching saturation point, Celcom is still expected to register revenue growth in 2008. This is expected to be achieved through well crafted strategies targeted at specific customer segments, as well as the introduction of new, exciting and competitive products.

However RegionCo will have to be mindful of the challenges and risks facing its international operations, where unfavourable changes in political regimes, regulations and currency exchange rates which may have an adverse financial impact.

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

3. Prospects for the Next Financial Year Ending 31 December 2008 (continued)

Barring any unforeseen circumstances, the Board of Directors expects the Group's performance for the financial year ending 31 December 2008 to remain favourable.

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

The Group has not provided any profit forecast or profit guarantee in a public document in respect of the financial year ended 31 December 2007.

5. Taxation

The taxation charge for the Group comprises:

	4TH QUARTER ENDED		**FINANCIAL YEAR ENDED**	
	31/12/2007	31/12/2006	**31/12/2007**	31/12/2006
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Income Tax:				
Current year	**85.6**	90.5	**560.6**	413.7
Prior year	**(9.9)**	179.0	**(187.8)**	269.8
Deferred tax (net):				
Current year	**82.3**	(188.7)	**21.0**	(95.7)
Prior year	**(61.1)**	65.0	**(33.4)**	(54.3)
	96.9	145.8	**360.4**	533.5
Overseas				
Income Tax:				
Current year	**1.6**	7.0	**19.9**	31.1
Prior year	**(0.6)**	(0.1)	**(3.6)**	(0.4)
Deferred tax (net):				
Current year	**(22.6)**	73.3	**134.3**	266.7
	(21.6)	80.2	**150.6**	297.4
TOTAL TAXATION	**75.3**	226.0	**511.0**	830.9

The current quarter and financial year effective tax rate of the Group was much lower than the statutory tax rate mainly attributed to reversal of prior year excess provision, one-off capital gains as explained in note A3 which were not subjected to tax and the effect of change in tax rate from 26% to 25%.

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 a cash consideration of 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 year ended 31 December 2007 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	27.6	123.6
Total disposals	28.7	138.9
Total profit on disposal	5.0	17.3

(b) Total investments in quoted securities as at 31 December 2007 are as follows:

	RM Million
At cost	193.7
At book value	177.6
At market value	177.6

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial year ended 31 December 2007 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	24.9	81.6
Total disposals	28.0	74.2
Total profit on disposal	0.1	0.4

(b) Total investments in quoted fixed income securities as at 31 December 2007 are as follows:

	RM Million
At cost	203.6
At book value	200.5
At market value	200.5

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

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 (The Proposed Sale and Leaseback) involving the issuance of up to RM1,100 million Islamic Asset-Backed Sukuk Ijarah (Proposed Sale and Leaseback) by a special purpose vehicle, Menara ABS Berhad (MAB).

The Proposed Sale and Leaseback involves the sale of four (4) of its property assets, known as Menara TM, Menara Celcom, Cyberjaya Complex and Wisma TM Taman Desa (Properties) at a total value of up to RM1,100 million to MAB. 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 Sale and Leaseback 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 Sale and Leaseback, 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 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 Sale and Leaseback 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 letters dated 27 July 2007 and 26 November 2007, have approved the Proposed Sale and Leaseback, subject to imposition of some conditions on the Principal Adviser/Lead Arranger, Citibank Berhad and/or MAB.

Consequently, on 2 January 2008, TM entered into the conditional Sale and Purchase Agreements and Master Ijarah Agreement with MAB as well as a Supplemental Agreement to the Sale and Purchase Agreement (Menara Celcom) dated 28 August 2007, in relation to the Properties, for a total purchase consideration of RM1,000 million.

On 15 January 2008, TM announced the completion of the Proposed Sale and Leaseback that involved the issuance of RM1,000 million Islamic Asset Backed Sukuk Ijarah by MAB. MAB accordingly issued 3 classes of Sukuk: Class A totaled RM345 million; Class B RM155 million, while Class C totaled RM500 million. Rating Agency Malaysia Bhd has rated Class A and B, with Class C being un-rated.

8. Status of Corporate Proposals (continued)

(b) (i) Proposed Demerger of the TM Group of Companies (Proposed Demerger);

(ii) Proposed Listing of the entire Issued and Paid-Up Ordinary Share Capital of TM International Berhad (TM International)(formerly known as TM International Sdn Bhd) on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities) (Proposed Listing);

(iii) Proposed Shareholders' Mandate for the issuance of up to 10% of the Share Capital of TM International (Proposed Shareholder's Mandate);

(iv) Proposed Employees' Share Option Scheme for Eligible Employees and Executive Director(s) of the TM Group (Proposed Option Scheme); and

(v) Special Dividend to Shareholders of TM (Special Dividend)

(items (i) to (iv) are collectively referred to as the "Proposals")

On 28 September 2007, TM announced the proposed demerger of the TM Group to create 2 separate entities with distinct business strategies and aspirations (Proposed Demerger).

TM has further announced on 10 December 2007, that the Board of TM has approved the final terms of the Proposed Demerger which comprises the proposed internal restructuring of the TM Group to group the assets for the mobile and non-Malaysian businesses under TM International and the assets for the fixed-line voice, data and broadband businesses under TM (which includes the transfer of the 3G Spectrum Assignment from TM to Celcom) (Proposed Internal Restructuring), and the proposed distribution by TM to the Entitled Shareholders of our entire holding of and rights to ordinary shares of RM1.00 each in TM International (TM International Shares) (Proposed Distribution).

Accordingly, TM had, on the same date, entered into the Demerger Agreement with its wholly-owned subsidiaries, Telekom Enterprise Sdn Bhd, TM International, Celcom (Malaysia) Berhad and Celcom Transmission (M) Sdn Bhd to give effect to the Proposed Internal Restructuring. Following the Proposed Internal Restructuring, TM proposes to distribute its entire holdings in and rights to TM International Shares to the entitled shareholders of TM (Proposed Distribution). The entire issued and paid-up ordinary share capital of TM International is proposed to be listed on the Main Board of Bursa Securities.

On 10 December 2007, the Board of TM also proposed the following:

(i) to obtain a shareholders' mandate for the issuance of up to 10% of the share capital of TM International; and

(ii) to have in place an employees' share option scheme for eligible employees and Executive Director(s) of the TM Group.

8. Status of Corporate Proposals (continued)

TM's Board has also approved a payment of a special gross dividend of 65 sen per share less tax of 27% in respect of the financial year ending 31 December 2007, to the shareholders of TM. The entitlement date of the Special Dividend was 18 January 2008. Further to the announcement, on 16 January 2008, TM announced the revision in the income tax rate for the special dividend from 27% to 26% for the year 2008 in line with the Finance Act gazetted on 28 December 2007. As such, the special net dividend was 48.1 sen or RM1,654.5 million, and was paid on 31 January 2008.

The Proposals are subject to the following:

(i) approval of the Minister of Finance, Incorporated for the Proposed Internal Restructuring and Proposed Distribution, which was obtained on 22 January 2008;

(ii) approval of the Securities Commission (SC) and SC (on behalf of the Foreign Investment Committee (FIC)) for the Proposed Demerger, Proposed Listing and issuance of TM International Shares pursuant to the Proposed Shareholders' Mandate, which was obtained on 30 January 2008 subject to certain conditions as stipulated in our announcement to Bursa Securities on 4 February 2008;

(iii) approval of Bursa Securities for the Proposed Listing, and listing of and quotation for the TM International Shares to be issued pursuant to the Proposed Shareholders' Mandate;

(iv) approval of the Malaysian Communications and Multimedia Commission for the transfer of the 3G Spectrum Assignment under the Proposed Internal Restructuring, which was obtained on 21 February 2008;

(v) approval of TM's shareholders, which will be sought at the TM's extraordinary general meeting (EGM) to be held on 6 March 2008;

(vi) approval of the TM Group's creditors/lenders (where applicable) for the Proposed Demerger;

(vii) approval of the TM Group's counterparties with respect to shareholders' agreements and joint venture agreements (where applicable) for the Proposed Demerger; and

(viii) approvals/consents of any other relevant authorities, if required.

Further to the above, TM is also seeking the shareholders' approval at the EGM for the Employees Provident Fund Board (EPF), TM's major shareholder (but not the single largest shareholder) holding more than 10% of TM's issued and paid-up share capital, to subscribe to up to 30% of the number of new TM International Shares which may be made available and issued under the Proposed Shareholders' Mandate.

8. Status of Corporate Proposals (continued)

Consequent to the Proposed Option Scheme, which is subject to the shareholders' approval and approval of Bursa Securities for the listing of and quotation for the TM Shares, TM also proposes to grant options to Dato' Sri Abdul Wahid Omar, TM's Group Chief Executive Officer and Director, and an employee, Mohd Azizi Rosli, son of Rosli Man, a Director of the Company (Proposed Grant of Options). The Proposed Grant of Option is subject to the shareholders' approval at the forthcoming EGM.

Barring any unforeseen circumstances, the Proposals are expected to complete by end of the second quarter of 2008. The proposed issuance of TM International Shares under the Proposed Shareholders' Mandate (if implemented) will be implemented over the Mandate Period.

(c) Proposed Acquisition by TM International Berhad (TM International) and Indocel Holding Sdn Bhd (Indocel), both wholly-owned subsidiaries of TM, from Khazanah Nasional Berhad (Khazanah) of Equity Interests in SunShare Investments Ltd (SunShare) and PT Excelcomindo Pratama Tbk (Excelcomindo) (Proposed Acquisition)

On 6 February 2008, TM International and Indocel had entered into a Sale and Purchase Agreement (SPA) with Khazanah (collectively referred to as the "Parties") to acquire all of Khazanah's equity interests in SunShare and Excelcomindo for an aggregate purchase consideration of RM1,580 million which will be satisfied through the issuance of new ordinary shares of RM1.00 each in TM International under the Proposed Acquisition (Consideration Shares).

If the Proposed Demerger becomes unconditional in accordance to the terms and conditions of the Demerger Agreement, Khazanah's equity interest in TM International after the Proposed Demerger would increase by more than 2% from 34.75% to 37.81% (based on Khazanah's shareholdings in TM as at 31 January 2008 adjusted for effects of the Proposed Option Scheme) as a result of the Proposed Acquisition. In accordance with Section 6, Part II of the Malaysian Code on Take-Overs and Mergers, 1998 (Code), Khazanah would then be required to carry out a mandatory take-over offer to acquire the remaining voting shares in TM International not held by Khazanah.

Consequently, on 15 February 2008, we have announced that an application to the SC has been made for an exemption for Khazanah under Practice Note 2.9.1 of the Code, from the obligation to carry out a mandatory take-over offer to acquire the remaining voting shares in TM International not held by Khazanah pursuant to the issuance of new TM International Shares under the Proposed Acquisition (Proposed Exemption). The SC had through its letter dated 18 February 2008, stated that it will consider the Proposed Exemption upon various conditions being met.

8. Status of Corporate Proposals (continued)

The Proposed Acquisition is subject to the following:

(i) approval of the SC;

(ii) approval of the SC (on behalf of the FIC);

(iii) approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Board of Bursa Securities in conjunction with the Proposed Listing (if applicable);

(iv) approval of TM's shareholders, which will be sought at the TM's extraordinary general meeting (EGM) to be held on 6 March 2008;

(v) approval of the TM International Group's creditor/lenders (where applicable); and

(vi) approvals/consents of any other relevant authorities

Applications to the SC and SC (on behalf of the FIC) were made on 22 February 2008.

In addition, the Proposed Acquisition is subject to the Proposed Exemption being approved by the SC and TM's shareholders at TM's EGM.

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the end of the second quarter of 2008.

Save as disclosed above, there is no other corporate proposal 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 31 December 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	317.7	762.6	828.9	909.2
Unsecured	1,859.5	8,984.6	974.2	9,373.6
Total	**2,177.2**	**9,747.2**	**1,803.1**	**10,282.8**

9. Group Borrowings and Debt Securities (continued)

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

	2007	2006
Foreign Currency	**RM Million**	**RM Million**
US Dollar	7,071.7	7,259.3
Indonesian Rupiah	666.4	-
Bangladesh Taka	432.6	322.7
Pakistani Rupee	128.9	69.7
Sri Lanka Rupee	202.3	188.8
Canadian Dollars	4.7	4.4
Euro	4.5	5.1
Pound Sterling	0.1	0.7
Total	**8,511.2**	**7,850.7**

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>

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

<u>Hedging Instrument</u>

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.

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

10. Off Balance Sheet Financial Instruments (continued)

(b) Interest Rate Swap (IRS)

Underlying Liability

SGD540 million Syndicated Term Loan Facility Due in 2010

On 29 November 2007, SunShare made a partial prepayment of SGD60 million and reduce the current loan outstanding to SGD480 million from SGD540 million.

Hedging Instrument

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.

(c) 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, 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 on 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 a strike rate of IDR9,088 per USD, and will receive payment in USD amounting to USD10.0 million times floating rate of interest at quarterly intervals of three months SIBOR plus 1.05%.

10. Off Balance Sheet Financial Instruments (continued)

(d) 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, 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 on 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 a strike rate of IDR9,000 per USD, and will receive payment in USD amounting to USD25.0 million times floating rate of interest at quarterly intervals of three months LIBOR plus 0.95%.

On 10 May 2007, Excelcomindo entered into another CCS contract with a financial institution. Based on the contract, 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 on 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 a strike rate of IDR 9,000 per USD, and will receive payment in USD amounting to USD12.5 million times floating rate of interest at quarterly intervals of three months LIBOR plus 0.95%.

(e) Cross-Currency Swap (CCS)

Underlying Liability

USD50 million Term Loan due in 2010

Hedging Instrument

On 26 April 2007, Excelcomindo entered into a CCS contract with a financial institution. Based on the contract, 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 on 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 a strike rate of IDR9,000 per USD, and will receive payment in USD amounting to USD15.0 million times floating rate of interest at quarterly intervals of three months LIBOR plus 1%.

10. Off Balance Sheet Financial Instruments (continued)

On 9 May 2007, Excelcomindo entered into another CCS contract with a financial institution. Based on the contract, 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 on 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 a strike rate of IDR9,000 per USD, and will receive payment in USD amounting to USD15.0 million times floating rate of interest at quarterly intervals of three months LIBOR plus 1%.

(f) Forward Foreign Currency Contracts

During the current financial year, Excelcomindo, entered into forward foreign currency contracts to hedge the payment of long term loan in USD.

The details of forward foreign currency contracts are as follow:

Type of contracts	Notional amount (in USD Million)	Strike rate (full amount)
Deliverable	175.0	USD 1= IDR9,000
Non Deliverable	125.0	USD 1= IDR9,000
Total	300.0	

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

On the deliverable contract, Excelcomindo would swap, at the final exchange date, a total of IDR1,575.0 million for USD175.0 million.

On the non-deliverable contract, Excelcomindo would swap, at the final exchange date:

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

10. Off Balance Sheet Financial Instruments (continued)

(g) 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.

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.

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

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 5 November 2007, the Court postponed the case to 17 March 2008 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 23 November 2007, the Court has dismissed TM/TMIM's Notice of Motion to commit the directors of BGM and BGO to prison for contempt of the injunction order obtained against BGM and BGO. The hearing date for case management has been fixed on 16 April 2008.

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 26 February 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.

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

11. Material Litigation (continued)

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

On 16 November 2007, the plaintiff's solicitors had served TM with an application to strike out the TM's Statement of Defence. The said striking out application is fixed for hearing on 12 May 2008.

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

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

On 10 December 2007, the Court has postponed the case to 10 March 2008 for mention pending the outcome of an application by AHSB's solicitors to discharge themselves from representing AHSB in the case.

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.

(e) **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, 17 August 2007 and 17 January 2008 respectively. However, the Appeals have been rescheduled for mention on 4 March 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.

(f) **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. On 29 January 2008, the Court dismissed Celcom's appeal. Celcom will file a notice of appeal to the Court of Appeal within 30 days from 29 January 2008.

The Court has also fixed the First Suit for case management on 22 May 2008.

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 subsequently withdrew the appeal with no order as to costs.

11. Material Litigation (continued)

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 was allowed on 7 December 2007. On 17 December 2007, MCAT paid the sum of RM38,144.77 to Celcom's solicitors. Once the allocator is sealed, payment will be made to the Court and balance will be forwarded to Celcom.

In the Third Suit, Celcom filed a striking out application and the Court instructed the parties to file written submissions. On 12 November 2007, Celcom's striking out application was allowed with costs. The Plaintiffs have filed an appeal and no dates have been fixed.

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

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

The Court has fixed 16 July 2008 as the hearing date of the appeal by the Company/TESB against the decision of the Senior Assistant Registrar in dismissing their application to strike out TSDTR's amended counterclaim. The hearing date of a similar appeal filed by Celcom/TRI is fixed on 26 September 2008.

Meanwhile, the hearing date of TSDTR's application to re-amend his amended defence and counterclaim which was earlier fixed on 8 January 2008 has been rescheduled to 14 March 2008.

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

(h) **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.

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

11. Material Litigation (continued)

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

(i) **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 26 February 2008.

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:

(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 TM International 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 fixed for mention on 29 February 2008.

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 was allowed on 23 November 2007.

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

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 hearings of both applications have been postponed to 3 April 2008.

11. Material Litigation (continued)

The Court has also fixed 14 March 2008 as the mention date for the winding up proceedings against Mobikom.

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. Axel Hass, one of the former directors, was served by way of substituted service. 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 28 February 2008.

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 hearing on 26 February 2008.

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 hearing on 7 March 2008.

III The following are new material litigation cases arising during the year other than material litigations disclosed in note B11 (I) and (II) above:

(a) **Mohd Shuaib Ishak v TM, TESB, Celcom and 11 Ors**

On 26 November 2007, TM, Celcom and TESB (collectively referred to as the "TM Group") had been served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the TM Group and 11 others (including the former and existing directors of TM Group) jointly and/or severally, inter alia, the followings:

(a) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and TM (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

11. Material Litigation (continued)

(b) a Declaration that all purchases of shares in Celcom made by TESB and/or TM and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2002 issued by Commerce International Merchant Bankers Berhad are illegal and void and of no effect;

(c) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(d) that TM by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed de-merger of the mobile and fixed-line businesses of the TM Group; and

(e) various damages to be assessed.

On 17 December 2007, TM Group filed their respective application in court to strike out the suit. The hearing date of the striking out application is on 15 May 2008.

The Directors, based on legal advice, are of the view that TM Group has a reasonably good chance of success in defending MSI's counterclaim.

(b) **Mohd Shuaib Ishak v. Celcom**

On 4 February 2008, Celcom had been served with a sealed Originating Summons (Summons) by MSI seeking leave to bring a derivative action in Celcom's name under Section 181A(1) of the Companies Act 1965 (the Proposed Action).

The Proposed Action is against, inter alia, the former and existing directors of Celcom and TM for failing to obtain the consent of DeTeAsia Holding GmbH (DeTeAsia) pursuant to the Amended and Restated Agreement (ARSA) dated 4 April 2002 with DeTeAsia prior to entering into the Sale and Purchase Agreement dated 28 October 2002 with TM for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd (now known as Celcom Mobile Sdn Bhd).

MSI alleges that the directors are liable for damages calculated by reference to the difference between the Buy Out Offer price of RM7.00 per Celcom's share under the ARSA and the price of RM2.75 per Celcom's share under the Mandatory General Offer undertaken by TM through TESB in respect of Celcom. The Summons has been fixed for hearing on 22 April 2008.

The Directors are advised by its solicitors that it has reasonably good prospects of resisting the Summons and will take vigorous steps to defend the same.

11. Material Litigation (continued)

(c) Johanes Irwanto Putro vs Excelcomindo

On 11 January 2007, an overseas subsidiary, PT Excelcomindo Pratama Tbk. (Excelcomindo) received a notification letter from the Yogyakarta District Court regarding the execution of North Jakarta District Court Decision related to an individual claim over the ownership of the Excelcomindo's land located in Yogyakarta that was purchased in 2002.

During the year, Excelcomindo lodged a counter claim at the Yogyakarta District Court on the legality of this claim. The Yogyakarta District Court subsequently issued a ruling in favor of Excelcomindo, reaffirming its rightful ownership to the land, and absolving previous court decisions which ruled otherwise.

On 27 June 2007, the North Jakarta District Court also issued a new ruling which nullified all and any execution rulings by the Yogyakarta District Court in respect of this matter. On 16 January 2008, Yogyakarta High Court issued a ruling which supportted the Yogyakarta District Court ruling.

Management of Excelcomindo believes that the case will not affect the daily operation of Excelcomindo in Yogyakarta offices.

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)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2007	31/12/2006	**31/12/2007**	31/12/2006
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	**592.5**	590.8	**2,547.7**	2,068.8
Weighted average number of ordinary shares (million)	**3,439.8**	3,395.9	**3,426.2**	3,394.0
Basic earnings per share (sen)	**17.2**	17.4	**74.4**	61.0

12. Earnings Per Share (EPS) (continued)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2007	31/12/2006	**31/12/2007**	31/12/2006
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	-	590.8	-	2,068.8
Weighted average number of ordinary shares (million)	-	3,395.9	-	3,394.0
Adjustment for ESOS (million)	-	6.5	-	7.3
Weighted average number of ordinary shares (million)	-	3,402.4	-	3,401.3
Diluted earnings per share (sen)	-	17.4	-	60.8

In the preceeding year corresponding period, fully diluted earnings per share of the Group was 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. The Company's Employees' Share Option Scheme (ESOS 3) has since expired on 31 July 2007, and the remaining options unexercised as at that date had lapsed and became null and void. Hence, diluted earning per share is not calculated for current quarter and financial year since there is no dilutive potential ordinary shares as at 31 December 2007.

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. Dividends

(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) The Board has also approved a payment of a special gross dividend of 65 sen per share less tax of 26% in respect of the financial year ending 31 December 2007, to the shareholders. The entitlement date and payment date of the Special Dividend was on 18 January 2008 and 31 January 2008, respectively.

(c) The Board now recommends a final gross dividend of 22.0 sen per share less tax at 26% (2006: a final gross dividend of 30.0 sen per share less tax at 27%) for shareholders' approval at the forthcoming Annual General Meeting of the Company.

14. Dividends (continued)

Upon shareholders' approval, the total dividend payout for the current financial year (excluding special dividend) is approximately RM1,212.9 million, representing 47.6% of the profit attributable to shareholders. This is in line with the dividend payout policy between 40% to 60% of profit attributable to shareholders.

By Order of the Board

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

Kuala Lumpur
26 February 2008