11. BUSINESS *(cont'd)*

The following table shows certain information relating to the Celcom Group's mobile telecommunications subscriber base for the periods indicated:

	As of/Year ended December 31,		
	2005	2006	2007
Number of subscribers ('000):			
Postpaid	1,118	1,230	1,282
Prepaid	5,740	4,849[1]	5,920
Total number of subscribers	**6,858**	**6,079**	**7,202**
Number of mobile subscribers in Malaysia ('000)[2]	19,511	19,454	23,330
Malaysian mobile penetration[2]	74.7%	73.0%	85.9%
Market share[3]	35.1%	31.2%	30.9%
ARPU (RM per month)			
Postpaid	122	108	111
Prepaid	46	39	52
Blended	61	51	63
Average monthly churn rate (%):			
Postpaid	2.4%	2.1%	1.8%
Prepaid[1]	3.5%	7.1%	2.6%
Average monthly MOU per subscriber:			
Postpaid	_[4]	380	388
Prepaid	_[4]	139	147
Average monthly SMS per user	_[4]	139	213

Notes:

(1)   The decline in prepaid subscribers as of December 31, 2006 compared with December 31, 2005 was largely due to the termination of many prepaid subscribers with the enforcement of prepaid registration by the MCMC, pursuant to which all prepaid subscribers in Malaysia who were not registered by December 29, 2006 were automatically terminated. This regulation affected all mobile operators in Malaysia. Due to this exercise, the churn rate for prepaid subscribers increased to 7.1% for 2006. The churn rate excluding terminated numbers was 5.5% for 2006. The churn rate is still higher compared to previous years due to the Celcom Group's redefinition of a "subscriber" to include only active and revenue contributing subscribers.

(2)   Figures are extracted from the report prepared by Frost & Sullivan.

(3)   Computed as the Celcom Group's estimate of its total number of subscribers divided by the number of mobile subscribers in Malaysia as extracted from the report prepared by Frost & Sullivan.

(4)   The Celcom Group had merged Celcom Mobile and Celcom's mobile services billing platforms between the fourth quarter of 2004 and the first quarter of 2005. As a result, information in relation to the MOU and SMS per subscriber is not available for the year ended December 31, 2005.

The Celcom Group's average monthly churn rate has decreased from 3.5% in fiscal 2005 to 2.6% in fiscal 2007 for prepaid subscribers and from 2.4% in fiscal 2005 to 1.8% in fiscal 2007 for postpaid subscribers. The Celcom Group experienced a spike in average monthly churn rate to 7.1% in fiscal 2006 for prepaid subscribers, attributable to the enforcement of the new MCMC requirement of subscriber registration that began in fiscal 2006. However, if the introduction of mobile number portability in Malaysia goes forward as planned, we anticipate that the Celcom Group's churn rate may increase as one of the hurdles for mobile subscribers to switch between mobile service providers would be reduced.

11.   BUSINESS *(cont'd)*

Services and products

The following table shows the breakdown of the Celcom Group's total revenues as a percentage of its total gross operating revenue for the periods indicated:

	Year ended December 31,		
	2005	2006	2007
	%	%	%
GSM telecommunication service...	81.0	84.0	84.0
GSM interconnection service	13.0	9.0	9.0
GSM international roaming service	5.0	5.0	5.0
Other telecommunications services	1.0	2.0	2.0
Total gross operating revenue...	**100.0**	**100.0**	**100.0**

The tables below show Celcom Group's revenues from its GSM telecommunication services, interconnection services and international roaming services for the following periods:

	Year ended December 31,		
	2005	2006	2007
			RM million
Revenues from GSM telecommunication services:			
Voice calls..	2,941.3	3,030.9	3,334.4
Non-voice calls...	690.4	753.0	964.8
Total revenues from GSM telecommunication services	**3,631.7**	**3,783.9**	**4,299.2**

	Year ended December 31,		
	2005	2006	2007
			RM million
Revenues from GSM interconnection services:			
Domestic interconnection	505.8	376.4[1]	431.8
International interconnection	73.0	47.6	46.9
Total revenues from GSM interconnection services	**578.8**	**424.0**	**478.7**

Note:

(1)   The decrease in the domestic interconnection revenue was largely attributable to the reduction of mobile termination rates between domestic operators effective from February 2006 as determined by the MCMC. Domestic mobile termination rate decreased by approximately 28.5% from 11.26 sen to 8.05 sen per minute.

	Year ended December 31,		
	2005	2006	2007
			RM million
Revenues from:			
GSM international roaming services...................................	209.5	233.5	242.6
Others..	75.6	84.6	106.5
Total revenues from GSM international roaming services and others..	**285.1**	**318.1**	**349.1**

The Celcom Group offers its services on a postpaid or prepaid basis. The postpaid service was launched in 1989 while the prepaid mobile service was launched in 1998. It launched its mobile-based broadband service in 2005 and in 2006, the Celcom Group introduced a customised portfolio of enterprise products and services.

11.   BUSINESS *(cont'd)*

Celcom Postpaid services

The Celcom Group offers various postpaid packages for its postpaid subscribers ranging from individual postpaid packages, special packages for members of associations and clubs and data packages such as mobile e-mail, unlimited daily and monthly data usage with the option of speeds up to 384 kbps (for 3G) and up to 3.6 Mbps (for Celcom 3GX (HSDPA)).

The Celcom Group's postpaid subscribers, other than corporate users, are subject to certain checks and a monthly minimum payment requirement. The Celcom Group's postpaid services are typically used by individuals with medium to higher usage needs such as professionals and business users and the Celcom Group was the first operator in Malaysia to offer packages with monthly minimum usage commitments and flat rates across networks and locations.

The Celcom Group collects and pays domestic interconnection fees determined by the MCMC for calls that connect to the Celcom Group network and calls to other telecommunications operators' networks. The Celcom Group also provides international roaming services to postpaid subscribers through contractual agreements with certain other foreign mobile service providers.

Xpax prepaid services

In 2005, the Celcom Group rebranded its prepaid services as Xpax, a brand targeting youths, with relatively lower rates for SMS and voice call charges. 8pax is a key feature that offers rates as low as 1 sen for SMS and 15 sen per minute for voice calls to 8 subscriber-registered Celcom Group or TM numbers within Malaysia. All Xpax subscribers are offered the lowest rate of only 1 sen for unlimited SMS to any number within the Celcom Group network everyday from midnight to 5.59 a.m..

Xpax subscribers purchase vouchers that contain fixed amounts of service value and do not pay subscription or other monthly charges. These vouchers are available in the form of physical reload vouchers or electronic reload vouchers. Physical reload vouchers are paper tickets with a numerical code that the subscriber enters into his mobile phone; the phone is then automatically credited with the purchased amount of additional service value. Electronic reload vouchers automatically reload the additional service value to the subscriber's mobile upon purchase.

Prepaid subscribers can purchase reload vouchers at Blue Cube retail outlets and at a wide network of dealers as well as alternative channels throughout Malaysia. Xpax subscribers can also reload their prepaid cards at selected local banks, e-pay kiosks, petrol stations and retail outlets through soft-pins which are available online. The Celcom Group also offers reload options on certain authorised websites where subscribers can deduct the reload amounts from their bank accounts.

In addition, in April 2007, the Celcom Group launched Xpax Bonus, a comprehensive loyalty programme to reward prepaid subscribers with bonus monthly airtime depending on their usage, free calls and SMS during the subscriber's birthday month, gifts and free airtime as well as extensions of the validity period upon reloading.

Other features and value-added services

In addition to voice services, the Celcom Group also offers various features and value-added services to its subscribers. These include, among others:

- Caller Line Identification Presentation, call holding, call forwarding, call conferencing, voice mail and missed call notification.

- Basic SMS and MMS services.

- *SIMcard Rescue*, which allows subscribers to automatically back up and store phonebook details and business cards in a phonebook system for a monthly fee.

11. BUSINESS *(cont'd)*

- *SMS in Colour* and *SecretSMS*. *SMS in Colour* is the first service in Malaysia that allows subscribers to add colours and icons to their SMS. *SecretSMS* allows restricted access when viewing incoming SMS which are protected by a password.

- *Channel X*, a mobile content platform containing mobile content and services targeted at young and technologically savvy mobile users. *Channel X* is accessible via the web, WAP and unstructured supplementary service data ("USSD").

- *Call Me Tones*, which enable the caller to hear the subscriber's preferred songs instead of normal ringback tones. The Celcom Group has a few thousand songs and sound effects in its Call Me Tones list.

- *ZMS*, an innovative iconic SMS available in English and Malay.

- *Airtime Share*. Customers can transfer any amount of airtime between RM1.00 to RM25.00 to their friends within the Celcom Group's network.

Advanced data and mobile broadband

Other major services available to Celcom Group prepaid and postpaid subscribers include advanced data services which allow connectivity to the internet via GPRS, 3G or HSDPA networks, charged according to usage. Under the advance data services category, the Celcom Group also offers mobile broadband services (branded "*Celcom Broadband*") with daily or monthly unlimited usage packages.

The Celcom Group was the first operator in Malaysia to launch a 3G mobile network. Celcom 3GX, the Celcom Group's HSDPA service offers mobile broadband access with speeds of up to 3.6 Mbps. The Celcom Group believes that it has the widest 3G coverage in Malaysia. Celcom 3GX (HSDPA) provides corporate users with secure mobile accessibility to corporate networks, coupled with high-speed retrieval and downloading of confidential corporate information. In addition, Celcom 3GX (HSDPA) subscribers can access and view video streaming and games and have fast access to rich multimedia websites.

In the event of network unavailability due either to coverage or end user device limitations, fallback to the next best network is provided. For example, if a monthly unlimited Celcom 3GX (HSDPA) user happens to be in a location without Celcom 3GX (HSDPA) coverage, the end user can still connect to the internet via the 3G network if available. If not, connectivity will be provided via GPRS.

BlackBerry products and services

- *BlackBerry Enterprise Solution*. In September 2006, the Celcom Group launched the BlackBerry Enterprise Solution, a solution for corporate organisations on push-based access to email, calendar, contacts, tasks and notes, instant messaging, web based applications and services, and enterprise applications. It runs on both GPRS and 3G data bearer. This solution enables connectivity to messaging and collaboration software (such as Microsoft Exchange, Lotus Domino and Novell GroupWise) on enterprise networks for email synchronisation and personal information management between desktop and mobile software.

- *BlackBerry Internet Solution*. Launched in June 2007, this serves professionals and business users with smaller email accounts without an enterprise-wide email platform. It comes with a BlackBerry wireless device which combines the capabilities of, among others, telephone, e-mail, SMS, browser and organiser. This solution also allows an integration of up to 10 supported business or personal email accounts, and enables the user to send and receive instant messages, and browse web content while on the road. Further, no email storage quota is required to manage the email accounts that are integrated with the BlackBerry device.

11. BUSINESS *(cont'd)*

Domestic and international interconnection service

The Celcom Group currently has interconnection arrangements with other domestic telecommunication operators for domestic call services and international carriers for IDD service and traffic termination to Malaysia, pursuant to which the Celcom Group receives domestic and international interconnection revenue for all calls that connect onto the Celcom Group's network. For calls from domestic mobile networks and PSTN to its subscribers, the Celcom Group receives domestic interconnection revenue, for which the MCMC has set guidelines on the interconnection rates. For international interconnections, commercial arrangements are based on mutual agreement. For international calls from overseas to its subscribers, the Celcom Group also receives revenue from the traffic terminated through the Celcom Group's international gateways. The present submarine cable systems that the Celcom Group has access to are the Asia-Pacific Cable Network (APCN), Southeast Asia-Middle East-Western Europe 3 ("SEA-ME-WE 3"), Fiber optic Link Around the Globe (FLAG), Thailand-Vietnam-Hong Kong (TVH) and Trans-Pacific cable-5 (TPC-5), for which the Celcom Group is part of various consortiums. These allow the Celcom Group to have direct interconnections with 30 international carriers across 16 countries worldwide.

International roaming services

As of the Latest Practicable Date, the Celcom Group had 335 GSM international roaming partners across 127 countries around the world. This includes 171 GPRS international roaming partners operating in 79 countries and 70 3G international roaming partners in 43 countries. With the combination of GSM, GPRS and 3G capabilities, the Celcom Group is able to offer a wide range of services to subscribers of both local and foreign operators. Roaming services range from basic voice calls, SMS and internet access to more sophisticated services such as video calls and HSDPA services which are enabled through the Celcom Group's 3G international roaming services. In addition, the Celcom Group provides a virtual home environment solution to subscribers of both local and foreign operators which allow short code dialling while roaming in cooperative networks.

These services are offered to both the Celcom Group postpaid and prepaid subscribers. For postpaid subscribers who have concerns on charges while roaming, the Celcom Group offers a budget call service called Roam Saver. Customers utilising this service enjoy discounts of up to approximately 80% on the calls made.

The Celcom Group receives revenue both from calls made by its own subscribers roaming abroad and when foreign operators' subscribers roam on Celcom's network. The international roaming arrangements are made bilaterally with foreign operators in accordance with GSM Association guidelines. For calls made by its own subscribers while roaming abroad, the Celcom Group receives outbound roaming revenue from its subscribers. The Celcom Group will pay the international roaming charges by foreign operators while retaining a portion of such revenues. For calls made by subscribers of foreign operators while roaming on the Celcom Group's network, the Celcom Group receives inbound roaming revenue from foreign operators. Inbound roaming revenue that the Celcom Group receives from foreign operators as a result of calls made by their subscribers while roaming on Celcom's network have traditionally been higher than the Celcom Group's outbound roaming revenue because of the high proportion of incoming roamers from foreign networks.

11.   BUSINESS *(cont'd)*

Business solutions (Celcom POWERTOOLS)

Celcom POWERTOOLS was introduced in 2006 as an umbrella brand for its suite of business solutions and service packages targeted at enterprise subscribers in a wide array of industries. The main solutions offered are Mobile Office, Workforce Mobility, Machine-to-Machine (M2M), and other value-added business services.

* *Mobile Office.*

    - Business Voice – Competitive voice service packages incorporating free voice, video calls and messaging within a defined closed user group, together with targeted handset subsidies.

    - Business BlackBerry – Market leading push e-mail service from Research in Motion (RIM) of both Canada and the United Kingdom, incorporating specific BlackBerry devices and software installed behind corporate firewalls, or provisioned as a hosted service for small and medium enterprises.

    - E-mail and Beyond – A device-agnostic platform utilising Microsoft and other compatible e-mail servers to provide instant and effective push and pull e-mail to any device utilising a Microsoft Windows Mobile operating system.

    - Business Broadband – 3G and 3.5G data access to LANs, Wide Area Networks (WANs), Internet Protocol Virtual Private Networks (IP-VPNs) and the worldwide web, with differentiated monthly service packages based on access speeds and bundled hardware.

* *Workforce Mobility.*

    - Sales Force Automation – Customised solutions that extend sales monitoring and reporting functions, subscriber relationship and order management to mobile devices, used by sales personnel while out of the office.

    - Field Service Automation – Enables instant access to an enterprise's corporate databases by field personnel, for usage at warehouses, assembly plants, technical support centres and mobile enforcement.

    - Mobile Satellite – Celcom-branded postpaid satellite service utilising the Asia Cellular Satellite (ACeS) network and dual-mode handsets.

* *Machine-to-Machine (M2M).*

    - Fleet Management – Remote tracking of vehicles nationwide, for enhanced security, driver monitoring, more efficient vehicle routing, and more cost effective operations overall.

    - Asset Management - Supervisory Control and Data Acquisition (SCADA) services enabling companies to monitor and manage fixed assets effectively through data collection, remote control, alarms/warnings and ground surveillance.

    - Remote Meter Reading (RMR) – Enables regular wireless updates and frequent polling of electricity and other utility meters for real-time tracking, control and reduction in human resource requirements.

    - Mobile EFTPOS – Point-of-sales (POS) terminals with end-to-end security that relies entirely on mobile packet transmission to execute and authorise credit card transactions in real-time, and at any location.

11. **BUSINESS** *(cont'd)*

- Wireless ATMs – Mobile packet transmission as backup/redundancy to leased lines or as the primary for connectivity between ATMs and centralised banking systems.

- *Business Value-Added Services.*

    - Enterprise Messaging Service (EMS) – A web-based SMS broadcast service enabling companies to send messages in bulk to their employees, subscribers and partners instantly and cost-effectively.

    - Enhanced Enterprise Messaging (EEM) – An enhanced solution with customised back-end integration, providing automatic SMS alerts, SMS Broadcast, SMS Hotline and SMS Premium for Mobile Vouchers, surveys and polls, and for Information-on-Demand ("IOD") applications.

    - Enterprise Mobile Portal – Optimisation of mobile access to corporate and product information, online product ordering and immediate product surveys, via mobile devices.

    - Business Prepaid – Bulk prepaid airtime sold to companies at a discount, with scheduled auto-reloads to pre-defined lists of employee phone numbers.

    - Lost Handset Service – Device replacement service for inbound roamers from selected partner networks in the Asia-Pacific region.

The Celcom Group's commitment to becoming the best and largest business mobile telecommunications provider is supported by its dedicated round-the-clock corporate helpdesk, subscriber service charters with defined service level commitments, market leading products and value, and the global reach and scale of its Vodafone alliance.

Strategic alliances

The Celcom Group has a number of memoranda of understanding, strategic alliances, equity partnerships and collaborations with various global, regional and local corporate and telecommunications leaders, including Vodafone, AMI, Google, Tune Money, Tune Talk, Samart I-Mobile (Malaysia), U Mobile, Redtone and Merchantrade.

Vodafone is one of the leading mobile telecommunications companies in the world, with whom the Celcom Group has partnered to launch a range of exclusive services for business users and international travellers. As a result of the collaboration between the Celcom Group and Vodafone, the Celcom Group offers a comprehensive business product portfolio, leveraging on Vodafone's experience and portfolio of services. The partnership covers a range of areas, including preferential roaming arrangements, multinational corporations' sales collaboration, best-practice sharing and ongoing access to new products. The Celcom Group also benefits from discounts on products such as BlackBerry devices, datacards and mobile phones through Vodafone's supply chain management programme.

As the first official telecommunications partner in the Asia-Pacific region for Google, the Celcom Group's subscribers are able to access Google's search engine platform with on-net and off-net WAP and web capabilities. Further, the Celcom Group's partnership with Tune Money will result in a co-branded, mobile-enabled Visa prepaid card solution for its subscribers. The Celcom Group's joint venture with Samart I-Mobile (Malaysia) has also resulted in the establishment of concept retail stores, branded "Blue Cube", with more than 40 outlets in Malaysia as of the Latest Practicable Date.

11.   BUSINESS *(cont'd)*

The Celcom Group's partnerships also extend to MVNO and domestic roaming partnerships. The Celcom Group was the first to launch a MVNO in Malaysia with Merchantrade in the middle of 2007 to target foreign workers. In addition, the Celcom Group has recently signed a memorandum of understanding with Redtone to develop a MVNO to target the small and medium enterprise segments and has also entered into Malaysia's first nationwide domestic roaming arrangement with U Mobile, offering connectivity when U Mobile subscribers are outside of their network coverage areas.

The Celcom Group is also a member of AMI, a platform for collaboration among leading mobile operators in the region, which include M1, IDEA Cellular (India), XL and DTAC (Thailand). This has resulted in easier access and enhanced experience for its subscribers.

The Celcom Group has also launched a co-branded credit card with Citibank. The credit card is designed to provide financial savings to subscribers who accumulate a large amount of mobile phone bills monthly, where the subscriber is offered a 5% cash rebate on the Celcom Group's postpaid plans and another 5% for the Celcom Group's bills that are paid via Citibank's one bill service.

Marketing, sales and distribution

Marketing

The Celcom Group spent RM471.5 million, RM475.3 million and RM515.4 million in fiscal 2005, fiscal 2006 and fiscal 2007 respectively, on marketing, advertising and promotional activities.

The Celcom Group marketing strategy is anchored by the following key strategic principles:

- Customer segmentation to clearly identify key subscriber segments for marketing and sales targeting with support at all levels such as subscriber service and network.

- Aggressively enhance the overall brand appeal among subscribers by offering good coverage, speed, rates and service. The Celcom Group believes that it has the widest domestic coverage and the fastest speeds for data and SMS connectivity via its HSDPA network. The Celcom Group aims to offer its subscribers attractive rates and good subscriber service.

- Aggressive acquisition initiatives to grow its subscriber base as well as revenue stimulation programmes such as reloading campaigns on a quarterly basis.

- Targeted up-selling initiatives via aggressive database marketing programmes to existing subscribers.

- Mass implementation of loyalty programmes to increase subscriber tenure.

- Strong product brand portfolio management to bring products beyond tactical packages and tariffs to differentiate from generic product offerings of competitors and simplify the subscriber offers.

- Sponsorships and affinity programmes to create affinity and grow brand appeal via co-branding initiatives with selected properties and personalities specific to identified target segments. Anchor sponsorship of the English premier league from 2004 to 2007 associated the Celcom Group with international football.

11.   BUSINESS *(cont'd)*

As an acknowledgment to the strength of the Celcom Group's marketing programmes and the quality of subscriber service, the Celcom Group has received several awards. See "Section 11.9 – Awards". The Celcom Group also works closely with its subscriber services outsourcing partner which won awards such as Best Outsourced Service Contact Centre Gold Award 2007 – Under 50 seats (Customer Premier Service) from the Customer Relationship Management and Contact Centre Association of Malaysia ("CCAM"), Best Contact Centre Professional Outsourced Gold and Bronze Award 2007 – Above 50 seats from the CCAM and Best Contact Centre Manager Gold Award 2007 – Above 50 seats from the CCAM.

Sales and distribution

The Celcom Group sells its prepaid and postpaid services through Blue Cube retail outlets as well as a wide network of dealers, amongst which it considers approximately 350 of such dealers to be exclusive key dealers for its prepaid services and 150 of such dealers to be exclusive key dealers for its postpaid services. The Celcom Group also sells additional services such as enterprise and business solutions through Blue Cube retail outlets.

As of the Latest Practicable Date, the Celcom Group had more than 40 Blue Cube retail outlets, located principally in shopping malls and high traffic areas in key cities in Malaysia, and through its dealers, more than 15,000 outlets where prepaid cards can be purchased as well as reloaded at more than 300 bill payment centres. These 15,000 outlets include 7-Eleven, petrol stations, Kodak and Fuji stores and other alternative channels which provide a variety of reloading options to the subscribers. The number of Blue Cube retail outlets will be increased in the near future and the Celcom Group will explore other channels of distribution aside from traditional outlets which sell mobile devices and standard telecommunications services.

The Celcom Group also provides a virtual reload alternative, allowing a subscriber to reload their prepaid credit without having to purchase physical reload cards. The Celcom Group anticipates that contribution from its virtual reloading platform will increase in the future.

Competition

Competition in Malaysia has evolved from being based around coverage to subscriber service, quality, pricing of basic services, and we expect it to further evolve to one where greater value is placed on providing segment relevant offerings with increased importance of value-added services such as data access, content and non-voice services.

There are currently 5 licensed mobile operators in Malaysia, namely, the Celcom Group, Maxis, DiGi, U Mobile and TdC. U Mobile and TdC are new entrants in the 3G network, each having been awarded a 3G license in 2006. The Celcom Group and Maxis operate both 2G and 3G licenses, while DiGi operates a 2G only network currently. U Mobile was launched in the third quarter of 2007 and is in the midst of rolling out its 3G services. TdC has yet to rollout a 3G network. In March 2008, DiGi received approval for the transfer of TdC's 3G spectrum, subject to certain conditions. U Mobile has a domestic roaming arrangement on Celcom 2G network, allowing their subscribers to use their mobile phone outside areas of which U Mobile has no network coverage.

Due to the high penetration rates within the market, increasing voice and SMS usage alone may not be sufficient to compensate for the decline of average prices for both services. In order to increase revenue, mobile operators are under pressure to expand alternative revenue streams such as broadband access, mobile content, mobile-commerce and mobile advertising.

The Celcom Group believes that it has the widest network coverage for both 2G and 3G in Malaysia, giving it a competitive advantage especially in the 3G network, and as such has a major competitive advantage over new entrants, who would have to spend significant capital expenditure and other resources to match the Celcom Group's coverage.

11.   BUSINESS *(cont'd)*

Mobile operators are mandated to provide facilities and services that have been mandated in the access list issued by the MCMC to other licensees. The access list may be reviewed by the MCMC from time to time. The Celcom Group is also mandated to provide domestic roaming on 2G to other 3G operators, with commercial terms to be negotiated between the operators.

It is anticipated that the Government will introduce mobile number portability in August 2008, which will allow subscribers to change operators while retaining their number. We expect this to result in increased competition in the short term as operators attempt to attract subscribers from their competitors, resulting in pricing pressures and increased marketing expenses.

Network and infrastructure

The Celcom Group's mobile network infrastructure comprises 3 major components – mobile access, core network and the transmission system.

As of the Latest Practicable Date, the Celcom Group has constructed 5,838 GSM BTS and 2,310 3G Node B. This makes the Celcom Group one of the widest network coverage providers for both 2G and 3G services in Malaysia. In addition, the Celcom Group is the first operator in Malaysia to provide 3G services. Integrated planning of 2G and 3G networks ensures that the Celcom Group's subscribers can enjoy coverage by both networks with high quality services. The Celcom Group had also deployed HSDPA technology in the central business district in Kuala Lumpur and sub-urban areas in Malaysia allowing subscribers to access broadband services on its network.

Given the rapid deployment of base stations sites and other transmission site required to support its network growth in the past, the Celcom Group has a significant number of base stations and transmission towers which have been installed while pending submission to or approval from the local authorities. As the Celcom Group expects that the number of applications rejected is low, the Celcom Group does not expect the cost of relocating the physical structures (for the applications which are rejected) to have a material impact on the financial position of our Group.

The Celcom Group's core network consists of different elements that make possible the provision of various types of services such as voice call, SMS and internet access. While voice service remains the key service for the Celcom Group, the demand for advanced data services is on the rise. This has resulted in a significant increase in usage since the launch of mobile broadband services.

The Celcom Group plans to complete the unification of its 2G and 3G core networks into a single platform by the second quarter of 2008. This will result in a more efficient and optimised network architecture that will significantly reduce network operating cost and capital expenditures. Upon completion, the Celcom Group will have a leaner network with 2 international switching centres (ISC), 7 Gateway Mobile Switching Centres ("GMSC"), 14 mobile switching centre servers (MSS) and 18 Media Gateways ("MGW"). This exercise is also partly meant to prepare the network for the future all-IP network.

The Celcom Group has enhanced its IP network features with the deployment of Multi Protocol Label Switching ("MPLS") components. Initially serving the requirement for 3G services, the network will be gradually enhanced to support all different types of services. In this way, the Celcom Group will leverage on MPLS' features to ensure efficient transport of various services. MPLS will eventually become a single packet-service backbone network and also form an important part of the future all-IP network.

The Celcom Group is also in the process of enhancing its IP/MPLS network with security features. The VPN feature of MPLS is one of the key enablers to provide secure access for subscribers. In addition, the Celcom Group has deployed security components such as firewalls and Intrusion Prevention System (IPS) as part of its efforts to curb any possible loopholes and vulnerability in the network.

11. BUSINESS *(cont'd)*

The increase in capacity demands also entails the requirement for an increase in the capacity of transmission network. Connections from BTS to the regional mobile switching centres are realised via microwave, fiber optic and very small aperture terminal ("VSAT") transmission systems. The Celcom Group has been able to meet increased capacity demands with the deployment of its own transmission network. Being independent and without relying too much on other operators' infrastructure ensures that the Celcom Group is able to quickly deploy capacity requirements. Together with its affiliates, the Celcom Group has constructed a fiber optic transmission backbone network. The current capacity of the backbone network is at the Synchronous Transport Module ("STM") 64 levels and will be upgraded to dense wavelength division multiplexing (DWDM) in 2008. The backbone network will deploy state-of-the-art protection mechanism of Automatically Switched Optical Network ("ASON") technology to protect against multiple fiber optic cuts, thus resulting in less down time on critical services. Fiber optic transmission system also makes up some part of the Celcom Group's metro network. The high capacity requirement from mobile broadband has required the Celcom Group to undertake an ongoing process to upgrade the metro network to STM-16. The high capacity fiber optic network is also supplemented by high capacity microwave links as alternative routes and diversity. The network is also in the process of upgrading and modernisation with the installation of new next generation, flexible capacity for last mile links of super Plesiochronous Digital Hierarchy ("PDH") and compact Synchronous Digital Hierarchy ("SDH") technology.

The Celcom Group measures the technical performance of its service against internal and external benchmarks. A series of tests conducted at least annually by the MCMC since 2002 showed that the Celcom Group, which has a round-the-clock network operation centre, achieved excellent results in terms of "drop call" rate and service availability. The Celcom Group also conducts monthly internal benchmarking activities in order to ensure the performance of its network is ahead of industry standards and continuously invests in new tools to test and simulate subscriber experience on its services.

Spectrum

Celcom has been allocated the GSM 900 and GSM 1800 spectrum bands identified below exclusively for the duration of its licenses. In addition, TM has been assigned the spectrum bands for 3G mentioned below for 15 years until April 1, 2018.

The frequency bands allocated for the Celcom Group for the operation of GSM are at the 900 MHz and 1800 MHz spectrums with 2x17 MHz and 2x25 MHz bandwidths, respectively. Specifically, the allocated range at the 900 MHz frequency is from 888 MHz to 905 MHz for uplink communication from mobile terminals to BTS and from 933 MHz to 950 MHz for downlink communication from BTS to mobile terminals. The bandwidths at 1800 MHz are from 1735 MHz to 1760 MHz for uplink communication and from 1830 MHz to 1855 MHz for downlink communication. The set frequency granted by the Government under the 3G spectrum assigned to TM for the Celcom Group's operation of 3G mobile telecommunications services are for frequency division duplex ("FDD") frequency of the 1950 MHz to 1965 MHz bandwidth and 2140 MHz to 2155 MHz bandwidth. In addition, TM was also granted time division duplex ("TDD") frequency of 2020 MHz to 2025 MHz bandwidth for Celcom Group's 3G operations. The MCMC has, via its letter dated February 21, 2008 given its approval for the transfer of TM's 3G Spectrum Assignment to Celcom as part of the Pre-Listing Restructuring. See "Section 5 – Pre-Listing Restructuring and Acquisition".

11. BUSINESS *(cont'd)*

11.5.2 XL

XL was established under the Deed of Establishment No. 55, dated October 6, 1989, as amended by Deed No. 79, dated January 17, 1991 and commenced business on October 8, 1996. XL was previously established under the name PT Grahametropolitan Lestari and has its legal domicile in Jakarta, Indonesia. In 1995, XL changed its name to its present name. XL's business primarily consists of providing voice, data and other value-added mobile telecommunications services. XL operates its network under a GSM 900 and GSM 1800 license from the Minister of Communications and Information in Indonesia and has been allocated 2 bands of spectrum pursuant to which it operates its GSM 900 and GSM 1800 networks. XL has also been allocated 3G spectrum and in September 2006, XL introduced its 3G service in Indonesia, the XL 3G, which is currently available in 73 cities throughout Indonesia. As of December 31, 2007, XL's network covered more than 90% of the populated areas of Indonesia. In 2007, XL made significant investments of USD700 million to expand its network and to enhance its network and coverage for its subscribers. XL also provides leased line and corporate services which include internet service provider ("ISP") and VoIP services.

The following table shows certain information relating to XL's net revenues, adjusted EBITDA and PATAMI extracted from XL's audited financial statements for the periods indicated:

	Year ended December 31,		
	2005	**2006**	**2007**
Net revenue (IDR billions)...	3,059	4,682	6,460
Adjusted EBITDA (IDR billions)[(1)]..................................	1,735	2,554	3,509
PATAMI (IDR billions)...	(224)	652	251

Note:

(1)   Adjusted EBITDA is not a uniformly or legally defined financial measure. We define adjusted EBITDA as net profit/(loss) before taxation, interest expense/(income) and other finance cost, depreciation, impairment and amortisation, other expense/(income), share of results of associates and jointly-controlled entities and foreign exchange gain/(loss). Adjusted EBITDA is presented because we believe it is a widely accepted financial indicator on an entity's ability to incur and service debt. You should not consider the adjusted EBITDA as an alternative to net income or income from operations, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with generally accepted accounting principles, or an alternative to cash flows as a measure of liquidity or any measures of performance derived in accordance with Indonesian GAAP. The computation of adjusted EBITDA herein may differ from similarly titled computations of other companies. Adjusted EBITDA is not a measure of financial performance under Indonesian GAAP and should not be considered as an alternative to net cash provided by operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any measures of performance derived in accordance with Indonesian GAAP.

The following table reconciles our definition of adjusted EBITDA to our profit after taxation for the financial years indicated:

	For the year ended December 31,		
	2005	**2006**	**2007**
	IDR billion	**IDR billion**	**IDR billion**
(Loss)/profit after taxation..	(224)	652	251
plus:			
Tax expense	(89)	351	267
Depreciation, impairment and amortisation........................	1,165	1,526	1,749
less:			
Interest income..	(22)	(52)	(51)
plus:			
Interest expense and other finance costs	401	416	694
Other expense/(income)...	142	6	395
Foreign exchange loss/(gain)	362	(345)	204
Adjusted EBITDA	1,735	2,554	3,509

11. BUSINESS *(cont'd)*

Subscriber base and usage

With 15.5 million subscribers as of December 31, 2007, XL is estimated to have a 16.6% share of the Indonesian mobile market, which is estimated at 92.9 million subscribers, making XL the third largest mobile telecommunications service provider in Indonesia, measured by total subscribers according to Frost & Sullivan. XL's prepaid subscribers have grown to 15.0 million subscribers as of December 31, 2007, from 9.1 million prepaid subscribers as of December 31, 2006, which represents a growth rate of 64.0%. As of December 31, 2007, XL had 0.5 million postpaid subscribers, an increase of 24.3% from the 2006 figure of 0.4 million postpaid subscribers.

The following table shows certain information relating to XL's mobile telecommunications subscriber base for the periods indicated:

	As of/Year ended December 31,		
	2005	2006	2007
Number of subscribers ('000):			
Postpaid	176	387	481
Prepaid	6,802	9,141	14,988
Total number of subscribers	**6,978**	**9,528**	**15,469**
Number of mobile subscribers in Indonesia ('000)[1], [2]	46,260	63,660	92,864
Indonesian mobile penetration[1], [2]	19.1%	25.9%	37.3%
Market share[2], [3]	15.1%	15.0%	16.6%
ARPU (IDR '000 per month)			
Postpaid	251	172	155
Prepaid	50	42	43
Blended	54	46	47
Average monthly churn rate (%):			
Postpaid	0.3%	2.9%	4.8%
Prepaid	5.6%	12.2%	13.5%
Blended	5.5%	11.9%	13.2%
Average monthly MOU per subscriber:			
Postpaid	327	223	202
Prepaid	54	56	97
Average monthly SMS per user	75	86	92

Notes:

(1) Figures are extracted from the report prepared by Frost & Sullivan.

(2) The number of mobile subscribers in Indonesia does not include fixed wireless subscribers of PT Telkom's "TelkomFlexi", Indosat's "StarOne" and PT Bakrie Telekom's "Esia".

(3) Computed as XL's estimate of its total number of subscribers divided by the number of mobile subscribers in Indonesia as extracted from the report prepared by Frost & Sullivan.

XL's average monthly churn rate has significantly increased from 5.6% in fiscal 2005 to 12.2% in fiscal 2006 and 13.5% in fiscal 2007 for prepaid subscribers and from 0.3% in fiscal 2005 to 2.9% in fiscal 2006 and 4.8% in fiscal 2007 for postpaid subscribers. We believe the increase in, as well as the very high level of, the churn rate for prepaid subscribers is due to very aggressive competition with respect to the pricing of starter packs (generally comprises a SIM card and a reload voucher), and we expect this competition and the churn rate for prepaid subscribers to continue to increase in the future. We believe that the increase in the churn rate for postpaid subscribers is in part due to XL's focus on higher quality subscribers that has caused lower quality subscribers to churn, and in part due to the considerable competition.

XL's ARPU differs significantly between its postpaid and prepaid subscribers. Postpaid subscribers tend to be heavier users of mobile services, in part reflected by the higher ARPU of postpaid subscribers, and are loyal to a specific operator, as indicated by the lower churn rate. In contrast, prepaid subscribers are lighter users of mobile services to the extent that the ARPU for prepaid subscribers is lower. This result is due to the increase in penetration rate of the prepaid market in tandem with the lower tariffs and discounts offered through marketing and loyalty programmes to prepaid subscribers. The increased penetration rate in the prepaid market has resulted in a higher proportion of new low-usage subscribers, such that there is lower usage of voice services and higher usage of SMS from prepaid subscribers on the whole.

11.   BUSINESS *(cont'd)*

XL's ARPU for prepaid subscribers decreased from IDR50,000 per month in fiscal 2005 to IDR42,000 per month in fiscal 2006, and then was almost flat at IDR43,000 per month in fiscal 2007. We believe the stable ARPU for prepaid subscribers between fiscal 2006 and fiscal 2007 was in part due to the success of XL's "Rupiah 1" promotion to stimulate usage, which began in July 2007. The promotion provides subscribers with a nearly zero per-minute rate on a call after the initial several minutes of the call are charged at the standard tariff. XL's ARPU for postpaid subscribers decreased from IDR251,000 per month in fiscal 2005 to IDR172,000 per month in fiscal 2006 and IDR155,000 per month in fiscal 2007. We expect ARPU for both prepaid and postpaid subscribers to continue to deteriorate in the future notwithstanding the short-term stabilisation in ARPU for prepaid subscribers in fiscal 2007.

Services and products

The following table shows the breakdown of XL's total revenues as a percentage of its total gross operating revenue for the periods indicated:

	Year ended December 31,		
	2005	2006	2007
	%	%	%
GSM telecommunications services	75.9	77.1	77.7
GSM interconnection services	21.4	18.6	16.5
Other telecommunications services	2.7	4.3	5.8
Total gross operating revenue	**100.0**	**100.0**	**100.0**

The following tables show XL's revenues from GSM telecommunications services and interconnection services for the following periods:

	Year ended December 31,		
	2005	2006	2007
			IDR billion
Revenues from GSM telecommunications services:			
Voice calls	1,922.4	2,747.2	3,866.3
Non-voice	1,340.4	2,239.4	2,632.5
Monthly service charge	0.7	0.9	1.9
Total revenue from GSM telecommunications services	**3,263.5**	**4,987.5**	**6,500.7**

	Year ended December 31,		
	2005	2006	2007
			IDR billion
Revenues from GSM interconnection services:			
Domestic interconnection	671.6	866.3	887.0
International roaming	242.3	306.9	465.3
SMS interconnection	7.7	23.7	25.9
Others	0.9	4.9	5.4
Total revenues from GSM interconnection services	**922.5**	**1,201.8**	**1,383.6**

XL implemented a product repositioning programme, with the introduction of the "*jempol*" and "*bebas*" prepaid services in August 2004 and the "*Xplor*" postpaid service in October 2004, which is intended to provide a range of service packages targeting different income segments of the market. XL offers a wide array of voice and non-voice mobile telecommunications services to its subscribers on either a postpaid or prepaid basis. XL's GSM telecommunications services include basic mobile voice services, SMS, value-added services and roaming services.

11.   BUSINESS *(cont'd)*

Prepaid voice

Prepaid subscribers purchase vouchers that contain fixed amounts of service value rather than receiving monthly bills, and do not pay subscription or other monthly charges.

XL has 2 main products for its GSM prepaid card, namely, *"jempol"* and *"bebas"*, which are targeted at different market segments.

A party becomes a prepaid subscriber by purchasing a starter pack which includes a SIM card and a reload voucher. A starter pack costs between IDR5,000 and IDR10,000 and includes a reload voucher with a credit amount of IDR5,000 and IDR10,000 respectively. XL does not charge its subscribers an activation fee to activate their SIM cards.

Prepaid subscribers can increase the value of their SIM cards by purchasing physical reload vouchers or electronic reload vouchers.

XL prepaid subscribers may purchase physical reload vouchers at XL Centres, XL Kita outlets and at many independent retailers throughout Indonesia. Prepaid subscribers may also purchase electronic reload vouchers at XL Centres and XL Kita outlets, or through an ATM.

- *"jempol" prepaid service*

    The *"jempol"* prepaid service, which XL launched in August 2004, is targeted at the price-sensitive income segment of the prepaid market which requires basic voice and SMS services at competitive prices without any value-added services. XL's *"jempol"* prepaid subscribers can purchase vouchers or e-reload in denominations of between IDR5,000 and IDR200,000 with an active period of 30 days to 180 days for electronic reload and 15 days to 30 days for physical reload voucher.

- *"bebas" prepaid service*

    The *"bebas"* prepaid service was launched in August 2004 and is targeted at prepaid subscribers who require value-added services in addition to basic voice and SMS services. The *"bebas"* prepaid card offers affordable tariffs with different thresholds for different regions. XL's *"bebas"* prepaid subscribers also enjoy number portability within the XL network. XL allows its *"bebas"* prepaid subscribers to switch to the *"Xplor"* postpaid service, and vice versa, without changing their phone number, paying additional charges or purchasing a new SIM card.

Xplor postpaid services

In October 2004, XL's postpaid service was re-branded as *"Xplor"* to distinguish it from the postpaid services offered by other mobile operators in Indonesia.

XL's postpaid subscribers, other than corporate users, are subject to certain credit checks and a monthly minimum payment requirement of IDR25,000. *"Xplor"* postpaid subscribers enjoy additional benefits such as zero subscription charges, voice billing per second (in contrast to certain of XL's competitors such as Telkomsel and Indosat, which apply airtime charges on 6-second intervals) and one tariff for telephone calls to up to 50 countries. Postpaid services are typically used by individuals with heavier usage needs such as corporate subscribers. *"Xplor"* postpaid subscribers also enjoy number portability within the XL network. XL allows its *"Xplor"* postpaid subscribers to switch to the *"bebas"* prepaid service without changing their phone number, paying additional charges or purchasing a new SIM card.

11.   BUSINESS *(cont'd)*

SMS

In addition to its voice services, XL offers its subscribers a number of data and other value-added services, including SMS. XL's subscribers may send SMS to any mobile subscriber in Indonesia and to mobile subscribers of foreign mobile service providers with whom XL has roaming arrangements.

Other value-added features and services

XL provides a number of value-added features and services to all of its prepaid and postpaid subscribers without additional charges including caller identification, call holding, call waiting, call forwarding and multi-party calling.

XL 3G services

On September 21, 2006, XL launched XL 3G simultaneously in 11 cities in Indonesia namely, Jakarta, Bogor, Depok, Tangerang, Bekasi (collectively, "Jabodetabek", a metropolitan area covering Jakarta and its surrounding areas), Medan, Batam, Bintan, Bandung, Surabaya and Bali. Subsequently, XL 3G was introduced in Yogyakarta in October 2006, and from then, XL's 3G coverage has since expanded into Mataram and throughout Pulau Lombok and Nusa Tenggara Barat. At present, XL 3G covers 73 cities throughout Indonesia.

XL also provides high speed data services with speeds of up to 2.6 Mbps utilising HSDPA technology for its 3G subscribers. To support this, XL has also launched the MEGA/GIGA data packet, which enables subscribers to access the internet at a high speed with monthly subscription fees depending on data size.

XL's subscribers can enjoy the XL 3G service when travelling in 22 countries with 37 operators, such as Australia, Malaysia, Taiwan, Hong Kong, Singapore and the United States.

GSM interconnection services

XL receives domestic interconnection revenue for calls which connect to XL's network and pays domestic interconnection charges for calls which connect to other operators' networks. XL also provides out-bound international roaming service for its postpaid subscribers. Postpaid subscribers are able to receive and make calls while travelling abroad in countries where XL has cooperative roaming arrangements with mobile service providers in those countries. As of the Latest Practicable Date, XL had cooperative international roaming agreements with 349 mobile service providers operating in 140 countries.

XL has entered into interconnection agreements with other telecommunications operators which may allow interconnections between XL's mobile network and the PSTN, the international gateways operated by Indosat, as well as other networks operated by other mobile and fixed-line operators. These interconnection agreements enable XL's subscribers to call, and to receive calls, from subscribers of other telecommunications operators.

The Indonesian Ministry of Communication and Information has set guidelines on interconnection rates between XL and other telecommunications operators. See "Section 11.19.2 – Regulations and licenses – Indonesia" for more details.

11. BUSINESS *(cont'd)*

Domestic and international interconnection

XL currently has interconnection arrangements with other telecommunications operators and IDD service providers in Indonesia, pursuant to which XL receives domestic and international interconnection revenues for all calls that connect onto XL's network. These interconnection arrangements are subject to guidelines on interconnection rates set by the Indonesian Ministry of Communication and Information. For calls from the PSTN to XL's subscribers, and calls from subscribers of other mobile operators to XL's subscribers, XL receives domestic interconnection revenues. For international calls from overseas to XL's subscribers, the IDD service providers collect the applicable IDD tariff and remit a portion to XL. The interconnection revenues that XL receives from incoming calls to XL's subscribers are higher than the interconnection payments XL makes to other operators because of the high proportion of incoming calls to XL's subscribers from subscribers of other operators.

In-bound roaming

XL receives revenue from in-bound roaming carried out by subscribers of overseas mobile operators which are in Indonesia and are using the XL network for mobile coverage. XL has roaming agreements with other mobile operators in respect of international in-bound roaming charges for calls and SMS made by, and received by, their subscribers while roaming on XL network. XL's roaming agreements with these operators establish the charges for these services. The charges for international in-bound roaming are denominated principally in USD, and XL receives payments from operators outside Indonesia for these services in USD.

Corporate services

XL's Business Solutions offer convergent communication solutions and services (FMC - fixed and mobile communications convergence), targeted at corporate subscribers. As a full telecommunications service provider, Business Solutions provides focused telecommunications solutions and can be adapted to subscribers' need through a consultative approach.

The services provided by Business Solutions are supported by a fiber optic cable backbone network which extends through the islands of Java, Bali, Lombok, Sumatra, Batam and a large part of Kalimantan and Sulawesi, as well as supported by XL's operator partners in other countries which guarantee the availability of international scale networks.

Strategic alliances

XL has forged partnerships with partners such as Vodafone, AMI and Yahoo. With Vodafone, XL provides its subscribers with access to a wide range of international voice and data roaming services such as GPRS roaming and 3G roaming, as well as business products and solutions.

XL is also a member of AMI, a platform for collaboration among leading mobile operators in the region which include Celcom, M1, IDEA Cellular (India) and DTAC (Thailand). This has resulted in easier access and enhanced experience for its subscribers.

XL also has a strategic partnership with Yahoo! Indonesia to distribute Yahoo! oneSearch, Yahoo!'s popular mobile search service, across XL's mobile internet portal.

11.   BUSINESS *(cont'd)*

Marketing, sales and distribution

Marketing

XL spent IDR218.6 billion, IDR332.3 billion and IDR433.0 billion in fiscal 2005, fiscal 2006 and fiscal 2007 respectively, on advertising and promotional activities.

XL's marketing strategy is targeted at emphasising XL's image as a "good quality, great value" mobile operator which fully understands the mobile needs of Indonesians. XL's marketing strategy focus on the following:

- *Maintain high-impact national programmes designed to aggressively grow MOU and revenues.* XL intends to sustain its subscriber and revenue growth momentum achieved by tariff simplification, emphasis on affordability of voice and SMS tariffs and call duration stimulation.

- *Targeted retention and loyalty programmes to increase subscriber productivity and longevity.* XL has launched a loyalty programme called "XL Poin Hadiah" that rewards subscribers for using XL's services by giving them points for usage or reload. These points can be redeemed for XL services such as free voice minutes, free SMS, and shopping vouchers.

- *Aggressive marketing in brand portfolio management.* XL has adopted an aggressive marketing approach in its brand management of the XL brand portfolio *("XL", "bebas", "jempol"* and *"Xplor")* to further strengthen its positioning as the "best GSM value provider" in providing subscribers with a total product offering and mobile services.

- *Focused sales and marketing culture.* XL has fostered an aggressive sales and marketing culture to attract new subscribers, particularly after expanding into new areas. XL's wide range of distribution channels include direct sales, XL-owned and XL-managed stores, franchised stores, independent retailers and reloading through ATMs and XL's M-Wallet feature. XL aims to increase its interaction with its subscribers by focusing on more direct and customised marketing methods.

- *Enhanced subscriber service.* Using its integrated billing system and subscriber relationship management system, XL monitors its subscribers' preferences and realigns its market strategies to reflect subscriber insight. XL's subscriber relationship management system also allows XL to attract subscribers with its diverse, customised range of services and account management. XL's contact management self service automation system also provides a channel for its subscribers to get information regarding our products, services and programmes easily.

In 2007, XL capitalised on the coverage and pricing levers to drive subscriber growth and increase revenue share. The major programmes were: "Wide Coverage Campaign", "Flat Per Second Tariff Scheme", followed by regional tariffs based on a national campaign of "Rupiah 1 per Second On-Net Voice Tariff'" and an off-peak SMS campaign. In January 2008, XL launched a new tariff of IDR0.1 per second for *"bebas"* users for all operators in Indonesia and a special SMS tariff of IDR35 for usage among XL's subscribers.

Sales and distribution

In 2007, XL changed its distribution system from the direct method to a hybrid direct and indirect (dealer management system) method.

As of the Latest Practicable Date, XL had entered into cooperative arrangements with 3 national distributors, more than 15 regional distributors and more than 200 other distributors. These distributors will distribute XL's products through their distribution network on a non-exclusive basis.

11.   BUSINESS *(cont'd)*

Many independent retailers also sell XL starter packs and physical vouchers. XL's prepaid subscribers can reload vouchers electronically at all XL Centres and XL Kita outlets, at ATMs, through phone banking, or through its XL Kita outlets. Currently, approximately 90% of all reloads occur electronically and XL expects that proportion to increase in the future. As of the Latest Practicable Date, XL had 112 XL Centres and 137 XL Centre outlets.

XL Centres are an important component of XL's subscriber service functions as they provide a direct interface with XL's subscribers. XL Centre outlets are owned by third parties who typically sell XL starter packs and vouchers.

Competition

According to Frost & Sullivan, Telkomsel, a subsidiary of PT Telekomunikasi Indonesia Tbk, is the largest mobile operator in Indonesia, accounting for 51.6% of total mobile subscribers as of December 31, 2007, followed by Indosat (26.4%) and XL (16.6%). The remaining 5.4% market share came from PT Sampoerna Telekomunikasi Indonesia, PT Mobile-8 Telecom Tbk and new operator Hutchison Telecom Indonesia (launched in March 2007). Operators of mobile telecommunications services in Indonesia have historically competed on the basis of service quality, pricing, availability of data services, network coverage and value-added features such as voice mail and text messaging. As the market for mobile services in Indonesia develops, subscribers will place increasing value on subscriber service.

The geographic scope of XL's network coverage and its significant network capacity provides XL with an advantage over new market entrants, who cannot duplicate XL's network coverage or capacity without significant capital expenditure. XL's subscriber-focused approach and its ability to offer various service packages and regional pricing using its integrated billing system distinguish XL from its competitors in both prepaid services and postpaid services. XL's most prominent competitors are Telkomsel and Indosat.

Network and infrastructure

XL utilises many types of telecommunications network infrastructure to support its services to subscribers, amongst which are microwave transmission, fiber optic, VSAT, submarine cable and MPLS.

In mid-1997, XL placed a microcell network in Jakarta's central business area, which utilises fiber optic cables and microcells and is designed to offer high quality transmission of voice and data services. Over the last 3 years, XL intensified its coverage in buildings in order to achieve improved radio network quality. XL utilises a combined fiber optic and microcell network designed to avoid blank spots and distorted connection disturbances and provide subscribers a good connection even during peak hours.

XL's fiber optic network consists of a backbone network and ring network along both sides of the northern railroad from Western Java to Surabaya in Eastern Java, covering all the major cities in Java. To reduce network redundancy and to support the telecommunications traffic from the cities in the middle and southern part of Java, XL has constructed 4 fiber optic rings connected to its backbone network. The Java fiber optic backbone consists of 3 types of fiber cores (comprising 72, 144 and 216 fiber cores respectively), using SDH to connect each node along the backbone and the ring.

11.   BUSINESS *(cont'd)*

XL has constructed a number of submarine fiber optic cables with a capacity of 2.5 and 10 gigabytes per second from Puger (East Java) to Denpasar, Bali to Senggigi, Lombok to Kawindanae, Sumbawa and ending at Makassar, South Sulawesi. XL also has a similar submarine cable from Palu, Central Sulawesi to Sangatta, Kalimantan. XL has a submarine fiber optic network from Ancol, North Jakarta to Mentigi, Bangka Island to Sungai Liat, Riau Islands and through Kuala Tungkal, Jambi. From Kuala Tungkal, the fiber optic network infrastructure will be extended to Batam. On the Sumatra Island, XL constructed fiber optic cables to connect the cities of Medan, Padang, Pekanbaru, Jambi, Palembang and Bandar Lampung. The backbone is intended to be eventually linked to Java Island by submarine cable between Anyer and Kalianda. The construction of a fiber optic backbone for the Kalimantan Island is currently in progress.

XL has also constructed a high capacity microwave link to Singapore and Penggarang (Malaysia) from Batam and Bintan. The submarine fiber "Batam Rengit Cable System" connects the XL network to the network in Malaysia which is operated by TM Group to capture a significant population of Indonesians working in Malaysia.

XL is exploring options to unlock the value of its passive infrastructure with the objective to improve its return profile and create shareholder value. Recently, a business unit was established to manage and execute the tower sharing initiative. To date, it has signed a Memorandum of Understanding with 4 operators, namely, Hutchison Telecom Indonesia, Natrindo Telepon Seluler, Bakrie Telecom and Sampoerna Telekomunikasi.

Geographical capacity and coverage

XL's network is primarily based on the GSM 900 standard. XL uses its GSM 1800 spectrum to improve the capacity of radio in heavily populated areas such as Jakarta, Bandung, Bali and Surabaya, using the GSM 1800 standard as an overlay on the existing GSM 900 standard. The GSM 1800 standard allows XL in particular to provide voice and data services in densely populated areas. Based on current technology, XL believes its GSM 900 and GSM 1800 spectrums are adequate to support its subscriber growth for the next few years. From 2006, XL made 3G technology available with the adoption of WCDMA in the cities of Jabodetabek, Bandung, Surabaya, Yogyakarta, Denpasar, Mataram, Medan and its surroundings, Batam as well as Bintan. In 2007, the expansion of 3G continued to the main cities in Sumatra, Kalimantan and Sulawesi and the other cities of Java.

XL's mobile service covers the following areas: Java Island (covering Jabodetabek, a large part of East and Middle Java, Yogyakarta, East Java), Bali Island, Lombok and Sumbawa (covering a large part of Bali, Lombok and Sumbawa), Sumatra Island, Kalimantan Island and Sulawesi Island. In 2007, XL expanded its network to the eastern part of Indonesia including Nusa Tenggara Timur, Maluku and Papua.

As of the Latest Practicable Date, XL had 11,597 BTS (including 1,375 Node B), 300 HSDPA hotspots, 109 BSC and 45 MSC. In 2006, XL began to switch to the NGN which represents a synthesis between the MSC server and the MGW.

XL has 2 network operation centres in Jakarta and Bintaro which monitor its network 24 hours a day, 7 days a week. XL is currently implementing an integrated network management system ("INMS") which will enable XL to monitor its entire network infrastructure through a single platform. XL purchases most of its infrastructure from Ericsson and Huawei Tech Investment Co. Ltd ("Huawei"). XL's network is an integrated system which incorporates its switching system, cell site equipment and microwave transmission network. Most of its BTS are situated within or on top of buildings or on vacant land owned or leased by XL for periods ranging from 5 to 20 years.

11. BUSINESS *(cont'd)*

Spectrum

The term 'frequency allocation' is used when the government of Indonesia uses certain bandwidth frequency for specific interests, such as, the frequency allocation for mobile telecommunications services or the frequency allocation for broadcasting. The term 'set frequency' is used when the government of Indonesia gives permission to specific businesses to use the said frequency for the provision of services as decided in the frequency allocation.

XL's GSM 900 frequency allocations are at the 890 MHz to 915 MHz frequency bandwidth and the 935 MHz to 960 MHz frequency bandwidth. The set frequencies granted or assigned by the government of Indonesia in XL's licenses to provide GSM 900 mobile telecommunications services are 2×7.5 MHz at 907.5 MHz to 915 MHz and at 952.5 MHz to 960 MHz frequency. The frequency allocation by the government of Indonesia for the GSM 1800 mobile telecommunications services in Indonesia is at 1710 MHz to 1785 MHz frequency bandwidth and at the 1805 MHz to 1880 MHz frequency bandwidth. The set frequencies granted by the government of Indonesia in XL's licenses to provide GSM 1800 mobile telecommunications services are 2×7.5 MHz at 1710 MHz to 1717.5 MHz and 1805 MHz to 1812.5 MHz frequency. The set frequencies granted by the government of Indonesia in XL's license to provide IMT-2000 services are 2×5 MHz at 1945 MHz to 1950 MHz coupled with 2135 MHz to 2140 MHz.

11.5.3 Dialog

Dialog commenced business on January 31, 1995. Dialog's business is predominantly focused on the provision of mobile telecommunications services in Sri Lanka. According to Frost & Sullivan, Dialog is the largest mobile telecommunications service provider in Sri Lanka by number of subscribers as of December 31, 2007. In 2006, Dialog was awarded the 3G spectrum assignment by the TRC. Dialog launched its 3G commercial services in August 2006 and became the first operator in South Asia to launch a 3G network. As of the Latest Practicable Date, Dialog operated 1,024 2.5G BTS across Sri Lanka on dual band GSM 900 and GSM 1800 networks. Dialog also operated more than 440 3G BTS as of the Latest Practicable Date.

Dialog has also made several strategic corporate acquisitions in order to capitalise on and secure a strong position in a quadruple play market (where mobile, fixed, broadband internet and media services are offered). In December 2005, Dialog acquired 100% of DBN, which operates the largest transmission and data communication network in Sri Lanka. DBN is a key player in providing backbone transmission, infrastructure facilities and data communication services, and is also engaged in the business of internet service provision. In July 2007, DBN launched its CDMA services. In 2006, in order to have a stake in the television media industry, Dialog acquired a 90% interest in Dialog TV (then known as Asset Media (Private) Limited), a media company that is licensed to operate television broadcasting and pay television in Sri Lanka and acquired the remaining 10% in September 2007. In December 2006, Dialog, through Dialog TV, acquired CBNP and CBNSP. Since these acquisitions, Dialog has invested in digital broadcast infrastructure, targeting digital terrestrial broadcast, DTH and mobile television service provisioning. The acquisition of these entities has provided Dialog with a portfolio of licenses, technology and service positioning capability, enabling Dialog to offer quadruple play services.

The following table shows certain information relating to Dialog's revenues, adjusted EBITDA and PATAMI extracted from Dialog's audited financial statements for the periods indicated:

	Year ended December 31,		
	2005	**2006**	**2007**
Revenue (SLR millions)	18,034	25,679	32,517
Adjusted EBITDA (SLR millions)[1]	9,416	13,744	13,740
PATAMI (SLR millions)	7,012	10,119	8,967

11.   BUSINESS *(cont'd)*

Note:

(1)   Adjusted EBITDA is not a uniformly or legally defined financial measure. We define adjusted EBITDA as net profit/ (loss) before taxation, interest expense (income) and other finance cost, depreciation, impairment and amortisation, other expense/(income), share of results of associates and jointly-controlled entities and foreign exchange gain/(loss). Adjusted EBITDA is presented because we believe it is a widely accepted financial indicator on an entity's ability to incur and service debt. You should not consider the adjusted EBITDA as an alternative to net income or income from operations, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with generally accepted accounting principles, or an alternative to cash flows as a measure of liquidity or any measures of performance derived in accordance with Sri Lankan GAAP. The computation of adjusted EBITDA herein may differ from similarly titled computations of other companies. Adjusted EBITDA is not a measure of financial performance under Sri Lankan GAAP and should not be considered as an alternative to net cash provided by operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any measures of performance derived in accordance with Sri Lankan GAAP.

The following table reconciles our definition of adjusted EBITDA to our profit after taxation for the financial years indicated:

	For the year ended December 31,		
	2005	2006	2007
	SLR million	SLR million	SLR million
Profit after taxation	7,012	10,119	8,967
plus:			
Tax expense	42	75	45
Depreciation, impairment and amortisation	2,152	3,017	4,477
less:			
Interest income	(172)	(250)	(153)
plus:			
Interest expense and other finance costs	367	741	797
Other expense/(income)	(53)	(123)	(379)
Foreign exchange loss/(gain)	68	165	(14)
Adjusted EBITDA	9,416	13,744	13,740

Subscriber base and usage

Dialog is the largest mobile telecommunications service provider by subscriber base in Sri Lanka with a market share of 53.4% in the mobile telecommunications market as of December 31, 2007, representing 4.3 million subscribers, according to Frost & Sullivan. In 2007, while Dialog's postpaid active subscriber base increased by 17.6% over 2006, Dialog's prepaid active subscriber base increased by 40.8% over 2006 to 3.7 million subscribers in 2007.

11.   BUSINESS *(cont'd)*

The following table shows certain information relating to Dialog's mobile telecommunications subscriber base for the periods indicated:

	As of/Year ended December 31,		
	2005	2006	2007
Number of subscribers ('000):			
Postpaid	441	484	569
Prepaid	1,682	2,621	3,690
Total number of subscribers	**2,123**	**3,105**	**4,259**
Number of mobile subscribers in Sri Lanka ('000)[(1)]	3,362	5,413	7,983
Sri Lankan mobile penetration[(1)]	16.4%	26.1%	38.1%
Dialog's share of net market increase	66.0%	48.0%	45.0%
Market share[(2)]	63.1%	57.4%	53.4%
ARPU (SLR per month):			
Postpaid	1,635	1,682	1,688
Prepaid	426	432	412
Blended	697	658	590
Average monthly churn rate (%):			
Postpaid	3.3%	3.4%	3.1%
Prepaid	0.1%	0.2%	0.1%
Average monthly MOU per subscriber[(3)]:			
Blended	269	221	212
Average monthly SMS per user	20	23	22

Notes:

(1)   Figures are extracted from the report prepared by Frost & Sullivan.

(2)   Computed as Dialog's estimate of its total number of subscribers divided by the number of mobile subscribers in Sri Lanka as extracted from the report prepared by Frost & Sullivan.

(3)   Dialog's blended monthly MOU per subscriber comprises chargeable and non-chargeable MOU.

Dialog's average monthly churn rate has remained steady from fiscal 2005 through fiscal 2007, with fiscal 2007 churn rate of 0.1% for prepaid subscribers and 3.1% for postpaid subscribers. There have been discussions in Sri Lanka as to the possible adoption of mobile number portability regulations. If such regulations were approved, we would anticipate that the churn rate would increase.

Services and products

The following table shows the breakdown of Dialog's total revenues as a percentage of its total gross operating revenue for the periods indicated:

	Year ended December 31,		
	2005	2006	2007
	%	%	%
GSM telecommunications services	79.0	79.0	78.0
Inbound roaming	6.0	4.0	3.0
International termination	8.0	9.0	10.0
Others	7.0	6.0	5.0
Broadband and other telecommunications services	-	2.0	2.0
Media	-	-	2.0
Total gross operating revenue	**100.0%**	**100.0**	**100.0**

Dialog offers voice and non-voice mobile services on either a postpaid or prepaid basis.

11.   BUSINESS *(cont'd)*

Prepaid and postpaid services

Dialog operates a 2.5G and a parallel 3G GSM network, supporting the latest in multimedia and mobile internet services, and also provides automatic international roaming (AIR) facilities in over 200 countries and destinations. Dialog's postpaid mobile service commenced in March 1995 under the *"Dialog"* brand name and Dialog introduced prepaid services in 1999 under the brand name *"Kit"*.

Prepaid subscribers purchase vouchers that contain fixed amounts of service value and do not pay subscription or other monthly charges. These service value vouchers are available in the form of physical recharge vouchers or electronic reloads. While Dialog has achieved widespread distribution for traditional recharge via paper-based vouchers, its subscribers also utilise SMS-based electronic reload.

Dialog offers innovative services such as 3G portal, 3G video conferencing and video call centres. Dialog's 3G network supports high speed mobile broadband at data speeds in excess of 7.2 Mbps.

Other value-added features and services

A continued focus on innovation and local adaptation of cutting edge technologies has enabled Dialog to maintain and grow a comprehensive portfolio of value-added services. A broad outline of the services offered by Dialog to its subscribers is set out below:

- *SMS based value-added services.* SMS provides an underlying bearer for a range of IOD services spanning a wide spectrum of information categories ranging from financial information, through entertainment to sports and news. SMS is also used as a primary access medium for the request and delivery of reusable content services. Dialog offers a "Star Call" voice messaging service which allows its subscribers the unique benefit of extending the SMS experience to the voice dimension.

- *International roaming services.* Dialog has an international roaming network, which has been extended to encompass GPRS roaming, enabling subscribers to use GPRS mobile data facilities while roaming overseas. Additional roaming options such as SMS Home and Call Home are also available as more economical roaming services.

- *GPRS portal services.* Dialog's GPRS portal provides a mobile internet interface to a range of information services from reusable content services to information retrieval and search engine facilities.

- *Reusable content (download) services.* Downloads of ring tones, games, wallpapers and multimedia clips are rapidly growing in popularity. Dialog maintains a comprehensive and regularly updated content store, which provides subscribers with access to a wide variety of content.

- *Location based services.* Dialog provides a suite of location based services ranging from location sensitive IOD services to corporate solutions for vehicle and fleet tracking and sales force management.

- *Local language services.* Dialog has pioneered the support of Sinhalese and Tamil SMS and mobile portal services in the Sri Lankan mobile telecommunications market.

- *MMS.* Dialog offers MMS, which facilitates the transmittal of pictures and short moving clips between mobile phones and/or e-mail terminals.

11. BUSINESS *(cont'd)*

- *Video streaming services.* Dialog uses GPRS and Enhanced Data rates for GSM EDGE technologies to provide a range of video streaming applications. The principal application for EDGE technology is the mobile television service supporting live television streaming to compatible mobile devices.

- *MyDialog.lk.* Dialog's mobile blog, "MyDialog.lk", has been launched on web and WAP, with features such as blogging via SMS/MMS, group messaging and the ability to upload photos via MMS. A free bundle content offer was coupled at launch.

- *Dialog directory assistance.* Dialog has also pioneered Sri Lanka's first SMS/e-mail support directory information services, which links its subscribers to the "Rainbow" classifieds database of Sri Lanka Telecom Limited.

- *Mobile surveillance.* This is an internet-based surveillance system branded as the "Phone Eye" and launched by Dialog under the 3G umbrella. This is Dialog's latest product in mobile security, offering its subscribers the ability to view live images or videos captured from the installed camera or closed circuit television (CCTV) system. The surveillance camera images can be accessed on a mobile phone or computer through the internet.

- *Breaking news alerts.* Introduced for the first time in Sri Lanka, this service allows Dialog's subscribers to receive the latest local and international breaking news via SMS or view international news live through CNN on MyTV or get CNN news updates through video on demand. The breaking news alerts, one of Dialog's most important and valuable services, is a quick and easy way for subscribers to keep up-to-date on the latest developments both locally (through Ada Derana local news service in Sri Lanka) and internationally (through CNN International news service).

- *MyTV.* Through this service, Dialog offers on demand television viewing. Built on video streaming technology, MyTV offers local and foreign channels. To enhance its user friendliness, MyTV has a channel selector for greater ease for the user to surf channels. MyTV is also 3G-, GPRS- and EDGE-enabled, granting this feature added accessibility.

- *Twin SIM.* Dialog's TWIN SIM facility, also known as the Master/Slave connection is another first in Sri Lanka. According to the TWIN SIM concept, the subscriber will get 2 parallel SIM connections with the principal connection being tagged as the Master and the secondary connection tagged as the Slave. Both the SIM will have the same mobile number and the main feature of this service is added flexibility for the user to forward calls between the Master and the Slave connections.

- *Background Music.* Background Music is another new value added service for Dialog's postpaid and prepaid subscribers, allowing them to enjoy background music, background effects and sound effects during call conversations.

- *Songcatcher.* Provides the convenience of storing Dialog's subscribers' favourite songs on their mobile phones by dialling '389' and placing the mobile phone near a radio or any other music source for 15 seconds to record a song. The song details, along with a download link, will then be sent to the subscriber's phone via SMS.

- *Video Star Call.* Dialog launched video star call following the launch of 'Star Call'. With the launch of Video Star Call, subscribers can now send short video messages by pressing the * key and recording a short video message. This service adds a video dimension to the previously audio- and text-based mobile messaging.

11.   BUSINESS *(cont'd)*

Other value-added services offered by Dialog include caller identification, IDD, call waiting, call hold, call forward, voice mail and 6-way call conferencing. Dialog also introduced sub-products such as video calls, IDD video calls, 3G outbound roaming, video sharing and blogging. Dialog also launched in 2007 the BlackBerry platform in Sri Lanka, enabling Dialog's subscribers to gain instant and online access to e-mail and browsing services.

Supplementary businesses

Dialog has ventured into 5 main supplementary telecommunications related businesses based on licenses acquired from the Government of Sri Lanka and its acquisitions.

- *International business*

    Following industry liberalisation and the cessation of the monopoly by Sri Lanka Telecom Limited on international services, Dialog entered the international services arena, providing international private leased circuits ("IPLC") and voice traffic origination/termination. Dialog's international services business unit, Dialog Global, has established a comprehensive network of international linkages facilitating the flow of traffic to and from Sri Lanka to most international destinations.

    In order to aggregate originating international voice minutes from non-Dialog subscribers, Dialog launched its international calling card branded as Dialog Global. These cards are distributed via its retail network and the mobile prepaid top-up charge card may be used to refill these calling card accounts.

    As an extension to this calling card, Dialog launched an international calling card to aggregate terminating traffic to Sri Lanka under the brand name of Qlink. This was launched by Mobicom Communications Pty. Limited in Australia on a pilot basis in partnership with Dialog Global and Dialog plans to extend it to other markets which have large Sri Lankan migrant populations. In February 2008, Dialog Global launched a co-brand calling card in Bahrain with Harmony Telecoms Bahrain Ltd.

    Dialog envisions future demand for international bandwidth to escalate due to the entry of Sri Lanka into the business process outsourcing (BPO) space. Dialog's reach extends well beyond the locally connected SEA-ME-WE 3 and SEA-ME-WE 4 cables to all major submarine cables through bridging arrangements supported by TM at its multipoint global nodes situated in all major global markets.

- *Broadband and internet business*

    Dialog's internet business was launched in 2001 with the primary intention of developing the IP infrastructure required for Dialog to become the leader in a convergent environment. Dialog has also established a retail ISP service, Dialog Internet, which provides dial-up internet services to more than 3,000 subscribers as of December 31, 2007. Dialog Internet's broadband services are offered through WiMax technology and at speeds of up to 4Mbps. Broadband services are further complemented by HSDPA and WiFi offerings.

- *Fixed telephony and data business*

    Dialog launched its CDMA operations commercially in July 2007. In addition to the lower end voice services provided through CDMA, higher end corporate voice services such as hosted private automated branch exchange ("PABX") services are also provided. Dialog is a leading provider of data links and solutions to business establishments in Sri Lanka. Currently, there are more than 1,800 data links from a subscriber base of more than 250.

11.   **BUSINESS** *(cont'd)*

- *Tele-infrastructure business*

  Dialog's tele-infrastructure ("DTI") is a newly formed supplementary business unit responsible for the management and retail of Dialog's tele-infrastructure. DTI provides a state-of-the-art transmission and infrastructure services to all other supplementary business units of Dialog and to external licensed operators. DTI is responsible for Sri Lanka's national transmission network, which is supported by an extensive communications infrastructure. DTI clients include all fixed and mobile operators, paging networks, most private television and frequency modulation (FM) radio networks, data communication networks and ISPs in Sri Lanka.

- *Media business*

  Dialog TV operates Dialog Satellite TV, a DTH satellite television service. With the aim of offering the best satellite television to all Sri Lankans, Dialog TV supports a broad array of international content including CNN, BBC, HBO, Cinemax, AXN, ESPN, Ten Sports, Discovery Channel, MTV (Music Television) and Cartoon Network, in addition to a wide portfolio of Sri Lankan television channels. Dialog TV services are based on cutting-edge digital video broadcasting by satellite (DVB-S) digital broadcast infrastructure and as of December 31, 2007, this service reached over 73,000 Sri Lankan subscribers. In line with its commitment to deliver broadcasting services of the highest quality and sophistication, Dialog TV has invested in state-of-the-art technology in all areas of its operations. The use of digital technology ensures superior broadcast quality and enables a wide range of services and features to be provided to the end consumer.

Strategic alliances

In January 2006, TM entered into a strategic partnership alliance with Vodafone, a leading telecommunications company. Under this alliance, Dialog, together with Vodafone, launched a range of exclusive services for business users and international travellers, which included Vodafone wireless office solutions as well as 3G datacards and 3G routers. The partnership also allowed Dialog's subscribers access to Vodafone's international services while travelling within the participating Vodafone partners in addition to supply chain management benefits.

The partnership enables Dialog to leverage on Vodafone's experience and portfolio of services to offer a comprehensive business product portfolio. The partnership covers a range of areas, including preferential roaming arrangements, multinational corporations, sales collaboration, best-practice sharing and ongoing access to new products such as BlackBerry devices.

In addition, Dialog partnered the National Development Bank PLC of Sri Lanka ("NDB Bank") to introduce eZ Pay, South Asia's first mobile payment and banking network, which was launched in the third quarter of 2007. Themed "mPowering a New Economy", eZ Pay added a revolutionary and consumer centric dimension to banking in Sri Lanka. The Dialog-NDB Bank mobile commerce network allows consumers to carry out a variety of electronic transactions using their mobile phone from anywhere within Dialog GSM's network coverage, including the purchase of goods, payment of bills, transfer of money and performance of banking transactions.

Dialog also collaborated with mChek India Payment Systems Pvt. Ltd. ("mChek"), who provided the technological partnership for eZ Pay. mChek provides the mCommerce software on the SIM card to transform a standard mobile phone to an electronic wallet and/or a point of sale device capable of capturing and validating electronic (mobile commerce) transactions and banking transactions for use by retailers and merchants.

11.   BUSINESS *(cont'd)*

Marketing, sales and distribution

Marketing

Dialog spent SLR2.3 billion, SLR3.0 billion and SLR3.5 billion in fiscal 2005, fiscal 2006 and fiscal 2007 respectively, on marketing, advertising and promotional activities.

- *Brand building, advertising and promotion*

    Dialog's advertising and promotion strategy is divided between brand building, new product announcements and promotion. The wide portfolio of products and services supported by Dialog, alongside the correspondingly wide range of market segments it addresses, necessitates consistent and sustained advertising and promotional activities characteristic of leading mobile operators in the region.

    Dialog actively advertises in the press, on television, radio, outdoor events and through its channel distribution network. Dialog's core advertising strategy is to consolidate and extend its brand value as the leader in the telecommunications industry in Sri Lanka. As such, Dialog focus on the quality of advertising and ensuring consistency with the Dialog brand promise of "The Future.Today".

    The brand portfolio of Dialog consists of the main brand Dialog GSM, prepaid brand Dialog Kit, value-added services, Dialog 3G, new segment entry products and international business. In addition to the branding of mobile services, Dialog actively promotes its subsidiaries' products and services, namely Dialog TV, Dialog Fixed Telephony and Dialog Broadband.

- *Reward programmes*

    Dialog supports a comprehensive portfolio of subscriber reward programmes focused on rewarding subscribers for loyalty and continued usage of Dialog's services. Based on the wide spectrum of consumer segments addressed by Dialog, several rewards and loyalty programmes have been designed.

    The Club Vision and Priority Circle programmes are targeted at top tier postpaid subscribers. The eligibility criteria focus on factors such as the length of time for which a person has been Dialog's subscriber, revenue generated per user and the timely settlement of bills. Such subscriber groups enjoy special benefits of enhanced credit limits, special call tariffs and preferential services which include exclusive offers, such as additional rewards points, SKYWARD air miles and benefits through other Dialog partner establishments.

    Star Points is a loyalty programme where all Dialog's subscribers can earn points on transactions made on any of Dialog's product, service or other purchases at partner merchants   located in Sri Lanka. Subscribers can redeem their accumulated points equivalent to SLR at any of the partner merchants or for any Dialog transaction.

Sales and distribution

Dialog has established a wide dealer network operated primarily by 10 exclusive business partners of Dialog. Dialog's dealer network has over the years established points of presence for Dialog's products and services in all major towns and cities across the country including the northern and eastern provinces. Dialog's business partners also play a lead role in the country's mobile phone trading sector having established themselves as large-scale importers of all major brands of mobile phones and accessories.

11.   BUSINESS *(cont'd)*

The collaborative strength of Dialog and its business partners is manifested in the "Arcade" concept, a unique model store featuring the co-location of all business partners within a Dialog sponsored showroom. The "Arcade" model store has been replicated in several major cities in Sri Lanka and provides consumers with a wide variety of mobile phones and accessories.

Dialog's distribution network as of the Latest Practicable Date, comprised 2,802 retail outlets constituting 6 Dialog Arcades, 62 subscriber service points and 11 service centres that are owned and managed by Dialog.

A majority of Dialog's subscriptions are sold by its exclusive business partner network. Business partners accounted for approximately 73.0% of prepaid connections and 72.0% of postpaid new connections for fiscal 2007.

Since the launch of the "*Kit*" brand in 1999, Dialog has established 33,500 distribution outlets as of the Latest Practicable Date. Dialog's distribution mechanism included 33 exclusive distributors supported by approximately 280 field sales representatives as of the Latest Practicable Date.

Competition

The size and composition of Dialog's subscriber base and usage patterns have changed over the past few years. Rapidly increasing affordability and enhanced availability in terms of network reach have acted as a catalyst for wide scale adoption by less affluent segments of society. The advent of prepaid services has provided a strong impetus for mobile telecommunications penetration growth. The low commitment attached to ownership, characteristic of prepaid services, has increased the number of mobile telecommunications users in Sri Lanka. Mobile telecommunications continues to be used widely in the high spending and corporate segments, which are markets that accounted for a large majority of mobile phone ownership during the early years of sector development in Sri Lanka.

Dialog continues to face intense competition from Mobitel (Pvt) Ltd., Celltel Lanka/Tigo and Hutch Sri Lanka. In 2007, Bharti Airtel was awarded a license to commence mobile telecommunication operations in Sri Lanka and is expected to commence its operations in 2008. Competition has been aggressive in terms of coverage, service portfolios and price.

However, Dialog has been benefiting from market growth opportunities notwithstanding declining ARPU and MOU. In preparation for emerging growth opportunities within a mass market environment, Dialog has focused on "profit per minute" and "profit per user" as lead indicators of ongoing performance as opposed to ARPU. The former measures have driven changes in Dialog's cost structure and value chain formulation which has helped Dialog to deliver approximately 20.0% CAGR measured in profitability between 2005 to 2007 notwithstanding the transformation evidenced with respect to the spending profile of the Dialog's subscriber base.

The main competitors in the fixed telephony and broadband sectors are Sri Lankan Telecom, Lanka com Services, Suntel and Lanka Bell. The growth in the fixed line sector is led by CDMA technology which enables phone sales that caters to a largely untapped need of low cost fixed line telephony in the market. The introduction and aggressive promotion of fixed broadband internet solutions by DBN and its competitors have resulted in a rapid growth in that sector. Aggressive adoption and marketing of wireless broadband within the Sri Lankan market can be said to be one of the key highlights of the industry with deployment of HSDPA and high speed uplink packet access (HSUPA) applications in addition to 3G.

In the pay television market, the main competitors to Dialog TV are Commel Cables and Lanka Broadband Networks. The current low level of penetration with only 100,000 pay television subscribers and 4 million households indicate the growth potential in the pay television for Dialog TV.

11.   BUSINESS *(cont'd)*

Network and infrastructure

Dialog's network infrastructure spans mobile, international and internet services.

Dialog is the single largest infrastructure investor in Northern and Eastern provinces of Sri Lanka, and its investments in rural communication infrastructure development exceed USD200 million to date. The provision of telecommunications services to the Northern province shortly after the ceasefire was made possible through the introduction of satellite based transmission technology. Dialog has a leading position in Sri Lanka's GSM market by investing in the widest coverage as well as the latest multimedia technologies and providing innovative mobile solutions to its subscriber base. Dialog intends to extend its mobile network to achieve island-wide coverage of Sri Lanka over the next 3 years.

The Dialog network includes GSM equipment from GSM equipment suppliers, namely Alcatel, Ericsson and Huawei.

The operations and maintenance of the Dialog network is carried out by a highly trained network operations team functioning on a 24 x 7 basis. Operations and maintenance is centred on a Network Operations Centre ("NOC") located in Colombo, a 24 x 7 centralised monitoring system, which monitors the entire GSM/GPRS/3G/HSPA/IDD/ISP/IN/VAS/international voice and data networks in real time. The NOC regularly records, analyses and responds to a large number of network performance benchmarks relating to the quality of service provided to subscribers across all components and geographic regions of the network. Network performance benchmarks and key performance indicators are standardised against international best practices and incorporated within Dialog's service quality management indices.

Dialog's IP infrastructure is connected to a reliable backbone via SEA-ME-WE 3 and SEA-ME-WE 4 backed up by satellite via Intelsat, Ltd.

Dialog Internet also offers variety of Internet access solutions ranging from local shared internet access to customised fiber ethernet solutions to dedicated leased circuits with acceptable level of quality service via SEA-ME-WE 3, SEA-ME-WE 4 and satellite connectivity.

The infrastructure of DBN, a wholly-owned subsidiary of Dialog, includes an island wide digital microwave transmission backbone and a broadband last-mile infrastructure. The MPLS data backbone offers the most comprehensive data coverage in Sri Lanka with 85 points of presence distributed across every province.

DBN operates one of the largest transmission and communication network in Sri Lanka. Dialog has established an extensive digital transmission network and communication infrastructure facilities across central, southern, eastern and western Sri Lanka covering over 80% of the island. DBN has deployed its IP broadband wireless last-mile access network using WiMax 802.16d together with its islandwide IP MPLS backbone for high-speed voice, data and video communication and internet. DBN also has deployed a CDMA network based on 450 MHz to cater to the voice and low speed data requirements of the residential market.

The satellite-based DTH operation of Dialog TV is one of the largest in Sri Lanka offering 54 international and local channels to its subscribers. Dialog TV is operating on MPEG-2 encoding and is in the process of introducing MPEG-4 encoding and high definition content to the market. Dialog TV has also set up its pioneer digital video broadcast terrestrial (DVB-T) transmission centre in Colombo, although this service is still not commercially available for consumers.

11. BUSINESS *(cont'd)*

Geographical capacity and coverage

Dialog commenced operations in 1995, and has expanded rapidly, to cover all key urban centres in Sri Lanka, including Colombo and its suburbs, Galle, Kandy, Anuradhapura and Kurunegala. Having pioneered GSM technology and digital mobile in Sri Lanka, the network has been at the forefront of technology introduction, and now offers mobile communication services on par with networks in the developed world.

Dialog continues to expand its network across Sri Lanka and as of the Latest Practicable Date operated over 1,000 base stations distributed across all 9 provinces of the country, on a dual band GSM 900 and 1800 spectrum configuration and 14 MSC with 2 tandem MSC.

As of the Latest Practicable Date, Dialog has a 3G/HSDPA network with more than 475 Node B. As of the Latest Practicable Date, Dialog provides IDD coverage and international roaming in over 200 countries and destinations, GPRS international roaming in over 100 destinations and 3G international roaming in over 20 destinations.

Spectrum

Dialog's GSM 900 frequency allocations are 2x7.5 MHz at the 907.5 MHz to 915 MHz and 952.5 MHz to 960 MHz frequency bandwidth. For GSM 1800, Dialog has been allocated 2x15 MHz, with the first allocation of 2x6.5 MHz at the 1717.5 MHz to 1724 MHz frequency bandwidth for uplink communication and at the 1812.5 MHz to 1819 MHz frequency bandwidth for downlink communication while the second allocation of 2x8.5 MHz at the 1755 MHz to1762.5 MHz paired with 1850 MHz to 1857.5 MHz and 1724 MHz to 1725 MHz paired with 1819 MHz to 1820 MHz for uplink communication bandwidth and downlink communication respectively. Dialog has been allocated IMT-2000/3G spectrum at the 1910 MHz to 1915 MHz, 1970 MHz to 1980 MHz and 2160 MHz to 2170 MHz frequency bandwidths. DBN has been allocated the CDMA frequency in 450 MHz band at the 455.35 MHz to 456.6 MHz and 465.35 MHz to 466.6 MHz frequency bandwidths. DBN also operates on 3.5 GHz for WiMax and 10.5 GHz for ultra broadband wireless access (UBWA) which it uses for the provision of data access services.

11.5.4 TMIB

TMIB commenced business on November 15, 1997. TMIB provides mobile telecommunications services in Bangladesh. It was the first operator to link the southernmost and northernmost parts of Bangladesh (Teknaf to Tetulia) and the first mobile operator in Bangladesh to exploit NGN IP backbone technology to enable it to implement IP traffic and signalling. It was also the first operator to have successfully implemented FLP, enabling TMIB to offer more capacity in its radio network despite the narrow GSM 900 and GSM 1800 network on which it currently operates. TMIB operates GSM mobile services on the 900 and 1800 MHz bands under the brand name *"AKTEL"*. With the addition of 1,135 BTS in 2007, TMIB has expanded its network coverage to 82.5% in population terms and 71.0% in geographic terms as of the Latest Practicable Date.

The following table shows certain information relating to TMIB's revenues, adjusted EBITDA and PATAMI extracted from TMIB's audited financial statements for the periods indicated:

	Year ended December 31,		
	2005	**2006**	**2007**
Revenue (BDT millions)	9,276	13,140	14,390
Adjusted EBITDA (BDT millions)[1]	4,431	5,974	4,235
PATAMI (BDT millions)	3,967	4,333	105

11.   BUSINESS *(cont'd)*

Note:

(1)   Adjusted EBITDA is not a uniformly or legally defined financial measure. We define adjusted EBITDA as net profit (loss) before taxation, interest expense (income) and other finance cost, depreciation, impairment and amortisation, other expense/(income), share of results of associates and jointly-controlled entities and foreign exchange gain/(loss). Adjusted EBITDA is presented because we believe it is a widely accepted financial indicator on an entity's ability to incur and service debt. You should not consider the adjusted EBITDA as an alternative to net income or income from operations, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with generally accepted accounting principles, or an alternative to cash flows as a measure of liquidity or any measures of performance derived in accordance with Bangladeshi GAAP. The computation of adjusted EBITDA herein may differ from similarly titled computations of other companies. Adjusted EBITDA is not a measure of financial performance under Bangladeshi GAAP and should not be considered as an alternative to net cash provided by operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any measures of performance derived in accordance with Bangladeshi GAAP.

The following table reconciles our definition of adjusted EBITDA to our profit after taxation for the financial years indicated:

	For the year ended December 31,		
	2005	**2006**	**2007**
	BDT million	**BDT million**	**BDT million**
Profit after taxation	3,967	4,333	105
plus:			
Tax expense	125	69	165
Depreciation, impairment and amortisation	644	1,745	2,899
less:			
Interest income	(309)	(300)	(62)
plus:			
Interest expense and other finance costs	4	131	1,253
Other expense/(income)	-	-	(6)
Foreign exchange loss/(gain)	-	(4)	(119)
Adjusted EBITDA	4,431	5,974	4,235

Subscriber base and usage

TMIB is currently the third largest mobile telecommunications service provider in Bangladesh. As of December 31, 2007, TMIB had a 20.4% market share representing 7.2 million subscribers, according to Frost & Sullivan. TMIB enjoyed a 24.7% year-on-year growth in subscribers between 2006 and 2007.

The following table shows certain information relating to TMIB's mobile telecommunications subscriber base for the periods indicated:

	As of/Year ended December 31,		
	2005	**2006**	**2007**
Number of subscribers ('000):			
Postpaid	87	152	121
Prepaid	2,965	5,610	7,062
Total number of subscribers	**3,052**	**5,762**	**7,183**
Number of mobile subscribers in Bangladesh ('000)[(1)]	9,672	21,279	35,153
Bangladesh mobile penetration[(1)]	6.7%	14.4%	23.4%
TMIB's share of net market increase	29.4%	26.7%	8.0%
Market share[(2)]	31.6%	27.1%	20.4%
ARPU (BDT per month)			
Postpaid	1,755	1,485	1094
Prepaid	408	299	234
Blended	498	342	261
Average monthly MOU per subscriber[(3)]:			
Postpaid	481	648	456
Prepaid	69	119	118

11.   BUSINESS *(cont'd)*

Notes:

(1)   Figures are extracted from the report prepared by Frost & Sullivan.

(2)   Computed as TMIB's estimate of its total number of subscribers divided by the number of mobile subscribers in Bangladesh as extracted from the report prepared by Frost & Sullivan. TMIB's internal estimate of number of subscribers in Bangladesh is 10.5 million for fiscal 2005, resulting in its market share of 29.1%.

(3)   TMIB does not have comprehensive incoming MOU data (calls originating from other operators) in fiscal 2005 and 2006.

TMIB's subscriber base consists mainly of prepaid users, which account for 98.3% of the total number of subscribers as of December 31, 2007. Approximately 56% and 29% of this key subscriber base are located in Dhaka and Chittagong respectively.

TMIB's market share has declined from 31.6% as of December 31, 2005 to 20.4% as of December 31, 2007 due mainly to an increase in competition, with competitors such as Banglalink engaging in price competition. TMIB intends to improve its ability to bring new products and services to Bangladesh at quicker speeds and to offer enhanced services. Instead of focusing on mass subscriber acquisition, TMIB will concentrate its efforts on retention and loyalty which is essential in securing revenue and profitability. TMIB intends to also strengthen its brand equity and to have a focused master brand portfolio.

Services and products

Substantially all of TMIB's revenues are derived from voice mobile services. In addition to basic voice services, TMIB also offers enhanced services such as Optimal Routing, Welcome SMS, Missed Call Alert, USSD Call Back, USSD Menu Browser ("AKTEL Opener"), and Ring Back Tone. Several initiatives were carried out in 2006 including Cellular on Wheel, Clock Synchronisation and New Numbering Plan.

TMIB offers various packages such as Bangla SMS, 5FnF in prepaid and postpaid packages, AKTEL Kathar Chithi (voice SMS), AKTEL Gopshop (SMS chat), AKTEL GoonGoon (caller ring back tone service), Bangladesh Telegraph and Telephone Board ("BTTB") incoming and outgoing for 3 prepaid packages (Power, Joy and Exceed), Economy ISDN facility, Spice (access to GPRS service to prepaid connections), Signature Joy, Uddokta package for the public call office segment, AKTEL P.A. (missed call alert) and LDD service for AIRS (AKTEL international roaming service).

- AKTEL PA (One Page) is a missed call alert service where AKTEL users will be notified about all the missed calls when the user was not reachable (for example, when the user's mobile phone is switched off or is out of coverage or when the line is busy).

- AKTEL GoonGoon is a ring back tone service that allows the user to set a song, tone, music, funny message or sound as a ring back tone for his callers.

- Voice SMS (Kothar Chithi) allows the user to send an SMS with his/her voice instead of using text.

- GPRS, MMS, internet features enable the user to download contents such as ring tones and wallpapers, send and receive photographs through MMS, check and send electronic mails from the user's mobile phone and use the internet.

- AKTEL Opener is a service under which by dialling only a single number, the user can browse and enjoy different value-added services such as AKTEL GoonGoon, AKTEL P.A., Cricket Update (8CRI), Post-Paid bill information (8PST) and other infotainment services.

11.   BUSINESS *(cont'd)*

New products in 2007 included:

- Accident insurance coverage for all postpaid subscribers.

- Call centre solutions - Hunting line with PABX/mobile connectivity capabilities. TMIB was the first mobile operator in Bangladesh to provide this solution for client call centres and helplines. Clients of TMIB include BRAC Bank, Standard Chartered Bank and Nokia in Bangladesh.

- Corporate messaging platform - Group SMS or e-mail based messaging for corporate clients.

- Balance transfer service - Allows all subscribers to transfer balance of funds from their own accounts to any prepaid account.

- Easy load - Pinless electronic refill or top up for prepaid accounts.

- International roaming data/SMS - Data/SMS only for international roaming.

- Internet for prepaid - GPRS/EDGE internet services for prepaid subscribers.

- International voice SMS - Voice SMS with international connectivity.

- MMS - Picture and other MMS for all subscribers.

- Voice mail service - Allows callers to leave a voice message, which the recipient can retrieve at a later time.

Other products included:

- AKTEL Phurti – a prepaid package built from consumer insight to address competition and supplement TMIB's other offerings.

- AKTEL Power - for high-end prepaid subscribers to enable them to use GPRS/EDGE.

- AKTEL Joy - a family oriented prepaid package.

- AKTEL Signature - a consumer postpaid package similar to AKTEL Power and AKTEL Joy.

- AKTEL Infinity - a consumer postpaid package with upfront minimum monthly fees and extra services including having doctor on call, rewards and loyalty points.

- AKTEL Corporate - corporate postpaid package for comprehensive voice and data communications.

- AIRS - AKTEL International Roaming Service.

11.   **BUSINESS** (cont'd)

Marketing, sales and distribution

Marketing

TMIB spent BDT535.1 million, BDT672.3 million and BDT745.7 million in fiscal 2005, fiscal 2006 and fiscal 2007 respectively, on marketing, advertising and promotional activities.

The key initiatives to improve TMIB's marketing operations will include decentralising its business operations, beginning from North Bengal. TMIB believes that this will improve operational efficiencies and enhance its ability to bring new products and services to the nation at quicker speed as well as to strengthen AKTEL's presence in Dhaka, which TMIB believes is a highly profitable region. Due to urban migration, AKTEL will benefit from ensuring effective quality of services overall, both in Dhaka and all other regions.

AKTEL Phurti will be marketed as an entry level package with basic features to attract new subscribers. AKTEL Power and AKTEL Joy will be targeted at advanced level prepaid users in need of the latest features and services. TMIB will also concentrate efforts on relatively new revenue streams such as call centre solutions and leased line business. The call centre business has proven to be a profitable venture for TMIB, which has already provided hunting numbers for help lines for Standard Chartered Bank, BRAC Bank and Nokia in Bangladesh.

As TMIB will no longer focus on mass subscriber acquisition, retention and loyalty will play a pivotal role to secure revenue and profitability. In view of this, TMIB plans to introduce unique usage plans and promotions.

TMIB intends to also strengthen its brand equity and to have a focused master brand portfolio. This will be initiated through marketing directed at brand positioning.

Examples of promotional offers launched by TMIB include the following:

- Different types of usage driving - Specific usage bonus/usage drive campaign which was for a limited period.

- Validity extending & tariff benefit offers throughout the year was run - This is entirely based on the periods offered by competitors.

- Showcase Malaysia - A usage drive campaign which was for limited period.

- Kothay Kothay Mobile - A usage drive campaign which was for limited period.

TMIB also participated in a number of activities and sponsorship including sports sponsorship of cricket and golf, as well as television programmes and talk shows.

Sales and distribution

TMIB sells its products through its distribution network consisting of 67,983 trade outlets. Prepaid subscribers can reload vouchers electronically at all trade outlets, subscriber care centres, ATMs, AKTEL Touch Points (ATP) and through its employees and other AKTEL subscribers (Share-A-Fill).

As of the Latest Practicable Date, TMIB had 65,840 trade outlets, 448 ATP, 86 exclusive dealers and 19 subscriber care centres.

Corporate subscribers are managed by TMIB's own corporate solutions team.

11. **BUSINESS** *(cont'd)*

Competition

As of December 31, 2007, it is estimated that TMIB had a market share of 20.4%, according to Frost & Sullivan. Besides TMIB, there are 5 other mobile operators in Bangladesh: Grameenphone (the largest mobile services provider with a market share of 46.9%), Banglalink (with a market share of 20.1%), Citycell (with a market share of 4.0%), Teletalk (with a market share of 2.4%) and Warid Telecom (with a market share of 6.2%), which won its mobile phone license in December 2005.

Intense competition among the operators has led to frequent reduction in average prices for mobile services.

Network and infrastructure

The principal components of TMIB's network consist of:

* Core network, which comprises MSC (Transit (T) MSC, Gateway (G) MSC and Visiting (V) MSC), core routers (Mobile Packet Backbone Network), SG (Signalling Transfer Point), Home Location Register ("HLR"), Serving GPRS Support Node (SGSN) and Gateway GPRS Support Node (GGSN) (for Packet Core).

* Intelligent Network ("IN"), which comprises the service control point ("SCP") and the service data point (SDP).

* Radio, which comprises BSC and BTS.

* Transmission, which comprises PDH, SDH and optical fibers.

* Network monitoring system for core, radio, IN and transmission ("TX"). The monitoring and operations and maintenance system for each element is separate and based on the server and client architecture. However, the INMS platform in the central monitoring centre in Dhaka is capable of monitoring any node of any vendor from a single point.

TMIB depends on Alcatel, Ericsson and Huawei for its network elements and also relies on suppliers such as Huawei and CISCO for IT equipment.

In terms of transmission infrastructure, TMIB has 5 high capacity microwave backbone, comprising 2 parallel backbones between Dhaka and Chittagong and one each for all other divisions (between Dhaka and Sylhet, between Dhaka and Khulna/Barisal and between Dhaka and Rajshahi). TMIB also has its own optical fiber (259 kilometres) between Dhaka and Chittagong. There are also metro fiber rings (dual) within Dhaka (20 kilometres) and Chittagong (10 kilometres). The suppliers of transmission equipment and accessories are Alcatel, Ericsson, Huawei (for fiber core) and Stratex. In addition, TMIB has 174 green field towers providing vast coverage in rural areas and supporting transmission spur link (add-drop from high capacity microwave backbone).

TMIB's network operation centre comprises head offices in 6 divisional headquarters and its network monitoring centre is in Dhaka. The platform is based on an INMS capable of integrating and monitoring multi-vendors.

Geographical capacity and coverage

With the addition of 1,135 BTS in 2007, TMIB expanded its network coverage to 82.5% in population terms and 71.0% in geographic terms as of the Latest Practicable Date.

11. BUSINESS *(cont'd)*

TMIB's network is based on the GSM 900 and GSM 1800 standard (2G). Further, TMIB has deployed GPRS (2.5G) and EDGE (2.75G) for data services such as internet/WAP browsing, MMS and content downloads. TMIB has 100% GPRS coverage throughout Bangladesh. In addition, the core network of TMIB is ready for the 3G network.

Spectrum

TMIB's GSM 900 frequency allocations are 2x7.4 MHz at the 900.2 MHz to 907.6 MHz frequency bandwidth and at the 945.2 MHz to 952.6 MHz frequency bandwidth. TMIB's frequency allocations for GSM 1800 are 2x5.4 MHz at the 1727.2 MHz to 1732.6 MHz frequency bandwidth and at the 1822.2 MHz to 1827.6 MHz frequency bandwidth.

11.5.5 TMIC

TMIC commenced business on October 19, 1992. TMIC is a private limited liability company incorporated in Cambodia and became our wholly-owned subsidiary in 2006. TMIC offers mobile telecommunications services in all cities and provinces, as well as the main national roads, in Cambodia under the brand *"hello"*. As of December 31, 2007, TMIC was the third largest mobile telecommunications service provider in Cambodia with 0.3 million subscribers, representing a 12.7% market share, according to Frost & Sullivan. As of December 31, 2007, TMIC's blended ARPU is currently the highest among TMI's international subsidiaries at USD13 per month while the average blended ARPU in Cambodia is USD10 to USD11 per month.

The following table shows certain information relating to TMIC's revenues, adjusted EBITDA and PATAMI extracted from TMIC's audited financial statements for the periods indicated:

	Year ended December 31,		
	2005	**2006**	**2007**
Revenue (USD millions)	22.2	30.9	41.3
Adjusted EBITDA (USD millions)[1]	8.5	14.4	18.3
PATAMI (USD millions)	1.9	6.7	9.8

Note:

(1)   Adjusted EBITDA is not a uniformly or legally defined financial measure. We define adjusted EBITDA as net profit/ (loss) before taxation, interest expense/(income) and other finance cost, depreciation, impairment and amortisation other expense/(income), share of results of associates and jointly-controlled entities and foreign exchange gain/(loss). Adjusted EBITDA is presented because we believe it is a widely accepted financial indicator on an entity's ability to incur and service debt. You should not consider the adjusted EBITDA as an alternative to net income or income from operations, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with generally accepted accounting principles, or an alternative to cash flows as a measure of liquidity or any measures of performance derived in accordance with Cambodian GAAP. The computation of adjusted EBITDA herein may differ from similarly titled computations of other companies. Adjusted EBITDA is not a measure of financial performance under Cambodian GAAP and should not be considered as an alternative to net cash provided by operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any measures of performance derived in accordance with Cambodian GAAP.

11.   BUSINESS *(cont'd)*

The following table reconciles our definition of adjusted EBITDA to our profit after taxation for the financial years indicated:

	For the year ended December 31,		
	2005	**2006**	**2007**
	USD million	USD million	USD million
Profit after taxation	1.9	6.7	9.8
plus:			
Tax expense	1.5	1.6	2.7
Depreciation and amortisation	4.6	5.7	5.9
less:			
Interest income	-	-	(0.2)
plus:			
Interest expense and other finance costs	0.5	0.4	0.1
Non-cash expense/(income)	-	-	-
Foreign exchange loss/(gain)	-	-	-
Adjusted EBITDA	8.5	14.4	18.3

Customer base and usage

The table below shows certain information relating to TMIC's mobile telecommunications subscriber base for the periods indicated:

	As of/Year ended December 31,		
	2005	**2006**	**2007**
Number of subscribers ('000):			
Postpaid	2	2	3
Prepaid	156	227	308
Total number of subscribers	**158**	**229**	**311**
Number of mobile subscribers in Cambodia ('000)[1]	1,138	1,578	2,456
Cambodia mobile penetration[1]	8.4%	11.4%	17.3%
TMIC's share of net market increase	(0.6%)	0.4%	(0.5%)
Market share[2]	13.9%	14.5%	12.7%
ARPU (USD per month):			
Postpaid	44.6	43.5	39.9
Prepaid	14.0	13.5	12.6
Blended	14.2	13.9	12.8
Average postpaid monthly churn rate (%)	1.1%	0.8%	0.2%
Average monthly MOU per subscriber:			
Postpaid	188	237	354
Prepaid	98	124	195
Average monthly SMS per user	13.4	19.5	28.2

Notes:

(1)   Figures are extracted from the report prepared by Frost & Sullivan.

(2)   Computed as TMIC's estimate of its total number of subscribers divided by the number of mobile subscribers in Cambodia as extracted from the report prepared by Frost & Sullivan.

Services and products

Substantially all of TMIC's revenues are derived from voice mobile services. TMIC provides mobile services on the GSM frequency operating under a 35-year mobile concession which commenced in 1996 and was granted by the MPTC. Recently, TMIC obtained a license to set up its own VoIP service, which was launched in August 2007 under the prefix "166". TMIC has obtained an ISP license and with about 1.0% internet penetration, there is potential for internet growth in Cambodia.

TMIC also has an allocation for 3G frequency spectrum held in reserve and plans to offer trial 3G services by mid-2008. TMIC intends to tap the low penetration rate for internet services by offering broadband services and is considering WiMax services to complement its 3G services.

11. BUSINESS *(cont'd)*

TMIC intends to increase its current product range for voice services and SMS to cater for growing market segments. It will also continue to offer its current products and services which are being offered under the "*hello*" brand. Such services include:

- "hello" prepaid.

- "hello" postpaid.

- "hello" biz, for corporate clients.

- "hello" happy visa – a roaming service for both postpaid and prepaid subscribers. Customers can make and receive calls, receive SMS and access the internet via GPRS/EDGE while they are overseas.

- SMS roaming for prepaid subscribers – the integration of SMS service with "hello" happy visa. This integration allows "hello" happy visa subscribers to send SMS when they are overseas.

- Call party alert – an SMS alert service to inform the caller that the subscriber is reachable.

- Call line identification restrict and call line identification restrict open.

- GPRS/EDGE services – a mobile internet service via the GPRS/EDGE platform.

- VoIP.

TMIC also offers value-added services such as:

- SMS voting campaigns — an on-demand partnership service for voting via SMS.

- Content download — Content download including games, MPEG-1 audio layer 3 (MP3), wallpapers, logos, picture messages.

- Goal! & Goal!+ — The on-demand soccer result service through SMS. Customers have to request through SMS with prefix of the soccer games offered.

- True love finder — The compatible love horoscope for "hello" subscribers via SMS.

- Voice SMS.

Marketing, sales and distribution

Marketing

TMIC spent USD0.9 million, USD1.1 million and USD1.6 million in fiscal 2005, fiscal 2006 and fiscal 2007 respectively, on marketing, advertising and promotional activities.

TMIC was the first to launch GPRS and EDGE in Phnom Penh and Siem Reap. In November 2007, TMIC started a rebranding campaign to launch its new brand identity "*hello*", which will spearhead TMIC's aggressive move to increase capacity through the establishment of up to 500 additional BTS throughout Cambodia. This branding campaign will focus on other areas such as distribution network, subscriber service and staffing and involves a major facelift for TMIC's 10 service centres (including 2 new ones) named "hello point".

11.   BUSINESS *(cont'd)*

Key marketing initiatives are as follows:

*   *Value propositioning and building brand equity.* TMIC intends to target the 14-40 age group and the corporate and small and medium enterprises segments with specific products to expand its market share. The launch of the new "*hello*" identity is intended to bring the brand to another level of excellence.

*   *Product.* TMIC offers different products for different target segments. For example, for the youth segments, there are creative call plans and lifestyle services; for the mass market, TMIC focus on quality coverage, affordable call rates and reliable services and for the corporate segment, business packages such as GPRS, push mail services and talk time sharing are available. In October 2007, TMIC partnered with Nokia to provide the first Khmer text user interface handsets in Cambodia. This new product was aimed at increasing the usage of SMS in Khmer and encourages the making of Khmer content. This exclusive deal saw 5,000 handsets sold within the first 2 weeks of its launch. Nokia will commence its main promotion event in the first quarter of 2008 and as of the Latest Practicable Date, TMIC has committed 50,000 Khmer handsets.

*   *Pricing.* TMIC has affordable call rates with a simplified call rate plan and intends to introduce new plans to cater to different market segments based on call usage and services required. The new product "*My First Hello*" which is aimed at a growing market of young adults with packages ranging from basic entry-level services to more sophisticated users, will be launched in April 2008.

*   *Promotions.* TMIC promotes brand visibility through public relations events and advertising, and launched a rebranding exercise in November 2007. The rebranding campaign unveiled a new logo for the "*hello*" brand simultaneously throughout Cambodia via television commercials, billboards and nationwide media coverage during the launch. TMIC participated in a number of activities and sponsorship events including the 2007 Water Festival in Cambodia. In the first quarter of 2008, TMIC will launch a series of thematic television commercials, roadshows and a concert in Phnom Penh to promote its new brand and new products for 2008.

Sales and distribution

As of the Latest Practicable Date, TMIC has 408 dealers and 6 "hello point" service centres. It intends to increase the number of dealers to 500. TMIC has 3 "hello point" service centres in Phnom Penh and it plans to add 2 more service centres in Phnom Penh, and convert existing offices into "hello point" service centres in the provinces of Siem Reap, Kg Cham, Sihanoukville, Battambang and Koh Kong by the first quarter of 2008.

As of the Latest Practicable Date, recharge cards are sold at 17 Caltex Starmart retail outlets and other petrol kiosks and convenience stores.

TMIC is in final negotiations with the Cambodian airports to place promotional booths at entry points at the Phnom Penh and Siem Reap airports as well as other entry points near Thailand and Vietnam.

Competition

According to Frost & Sullivan, TMIC's key competitors in Cambodia are Mobitel, the country's largest mobile telecommunications service provider with a market share of 67.3% as of December 31, 2007, and Camshin, a joint venture owned by Thailand's Shin Satellite Plc of Shinawatra Corporation and the MPTC, with a market share of 19.1% as of December 31, 2007. Further, a new entrant, Starcel, recently launched its mobile services and another new entrant, Applifone, is expected to launch its mobile services in the second quarter of 2008.

11. BUSINESS *(cont'd)*

Network and infrastructure

The main components of TMIC's network consist of:

- Network switching subsystem ("NSS"), which comprises MSC HLR/SCP/Authentication Centre (AuC), combined GPRS support node (CGSN) (for Packet Core), SMS centre ("SMSC"), multimedia messaging centre ("MMSC"), WAP gateway;

- IN – Prepaid service platform;

- The net subscriber capacity of the current core network is 400,000. TMIC has plans to increase the hardware capacity to 1,000,000 subscribers in 2008;

- Base station subsystem ("BSS"), which comprises 4 BSC and 274 BTS sites;

- Transmission, which comprises PDH, SDH backbone and high capacity intra-city optical fiber links; and

- Operation support system for core, radio, IN and TX. The monitoring and operations and maintenance system for each element is separate and based on the server and client architecture.

TMIC's current network is a single-vendor network from Ericsson for all major network elements - NSS, BSS and transmission. A new supply contract has been put in place with a second supplier – Zhong Xing Telecommunication Equipment Company Limited of China ("ZTE"), for network expansion on BSS and SMSC which are under implementation.

TMIC has high capacity microwave SDH (STM1+1) backbone along Routes 5 and 6 providing 'ring protection' for key transmission hubs at Siem Reap and Battambang. There are also 5 intra-city fiber optic links within Phnom Penh to link major installations. TMIC also has satellite links to provide coverage to remote areas. The current microwave transmission equipment supplier is Ericsson. However, a new contract has been signed with a second supplier, ZTE, for transmission equipment to link new BTS sites which are under installation.

TMIC's network operation centre is located in Phnom Penh, with an operations support system (OSS) supplied by Ericsson.

Geographical capacity and coverage

In 2007, TMIC focused on network expansion to provide subscribers with broader coverage and a high quality network in Cambodia. It undertook an expansion programme to increase its switch capacity from 180,000 subscribers to 400,000 subscribers, install 100 new BTS, intensify coverage and improve network quality. By the end of 2007, TMIC's network coverage was extended to all cities and provinces in Cambodia as well as the main national roads.

Spectrum

TMIC is operating on GSM 900 frequency of 2x9.3 MHz on the bandwidths 905.7 MHz to 915 MHz / 950.7 MHz to 960 MHz. On December 8, 2003, TMIC was allocated spectrum in the 2.4 GHz band for Wireless Broadband Access ("WBA") (2439.5 MHz to 2454.5 MHz) and on October 19, 2007, TMIC was assigned spectrum in the 5.3 GHz frequency band (Tx/Rx 5.230 GHz to 5.250 GHz) for the operation of its data links.

Further, TMIC has been allocated 10 MHz 3G frequency spectrum held in reserve and plans to offer trial 3G services by mid-2008 at the bandwidths of 1920 MHz to 1930 MHz for uplink communication and 2110 MHz to 2120 MHz for downlink communication. In addition, TMIC is applying for the GSM 1800 band frequency which has 10 MHz remaining available for use.

11.   BUSINESS *(cont'd)*

11.6   OUR OPERATING AND STRATEGIC INVESTMENTS

11.6.1 Spice

Spice currently offers mobile telecommunications services in the Punjab and Karnataka states of India. As of December 31, 2007, Spice had 3.8 million subscribers representing a 1.6% market share in India, and was the second and fifth largest mobile telecommunications service provider within the Punjab and Karnataka circles, respectively, according to Frost & Sullivan.

Our shareholding in Spice as of the Latest Practicable Date is 39.2%. Since acquiring a stake in Spice, our Company has worked closely with Spice in sharing technological experience and in the creation of new products and services. Spice is also seeking to expand its footprint in India by applying for licenses in other circles throughout India.

The table below shows certain information relating to Spice's mobile telecommunications subscriber base for Punjab for the periods indicated:

	As of/Year ended June 30,		As of/Year ended December 31,[2]
	2005	2006	2007
Number of subscribers in Punjab ('000):			
Prepaid	783	1,105	1,885
Postpaid	378	463	441
Total number of subscribers in Punjab	**1,161**	**1,568**	**2,326**
Number of mobile subscribers in India ('000)[1]	75,947	149,620	233,625
India mobile penetration[1]	7.0%	13.7%	21.0%
Spice's share of net market increase	20.0%	20.0%	18.0%
Market share for Punjab circle	31.0%	27.0%	22.0%
Number of billable subscribers ('000):			
Prepaid	456	768	1,454
Postpaid	347	396	408
Total number of billable subscribers	**803**	**1,164**	**1,862**
Blended ARPU (INR per month)	521	402	302
Average postpaid monthly churn rate (%)	5.0%	6.0%	5.0%
Average monthly MOU per subscriber:			
Prepaid	576	665	693
Postpaid	315	369	373
Average monthly SMS per user	67	110	54

Notes:

(1)   Figures are based on the report by Frost & Sullivan and are as at December 31 for the years presented.

(2)   Spice's year end was June 30 of each year until June 30, 2006. Spice changed its year end to December 31 of each year, to be consistent with TMI, starting from December 2006. In 2006, audits were carried out for June 30, 2006 and December 31, 2006. As such, the table above does not contain information from July 1, 2006 to December 31, 2006.

11.   BUSINESS *(cont'd)*

The table below shows certain information relating to Spice's mobile telecommunications subscriber base for Karnataka for the periods indicated:

	As of/Year ended June 30,		As of/Year ended December 31,[2]
	2005	**2006**	**2007**
Number of subscribers in Karnataka ('000):			
Prepaid	256	417	1,403
Postpaid	57	70	71
Total number of subscribers in Karnataka	**313**	**487**	**1,474**
Number of mobile subscribers in India ('000)[1]	75,947	149,620	233,625
India mobile penetration[1]	7.0%	13.7%	21.0%
Spice's share of net market increase	(2.0%)	5.0%	14.0%
Market share for Karnataka circle	8.0%	7.0%	10.0%
Number of billable subscribers ('000):			
Prepaid	130	270	1,223
Postpaid	51	62	60
Total number of billable subscribers	**181**	**332**	**1,283**
Blended ARPU (INR per month)	622	515	316
Average postpaid monthly churn rate (%)	7.0%	4.0%	5.0%
Average monthly MOU per subscriber:			
Postpaid	654	651	738
Prepaid	396	458	447
Average monthly SMS per user	105	157	226

Notes:

(1)   Figures are based on the report by Frost & Sullivan and are as at December 31 for the years presented.

(2)   Spice's year end was June 30 of each year until June 30, 2006. Spice changed its year end to December 31 of each year, to be consistent with our Company, starting from December 2006. In 2006, audits were carried out for June 30, 2006 and December 31, 2006. As such, the table above does not contain information from July 1, 2006 to December 31, 2006.

Spice is a mobile operator in the states of Punjab and Karnataka with an allocation in the 900 MHz spectrum in both these states. As of the Latest Practicable Date, it had installed 2,240 sites throughout Punjab and 1,821 sites throughout Karnataka. Spice owns or leases fiber optic backbone and micro transmission links with back-up and redundancy support in the markets in which it operates. As of the Latest Practicable Date, Spice distributed its services through 495 exclusive distributors, which has a network of 99 corporate dealers and various retailers and 43,247 independent retailers. Spice has been awarded a license for national long distance services and a license for international long distance services on August 8, 2007, which will expire on August 7, 2027. Spice has received 4 Unified Access Services ("UAS") licenses for the Maharashtra Service Area, Andhra Pradesh Service Area and Haryana Service Area on February 29, 2008 and the Delhi Service Area on March 3, 2008 pursuant to the respective license agreements with the Department of Telecommunications (DOT), India. Spice will now be entitled to 4.4 MHz of GSM spectrum per circle, subject to availability. Spectrum has yet to be allocated to Spice for these 4 licenses.

In 2005, Spice began to implement a twin strategy of outsourcing and sharing of passive infrastructure such as towers and shelters through independent infrastructure providers with the objective of achieving faster rollout, reducing capital expenditure and operating expenses. Spice entered into an agreement with an independent passive infrastructure provider to build, own, and lease ("BOL") infrastructure based on an agreed service lease agreement ("SLA"). The agreement is for 10 years, which can be extended, with periodic revisions in lease charges every year or every alternate year.

In order to achieve faster rollout of its network and infrastructure, Spice has engaged multiple BOL operators. These infrastructure providers are capable of rolling out 150 to 200 sites per month. Spice is entitled to a discount on the lease charges on a tower after a second tenant leases such tower. The scope of agreement with these infrastructure providers includes the following:

- Building the site within agreed time lines.
- Owning, insuring, managing, maintaining and operating the sites as agreed in the SLAs.
- Providing round the clock security on all greenfield sites.
- Obtaining all necessary approvals from local agencies.
- Ensuring the availability of power connection along with standby diesel generator (DG) sets.

On December 31, 2007, Spice executed an agreement for the sale and leaseback of its 875 telecommunication towers to a tower operating company in India for a total consideration of INR6 billion. The proceeds from the sale were used to partially support Spice's financial obligations arising from the 4 UAS licenses which Spice had recently obtained.

We believe that Spice is a strong and vibrant brand in its circles, which it currently promotes in a targeted manner in each of its markets, using local languages and cultural norms. As it expands its business outside of Punjab and Karnataka following the award of 4 licenses to Spice, Spice expects to supplement this local brand strategy with a national brand strategy which focus on India's relatively youthful consumer population by providing marketing, subscriber retention and loyalty programmes and lifestyle features, including value-added services that appeal to younger subscribers. Currently, Spice also offers various value-added services and international roaming services. Spice was the first operator in India to introduce a flexible tariff with per second billing in the Punjab circle and also the token payment system for postpaid subscribers, which is aimed at providing convenience to the subscribers to pay their bills through over-the-air recharge facility for postpaid services.

One of the challenges faced by the Indian mobile telecommunications services industry is high churn rate. Spice has implemented a comprehensive churn prediction module which helps it to estimate potential loss of subscribers on the basis of certain parameters such as usage, calls to competitor help lines, the payment pattern and history of subscribers' network.

Spice was listed on the Bombay Stock Exchange Limited on July 19, 2007.

11.6.2 M1

M1 offers a broad range of mobile voice and data communications services over its 2G/3G/3.5G network. According to Frost & Sullivan as of December 31, 2007, M1 was the third largest mobile telecommunications service provider in Singapore by number of subscribers with 1.5 million subscribers, comprising 0.8 million postpaid subscribers and 0.7 million prepaid subscribers.

11. BUSINESS *(cont'd)*

The table below shows certain information relating to M1's mobile telecommunications subscriber base for the periods indicated:

	As of/Year ended December 31,		
	2005	2006	2007
Number of subscribers ('000):			
Prepaid	436	528	679
Postpaid	810	809	856
Total number of subscribers	**1,246**	**1,337**	**1,535**
Number of mobile subscribers in Singapore ('000)[1]	4,256	4,639	5,619
Singapore mobile penetration[1]	97.8%	105.2%	122.5%
Market share[2]	29.3%	28.8%	27.3%
ARPU (SGD per month)			
Postpaid	61.1	60.2	61.9
Prepaid	21.0	19.1	17.6
Average postpaid monthly churn rate (%)	1.5%	1.5%	1.2%
Average monthly MOU per subscriber:			
Postpaid	337	347	362
Prepaid	137	145	190

Note:

(1)   Figures are extracted from the report prepared by Frost & Sullivan.

M1 is an established brand in Singapore that provides mobile telecommunications services over its seamless dual band GSM 900/1800 MHz WCDMA/HSDPA network. M1's GSM network also incorporates GPRS which was launched in November 2000. It also provides international call services to mobile and fixed-line users, and wireless broadband Internet services to home, office and mobile users. M1 offers a wide range of mobile voice, non-voice and value-added services on its nationwide mobile network. Subscribers subscribe to M1's services on either a postpaid or prepaid basis from a variety of price plans.

For international call services, M1 offers mobile and fixed-line subscribers with IDD services, using prefixes 002 and 021, and an international calling card (ICC) service using the prefix 1818. M1 also sells international wholesale minutes to other international service providers.

M1 commenced commercial operations in April 1997 with the launch of its GSM network. It subsequently rolled out a WCDMA network and began offering 3G services in February 2005. In December 2006, the 3G network was further upgraded with HSDPA to support broadband services at downlink speeds of up to 3.6 Mbps. M1 was also the first operator to offer location-based SMS advertising.

M1 has an island-wide network of operator-owned retail shops ("M1 Shop") and operator-appointed distributor outlets that serve the consumer segment and an enterprise sales team that serves the business segment. As of the Latest Practicable Date, M1 had a total of 12 M1 Shop outlets. In addition, M1 runs an e-shop, which provides online sale of mobile phones and accessories.

M1 holds a facilities-based operator ("FBO") license and a telecommunication dealer's class license issued by the IDA, and a Media Development Authority class license. In April 2001, M1 also obtained an FBO license for the provision of 3G mobile communication systems and services and in July 2005, M1 was granted the WBA Spectrum Right. M1 is also bidding for the Next Generation National Broadband initiative in Singapore.

M1 was listed on the SGX-ST in December 2002.

11. BUSINESS *(cont'd)*

11.6.3 MTCE

MTCE offers mobile telecommunications services in the Esfahan province of Iran. As of December 31, 2007, MTCE was the third largest mobile telecommunications service provider in the Esfahan province of Iran with 30,568 subscribers. The largest and second largest mobile telecommunications service providers are national operators. According to Frost & Sullivan, as of December 31, 2007, the largest operator, Mobile Communication Company of Iran, controls 87.4% of the subscriber base and the second largest provider, MTN Irancell Telecommunications Services Company, controls 6.8% of the subscriber base.

MTCE commenced operations in June 2002 as the first provider of mobile prepaid SIM cards in Iran. MTCE has a license to operate a GSM 900 MHz mobile telecommunications service with a capacity of 35,000 subscribers in the Esfahan province of Iran for a 15-year period commencing May 2001.

In October 2006, MTCE expanded its network by installing 29 new BTS and extending its coverage to 4 additional towns. This expansion enabled MTCE to increase its operating capacity from 20,000 subscribers to 35,000 subscribers. As of the Latest Practicable Date, MTCE controlled a total of 64 BTS with 368 transceivers covering 9 cities and towns in the Esfahan province and as of December 31, 2007, MTCE had a total of 30,568 registered subscribers.

MTCE's objective is to further enhance subscriber experience by providing additional applications for prepaid SIM cards and postpaid mobile services. This includes providing value-added services such as domestic roaming, VoIP and international roaming, in addition to developing and improving its radio network.

11.7 OUR NON-MOBILE TELECOMMUNICATIONS INVESTMENTS

11.7.1 Multinet

Multinet's licenses allow it to offer a wide range of non-mobile telecommunications services, including long distance, international voice and broadband, in Pakistan and it is carrying out a project to link 107 cities in Pakistan with a fiber optic backbone.

Multinet's portfolio of licenses enables it to provide broadband, value-added, long distance and international voice, domestic and international access, and satellite transmission services in Pakistan, and local access services in Karachi. Multinet's fiber optic backbone, Project Ittehad, is enabled principally through its long distance/international ("LDI") license. Multinet's products and services include, amongst others, a digital subscriber line ("DSL"), MetroNET and Dialup. For fiscal 2007, IPLC was the most significant contributor to Multinet's revenue, accounting for 40.4% of total revenues, followed by DSL and MetroNET accounting for 35.4% and 20.0% of total revenues respectively.

In November 2006, Multinet secured a major subscriber for its fiber optic backbone through a 20-year capacity contract with Telenor Pakistan in addition to a service contract entailing maintenance and associated services for the duration of the contract. The aggregate amount of both the capacity and service contract is estimated to be USD40.0 million.

11. BUSINESS *(cont'd)*

11.7.2 Samart

Samart has interests in various subsidiaries but as a group, its business activities are divided into 4 major business units: ICT Solutions, Mobile Multimedia, Domestics, and International, operated through its subsidiaries and affiliates. Samart and 2 of its subsidiaries, Samart I-Mobile and Samart Telcoms Public Company Limited, are listed on the Stock Exchange of Thailand.

The Samart group's revenue is driven by the sales of mobile phones, locally in Thailand and internationally, infotainment and multimedia business, turnkey projects from the government sector and private enterprises, a call centre business as well as air traffic control business in Cambodia.

11.7.3 Samart I-Mobile

Samart I-Mobile sells mobile phones, both locally and internationally, and provides infotainment and multimedia services primarily in Thailand. For mobile phones, Samart I-Mobile sells mainly its house brand, I-mobile phones in Thailand, Malaysia, Indonesia, Vietnam, Bangladesh and India. As of December 31, 2007, the market share for I-mobile handsets in Thailand is approximately 31.0% and Samart I-Mobile sold more than 3.0 million handsets for the year ended December 31, 2007.

In Thailand, Samart I-Mobile's business operations include 77 branches located in Bangkok and other provinces and are divided into 3 core segments: mobile business, multimedia business and international business. Samart I-Mobile's mobile business includes the distribution of mobile phones, mobile phones bundled with content called the I-mobile package, accessories and SIM cards. The multimedia business provides voice services under the brand names of BUG1900, BUG1113 and BUG1110, non-voice or multimedia services under the brand name of BUG2Mobile and the provision of infotainment services.

Samart I-Mobile's international business involves the distribution of mobile phones and mobile phones bundled with content providing multimedia services abroad, mainly in Malaysia, Indonesia, Vietnam, Bangladesh and India.

The sale of mobile phones is Samart I-Mobile's single largest revenue contributor accounting for 96.0% and 94.0% of total revenues in fiscal 2006 and fiscal 2007 respectively. Samart I-Mobile offers instant wireless information services and mobile content, along with the distribution of mobile telephones and accessories. Samart I-Mobile relies on wholesale channels such as hypermarkets (Tesco, Lotus and BIG-C) to push sales while at the same time initiating co-promotion with operators in respective countries.

11.8 CUSTOMERS AND SUPPLIERS

There are no major subscribers that individually contributed 10.0% or more of our Post Acquisition Proforma revenue for each of the last 3 financial years ended December 31, 2007.

There are no major suppliers that individually contributed 10.0% or more of our Post Acquisition Proforma operating expenses for each of the last 3 financial years ended December 31, 2007. On a Post Acquisition Proforma basis, the major suppliers that individually contributed 10.0% or more of our purchases of network equipment and services for our Group for each of the last 3 financial years ended December 31, 2007 are Ericsson, Alcatel and Huawei.

11.   BUSINESS *(cont'd)*

11.9   AWARDS

We have received a number of awards and certifications from international and local industry organisations, including:

Celcom Group

- Brand Visibility Award 2006 – No. 1 most visible brand in 2006 by Brand Equity magazine

- Brand Equity Award 2007 – Fourth place under the Brand Visibility Award category

- Malaysia's Fifth Most Valuable Brand in the inaugural listing of Malaysia's Top 30 Most Valuable Brands 2007 by the Association of Accredited Advertising Agents Malaysia (AAAA)

XL

- "The Best Innovation in Marketing" at the Marketing Award 2007 as well as 2006

- "Indonesia's Most Admired Knowledge Enterprises" award based on the study conducted in 2007 by Dunamis Organisation Services and Teleos

- Cellular Award 2007 for "The Best Prepaid GSM" (for the *"bebas"* prepaid card) and "The Best Customer Care Operator" by Selular magazine

- National Brand Award 2006

- Best Marketing Campaign 2006

- Call Centre Award 2006 for Exceptional Outstanding Performance awarded by the Centre for Customer Loyalty and Satisfaction Indonesia and Marketing magazine

- Best Managed Companies in Asia award from the Finance Asia magazine

- Indonesia Cellular Award 2006 as the Best GSM Operator given by The Association of Indonesian Cellular Association Company

Dialog

- Most Valuable Brand in Sri Lanka, in an evaluation done by Brand Finance in 2007

- Ranked No. 2 in the 2007 Edition of the 'Most Respected' entities in Sri Lanka by LMD magazine

- Selected as one of the Top 10 Organisations in Sri Lanka by the Business Today magazine

- Together with its Technology Partners Microimage and the Dialog – University of Moratuwa Mobile Comunications Research Laboratory, Dialog received a commendation in the category of "Best Use of Mobile for Social & Economic Development" for its GSM based Disaster and Emergency Warning Network (DEWN)

- Outstanding Achievement Award in Customer Relationship Excellence at the Customer Service Awards 2007

- Innovative Technology of the Year – E-Channelling at the Customer Relationship Excellence Awards 2007

11.   BUSINESS *(cont'd)*

- Dialog Contact Centres was accredited with Customer Service Quality Standard ("CSQS") - Level 3 in 2007

- Dialog was awarded membership of the UN Global Compact (UNGC) in 2006 and in 2007 was appointed to the UNGC Local Network Steering Committee as the representative of Telecommunication Sector in Sri Lanka

- Overall Gold Award recognising excellence in computing at National Best Quality Software Awards (NBQSA) 2006

- Award for Excellence in Multidisciplinary team efforts in R&D (Awarded by the Ministry of Science and Technology), National Awards for Science and Technology 2006

- ISO 9001:2000 Quality Management System – Recertification (2006)

- Customer Service Quality Standard Certification accreditation by the Asia Pacific Customer Service Consortium (APCSC) with CSQS certification – Level 3 in 2006

TMIB

- Telelink Telecommunication Certificate of Appreciation 2005 and 2006 for excellence in services, discipline and dealership satisfaction

- Standard Chartered - Financial Express Corporate Social Responsibility (CSR) Award 2006 for contribution in education, primary health, poverty alleviation and ecological impact

- Financial Mirror & Robintex Business Award 2006 for providing outstanding telecommunication services in Bangladesh

- Desher Kagoj Business Award 2006 for excellence in services and social commitment in Bangladesh

- Arthakantha Business Award 2005 for excellence in services in telecom sector of Bangladesh

- Deshbandhu C. R. Das Gold Medal 2005 for excellent contribution to the telecommunications sector in Bangladesh

M1

- M1's "1 life. live it" commercial won the GSM Association's award for "Best Broadcast Commercial" in 2005

11. BUSINESS *(cont'd)*

11.10 LICENSES AND PERMITS AND INTELLECTUAL PROPERTY

Licenses and permits

For the purposes of our business, we hold licenses and permits, of which the key licenses and permits are disclosed in "Annex B – Key licenses and permits".

Intellectual property

We rely on a combination of trademarks, servicemarks and domain name registrations, copyright protection and contractual restrictions to protect our brand names and logos, marketing designs and internet domain names.

The Celcom Group is the registered owner in Malaysia of, amongst others, the trademarks "Celcom", "X.pax" and "Xpax", and in Sri Lanka, Dialog is the registered owner of the trademarks "Dialog", "Kit", "E-volution" and "W@P". TMIC is the registered owner in Cambodia of the trademark "*hello*". We have also applied for the registration of other trademarks and approvals for such trademarks are pending.

11.11 RESEARCH AND DEVELOPMENT

We do not undertake any proprietary R&D at the group level. Going forward, we envisage R&D to be carried out at our operating companies' level and intend to coordinate R&D activities and develop centres of excellence within the respective operating subsidiaries, to leverage such learnings across the other operating companies.

Currently, there are certain R&D activities undertaken by Dialog. As part of Dialog's social investment toward facilitating R&D and higher learning in Sri Lanka, Dialog, together with the University of Moratuwa, established the Dialog-University of Moratuwa Mobile Communications Research Laboratory. This is the first fully industry-sponsored research laboratory to be established in a university in Sri Lanka and is also Sri Lanka's first laboratory for R&D in mobile communications. The 2 creations of the laboratory, namely, a remote activated GSM alarm device and a learning management system, are currently used in 2 Dialog-supported national initiatives, which are the Disaster and Emergency Warning Network and the Digital Bridge. The laboratory's R&D work has received accolades, including the Overall Gold and R&D Category Gold in the National Best Quality Software Awards 2006, which was in collaboration with Dialog and Microimage. Examples of the other areas of R&D which have been undertaken by Dialog and the results of such R&D are as follows:

LBS ("Location Based Services"), streaming technologies, mobile commerce solutions	:	Based on the research done by Dialog, Dialog deployed the SIM Application Toolkit ("STK") LBS applet for corporate LBS solutions and LBS IOD services.
ATI ("Any Time Interrogation")	:	ATI-based location platform is now integrated with Dialog's HLR.
Streaming	:	This is a GPRS-based live television solution. Dialog has fine-tuned its real server to stream live television on its 2.5G network. This has been in operation since 2003.