

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

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 – PARAGRAPH 16

Notes to the announcement of results for the financial year ended 31 December 2005

1. Basis of Preparation of Interim Financial Reports

- (a) The interim financial reports of the Group have been prepared in accordance with Financial Reporting Standards (FRS) 134 “Interim Financial Reporting” and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2004. The accounting policies, method of computation and basis of consolidation are consistent with those used in the preparation of the 2004 audited financial statements except for the following:

(i) Jointly Controlled Entities

Jointly controlled entities are entities over which the Group has contractual arrangements to jointly share the control with one or more parties, and none of the parties involved have unilateral control over the entities’ economic activities.

The Group’s interest in jointly controlled entities are accounted for using the equity method of accounting. Equity accounting involves recognising the Group’s share of post acquisition results of the jointly controlled entities in the Consolidated Income Statement and its share of post acquisition movements within reserves in reserves of the Group. The cumulative post acquisition movements are adjusted against the cost of investment and include goodwill on acquisition. Equity accounting is discontinued when the Group ceases to have joint control over, or ceases to have significant influence in, the jointly controlled entity.

Where necessary, in applying the equity method, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(ii) Land held for Property Development

Land held for development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non current assets and is stated at cost less accumulated impairment loss.

Cost associated with the acquisition of land includes the purchase price of land, development fees, stamp duties, commission, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development cost (under current assets) when development activities have commenced and where the development activities can be completed within the Company’s normal operating cycle of 2 to 5 years.

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1. Basis of Preparation of Interim Financial Reports (continued)

(iii) Provision For Liabilities

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of a past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

- (b) The principal closing rates (units of Malaysian Ringgit per foreign currency) used in translating significant balances at 31 December 2005 are as follows:

Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
US Dollar	3.77900	Indonesian Rupiah	0.00039
Japanese Yen	0.03205	Pakistani Rupee	0.06328
Sri Lanka Rupee	0.03705	Singapore Dollar	2.27281
Bangladesh Taka	0.05709	Special Drawing Rights	5.40263
Guinea Franc	0.00088	Gold Franc	1.76499
		Thai Baht	0.09214

2. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2004 were not subject to any material qualification.

3. Seasonal or Cyclical Factors

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

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

- (a) During the financial year, the Group incurred RM161.0 million of Voluntary Separation Scheme expense.
- (b) During the second and fourth quarter, the Company had reversed excess tax provisions of RM47.9 million and RM106.1 million respectively.
- (c) During the third quarter, the listing of Dialog Telekom Limited (formerly known as MTN Networks (Private) Limited) on the Colombo Stock Exchange, Sri Lanka has resulted in gain on disposal and gain on dilution of RM160.7 million and RM98.0 million respectively.
- (d) During the third quarter, the listing of PT Excelcomindo Pratama Tbk on the Jakarta Stock Exchange had resulted in a net gain on dilution of RM82.7 million.

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

- (e) During the fourth quarter, the following transactions were effected:
- (i) The Company received RM137.0 million from Government being compensation for loss of exclusive rights to provide telecommunication services at designated area. This amount was recognised as other income.
 - (ii) The Company had reviewed the estimated economic useful life of certain assets related to switching and customer access networks in conjunction with the next generation network migration plan. As a consequent, the depreciation charge increased by RM45.7 million for the financial year, which in turn resulted in a corresponding decrease in profit after taxation.
 - (iii) The Company had made provision for impairment in respect of long term investment amounting to RM75.0 million.
 - (iv) Celcom (Malaysia) Berhad had made a provision for a claim which was made under protest amounting to RM879.5 million in respect of an arbitration award which comprise of arbitration costs, legal costs and interest costs as detailed in Note B11(j).

Other than the above, there were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial year ended 31 December 2005.

5. Material Changes in Estimates

There were no material changes in estimates reported in the prior interim period or prior financial year except for the revision of economic useful lives of certain assets as mentioned in note A4(e)(ii) of this announcement.

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

- (a) The issued and paid-up capital of the Company increased by RM9.1 million from 3,382.4 million shares of RM1.00 each to 3,391.5 million shares of RM1.00 each as a result of employees exercising their options under the Employees' Share Option Scheme (ESOS) at respective exercise prices of RM7.09, RM8.02, RM9.32 and RM9.22 per share.
- (b) The Company redeemed in full the USD200.0 million 7.125% Notes on its maturity on 1 August 2005.

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31 December 2005.

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7. Dividends Paid

- (a) A final tax-exempt dividend of 20.0 sen per share amounting to RM677.3 million in respect of financial year ended 31 December 2004 was paid on 20 June 2005.
- (b) An interim tax-exempt dividend of 10.0 sen per share amounting to RM339.0 million for the financial year ended 31 December 2005 was declared on 25 August 2005 and paid on 30 September 2005.

8. Segmental Information

Segmental information for the financial year ended 31 December 2005 and 31 December 2004 were as follows:

By Business Segment

2005

All amounts are in RM Million	Fixed line and data	Internet and multimedia	Cellular Domestic	Foreign	Others	Total
Operating Revenue						
Total operating revenue	7,446.8	801.7	4,451.9	1,745.9	723.7	15,170.0
Inter-segment *	(404.1)	(99.0)	(213.9)	-	(510.6)	(1,227.6)
External operating revenue	7,042.7	702.7	4,238.0	1,745.9	213.1	13,942.4
Results						
Segment result	1,210.4	16.6	1,129.2	579.2	(31.0)	2,904.4
Unallocated income **						388.6
Corporate expenses ***						(1,559.7)
Foreign exchange gains						99.4
Operating profit before finance cost						1,832.7
Finance cost						(692.0)
Finance income						341.6
Associates/Jointly controlled entity						
- share of profits less losses	23.0	0.5	(11.1)	(8.6)	-	3.8
- gain on dilution/ disposal						91.5
Profit before taxation						1,577.6
Taxation						(658.2)
Profit after taxation						919.4
Minority interests						(44.2)
Profit attributable to shareholders						875.2

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8. Segmental Information (continued)

2004

All amounts are in RM Million	Fixed line and data	Internet and multimedia	Cellular Domestic	Foreign	Others	Total
Operating Revenue						
Total operating revenue	7,890.4	537.9	4,171.9	1,054.7	700.9	14,355.8
Inter-segment *	(328.8)	(22.6)	(276.7)	-	(476.8)	(1,104.9)
External operating revenue	7,561.6	515.3	3,895.2	1,054.7	224.1	13,250.9
Results						
Segment result	1,524.9	(24.0)	453.6	366.9	32.7	2,354.1
Unallocated income **						67.9
Corporate expenses						(541.8)
Foreign exchange gains						3.5
Operating profit before finance cost						1,883.7
Finance cost						(627.5)
Finance income						214.1
Associates						
- share of profits less losses	120.7	-	-	43.0	-	163.7
- profit on disposal						1,538.8
Profit before taxation						3,172.8
Taxation						(496.3)
Profit after taxation						2,676.5
Minority interests						(63.0)
Profit attributable to shareholders						2,613.5

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

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

*** Included in the corporate expenses are the provision for a claim and provision for impairment of long term investment as disclosed in note A4(e)(iv) and A4(e)(iii) respectively of this announcement.

9. Valuation of Property, Plant and Equipment

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

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10. Material Events Subsequent to the End of the Year

There were no material events subsequent to the end of the year other than as mentioned in note B8(f), B8(g) and B11(j) of this announcement.

11. Effects of Changes in the Composition of the Group

Changes in the composition of the Group for the current quarter and financial year ended 31 December 2005 were as follows:

(a) Indocel Holding Sdn Bhd (formerly known as Indocel Holding Sdn) (Indocel)

TM International (L) Limited (TMIL), a wholly owned subsidiary of the Company, held via TM International Sdn Bhd (TMI), acquired 23.1% equity interest in PT Excelcomindo Pratama Tbk through the acquisition of 100% equity interest in Indocel, a private unlimited company on 11 January 2005 for a purchase consideration of USD265.7 million.

On 6 January 2005, the company changed its name from Nynex Indocel Holding Sdn to Indocel Holding Sdn. It subsequently changed its status from a private unlimited company to a private limited company, Indocel Holding Sdn Bhd on 29 March 2005.

(b) PT Excelcomindo Pratama Tbk (XL)

On 11 January 2005, TMIL acquired 23.1% equity interest in XL as mentioned in note (a) above. On 15 June 2005, TMIL through Indocel completed the acquisition of additional 4.2% equity interest in XL for a cash consideration of USD48.3 million (RM183.5 million) from Rogan Partners, Inc.

With the completion of the above acquisitions, TMIL through Indocel held 27.3% equity interest in XL.

On 4 August 2005, XL undertook a share split where each of its ordinary share of par value Rp250,000 was split into 2,500 ordinary shares of par value Rp100 each.

On 29 September 2005, XL was listed on Jakarta Stock Exchange. Pursuant to the initial public offering (IPO) exercise, TMIL via Indocel subscribed for new XL shares representing an additional 3.2% of the enlarged issued and paid-up share capital of XL at the IPO price of Rp2,000 per share for a total cash consideration of USD44.5 million (RM167.6 million). Upon completion of the IPO, TMIL's holding in XL was diluted from 27.3% to 25.0%. The IPO exercise has resulted in a net gain on dilution of RM82.7 million.

On 20 October 2005, TMIL through Indocel exercised its call option requiring PT Telekomindo Primabhakti (Telekomindo) to sell 31.9% equity interest in XL to TMIL (through Indocel) for a total consideration of USD460.0 million (RM1,736.2 million). The acquisition was completed in two (2) tranches between 20 October to 27 October 2005.

On completion of the above, TM Group's equity interest in XL increased from 25.0% to 56.9% whereupon, XL became a subsidiary of TM on 27 October 2005. Accordingly, the Group consolidated the results of XL effective 1 November 2005.

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

The total goodwill on acquisition of 56.9% equity interest in XL was RM2,827.4 million, being the excess of the purchase price over the Group's share of the provisional fair value of XL's identifiable net assets.

(c) Celcom Timur (Sarawak) Sdn Bhd (CT Sarawak)

During the financial year, Celcom (Malaysia) Berhad (Celcom) disposed of its entire shareholding in Celcom Timur Sarawak Sdn Bhd (Celcom Timur Sarawak) to Sarawak Electricity Supply Corporation (SESCO) and Sacofa Sdn Bhd (Sacofa). The total consideration for the disposal of 15,000,000 ordinary shares amounted to RM43.4 million comprising:

- (i) The disposal to SESCO of 8,212,270 ordinary shares of RM1.00 each for a total consideration of RM23.8 million, satisfied by the novation to SESCO of an outstanding debt of the same amount owed by Celcom to Celcom Timur Sarawak.
- (ii) The disposal to Sacofa of 6,787,730 ordinary share for a total consideration of RM19.6 million, satisfied by the allotment and issuance of 9,815,940 ordinary shares of RM1.00 each credited as fully paid-up capital and calculated at RM2.00 per ordinary share in Sacofa to Celcom.

The disposal had resulted in a gain on disposal to the Group of RM7.0 million for the year ended 31 December 2005.

(d) Sacofa Sdn Bhd (Sacofa)

Celcom acquired an initial 16.05% interest in Sacofa following the transaction in note 11(c)(ii) above. Subsequently, Celcom's interest in Sacofa was increased to 20% upon completion of the Tower Sale Agreement on 28 September 2005 for the disposal of 12 communication towers owned by Celcom to Sacofa for a consideration of RM6.0 million.

(e) Firent Management Services Sdn Bhd (Firent)

During the first quarter, Firent, a wholly owned subsidiary, held via Celcom, was dissolved pursuant to Section 272(5) of the Companies Act, 1965 (CA 1965) arising from the commencement of the members' voluntary winding up on 5 December 2003 pursuant to Section 254(1)(b) of the CA 1965.

(f) CT Communication Sdn Bhd (CT Comm)

During the first quarter, CT Comm, a wholly owned subsidiary, held via Celcom, was dissolved pursuant to Section 272(5) of the CA 1965 arising from the commencement of the members' voluntary winding up on 5 December 2003 pursuant to Section 254(1)(b) of the CA 1965.

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

(g) Multinet Pakistan (Private) Limited (Multinet)

On 16 February 2005, TM International (L) Limited (TMIL) entered into a Joint Venture Deed (the Agreement) with Mr Adnan Asdar and Mr Nasser Khan Ghazi relating to the acquisition of 78% equity interest by TMIL in Multinet, a private limited liability company incorporated in the Islamic Republic of Pakistan in 1996.

The goodwill on acquisition arising from the above was RM16.4 million, being the excess of the purchase price over the Group's share of the provisional fair value of Multinet's identifiable net assets.

Subsequent to the execution of the said Agreement, the authorised, issued and paid-up capital of Multinet was increased from Pakistani Rupees (PKR) 100 million to PKR 1 billion. All shareholders have subscribed up to their proportionate shareholding in Multinet.

(h) Samart Corporation Public Company Limited (Samart)

During the second quarter, the shareholding of the Company's wholly owned subsidiary, TM International Sdn Bhd (TMI) in Samart was reduced from 19.43% to 19.42% and further reduced to 19.24% in the fourth quarter, due to issuance of shares under its Employees' Share Option Scheme. The dilution has no material effect to the results of the Group.

(i) VADS Berhad (VADS)

During the second quarter, the Company's shareholding in VADS was reduced from 69.52% to 69.47%. It was further reduced to 69.37% and 69.31% during the third and fourth quarter respectively, due to issuance of shares under its Employees' Share Option Scheme. The dilution has no material effect to the results of the Group.

(j) G-Com Limited (G-Com)

During the second quarter, TMI acquired 15% equity interest in G-Com from the minority shareholders for a cash consideration of RM3.4 million pursuant to the Settlement Agreement between the Company, TMI, G-Com, Ghana Telecommunications Company Limited and the Government of the Republic of Ghana dated 7 May 2005 as disclosed in note B11(e) of this announcement, resulting in G-Com becoming a wholly owned subsidiary of TMI.

(k) SunShare Investments Limited (SunShare)

On 17 August 2005, TM announced that TMI and Khazanah had collectively entered into a Joint Venture and Shareholders' Agreement (JV Agreement) to form SunShare as the joint venture company for the proposed acquisition of shares of MobileOne Limited.

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

Under the JV Agreement, the issued share capital of SunShare will be increased through the issuance of ordinary shares and/or preference shares to reflect an economic interest of 51% : 49% between TMI and Khazanah in SunShare.

On 23 September 2005, SunShare, Khazanah and TM had entered into a Subscription Agreement for the subscription by Khazanah and TM of redeemable convertible preference shares of USD0.01 each in SunShare (RCPS). The subscription of RCPS by Khazanah and TM was duly completed in 3 tranches as follows:

	Subscription of No. of RCPS of USD0.01 each at the issue price of USD1.00 each	
	Khazanah	TM
Tranche 1 – 26 September 2005	16,659,998	17,339,992
Tranche 2 – 24 October 2005	12,936,000	13,464,000
Tranche 3 – 16 December 2005	6,370,000	6,630,000
Total	35,965,998	37,433,992

By virtue of the joint venture agreement, the Group and Khazanah have joint control over the financial and operation decision of SunShare. Hence the investment in SunShare was treated as a jointly controlled entity.

(l) MobileOne Limited (M1)

On 27 October 2005, SunShare completed the acquisition of 118,526,670 fully paid ordinary shares of SGD0.20 each in M1, representing approximately 12.06% of the issued and paid-up capital of M1, from Great Eastern Telecommunications Ltd (GET).

In addition, from 17 August 2005 to 28 November 2005, SunShare acquired 12.74% equity interest in M1 from the open market for a total cash consideration of SGD266.5 million (approximately RM605.0 million).

Due to the issuance of shares under M1's Share Option Scheme, the percentage of SunShare's equity in M1 at the end of the fourth quarter 2005 was diluted from 24.8% to 24.76%.

(m) Mobitel Sdn Bhd (Mobitel)

The Company via its wholly owned subsidiary, Telekom Enterprise Sdn Bhd, had on 8 September 2005, acquired the remaining 45% equity interest in Mobitel equivalent to 3,600,000 ordinary shares of RM1.00 each for a purchase consideration of RM142,875. The acquisition has resulted in Mobitel becoming a wholly owned subsidiary of TM with effect from the said date.

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

(n) Dialog Telekom Limited (Dialog)

On 28 July 2005, TM's wholly owned subsidiary, Dialog, was listed on the Colombo Stock Exchange in Sri Lanka under the signature "DIAL". In conjunction with the listing, the following transactions took place:

- (i) Offer for sales of 422,262,311 shares by TM to the public;
- (ii) Issuance of 290,073,982 new shares by Dialog for public subscription; and
- (iii) Issuance of 199,892,741 new shares by Dialog to an ESOS Trust.

Following the listing exercise, TMIL's equity interest in Dialog was reduced from 100% to 90.11%.

During the fourth quarter, TMIL's equity interest in Dialog was further reduced by 0.01% to 90.1% due to ESOS exercised by employees. The dilution has no material impact to the Group.

(o) MTT Network (Private) Limited (MTT Network)

Dialog, has on 14 November 2005 entered into a Share Sale Agreement to acquire 100% of the issued and paid-up share capital of MTT Network. The acquisition has been completed and MTT Network becomes a wholly owned subsidiary of Dialog on 22 December 2005. The final purchase consideration for the acquisition of MTT Network is USD19.3 million (RM73.0 million). The goodwill on acquisition arising from this transaction was Sri Lanka Rupees (SLR) 389.9 million (RM14.4 million), being the excess of the purchase price over the Group's share of the provisional fair value of MTT Network's identifiable net assets.

MTT Network was incorporated in Sri Lanka on 27 August 1993 with an authorised share capital of SLR 1,000 million, comprising 100 million ordinary shares of SLR10 each, of which 82,368,203 shares have been issued and fully paid-up. MTT Network is involved in the construction of transmission towers to provide, operate and develop infrastructural facilities to establish the following:

- (i) Voice and data communications systems;
- (ii) Radio and television broadcasting systems; and
- (iii) Mobile radio communication systems.

MTT Network also provides, operates and develops facilities required for telecommunications, sound, audio-visual transmission, satellite transmission, reception of satellite transmission and retransmission of satellite communicative broadcasting and transmission of information and also has a licence to provide fixed voice telephony services using WLL technology for a duration of 10 years commencing November 2005.

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

(p) Lensa MMU JV Sdn Bhd (LMJV)

On 30 December 2005, TM acquired 100% equity interest in LMJV, via Unitele Multimedia Sdn Bhd (UMSB) for a total consideration of RM4.00. UMSB is a wholly owned subsidiary of Universiti Telekom Sdn Bhd, which is also a wholly owned subsidiary of TM.

The principal activity of LMJV is the provision of entertainment multimedia, high tech films and video production service.

(q) Societe Des Telecommunications De Guinee (Sotelgui s.a.)

During the fourth quarter, the Company ceased to have control over the financial and operating policies of Sotelgui s.a.. Accordingly, Sotelgui s.a. has been excluded from consolidation and investment in Sotelgui s.a. is accounted for as an investment.

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

There were no material changes in contingent liabilities (other than material litigations disclosed in note B11 of this announcement) since the latest audited financial statements of the Group for the financial year ended 31 December 2004 except for the following:

- (a) A guarantee and indemnity on a USD26.0 million (RM98.8 million) financing facility granted to a subsidiary, TM International (Bangladesh) Limited (TMIB), which was executed on 26 July 2000. TM had obtained an indemnity from A.K. Khan & Co Ltd, a shareholder of TMIB, their proportionate share of 30% of all obligations made under the said Guarantee and Indemnity. The exposure sum as at 31 December 2005 was USD13.08 million (RM49.43 million) and Bangladesh Taka 286.0 million (RM16.33 million). This guarantee will expire on 26 January 2012.
- (b) (i) The corporate guarantee granted to a financial institution in respect of the USD21.0 million (RM79.8 million) financing facility obtained by a wholly owned subsidiary, Dialog Telekom Limited was subsequently released by the lenders as at 27 December 2005. The facility is currently granted on clean basis.
- (ii) The corporate guarantee granted to a financial institution in respect of the USD25.0 million (RM95.0 million) financing facility obtained by a wholly owned subsidiary, Dialog Telekom Limited, which was executed in November 2003 was released on 18 January 2005. The facility is currently granted on clean basis.
- (c) Guarantee of a series of Promissory Notes totalling approximately USD6.7 million (RM25.4 million) issued by Sotelgui s.a., a subsidiary, in favour of an equipment supplier on 18 April 2002. The Promissory Notes are payable during the period between November 2003 to December 2005. The guarantee sum as at 31 December 2005 was USD0.21 million (RM0.8 million).

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

- (d) On 5 October 2005, a financial institution in Karachi issued a USD10.0 million Standby Letter of Credit (SBLC) to Pakistan Telecommunication Authority (PTA) on behalf of Multinet Pakistan (Private) Limited (Multinet). This SBLC is part of the requirement in awarding the Long Distance International License to Multinet with respect to roll out commitments as per the Information Memorandum dated 8 March 2004. The maturity date of this SBLC is 5 October 2006 and is automatically extended on maturity date unless notice of cancellation is given not less than 60 days before the maturity date.

On 5 October 2005, a financial institution in Labuan issued a USD10.0 million SBLC to the above financial institution in Karachi on behalf of TM International (L) Limited as a counter guarantee to the USD10.0 million SBLC issued by the financial institution in Karachi to PTA on behalf of its subsidiary, Multinet. The tenure of the SBLC is one year to mature on 5 October 2006.

13. Capital Commitments

	Group	
	31/12/2005	31/12/2004
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	<u>3,988.5</u>	<u>2,646.5</u>
Commitments in respect of expenditure approved but not contracted for	<u>382.2</u>	<u>144.9</u>

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

1. Review of Performance

For the current quarter under review, the Group revenue increased by 8.3% (RM288.9 million) to RM3,754.0 million compared to fourth quarter 2004, mainly due to higher revenue from cellular segment following the consolidation of PT Excelcomindo Pratama Tbk's two months results and Internet and multimedia segments. The Group profit before taxation decreased by 140.0% (RM1,321.6 million), mainly due to provision for a claim which was made under protest in respect of the award to DeTeAsia Holding GmbH (DeTeAsia) amounting to RM879.5 million (Arbitration Award) and the absence of exceptional gain arising from disposal of Telkom SA Limited (Telkom SA) and Sheba Telecom (Pvt) Ltd (Sheba) of RM894.4 million reported in fourth quarter 2004.

For the financial year under review, the Group revenue increased by 5.2% (RM691.5 million) to RM13,942.4 million, driven primarily by the cellular and Internet and multimedia segments. The Group profit before taxation however decreased by 50.3% (RM1,595.2 million), mainly due to the abovementioned Arbitration Award, lower contribution from associates and absence of exceptional gain arising from disposal of Telkom SA and Sheba.

2. Comparison with Preceding Quarter's Results

Group revenue for the current quarter of RM3,754.0 million increased by 8.8% (RM302.8 million) over RM3,451.2 million recorded in the preceding quarter, mainly due to higher contribution from cellular and other telecommunication services. The Group profit before taxation however decreased by 141.0% (RM1,300.0 million) from RM922.1 million to a loss of RM377.9 million mainly due to the abovementioned Arbitration Award and absence of gain on dilution/partial disposal of a subsidiary and an associate aggregating RM341.4 million as explained in note A4(c) and (d).

3. Prospects for the Next Financial Year Ending 31 December 2006

With mobile penetration of about 73%, the mobile industry will continue to remain competitive with players vying for customers and better ARPU's through attractive service packaging and offerings. In addition, new 3G players will alter the competitive landscape of this industry.

In line with global industry trends, fixed voice services are expected to decline, particularly in the residential market. New technologies such as Voice over Broadband, peer to peer communication (e.g. Skype) as well as fixed and mobile VoIP will certainly pose a threat to both fixed and mobile operators.

TM will continue to mitigate the decline in fixed voice and focus on improving its data related services. In addition both mobile and broadband services shall continue to remain a focal point for TM as key growth engines for the future. Efforts to rollout 3G and improve mobile data services will continue as TM strives to further strengthen its position in the market. Improvement in customer service and experience will remain a priority as we transform our distribution, retail and contact center outlets to be more customer friendly.

TM will continue to enhance value of its current overseas investments while exploring into other potential markets in the region and expanding its global footprint through partnerships and alliances. The importance of overseas contribution will be greater as TM continues to

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

3. Prospects for the Next Financial Year Ending 31 December 2006 (continued)

position itself as a key regional player.

The Group expects revenue for 2006 to be driven primarily from further growth in Internet and multimedia services, mobile services and international operations.

Whilst, significant efforts are put in generating revenue, TM will also continue to manage costs effectively. Several cost control initiatives on operating costs including outsourcing of non-core business activities are being implemented throughout the Group.

Barring any unforeseen circumstances, the Board of Directors expects the Group's performance for financial year ending 31 December 2006 to improve.

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

The Group has not provided any profit forecast or profit guarantee in a public document in respect of the financial year ended 31 December 2005.

5. Taxation

The taxation charge for the Group comprises:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Current year taxation	75.3	98.1	448.9	466.2
In respect of prior year	(65.8)	(4.6)	(105.6)	(36.9)
Deferred taxation – net	151.1	3.3	130.1	24.1
	160.6	96.8	473.4	453.4
<u>Overseas</u>				
Current year taxation	6.6	-	23.0	2.4
In respect of prior year	4.7	17.5	3.7	17.6
Deferred tax expense	164.8	-	164.8	-
	176.1	17.5	191.5	20.0
	336.7	114.3	664.9	473.4
Share of taxation of associates/jointly controlled entity	3.5	0.4	(6.7)	22.9
TOTAL TAXATION	340.2	114.7	658.2	496.3

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

5. Taxation (continued)

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

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

During the first quarter, the Group disposed off its investment in Intelsat Ltd and New Skies Satellites NV. These disposals resulted in a profit of RM40.8 million.

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

- (a) Total purchases and disposals of quoted securities for the current quarter and financial year ended 31 December 2005 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	17.6	48.6
Total disposals	4.4	72.8
Total loss on disposal	(2.1)	(10.9)

- (b) Total investments in quoted securities as at 31 December 2005 are as follows:

	RM Million
At cost	199.7
At book value	106.1
At market value	106.1

II. Quoted Fixed Income Securities

- (a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial year ended 31 December 2005 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	20.1	178.8
Total disposals	-	8.2
Total gain on disposal	-	-

- (b) Total investments in quoted fixed income securities as at 31 December 2005 are as follows:

	RM Million
At cost	170.6
At book value	168.6
At market value	168.6

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8. Status of Corporate Proposals

(a) Proposed Acquisition of 80% Equity Interest in PT Excelcomindo Pratama Tbk (XL)

On 9 December 2004, TM International (L) Limited (TMIL), a wholly owned subsidiary of TM, entered into a Share Sale and Purchase Agreement (SPA) with Rogan Partners Inc (Rogan) and PT Telekomindo Primabhakti (Telekomindo) for the acquisition of 618,345 XL shares, representing 27.3% of XL's issued and paid-up share capital, indirectly through the acquisition of a 100% equity interest in a special purpose holding company, Indocel Holding Sdn Bhd (formerly known as Indocel Holding Sdn) (Indocel), for a total cash consideration of USD314.0 million (RM1,193.0 million).

On 11 January 2005, TMIL through the acquisition of Indocel as abovementioned, held 523,215 ordinary shares of Indonesian Rupiah (Rp) 250,000 each in XL, representing 23.1% of the issued and paid-up capital of XL for a cash consideration of USD265.7 million (RM1,009.5 million).

On 15 June 2005, TMIL through Indocel completed the acquisition of 95,130 ordinary shares of Rp250,000 each in XL, representing 4.2% of the issued and paid-up share capital of XL, for a cash consideration of USD48.3 million (RM183.5 million) from Rogan Partners, Inc.

On 11 January 2005, TMIL and Telekomindo entered into a Call and Put Option Agreement (Option Agreement) where Telekomindo may require TMIL to purchase from Telekomindo, and TMIL may require Telekomindo to sell to TMIL, up to 52.7% of the issued and paid-up share capital of XL. The exercise period and payment date were amended via an agreement to amend the Option Agreement entered into on 23 September 2005.

TMIL, Indocel and Telekomindo had also entered into a Shareholders' Agreement on 11 January 2005.

On 4 August 2005, XL undertook a share split where each of its ordinary share of par value Rp250,000 was split into 2,500 ordinary shares of par value Rp100 each.

On 29 September 2005, XL was listed on Jakarta Stock Exchange (JSE) upon obtaining the approval for initial public offering (IPO) from Indonesian Capital Markets Supervisory Agency and final allotment of shares on 16 and 27 September 2005, respectively. XL commenced trading with a debut price at Rp2,100 per share from its issue price of Rp2,000 per share.

Pursuant to the IPO exercise, TMIL through Indocel subscribed for 226,638,000 new XL shares representing an additional 3.2% of the enlarged issued and paid-up share capital of XL at the IPO price of Rp2,000 per share for a total cash consideration of USD44.5 million (RM167.6 million). Upon completion of the IPO, TMIL's holding in XL was diluted from 27.3% to 25.0%. The IPO exercise has resulted in a net gain on dilution of RM82.7 million.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

8. Status of Corporate Proposals (continued)

On 20 October 2005, TMIL through Indocel exercised its call option requiring Telekomindo to sell part of its equity interest in XL to Indocel. Consequently, a total of 2,265,002,500 XL shares (Call Option Shares) were sold by Telekomindo to TMIL through Indocel under the call option at a total consideration of USD460.0 million (RM1,736.2 million). The acquisition of the above Call Option Shares was completed in two (2) tranches between 20 to 27 October 2005.

On completion of the above, TM Group's equity interest in XL increased from 25.0% to 56.9% whereupon, XL became a subsidiary of TM on 27 October 2005. Accordingly, the Group consolidated the results of XL effective 1 November 2005.

The total goodwill on acquisition of 56.9% equity interest in XL was RM2,827.4 million, being the excess of the purchase price over the Group's share of the provisional fair value of XL's identifiable net assets.

(b) Proposed Acquisition by Celcom Transmission (M) Sdn Bhd (CTX) of Additional 10% Equity in Fibrecomm Network (M) Sdn Bhd (Fibrecomm)

CTX, a wholly owned subsidiary of TM, held via Celcom, had on 18 March 2005 entered into Heads of Agreement with Tenaga Nasional Berhad (TNB) in relation to the proposed acquisition by CTX of an additional 10% equity interest in Fibrecomm (Proposed Acquisition), resulting in the increase of CTX's equity interest to 51%. The Heads of Agreements serves as a platform for the parties to further negotiate and finalise the definite agreements for the Proposed Acquisition.

On 29 April 2005, CTX entered into the following agreements:

- (i) Share Sale Agreement (SSA) between TNB and CTX;
- (ii) Shareholders' Agreement between TNB and CTX in relation to Fibrecomm; and
- (iii) Deed of Assignment between CTX and Fibrecomm.

Further to the above, on 5 December 2005, Celcom entered into a Deed of Variation with Fibrecomm for the purposes of varying the terms of the Deed of Assignment.

Whilst, the completion date of the SSA was extended for a further six (6) months from 29 October 2005.

Upon completion of the Proposed Acquisition, CTX's shareholding in Fibrecomm will increase from 41% to 51%.

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8. Status of Corporate Proposals (continued)

(c) Joint Venture between TM International Sdn Bhd (TMI), a wholly owned subsidiary of TM, and Khazanah Nasional Berhad (Khazanah) for the Proposed Acquisition of Shares in MobileOne Ltd (M1)

- (i) On 17 August 2005, TM announced that TMI and Khazanah had collectively entered into a Joint Venture and Shareholders' Agreement (JV Agreement) to form SunShare Investments Ltd (SunShare) as the joint venture company for the proposed acquisition of shares of M1.

SunShare is a company incorporated in Labuan under the Offshore Companies Act, 1990 with TMI and Khazanah as the shareholders having equity interests of 80% and 20% respectively. Under the JV Agreement, upon receipt of the approval from the Info-Communications Development Authority of Singapore (IDA), the issued share capital of SunShare will be increased through the issuance of ordinary shares and/or preference shares to reflect an economic interest of 51% : 49% between TMI and Khazanah in SunShare.

The approval from Bank Negara Malaysia for the Joint Venture was obtained on 17 August 2005.

In addition thereto, SunShare, Khazanah, TMI and TM had also agreed to restate the JV Agreement dated 17 August 2005 (the restated JV Agreement is referred to as the "Restated JV Agreement") to allow for the investment by TM Group in SunShare to be held by TMI and TM.

On 23 September 2005, SunShare, Khazanah and TM had entered into a Subscription Agreement for the subscription by Khazanah and TM of redeemable convertible preference shares of USD0.01 each in SunShare (RCPS). The subscription of RCPS by Khazanah and TM was duly completed in 3 tranches as follows:

	Subscription of No. of RCPS of USD0.01 each at the issue price of USD1.00 each	
	Khazanah	TM
Tranche 1 – 26 September 2005	16,659,998	17,339,992
Tranche 2 – 24 October 2005	12,936,000	13,464,000
Tranche 3 – 16 December 2005	6,370,000	6,630,000
Total	35,965,998	37,433,992

- (ii) On 17 August 2005, SunShare entered into a Sale and Purchase Agreement with Great Eastern Telecommunications Ltd (GET) for the acquisition by SunShare of 12.06% equity interest of M1 from GET for a consideration of SGD260.8 million (approximately RM592.0 million).

The approval from IDA for the proposed acquisition of at least 12% but less than 30% in M1 was obtained on 21 October 2005. The proposed acquisition was completed on 27 October 2005.

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8. Status of Corporate Proposals (continued)

In addition, from 17 August 2005 to 28 November 2005, SunShare acquired 12.74% equity interest in M1 from the open market for a total cash consideration of SGD266.5 million (approximately RM605.0 million).

Due to the issuance of shares under M1's Share Option Scheme, the percentage of SunShare's equity in M1 at the end of the fourth quarter 2005 was diluted from 24.8% to 24.76%.

From 19 January 2006 to 24 February 2006, SunShare acquired an additional 20,604,000 ordinary shares of M1, thus increasing its stake to a total of 264,339,160 ordinary shares representing 26.82% equity interest in M1.

(d) Proposed Acquisition of 100% Equity Interest in MTT Network (Private) Limited (MTT Network) by Dialog Telekom Limited (Dialog), a subsidiary of TM International (L) Limited

On 14 November 2005, TM announced that its subsidiary listed on the Colombo Stock Exchange, Dialog, had entered into a Share Sale Agreement to acquire 100% of the issued and paid-up capital of MTT Network from the following parties (collectively known as the Vendors):

Name	Number of shares held	% Shareholding
Rajendram Maharaja	2	0.01
Sunpower Systems (Private) Limited	7,075,000	8.58
Sipson Investments Limited	75,293,201	91.41

The proposed acquisition involved the acquisition by Dialog of the entire equity interest in MTT Network from the Vendors for USD19.3 million (RM73.0 million) and would be financed by Dialog's internally generated funds and/or borrowings.

On completion of the acquisition on 22 December 2005, MTT Network became a wholly owned subsidiary of Dialog.

(e) Proposed Acquisition Of Business And Business Assets of Petrofibre Network (M) Sdn Bhd by Fiberail Sdn Bhd

On 12 December 2005, TM announced that its subsidiary, Fiberail Sdn Bhd (FSB), has entered into an Agreement with Petrofibre Network (M) Sdn Bhd (PFN) to acquire PFN's business and business assets (Agreement) at a total consideration of RM100.5 million.

The said acquisition of PFN's business shall be satisfied by FSB in the following manner:

- (g) Initial cash deposit of up to RM2.0 million within 14 days from the signing of the Agreement;

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8. Status of Corporate Proposals (continued)

(ii) Issuance to PFN of up to 1,580,000 ordinary shares of RM1.00 each in the share capital of the FSB, at a premium of RM7.08 each amounting to RM12.8 million; or at an adjusted Net Tangible Asset (NTA) per share as per the terms and conditions stipulated in the said Agreement (hereinafter referred to as “Consideration Shares”); and

(iii) The remaining balance of the purchase consideration shall be paid in cash.

Subsequent thereto, on 9 February 2006, TM entered into the following Post Acquisition Agreements:

(i) A new JVA with Keretapi Tanah Melayu Berhad (KTMB) and PFN;

(ii) A Put Option Agreement with KTMB and PFN; and

(iii) A Call Option Agreement with KTMB.

Save for the assignment and/or novation of relevant contracts to FSB, which are still pending, all of the conditions to the completion of the Proposed Acquisition have been satisfied.

(f) Disposal of TM’s stake in Telekom Networks Malawi Limited (TNM)

On 27 January 2006, TM announced the sale of its total stake of 60% in TNM to Econet Wireless Global Limited (Econet) at a total price consideration of USD24.5 million. This includes all outstanding claims as well as consideration for the equity component. The sale is being effected through the acquisition by Econet of Tess International Ltd, a wholly owned subsidiary of TM International (L) Ltd; a company incorporated in the Republic of Mauritius and used by TM to hold the shares in TNM. The proceed from disposal will form part of the working capital of TMIL.

TNM was established in 1996 as a joint venture company between TM and the government-backed Malawi Telecommunications Ltd (MTL), with TM holding a 60 per cent equity and MTL the remaining 40 per cent. TNM operates a GSM service under a license valid until 2014.

(g) Proposed acquisition of 49% equity in Cambodia Samart Communication Company Limited (Casacom) and 24.42% equity in Samart I-Mobile Public Company Limited (SIM) by TM International Sdn Bhd

On 17 February 2006, TM announced that its wholly owned subsidiary TM International Sdn Bhd (TMI), had entered into the following agreements with Samart Corporation Public Company Ltd (Samart), a company incorporated in Thailand:

(i) Share Sale and Purchase Agreement (SPA1) for TMI to acquire 1,038,700 ordinary shares of USD4.00 each representing 49% equity interest in Casacom from Samart at a consideration of USD29.0 million;

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

8. Status of Corporate Proposals (continued)

- (ii) Share Sale and Purchase Agreement (SPA2) for TMI to acquire 105 million ordinary shares of THB1.00 each representing 24.42% equity interest in SIM from Samart at a consideration of THB1,312.5 million (approximately USD32.8 million); and
- (iii) Shareholders Agreement (SA) pursuant to the Proposed Acquisition of 24.42% equity interest in SIM.

(i) Proposed Acquisition of 49% Equity Interest in Casacom (Casacom Acquisition)

Completion of the Casacom Acquisition is subject to, *inter alia*:

- (a) obtaining all regulatory consents, approvals and notifications required under the laws of Cambodia or Thailand including approvals from the following authorities:
 - Council for the Development of Cambodia;
 - Ministry of Commerce of the Kingdom of Cambodia;
 - Ministry of Post and Telecommunication of Cambodia,
- (b) certain shareholders and company within Samart group, granting a written waiver of any rights or claims against TMI under previous agreements entered into between the Samart and TMI;
- (c) the termination of certain transactions between Casacom and Samart, any member of the Samart's Group and their directors or shareholders as agreed between Samart and TMI; and
- (d) approval from Bank Negara Malaysia.

Upon completion of the Casacom Acquisition, Casacom will become a wholly owned subsidiary of TMI.

(ii) Proposed Acquisition of 24.42% Equity Interest in SIM (SIM Acquisition)

TMI and Samart have agreed that the completion of the SIM Acquisition is subject to, *inter alia*:

- (a) all regulatory consents, approvals and notifications required under the laws of Thailand, including permission of the Stock Exchange of Thailand under the relevant notification rules;
- (b) certain shareholders and company within the Samart group granting a written waiver of any rights or claims against TMI under previous agreements entered into between the Samart and TMI;

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8. Status of Corporate Proposals (continued)

- (c) satisfaction and/or waiver of all conditions precedent to completion of the Casacom Acquisition; and
- (d) approval from Bank Negara Malaysia.

(iii) *Shareholders Agreement (SA) on Proposed Acquisition of 24.42% equity interest in SIM.*

If the SPA2 pursuant to the SIM Acquisition is terminated prior to completion, the SA shall terminate and cease to be of effect.

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

9. Group Borrowings and Debt Securities

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

	2005		2004	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Secured	445.0	1,034.2	384.7	1,302.6
Unsecured	969.1	9,370.8	800.1	8,297.3
Total	1,414.1	10,405.0	1,184.8	9,599.9

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

	2005	2004
Foreign Currency	RM Million	RM Million
US Dollar	6,156.8	4,734.5
Japanese Yen	553.9	627.2
Sri Lanka Rupee	233.2	111.1
Bangladesh Taka	11.4	14.9
Guinea Franc	-	13.3
Pakistani Rupee	1.9	-
Euro	5.7	7.5
Canadian Dollars	4.9	4.9
Pound Sterling	0.8	1.2
Total	6,968.6	5,514.6

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10. Off Balance Sheet Financial Instruments (continued)

The details and the financial effects of the hedging derivatives that the Group has entered into are described in note 14 to the audited financial statements of the Group for the year ended 31 December 2004. There were no new off balance sheet financial instruments since the last financial year except for the following:

Interest Rate Swap (IRS)

(a) Underlying Liability

USD300.0 million 8% Guaranteed Notes due 2010

In 2000, the Company issued USD300.0 million 8.0% Guaranteed Notes due 2010. The Notes are redeemable in full on 7 December 2010.

Hedging Instrument

On 1 April 2004, the Company entered into an interest rate swap (IRS) agreement with a notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 8.0% per annum and obliges it to pay interest at a floating rate of 6-month USD Libor-in-arrears plus 5.255%. The swap will mature on 7 December 2006.

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

(b) Underlying Liability

USD300.0 million 7.875% Debentures due 2025

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

Hedging Instrument

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

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

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10. Off Balance Sheet Financial Instruments (continued)

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

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

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

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

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

11. Material Litigation

There is no change in the status of material litigation since the audited financial statements of the Group for the year ended 31 December 2004 except as disclosed below:

- (a) i. On 11 August 2003, TM jointly with Telekom Publications Sdn Bhd (TPSB), a wholly owned subsidiary of TM, instituted legal proceedings against Buying Guide (M) Sdn Bhd (BGSB) relating to the infringement of TM’s and TPSB’s copyright and passing off.

BGSB filed their Defence and Counterclaim on 15 October 2003 for RM114.3 million being their special damages for suspension of BGSB’s Corporate Exercise. BGSB also claimed for the general, aggravated and exemplary damages, interest and cost against TPSB.

On 27 July 2004, BGSB filed their Notice of Appeal against the Assistant Registrar’s decision in dismissing BGSB’s application for Further and Better Particulars against TM with costs. On 8 April 2005, the Learned Judge has dismissed the said appeal with cost. On 10 June 2005, TM and/or TPSB filed their Reply to BGSB’s Statement of Defence and Defence to BGSB’s Counterclaim. On 12 December 2005, the matter was fixed for further case management on 6 March 2006.

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

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

- ii. TM and TPSB filed an application for an injunction against BG Online Sdn Bhd (BGO) and BG Media Sdn Bhd (BGM) on 10 August 2004 to prevent them from publishing any telephone directories including the “Super Pages” directory comprising the “Yellow Pages” mark and/or the Yellow Pages Get-Up as set out in the relevant application papers to the High Court or a mark or get-up which is confusingly similar thereto.

On 9 August 2005, the High Court allowed TM’s and TPSB’s application for the Interim Injunction. The approval on the terms of the order was obtained from the High Court on 18 August 2005.

The said Interim Injunction would be effective and valid until the full trial of the case. At the current moment, no trial dates have been fixed by the High Court.

On 29 August 2005, BGO and BGM filed an appeal at the Court of Appeal against the decision of the High Court dated 9 August 2005. The Court has yet to fix the hearing date for the said appeal.

Meanwhile on 25 January 2006, the Court granted the leave for TM and TPSB to file the committal proceeding against the directors of BGM and BGO due to BGM’s and BGO’s failure to comply with the Court Order of 18 August 2005. Notice of Motion for committal was filed against the said directors on 27 January 2006 by TM and TPSB and the Court has fixed 24 April 2006 as the hearing date for the said Motion.

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

- (b) Inmiss Communication Sdn Bhd (Inmiss) filed a Notice for Arbitration against Mobikom Sdn Bhd (Mobikom) for the outstanding payment on Inmiss’ share of message tariff revenue including interest charges and other losses amounting to RM29.0 million.

On 31 March 2005, the Arbitrator published an Award in favour of Inmiss less RM1.5 million being Mobikom’s claim for cloned calls to be calculated by Inmiss with interest at the usual rate for debit. Further, the Arbitrator allowed a reduction of 1% of the total amount of the said Award due to Inmiss’ failure to mitigate the loss immediately.

On 14 April 2005 Mobikom was served with a Notice of Demand pursuant to Section 218 of the Companies Act, 1965 (S.218 Notice) by Inmiss for an outstanding sum of RM27.4 million being the Arbitration Award which is due and owing by Mobikom as at 14 April 2005.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

On 22 April 2005, Mobikom filed the Originating Motion and Summons in Chambers to set aside the Arbitration Award and for a stay of execution of the said Award. In addition, Mobikom also filed an Originating Summons (OS) and Summons in Chambers (*ex parte*) to restrain Inmiss or their servants or agents or otherwise from presenting any petition under S.218 to wind-up Mobikom in respect of the sum claimed in the said Notice of Demand or the sum of the Arbitration Award until and unless the Arbitration Award is registered pursuant to the Arbitration Act 1952 or until the High Court deems fit; and until the final disposal of the OS filed herein.

On 27 May 2005, Inmiss filed an application for an Order under Section 24(3) of the Arbitration Act 1952 that Mobikom be ordered to deposit the sum of RM27.6 million into Court within fourteen (14) days from the date of the said Order. On 26 January 2006, the Court fixed 1 March 2006 as mention date for both the abovementioned applications and on Mobikom's Originating Motion to set aside the Arbitration Award.

On 10 August 2005, the High Court dismissed Mobikom's application for an *inter parte* Injunction to restrain Inmiss from presenting the winding-up petition under Section 218 of the Companies Act, 1965 pending the disposal of Mobikom's application to set aside the Arbitration Award dated 31 March 2005 with costs. Following the said decision, Mobikom had, on 11 August 2005 filed an appeal at the Court of Appeal and the Court has yet to fix the hearing date for the said appeal.

A day later, i.e. on 11 August 2005, Inmiss filed a winding-up petition at the High Court under Section 218 of the Companies Act, 1965 against Mobikom and the said winding-up petition had been served on Mobikom on 5 September 2005. On 15 September 2005, Inmiss served the Notice on its application for the appointment of Provisional Liquidator on Mobikom.

On 29 September 2005, the Court had granted interim stay filed by Mobikom for the winding-up proceedings pending the hearing of the applications for a stay of the winding-up proceedings by Mobikom and for the appointment of a provisional liquidator by Inmiss.

On 7 February 2006, the Court dismissed Inmiss' *ex parte* application for leave of the High Court to commence committal proceedings against certain directors and officers of Mobikom and TM filed on 9 January 2006.

On 8 February 2006, the Court adjourned the hearing of Inmiss' application to appoint a provisional liquidator and Mobikom's application for stay of the winding-up proceedings to 28 February 2006. On the same day, the Court has also fixed 28 February 2006 for mention of Inmiss' winding-up petition.

Based on legal advice, Mobikom has a reasonably good chance of success in its applications to the High Court for setting aside of the Arbitration Award and for its appeal against the High Court's decision in dismissing Mobikom's application for an *inter parte* Injunction as abovementioned in the Court of Appeal.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

- (c) On 21 October 2002, TM served a sealed copy of Writ of Summons and Statement of Claim to Business Focus Sdn Bhd (BF) to demand a liquidated sum of RM174.7 million together with interests and other cost due to BF's failure to procure a third party to purchase TM's shares in Penang Shipbuilding and Construction Industries Sdn Bhd (PSCI) in accordance with the Buy Back Agreement of PSCI shares dated 20 February 1997.

TM obtained a Summary Judgment Order with costs from the High Court Kuala Lumpur on 26 April 2004. On 17 January 2005, the Learned Judge has dismissed BF's appeal on the said Order and BF filed an appeal against the said decision in the Court of Appeal on 24 January 2005. The Court of Appeal has yet to fix the hearing date for the appeal filed by BF.

On 29 July 2005, TM had served a Section 218 of the Companies Act, 1965 Notice (S.218 Notice) against BF and in response to the said Notice, BF had on 4 August 2005 disputed the entire allegation made in the S.218 Notice and demanded that TM ceases any further action under the S.218 Notice within 48 hours from the date of the reply letter, failing which BF will seek further and necessary legal redress against TM.

TM through its solicitors on 9 August 2005 replied by indicating that the action undertaken by TM under S.218 of the Companies Act, 1965 is in accordance to its rights and interest afforded under the law and reiterated its firm position to proceed with the intended execution proceeding in the event that BF fails, refuses or neglects to comply with the demand under the S.218 Notice.

Meanwhile, a Notice of Petition filed by Export-Import Bank Malaysia Berhad (EXIM) to wind-up BF appeared in an advertisement in The STAR dated 10 August 2005. The said Winding-Up petition filed by EXIM was heard on 27 September 2005 and on 21 November 2005, the Learned Judge has granted the said winding-up order against BF.

TM had on 17 January 2006, filed the Proof of Debt against BF for the recovery of the amount due and payable to TM as abovementioned. During the second Creditors' Meeting held on 25 January 2006, BF's Creditors had unanimously agreed to appoint O & M Corporate Advisory Sdn Bhd as the private liquidator for this matter

- (d) G-Com Limited (G-Com), a subsidiary of TM, filed an application in the High Court of Ghana on 13 June 2002, seeking a declaration that the Extraordinary General Meeting (EGM) held on 3 June 2002 was null and void. On 31 July 2002, the High Court of Ghana dismissed G-Com's application for a declaration to nullify the EGM held on 3 June 2002.

On 25 September 2002, G-Com filed an appeal in the Court of Appeal of Ghana against the decision of the High Court dated 31 July 2002. With the execution of the Settlement Agreement on 7 May 2005 as disclosed in sub-note (e) below, the said appeal against GT had been withdrawn by G-Com accordingly.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

- (e) TM's interest in Ghana Telecommunications Company Limited (GT) is held through its wholly owned subsidiary, TM International Sdn Bhd (TMI).

On 10 February 2003, TM sent a Notice of Arbitration to the Government of the Republic of Ghana (GoG) for the commencement of arbitration proceedings under the UNCITRAL Arbitration Rules in accordance with the provisions of the Bilateral Investment Treaty.

The GoG and TM have reached an amicable settlement of their international arbitration proceedings. The Settlement Agreement was executed on 7 May 2005 between TM, TMI, G-Com, GT and the GoG.

According to the settlement terms, KPMG Forensic, a division of KPMG LLP (KPMG) acting in their capacity as an independent expert valuer has determined that as at 2 June 2002, the fair market value of G-Com's thirty percent (30%) shares was USD52.2 million.

The said decision is recorded in a Final Award, endorsed and approved by the PCA on 1 November 2005. The Final Award will effectively signify the completion of the settlement processes as stated in the Settlement Agreement dated 7 May 2005.

In accordance with the settlement terms, the settlement sum due and payable under the Deposit Refund and Strategic Investment Claims will be payable by the GoG to TM in instalments until 2007. Once the full and complete payments are made by the GoG, G-Com's thirty percent (30%) shares in GT will be transferred to the GoG accordingly.

As at 31 December 2005, TM had received in total USD46.0 million from the GoG comprising interests of USD12.9 million, deposit and first instalment for strategic investment of USD20.6 million and first instalment for repayment of deposit of USD12.5 million.

- (f) Kabel Pantai Timur Sdn Bhd (KPT) had suspended the remedial work contracted resulting in termination of their service under the "Perlaksanaan Projek Rangkaian Tempatan secara JKH for Pahang, Terengganu & Kelantan". TM has called for the Performance Bond in the form of a Bank Guarantee in view of KPT's failure to rectify the works in accordance with the required specifications. TM also demanded KPT to return the material supplied under the contract. KPT challenged the above action taken by TM by initiating arbitration proceedings in accordance with the contracts and claimed for an amount of RM10.4 million (pleaded) (RM41.1 million - unquantified costs). TM has also filed its counter-claim for RM19.1 million.

The arbitration hearing dates fixed from 5 to 8 August 2005 and 12 to 15 September 2005 had been adjourned.

TM and KPT are currently in the process of determining the available dates for continued hearing of the said matter with the Arbitrator. The earliest date for the continued hearing of this matter will be in early May 2006.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

- (g) Bukit Lenang Development Sdn Bhd (BLDSB) had instituted legal proceeding against TM, Tenaga Nasional Berhad and SAJ Holdings Sdn Bhd (collectively referred to the “Parties and/or Defendants”) by way of a Writ of Summons dated 27 November 2004 and Statement of Claim dated 15 December 2004 in the High Court of Malaya at Kuala Lumpur.

BLDSB is seeking special damages for the sum of RM29.4 million and other damages and relief from the Parties for:

- i. wrongfully conspiring with the occupants on Mukim Plentong, Daerah Johor Bahru, Johor Darul Takzim (the Land) by facilitating the occupants with telecommunications, electricity and water services and illegally assisting the occupants in their occupation with the obvious and foreseeable consequence of adversely affecting and seriously prejudicing BLDSB;
- ii. joint tortfeasor with the occupants in the commission of the wrongs committed by the occupants;
- iii. jointly and independently trespassing and continue to trespass the Land by reason of emplacement of the telecommunication, electricity and water equipments to the occupants;
- iv. wrongfully and/or unconscionably derived and still deriving pecuniary benefits from its wrongful actions and the wrongful use of the Land and that the same amount to unjust enrichment of the law; and
- v. loss of opportunity in that the Plaintiff has been wrongfully prevented from developing the Land and as such has not had the benefit of the full potential of the development and the advantageous economic circumstances in the period immediately following the acquisition of the Land by the Plaintiff.

TM’s application to strike out BLDSB’s Summons filed on 26 January 2005 has been postponed to another mention date to be fixed by the Court.

- (h) Acres & Hectares Sdn Bhd (AHSB) had instituted legal proceeding against TM by way of a Writ of Summons dated 22 April 2005 and Statement of Claim dated 7 April 2005 in the High Court of Malaya at Kuala Lumpur.

In the said Statement of Claim, AHSB claims that TM is indebted to AHSB in the Judgment Sum of RM2.9 million plus 8% interest per annum on the said sum from 29 November 2004 (Notice of Demand) until date of full settlement for consultancy works rendered to TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of TM in respect to the management and development of TM’s land. Further, AHSB claims for damages in the sum of RM26.9 million plus 8% interest per annum on the said sum from date of the Statement of Claim until date of full settlement for alleged losses suffered by AHSB due to TM’s failure to proceed the said project and cost.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

On 15 June 2005, TM filed its Statement of Defence disputing the appointment of AHSB as TM's consultant in relation to the said project and put AHSB to strict proof thereof. In addition, TM contends that the preliminary reports prepared by AHSB were part of the requirements to be fulfilled by AHSB prior to the selection of the appointment of consultant to be approved by TMF Board of Directors.

On 7 July 2005, TM filed an interlocutory application to strike out AHSB's claim and the matter was originally fixed for hearing on 29 September 2005. The Court heard the said application on 17 October 2005 and then adjourned the said hearing to 22 December 2005.

On 22 December 2005, the Court directed TM and AHSB to file their written submission on 6 and 20 January 2006 respectively and the decision is fixed on 10 February 2006. However, on 10 February 2006, the Court dismissed TM's application with costs on grounds that there are triable issues to be decided before a full and proper hearing. Meanwhile, AHSB has served a Notice to attend for Pre-Trial Case Management on TM and this Notice is fixed for hearing on 6 March 2006.

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

- (i) Technology Resources Industries Berhad (TRI) filed a Writ of Summons in the Kuala Lumpur High Court against Tan Sri Dato' Tajudin Ramli, Bistamam Ramli and Dato' Lim Kheng Yew (Defendants), being former directors of TRI for the recovery of a total sum RM55.8 million which were paid to the Defendants as compensation for loss of office and incentive payment and also the return of two (2) luxury vehicles which were transferred to the first two Defendants.

TRI filed an application for Summary Judgment in respect of RM11.1 million. The application was partially heard before the Registrar on 27 January 2005. The Court then fixed 23 March 2005 for continued hearing of the Summary Judgment application. During the said hearing, the Defendants contested the relevancy of TRI's minutes of the 8 August 2001 Board of Directors' Meeting (the Minutes). TRI then filed an application for extension of time to adduce the Minutes. The application for extension of time was fixed for hearing on 30 June 2005. As the Registrar who heard the Summary Judgment application on 27 January 2005 has been transferred from the said Court, the Summary Judgment application was fixed before a different Registrar who indicated that the Registrar would like to hear the Summary Judgment application afresh and would hear the application for extension of time to adduce the Minutes as and when the issue of the relevancy of the Minutes arose. The Court has fixed 19 October 2005 to hear the applications for Summary Judgment/extension of time. However when the matter was called on the aforesaid date, the Registrar requested the parties to file written submissions instead. The matter which was fixed for clarification/decision on 9 January 2006 has been adjourned to 10 March 2006.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

- (j) On 10 March 2003, Celcom (Malaysia) Berhad (Celcom) received a letter from DeTeAsia Holding GmbH (DeTeAsia) informing Celcom that it had initiated arbitration on 10 March 2003 with the Secretariat of the International Court of Arbitration of the International Chamber of Commerce in Paris (ICC) pursuant to Clause 8.6 of the Amended and Restated Supplemental Agreement dated 4 April 2002 between TRI, DeTeAsia, Celcom and TR International Limited (TRIL) (ARSA).

DeTeAsia is essentially claiming damages for breach of the ARSA. By a letter dated 20 August 2004 to the Tribunal, DeTeAsia has quantified its principal claim as USD177.2 million (amounting after currency conversion to RM673.5 million). Subsequently DeTeAsia in its Post Hearing Brief dated 29 November 2004 claimed interest in the sum of USD16.3 million (amounting after currency conversion to RM61.8 million) for the period between 16 October 2002 to 27 June 2003, and interest at the rate of 8% per annum on USD177.2 million from 28 June 2003 until full settlement.

Tribunal via the final award dated 2 August 2005 (Award) found that:

- (i) Celcom, having violated the Veto Rights and having failed to procure the Buy-Out offer contemplated in the ARSA, is liable to DeTeAsia for the full amount claimed in the arbitration and shall accordingly pay DeTeAsia the principal sum of USD177.2 million plus USD16.3 million representing simple interest at the rate of 8% for the period from 16 October 2002 to 27 June 2003, as well as simple interest at the rate of 8% on the principal sum awarded (USD177.2 million) from 28 June 2003 until payment;
- (ii) Celcom shall bear all of the costs of the arbitration as fixed by the ICC in the amount of USD0.8 million and shall accordingly pay DeTeAsia the sum of USD0.4 million; and
- (iii) Celcom shall also pay DeTeAsia the sum of USD1.8 million representing the reasonable legal and other costs incurred by DeTeAsia in the arbitration.

Pursuant to the Award, Celcom has on 17 November 2005 filed an *ex parte* application for leave to issue and serve an Originating Summons upon DeTeAsia in Germany in the manner required under the Rules of the High Court 1980. Celcom is seeking, inter alia, the following relief in the Originating Summons:

- (a) A declaration that the Award is contrary to the public policy of Malaysia and is accordingly unenforceable in Malaysia within the meaning of Section 5(2) of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards Act 1985 (the Act);
- (b) Consequent upon (a) above, that DeTeAsia whether by itself, its agents, servants or any of them or otherwise howsoever, be restrained, directly or indirectly, whether pursuant to the Act or otherwise, from seeking to enforce the Award as against Celcom in Malaysia.

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

On 16 January 2006, Celcom received a Claim Form for the Enforcement of an Arbitration Award filed in the High Court of Justice (Queen's Bench Division) Commercial Court in London, England by DeTeAsia against Celcom (Enforcement Proceedings). The Enforcement Proceedings arose out of the Award. Together with the Claim Form, Celcom also received an Order of the High Court dated 13 January 2006 in the Enforcement Proceedings prohibiting Celcom from removing from England or Wales any of its assets located in England or Wales up to the value of USD232.0 million (Freezing Order) until 27 January 2006 or until further order of the Court. The High Court has also fixed 27 January 2006 as the return date or hearing of the Freezing Order.

On 27 January 2006, Celcom instructed the remittance of the sum of USD232.0 million by telegraphic transfer to the English Court. Receipt of the same was confirmed by the Court on 31 January 2006. This payment was made under protest and with full reservation of Celcom's rights. Solicitors for DeTeAsia have confirmed that by reason of the payment into Court, the Freezing Order has ceased to have effect from 1 February 2006.

On 23 January 2006, Celcom received (i) an order from the High Court of Singapore dated 11 January 2006 giving DeTeAsia liberty to enforce the Award pursuant to Sections 29 and 19 of the International Arbitration Act (Chapter 143A) of Singapore (First Order), (ii) an Order of the High Court of Singapore dated 11 January 2006 granting leave to DeTeAsia to serve an Originating Summons and ancillary cause papers upon Celcom out of jurisdiction in Malaysia (Second Order) and (iii) the Originating Summons dated on 29 December 2005.

The First Order grants Celcom the right to seek to set aside the same within 14 days from service of the First Order. The Award may not be enforced against Celcom until the expiry of the 14 days or, in the event that an application is filed by Celcom to set aside the First Order, upon disposal of such an application.

Celcom was also notified by DeTeAsia's Singapore solicitors of a *Mareva* Injunction application filed by DeTeAsia against Celcom on 18 January 2006 in the High Court of Singapore. This application was heard on 19 January 2006 and the Judge hearing the same directed that it be heard *inter partes* on 2 February 2006.

In view of the payment of the sum of USD232.0 million to the English Court, DeTeAsia withdrew its application for the *Mareva* Injunction at the hearing on 2 February 2006. At the same hearing, the Judge also granted Celcom an extension of time until 27 February 2006 for the filing of an application to set aside the First Order.

On 17 February 2006, a consent order was entered into between Celcom and DeTeAsia (the Consent Order) and approved by the English High Court at a hearing. Among the principal terms of the Consent Order are:

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

- (a) That judgment (Judgment) be entered in favour of DeTeAsia in the terms of the Award in the aggregate sum of USD233.0 million (the Judgment sum) being USD177.2 million (the Principal Sum), plus simple interest from 16 October 2002 to 27 June 2003 of USD16.3 million, plus USD0.4 million for the costs of the arbitration, plus USD1.8 million for reasonable legal and other costs incurred by DeTeAsia in the arbitration, plus interest at the rate of 8% on the Principal Sum from 28 June 2003 until 12 February 2006 in the sum of USD37.3 million.
- (b) That permission be granted for payment out of the English Court to DeTeAsia's solicitors of the sum of USD232.0 million (the Security Sum) paid by Celcom into the English Court on 27 January 2006, receipt of the same was confirmed by the English Court on 31 January 2006, in partial satisfaction of the Judgment and the Award.
- (c) That Celcom pay to DeTeAsia, in partial satisfaction of the Judgment, the sum of USD1.0 million in respect of outstanding interest under the Award (the Outstanding Interest Sum) within 14 days of the Consent Order.
- (d) That payment of the Security Sum and the Outstanding Interest Sum shall constitute full satisfaction of the Award and of the Judgment.
- (e) That upon payment of the Outstanding Interest Sum, the Freezing Order is to be discharged and the English proceedings stayed save for the purpose of enforcement of the Judgment and the Consent Order.
- (f) That Celcom will pay :
 - (i) DeTeAsia's costs of the English proceedings (except in respect of Celcom's Application which led to the hearing on 17 February 2006 in respect of which there be no order as to costs) to be assessed by the English High Court if not agreed between the parties; and
 - (ii) any reasonable third party costs occasioned, and relating to any steps taken, by any third party pursuant to the English Freezing Order and/or in compliance therewith.

Pursuant to the terms of the Consent Order, Judgment reflecting the terms set out at paragraph (a) above was also entered by the English Court on 17 February 2006.

DeTeAsia and its holding company Deutsche Telekom AG have undertaken to the English High Court to reimburse Celcom in respect of the 15% withholding tax due to the Malaysian Inland Revenue on the interest payable under the Award, up to a limit of RM40.0 million.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

By way of a letter dated 17 February 2006 from Celcom's solicitors to DeTeAsia's solicitors, Celcom confirmed its position that the Consent Order was entered into with full reservation of its rights and that payment of the sums referred to under the Consent Order is being made under protest and without prejudice to the proceedings that Celcom is currently bringing, or which it may contemplate bringing, in Malaysia.

- (k) On 16 February 2005, Rego, a wholly owned subsidiary of TRI, which is also a subsidiary of Celcom, has filed a civil claim in the High Court of Kuala Lumpur against Aras Capital Sdn Bhd (Aras Capital) and Tan Sri Dato' Tajudin Ramli (TSDTR).

The claim is made for recovery of sums due and owing to Rego from Aras Capital and TSDTR pursuant to:

- (i) the Investment Management Agreement dated 10 January 1997 (the Investment Agreement) and the Supplemental Agreement dated 21 April 1997 (the Supplemental Agreement) between Rego and Aras Capital; and
- (ii) the Letter of Indemnity dated 1 April 1998 (the Letter of Indemnity) given by TSDTR to Rego relating to the investments made by Rego under the Investment Agreement and the Supplemental Agreement.

The sum claim in the proceedings is RM261.8 million as at 30 November 2004 together with interest and cost.

On 13 May 2005, TSDTR filed its Defence and instituted a counterclaim against Rego, TRI and its directors.

In the counterclaim, TSDTR seeks, inter alia, (i) a declaration that the Letter of Indemnity given by TSDTR to Rego relating to the investments made by Rego under the Investment Management Agreement and the Supplemental Agreement between Rego and Aras Capital is void or alternatively is avoided, (ii) rescission of the Letter of Indemnity, (iii) the return of the sum of RM100 million as being a sum allegedly paid by TSDTR to Rego and (iv) general, exemplary and aggravated damages to be assessed. The claim against the Rego/TRI directors is for general, exemplary and aggravated damages to be assessed arising from a claim of alleged conspiracy. Rego filed its Reply and Defence to the Counterclaim on 4 July 2005. TRI and the directors concerned have also filed their respective Defences to counterclaim on 4 July 2005. Subsequently Rego, TRI and the directors filed their respective application to strike out TSDTR's counterclaim on 19 July 2005. The applications to strike out TSDTR's counterclaim filed by Rego, TRI and the directors have been fixed for hearing on 8 December 2005. However when the matter was called on the aforesaid date, the Registrar requested the parties to file written submissions and fixed the same for clarification/decision on 17 April 2006.

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

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

11. Material Litigation (continued)

- (1) On 24 November 2005 and 29 November 2005, Celcom was served with 2 Writs of Summons and Statement of Claim by MCAT GEN Sdn Bhd (MCAT). The claims instituted were for (i) libel based on certain alleged press releases made by Celcom which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian (1st Suit) and (ii) breach of contract on an alleged Resellers Agreement between Celcom and MCAT (2nd Suit). In the 1st Suit, MCAT is seeking, amongst other, damages for libel in the sum of RM1.0 billion, aggravated and exemplary damages, an injunction restraining Celcom from further publishing any similar defamatory words, a public apology, interests and costs. In the 2nd Suit, MCAT seeks, amongst others, specific performance of the alleged Resellers Agreement, damages in the sum of RM609.7 million, damages in lieu or in addition to specific performance, interests and costs.

Subsequently on 13 December 2005, Celcom was served with a Writ of Summons and Statement of Claim by MCAT's directors, whereby the directors have pleaded a cause of action for libel against Celcom based on certain alleged press releases which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian. The directors are seeking, amongst others, damages for libel totaling RM1.01 billion, aggravated and exemplary damages, an injunction restraining Celcom from further publishing any similar defamatory words, a public apology, interests and costs (3rd Suit).

On 9 January 2006, Celcom filed its Statement of Defence for both the 1st Suit and the 2nd Suit. Celcom instituted a Counterclaim in the 1st Suit against MCAT for passing off and filed an application to strike out MCAT's claim in the 1st Suit on the grounds that the Statement of Claim discloses no cause of action, is frivolous, vexatious and an abuse of process of the Court.

On 16 January 2006, Celcom filed its Statement of Defence in the 3rd Suit and instituted a Counterclaim against the 5th Plaintiff, Mohd Razi bin Adam, the Chief Executive Officer of MCAT claiming damages and other reliefs of fiduciary duty and breach of confidential information. The 5th Plaintiff was an employee of Celcom before joining MCAT on 31st May 2005.

Celcom also on the same day filed an application to strike out the 3rd Suit on the grounds that the Statement of Claim discloses no cause of action, is frivolous, vexatious and an abuse of process of the Court. The said application to strike out is fixed for hearing on 3 April 2006.

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

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

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

12. Earnings Per Share (EPS)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
(a) Basic earnings per share				
Net profit attributable to shareholders (RM million)	(701.3)	824.2	875.2	2,613.5
Weighted average number of ordinary shares (million)	3,390.8	3,377.5	3,387.6	3,340.2
Basic earnings per share (sen)	(20.7)	24.4	25.8	78.2
(b) Diluted earnings per share				
Net profit attributable to shareholders (RM million)	(701.3)	824.2	875.2	2,613.5
Weighted average number of ordinary shares (million)	3,390.8	3,377.5	3,387.6	3,340.2
Adjustment for ESOS (million)	9.6	16.7	13.6	24.5
Weighted average number of ordinary shares (million)	3,400.4	3,394.2	3,401.2	3,364.7
Diluted earnings per share (sen)	(20.6)	24.3	25.7	77.7

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

13. Dividend

- (a) The Board of Directors had on 25 August 2005 declared an interim tax-exempt dividend of 10.0 sen per share (2004: an interim tax-exempt dividend of 10.0 sen per share) for the financial year ended 31 December 2005. The dividend was paid on 30 September 2005 to shareholders whose names appeared in the Register of Members and Record of Depositors on 15 September 2005.
- (b) The Board now recommends a final gross dividend of 25.0 sen per share less tax at 28% (2004: a final tax-exempt dividend of 20.0 sen per share) for shareholders' approval at the forthcoming Annual General Meeting of the Company.

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING

13. Dividend (continued)

Moving forward, the Board is pleased to announce the change in dividend payout policy from between 20% to 50% of profit attributable to shareholders to between 40% to 60% of profit attributable to shareholders subject to, inter-alia, the following factors:

- i) Free cash flow position after taking into consideration capital expenditure funding and debt service obligations,
- ii) Investment opportunities, and
- iii) Availability of tax exempt income or Section 108 tax credits.

By Order of the Board

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

Kuala Lumpur
28 February 2006