

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in us, you should hand this Circular, together with the accompanying Form of Proxy, to the purchaser or agent through whom you sold or transferred your ordinary shares so that they may be forwarded to the purchaser or transferee.

The Notice of Extraordinary General Meeting ("EGM") and the accompanying Form of Proxy are set out in this Circular. The EGM will be held at Dewan Merdeka, Level 4, Putra World Trade Centre, 41 Jalan Tun Ismail, 50480 Kuala Lumpur on Tuesday, 17 May 2005 at 11.00 a.m. or immediately after the conclusion of our 20th Annual General Meeting ("AGM"), whichever is later, or at any adjournment thereof. The AGM will be held at the same venue and on the same day at 10.00 a.m. or at any adjournment thereof.

Circulars to shareholders on amendments to articles of association have been prescribed by Bursa Malaysia Securities Berhad ("**Bursa Securities**") as exempt Circulars. As such, Bursa Securities has not perused the information in this Circular relating to the Proposed Articles Amendments (as defined in this Circular).

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liabilities for any losses arising from, or due to your reliance upon, the whole or any other part of the contents of this Circular.



TELEKOM MALAYSIA BERHAD

(Company No. 128740-P)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

ON THE

- (I) CALL AND PUT OPTION WHICH REQUIRES OR ENTITLES TM INTERNATIONAL (L) LIMITED, OUR WHOLLY OWNED SUBSIDIARY, TO ACQUIRE UP TO AN ADDITIONAL 52.7% EQUITY INTEREST IN PT EXCELCOMINDO PRATAMA FOR A CASH CONSIDERATION OF UP TO USD606.1 MILLION (APPROXIMATELY RM2,303.2 MILLION AT AN EXCHANGE RATE OF USD1.00 : RM3.80);**
- (II) PROPOSED LISTING OF MTN NETWORKS (PRIVATE) LIMITED, OUR WHOLLY OWNED SUBSIDIARY, ON THE COLOMBO STOCK EXCHANGE;**
- (III) PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS GOVERNING OUR EMPLOYEES' SHARE OPTION SCHEME ("ESOS");**
- (IV) PROPOSED GRANT OF OPTIONS TO YBHG DATO' ABDUL WAHID OMAR UNDER OUR ESOS; AND**
- (V) PROPOSED AMENDMENTS TO OUR ARTICLES OF ASSOCIATION**

AND

NOTICE OF EGM

Prepared by

CIMB

Commerce International Merchant Bankers Berhad

Company Number 18417-M

Last date and time for lodging the Form of Proxy	:	Sunday, 15 May 2005 at 11.00 a.m.
Date and time of the EGM	:	Tuesday, 17 May 2005 at 11.00 a.m.

This Circular is dated 25 April 2005

DEFINITIONS

The following terms in this Circular bear the same meaning as set out below unless the term is defined otherwise or the context requires otherwise:

AIF	:	AIF (Indonesia) Limited
Amended SPA	:	Amended and Restated Share Sale and Purchase Agreement dated 11 January 2005 pertaining to the Initial Acquisition and Proposed 4.2% Acquisition
Articles	:	Our Articles of Association
BKPM	:	Badan Koordinasi Penanaman Modal, Indonesia
BNM	:	Bank Negara Malaysia
Bursa Securities	:	Bursa Malaysia Securities Berhad
Bursa Securities LR	:	Listing requirements of Bursa Securities, as amended from time to time
Bye-Laws	:	Bye-Laws governing our ESOS
Call and Put Option	:	(i) Option by Telekomindo to require TMIL to purchase the Option Shares; and (ii) Option by TMIL to require Telekomindo to sell the Option Shares for a cash consideration of up to USD606.1 million (approximately RM2,303.2 million), subject to certain adjustments which may be made as provided in the Option Agreement
Call Option Exercise Notice	:	Notice by TMIL to Telekomindo which requires Telekomindo to sell to TMIL the Option Shares
Celcom	:	Celcom (Malaysia) Berhad
CIMB	:	Commerce International Merchant Bankers Berhad
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EGM	:	Extraordinary General Meeting
ESOS	:	Our employees' share option scheme
Excelcomindo	:	PT Excelcomindo Pratama
Excelcomindo Share(s)	:	Ordinary share(s) of Rp250,000 each in Excelcomindo
Extension Letter	:	Letter of agreement dated 11 March 2005 between TMIL, Telekomindo and Rogan on the extension of the completion date of the Proposed 4.2% Acquisition from 11 March 2005 to 15 June 2005
GSM	:	Global System for Mobile Communications
Indocel	:	Indocel Holding Sdn Bhd (<i>formerly known as Indocel Holding Sdn</i>)
Initial Acquisition	:	Acquisition by TMIL of 23.1% of the issued and paid-up share capital of Excelcomindo, comprising 523,215 Excelcomindo Shares, through the acquisition of 100% equity interest in Indocel, for a cash consideration of USD265.7 million (approximately RM1,009.7 million), which was completed on 11 January 2005

DEFINITIONS *(Cont'd)*

Initial Option Shares	:	906,001 Excelcomindo Shares held by Telekomindo
LBT	:	Loss before taxation
Lien	:	Any deed to secure debt, assignment, security interest, security right, pledge, lien, charge, option, encumbrance and claim or right of any kind of third persons
LPD	:	15 April 2005, being the latest practicable date prior to the printing of this Circular
Mitsui	:	Mitsui & Co., Ltd
Mitsui Sale Shares	:	95,130 Excelcomindo Shares held by Mitsui
Mitsui Share Sale Agreement	:	Stock Purchase and Sale Agreement dated 9 December 2004 entered into between Mitsui and Rogan for the acquisition by Rogan of the Mitsui Sale Shares from Mitsui
MTN Networks	:	MTN Networks (Private) Limited, a wholly owned subsidiary of TMI group
MTN Networks RCCPS	:	Redeemable convertible cumulative preference share(s) of Rs60 each in MTN Networks
MTN Networks Share(s)	:	Ordinary share(s) of Rs10 each in MTN Networks
NTA	:	Net tangible assets
Option Agreement	:	Call and Put Option Agreement dated 11 January 2005 effecting the Call and Put Option
Option Shares	:	Initial Option Shares and Purchased Option Shares, collectively, which comprise of up to 1,193,656 Excelcomindo Shares
PBT	:	Profit before taxation
Proposals	:	Call and Put Option, Proposed Listing of MTN Networks, Proposed Bye-Laws Amendments, Proposed Grant of Options and Proposed Articles Amendments, collectively
Proposed 4.2% Acquisition	:	Proposed acquisition by Indocel/TMIL of an additional 4.2% of the issued and paid-up share capital of Excelcomindo, comprising 95,130 Excelcomindo Shares, for a cash consideration of USD48.3 million (approximately RM183.5 million)
Proposed Articles Amendments	:	Proposed amendments to our Articles, details of which are set out in Section 6 of this Circular
Proposed Bye-Laws Amendments	:	Proposed amendments to the Bye-Laws, details of which are set out in Section 4 of this Circular
Proposed Grant of Options	:	Proposed grant of options to YBhg Dato' Abdul Wahid Omar, entitling him to subscribe for TM Shares under our ESOS
Proposed Listing of Excelcomindo	:	Proposed listing of Excelcomindo on a stock exchange in Indonesia
Proposed Listing of MTN Networks	:	Proposed listing of MTN Networks on the Colombo Stock Exchange, Sri Lanka

DEFINITIONS *(Cont'd)*

Purchased Option Shares	:	Up to 287,655 Excelcomindo Shares to be purchased by Telekomindo from AIF
Put Option Exercise Notice	:	Notice by Telekomindo to TMIL which requires TMIL to purchase the Option Shares
Rogan	:	Rogan Partners Inc.
Sunpower	:	Sunpower Systems (Private) Limited
Telekomindo	:	PT Telekomindo Primabhakti
TM	:	Telekom Malaysia Berhad
TM Group or Group	:	TM and its subsidiaries
TM Share(s)	:	Ordinary share(s) of RM1.00 each in TM
TMI	:	TM International Sdn Bhd, our wholly owned subsidiary
TMIL	:	TM International (L) Limited, a wholly owned subsidiary of TMI
VoIP	:	Voice over internet protocol
RM	:	Ringgit Malaysia
Rp	:	Indonesian Rupiah
Rs	:	Sri Lanka Rupee
USD	:	United States of America Dollar

The translation of USD into RM is assumed to be USD1.00 : RM3.80 in respect of current and future commitments.

CONTENTS

	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE ACQUISITION OF EXCELCOMINDO	2
3. DETAILS OF THE PROPOSED LISTING OF MTN NETWORKS	8
4. DETAILS OF THE PROPOSED BYE-LAWS AMENDMENTS	12
5. DETAILS OF THE PROPOSED GRANT OF OPTIONS	13
6. DETAILS OF THE PROPOSED ARTICLES AMENDMENTS	13
7. CONDITIONALITY	13
8. RATIONALE FOR THE PROPOSALS	14
9. EFFECTS OF THE PROPOSALS	16
10. APPROVALS REQUIRED FOR THE PROPOSALS	19
11. PROSPECTS AND RISK FACTORS	20
12. RISK FACTORS IN RELATION TO THE ACQUISITION OF EXCELCOMINDO	21
13. POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS AND THE EXPECTED TIMEFRAME IN WHICH PROFITS ARE TO BE REPATRIATED TO MALAYSIA IN RELATION TO THE ACQUISITION OF EXCELCOMINDO	22
14. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	24
15. DIRECTORS' RECOMMENDATION	24
16. EGM	24
17. FURTHER INFORMATION	25
 APPENDICES	
I INFORMATION ON EXCELCOMINDO	26
II INFORMATION ON INDOCEL	30
III INFORMATION ON MTN NETWORKS	32
IV PROPOSED BYE-LAWS AMENDMENTS	36
V AMENDED BYE-LAWS	51
VI PROPOSED ARTICLES AMENDMENTS	65
VII ACCOUNTANTS' REPORT ON EXCELCOMINDO	67
VIII AUDITED FINANCIAL STATEMENTS OF INDOCEL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 AND AUDITORS' REPORT THEREON	130
IX PROFORMA CONSOLIDATED BALANCE SHEET OF TM FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 AND THE REPORTING ACCOUNTANTS' LETTER THEREON	141
X EXPERT'S OPINION ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS AND THE EXPECTED TIMEFRAME IN WHICH PROFITS ARE TO BE REPATRIATED TO MALAYSIA IN RELATION TO THE ACQUISITION OF EXCELCOMINDO	154
XI EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE ACQUISITION OF EXCELCOMINDO	163

APPENDICES *(Cont'd)*

	PAGE
XII LEGAL OPINION ON THE OWNERSHIP OF TITLE TO EXCELCOMINDO SHARES, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN THERETO AND OTHER RELEVANT LEGAL MATTERS PERTAINING TO THE ACQUISITION OF EXCELCOMINDO	166
XIII ADDITIONAL INFORMATION	173
NOTICE OF EGM	182
FORM OF PROXY	ENCLOSED



TELEKOM MALAYSIA BERHAD

(Company No. 128740-P)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 51
North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

25 April 2005

Directors:

Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor (*Chairman*)
Dato' Abdul Wahid Omar (*Group Chief Executive Officer*)
Dato' Dr. Abdul Rahim Haji Daud
Dato' Azman Haji Mokhtar
Dato' Haji Abd. Rahim Haji Abdul
Dato' Lim Kheng Guan
Y.B. Datuk Nur Jazlan Tan Sri Mohamed
Ir. Prabahar N. K. Singam
Rosli Man
Mohammad Zanudin Ahmad Rasidi (*Alternate Director to Dato' Haji Abd. Rahim Haji Abdul*)

To our shareholders

Dear Sir/Madam

- (I) **CALL AND PUT OPTION WHICH REQUIRES OR ENTITLES TMIL, OUR WHOLLY OWNED SUBSIDIARY, TO ACQUIRE UP TO AN ADDITIONAL 52.7% EQUITY INTEREST IN EXCELCOMINDO FOR A CASH CONSIDERATION OF UP TO USD606.1 MILLION (APPROXIMATELY RM2,303.2 MILLION);**
- (II) **PROPOSED LISTING OF MTN NETWORKS;**
- (III) **PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS;**
- (IV) **PROPOSED GRANT OF OPTIONS TO YBHG DATO' ABDUL WAHID OMAR UNDER OUR ESOS; AND**
- (V) **PROPOSED AMENDMENTS TO OUR ARTICLES**

1. INTRODUCTION

- 1.1 On 9 December 2004, CIMB announced on our behalf that TMIL had entered into a Share Sale and Purchase Agreement on the same day with Rogan and Telekomindo for the acquisition of 618,345 Excelcomindo Shares for a total cash consideration of USD314 million (approximately RM1,193.2 million). The 618,345 Excelcomindo Shares represent 27.3% of Excelcomindo's issued and paid-up share capital.
- 1.2 On 12 January 2005, CIMB announced on our behalf that TMIL had entered into an Amended and Restated Share Sale and Purchase Agreement on 11 January 2005, superseding the Share Sale and Purchase Agreement dated 9 December 2004. The Amended SPA has split the acquisition of Excelcomindo into a two (2) step process:

- (i) the Initial Acquisition, which involved an acquisition by TMIL of 23.1% of the issued and paid-up share capital of Excelcomindo, comprising 523,215 Excelcomindo Shares, through the acquisition of 100% equity interest in Indocel. The acquisition was for a cash consideration of USD265.7 million (approximately RM1,009.7 million) and was completed on 11 January 2005; and
- (ii) the Proposed 4.2% Acquisition, which involves the acquisition by Indocel/TMIL of an additional 4.2% of the issued and paid-up share capital of Excelcomindo, comprising 95,130 Excelcomindo Shares. This acquisition shall be for a cash consideration of USD48.3 million (approximately RM183.5 million).

In addition, on 11 January 2005, TMIL and Telekomindo entered into the Option Agreement where Telekomindo may require TMIL to purchase, and TMIL may require Telekomindo to sell to TMIL, up to 52.7% of the issued and paid-up share capital of Excelcomindo. The Call and Put Option is more particularly set out in Section 2.1.3 below.

On 11 January 2005, TMIL, Indocel and Telekomindo entered into a Shareholders' Agreement. A summary of the Shareholders' Agreement is set out in Section 2.4 below.

- 1.3 On 15 March 2005, CIMB announced on our behalf that TMIL, Telekomindo and Rogan have agreed to extend the completion date of the Proposed 4.2% Acquisition from 11 March 2005 to 15 June 2005.
- 1.4 On 23 March 2005, we announced the following:
 - (i) Proposed listing of MTN Networks, our wholly owned subsidiary, on the Colombo Stock Exchange, Sri Lanka;
 - (ii) Proposed amendments to the Bye-Laws governing our ESOS; and
 - (iii) Proposed amendments to our Articles.
- 1.5 On 22 April 2005, we announced the proposed grant of options to Dato' Abdul Wahid Omar, entitling him to subscribe for TM Shares under our ESOS.
- 1.6 **The purpose of this Circular is to provide you with the details of the Initial Acquisition, Proposed 4.2% Acquisition and the Proposals, and to seek your approval for the resolutions to be tabled in relation to the Proposals at our forthcoming EGM. The notice convening the EGM is enclosed in this Circular.**

YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS.

2. DETAILS OF THE ACQUISITION OF EXCELCOMINDO

- 2.1 The acquisition of Excelcomindo involves the Initial Acquisition, Proposed 4.2% Acquisition and Call and Put Option for the acquisition of up to 80% of the issued and paid-up share capital of Excelcomindo. The details of the Initial Acquisition, Proposed 4.2% Acquisition and Call and Put Option are set out below:

2.1.1 Initial Acquisition

TMIL acquired from Rogan a 23.1% equity interest in Excelcomindo, comprising 523,215 Excelcomindo Shares, through the acquisition of 100% equity interest in Indocel, for a cash consideration of USD265.7 million (approximately RM1,009.7 million). Payment for the Initial Acquisition was made on 11 January 2005. We completed the Initial Acquisition on 11 January 2005.

The Indocel shares were acquired free and clear of any Lien and any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of the Indocel shares) and with full rights attaching on and from 11 January 2005.

The original cost of investment of Rogan in Indocel was USD102 million and was incurred on 11 January 2005.

2.1.2 Proposed 4.2% Acquisition

On 9 December 2004, Mitsui and Rogan entered into the Mitsui Share Sale Agreement for the acquisition by Rogan of 95,130 (4.2%) Excelcomindo Shares from Mitsui.

We have requested from Rogan its consent to disclose the purchase consideration for the acquisition by Rogan of the 95,130 Excelcomindo Shares from Mitsui in this Circular. However, Rogan has not given its consent to the disclosure of such information. As such, we are not able to disclose the information in this Circular.

Pursuant to the Amended SPA, as amended by the Extension Letter, on or prior to 15 June 2005 (“Second Closing Date”), Rogan agrees to use all reasonable efforts to:

- (i) obtain the written consent of Mitsui for the assignment and transfer from Rogan to Indocel of Rogan’s rights and obligations under the Mitsui Share Sale Agreement;
- (ii) assign and transfer from Rogan to Indocel, Rogan’s rights and obligations under the Mitsui Share Sale Agreement; and
- (iii) cause Mitsui to transfer the Mitsui Sale Shares to Indocel.

TMIL in turn agrees to cause Indocel to accept the above assignment and transfer of the Mitsui Sale Shares on the Second Closing Date.

However, if after the Second Closing Date and prior to the Proposed Listing of Excelcomindo, all the Mitsui Sale Shares have not been transferred to Indocel, Telekomindo shall sell the 95,130 Excelcomindo Shares it holds to TMIL.

In the event:

- (i) a portion of the Mitsui Sale Shares is transferred to a shareholder of Excelcomindo (other than Indocel), pursuant to a Joint Venture Agreement dated 18 December 1996 among the shareholders of Excelcomindo or otherwise;
- (ii) some but less than all of the Mitsui Sale Shares are transferred to Indocel at the Second Closing Date; or
- (iii) any Mitsui Sale Shares transferred to Indocel are subject to a valid closing or Lien of any shareholder of Excelcomindo or any third party,

Telekomindo shall transfer such number of Excelcomindo Shares which it holds to Indocel so that the aggregate number of Excelcomindo Shares transferred to Indocel free of all Liens is 95,130 shares.

The consideration for the above acquisition is USD48.3 million (approximately RM183.5 million), which is the same price paid per Excelcomindo Share under the Initial Acquisition, and shall be satisfied by cash. TMIL shall pay the consideration for the Proposed 4.2% Acquisition to Rogan’s designated bank account on the Second Closing Date.

Upon completion of the Initial Acquisition and Proposed 4.2% Acquisition, TMIL shall have an effective equity interest of 27.3% in Excelcomindo.

2.1.3 Call and Put Option

On 11 January 2005, being the completion date of the Initial Acquisition, TMIL and Telekomindo entered into the Option Agreement where (i) between 30 days after the completion of the Proposed Listing of Excelcomindo to 120 days thereafter, or (ii) if the Proposed Listing of Excelcomindo has not occurred by 30 September 2005, within 30 days from 1 October 2005 (“**First Exercise Date**”):

- (a) Telekomindo may require TMIL to purchase all (and not part) of the Option Shares, which can comprise up to 1,193,656 (52.7%) Excelcomindo Shares (“**Put Option**”); and
- (b) TMIL may require Telekomindo to sell to TMIL all (and not part) of the Option Shares (“**Call Option**”).

The actual number of Option Shares that is the subject of the Put Option or Call Option (as the case may be) shall be:

- (i) 906,001 Excelcomindo Shares, representing 40.0% of the issued and paid-up share capital of Excelcomindo, held by Telekomindo (Initial Option Shares); and
- (ii) up to 287,655 Excelcomindo Shares, representing 12.7% of the issued and paid-up share capital of Excelcomindo, to be acquired by Telekomindo from AIF prior to the delivery of the Call Option Exercise Notice and Put Option Exercise Notice (“**Cut-off Date**”) (Purchased Option Shares).

We have not disclosed Telekomindo’s cost of investment in the Option Shares in this Circular as we are not able to obtain the said information from Telekomindo and through a reasonable search on the company.

If the Purchased Option Shares are not acquired by Telekomindo prior to the Cut-off Date, the total number of Excelcomindo Shares that may be acquired by TMIL under the Put Option or Call Option will be 906,001 (40.0%). However, if all the Purchased Option Shares are acquired by Telekomindo prior to the Cut-off Date, the total number of Excelcomindo Shares that may be acquired by TMIL under the Put Option or Call Option will be 1,193,656 (52.7%).

If Telekomindo has not purchased the 287,655 Excelcomindo Shares held by AIF before the Cut-off Date, and Telekomindo purchases the said Excelcomindo Shares (“**Later Purchased Shares**”) during the period commencing on the Cut-off Date and ending 18 months following the date of the Original Sale and Purchase Agreement between Rogan and Telekomindo of 9 December 2004, Telekomindo shall give a notice to TMIL of Telekomindo’s acquisition of the Later Purchased Shares.

Within 30 days of such acquisition of the Later Purchased Shares:

- (i) Telekomindo may require TMIL to purchase all (and not part) of such Later Purchased Shares; and
- (ii) TMIL may require Telekomindo to sell to TMIL all (and not part) of such Later Purchased Shares.

The option exercise price shall be at the same price paid per Excelcomindo Share under the Initial Acquisition and Proposed 4.2% Acquisition, and will aggregate to up to USD606.1 million (approximately RM2,303.2 million). The option exercise price, however, is subject to certain adjustments which may be made as provided in the Option Agreement. The option exercise price shall be satisfied by cash.

The Option Shares shall be transferred from Telekomindo to TMIL free and clear of all Liens and with all rights attaching on and from the date of transfer.

2.2 Other Salient Terms of the Amended SPA

The other salient terms of the Amended SPA are as follows:

- (i) The obligations of TMIL to acquire Excelcomindo Shares under the Initial Acquisition and Proposed 4.2% Acquisition are subject to the satisfaction of, among others, the following:
 - (a) TMIL having received a copy of the Option Agreement executed between TMIL and Telekomindo. The details of the Option Agreement are set out in Section 2.3 below;
 - (b) TMIL having received a copy of the Shareholders' Agreement executed between TMIL, Indocel and Telekomindo. The details of the Shareholders' Agreement are set out in Section 2.4 below;
 - (c) TMIL having received a guarantee by PT Rajawali Corporation of the obligations of Rogan and Telekomindo to TMIL pursuant to the Initial Acquisition, Proposed 4.2% Acquisition and Call and Put Option; and
 - (d) TMIL having received a copy of the Mitsui Share Sale Agreement and any other definitive agreement executed by Rogan for the acquisition of the Mitsui Sale Shares.
- (ii) The obligations of Rogan to sell the Excelcomindo Shares under the Initial Acquisition and Proposed 4.2% Acquisition are subject to the satisfaction of, among others, the following:
 - (a) Telekomindo having received a copy of the Option Agreement executed between TMIL and Telekomindo;
 - (b) Telekomindo having received a copy of the Shareholders' Agreement executed between TMIL, Indocel and Telekomindo; and
 - (c) Telekomindo having received a guarantee by TM of the obligations of TMIL to Rogan and Telekomindo.

2.3 Other Salient Terms of the Option Agreement

The other salient terms of the Option Agreement are as follows:

- (i) The acquisition of the Option Shares by TMIL pursuant to the Option Agreement is subject to, among others, the following:
 - (a) representations and warranties given by Telekomindo in the Amended SPA being true and correct at the time of the closing of the purchase of the Option Shares;
 - (b) Telekomindo obtaining BKPM's approval and any other governmental approval required; and
 - (c) approval of our shareholders;
- (ii) Within:
 - (a) 10 business days of Telekomindo giving the Put Option Exercise Notice; or
 - (b) if TMIL delivers the Call Option Exercise Notice, concurrently with the said notice,

TMIL shall deposit the option exercise price with an escrow agent agreed between TMIL and Telekomindo.

2.4 Shareholders' Agreement

On the completion date of the Initial Acquisition of 11 January 2005, TMIL, Indocel and Telekomindo entered into a Shareholders' Agreement. The agreement sets out the terms and conditions for the operations of Excelcomindo and the relationship as shareholders in Excelcomindo, including but not limited to matters such as transfer restrictions on the shareholdings of the parties, composition of the Board of Commissioners and Board of Directors of Excelcomindo, and covenants in relation to the Proposed Listing of Excelcomindo.

2.5 Purchase Consideration

2.5.1 The total purchase consideration for the Initial Acquisition and Proposed 4.2% Acquisition of USD314 million was determined on a willing buyer-willing seller basis after taking into consideration the following:

- (a) audited NTA of Excelcomindo for the financial year ended 31 December 2003 of Rp1,088,657,707,000 (approximately RM495,339,257 at the exchange rate as at 31 December 2003 of Rp100 : RM0.04550);
- (b) PBT of Excelcomindo based on its audited financial statements for the year ended 31 December 2003 of Rp589,957,472,000 (approximately RM256,631,500 at the average exchange rate from 1 January 2003 to 31 December 2003 of Rp100 : RM 0.04350); and
- (c) the prospect of TMIL becoming the largest shareholder in Excelcomindo, Indonesia's third largest mobile telephone operator adopting GSM via the Option Agreement.

For the year ended 31 December 2004, based on its audited financial statements, Excelcomindo recorded the following:

- (a) an NTA of Rp1,038,555,439,000 (approximately RM432,039,063 at the exchange rate as at 31 December 2004 of Rp100 : RM0.04160); and
- (b) a LBT of Rp50,155,045,000 (approximately RM21,842,522 converted at the average exchange rate from 1 January 2004 to 31 December 2004 of Rp100 : RM 0.04355).

2.5.2 The purchase consideration of the Excelcomindo Shares upon the exercise of the Call and Put Option shall be at the same price paid per Excelcomindo Share under the Initial Acquisition and Proposed 4.2% Acquisition, subject to the following adjustments and reductions which may be made as provided in the Option Agreement:

- (a) adjustment to the number of Option Shares and option exercise price to take account of any stock split, reverse stock split, stock dividend, merger, consolidation, reclassification, distribution or other similar event; and
- (b) deduction and set-off from the option exercise price of:
 - (i) the aggregate replacement value of the material equipment of Excelcomindo deemed missing and damaged pursuant to the Amended SPA; and
 - (ii) any amounts owing to TMIL by Telekomindo or Rogan with respect to any claim in respect to a breach by a party of any representation, warranty, covenant, or other provision of the Amended SPA that has been finally determined pursuant to the Amended SPA.

2.6 Source of Funding for the Purchase Consideration

We funded the consideration for the Initial Acquisition of USD265.7 million through our internally generated funds.

We also expect to fund the consideration for the Proposed 4.2% Acquisition of USD48.3 million through our internally generated funds.

The funding for the acquisition of the balance of up to 52.7% of the equity interest in Excelcomindo pursuant to the exercise of the Call and Put Option amounting to up to USD606.1 million will be through our internally generated funds or a combination of our internally generated funds and borrowings.

2.7 Liabilities to be Assumed by Us

There are no liabilities arising from the Initial Acquisition, Proposed 4.2% Acquisition and Call and Put Option which are required to be assumed by us.

2.8 Funding required for Excelcomindo

As at the LPD, we have no obligation to provide funding to Excelcomindo.

2.9 Information on Excelcomindo

Excelcomindo was incorporated in the Republic of Indonesia as a limited liability company under the laws of the Republic of Indonesia on 6 October 1989, under the name PT Grahametropolitan Lestari. In 1995, Excelcomindo changed its name from PT Grahametropolitan Lestari to its present name.

The principal activity of Excelcomindo is the provision of mobile telecommunications services. In addition to providing mobile services, Excelcomindo also provides leased line, internet services (ISP) and VoIP services to meet the needs of its corporate customers.

A summary of Excelcomindo's financial information for the five (5) financial years ended 31 December 2000 to 31 December 2004 based on the consolidated audited and translated financial statements of Excelcomindo and its subsidiaries restated in compliance with approved accounting standards of the Malaysian Accounting Standards Board is set out below:

	-----Year ended 31 December-----				
	2000	2001	2002	2003	2004
	RM 000	RM 000	RM 000	RM 000	RM 000
Revenue	618,693	787,751	968,674	1,141,891	1,364,483
(LBT)/PBT	(138,288)	121,266	448,952	290,348	10,555
Taxation	39,420	(38,997)	(136,151)	(95,488)	(9,159)
(Loss)/Profit after taxation	(98,868)	82,269	312,801	194,860	1,396
(Capital deficiency)/ Shareholders' funds	(201,690)	(107,355)	210,790	434,926	398,980
(Net liabilities)/NTA	(201,690)	(107,355)	210,790	434,926	398,980
Interest bearing debt	660,363	1,167,830	1,359,098	1,681,152	1,843,096

Excelcomindo does not have a fixed dividend policy and historically, has not declared any dividends. In addition, Excelcomindo is currently only our associated company. Accordingly, the expected dividend income to be received by our Group from Excelcomindo cannot be determined at this juncture.

2.10 Information on Indocel

Indocel was incorporated in Malaysia as a private unlimited company under the Companies Act, 1965 on 25 October 1995 as Nynex Indocel Holding Sdn. On 6 January 2005, the company changed its name to Indocel Holding Sdn. On 29 March 2005, the company was converted to a private limited company and is now known as Indocel Holding Sdn Bhd.

The authorised share capital of Indocel as at 31 March 2005 is RM100,000, comprising 100,000 ordinary shares of RM1.00 each, of which 100,000 ordinary shares of RM1.00 each have been issued and fully paid-up. Indocel is a special purpose vehicle, the sole business activity of which since incorporation involves the holding of Excelcomindo Shares.

A summary of the financial information of Indocel for the past five (5) financial years ended 31 December 2004 based on its audited financial statements is set out below:

	Year ended 31 December				
	2000	2001	2002	2003	2004
	RM 000	RM 000	RM 000	RM 000	RM 000
Revenue	-	-	-	-	-
PBT	-	-	-	42,920	339,096
Taxation	-	-	-	-	-
Profit after taxation	-	-	-	42,920	339,096
Shareholders' funds/NTA	69,922	69,922	69,922	112,842	451,938
Interest bearing debt	-	-	-	-	-

2.11 Information on Rogan and Telekomindo

We have not disclosed the information on the vendors, namely Rogan and Telekomindo, in this Circular as we are not able to obtain the relevant information from Rogan and Telekomindo and through a reasonable search on these companies.

2.12 Expected Completion Date

Barring any unforeseen circumstances and subject to all the required approvals being obtained, the acquisition of up to 80% of Excelcomindo is expected to be fully completed in the second half of 2005.

3. DETAILS OF THE PROPOSED LISTING OF MTN NETWORKS

3.1 We propose to list MTN Networks, our wholly owned subsidiary, on the Colombo Stock Exchange, Sri Lanka. MTN Networks was incorporated in Sri Lanka pursuant to a joint venture agreement dated 27 August 1993, entered into between TMI and a Sri Lankan company, Sunpower. MTN Networks was established to operate a cellular mobile telephone network in Sri Lanka. In 1996, MTN Networks became a wholly owned subsidiary of TMI. Following an internal restructuring of our group, TMI's holdings of 36,999,999 ordinary shares in MTN Networks were transferred to TMIL on 27 October 2004.

Currently, the authorised share capital of MTN Networks is Rs6,000,000,000, comprising 469,442,124 ordinary shares of Rs10 each and 21,759,646 redeemable convertible cumulative preference shares of Rs60 each, out of which Rs1,638,978,760, comprising 37,000,000 MTN Networks Shares and 21,149,646 MTN Networks RCCPS, have been issued and fully paid-up. Please refer to Appendix III for further information on MTN Networks.

The structure of the listing proposal for MTN Networks will be finalised closer to the listing date of MTN Networks, after taking into consideration, among others, the then prevailing market conditions. Nonetheless, the management of MTN Networks is currently considering a listing proposal which is expected to encompass the following:

3.1.1 Distribution and capitalisation of retained earnings

The distribution and capitalisation of the retained earnings of MTN Networks involve the following:

- (i) distribution of gross special dividends of up to Rs3,000 million (approximately RM114.4 million at an exchange rate Rs100 : RM3.8137 as at the LPD) from the retained earnings of MTN Networks to the existing shareholders of MTN Networks; and
- (ii) capitalisation of up to Rs3,686 million (approximately RM140.6 million at an exchange rate Rs100 : RM3.8137 as at the LPD) of the retained earnings of MTN Networks through a bonus issue to the existing shareholders of MTN Networks.

The capitalisation will increase the issued and paid-up ordinary share capital of MTN Networks from Rs370 million, comprising 37.0 million MTN Networks Shares, to Rs4,056 million, comprising 405.6 million MTN Networks Shares.

3.1.2 Conversion of the advanced subscription into ordinary shares

MTN Networks proposes to convert Rs954 million (approximately RM36.4 million at an exchange rate of Rs100 : RM3.8137 as at the LPD) of TM's advanced subscription in MTN Networks of Rs3,414 million (approximately RM130.2 million at an exchange rate of Rs100 : RM3.8137 as at the LPD) ("**Advanced Subscription**") into MTN Networks Shares at par.

The conversion will increase the issued and paid-up ordinary share capital of MTN Networks from Rs4,056 million, comprising 405.6 million MTN Networks Shares, to Rs5,010 million, comprising 501.0 million MTN Networks Shares.

3.1.3 Conversion of the Advanced Subscription to a shareholder's loan

MTN Networks may convert the remaining Advanced Subscription of Rs2,460 million (approximately RM93.8 million at an exchange rate of Rs100 : RM3.8137 as at the LPD) to a shareholders' loan.

3.1.4 Review the MTN Networks RCCPS

The position of the MTN Networks RCCPS will be reviewed in the context of the Proposed Listing of MTN Networks.

The proposal on the MTN Networks RCCPS will be finalised closer to the listing date of MTN Networks, taking into consideration the interests of TMI and MTN Networks.

3.1.5 Share split on MTN Networks Shares

MTN Networks proposes to implement a share split of its ordinary shares. The proposed share split is intended to increase MTN Networks' share base that would result in a more affordable issue price of MTN Networks shares to the general public of Sri Lanka.

Details of the share split will be finalised closer to the listing date of MTN Networks, taking into consideration, among others, the prevailing market conditions, valuation and capital structure of MTN Networks at that point in time.

3.1.6 *Issue of new MTN Networks shares and offer for sale of MTN Networks shares to the public*

The Proposed Listing of MTN Networks will involve an invitation to the general public to purchase ordinary shares amounting to approximately 9.6% of the enlarged issued and paid-up share capital of MTN Networks.

The offer will comprise of two (2) tranches:

- (i) The offer for subscription of new MTN Networks shares amounting to approximately 3.7% of the enlarged issued and paid-up share capital of MTN Networks ("**Proposed Offer for Subscription**"). Part of the new MTN Networks shares to be offered pursuant to Proposed Offer for Subscription will be offered to MTN Networks' employees, business partners and vendors; and
- (ii) The offer for sale by TMIL and/or TMI ("**Selling Shareholder(s)**") of approximately 5.9% of the enlarged issued and paid-up share capital of MTN Networks ("**Proposed Offer for Sale**").

The number of new MTN Networks shares to be offered for subscription under the Proposed Offer for Subscription and the number of MTN Networks shares to be offered for sale under the Proposed Offer for Sale will be finalised closer to the date of launch of the Proposed Listing of MTN Networks, as set out in Section 3.2 below.

The entire issued and paid-up ordinary shares of MTN Networks will be listed on the Colombo Stock Exchange.

The new MTN Networks shares to be issued under the Proposed Offer for Subscription will, upon allotment and issue, rank *pari passu* in all respects with existing ordinary shares of MTN Networks, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the date of allotment of the new MTN Networks shares.

3.1.7 *Employee share ownership plan ("**ESOP**") for eligible employees and directors of MTN Networks*

MTN Networks proposes to implement an ESOP pursuant to the Proposed Listing of MTN Networks to eligible directors and employees of MTN Networks.

The ESOP will involve the grant of options of up to 1.5% of the issued and paid-up share capital of MTN Networks after the Proposed Offer for Subscription.

The exercise price for the options to be granted under the ESOP shall be at the same price per MTN Networks share offered to the general public under the Proposed Offer for Subscription and Proposed Offer for Sale.

In addition, as part of the Proposed Listing of MTN Networks, the Directors of TM who are nominees on the Board of MTN Networks, namely, Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor (Non-Executive Chairman), Dato' Dr. Abdul Rahim Haji Daud (Non-Executive Director) and Ir. Prabahar N. K. Singam (Non-Executive Director), may be allocated shares in MTN Networks upon listing, subject to shareholders' and relevant regulatory approvals, if required. Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor, Dato' Dr. Abdul Rahim Haji Daud and Ir. Prabahar N. K. Singam are Non-Executive Directors of TM.

3.2 Indicative IPO Price

The offer price for the Proposed Offer for Subscription and Proposed Offer for Sale will be determined through a book building process. Accordingly, we will only decide on the following salient terms of the Proposed Listing of MTN Networks at a date closer to the launch of the Proposed Listing of MTN Networks:

- (i) the number of new MTN Networks shares to be issued pursuant to the Proposed Offer for Subscription;
- (ii) the number of MTN Networks shares to be offered by the Selling Shareholder(s) pursuant to the Proposed Offer for Sale; and
- (iii) the issue/offer price for the sale of MTN Networks shares pursuant to the Proposed Listing of MTN Networks. The final offer price will, in the opinion of our Directors, be set at a price which will be in the best interest of and will not be detrimental to the existing shareholders of TMIL and TMI and in any event, will not be below the NTA per share of MTN Networks.

3.3 Proposed Utilisation of Proceeds

The amount of proceeds to be raised from the Proposed Listing of MTN Networks cannot be determined at this juncture as it depends on the offer price for the Proposed Offer for Subscription and Proposed Offer for Sale.

Nonetheless, the proceeds to be raised via the issuance of new shares through the Proposed Offer for Subscription and full exercise of the options to be granted under the ESOP of MTN Networks are proposed to be used by MTN Networks to purchase network property, plant and equipment which would increase MTN Networks' network coverage.

For illustrative purposes only, based on a share split of one (1) existing MTN Networks Share to ten (10) MTN Networks shares of Rs1 each and an assumed issue price of Rs8 per MTN Networks share (approximately RM0.31 at an exchange rate of Rs100 : RM3.8137 as at the LPD), the net proceeds to be raised by MTN Networks from the Proposed Offer for Subscription and full exercise of the options to be granted under the ESOP of MTN Networks is as follows:

	Rs million	RM million
Proceeds from the Proposed Offer for Subscription	1,553	59.2
Proceeds from full exercise of the options to be granted under the ESOP of MTN Networks	624	23.8
Less: Estimated listing expenses	<u>(102)</u>	<u>(3.9)</u>
Net proceeds from the Proposed Offer for Subscription	<u>2,075</u>	<u>79.1</u>

Funds raised by the Selling Shareholder(s) from the Proposed Offer for Sale will be used to fund future investments to be identified. Pending the identification of investments, the cash proceeds will be placed as short term interest earning deposits with licensed financial institutions.

For illustrative purposes only, based on a share split of one (1) existing MTN Networks Share to ten (10) MTN Networks shares of Rs1 each and an assumed issue price of Rs8 per MTN Networks share (approximately RM0.31 at an exchange rate of Rs100 : RM3.8137 as at the LPD), the proceeds to be raised from the Proposed Offer for Sale is Rs2,447 million (approximately RM93.3 million at an exchange rate of Rs100 : RM3.8137 as at the LPD).

4. DETAILS OF THE PROPOSED BYE-LAWS AMENDMENTS

The Bye-Laws governing our ESOS was approved by our shareholders at our EGM on 21 May 2002. On 31 March 2003, our shareholders further approved an amendment to Clause 10.3 of the Bye-Laws to accommodate employees of Celcom Mobile Sdn Bhd (*formerly known as TM Cellular Sdn Bhd*) (“**Celcom Mobile**”) to continue to exercise their options under the ESOS for a period of six (6) months or such longer period as may be determined by the Options Committee after the completion of the disposal of Celcom Mobile to Celcom.

Pursuant to the new requirements of Bursa Securities LR, our Directors recommend that the Bye-Laws be amended to ensure consistency and compliance with the new requirements of Bursa Securities LR and other regulatory provisions. The proposed amendments also address other administrative issues that we have faced from past experiences in relation to the exercise of options by employees.

In addition, to implement certain policies proposed in the “Implementation of Performance-linked Compensation (“**PLC**”) in Government-linked Companies guiding principles” (“**PLC Principles**”) issued by the PLC Steering Committee on 14 May 2004, the Maximum Allowable Allotment for Executive Directors and Top Management (as defined in the Bye-Laws) are proposed to be revised. However, in accordance with the PLC Principles, the directors’ and employees’ entitlement to any increased allocation would be linked to individual performance.

A summary of our proposed amendments to the Bye-Laws is set out below. Definitions used here are the same as those set out in the amended Bye-Laws found in Appendix V of this Circular:

- (i) Inclusion of a new provision under Bye-Law 4.2 which enables our Options Committee to nominate fixed term employees in the category of Senior Management and above to be eligible to participate in the Scheme. This is mitigated by the qualification set out in a new provision under Bye-Law 9.5 which states that a Grantee who resigns before the expiry of the first year of his contract, shall be liable to pay us for any gains realised;
- (ii) Inclusion of a new provision under Bye-Law 9.4 to replace Bye-Law 4.5 which states that our employee or an employee of our subsidiary who has accepted an Option but is subsequently transferred to a company which is not a member of our Group shall only be entitled to continue to exercise his remaining Options (subject to the provisions of Bye-Law 10.1(iv) relating to termination of Options);
- (iii) Amendment to Bye-Law 4.7 to allow our eligible employees to participate in an ESOS of another company within our Group on the condition that our Options Committee may vary the Maximum Allowable Allotment as it deems fit. In addition, a new clause is included to ensure clarity that an eligible subsidiary’s employees may participate in our ESOS as well as an ESOS established by the said subsidiary but not vice versa;
- (iv) Amendment to Bye-Laws 5.2 and 9.1 to allow for the exercise of Options in multiples of 100 TM Shares instead of 1,000 TM Shares;
- (v) Amendment to Bye-Law 6.2 to increase the Maximum Allowable Allotment for Executive Directors and Top Management;
- (vi) Amendment to allow for the percentage of Options exercisable to be evenly distributed over the unexpired term of our ESOS. This is set out as a new clause under Bye-Law 9.2(ii) and is only applicable for Options offered after the amendment of this Bye-Law becomes effective;
- (vii) Addition of clause (iv) to Bye-Law 10.1 to allow employees who have accepted the Offer and who subsequently were transferred out of our Group to exercise the Options previously granted;
- (viii) Amendment to Bye-Law 10.1 to provide our Options Committee the flexibility to prescribe a period for the Grantee referred to in Bye-Law 10.1 to exercise his Options, and not necessarily for the entire unexpired duration of the Option Period;
- (ix) Amendment to Bye-Law 10.2 to specify that the Offer shall lapse on the effective date of resignation of the employee and not upon the employee giving notice of resignation from employment;

- (x) Amendments to the adjustments to the exercise price or number of shares to be issued under our ESOS, as required under Bursa Securities LR;
- (xi) Inclusion of a new provision under Bye-Law 17.2 to specify the exact matters which cannot be altered to the advantage of the Grantee without our shareholders' prior approval, as required under Bursa Securities LR;
- (xii) In relation to Bye-Laws 3, 4, 6 and 18, the references to the SC and SC Guidelines have been deleted to reflect the change in applicable governing regulatory provisions from the SC Guidelines to Bursa Securities LR;
- (xiii) Change in references to "KLSE" to "Bursa Securities";
- (xiv) Inclusion of new provisions under Bye-Law 27 that set out the ways and methods a notice is given to employee to reflect our current practices; and
- (xv) Inclusion of a new provision under Bye-Law 26.2 to specify that if a situation of conflict arise between the ESOS and the provisions of any circulars, directives and correspondences issued, the provision of the Bye-Laws shall prevail.

The details of the changes proposed to be made to the Bye-Laws are set out in Appendix IV of this Circular.

5. DETAILS OF THE PROPOSED GRANT OF OPTIONS

We propose to grant options to Dato' Abdul Wahid Omar, entitling him to subscribe for up to 1,200,000 new TM Shares, under our ESOS.

Dato' Abdul Wahid Omar was appointed as our Group Chief Executive Officer on 1 July 2004.

6. DETAILS OF THE PROPOSED ARTICLES AMENDMENTS

The Proposed Articles Amendments involve the following:

- (i) all references to "Kuala Lumpur Stock Exchange" and "Malaysian Central Depository Sdn Bhd" in our Articles shall be amended to reflect the new names of the respective entities, namely, "Bursa Malaysia Securities Berhad" and "Bursa Malaysia Depository Sdn Bhd", following the demutualisation of the Kuala Lumpur Stock Exchange on 20 April 2004;
- (ii) the requirement for our Articles to be amended with prior written approval from Bursa Securities shall be deleted; and
- (iii) amendments to our Articles to allow for the payment of dividends to shareholders by electronic transfer.

The details of the Proposed Articles Amendments are set out in Appendix VI of this Circular.

7. CONDITIONALITY

The exercise of the Call and Put Option is not conditional on the Proposed 4.2% Acquisition and vice versa.

The Proposed 4.2% Acquisition, Call and Put Option, Proposed Listing of MTN Networks and Proposed Articles Amendments are not conditional on each other. They are also not conditional on the Proposed Bye-Laws Amendments and Proposed Grant of Options and vice versa.

The Proposed Bye-Laws Amendments is not conditional on the Proposed Grant of Options. However, the Proposed Grant of Options is conditional on the Proposed Bye-Laws Amendments.

8. RATIONALE FOR THE PROPOSALS

8.1 Rationale for the Acquisition of Excelcomindo

The acquisition of Excelcomindo confirms our position as one of the region's leading mobile investors. Leveraging our extensive operating and investment experience, the aim is to build Excelcomindo into an Indonesian market leader and a substantial contributor to our revenue and profits.

8.1.1 *Indonesia as an attractive market*

We view Indonesia as perhaps the single most important market in fulfilling our strategy of prudent international expansion.

Despite a comparable gross domestic product per capita to Philippines and China, Indonesia still has a much lower mobile penetration rate of 9.4% (compared to China at 23.7% and Philippines at 32.5%). Given this low penetration rate together with Indonesia's large population base (Asia's third most populous country), the potential subscriber growth in absolute terms is unrivalled elsewhere in South East Asia. While this growth has already commenced (53% year on year subscriber growth up to the second quarter of 2004), our management believes that there is substantial ongoing potential as penetration rates catch up with the rest of the region, with the Indonesian economy improving and affordable products rolled out beyond the main cities.

More importantly, we regard the Indonesian market as attractive because it is close to home, well understood by our management and shares many cultural and business ties with Malaysia, which provides additional value creation opportunities.

8.1.2 *Excelcomindo as the best vehicle*

We see Excelcomindo as the best vehicle currently to gain access to Indonesia's growth potential. It has an approximate 12.3% market share and approximately 3.8 million subscribers as at 31 December 2004. Excelcomindo has secured a strong presence in the market with good customer recognition and brand positioning. They have built a high quality mobile network which covers the majority of the key islands as well as a robust transmission infrastructure which management believes is unrivalled in Indonesia. It is developing new markets in corporate data, VoIP and wireless broadband.

In line with its rapid growth, Excelcomindo has also performed well in financial terms recording gross revenues of Rp3,133 billion and 51.7% EBITDA margin in the 12 months ended 31 December 2004.

Excelcomindo's size will also create additional confirmation of our position as a leading regional investor. Based on the proforma revenue for the last year ended 31 December 2004 of our Group and Excelcomindo, the acquisition of up to 80% of the issued and paid-up share capital of Excelcomindo would increase our consolidated international revenue from RM1,190 million (9.0% of total) to RM2,281 million (15.9% of total).

8.1.3 *Ability to add value*

Our management believes significant synergies are available due to proximity and existing good relationships between Indonesia, Malaysia and the rest of our regional network.

For example, a high level of voice and data traffic currently flows between Indonesia and Malaysia which provides ample opportunities for international direct dial ("IDD") and interconnect cost efficiencies in the combined entity. There is also the potential to share transmission assets, eliminate redundant investments and secure savings on capital spending through greater combined purchasing power.

Our management also sees many opportunities for the development of joint products across both markets, targeting, for example, frequent roamers across the two (2) markets. There is also the opportunity to leverage the full regional network in rolling out additional applications as they are developed successfully in particular markets.

8.1.4 Structural objectives

The structure of the transaction is an additional attractive feature as it ensures that we get early control of Excelcomindo's future direction. By securing board control at the close of the transaction, there is the opportunity to influence strategic direction and operational performance of the company immediately. Limited opportunities for an investment of this nature are available regionally, making Excelcomindo an important component of our regional investment plans.

8.2 Rationale for the Proposed Listing of MTN Networks

The rationale for the Proposed Listing of MTN Networks are as follows:

- (a) to enable MTN Networks to achieve a broader scale of public ownership and to project a stronger image of itself;
- (b) the Selling Shareholder(s) would realise a part of their returns through capital gains upon the partial divestiture of existing shares;
- (c) to provide an opportunity to existing employees to participate in MTN Networks' continuing growth via the ESOP of MTN Networks; and
- (d) a quotation on the Colombo Stock Exchange shall provide MTN Networks access to the capital market of Sri Lanka and thereby enabling MTN Networks to raise equity funds for future expansions.

8.3 Rationale for the Proposed Bye-Laws Amendments

The Proposed Bye-Laws Amendments will ensure consistency and compliance with the new requirements of Bursa Securities LR and other regulatory provisions. It will also ensure the alignment of TM's policies to the PLC Principles relating to Executive Directors and Top Management issued by the PLC Steering Committee on 14 May 2004. Further, it addresses and mitigates effect of other administrative issues experienced in relation to exercise of options under our ESOS by employees.

8.4 Rationale for the Proposed Grant of Options

The Proposed Grant of Options would enable our newly appointed Group Chief Executive Officer, Dato' Abdul Wahid Omar, to participate in our ESOS. The main objective of the establishment of the ESOS is to provide a means to promote loyalty and motivate our executive director(s) and employees and to improve their performances.

8.5 Rationale for the Proposed Articles Amendments

The Proposed Articles Amendments will ensure consistency and compliance with the new requirements of Bursa Securities LR and with other regulatory provisions. It also allows the payment of dividends directly into a shareholder's account opened and maintained with a financial institution acceptable to us through electronic transfer to improve our efficiency in paying dividends.

9. EFFECTS OF THE PROPOSALS

The effects of the Proposals are as follows:

9.1 Issued and Paid-up Share Capital and Shareholdings of Substantial Shareholders

The Proposals will not have any effect on our issued and paid-up share capital and shareholdings of our substantial shareholders.

9.2 Earnings

The acquisition of Excelcomindo is expected to be fully completed in the second half of 2005 and is not expected to have a material effect on our earnings for the financial year ended 31 December 2005. However, we expect the future contributions from the share of profits in Excelcomindo to contribute positively to our future earnings.

The Proposed Listing of MTN Networks is expected to be completed in the second half of 2005. The effect of the Proposed Listing of MTN Networks on the earnings of the TM Group can only be determined after the offer price for the MTN Networks shares is fixed through the book building process to be carried out for the Proposed Offer for Subscription and Proposed Offer for Sale. Nevertheless, purely for illustrative purposes only, based on a share split of one (1) existing MTN Networks Share to ten (10) MTN Networks shares of Rs1 each and an assumed issue price of Rs8 per MTN Networks share (approximately RM0.31 at an exchange rate of Rs100 : RM3.8137 as at the LPD), the Proposed Offer for Sale, Proposed Offer for Subscription and full exercise of the options to be granted under the ESOP of MTN Networks will give rise to a one-off increase in our earnings of approximately Rs3,705 million (approximately RM141.3 million at an exchange rate of Rs100 : RM3.8137 as at the LPD).

The Proposed Bye-Laws Amendments, Proposed Grant of Options and Proposed Articles Amendments will not have any effect on our consolidated earnings.

9.3

NTA

The proforma effects of the exercise of the Call and Put Option and Proposed Listing of MTN Networks on our consolidated NTA, based on our audited consolidated financial statements as at 31 December 2004, audited financial statements of Indocel and audited consolidated, translated and restated financial statements of Excelcomindo for the financial year ended 31 December 2004 are as follows:

	I	II	III	IV	V
	Audited as at 31 December 2004 RM million	After I and Initial Acquisition RM million	After II and Proposed 4.2% Acquisition RM million	After III and exercise of the Call and Put Option RM million	After IV and Proposed Listing of MTN Networks RM million
Share capital	3,382.4	3,382.4	3,382.4	3,382.4	3,382.4
Share premium	3,848.5	3,848.5	3,848.5	3,848.5	3,848.5
Reserves	12,222.4	12,222.4	12,222.4	12,222.4	12,357.3 ^{*4}
Shareholders' fund	19,453.3	19,453.3	19,453.3	19,453.3	19,588.2
Less: Intangible assets	(4,072.7)	(4,990.2) ^{*1}	(5,156.9) ^{*2}	(7,249.8) ^{*3}	(7,249.8)
NTA	15,380.6	14,463.1	14,296.4	12,203.5	12,338.4
NTA per share (RM)	4.55	4.28	4.23	3.61	3.65

Notes:

^{*1} Goodwill arising from the Initial Acquisition is arrived at based on the audited consolidated financial statements of Excelcomindo for the financial year ended 31 December 2004 translated and restated in compliance with approved accounting standards of the Malaysian Accounting Standards Board and is computed as follows:

Purchase consideration	RM million
	1,009.7
Less: Share of net assets of Excelcomindo	(92.2)
Goodwill on acquisition	<u>917.5</u>

*2 Goodwill arising from the Proposed 4.2% Acquisition is arrived at based on the audited consolidated financial statements of Excelcomindo for the financial year ended 31 December 2004 translated and restated in compliance with approved accounting standards of the Malaysian Accounting Standards Board and is computed as follows:

	RM million
Purchase consideration	183.5
Less: Share of net assets of Excelcomindo	<u>(16.8)</u>
Goodwill on acquisition	<u>166.7</u>

*3 Goodwill arising from the Call and Put Option is arrived at based on the audited consolidated financial statements of Excelcomindo for the financial year ended 31 December 2004 translated and restated in compliance with approved accounting standards of the Malaysian Accounting Standards Board and is computed as follows:

	RM million
Purchase consideration	2,303.2
Less: Share of net assets of Excelcomindo	<u>(210.3)</u>
Goodwill on acquisition	<u>2,092.9</u>

*4 The increase in retained earnings of RM134.9 million (or Rs3,705 million at an exchange rate of Rs100 : 3.6400 as at 31 December 2004) arises from the Proposed Offer for Sale. Proposed Offer for Subscription and full exercise of the options to be granted under the ESOP of MTN Networks.

Full details on the proforma consolidated balance sheet and letter from PricewaterhouseCoopers thereon are set out in Appendix IX of this Circular.

10. APPROVALS REQUIRED FOR THE PROPOSALS

The Proposals are subject to the approvals of the following:

10.1 Acquisition of Excelcomindo

- (i) BNM, which was obtained on 8 December 2004. The approval of BNM is subject to, among others, the condition that we are to repatriate all dividends, profits or interests from Excelcomindo as soon as the said dividends, profits or interests are paid. In the event we dispose of Excelcomindo, we are required to repatriate all proceeds received from the said sale to Malaysia immediately;
- (ii) Foreign Investment Committee (“FIC”), which was obtained on 7 January 2005. The approval of the FIC is subject to the condition that Indocel increases its issued and paid-up share capital to at least RM100,000 within six (6) months from the date of FIC’s letter of approval;
- (iii) exemption from the Minister of Finance, through the Labuan Offshore Financial Services Authority, which was obtained on 9 December 2004. The exemption is not subject to any conditions;
- (iv) BKPM for the Proposed 4.2% Acquisition and Call and Put Option;
- (v) the Minister of Finance as Special Shareholder (as defined in our Articles) pursuant to our Article 8(6)(f), which was obtained on 20 April 2005; and
- (vi) our shareholders at the forthcoming EGM.

10.2 Proposed Listing of MTN Networks

- (i) Colombo Stock Exchange;
- (ii) Securities and Exchange Commission of Sri Lanka;
- (iii) Board of Investment of Sri Lanka;
- (iv) Telecommunication Regulatory Commission of Sri Lanka;
- (v) International Finance Corporation;
- (vi) other lending institutions of MTN Networks; and
- (vii) our shareholders at the forthcoming EGM.

10.3 Proposed Bye-Laws Amendments, Proposed Grant of Options and Proposed Articles Amendments

The Proposed Bye-Laws Amendments, Proposed Grant of Options and Proposed Articles Amendments are subject to the approval of our shareholders at the forthcoming EGM.

11. PROSPECTS AND RISK FACTORS

11.1 Prospects

The telecommunications industry in Indonesia has experienced significant growth in mobile telecommunication services in recent years. Over the last three (3) years, the growth of the mobile sector in Indonesia has been very strong, in part driven by introduction of prepaid service, reduced handset prices, fixed-to-mobile subscriber substitution and improvement in domestic economic conditions. The total number of mobile customers in Indonesia increased from 3.7 million as at 31 December 2000 to 27.2 million as at 30 September 2004, representing an increase in mobile penetration rate from approximately 1.8% to approximately 11.6%. We believe that despite this rapid rate of growth, the mobile penetration rate of 11.6% as at 30 September 2004 is still relatively low compared to many other countries in the region.

The launch of prepaid services in 1998 which were widely accepted in the Indonesian market, enabled mobile operators to overcome increasing bad debts from the previous years' economic crisis. We see that investment continues to increase in the mobile telecommunications industry, with operators upgrading their networks and consumer spending increasing. Two (2) recent investments by Singapore Telecommunications Limited in PT Telekomunikasi Sellular and Singapore Technologies Telemedia in PT Indonesia Satellite Corporation Tbk demonstrate the increased attractiveness of the mobile telecommunications industry in Indonesia to investors. We believe that recent investments, coupled with the Indonesian Government's efforts to improve industry structure and regulatory management in the telecommunications sector, have created an environment that stimulates competition and is better able to serve the public.

11.2 Risk Factors

Excelcomindo operates in the business of mobile telecommunications in Indonesia. A summary of the risks (which may not be exhaustive) that Excelcomindo faces is set out below:

11.2.1 Country factors

Excelcomindo operates in Indonesia and is subject to the standard operating risks of this market. These could include political risk, regulatory risk and foreign currency risk. We do not believe that the risks that Excelcomindo faces in Indonesia is any more than other companies in the market. We also believe that the acquisition of a company with a strong local management team such as Excelcomindo will help mitigate any country risk factors.

11.2.2 Competition

The market for mobile telecommunications services in Indonesia is competitive. Excelcomindo faces competition from other mobile service providers, such as PT Telekomunikasi Sellular and PT Indonesia Satellite Corporation Tbk, in its core mobile communications business. Furthermore, in providing services such as leased line and VoIP services, Excelcomindo faces competition from distinct Indonesian providers. Excelcomindo has developed a strategy to address competition by providing a differentiated service to its target market segments.

11.2.3 Rapid technology change

The mobile telecommunications industry is characterised by rapid and significant changes in technology. Currently, we view Excelcomindo as a leader in Indonesia for GSM technology which is developing a suite of new technology products in areas such as VoIP. However, it is possible that future development or application of new or alternative technologies could require changes to Excelcomindo's business model or necessitate new investments.

11.2.4 Funding needs

Excelcomindo is in a capital intensive business that will require additional funding to finance ongoing growth and network expansion. As such, it may be required to raise additional funds in either the debt or equity capital markets. While there can be no assurance for continued access to funds, in the past, Excelcomindo has successfully accessed the debt market through its most recent USD bond issuance in January 2004. In addition, Excelcomindo has plans to list on a stock exchange in Indonesia in 2005, which will enable it to have access to equity capital markets.

12. RISK FACTORS IN RELATION TO THE ACQUISITION OF EXCELCOMINDO

The risk factors (which may not be exhaustive) pertaining to the acquisition of Excelcomindo are set out below:

12.1 Conditionality of the Proposed 4.2% Acquisition and Call and Put Option

The Proposed 4.2% Acquisition and Call and Put Option are conditional upon the fulfilment of various terms and conditions including those stated in Section 2 above, failing which the Proposed 4.2% Acquisition may not be completed and/or the Call and Put Option may not be exercised.

12.2 Acquisition risk

There are risks relating to the acquisition of a telecommunication company in a foreign country. As a result of these risks, there can be no assurance that the expected benefit arising from the acquisition of Excelcomindo will be fully realised. Nonetheless, we have taken the necessary steps by appointing advisors to assist us on the acquisition of Excelcomindo. These advisors include legal advisers, financial advisers and valuers. The findings from these advisors have been positive and acceptable to our Board of Directors.

12.3 Fluctuations in exchange rate

A weakening/strengthening of the Indonesian Rupiah may impact the profits of Excelcomindo, in RM terms, which will be consolidated as part of the earnings of our Group, upon the exercise of the option or any cash inflows to be received by us from Excelcomindo. Hence, there can be no assurance that the future foreign exchange fluctuations will not adversely affect our financial position and Excelcomindo's financial position.

12.4 Foreign investment

As the acquisition of Excelcomindo is our investment in Indonesia, a foreign country, the investment will be subject to the policies of the Indonesian Government on foreign investment. In addition, our ability to repatriate the profits arising from our investment in Indonesia will depend largely on the relevant legislation relating to repatriation of profits prevailing at the point of repatriation. There can be no assurance that any change to these policies will not materially and adversely affect the rights or performance of Excelcomindo.

We have sought and will continue to seek professional advice in order to minimise such risks.

12.5 Compliance with operating regulations/legislation

Excelcomindo may be subject to relevant regulations and legislation governing the activities in Indonesia where it currently operates. Such would include regulations relating to environmental management, health and safety. Changes to these regulations and legislation may result in a need for Excelcomindo to incur further expenses to meet the new requirements. In such an event, no assurance can be given that the ensuing steps taken by Excelcomindo to comply with such new regulations will not have a material and adverse effect on our operating results.

13. POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS AND THE EXPECTED TIMEFRAME IN WHICH PROFITS ARE TO BE REPATRIATED TO MALAYSIA IN RELATION TO THE ACQUISITION OF EXCELCOMINDO

13.1 Malaysia

13.1.1 Investment policy

Pursuant to the provisions of Sections 147(1) and 147(2) of the Offshore Companies Act, 1990 (“OCA”), TMIL is prohibited from holding shares in Indocel unless an exemption from the provisions of Sections 147(1) and 147(2) of the OCA has been granted by the Minister of Finance.

The exemption from the Minister of Finance, through the Labuan Offshore Financial Services Authority, was obtained on 9 December 2004.

13.1.2 Exchange control policy

Pursuant to BNM’s Exchange Control Notices (“ECM”) 9, in the event Indocel acquires Excelcomindo Shares under the Proposed 4.2% Acquisition, Indocel is required to seek prior permission from BNM to make payment to Rogan for the said acquisition. TM obtained the approval of BNM on 8 December 2004.

Pursuant to ECM 9 and the conditions set by BNM in its approval letter dated 8 December 2004, future dividends and profits from Excelcomindo must be repatriated as soon as they are paid, and proceeds from the sale of Excelcomindo Shares must be repatriated to Malaysia as soon as they are received.

The approval of BNM is not required if TMIL acquires the Excelcomindo Shares from Rogan under the Proposed 4.2% Acquisition.

The acquisition of up to 52.7% of the issued and paid-up share capital of Excelcomindo by TMIL pursuant to the exercise of the Call and Put Option and repatriation of future profits received by TMIL from its investment in Excelcomindo are not subject to any exchange control requirements.

13.1.3 Taxation

Stamp duty for the Initial Acquisition is payable at the rate of 0.3% of the consideration or the market value of the shares transferred, whichever is greater. Stamp duty has been paid for the Initial Acquisition.

Dividends received by Indocel in Malaysia from Excelcomindo would be regarded as foreign sourced income. Pursuant to the Income Tax Act, 1967, such dividends would be exempt from tax and can be credited to a tax-exempt income account for distribution of tax-exempt dividends to its shareholder, TMIL.

Dividends received by TMIL from either Indocel or Excelcomindo are not subject to tax under the Labuan Offshore Business Activity Tax Act, 1990 (“LOBATA”). In addition, dividends received by TMI from TMIL, being dividends from an offshore company, are exempt from income tax pursuant to Income Tax (Exemption) (No. 16) Order 1991.

Pursuant to Income Tax (Exemption) (No. 10) Order 2000 (“Order”) the shareholders of a domestic company are exempt from the payment of income tax on dividends received from that company which are paid out of the dividends received from an offshore company. Thus, dividends received by TM from TMI which are paid out of dividends received from TMIL are exempt from tax. However, currently, there is no special provision in the Income Tax Act, 1967 and the Order for a domestic company to pay tax-exempt dividends to its shareholders from dividends received from an offshore company.

Therefore, if TMI pays dividends to TM and there is insufficient credit in its Section 108 and/or tax-exempt income accounts, tax at the prevailing rate currently of 28% on the gross dividends has to be accounted for to the tax authorities.

Gains arising from disposal of shares in Excelcomindo by Indocel will be regarded as capital gains and thus, not subject to income tax. For such gains to be distributed by Indocel as dividends to TMIL, Indocel would be required to have sufficient tax credit in its Section 108 account or tax-exempt income account. Therefore, if Indocel pays dividends to TMIL and there is insufficient credit in its Section 108 and/or tax-exempt income accounts, tax at the prevailing rate on the gross dividends has to be accounted for to the tax authorities.

If TMIL holds shares in Excelcomindo, any gains arising from disposal of shares in Excelcomindo will not be subject to tax. TMIL would be able to distribute such gains to TMI as dividends. However, in order for TMI to distribute such profits as dividends it must have sufficient credit in its Section 108 or tax-exempt income accounts. Therefore, if TMI pays dividends to TM and there is insufficient credit in its Section 108 and/or tax-exempt income accounts, tax at the prevailing rate on the gross dividends has to be accounted for to the tax authorities.

13.2 Indonesia

13.2.1 Investment policy

Article 61 of Company Law No. 1/1995 stipulates that for each financial year, Excelcomindo is required to allocate a certain amount of its net profits as reserves. The reserves will be set aside until the reserves reach a minimum of 20% of Excelcomindo's issued capital. Prior to achieving the minimum amount, only certain amount of its net profits can be distributed as dividend to its shareholders, whilst the balance will be retained as reserves.

13.2.2 Exchange Control Policy

If Excelcomindo distributes cash exceeding USD10,000 as dividends to its Malaysian shareholder, Excelcomindo will be required to inform its banker of the transaction, who in turn, will report it to Indonesian Central Bank ("**Bank Indonesia**").

There is no exchange control implication on the repatriation of proceeds from sale of Excelcomindo Shares to Malaysia. However Excelcomindo will be required to inform its banker, who will in turn report to Bank Indonesia, if the amount repatriated exceeds USD10,000.

13.2.3 Taxation

Based on Law No. 13/1995 regarding Stamp Duty, any agreement, including sale and purchase of shares agreement and option agreement, made under Indonesian Civil Code is subject to Rp6,000 stamp duty.

Any gain on the sale of shares made by an Indonesian resident company will be subject to income tax.

Dividend payment from Indonesia to its foreign shareholder is subject to the Indonesian income tax at a rate of 20% on the gross amount. Based on the Double Taxation Agreement ("**DTA**") between Indonesia and Malaysia, the tax on dividends will be reduced to 15% if the following requirements are fulfilled:

- the Malaysian shareholder is a Malaysian tax resident entity; and
- the Malaysian shareholder has no permanent establishment in Indonesia.

In relation to the repatriation of proceeds from the disposal of Excelcomindo Shares, based on the DTA, gains from the sale of shares shall only be taxable in the country of which the seller is a resident unless the sale of shares of a company, the property of which consists principally of immovable property situated in Indonesia.

In order to benefit from the tax treaty relief, the following requirements must be fulfilled:

- the Malaysian shareholder is a Malaysian tax resident entity; and
- the Malaysian shareholder has no permanent establishment in Indonesia.

14. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of our Directors, major shareholders and/or persons connected to our Directors and/or major shareholders has any interest, direct or indirect, in the Proposals.

Dato' Abdul Wahid Omar, being an Executive Director of TM, is interested in the proposed amendment to Bye-Law 6.2 on the increase in the Maximum Allowable Allotment for Executive Directors. Therefore, Dato' Abdul Wahid Omar is interested in the Proposed Bye-Laws Amendments. In addition, Dato' Abdul Wahid Omar is interested in the Proposed Grant of Options.

Currently, Dato' Abdul Wahid Omar does not have any direct or indirect shareholding in us. Based on the issued and paid-up share capital of TM as at 31 March 2005, in the event of a full exercise of the options to be granted to Dato' Abdul Wahid Omar under the Proposed Grant of Options, Dato' Abdul Wahid Omar will hold directly 1,200,000 TM Shares, representing 0.04% of the enlarged issued and paid-up share capital of TM.

Dato' Abdul Wahid Omar will undertake to ensure that persons connected to him, if any, will abstain from voting in respect of their direct and indirect shareholdings in us at the EGM to be convened pertaining to the Proposed Bye-Laws Amendments and Proposed Grant of Options. In addition, Dato' Abdul Wahid Omar has abstained and will continue to abstain from all our Board deliberations and voting pertaining to the Proposed Bye-Laws Amendments and Proposed Grant of Options.

15. DIRECTORS' RECOMMENDATION

Our Board of Directors, having considered all aspects of the Call and Put Option, Proposed Listing of MTN Networks and Proposed Articles Amendments, is of the opinion that the Call and Put Option, Proposed Listing of MTN Networks and Proposed Articles Amendments are in our best interest. Accordingly, they recommend you to vote in favour of the Call and Put Option, Proposed Listing of MTN Networks and Proposed Articles Amendments at the forthcoming EGM.

The Board (save and except for Dato' Abdul Wahid Omar who has abstained from expressing an opinion and recommendation) believes that the Proposed Bye-Laws Amendments and Proposed Grant of Options are in our best interest and accordingly recommend you to vote in favour of the Proposed Bye-Laws Amendments and Proposed Grant of Options at the forthcoming EGM.

16. EGM

An EGM, the notice of which is enclosed with this Circular, will be held at Dewan Merdeka, Level 4, Putra World Trade Centre, 41 Jalan Tun Ismail, 50480 Kuala Lumpur on Tuesday, 17 May 2005 at 11.00 a.m. or immediately after the conclusion of our 20th AGM, whichever is later, or at any adjournment thereof.

If you are not able to attend and vote in person at the EGM, please complete, sign and return the enclosed Form of Proxy to our Share Registrar's Office at Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, as soon as possible and in any event at least 48 hours before the time of the EGM or any adjournment thereof, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll. The completion and return of the Form of Proxy will not preclude you from attending and voting in person at the EGM if you subsequently wish to do so.

17. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and behalf of the Board of Directors of
TELEKOM MALAYSIA BERHAD

Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor
Chairman