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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.

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TM

TELEKOM MALAYSIA BERHAD

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

PART A

(A) PROPOSED DEMERGER OF THE TELEKOM MALAYSIA BERHAD ("TM") GROUP OF COMPANIES ("TM GROUP");

(B) PROPOSED LISTING OF THE ENTIRE ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF TM INTERNATIONAL BERHAD ("TM INTERNATIONAL") ON THE MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD;

(C) PROPOSED SHAREHOLDERS' MANDATE FOR THE ISSUANCE OF UP TO 10% OF THE SHARE CAPITAL OF TM INTERNATIONAL;

(D) PROPOSED EMPLOYEES' SHARE OPTION SCHEME FOR ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTOR(S) OF THE TM GROUP;

(E) PROPOSED ACQUISITION BY TM INTERNATIONAL AND INDOCEL HOLDING SDN BHD FROM KHAZANAH NASIONAL BERHAD ("KHAZANAH") OF EQUITY INTERESTS IN SUNSHARE INVESTMENTS LTD AND PT EXCELCOMINDO PRATAMA TBK ("PROPOSED ACQUISITION"); AND

(F) PROPOSED EXEMPTION FOR KHAZANAH FROM THE OBLIGATION TO CARRY OUT A MANDATORY TAKE-OVER OFFER ON THE REMAINING VOTING SHARES OF TM INTERNATIONAL NOT OWNED BY KHAZANAH ("PROPOSED EXEMPTION")

PART B

INDEPENDENT ADVICE LETTER TO NON-INTERESTED SHAREHOLDERS ON THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION

AND

NOTICE OF EGM

Joint Advisers for (A) to (F)

CIMB

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

UBS

UBS Securities Malaysia Sdn Bhd (253825-X)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for (E) and (F)

PUBLIC INVESTMENT BANK BERHAD (20027-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
(Wholly-Owned Subsidiary of Public Bank Berhad)

The Notice of EGM and the Proxy Form are set out in this Circular. Our EGM will be held as follows:

Date and time of the EGM	:	Thursday, 6 March 2008 at 10.00 a.m. or at any adjournment
Venue of the EGM	:	Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia
Last date and time for lodging the Proxy Form	:	Tuesday, 4 March 2008 at 10.00 a.m.

This Circular is dated 20 February 2008

PART A

LETTER TO SHAREHOLDERS WITH RESPECT TO THE FOLLOWING:

(A) PROPOSED DEMERGER OF THE TELEKOM MALAYSIA BERHAD ("TM") GROUP OF COMPANIES ("TM GROUP") COMPRISING THE FOLLOWING:

- PROPOSED INTERNAL RESTRUCTURING OF THE TM GROUP WHICH INVOLVES THE FOLLOWING TRANSACTIONS:

  (I) CELCOM TRANSMISSION (M) SDN BHD ("CTX"), A WHOLLY-OWNED SUBSIDIARY OF CELCOM (MALAYSIA) BERHAD ("CELCOM"), TRANSFERRING ITS ENTIRE HOLDING OF 38,250,000 ORDINARY SHARES OF RM1.00 EACH IN FIBRECOMM NETWORK (M) SDN BHD ("FIBRECOMM"), REPRESENTING 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF FIBRECOMM, TO TELEKOM ENTERPRISE SDN BHD ("TESB") FOR A CONSIDERATION OF RM33 MILLION;

  (II) TESB, A WHOLLY-OWNED SUBSIDIARY OF TM, TRANSFERRING ITS ENTIRE HOLDING OF 1,237,534,681 ORDINARY SHARES OF RM1.00 EACH IN CELCOM, REPRESENTING 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF CELCOM, TO TM INTERNATIONAL BERHAD ("TM INTERNATIONAL") FOR A CONSIDERATION OF RM4,677 MILLION;

  (III) TM TRANSFERRING ITS ENTIRE HOLDING OF 37,433,992 REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF USD0.01 EACH IN SUNSHARE INVESTMENTS LTD ("SUNSHARE"), REPRESENTING APPROXIMATELY 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SUNSHARE, TO TM INTERNATIONAL FOR A CONSIDERATION OF RM141 MILLION; AND

  (IV) SETTLEMENT OF NET AMOUNT OWING BY TM INTERNATIONAL AND ITS SUBSIDIARIES UPON THE COMPLETION OF THE PROPOSED INTERNAL RESTRUCTURING ("PROPOSED TM INTERNATIONAL GROUP") TO TM AND ITS SUBSIDIARIES UPON THE COMPLETION OF THE PROPOSED DEMERGER ("PROPOSED TM GROUP") AS AT 30 NOVEMBER 2007 OF RM3,041 MILLION;

  WHEREBY THE NET CONSIDERATION OF RM7,826 MILLION WILL BE SATISFIED AS FOLLOWS:

  (I) RM3,801 MILLION SHALL BE SATISFIED THROUGH THE ISSUANCE OF SUCH NUMBER OF NEW ORDINARY SHARES OF RM1.00 EACH IN TM INTERNATIONAL ("TM INTERNATIONAL SHARES") BY TM INTERNATIONAL IN FAVOUR OF TM OR ITS NOMINEE(S) AT AN ISSUE PRICE TO BE DETERMINED SUCH THAT THE ENLARGED NUMBER OF TM INTERNATIONAL SHARES (AFTER THE PROPOSED DEMERGER) IS THE SAME AS THE NUMBER OF ORDINARY SHARES OF RM1.00 EACH IN TM ("TM SHARES") IN ISSUE AS AT A DATE (TO BE DETERMINED AND ANNOUNCED LATER) ON WHICH TM'S SHAREHOLDERS MUST BE REGISTERED IN TM'S REGISTER OF MEMBERS OR RECORD OF DEPOSITORS AS AT 5.00 P.M. IN ORDER TO PARTICIPATE IN THE PROPOSED DISTRIBUTION ("ENTITLEMENT DATE");

  (II) RM2,925 MILLION SHALL BE SATISFIED BY WAY OF AN AMOUNT OWING FROM TM INTERNATIONAL TO TM AT A FINANCE COST OF 5.90% PER ANNUM; AND

  (III) RM1,100 MILLION SHALL BE SATISFIED BY WAY OF AN AMOUNT OWING FROM TM INTERNATIONAL TO TM AT A FINANCE COST OF 6.72% PER ANNUM.

  IN ADDITION, AS PART OF THE PROPOSED INTERNAL RESTRUCTURING, TM PROPOSES TO TRANSFER THE 3G SPECTRUM ASSIGNMENT (AS DEFINED IN THIS CIRCULAR) TO CELCOM FOR A CONSIDERATION OF RM40.1 MILLION TO BE SATISFIED IN CASH; AND

- PROPOSED DISTRIBUTION BY TM TO TM'S SHAREHOLDERS WHOSE NAMES APPEAR IN TM'S REGISTER OF MEMBERS OR RECORD OF DEPOSITORS AS AT THE ENTITLEMENT DATE OF ITS ENTIRE HOLDING OF AND RIGHTS TO TM INTERNATIONAL FOLLOWING THE PROPOSED INTERNAL RESTRUCTURING.

(COLLECTIVELY, THE "PROPOSED DEMERGER");

(B) PROPOSED LISTING OF THE ENTIRE ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF TM INTERNATIONAL ON THE MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD;

(C) PROPOSED SHAREHOLDERS' MANDATE FOR THE ISSUANCE OF UP TO 10% OF THE SHARE CAPITAL OF TM INTERNATIONAL ("PROPOSED SHAREHOLDERS' MANDATE"). IN ADDITION, TM AND TM INTERNATIONAL PROPOSES TO ALLOW EMPLOYEE PROVIDENT FUND BOARD ("EPF") TO SUBSCRIBE TO UP TO 30% OF THE NEW TM INTERNATIONAL SHARES TO BE ISSUED UNDER THE PROPOSED SHAREHOLDERS' MANDATE;

(D) PROPOSED EMPLOYEES' SHARE OPTION SCHEME FOR ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTOR(S) OF THE TM GROUP ("PROPOSED OPTION SCHEME"). IN ADDITION, IN CONJUNCTION WITH THE PROPOSED OPTION SCHEME, TM PROPOSES TO GRANT THE FOLLOWING:

(I) AN OPTION TO DATO' SRI ABDUL WAHID OMAR, TM'S GROUP CHIEF EXECUTIVE OFFICER, TO PURCHASE UP TO 2 MILLION TM SHARES; AND

(II) AN OPTION TO MOHD AZIZI ROSLI, AN EMPLOYEE OF TM AND WHO IS A SON OF ROSLI MAN, A DIRECTOR OF TM, TO PURCHASE UP TO 6,000 TM SHARES;

(E) PROPOSED ACQUISITION BY TM INTERNATIONAL AND INDOCEL HOLDING SDN BHD ("INDOCEL") FROM KHAZANAH NASIONAL BERHAD ("KHAZANAH") COMPRISING:

- PROPOSED ACQUISITION BY TM INTERNATIONAL FROM KHAZANAH OF 35,965,998 REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF USD0.01 EACH IN SUNSHARE AND 2 CLASS A ORDINARY SHARES OF USD1.00 EACH IN SUNSHARE, COLLECTIVELY REPRESENTING APPROXIMATELY 49% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SUNSHARE FOR A PURCHASE CONSIDERATION OF RM155 MILLION; AND

- PROPOSED ACQUISITION BY INDOCEL FROM KHAZANAH OF 1,191,553,500 ORDINARY SHARES OF INDONESIAN RUPIAH 100 EACH IN PT EXCELCOMINDO PRATAMA TBK ("XL"), REPRESENTING APPROXIMATELY 16.81% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF XL, FOR A PURCHASE CONSIDERATION OF RM1,425 MILLION;

WHEREBY THE AGGREGATE PURCHASE CONSIDERATION OF RM1,580 MILLION WILL BE SATISFIED BY THE ISSUANCE OF:

(I) 176,000,000 NEW TM INTERNATIONAL SHARES AT AN ISSUE PRICE OF APPROXIMATELY RM8.98 PER TM INTERNATIONAL SHARE IF THE PROPOSED DEMERGER BECOMES UNCONDITIONAL; OR

(II) 4,500,000 NEW TM INTERNATIONAL SHARES AT AN ISSUE PRICE OF APPROXIMATELY RM351.11 PER TM INTERNATIONAL SHARE IF THE PROPOSED DEMERGER DOES NOT BECOME UNCONDITIONAL

(COLLECTIVELY, THE "PROPOSED ACQUISITION"); AND

(F) PROPOSED EXEMPTION FOR KHAZANAH FROM THE OBLIGATION TO CARRY OUT A MANDATORY TAKE-OVER OFFER ON THE REMAINING VOTING SHARES OF TM INTERNATIONAL NOT OWNED BY KHAZANAH ("PROPOSED EXEMPTION")

PART B

INDEPENDENT ADVICE LETTER FROM PUBLIC INVESTMENT BANK BERHAD TO NON-INTERESTED SHAREHOLDERS ON THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION

DEFINITIONS

The following definitions are applicable throughout this Circular unless the context requires otherwise:

3G Spectrum Assignment	:	Spectrum Assignment No. SA/01/2003 granted to our Company dated 2 April 2003 over the following frequency bands with effect from 2 April 2003 until 1 April 2018: (i) 1950 MHz - 1965 MHz; (ii) 2140 MHz - 2155 MHz; and (iii) 2020 MHz - 2025 MHz, as varied by the variations to the Spectrum Assignment No. SA/01/2003 dated 14 March 2007 and 15 November 2007
Act	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
ARPU	:	Average revenue per user
Assumptions	:	Assumptions used for illustrating certain effects relating to the Proposals in this Circular which comprise the following: (i) issuance of 137.6 million TM Shares, representing approximately 4% of our Company's issued and paid-up share capital, under the Proposed Option Scheme, which is assumed to be completed before the Proposed Demerger, with an assumed Option exercise price of RM10.30 (based on the 5-day volume-weighted average market price of TM Shares up to the LPD at a discount of approximately 10%); (ii) for Scenario 1, issuance of 357.7 million Issue Shares pursuant to the Proposed Shareholders' Mandate, representing approximately 10% of TM International's issued and paid-up share capital after the Proposed Demerger, at the Issue Price of RM2.28 per Issue Share, representing the proforma consolidated net book value per TM International Share after the Proposed Demerger as at 31 December 2006; and (iii) for Scenario 2, issuance of 3.6 million Issue Shares pursuant to the Proposed Shareholders' Mandate, representing approximately 10% of TM International's existing issued and paid-up share capital, at the Issue Price of RM90.27 per Issue Share, representing the consolidated net book value per TM International Share as at 31 December 2006
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad
Bursa Securities LR	:	Listing Requirements of Bursa Securities
By-Laws	:	By-Laws governing the Proposed Option Scheme
CDS	:	Central Depository System
Celcom	:	Celcom (Malaysia) Berhad, a wholly-owned subsidiary of TESB
Celcom Group	:	Celcom and its subsidiaries
Celcom Shares	:	Ordinary shares of RM1.00 each in Celcom
CIMB	:	CIMB Investment Bank Berhad
Code	:	Malaysian Code on Take-Overs and Mergers, 1998, as amended from time to time
Consideration Shares	:	New TM International Shares to be issued under the Proposed Acquisition

DEFINITIONS *(cont'd)*

CTX	:	Celcom Transmission (M) Sdn Bhd, a wholly-owned subsidiary of Celcom
Cut-Off Date	:	31 December 2007, in connection with the initial Offers made under the Proposed Option Scheme or such other date as the Options Committee may determine in its absolute discretion, in connection with any subsequent Offers made under the Proposed Option Scheme
Demerger Agreement	:	An agreement entered into by our Company, TESB, TM International, Celcom and CTX on 10 December 2007, to give effect to the Proposed Internal Restructuring
Dialog	:	Dialog Telekom PLC *(formerly known as Dialog Telekom Limited)*, an indirect 84.81%-owned subsidiary of TM International
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EGM	:	Extraordinary general meeting
Eligible Employee	:	An employee or Executive Director of the TM Group (other than subsidiaries which are incorporated out of Malaysia and/or are dormant) who meets the criteria of eligibility for participation in the Proposed Option Scheme
Entitled Shareholders	:	Shareholders of our Company whose names appear in our Company's Register of Members or Record of Depositors as at the Entitlement Date
Entitlement Date	:	A date (to be determined and announced later) on which our Company's shareholders must be registered in our Company's Register of Members or Record of Depositors as at 5.00 p.m. in order to participate in the Proposed Distribution
EPF	:	Employee Provident Fund Board
EPS	:	Earnings per share
Executive Director	:	Director of our Company or any of our subsidiaries who is on the payroll of our Company or any of our subsidiaries and who is involved in the day-to-day management of our Company or any of our subsidiaries
Ex-Date	:	The date that TM Shares trade ex-entitlement pursuant to the Proposed Demerger
Fibrecomm	:	Fibrecomm Network (M) Sdn Bhd, a 51%-owned subsidiary of CTX
Fibrecomm Shares	:	Ordinary shares of RM1.00 each in Fibrecomm
FIC	:	Foreign Investment Committee
Grantee	:	Eligible Employee who has accepted an Offer
Hijrah Bonds	:	Sukuk Ijarah issued by Hijrah Pertama and constituted by a trust deed dated 6 July 2007 entered into between Hijrah Pertama and Amanah Raya Berhad
Hijrah Pertama	:	Hijrah Pertama Berhad *(formerly known as Hijrah Pertama Sdn Bhd, formerly known as Malaysian Logistics Sdn Bhd)*, a wholly-owned subsidiary of TM
Indocel	:	Indocel Holding Sdn Bhd, which is a wholly-owned subsidiary of TM International (L) Limited, which in turn is a wholly-owned subsidiary of TM International
Issue Price	:	Issue price per Issue Share under the Proposed Shareholders' Mandate to be determined
Issue Shares	:	New TM International Shares to be issued under the Proposed Shareholders' Mandate

Khazanah	:	Khazanah Nasional Berhad
LPD	:	31 January 2008, being the latest practicable date before the printing of this Circular
M1	:	MobileOne Ltd, a 29.69%-owned associated company of SunShare
Mandatory Offer	:	Mandatory take-over offer under the Code
Market Day	:	Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Allowable Allocation	:	The maximum aggregate number of Underlying Shares in respect of which Offers may be made to Eligible Employees
MHz	:	Megahertz
MoF Inc	:	Minister of Finance, Incorporated
NDP	:	National Development Policy
Offer	:	An offer made in writing by the Trustee to an Eligible Employee of an Option to purchase the Underlying Shares
Offer Date	:	The date of the letter containing an Offer made to an Eligible Employee by the Trustee
Option	:	The right of a Grantee to purchase a certain number of the Underlying Shares under a contract constituted by the Grantee's acceptance of an Offer
Option Period	:	A period from the date that an Offer is accepted and expiring on the last day of the validity period of the Proposed Option Scheme
Options Committee	:	The committee appointed by our Board to instruct the Trustee with regards to the grant of the Options and other benefits under the Proposed Option Scheme to Eligible Employees
PAT	:	Profit after taxation
PATAMI	:	PAT and after minority interests, being profit attributable to shareholders/equity holders
PBT	:	Profit before taxation
PIVB	:	Public Investment Bank Berhad
Proposals	:	Proposed Demerger, Proposed Listing, Proposed Shareholders' Mandate, Proposed Issue to EPF, Proposed Option Scheme, Proposed Grant of Options, Proposed Acquisition, and Proposed Exemption, collectively
Proposed Acquisition	:	Proposed acquisition by TM International and Indocel from Khazanah of equity interests in SunShare and XL
Proposed Demerger	:	Proposed demerger of the TM Group comprising the Proposed Internal Restructuring and Proposed Distribution, collectively
Proposed Distribution	:	Proposed distribution by our Company to the Entitled Shareholders of our entire holding of and rights to TM International Shares following the Proposed Internal Restructuring
Proposed Exemption	:	Proposed exemption for Khazanah from the obligation to carry out the Mandatory Offer on the remaining voting shares in TM International not owned by Khazanah under Scenario 1
Proposed Grant of Option to Dato' Sri Abdul Wahid Omar	:	Proposed grant of an Option to Dato' Sri Abdul Wahid Omar to purchase up to 2 million TM Shares under the Proposed Option Scheme

Proposed Grant of Option to Mohd Azizi Rosli	:	Proposed grant of an Option to Mohd Azizi Rosli to purchase up to 6,000 TM Shares under the Proposed Option Scheme
Proposed Grant of Options	:	Proposed Grant of Option to Dato' Sri Abdul Wahid Omar and Proposed Grant of Option to Mohd Azizi Rosli, collectively
Proposed Internal Restructuring	:	Proposed internal restructuring of the TM Group, which involves the following transactions: (i) CTX, a wholly-owned subsidiary of Celcom, transferring its entire 51% equity interest in Fibrecomm to TESB for a consideration of RM33 million; (ii) TESB, a wholly-owned subsidiary of our Company, transferring its entire 100% equity interest in Celcom to TM International for a consideration of RM4,677 million; (iii) our Company transferring our entire holding of SunShare RCPS to TM International for a consideration of RM141 million; and (iv) settlement of net amount owing by the Proposed TM International Group to the Proposed TM Group as at 30 November 2007 of RM3,041 million; whereby the net consideration of RM7,826 million will be satisfied as follows: (i) RM3,801 million shall be satisfied through the issuance of such number of new TM International Shares by TM International in favour of our Company or our nominee(s) at an issue price to be determined such that the enlarged number of TM International Shares (after the Proposed Demerger) is the same as the number of TM Shares in issue as at the Entitlement Date; (ii) RM2,925 million shall be satisfied by way of an amount owing from TM International to our Company at a finance cost of 5.90% per annum; and (iii) RM1,100 million shall be satisfied by way of an amount owing from TM International to our Company at a finance cost of 6.72% per annum. In addition, as part of the Proposed Internal Restructuring, our Company proposes to transfer the 3G Spectrum Assignment to Celcom on an 'as is where is basis', for a consideration of RM40.1 million to be satisfied in cash
Proposed Issue to EPF	:	Proposed issuance by TM International to EPF of up to 30% of the number of Issue Shares to be issued under the Proposed Shareholders' Mandate
Proposed Listing	:	Proposed listing of the entire issued and paid-up ordinary share capital of TM International on the Main Board of Bursa Securities
Proposed Option Scheme	:	Proposed employees' share option scheme for Eligible Employees of the TM Group involving the issuance of up to 4% of the issued and paid-up share capital of our Company as at the effective date of the scheme
Proposed Shareholders' Mandate	:	Proposed shareholders' mandate to be sought by TM International for the issuance of up to 10% of TM International's issued and paid-up share capital pursuant to Section 132D of the Act
Proposed TM Group	:	Our Company and our subsidiaries upon completion of the Proposed Demerger
Proposed TM International Group	:	TM International and its subsidiaries upon completion of the Proposed Internal Restructuring

DEFINITIONS *(cont'd)*

Purchase Consideration	:	The aggregate purchase consideration for the Sale Shares of RM1,580 million comprising the following: (i) RM155 million for 35,965,998 SunShare RCPS and 2 SunShare Shares; and (ii) RM1,425 million for 1,191,553,500 XL Shares
Sale Shares	:	35,965,998 SunShare RCPS, 2 SunShare Shares, and 1,191,553,500 XL Shares, collectively
SASB	:	Skim Amanah Saham Bumiputera
SC	:	Securities Commission
Scenario 1	:	A potential outcome whereby the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement
Scenario 2	:	A potential outcome whereby the Proposed Demerger does not become unconditional in accordance with the terms and conditions of the Demerger Agreement
Senior Management	:	Persons holding senior managerial positions nominated at any time and from time to time by the Options Committee whether through identification of a level of employment scale or by name, to be prescribed as Senior Management
SPA	:	An agreement entered into between TM International, Indocel and Khazanah on 6 February 2008 for the Proposed Acquisition
Special Dividend	:	Special gross dividend of our Company of 65 sen per TM Share less tax of 26% (representing net dividend of 48.1 sen per TM Share or RM1,654.5 million)
Spice	:	Spice Communications Limited an indirect 39.2%-owned jointly-controlled entity of TM International
SunShare	:	SunShare Investments Ltd
SunShare RCPS	:	Redeemable convertible preference shares of USD0.01 each in SunShare
SunShare Shares	:	Class A ordinary shares of USD1.00 each in SunShare
TESB	:	Telekom Enterprise Sdn Bhd, a wholly-owned subsidiary of our Company
TMIB	:	TM International (Bangladesh) Limited, an indirect 70%-owned subsidiary of TM International
TMIC	:	Telekom Malaysia International (Cambodia) Company Limited, a wholly-owned subsidiary of TM International
TM or Company	:	Telekom Malaysia Berhad
TM Group	:	Our Company and our subsidiaries
TM International	:	TM International Berhad
TM International Shares	:	Ordinary shares of RM1.00 each in TM International
TM International Group	:	TM International and its subsidiaries
TM Shares	:	Ordinary shares of RM1.00 each in our Company
Trust Deed	:	Deed of Trust to be entered into between our Company and the Trustee to govern the trust in connection with the Underlying Shares to be held by the Trustee for the benefit of the Grantees and our Company under the Proposed Option Scheme
Trustee	:	A trustee to be appointed in accordance with the Trust Deed

Underlying Companies	:	Our Company and TM International (from the Ex-Date)
Underlying Shares	:	Shares comprised in the Options being TM Shares and, if such Options are exercised on or after the Ex-Date, both TM Shares and TM International Shares
XL	:	PT Excelcomindo Pratama Tbk, an indirect 66.99%-owned subsidiary of TM International
XL Shares	:	Ordinary shares of IDR100 each in XL
RM and sen	:	Ringgit Malaysia and sen respectively
IDR	:	Indonesian Rupiah
SGD	:	Singapore Dollar
USD	:	United States of America Dollar

All references to "**our Company**" or "**TM**" in this Circular are to Telekom Malaysia Berhad, references to "**our Group**" or "**TM Group**" are to our Company and our subsidiaries and references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company, and save where the context otherwise requires, our subsidiaries.

All references to "**you**" in this Circular are to the shareholders of our Company.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations.

All references to the time of day in this Circular are references to Malaysian time.

This Circular includes forward-looking statements. All statements other than statements of historical facts in this Circular, including, without limitation, those regarding the future business strategies and future plans of the Proposed TM Group, Proposed TM International Group, SunShare and M1 are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the future business strategies and the environment in which the Proposed TM Group, Proposed TM International Group, SunShare and M1 will operate in the future. Such forward-looking statements reflect the Proposed TM Group's and Proposed TM International Group's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "**may**", "**will**", "**would**", "**could**", "**believe**", "**expect**", "**anticipate**", "**intend**", or similar expressions and include all statements that are not historical facts.

The actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond the Proposed TM Group's and Proposed TM International Group's control, including, without limitation:

(i) the economic, political and investment environment in the countries in which the Proposed TM Group and Proposed TM International Group operates, which include, amongst others, Malaysia, Indonesia, Sri Lanka, Bangladesh, and Cambodia; and

(ii) government policy, legislation or regulation in the respective countries in which the Proposed TM Group and the Proposed TM International Group operates.

There can be no assurance that the forward-looking statements made in this Circular will be realised. Such forward-looking statements are made only as at the date of this Circular. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Circular to reflect any change in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

CONTENTS

APPENDICES

EXECUTIVE SUMMARY

(To be read together with the full text of this Circular)

THE PROPOSED DEMERGER AND PROPOSED LISTING

We propose to undertake a demerger of the TM Group with the purpose of creating 2 separate entities with distinct business strategies and aspirations.

The Proposed Demerger is a 2-step process:

(i) firstly, we will undertake an internal restructuring exercise which involves a series of transactions resulting in all of the mobile and non-Malaysian businesses of TM Group being held under TM International (presently our wholly-owned subsidiary).

(ii) secondly, to demerge, we will distribute all of our holdings of and rights to shares in TM International by way of dividend to you. You will receive 1 TM International Share for each TM Share that you hold as at the Entitlement Date. After this step, TM International will no longer be part of the TM Group. TM International is proposed to be listed on the Main Board of Bursa Securities after the Proposed Demerger.

The TM Group post-demerger will carry out the fixed-line voice, data and broadband services and other telecommunication and non-telecommunication related businesses.

TM

Proposed TM International Group

- Regional mobile telecommunications provider with unique collection of regional assets
- Strong growth profile with steady cashflow from Celcom
- Synergies driven from portfolio of operating entities
- Well-positioned to enter emerging markets
- Aspires to become the leading mobile operator in South / South East Asia

Proposed TM Group

- Leading domestic fixed-line and broadband provider in Malaysia
- Potential upside from operational efficiencies
- Broadband growth engine
- Strong financial position
- Capital management strategy with attractive dividend policy
- Aspires to become the leading next generation communications provider in Malaysia

WHAT YOU WILL RECEIVE

You will receive 1 TM International Share for every 1 TM Share that you hold, from the Proposed Demerger.

To illustrate, if you hold 100 TM Shares as at the Entitlement Date, you will receive 100 TM International Shares while continuing to hold your 100 TM Shares. After the Proposed Demerger, you would therefore hold 100 TM Shares **and** 100 TM International Shares.

You do not need to make any payment nor take any action to receive your entitlement to the TM International Shares upon implementation of the Proposed Demerger.

This Circular has been issued to you to seek your approval for the Proposed Demerger, amongst other proposals.

EXECUTIVE SUMMARY
(To be read together with the full text of this Circular)

RATIONALE: WHY DEMERGE?

We expect the creation of 2 separate entities to result in:

(i) greater organisational focus and improved execution capacity to better pursue different strategies in a more focused way;

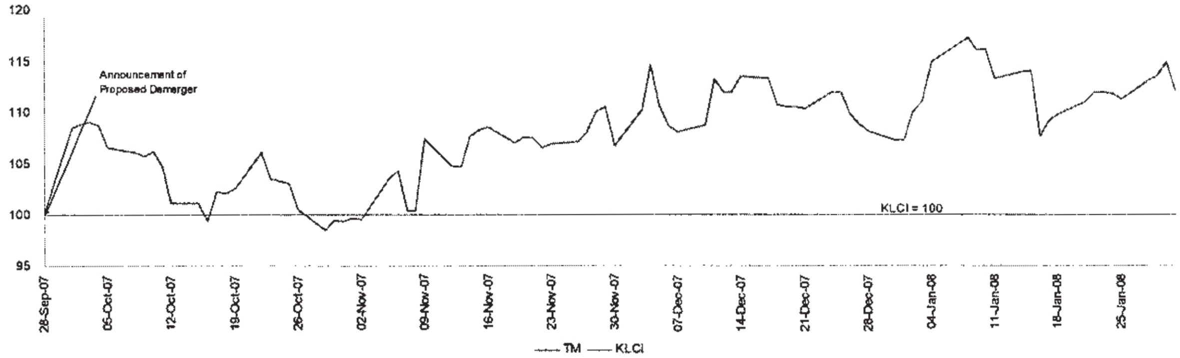
(ii) greater transparency on the performance of each entity resulting in the development of a more focused shareholder base, which facilitates a business-centric valuation of the separate entities;

(iii) each entity will have the opportunity to undertake tailored capital management initiatives and pursue specific dividend policies and investor relations strategies. In addition, the Proposed TM International Group is also expected to benefit from an increased deal structuring capability with its enhanced profile as a successful and growing focused mobile operator; and

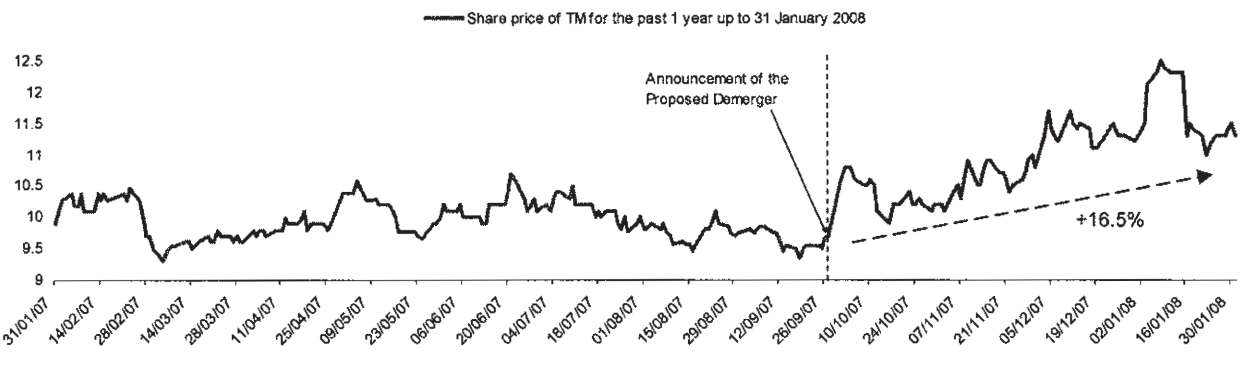
(iv) the entities having the freedom to pursue their different and distinct aspirations and strategies.

VALUE TO SHAREHOLDERS

The Proposed Demerger has received positive market response from the investment community, including the financial analysts. Empirically, this can be seen from the movement of our share price after the announcement of the Proposed Demerger on 28 September 2007. Since 28 September 2007 up to 31 January 2008 (the LPD), TM outperformed the Kuala Lumpur Composite Index ("**KLCI**") by 12%.



Further, the market price of our shares has increased by 16.5%*1 from the date of the announcement of the Proposed Demerger up to the LPD. We set out below our share price movement for the past 1 year up to 31 January 2008.



Note:

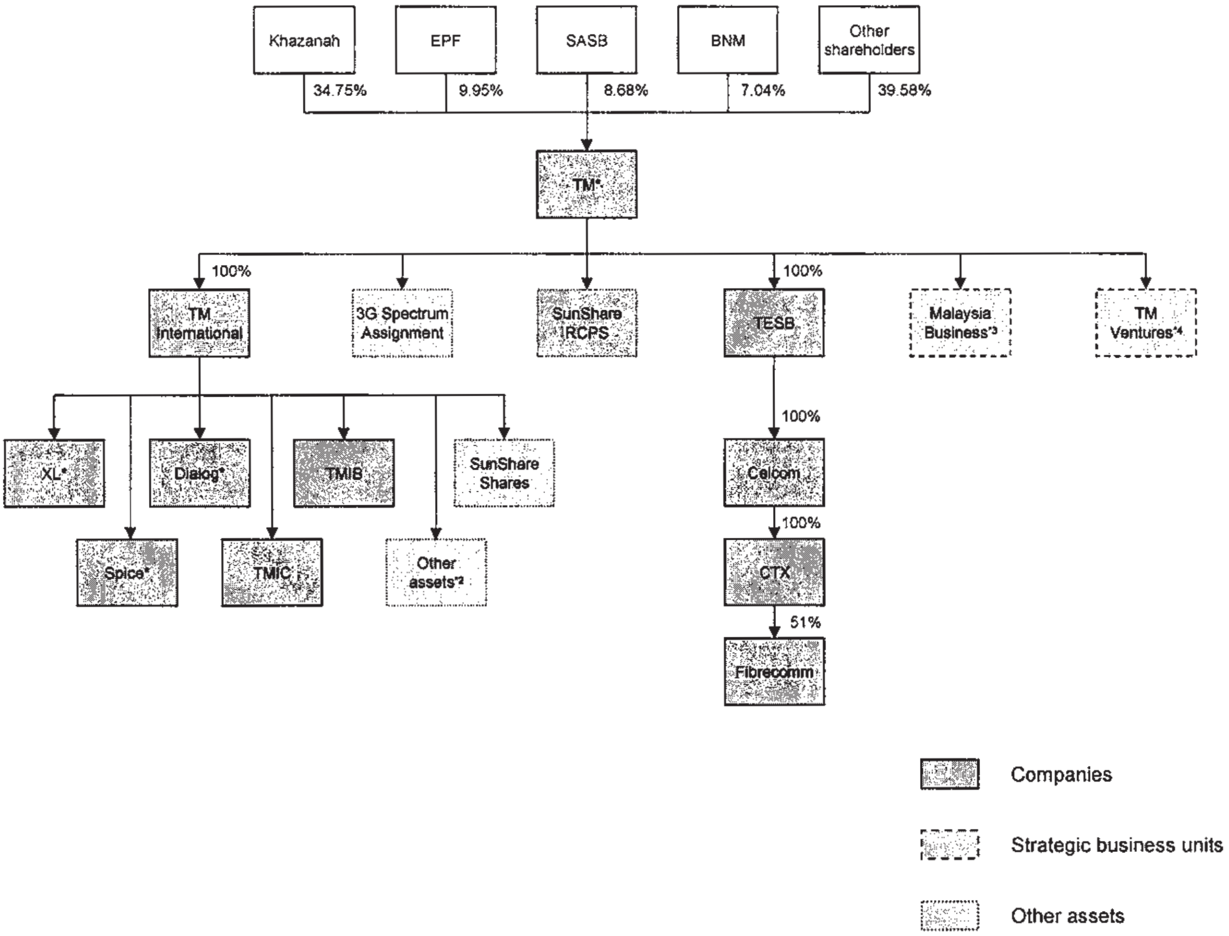
*1 *On 16 January 2008, our share price was adjusted downwards by 65 sen for the Special Dividend.*

On the Ex-Date, the market price of TM Shares will be adjusted downwards by Bursa Securities. You should note that the ex-entitlement price of TM Shares will theoretically represent the current value of TM Shares less adjustment for the value of TM International Shares to be distributed to you.

EXECUTIVE SUMMARY
(To be read together with the full text of this Circular)

We have set out below the existing group structure of the TM Group.

Before the Proposed Demerger[*1]:



Notes:

*1 *As at the LPD, adjusted for the Proposed Option Scheme based on the Assumptions.*

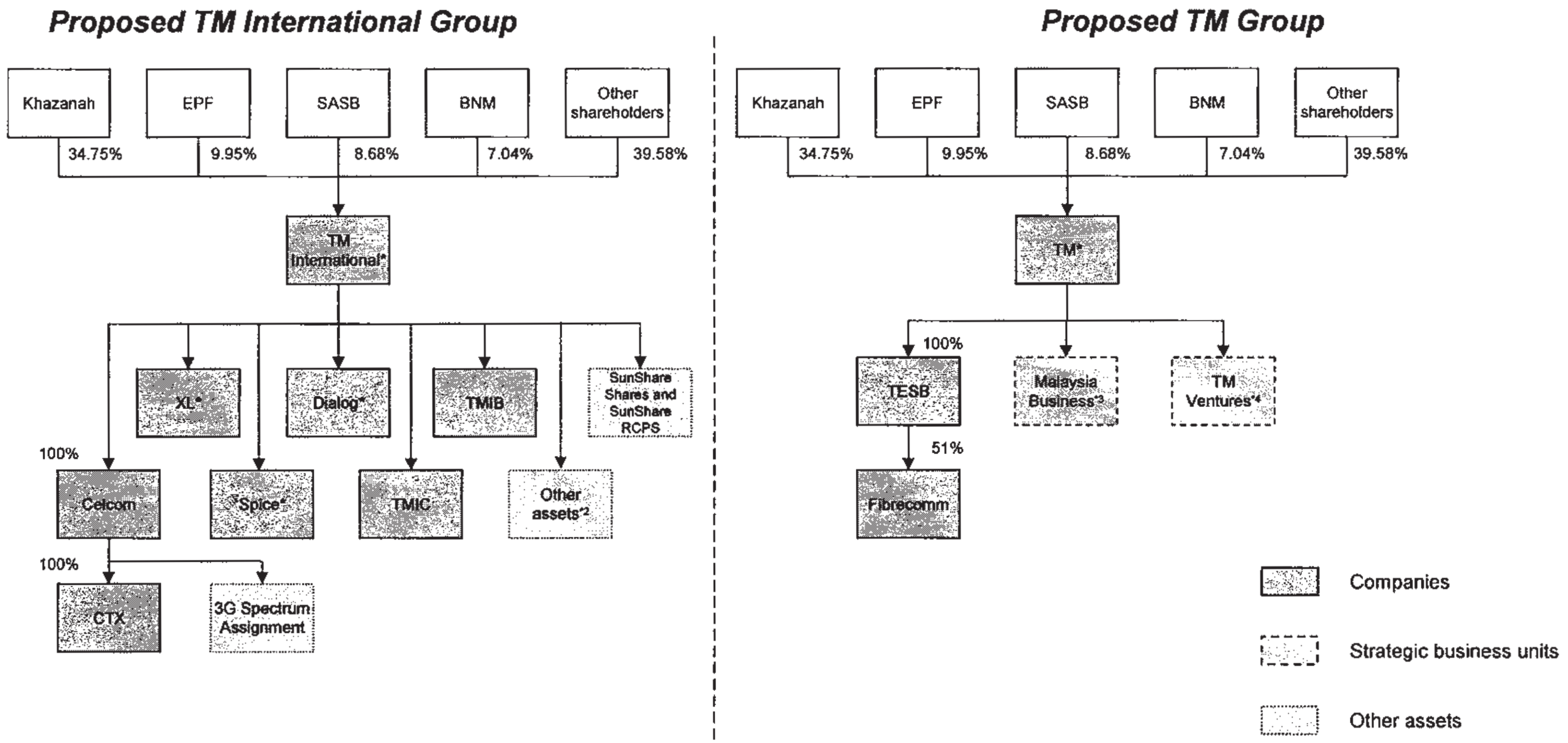
*2 *Includes 49% of Mobile Telecommunications Company of Esfahan (“**MTCE**”), 89% of Multinet Pakistan (Private) Limited (“**Multinet**”), 18.97% of Samart Corporation Public Company Limited* (“**Samart**”), 35.58% effective interest in Samart I-Mobile Public Company Limited* (“**SIM**”), and 15.14% effective interest in M1*.*

*3 *Strategic business unit, comprising mainly fixed-line and broadband businesses.*

*4 *Strategic business unit, comprising amongst others, 64.83% of VADS Berhad*, 54% of Fiberail Sdn Bhd, 100% of Universiti Telekom Sdn Bhd, 100% of Menara Kuala Lumpur Sdn Bhd, 100% of TM Info-Media Sdn Bhd, 100% of TM Facilities Sdn Bhd and property holdings.*

* *Publicly listed companies.*

A diagrammatic illustration of the proposed group structures of the 2 entities post-demerger (namely, the Proposed TM International Group and the Proposed TM Group) is set out below[*1]:



Notes:

*1 *As at the LPD, adjusted for the Proposed Option Scheme based on the Assumptions.*

*2 *Includes 49% of MTCE, 89% of Multinet, 18.97% of Samart*, 35.58% effective interest in SIM*, and 15.14% effective interest in M1*.*

*3 *Strategic business unit, comprising mainly fixed-line and broadband businesses.*

*4 *Strategic business unit, comprising amongst others, 64.83% of VADS Berhad*, 54% of Fiberail Sdn Bhd, 100% of Universiti Telekom Sdn Bhd, 100% of Menara Kuala Lumpur Sdn Bhd, 100% of TM Info-Media Sdn Bhd, 100% of TM Facilities Sdn Bhd and property holdings.*

* *Publicly listed companies.*

EXECUTIVE SUMMARY

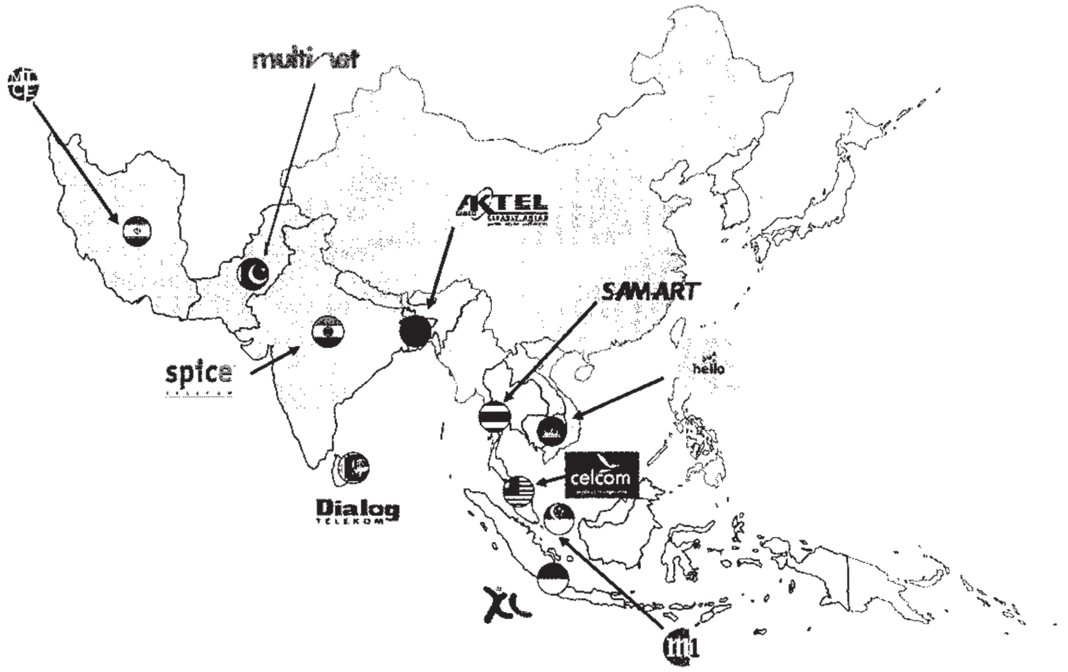
(To be read together with the full text of this Circular)

PROPOSED TM INTERNATIONAL GROUP'S ASPIRATION AND MARKET PRESENCE

THE PROPOSED TM INTERNATIONAL GROUP ASPIRES TO BECOME THE LEADING MOBILE OPERATOR IN SOUTH / SOUTH EAST ASIA

Post-Demerger, the Proposed TM International Group shall undertake the mobile and non-Malaysian businesses of the TM Group.

The Proposed TM International Group (including its jointly-controlled entities and associated companies) has a significant presence in 10 countries, 8 of which are in the provision of mobile telecommunications services, as illustrated below:



Mobile telecommunications services

	Country	Operating company
(1)	Malaysia	Celcom
(2)	Indonesia	XL[*1]
(3)	Sri Lanka	Dialog[*1]
(4)	Bangladesh	TMIB
(5)	Cambodia	TMIC
(6)	India	Spice[*1]
(7)	Singapore	M1[*1]
(8)	Iran	MTCE

Non-mobile telecommunications services

	Country	Operating company
(9)	Pakistan	Multinet[*2]
(10)	Thailand	Samart[*1,3] SIM[*1,3]

Notes:

[*1] *Publicly listed companies.*

[*2] *Provision of fibre optic network services and broadband services.*

[*3] *Design, implementation and installation of telecommunication systems, content provider and distribution of telecommunication equipment.*

PROPOSED TM GROUP'S ASPIRATION AND MARKET PRESENCE

THE PROPOSED TM GROUP ASPIRES TO BECOME THE LEADING NEXT GENERATION COMMUNICATIONS PROVIDER IN MALAYSIA, EMBRACING CUSTOMER NEEDS THROUGH INNOVATIONS AND EXECUTION EXCELLENCE

The Proposed TM Group will carry on the retail, domestic and global wholesale fixed-line voice, data and broadband services and other telecommunication and non-telecommunication related businesses.

The Proposed TM Group is the leading domestic fixed-line and broadband provider with the following:

- 95% market share in the fixed-line business (4.4 million fixed-line subscribers as at 30 September 2007); and
- 96% market share of broadband business (1.2 million broadband subscribers as at 30 September 2007).

(Source: Company data and statistics from the Malaysian Communications and Multimedia Commission)

OUR OTHER PROPOSALS:

(i) PROPOSED SHAREHOLDERS' MANDATE

Our wholly-owned subsidiary, TM International, is seeking a shareholders' mandate to issue up to 10% of its issued and paid-up share capital under Section 132D of the Act.

This will provide flexibility for TM International to take advantage of near term business and investment opportunities as and when fund raising is required. Such issuance of new TM International Shares may be carried out either in conjunction with the Proposed Listing or after the Proposed Listing.

Whilst we are the only shareholder of TM International and can approve the shareholders' mandate for TM International, you will be a shareholder of TM International after the Proposed Demerger. As such, we seek your approval for us to approve the Proposed Shareholders' Mandate in our current capacity as TM International's shareholder.

In respect of the Proposed Shareholders' Mandate, we and TM International propose to allow EPF to subscribe to up to 30% of the number of Issue Shares to be issued under the Proposed Shareholders' Mandate so as to secure the long term commitment of EPF to the Proposed TM International Group, which reflects the continued confidence and support of EPF in the Proposed TM International Group going forward.

As EPF is our major shareholder (but not the single largest shareholder) holding 10% of our issued and paid-up share capital, your approval is required for the issuance and allotment of TM International Shares to EPF.

(ii) PROPOSED OPTION SCHEME

In line with our previous remuneration packages which include share options for our employees, we propose to establish a new employees' option scheme for the participation of Eligible Employees of the TM Group, given that the prior option scheme expired in July 2007.

This Proposed Option Scheme is to recognise the role of all the employees of the TM Group in their contribution to building 2 strong businesses within the TM Group (which we have proposed to be demerged into the Proposed TM Group and the Proposed TM International Group). We expect the Proposed Option Scheme to encourage our employees (regardless of their designation in either entity post-demerger) to remain focused and committed towards the successful completion of the Proposed Demerger.

- The size of the scheme will not exceed 4% of the share capital of our Company as at the effective date of implementation of the Proposed Option Scheme ("**Effective Date**").
- Full time employees within the TM Group subject to meeting eligibility criteria, will be eligible to participate.
- The scheme will be in force for 18 months from the Effective Date when all relevant approvals/conditions have been obtained and/or complied with.
- We expect to implement the scheme in the first quarter of 2008.

To operate this scheme, a trust will be set up to hold the new TM Shares and other related benefits to be granted to Eligible Employees of the TM Group. Our Board will appoint a Trustee which will first subscribe for these new TM Shares and will hold these shares for and on behalf of the Eligible Employees. The Trustee will make offers to Eligible Employees for the option to purchase these TM Shares. These TM Shares are entitled to TM International Shares under the Proposed Demerger. As such, after the Proposed Demerger, Eligible Employees who have been granted the option to purchase TM Shares shall have the right to purchase TM Shares and TM International Shares. This scheme also allows an Eligible Employee who has accepted an offer ("**Grantee**") to participate in a selling flexibility arrangement whereby, upon the exercise of the option by the Grantee, the Trustee will immediately sell the TM Shares and/or TM International Shares allocated to the Grantee. The Grantee will then receive the proceeds of such sale (net of transaction costs and acquisition monies for the shares).

In respect of the Proposed Option Scheme, we are also seeking your specific approval for the grant of options to Dato' Sri Abdul Wahid Omar and Mohd Azizi Rosli.

(iii) PROPOSED ACQUISITION

Under the Proposed Acquisition, the TM International Group will acquire all of Khazanah's equity stakes in SunShare and XL.

SunShare is presently a jointly-controlled entity between our Group and Khazanah. Currently, our Company and TM International collectively holds a 51% equity interest in SunShare, which has a 29.69% direct equity interest in M1, a mobile telecommunications service provider in Singapore. Upon completion of the Proposed Internal Restructuring, the 51% equity interest in SunShare will be held solely by TM International.

The acquisition of SunShare RCPS and SunShare Shares under the Proposed Acquisition would allow the TM International Group to increase the economic interest it derives from M1 from an effective equity interest of 15.14% to a more meaningful level of 29.69% upon completion of the Proposed Acquisition. This will enable the TM International Group to continue to strengthen its regional footprint in Singapore where M1 is the third largest mobile telecommunications service provider as at 30 September 2007, according to Frost & Sullivan.

The Proposed Acquisition provides the TM International Group with the opportunity to acquire an additional 16.81% stake in XL, one of its key subsidiaries in a high growth market, to increase the TM International Group's exposure to 83.80% from 66.99%. The 3-year compounded annual growth rate ("**CAGR**") between 2004 and 2006 of XL's net revenue is 34.4%.

Our Board expects that the Proposed Acquisition would increase the TM International Group's earnings per share in the near term and enhance its growth profile.

(iv) PROPOSED EXEMPTION

The Proposed Exemption only applies in respect to the Proposed Acquisition if the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement, i.e. under Scenario 1.

Under Scenario 1, as a result of Proposed Acquisition, Khazanah's equity interest in TM International will increase by more than 2% from 34.75% to 37.81% (based on Khazanah's shareholdings in our Company as at 31 January 2008, adjusted for effects of the Proposed Option Scheme based on the Assumptions). Premised on this, in accordance to the Code, Khazanah will be obliged to extend a Mandatory Offer to acquire the remaining TM International Shares not owned by Khazanah, which include your potential holding of TM International Shares arising from the Proposed Demerger.

Whilst it is the intention of the TM International Group to increase its equity stakes in SunShare and XL under the Proposed Acquisition, any take-over offer on TM International may lead to the privatisation of TM International, which is not in line with the objectives of the Proposed Demerger.

Your approval is required to exempt Khazanah from the obligation to carry out the Mandatory Offer on the remaining TM International Shares not owned by Khazanah upon the Proposed Acquisition becoming unconditional under Scenario 1.

If the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement, the Proposed Acquisition will become conditional upon the Proposed Exemption.

EXECUTIVE SUMMARY

(To be read together with the full text of this Circular)

We set out below a list of our Proposals for which we seek your approval at the forthcoming EGM.

(A) PROPOSED DEMERGER

Step 1	**Proposed Internal Restructuring** We propose to undertake an internal restructuring exercise which involves a series of transactions resulting in all of the mobile and non-Malaysian businesses being held under TM International, whilst our Group's fixed-line voice, data and broadband services and other telecommunication and non-telecommunication related businesses will be held under our Company.
Step 2	**Proposed Distribution** We will distribute all of our holdings of and rights to TM International Shares to you. As such, you will hold shares in TM International and be a shareholder of the Proposed TM International Group.

(B) PROPOSED LISTING

We propose to list the entire issued and paid-up ordinary share capital of TM International on the Main Board of Bursa Securities. For avoidance of doubt, our Company will remain listed as TM on the Main Board of Bursa Securities.

(C) PROPOSED SHAREHOLDERS' MANDATE

TM International is seeking a shareholders' mandate to issue up to 10% of its issued and paid-up share capital under Section 132D of the Act. This will provide flexibility for TM International to take advantage of near term business and investment opportunities as and when fund raising is required.

In conjunction with the Proposed Shareholders' Mandate, we and TM International propose to allow EPF to subscribe to up to 30% of the number of Issue Shares to be issued under the Proposed Shareholders' Mandate.

(D) PROPOSED OPTION SCHEME

We propose to establish an employees' share option scheme for Eligible Employees of our Group so as to reward our Eligible Employees for their collective contribution to our Group as well as to encourage and retain them during the transition period of the demerger.

In respect of the Proposed Option Scheme, our Company is also seeking your specific approval for the grant of options to Dato' Sri Abdul Wahid Omar and Mohd Azizi Rosli.

(E) PROPOSED ACQUISITION

TM International proposes to acquire the equity interests held by Khazanah, a substantial shareholder of our Company, in SunShare and XL. This will allow the Proposed TM International Group to increase its stake in SunShare from 51% to 100% (and raise its effective equity interest in M1 to 29.69%) and in XL from 66.99% to 83.80%, in line with its strategy for earnings enhancement.

(F) PROPOSED EXEMPTION

Your approval is sought to exempt Khazanah from the obligation to carry out a Mandatory Offer to acquire the remaining TM International Shares not held by Khazanah upon the Proposed Demerger and Proposed Acquisition becoming unconditional.

PART A

LETTER TO SHAREHOLDERS
IN RELATION TO THE PROPOSALS

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia under the Act)

Registered office:

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

20 February 2008

Directors:

Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor *(Chairman)*
Dato' Sri Abdul Wahid Omar *(Group Chief Executive Officer)*
Datuk Zalekha Hassan
Dato' Azman Mokhtar
Dato' Ir. Dr. Abdul Rahim Daud
Dato' Lim Kheng Guan
Y.B. Datuk Nur Jazlan Tan Sri Mohamed
Ir. Prabahar N. K. Singam
Encik Rosli Man
Puan Dyg Sadiah Abg Bohan *(Alternate Director to Datuk Zalekha Hassan)*

To: Our shareholders

Dear Sir/Madam

(A) PROPOSED DEMERGER;

(B) PROPOSED LISTING;

(C) PROPOSED SHAREHOLDERS' MANDATE;

(D) PROPOSED OPTION SCHEME;

(E) PROPOSED ACQUISITION; AND

(F) PROPOSED EXEMPTION

1. INTRODUCTION

1.1 On 28 September 2007, our Board announced that it has approved a proposed demerger of the TM Group to create 2 separate entities with distinct business strategies and aspirations.

1.2 On 10 December 2007, CIMB, on our behalf, announced that our Board had, amongst others, approved the final terms of the Proposed Demerger, which comprises the following:

(i) proposed internal restructuring of the TM Group to group the assets for the mobile and non-Malaysian businesses under TM International and the assets for the fixed-line voice, data and broadband businesses under our Company. Accordingly, our Company, TESB, TM International, Celcom and CTX had, on 10 December 2007, entered into the Demerger Agreement to give effect to the following transactions:

(a) CTX, a wholly-owned subsidiary of Celcom, transferring its entire 51% equity interest in Fibrecomm to TESB for a consideration of RM33 million;

(b) TESB, a wholly-owned subsidiary of our Company, transferring its entire 100% equity interest in Celcom to TM International for a consideration of RM4,677 million;

(c) our Company transferring our entire holding of SunShare RCPS to TM International for a consideration of RM141 million; and

(d) settlement of net amount owing by the Proposed TM International Group to the Proposed TM Group as at 30 November 2007 of RM3,041 million;

whereby the net consideration of RM7,826 million will be satisfied as follows:

(a) RM3,801 million shall be satisfied through the issuance of such number of new TM International Shares at an issue price to be determined such that the enlarged number of TM International Shares (after the Proposed Demerger) is the same as the number of TM Shares in issue as at the Entitlement Date;

(b) RM2,925 million shall be satisfied by way of an amount owing from TM International to our Company at a finance cost of 5.90% per annum; and

(c) RM1,100 million shall be satisfied by way of an amount owing from TM International to our Company at a finance cost of 6.72% per annum.

In addition, as part of the Proposed Internal Restructuring, our Company proposes to transfer the 3G Spectrum Assignment to Celcom on an 'as is where is basis', for a consideration of RM40.1 million to be satisfied in cash; and

(ii) proposed distribution by our Company to the Entitled Shareholders of our entire holding of and rights to TM International Shares.

1.3 The entire issued and paid-up ordinary share capital of TM International is proposed to be listed on the Main Board of Bursa Securities.

1.4 On 10 December 2007, CIMB also announced that our Board proposes the following:

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

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

(iii) to pay a special gross dividend of 65 sen per share less tax of 27% (representing a net dividend of 47.45 sen per share or RM1,632,189,693.16) in respect of the financial year ending 31 December 2007, to the shareholders of our Company.

1.5 Further to the announcement, on 16 January 2008, we announced the revision in the income tax rate for the Special Dividend from 27% to 26% for the year 2008 in line with the Finance Act 2007 gazetted on 28 December 2007. As such, the special net dividend was 48.1 sen or RM1,654,548,456.08, and was paid on 31 January 2008.

1.6 On 28 January 2008, CIMB, on our behalf, announced that we have obtained approvals from the following:

(i) MoF Inc, as the holder of our Company's Special Rights Redeemable Preference Share, through its letter dated 22 January 2008, for the Proposed Demerger; and

(ii) the SC, through its letter dated 24 January 2008, in respect of the application by TESB and TM International for an exemption and a ruling from take-over obligations arising from the Proposed Internal Restructuring.

1.7 On 4 February 2008, CIMB, on our behalf, announced that we have obtained the approval of the SC and SC (on behalf of the FIC), through its letter dated 30 January 2008, for the Proposed Demerger, Proposed Listing and issuance of up to 10% of the issued and paid-up share capital of TM International.

1.8 On 6 February 2008, CIMB, on our behalf, announced that on the same date, our wholly-owned subsidiary, TM International, and an indirectly-owned subsidiary of TM International, Indocel, have entered into a Sale and Purchase Agreement with Khazanah to acquire all of Khazanah's equity interests in SunShare and XL to be satisfied through the issuance of new TM International Shares.

Upon the Proposed Acquisition becoming unconditional pursuant to the Proposed Demerger becoming unconditional in accordance with the terms and conditions of the Demerger Agreement, Khazanah will have the obligation to carry out a Mandatory Offer to acquire the remaining TM International Shares not held by Khazanah, in accordance to Section 6, Part II of the Code. Your approval and the SC's approval is required for the exemption for Khazanah from carrying out the Mandatory Offer on the remaining TM International Shares not held by Khazanah upon completion of the Proposed Acquisition under Practice Note 2.9.1 of the Code.

1.9 The purpose of this Circular is to provide you with the details of the Proposals, and to seek your approval for the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM. The Notice of the EGM and the Proxy Form are enclosed with this Circular.

WE ADVISE YOU TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR, AND THE INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION, BEFORE VOTING ON THE RESOLUTIONS ON THE PROPOSALS.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Internal Restructuring

The Proposed Internal Restructuring involves a series of transactions which will result in all the assets relating to the mobile and non-Malaysian businesses being held by TM International and the assets relating to the fixed-line voice, data and broadband businesses being held by our Company.

2.1.1 On 10 December 2007, our Company, TESB, TM International, Celcom and CTX (collectively referred to in Section 2.1 of this Circular as the "**Parties**") entered into the Demerger Agreement to give effect to the Proposed Internal Restructuring, which involves the following transactions:

(i) CTX, a wholly-owned subsidiary of Celcom, transferring its entire holding of 38,250,000 Fibrecomm Shares, representing 51% of the issued and paid-up share capital of Fibrecomm, to TESB for a consideration of RM33 million;

(ii) TESB, a wholly-owned subsidiary of our Company, transferring its entire holding of 1,237,534,681 Celcom Shares, representing 100% of the issued and paid-up share capital of Celcom, to TM International for a consideration of RM4,677 million;

(iii) our Company transferring our entire holding of 37,433,992 SunShare RCPS, representing approximately 51% of the issued and paid-up share capital of SunShare, to TM International for a consideration of RM141 million; and

(iv) settlement of net amount owing by the Proposed TM International Group to the Proposed TM Group as at 30 November 2007 of RM3,041 million;

whereby the net consideration of RM7,826 million will be satisfied as follows:

(i) RM3,801 million shall be satisfied through the issuance of such number of new TM International Shares by TM International in favour of our Company or our nominee(s) at an issue price to be determined such that the enlarged number of TM International Shares (after the Proposed Demerger) is the same as the number of TM Shares in issue as at the Entitlement Date;

(ii) RM2,925 million shall be satisfied by way of an amount owing from TM International to our Company at a finance cost of 5.90% per annum ("**First Amount Owing**"); and

(iii) RM1,100 million shall be satisfied by way of an amount owing from TM International to our Company at a finance cost of 6.72% per annum ("**Second Amount Owing**").

In addition, as part of the Proposed Internal Restructuring, our Company proposes to transfer the 3G Spectrum Assignment to Celcom on an 'as is where is basis', for a consideration of RM40.1 million to be satisfied in cash. The proceeds of RM40.1 million are to be used for general working capital purposes.

2.1.2 For illustrative purposes, based on our Company's and TM International's number of issued and paid-up ordinary shares as at the LPD of 3,439,809,680 TM Shares and 35,693,116 TM International Shares respectively and assuming the issuance of 137,592,387 new TM Shares, representing 4% of the issued and paid-up ordinary share capital of our Company under the Proposed Option Scheme, 3,541,708,951 new TM International Shares will be issued under the Proposed Internal Restructuring at an issue price of approximately RM1.07 per TM International Share.

2.1.3 The purchase consideration for the Fibrecomm Shares, Celcom Shares and SunShare RCPS are based on the cost of investment, whilst the transfer consideration for the 3G Spectrum Assignment is based on its carrying amount, as recorded in the management accounts of the respective vendors as at 30 November 2007, bearing in mind that the transfer of securities/assets is pursuant to an internal restructuring involving wholly-owned subsidiaries of the TM Group.

2.1.4 The finance costs for the First Amount Owing and Second Amount Owing are based on the average finance cost of the Hijrah Bonds (weighted over the outstanding balance of the Hijrah Bonds Class A and Hijrah Bonds Class B as at 30 November 2007) and the average finance cost of the Proposed TM Group excluding the Hijrah Bonds (weighted over the outstanding balance of the indebtedness of the Proposed TM Group as at 30 November 2007 excluding the Hijrah Bonds) respectively.

2.1.5 The other salient terms of the Demerger Agreement are as follows:

(i) the First Amount Owing and Second Amount Owing will be payable by TM International to our Company within 12 months from the date of completion of the Proposed Internal Restructuring (referred to in Section 2.1 of this Circular as the "**Completion Date**"). Pending such payment, TM International shall also from the Completion Date, make semi-annual interest payments due on 30 June and 31 December at the prescribed finance costs as stated above until the respective outstanding amounts are fully paid, unless otherwise agreed in writing between our Company and TM International;

(ii) TESB, relying on the warranties, representations and indemnity by CTX, shall purchase Fibrecomm Shares and TM International, relying on the warranties, representations and indemnity by TESB and our Company, shall purchase Celcom Shares and SunShare RCPS respectively, on an 'as is where is basis', free from all encumbrances and liabilities and with all rights, benefits and advantages attaching thereto, including all bonuses, rights, dividends and distributions declared, made and paid up to the Completion Date;

(iii) the Proposed Internal Restructuring is conditional upon, amongst others, the approvals pertaining to the Proposed Demerger and Proposed Listing as set out in Section 8 of this Circular being obtained by the relevant Parties (referred to in Section 2.1 of this Circular as the "**Conditions Precedent**") within 3 months from the date of the Demerger Agreement with an automatic extension of 2 months if the conditions precedent are not met within the said first 3 months or such other extended period as the Parties may mutually agree, failing which the Demerger Agreement shall lapse and be of no further force and effect;

(iv) the Parties may, subject to the extent permitted by law or the rules of the relevant regulatory authorities, waive any of the Conditions Precedent at any time by mutual agreement in writing; and

(v) the Completion Date shall be within 60 days from the date when all the Conditions Precedent are fulfilled or such other date as the Parties may mutually agree in writing.

2.1.6 Since the transfer of securities/assets arises merely as a result of an internal restructuring of the TM Group, the warranties, representations and indemnity (i) from TESB and our Company to TM International in respect of TM International's purchase of Celcom Shares from TESB and SunShare RCPS from our Company; and (ii) from TM International to our Company for new TM International Shares to be issued to us or our nominee(s) under the Demerger Agreement are limited to the following:

(i) the Parties have the respective legal right and authority to enter into the Demerger Agreement;

(ii) the audited accounts have been prepared in accordance with generally accepted accounting principles, standards and practices in Malaysia;

(iii) compliance with the terms of the Demerger Agreement will not result in a breach, conflict or default under subsisting agreements, contracts, or other obligations; nor relieve any person from contractual obligations to the parties; nor create encumbrances on any assets of the parties; nor result in any indebtedness being declared or payable before its maturity; and

(iv) the Parties are not aware of any circumstances which might adversely affect their inability to perform obligations under the Demerger Agreement.

As such, TM International will not be able to take any action against TM for any potential or subsisting liabilities arising from the Proposed Demerger in the event that such liabilities arise.

2.1.7 Other than the relevant consideration under the Proposed Internal Restructuring and assumption of the existing liabilities (including guarantees provided by our Company to the Proposed TM International Group), the Proposed TM International Group, TESB and our Company will not be assuming any liability under the Proposed Demerger.

2.2 Proposed Distribution

The Proposed Demerger results in the demerger of the Proposed TM International Group and the Proposed TM Group through the distribution of the TM International Shares to the shareholders of our Company.

2.2.1 Following the Proposed Internal Restructuring, our Company will distribute, via a dividend in specie, our entire holding of and rights to TM International Shares to the Entitled Shareholders on the basis of 1 TM International Share for every 1 TM Share held as at the Entitlement Date out of the retained earnings of our Company.

2.2.2 For illustrative purposes only, based on the management accounts of our Company as at 30 September 2007, the Proposed Demerger will reduce our Company's retained earnings as at 30 September 2007 from RM7,605 million to RM3,710 million.

2.2.3 Upon completion of the Proposed Distribution, the Entitled Shareholders would hold directly such number of TM International Shares in the same proportion as their holdings in our Company as at the Entitlement Date and the Proposed TM International Group will be demerged from the TM Group.

2.2.4 Upon completion of the Proposed Internal Restructuring, TM International will become the holding company for all of the TM Group's mobile and non-Malaysian businesses.

The Proposed TM Group will comprise the fixed-line voice, data and broadband services and other telecommunication and non-telecommunication related businesses.

2.2.5 For avoidance of doubt, the relevant companies within the TM Group will continue to conduct business as usual until the completion of the Proposed Demerger. The separation of the entities under the Proposed Demerger has been structured along existing legal entities. Subsequent to the Proposed Demerger, the Proposed TM International Group and Proposed TM Group are expected to continue to conduct business as usual. However, all transactions between the 2 entities post-demerger shall be on an arm's length basis, governed by the Framework Agreement and any other definitive agreements to be entered into as detailed in Section 2.3 below.

2.3 Framework Agreement

Our Company, Celcom and TM International (collectively referred to in Section 2.3 of this Circular as the "**Parties**") had, on 10 December 2007, entered into an agreement to govern the existing and future commercial arrangements or transactions between the Proposed TM International Group and the Proposed TM Group following the Proposed Demerger ("**Framework Agreement**") for a period of 3 years from completion of the Proposed Demerger or such other time as may be mutually agreed in writing. The general principles include the following:

(i) any arrangements or transactions entered into between the Parties shall be on an arm's length commercial terms basis;

(ii) the Parties shall, in good faith and in the spirit of mutual co-operation, work towards finalisation of the terms for joint co-operation with clear and fair incentives for their respective contributions;

(iii) the Parties shall ensure that there is no disruption in the provision of service to business customers of the other party;

(iv) the Parties shall use their best endeavours to conclude any arrangements and transactions in an expedient manner; and

(v) the Framework Agreement is not intended to restrict the Parties but to make it clear that the Proposed TM Group will be focusing on fixed-line business whilst the Proposed TM International Group focuses on mobile business. For a period of 3 years from the completion of the Proposed Demerger, the Proposed TM Group will not engage in or make any investment in any mobile business without the Proposed TM International Group's prior consent, and the Proposed TM International Group will not engage in or make any investment in any fixed-line business in Malaysia without the Proposed TM Group's prior consent.

Further to the Framework Agreement, it is expected that the following Definitive Agreements, among others, in respect of the operational linkages between the Proposed TM Group and the Proposed TM International Group will be signed prior to the completion of the Proposed Demerger:

(i) Sales and Marketing Agreement, which covers the sales and marketing of the products and services of the Proposed TM Group and the Proposed TM International Group;

(ii) International Business Agreement, which covers the business arrangement for voice, data and professional services including the provision of consultancy services and solutions;

(iii) Information Technology Services Agreement, which covers the provision and sharing of information technology resources and infrastructure, including the provision relating to the sharing of customer data and information;

(iv) Network Agreement, which covers the provision of domestic network services in Malaysia;

(v) Human Resources and Finance Services Agreement, which covers the human resource related services and insurance coverage offered by the Proposed TM Group to the Proposed TM International Group; and

(vi) Research and Development Agreement which covers the current research and development activities of the Proposed TM Group and Celcom.

2.4 Proposed Listing

The entire issued and paid-up ordinary share capital of TM International (including new TM International Shares to be issued under the Proposed Internal Restructuring, proposed issuance of Issue Shares under the Proposed Shareholders' Mandate (if any), and Consideration Shares under the Proposed Acquisition) is proposed to be listed on the Main Board of Bursa Securities.

For avoidance of doubt, our Company will remain listed on the Main Board of Bursa Securities. The TM Group's publicly listed companies (including jointly-controlled entities and associated companies), namely XL, Dialog, VADS Berhad, Spice, M1, Samart Corporation Public Company Limited and Samart I-Mobile Public Company Limited will also remain listed on their respective stock exchanges.

2.5 Proposed Shareholders' Mandate

2.5.1 TM International is seeking a shareholders' mandate for the issuance of up to 10% of its issued and paid-up share capital under Section 132D of the Act.

Whilst our Company, as the only shareholder of TM International, can approve the shareholders' mandate for TM International, our Company proposes to seek your approval to agree to the said mandate before we approve the mandate in our capacity as the shareholder of TM International, in view of the fact that upon completion of the Proposed Demerger, you will be a shareholder of TM International.

2.5.2 The Proposed Shareholders' Mandate, once in effect, shall continue in force until the conclusion of TM International's next annual general meeting or the expiration of the period within which TM International's next annual general meeting is required by law to be held, whichever is earlier ("**Mandate Period**").

2.5.3 With the approval of the Proposed Shareholders' Mandate, TM International may issue up to 10% of TM International's enlarged issued and paid-up share capital after the Proposed Demerger. After the Proposed Demerger, the share capital of TM International will be the same as the share capital of our Company. For illustrative purposes, based on our Company's number of issued and paid-up ordinary shares as at the LPD of 3,439,809,680 TM Shares and assuming the issuance of 137,592,387 new TM Shares, representing 4% of the issued and paid-up share capital of our Company under the Proposed Option Scheme before the Entitlement Date, the number of new TM International Shares to be issued under the Proposed Shareholders' Mandate is up to 357,740,206 Issue Shares.

2.5.4 Our Board and TM International's Board have yet to make a final decision on the actual timing of the issuance of Issue Shares under the Proposed Shareholders' Mandate. Nonetheless, TM International proposes to obtain all the necessary approvals for the issuance of Issue Shares under the Proposed Shareholders' Mandate, such that it provides TM International with more flexibility to decide and time its proposed fund raising exercise effectively after taking into consideration the funding requirements of the Proposed TM International Group and to avoid unnecessary dilution to TM International's proposed shareholders upon completion of the Proposed Demerger prematurely.

2.5.5 The Proposed TM International Group may require funds for working capital, capital expenditure, investments and/or acquisitions (including the repayment of borrowings taken to make such capital expenditure, investments and/or acquisitions, if any) in the Proposed TM International Group's core growth markets ("**Investments**"), which include, but are not limited to India, Sri Lanka, Bangladesh, Indonesia and the Indochina region.

2.5.6 The amount and timing of funds to be raised for the Investments cannot be determined at this point in time and will depend on opportunities available to the Proposed TM International Group such as the grant of new licenses or opportunities to expand into the Proposed TM International Group's core growth markets.

2.5.7 The Issue Shares under the Proposed Shareholder's Mandate may be issued in tranches depending on the Proposed TM International Group's funding requirements and the market conditions prevailing at the point of implementation.

2.5.8 The Issue Shares may also be issued in conjunction with the Proposed Listing ("**Proposed IPO**") or after the Proposed Listing. If implemented, the Proposed IPO will involve an offering to institutional investors and potentially an offering to retail investors, comprising the Malaysian public. If there are offerings to different groups of investors under the Proposed IPO (if implemented), it is expected that there will be an inclusion of a reallocation feature subject to the final level of subscription of the respective offering groups.

2.5.9 Nonetheless, if an offering of TM International Shares is carried out, it is possible for EPF, being one of the key institutional investors in Malaysia, to participate in the offering. As EPF is our major shareholder (but not the single largest shareholder) holding more than 10% of our issued and paid-up share capital, we will be seeking your approval for EPF to subscribe to up to 30% of the number of new TM International Shares which may be made available and issued under the Proposed Shareholders' Mandate.

Given that the amount and timing of the issuance under the Proposed Shareholders' Mandate cannot be determined at this point in time, the actual number of Issue Shares, timing of the issuance and issue price of the Issue Shares to be issued to EPF cannot be determined at this point in time. In addition, the Issue Shares may be issued to EPF in tranches, subject to a maximum subscription size of 30% of the Issue Shares to be issued under the Proposed Shareholders' Mandate.

Nonetheless, the issue price of the Issue Shares to be issued to EPF will be based on market-based principles, as follows:

(i) in the event of a Proposed IPO, and EPF participates in the Proposed IPO, EPF will subscribe for the Issue Shares at the same price as other institutional investors; and

(ii) in the event that the Issue Shares are issued after the Proposed Listing, EPF will subscribe for the Issue Shares at a price which is not less than the volume weighted average market price of TM International Shares for the 5 Market Days immediately before the price-fixing date.

2.5.10 Upon completion of the Proposed Distribution, TM International's shareholders would comprise the Entitled Shareholders. Our Company is a listed entity which satisfies both the public spread requirement under Bursa Securities LR and the NDP requirement and this is expected to remain so at the completion of the Proposed Distribution, based on the profile of the existing shareholders of our Company. As such, TM International would accordingly be in compliance with the public spread and NDP requirements and there will not be a minimum number of Issue Shares to be placed out or subscribed for under the Proposed IPO to meet the public spread and/or NDP requirements.

2.5.11 The final decision in respect of the terms of the issuance of Issue Shares under the Proposed Shareholders' Mandate (including timing of the implementation, amount to be raised, utilisation of proceeds, minimum subscription and pricing) will be made by our Board and/or TM International's Board at a later date. The final terms of any issuance of Issue Shares under the Proposed Shareholders' Mandate will be announced accordingly.

2.6 Proposed Option Scheme

2.6.1 Our Company proposes to establish an employees' share option scheme for eligible employees and Executive Director(s) of the TM Group (other than subsidiaries that are incorporated out of Malaysia and/or are dormant) who are eligible to participate in the Proposed Option Scheme. For the purpose of operating the Proposed Option Scheme, a trust will be established to acquire and to hold, amongst others, the Underlying Shares for the benefit of the Grantees under the Proposed Option Scheme.

2.6.2 The trust will be constituted by a Trust Deed. Under the Trust Deed, a Trustee to be appointed by our Company will subscribe for such new TM Shares, representing up to 4% of the issued and paid-up share capital of our Company. Based on our Company's issued and paid-up number of ordinary shares as at the LPD of 3,439,809,680 TM Shares, the Trustee may subscribe for up to 137,592,387 new TM Shares. The subscription price shall be based on the 5-day weighted average market price of TM Shares immediately preceding the date of the subscription, with a discount of not more than 10%. Following allotment and issuance, these new TM Shares to be issued pursuant to the Proposed Option Scheme are expected to be listed on the Main Board of Bursa Securities.

2.6.3 The other proposed salient terms of the Trust Deed are as follows:

(i) the Trust Deed shall be valid for a period of 24 months from the execution of the Trust Deed or such longer period as may be mutually agreed upon;

(ii) our Company will lend to the Trustee an interest-free loan for a sum equivalent to the subscription of the new TM Shares at an issue price to be determined ("**Loan**"). For this purpose, our Company will enter into an agreement with the Trustee for the Loan ("**Loan Agreement**");

(iii) the Trustee shall repay the Loan in accordance with the terms of the Loan Agreement as set out in Section 2.6.4(i) below;

(iv) the Trustee shall issue Offers to Eligible Employees in accordance with the directions of the Options Committee;

(v) the Trustee shall appoint a trustee services company to assist the Trustee in administering the trust specifically with regard to the sale and/or transfers of the Underlying Shares to the Grantees and monitoring and ensuring the availability of the remaining Underlying Shares for the outstanding unexercised Options;

(vi) the Trustee shall have the power to invest any assets vested with the Trustee held in favour of the Company, which is not required for immediate disbursement to the Company, in permitted money market instruments or other investments as may be approved by the Options Committee; and

(vii) upon dissolution of the trust, any Underlying Shares and other assets vested in the Trustee which have not been offered to Eligible Employees or for which Options have lapsed after the expiry of the Proposed Option Scheme shall be sold by the Trustee and the proceeds shall be used for the repayment of the Loan. In view of the interest-free loan provided by our Company to the Trustee, any remaining balance of funds after the full repayment of the Loan, shall be released by the Trustee to our Company.

2.6.4 The proposed salient terms of the Loan Agreement are as follows:

(i) the Trustee shall repay the Loan by:

(a) using the entire dividends and other distributions which the Trustee receives (net of any taxes and expenses) on the Underlying Shares comprised in such Options which have not been exercised by the Grantees;

(b) using the amounts which the Trustee receives from the exercise of the Options by the Grantee up to the extent of the Exercise Price;

(c) using any monies earned from any investment by the Trustee in accordance with the terms permitted under the Trust Deed; and

(d) using the proceeds from the disposal of any Underlying Shares which have not been offered to Eligible Employees or for which Options have lapsed after the expiry of the Proposed Option Scheme.

In view of the interest-free loan provided by our Company to the Trustee, any remaining balance of funds after the full repayment of the Loan, shall be released by the Trustee to our Company;

(ii) the Loan is repayable in full within 6 months from the expiry of the Proposed Option Scheme or such other extended period as mutually agreed upon; and

(iii) if the Trustee is unable to repay the Loan in full within the prescribed period, our Company shall waive the unpaid balance of the Loan and the Trustee shall have no further liability in relation to the Loan provided that the Trustee is in compliance with Sections 2.6.4(i) above.

2.6.5 The salient terms of the Proposed Option Scheme are as follows:

(i) Maximum number of new TM Shares under the Proposed Option Scheme

The total number of TM Shares to be made available under the Proposed Option Scheme shall not exceed 4% of the issued and paid-up share capital of our Company as at the effective date of implementation of the Proposed Option Scheme ("**Effective Date**"), being a date of full compliance with the relevant requirements of the Bursa Securities LR in relation to the Proposed Option Scheme.

(ii) Eligibility

Any employee (including Executive Directors) of the TM Group (other than subsidiaries which are incorporated out of Malaysia and/or are dormant) shall be eligible to participate in the Proposed Option Scheme if the employee:

(a) is a Resident (as defined in the By-Laws) as at the Offer Date;

(b) has attained the age of 18 years as at the Cut-Off Date;

(c) is employed on full time basis by and on the payroll of a corporation within the TM Group as at the Offer Date;

(d) has been in the employment of the TM Group on full-time basis for a period of at least 1 year of continuous service prior to and up to the Cut-off Date, including service during the probation period, and is confirmed in service as at the Cut-Off Date; and

(e) fulfills any other criteria as may be set by the Options Committee from time to time at its absolute discretion.

The selection of any Eligible Employee for participation in the Proposed Option Scheme shall be at the discretion of the Options Committee and the decision of the Options Committee shall be final and binding. Any offer made to a Director of our Company or a person related to major shareholders/Directors of our Company shall require your prior approval in a general meeting.

The Trustee may, as directed by the Options Committee at its discretion, nominate an employee in the category of Senior Management and above who is employed on a fixed term contract of service basis to be an Eligible Employee although the employee does not meet the criteria referred to in Section 2.6.5(ii)(c), (d) and (e) of this Circular provided that the employee is employed for a minimum 1 year contract period irrespective of the remaining period that remains unexpired under such contract.

Eligibility under the Proposed Option Scheme does not give an Eligible Employee a claim or right to participate in or any rights under the Proposed Option Scheme. An Eligible Employee does not acquire or have any rights over or in connection with the Options or the Underlying Shares comprised within the Options, unless an Offer has been made by the Trustee to the Eligible Employee and the Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Proposed Option Scheme.

(iii) Basis of allocation and Maximum Allowable Allocation

The number of Underlying Shares that may be offered to any one Eligible Employee shall be at the discretion of the Options Committee, after taking into consideration, amongst others, the Eligible Employee's performance, grade and number of years in service.

This is also subject to the maximum number of new TM shares to be made available under the Proposed Option Scheme, any adjustments to the alterations to the share capital of the Underlying Companies during the Option Period and the following:

(a) not more than 50% of the new TM Shares shall be allocated, in aggregate, to Eligible Employees who are Executive Director(s) or are in Senior Management and above; and

(b) not more than 10% of the new TM Shares shall be allocated to any Eligible Employee who, either singly or collectively through persons connected with such Eligible Employee (in accordance with the definition under the Bursa Securities LR), holds 20% or more of the issued and paid-up ordinary share capital of our Company.

Nothing shall prevent the Trustee, at the directions of the Options Committee, from making more than 1 Offer to any Eligible Employee holding an Option, provided that the total number of Underlying Shares to be offered to such Eligible Employee shall not exceed the Maximum Allowable Allocation.

(iv) Exercise Price

The Exercise Price per TM Share and Exercise Price per TM International Share (in relation to Offers made after the Ex-Date) shall be calculated based on the 5-day weighted average market price of TM Shares and of TM International Shares immediately preceding the Offer Date respectively, with a discount of up to 10%.

The combined Exercise Price shall not be less than the price per TM Share that the Trustee is obliged to pay our Company for the subscription of the TM Shares under the Proposed Option Scheme ("**Subscription Price**"). For avoidance of doubt, any benefit arising from the combined Exercise Price being higher than the Subscription Price shall accrue to the Trustee (in favour of our Company), who shall deal with such benefits strictly in accordance with the Trust Deed.

Pursuant to the Proposed Demerger, the Exercise Price per TM Share shall be adjusted on the Ex-Date. On the same day, the Grantee shall be entitled to 1 TM International Shares in addition to every 1 TM Share comprised in the unexercised portion of his Option at the beginning of the day. Save for rounding adjustments, the aggregate Exercise Prices for TM Shares and TM International Shares will equal the Exercise Price for TM Shares immediately before the Ex-Date.

(v) Duration of the Proposed Option Scheme

The Proposed Option Scheme shall be in force for a period of 18 months from the Effective Date. Any extension or renewal of the duration of the Proposed Option Scheme shall require your prior approval in a general meeting and subject to the approval of relevant authorities and in line with the applicable laws prevailing at the time of such extension or renewal.

(vi) Exercise of Options

Subject to the clauses relating to the termination of Options in the By-Laws, the Grantee may exercise his or her right to purchase TM Shares and/or TM International Shares, separately or jointly, during the Option Period.

If the Grantee has elected to not participate in the Selling Flexibility (as defined below), the Grantee shall remit the full amount of the acquisition monies for the Underlying Shares together with the completed notice in writing of the exercise ("**Exercise Notice**") (in a prescribed form) to the Trustee. Within 5 Market Days after the receipt by the Trustee of the completed Exercise Notice and full remittance from the Grantee, the Trustee shall do the necessary to effect the transfer of the Underlying Shares to the Grantee. In the event of the transfer not being permitted, the Trustee shall sell the Underlying Shares beneficially owned by such Grantee and pay the Grantee the sale proceeds after setting off all transaction costs, upon the exercise of the Option by the Grantee and upon being requested to do so.

If the Grantee has elected to participate in the Selling Flexibility, upon the exercise of Option by the Grantee, the equivalent number of Underlying Shares in respect of the exercise will be sold at the price(s) not lower than the price(s) selected by the Grantee. Proceeds from the sale of the Underlying Shares shall be received by the Trustee and the Trustee shall retain the amount equivalent to the acquisition monies for the Underlying Shares and shall release the remaining proceeds of such sale (net of all transaction costs) to the Grantee.

The "**Selling Flexibility**" refers to the arrangement to facilitate the immediate selling by the Grantee of the Underlying Shares allocated to him or her upon exercise of his or her Option.

(vii) Rights attached to the Underlying Shares

Voting Rights

No Grantee shall be entitled to exercise any voting right in respect of the Underlying Shares nor to receive any notice of general meetings of the Underlying Companies unless the Underlying Shares have been transferred and credited into the CDS account of the Grantee pursuant to his or her exercise of his or her Option prior to the record date to receive notice of general meetings of the relevant Underlying Companies and to vote thereat.

Ranking of Underlying Shares upon issuance to the Trustee

The Underlying Shares shall, upon allotment and issuance to the Trustee, rank equally in all respects with the existing TM Shares or TM International Shares (as the case may be) except that the Trustee shall abstain from exercising any voting rights attached to the Underlying Shares at any time held by the Trustee. In addition, the new Underlying Shares shall not be entitled and to any dividend, right, allotment and/or other distribution in respect of which the entitlement date is before the date of allotment of such new Underlying Shares.

Rights to dividends, distributions etc

Upon transfer of the Underlying Shares to a Grantee upon any exercise of Option, the Grantee shall be entitled to all rights and entitlements attached including voting rights, dividends, rights, allotments and/or other distributions, the entitlement date of which is on or after the date of crediting of the Underlying Shares into the CDS account of the Grantee.

If the Grantee has elected to participate in the Selling Flexibility and the Selling Flexibility is still valid and existing, the Grantee shall not be entitled to any right and entitlement including dividend, distribution, bonus, interest, property and/or other benefit accrued or accruing on the Underlying Shares.

Save for the entitlement to 1 TM International Share for every 1 TM Share offered under the Options pursuant to the Proposed Demerger which shall accrue to the Grantee, the Trustee shall deal with all dividends, distributions, bonuses, interest, property and/or other benefits accrued or accruing on the Underlying Shares strictly in accordance with the Trust Deed, in favour of our Company.

(viii) Alteration of share capital during the Option Period

In the event of any alteration in the capital structure of the Underlying Companies during the Option Period, whether by way of capitalisation issue, rights issue, bonus issue, capital reduction/repayment, subdivisions or consolidations of capital:

(a) the relevant Exercise Price; and/or

(b) the relevant number of Underlying Shares comprised in Options which have yet to be exercised,

may be adjusted in such manner as the external auditors or the adviser of our Company (which must be a merchant bank or a participating organisation that may act as a principal adviser under the SC's Policies and Guidelines on Issue/Offer of Securities) for the time being (acting as experts and not arbitrators) confirm in writing to be, in their opinion, fair and reasonable and such determination shall be final and binding on the Grantees. For avoidance of doubt, any alteration of the capital structure of TM International Group before the Ex-Date will not result in any change to the Exercise Price.

The above adjustments shall not apply to alterations of capital structure arising from the following:

(a) an issue of new Underlying Shares or other securities in consideration or part consideration for an acquisition of any other securities, assets or business;

(b) a special issue of new Underlying Shares or other securities to Bumiputera investors nominated by the Ministry of International Trade and Industry and/or any other government authority to comply with the Government of Malaysia's policy on Bumiputera capital participation;

(c) a private placement or restricted issue of new Underlying Shares or other securities by the Underlying Companies;

(d) implementation of a share buy-back arrangement by any of the Underlying Companies under Section 67A of the Act;

(e) any issue of warrants, convertible loan stocks or other instruments by any of the Underlying Companies that gives a right of conversion into the relevant Underlying Shares, and any issue of such new Underlying Shares arising from the exercise of any conversion rights attached to such convertible securities; or

(f) an issue of new TM Shares upon the implementation of the Proposed Option Scheme.

(ix) Amendment and/or modification to the Proposed Option Scheme

The Options Committee shall have the power at any time and from time to time by resolution to amend, with the concurrence of the Trustee, all or any of the provisions of the By-Laws provided that any amendments which would either materially prejudice the rights then accrued to any Grantee without that Grantee's prior consent or alter to the advantage of any Grantee in respect of any provisions of the Proposed Option Scheme shall require your prior approval in general meeting.

Any amendments which shall be to the advantage of any Eligible Employees shall require your prior approval.

2.6.6 For the purpose of retaining our employees during the transition period of the Proposed Demerger, our Company intends to stagger the exercise of Options over 3 periods (of 6-months each) over the duration of the Proposed Option Scheme. The proportion of allocation of Options for the 3 periods is expected to be in a ratio of 40%:30%:30%. Any balance of Options which remain unexercised at the end of any period shall be carried forward to the next period.

2.6.7 The estimated expenses associated with the implementation and administration of the Proposed Option Scheme is approximately RM2.3 million.

2.6.8 Our Company expects to use the proceeds arising from the repayment of the Loan by the Trustee for general working capital, which will be used as and when required, and capital expenditure to be identified, which will be used within 24 months from the receipt of the proceeds.

2.7 Proposed Grant of Options

We propose to grant an Option to Dato' Sri Abdul Wahid Omar, our Group Chief Executive Officer and Director, to purchase up to 2 million TM Shares, subject to the provisions of the By-Laws.

We also propose to grant an Option to our employee, Mohd Azizi Rosli, a son of Rosli Man, a Director of our Company, to purchase up to 6,000 TM Shares, subject to the provisions of the By-Laws.

2.8 Proposed Acquisition

Unless otherwise stated, the exchange rates of SGD1.00:RM2.2833 and IDR100:RM0.0350, being the respective middle rates prevailing on the LPD as published by BNM have been applied for the purpose of illustration presented in Section 2.8 of this Circular.

2.8.1 On 6 February 2008, our Company's wholly-owned subsidiaries, TM International and Indocel, entered into the SPA with Khazanah (collectively referred to in Section 2.8 of this Circular as the "**Parties**") for the following:

(i) proposed acquisition by TM International from Khazanah of 35,965,998 SunShare RCPS and 2 SunShare Shares, collectively representing approximately 49% of the issued and paid-up share capital of SunShare, for a purchase consideration of RM155 million; and

(ii) proposed acquisition by Indocel from Khazanah of 1,191,553,500 XL Shares, representing approximately 16.81% of the issued and paid-up share capital of XL, for a purchase consideration of RM1,425 million;

whereby the aggregate purchase consideration of RM1,580 million will be satisfied through the issuance of:

(i) 176,000,000 Consideration Shares at an issue price of approximately RM8.98 per TM International Share if the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement; or

(ii) 4,500,000 Consideration Shares at an issue price of approximately RM351.11 per TM International Share if the Proposed Demerger does not become unconditional in accordance with the terms and conditions of the Demerger Agreement.

2.8.2 The Purchase Consideration for the Sale Shares and issue prices of the Consideration Shares above were arrived at on a willing buyer-willing seller basis after taking into consideration the following:

(i) SunShare's PAT, net assets and bank borrowings of SGD57.0 million, SGD180.6 million and SGD540.0 million respectively (equivalent to RM130.1 million, RM412.4 million and RM1,232.9 million respectively) based on SunShare's audited financial statements for the financial year ended 31 December 2006;

(ii) the 3-month volume weighted average market price of M1's shares up to the LPD of approximately SGD1.94 per share (equivalent to RM4.43 per share or a market capitalisation of RM3,837.3 million). As at the LPD, SunShare has no investment other than a 29.69% equity interest in M1;

(iii) XL's PAT and net assets of IDR651.9 billion and IDR4,281.2 billion respectively (equivalent to RM228.2 million and RM1,498.4 million respectively) based on XL's audited consolidated financial statements for the financial year ended 31 December 2006;

(iv) the purchase consideration of the recent transaction as announced by Emirates Telecommunication Corporation ("**Etisalat**") on 11 December 2007, whereby Etisalat, through its subsidiary, acquired 15.97% equity interest in XL from Bella Sapphire Ventures Ltd for a total purchase consideration of USD438 million (equivalent to RM1,452 million based on the exchange rate of USD1.00:RM3.3140 prevailing on 11 December 2007);

(v) the Proposed TM International Group's proforma PATAMI and net assets of RM1,150.1 million and RM8,150.0 million respectively based on TM International's proforma consolidated financial statements after the Proposed Demerger for the financial year ended 31 December 2006 and the market prices of the publicly listed subsidiaries and associated companies of the Proposed TM International Group; and

(vi) the TM International Group's PATAMI and net assets of RM629.3 million and RM3,222.8 million respectively based on TM International's audited consolidated financial statements for the financial year ended 31 December 2006 and the market prices of the publicly listed subsidiaries and associated companies of the TM International Group.

Presently, SunShare is a jointly-controlled entity of the TM Group and Khazanah. Upon the completion of the Proposed Demerger and Proposed Acquisition, SunShare will be a subsidiary of TM International, and will be consolidated into the TM International Group.

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

(i) Khazanah shall sell and transfer to TM International (in relation to SunShare RCPS and SunShare Shares) and Indocel (in relation to XL Shares), and TM International and Indocel, relying on the warranties and representations by Khazanah contained in the SPA, shall purchase the Sale Shares at the Purchase Consideration free from all encumbrances and all liabilities and with all rights, benefits and advantages attaching thereto, including all bonuses, rights, dividends and distributions declared, made and paid as from the completion date of the Proposed Acquisition (referred to in Section 2.8 of this Circular as the "**Completion Date**"). The Completion Date shall be a date falling within 1 month from the date when all the conditions precedent in relation to the Proposed Acquisition are fulfilled or such other date as the Parties may mutually agree in writing;

(ii) the Parties agree that TM International and Indocel shall only be required to acquire the Sale Shares if TM International and Indocel are able to acquire all, and not part of, the Sale Shares in the manner stated in the SPA;

(iii) the Proposed Acquisition is conditional upon, amongst others, TM International having been notified of the outcome of the last condition precedent of the Proposed Demerger as set out in the Demerger Agreement and in the event that the Proposed Demerger becomes unconditional, the Proposed Acquisition is conditional upon your approval and the approval of the SC for the Proposed Exemption (as defined in Section 2.9 of this Circular). In addition, the Proposed Acquisition is conditional upon the approvals pertaining to the Proposed Acquisition (as set out in Section 8.3 in this Circular) being obtained by the relevant Parties within 3 months from the date of the SPA or such other extended period as the Parties may mutually agree, failing which the SPA shall lapse and be of no further force and effect;

(iv) the Parties, subject to the extent permitted by law or the rules of the relevant regulatory authorities, may waive any of the conditions precedent at any time by notice in writing to the other Parties; and

(v) on the Completion Date, TM International and Khazanah shall take all necessary steps to terminate the joint venture and shareholders' agreement dated 17 August 2005 entered into by TM International, Khazanah and SunShare in relation to the acquisition by SunShare of shares in M1, which was restated on 23 September 2005 pursuant to a subscription agreement dated 23 September 2005 entered into by our Company, Khazanah and SunShare in relation to subscription by our Company and Khazanah of SunShare RCPS.

2.8.4 Since the Proposed Acquisition involves the acquisition by the TM International Group of additional stake in companies in which the TM Group already holds equity interest and has Board representation, the warranties and representations from Khazanah to TM International and Indocel in respect of the purchase of the Sale Shares under the SPA are limited to the following:

(i) Khazanah has the legal right, authority and power to enter into the SPA and to bind itself to the SPA and to exercise its rights and perform its obligations thereunder;

(ii) the Sale Shares are free from any claims, charges, liens, encumbrances or equities and Khazanah has and will, until the Completion Date, continue to retain the unrestricted rights to transfer the Sale Shares and there is not and will not be any option over or right to acquire any of the Sale Shares;

(iii) compliance with the terms of the SPA does not and will not result in a breach of, or constitute a default under any agreement or document to which SunShare and/or XL are a party, nor result in the creation of any encumbrances on any assets of SunShare and/or XL, nor result in any present or future indebtedness of SunShare and/or XL being due and payable or capable of being declared due and payable prior to its stated maturity; and

(iv) Khazanah is not aware of any circumstances which might adversely affect its inability to perform its obligations under the SPA.

2.8.5 The cost of Khazanah's investments in SunShare and XL, as well as the respective dates of such investments have not been disclosed as Khazanah is not obliged to provide such information for inclusion in this Circular.

2.8.6 Information on Khazanah

Khazanah was incorporated in Malaysia under the Act on 3 September 1993 as a public limited company. Khazanah is the investment holding arm of the Government of Malaysia entrusted to manage the assets held by the Government of Malaysia and to undertake strategic investments. Khazanah's primary objectives are:

(i) to hold and manage investments entrusted to it by the Government of Malaysia; and

(ii) to undertake new investments in strategic, high technology and national interest projects.

As at the LPD, the directors of Khazanah are as follows:

(i) Dato' Seri Abdullah Haji Ahmad Badawi

(ii) Tan Sri Dato' Seri Nor Mohamed Yakcop

(iii) Tan Sri Dato' Sri Dr Zeti Akhtar Aziz

(iv) Tan Sri Md Nor Md Yusof

(v) Dato' Mohammed Azlan Hashim

(vi) Dato' Mohamed Azman Yahya

(vii) Raja Datuk Seri Arshad Raja Tun Uda

(viii) Dato' Azman Mokhtar

Save for one share owned by Pesuruhjaya Tanah Persekutuan (the Federal Land Commissioner), all of the share capital of Khazanah is owned by MoF Inc.

2.8.7 Other than the Purchase Consideration, the TM International Group will not be assuming any liability (including contingent liabilities and guarantees) under the Proposed Acquisition. Nonetheless, the TM International Group may be required to assume the credit support currently provided by Khazanah and our Company to the lenders of SunShare, pursuant to the Proposed Acquisition and Proposed Demerger, respectively.

2.8.8 Upon completion of the Proposed Demerger and Proposed Acquisition, the Proposed TM International Group will hold 100% of the issued and paid-up share capital of SunShare while its stake in XL will increase from 66.99% to 83.80% (based on shareholdings as at the LPD).

2.8.9 As at the LPD, there is no additional financial commitment to put SunShare and XL on-stream as SunShare and XL are already operating within their respective principal activities.

2.9 Proposed Exemption

2.9.1 If the Proposed Demerger becomes unconditional (Scenario 1), Khazanah's equity interest in TM International after the Proposed Demerger would increase by more than 2% from 34.75% to 37.81% (based on Khazanah's shareholdings in TM as at 31 January 2008 adjusted for effects of the Proposed Option Scheme based on the Assumptions) as a result of the Proposed Acquisition. In accordance with the Code, Khazanah would then be required to carry out a Mandatory Offer to acquire the remaining TM International Shares not held by Khazanah.

As Khazanah's obligation to undertake a Mandatory Offer on the remaining TM International Shares not held by it would only be triggered upon the Proposed Demerger becoming unconditional (Scenario 1), whereby our shareholders would be TM International's shareholders, your approval as our shareholders is sought for the Proposed Exemption. The SC had, through a letter dated 18 February 2008, stated that they will consider the Proposed Exemption upon the following conditions being met:

(i) approval has been obtained from the independent holders of voting shares of TM on a poll in a general meeting in which the interested parties are to abstain from voting. The result of the poll has to be confirmed by an independent auditor;

(ii) you have been provided with competent independent advice regarding the Proposed Exemption. The appointment of the independent adviser and the independent adviser's circular to shareholders are to be first approved and consented to by the SC. We have, on 31 January 2008, appointed PIVB as the independent adviser for the Proposed Acquisition and Proposed Exemption, which was approved by the SC on 18 February 2008; and

(iii) Khazanah submitting a declaration to the SC after our forthcoming EGM, attesting that it has not purchased any TM International Shares in the 6 months before the posting of this Circular, but subsequent to the discussion in relation to the Proposals and until the granting of the Proposed Exemption by the SC (if so decided).

2.9.2 If the Proposed Demerger does not become unconditional, the Proposed Acquisition will not result in any take-over obligations.

2.10 Conditionality

The Proposed Internal Restructuring, Proposed Distribution and Proposed Listing are inter-conditional in terms of approvals.

The Proposed Option Scheme is not conditional upon any other proposals. The Proposed Grant of Options is conditional upon the Proposed Option Scheme but not vice versa.

The Proposed Shareholders' Mandate is not conditional upon any other proposals. The Proposed Issue to EPF is conditional upon the Proposed Shareholders' Mandate but not vice versa.

The Proposed Acquisition and Proposed Exemption are inter-conditional with respect to Scenario 1.

In addition, the number of Consideration Shares to be issued under the Proposed Acquisition is dependent on the outcome of the Proposed Demerger.

Save as disclosed above, there is no other conditionality in terms of approvals amongst the Proposals.

2.11 Ranking of new TM International Shares

The new TM International Shares to be issued under the Proposed Internal Restructuring, pursuant to the Proposed Shareholders' Mandate (if any) and Proposed Acquisition shall, upon allotment and issuance, rank equally in all respects with the existing TM International Shares except that they shall not entitle the holders to any dividend, right, allotment and/or other distributions in respect of which the entitlement date is before the date of allotment of such new TM International Shares.

3. INFORMATION ON THE PROPOSED TM GROUP AND PROPOSED TM INTERNATIONAL GROUP

3.1 Information on the Proposed TM Group

Upon the completion of the Proposed Demerger, the TM Group will carry on the retail, domestic and global wholesale fixed-line voice, data and broadband services and other telecommunication and non-telecommunication related businesses.

The Proposed TM Group is the leading domestic fixed-line and broadband provider, with a 95% market share in the fixed-line business and a 96% share of broadband business as at 30 September 2007, with 4.4 million fixed-line subscribers and 1.2 million broadband subscribers.

(Source: Company data and statistics from the Malaysian Communications and Multimedia Commission)

Future plans and strategies of the Proposed TM Group

The Proposed TM Group aspires to become the leading next generation communications provider in Malaysia, embracing customer needs through innovations and execution excellence.

In line with this aspiration, the Proposed TM Group plans to strive to enrich consumer lifestyle and experience by providing innovative next generation services, stimulating growth and elevating business performance of customers with high value information and communications solutions and uphold customer-driven principles towards service excellence and efficiency. The Proposed TM Group intends to lead the broadband penetration in Malaysia, which has strong growth opportunities given Malaysia's broadband penetration of only 14% as at the third quarter of 2007 (based on statistics published by the Malaysian Communications and Multimedia Commission). As at 30 September 2007, the Proposed TM Group's broadband subscribers grew by approximately 60.7% year-on-year.

The Proposed TM Group also plans to focus on growth opportunities in small and medium enterprises, build on the initial success of our Performance Improvement Program and proactively drive operational improvements.

Further, the Proposed TM Group will be working in partnership with the Government of Malaysia ("**Government**") to develop a high-speed broadband ("**HSBB**") infrastructure and services. The provision of HSBB services to key economic regions and the roll out of broadband are expected to complement and enhance the Proposed TM Group's revenue and earnings base while being in line with the Government's objective to achieve a broadband penetration of 50% by 2010.

The investment for HSBB is approximately RM15.2 billion over the next 10 years, of which approximately RM4.8 billion is expected to be invested by the Government. At present, we are in the midst of discussions with the Government to finalise the terms of the public-private sector partnership and further details will be announced in due course.

While pursuing growth in the broadband business, the Proposed TM Group remains focused on enhancing international connectivity within the region. This would establish Malaysia as a regional Internet Protocol hub, serving as a digital gateway for South East Asia.

3.2 Information on the Proposed TM International Group

With completion of the Proposed Demerger, the Proposed TM International Group will be a regional mobile telecommunications provider, with a significant presence in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia. In addition, the Proposed TM International Group has strategic mobile and non-mobile telecommunications operations and investments in India, Singapore, Iran, Pakistan and Thailand. We set out further details on the Proposed TM International Group in Appendix I of this Circular.

Future plans and strategies of the Proposed TM International Group

The Proposed TM International Group intends to continue to focus on growing its market share in its existing markets and expanding its footprint into the South and South East Asian mobile telecommunications markets characterised by high economic growth and/or low mobile penetration rates through organic expansion as well as selective acquisition opportunities. Specifically, the Proposed TM International Group intends to enhance and grow its operations and investments in key markets, particularly India, which represents one of Asia's fastest growing mobile markets, according to Frost & Sullivan Sdn Bhd ("**Frost & Sullivan**"). The Proposed TM International Group will also pay particular attention to and intend to pursue growth opportunities in other Asian emerging economies such as Indochina. The Proposed TM International Group will also selectively consider acquisitions and/or partnerships with other telecommunications players that can bring attractive assets to and enhance the value of the Proposed TM International Group's portfolio.

The Proposed TM International Group intends to continually support its operating companies in addressing their specific challenges and opportunities. For example, the Celcom Group and M1, which operate in more mature telecommunications markets where the ARPU and market penetration rates are relatively higher, have to find strategic and innovative methods of increasing market share and acquiring new subscribers by focusing on sales and marketing initiatives while actively managing cost efficiency. On the other hand, XL, Dialog, TMIB and Spice which operate in competitive yet fast growing markets are faced with the challenge investing the necessary resources to capture market growth by rapidly acquiring new subscribers to maintain and grow their respective market share.

The Proposed TM International Group plans to drive operational synergies among its operating companies through active performance management, developing human resources and talent management programs and increasing collaboration and best practice sharing among the subsidiaries and associated companies within the Proposed TM International Group. The Proposed TM International Group also intends to continue focusing on cost improvement initiatives and develop operational excellence throughout its portfolio operating companies to maximise profitability in the developing markets which the Proposed TM International Group operates in, which are characterised by low disposable income and low telecommunications spend per user as well as high competitive pressures.

Since the Proposed TM International Group's presence is significantly in the fast growing mobile markets in Asia, the Proposed TM International Group intends to work continuously to expand its network coverage and enhance its network quality to improve customer base and operating margins. The Proposed TM International Group believes that a continued roll out of base transceiver stations and better network quality are key elements in providing better network services to customers and expanding its customer base.

Finally, as the Proposed TM International Group's continued success hinges on its ability to attract, retain and train a talented workforce, the Proposed TM International Group intends to focus on developing an effective human resources strategy and in developing a high performance culture organisation.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Demerger

The Proposed Demerger will create 2 separate entities with distinct business strategies and aspirations. As separate entities, the Proposed TM Group and Proposed TM International Group are expected to be able to achieve the following:

(i) Realise governance benefits that can accelerate current growth and improvement efforts

The Proposed Demerger is expected to allow an improvement of organisational focus through more explicit management mandates and accountability for each respective business entity and tailored performance management. This is also expected to improve execution capacity in each respective business entity through better scope for talent management and human resource development. Consequently, the respective entities will be better positioned to pursue different strategies in a more focused way.

The Proposed Demerger is also expected to result in greater transparency on each business entity's performance, enabling the capital market and other stakeholders to better ascertain the merits and prospects of each entity. This would result in the development of a more focused shareholder base, which is also expected to facilitate a business-centric valuation of the separate entities and potentially unlock value to shareholders.

(ii) Capture additional demerger benefits

As a separate entity, the Proposed TM International Group is expected to benefit from increased deal structuring capability with its enhanced profile as a successful and growing focused mobile operator. The Proposed Listing is also expected to provide the Proposed TM International Group with greater access to equity markets and increased flexibility in funding, allowing the Proposed TM International Group to be better positioned to pursue its growth strategies. The Proposed Demerger would also provide each resultant entity with the opportunity to undertake more tailored capital management initiatives and pursue specific dividend policies and investor relations strategies.

(iii) Freedom to pursue distinct aspirations and strategies

The Proposed Demerger will enable each business entity to focus on their respective core activities and pursue their different and distinct aspirations. The Proposed TM International Group will be focused on becoming a leading regional mobile operator in the South/South East Asian region with an active growth strategy. The Proposed TM Group, on the other hand, will be focused on becoming Malaysia's leading next generation communications provider embracing customer needs through innovations and execution excellence.

4.2 Proposed Listing

The Proposed Listing will enhance the profile of the Proposed TM International Group within the global investing community, provide the Proposed TM International Group with direct access to the equity markets and increased flexibility in funding and will allow the Entitled Shareholders to have better liquidity in respect of their shareholding in TM International.

4.3 Proposed Shareholders' Mandate, Proposed IPO and Proposed Issue to EPF

The Proposed Shareholders' Mandate will provide flexibility to TM International to fund the Proposed TM International Group's working capital, capital expenditure, investments and/or acquisitions (including the repayment of borrowings taken to make such capital expenditure, investments and/or acquisitions, if any) in the Proposed TM International Group's core growth markets, which include, but are not limited to India, Sri Lanka, Bangladesh, Indonesia and the Indochina region.

Furthermore, the Proposed IPO, if implemented, will provide the Entitled Shareholders with better guidance on the valuation of the Proposed TM International Group, immediately prior to the Proposed Listing, as the Proposed IPO is expected to include a price discovery process through a bookbuilding exercise.

The Proposed Issue to EPF allows EPF to participate in any issuance of new TM International Shares to be issued under the Proposed Shareholders' Mandate. EPF's subscription of the Issue Shares would secure the long term commitment of EPF to the Proposed TM International Group, which reflects the continued confidence and support of EPF in the Proposed TM International Group going forward.

4.4 Proposed Option Scheme and Proposed Grant of Options

In view of the expiry of the earlier employees' share option scheme in July 2007, our Board wishes to propose a new employees' share option scheme. However, in view of the Proposed Demerger and Proposed Listing, the terms of the option scheme will need to be adjusted such that the Eligible Employees are able to participate in both the equity of the Proposed TM Group and Proposed TM International Group, post-demerger.

In addition, in recognition of the contribution of the employees to the TM Group leading up to the Proposed Demerger, the Proposed Option Scheme has been structured to be facilitative to encourage higher level of participation by the employees of the TM Group. This is also intended to encourage and retain Eligible Employees during the transition period of the demerger to enable the Proposed TM Group and Proposed TM International Group to continue operations with minimal disruptions.

The Proposed Grant of Option to Dato' Sri Abdul Wahid Omar is to enable Dato' Sri Abdul Wahid Omar to participate in the Proposed Option Scheme. In line with the objectives of the Proposed Option Scheme, the Proposed Grant of Options is to recognise and reward Dato' Sri Abdul Wahid Omar for his contribution and services to the TM Group.

The Proposed Grant of Option to Mohd Azizi Rosli is to enable Mohd Azizi Rosli, an employee of our Company and who is a son of Rosli Man, a Director of our Company, to participate in the Proposed Option Scheme as an Eligible Employee of our Company, in line with the objectives of the Proposed Option Scheme.

4.5 Proposed Acquisition

The Proposed Acquisition would allow the TM International Group to increase its effective equity stakes in M1 and XL, which is in line with TM International's strategy for earnings enhancement.

The acquisition of SunShare RCPS and SunShare Shares under the Proposed Acquisition would allow the TM Group or the Proposed TM International Group, as the case may be, to increase the economic benefit it derives from M1 from an effective equity interest of 15.14% to a more meaningful level of 29.69% upon completion of the Proposed Acquisition. This will allow the TM Group, or, Proposed TM International Group, as the case may be, to continue to strengthen its regional footprint in Singapore where M1 is the third largest mobile telecommunications service provider as at 30 September 2007, according to Frost & Sullivan. The increased effective holding in M1 will also provide the TM International Group with greater flexibility to embark on best practice and knowledge sharing initiatives between M1 and the other companies within the group.

As at the LPD, the TM International Group held a 66.99% equity interest in XL, which represents one of its key subsidiaries in a high growth market. Upon completion of the Proposed Acquisition, the TM International Group's equity interest in XL would increase to 83.80%. The 3-year compounded annual growth rate ("**CAGR**") of XL's net revenue between 2004 and 2006 is 34.4%.

Our Board expects that the Proposed Acquisition would increase the TM International Group's earnings per share in the near term and will further enhance its growth profile.

4.6 Proposed Exemption

Whilst it is the intention of the TM International Group to increase its equity stakes in SunShare and XL, any take-over offer on TM International may lead to the privatisation of TM International, which is not in line with the objectives of the Proposed Demerger. In this respect, your prior approval is sought to exempt Khazanah from the obligation to carry out a Mandatory Offer to acquire the remaining TM International Shares not held by Khazanah in the event that the Proposed Acquisition becomes unconditional under Scenario 1.

5. EFFECTS OF THE PROPOSALS

The proforma effects of the Proposals on our Company and TM International have been presented below, for illustrative purposes only, based on the following Assumptions, where applicable:

(i) issuance of 137.6 million TM Shares, representing approximately 4% of our Company's issued and paid-up share capital, under the Proposed Option Scheme, which is assumed to be completed before the Proposed Demerger, with an assumed Option exercise price of RM10.30 (based on the 5-day volume-weighted average market price of TM Shares up to the LPD at a discount of approximately 10%), which results in an illustrative gross proceed of RM1,417.3 million from the Proposed Option Scheme; and

(ii) for Scenario 1, issuance of 357.7 million Issue Shares pursuant to the Proposed Shareholders' Mandate, representing approximately 10% of TM International's issued and paid-up share capital after the Proposed Demerger, at an illustrative Issue Price of RM2.28 per Issue Share, representing the proforma consolidated net book value per TM International Share after the Proposed Demerger as at 31 December 2006; and

(iii) for Scenario 2, issuance of 3.6 million Issue Shares pursuant to the Proposed Shareholders' Mandate, representing approximately 10% of TM International's existing issued and paid-up share capital, at an illustrative Issue Price of RM90.27 per Issue Share, representing the consolidated net book value per TM International Share as at 31 December 2006.

With respect to the Proposed Shareholders' Mandate, the actual timing and number of Issue Shares to be issued (if any) will be determined at a later date. Accordingly, this assumption is made solely for the purpose of illustrating the effects of the issuance of Issue Shares (if any) on TM International and is not an indication of the valuation of the Proposed TM International Group, which would depend on the market conditions then and the outcome of the bookbuilding exercise (if any).

The inclusion of such information should not be regarded as a representation, warranty or prediction by our Company, TM International or any other person with respect to the accuracy of the underlying assumptions or that such results will be or are likely to be achieved.

The Proposed Listing, Proposed Grant of Options and Proposed Exemption will not have any effect on our Company's and TM International's issued and paid-up share capital, earnings, net assets, gearing and substantial shareholders' shareholdings in our Company and TM International.

The Proposed Issue to EPF will not have any effect on our Company's and TM International's issued and paid-up share capital, earnings, net assets, gearing, as well as substantial shareholders' shareholdings in our Company. However, the Proposed Issue to EPF is expected to have an impact on the substantial shareholders' shareholdings in TM International.

For the purposes of illustrating the effect of the other Proposals on the earnings, net assets and gearing of the TM Group and TM International Group, the following matters have not been taken into consideration:

(i) with respect to the Proposed Option Scheme, it is expected that there will be an impact on our consolidated earnings in view of the adoption of the Financial Reporting Standard 2 ("**FRS2**") "Share-Based Payment". In accordance with FRS2, the cost arising from the issuance of Options under the Proposed Option Scheme will be measured by the fair value of the Options at the Offer Date, thereby reducing our consolidated earnings. The fair value is dependent on, amongst others, the exercise price of TM Shares at the Offer Date, the tenure of the Option and volatility of share price of our Company. The charge will be recognised over the vesting period. The fair value of the Options will be considered using the same valuation model applied in computing the fair value of the options granted under the TM Group's previous employees' share option scheme.

Other than the cost effects pursuant to FRS2, the effects of the Proposed Option Scheme on our consolidated earnings per share would depend on the use of the proceeds to be received upon the exercise of the Options by the Eligible Employees.

The Proposed Option Scheme is also expected to potentially have an impact on TM International's consolidated earnings by virtue of the cost that our Company charges to our relevant subsidiaries based on the allocation of Options to the Eligible Employees of the said subsidiaries;

(ii) with respect to the proposed issuance of Issue Shares under the Proposed Shareholders' Mandate, there may be an effect on the consolidated earnings of the TM International Group, which will depend on the use of the proceeds to be received;

(iii) with respect to the Proposed Acquisition, no account was made for fair valuation adjustment on the assets and liabilities of SunShare. Instead, these assets and liabilities are based on the carrying values of assets and liabilities in SunShare's audited financial statements for the financial period/year ended 31 December 2005 and 31 December 2006 for the proforma consolidated income statement and proforma consolidated balance sheet respectively. The cost of acquisition of the SunShare RCPS and SunShare Shares have to be recorded at the net fair value of SunShare's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any adjustments arising from the valuation to ascertain the fair value of the SunShare RCPS and SunShare Shares may have significant effect on the recording of the cost of acquisition, the corresponding goodwill recognised and TM International's share premium balances; and

(iv) with respect to the issuance of Issue Shares under the Proposed Shareholders' Mandate and Consideration Share under the Proposed Acquisition, the issue prices of new TM International Shares used may not be measured at their respective fair values. Instead the issue prices used in the proforma illustration were based on TM International's audited/proforma net assets per share before and after the Proposed Demerger and the transaction price as detailed in the SPA. The issuance of TM International Shares has to be measured at fair value in exchange for the cash/Sale Shares received at the date of the issuance.

Under the Proposed Acquisition, the TM International Group's eventual cost of acquisition of the Sale Shares will be recorded based on the fair value of TM International Shares to be issued, which may not be reflective of the Purchase Consideration. This in turn may have significant effect on the corresponding goodwill recognised and TM International's share premium balances, which in turn may have a significant effect on the results of the TM Group (for Scenario 2).

For Scenario 1, upon completion of the Proposed Demerger and Proposed Acquisition, TM International will consolidate all the assets and liabilities as well as financial results of SunShare. However, for Scenario 2, the terms of the joint venture and shareholders' agreement in relation to SunShare, which will be terminated upon completion of the Proposed Acquisition is assumed to be novated to TM International. On this basis, under Scenario 2, TM International has equity accounted for 49% of the economic interest in SunShare as a jointly-controlled entity while TM will consolidate all the assets and liabilities as well as financial results of SunShare.

5.1 Issued and paid-up share capital

(i) TM

The Proposed Demerger, Proposed Shareholders' Mandate and Proposed Acquisition will not have any effect on the issued and paid-up share capital of our Company.

The effects of the Proposed Option Scheme on the issued and paid-up share capital of our Company are as follows:

	No. of ordinary shares of RM1.00 each million	Issued and paid-up ordinary share capital RM million
Existing issued and paid-up share capital as at the LPD	3,439.8	3,439.8
To be issued under the Proposed Option Scheme	137.6	137.6
Enlarged issued and paid-up share capital	3,577.4	3,577.4

(ii) TM International

The Proposed Option Scheme will not have any direct effect on the issued and paid-up share capital of TM International as it is anticipated that the TM Shares would be issued to the Trustee before the Entitlement Date for the Proposed Demerger. This, however, has an impact in terms of increasing the resultant number of TM International Shares to be issued under the Proposed Internal Restructuring such that the eventual number of TM International Shares equals the number of TM Shares entitled to the Proposed Distribution, as illustrated below.

Further, the Proposed Shareholders' Mandate will not have an immediate impact on the issued and paid-up share capital of TM International. However, there will be an increase of up to 10% of TM International's issued and paid-up share capital if any Issue Shares are issued pursuant to the Proposed Shareholders' Mandate.

Save for the Proposed Option Scheme, the effects of the other Proposals on the issued and paid-up share capital of TM International are set out as follows:

(a) Scenario 1:

	No. of ordinary shares of RM1.00 each million	Issued and paid-up ordinary share capital RM million
Existing issued and paid-up share capital as at the LPD	35.7	35.7
To be issued under the Proposed Demerger	3,541.7	3,541.7
Issued and paid-up share capital after the Proposed Demerger	3,577.4	3,577.4
To be issued under the Proposed Shareholders' Mandate	357.7	357.7
To be issued under the Proposed Acquisition	176.0	176.0
Enlarged issued and paid-up share capital	4,111.1	4,111.1

(b) Scenario 2:

	No. of ordinary shares of RM1.00 each million	Issued and paid-up ordinary share capital RM million
Existing issued and paid-up share capital as at the LPD	35.7	35.7
To be issued under the Proposed Shareholders' Mandate	3.6	3.6
To be issued under the Proposed Acquisition	4.5	4.5
Enlarged issued and paid-up share capital	43.8	43.8

5.2 Earnings

Based on our Company's and TM International's audited consolidated financial statements as at 31 December 2006, the proforma effects of the Proposed Demerger and Proposed Acquisition on the consolidated earnings of the TM Group and TM International Group, based on the assumption that the Proposals were completed on 1 January 2006, are set out below:

(i) TM

(a) Scenario 1:

If Proposed Acquisition takes place after the Proposed Demerger, the Proposed Acquisition will not have any effect on the earnings of the TM Group as the Proposed Acquisition is carried out by the Proposed TM International Group which would have been demerged from the TM Group following the Proposed Demerger.

The proforma effect of the Proposed Demerger on the consolidated earnings of the TM Group is as follows:

	Audited as at 31 December 2006 RM million	Proforma after the Proposed Demerger RM million
Revenue	16,399.2	8,200.7
EBITDA	7,529.6	3,532.2
PATAMI	2,068.8	903.6
No. of TM Shares in issue (million)	3,397.6	3,397.6
EPS (RM)	0.61	0.27

(b) Scenario 2:

	Audited as at 31 December 2006 RM million	Proforma I After the issuance of Issue Shares under the Proposed Shareholders' Mandate RM million	Proforma II After Proforma I and the Proposed Acquisition RM million
Revenue	16,399.2	16,399.2	16,399.2
EBITDA	7,529.6	7,543.7	8,554.4
PATAMI	2,068.8	2,007.7	3,023.0
No. of TM Shares in issue (million)	3,397.6	3,397.6	3,397.6
EPS (RM)	0.61	0.59	0.89

(ii) **TM International**

(a) **Scenario 1:**

	Audited as at 31 December 2006	Proforma I After the Proposed Internal Restructuring	Proforma II After Proforma I and the Proposed Acquisition
	RM million	RM million	RM million
Revenue	4,050.2	8,573.5	8,573.5
EBITDA	2,073.4	4,002.2	3,996.0
PATAMI	629.3	1,150.1	1,231.2
No. of TM International Shares in issue (million)	35.7	3,577.4	3,753.4[*1]
EPS (RM)	17.63	0.32	0.33

(b) **Scenario 2:**

	Audited as at 31 December 2006	Proforma after the Proposed Acquisition
	RM million	RM million
Revenue	4,050.2	4,050.2
EBITDA	2,073.4	2,073.4
PATAMI	629.3	714.0
No. of TM International Shares in issue (million)	35.7	40.2[*1]
EPS (RM)	17.63	17.76

Note:

*1 *Excluding the Issue Shares that may be issued under the Proposed Shareholders' Mandate.*

5.3 Net assets and gearing

(i) TM

(a) Scenario 1:

If the issuance of Issue Shares under the Proposed Shareholders' Mandate and Proposed Acquisition take place after the Proposed Demerger, these transactions will not have any effect on the net assets and gearing of the TM Group as the transactions are carried out by TM International which has been demerged from the TM Group following the Proposed Demerger. Based on our Company's audited consolidated financial statements as at 31 December 2006, the proforma effects of the Proposed Option Scheme and Proposed Demerger on our consolidated net assets and gearing, based on the assumption that these transactions were completed on 31 December 2006, are set out below.

	Audited as at 31 December 2006 RM million	Proforma I After incorporating completed transactions[*1] RM million	Proforma II After Proforma I and Proposed Option Scheme RM million	Proforma III After Proforma II and Proposed Demerger RM million
Share capital	3,397.6	3,439.8	3,577.4	3,577.4
Share premium	3,941.9	4,262.1	5,541.7	5,541.7
Reserves	12,571.6	11,070.1	11,070.1	2,920.0
Shareholders' funds / Net assets	19,911.1	18,772.0	20,189.2	12,039.1
No. of TM Shares in issue (million)	3,397.6	3,439.8	3,577.4	3,577.4
Net assets per share (RM)	5.86	5.46	5.64	3.37
Total borrowings	12,085.9	12,085.9	12,085.9	7,935.8
Gearing (times)	0.61	0.64	0.60	0.66
Total borrowings net of First Amount Owing and Second Amount Owing				3,910.8
Gearing net of First Amount Owing and Second Amount Owing (times)				0.32

(b) **Scenario 2:**

Based on our Company's audited consolidated financial statements as at 31 December 2006, the proforma effects of the Proposed Option Scheme, the issuance of the Issue Shares under the Proposed Shareholders' Mandate and the Proposed Acquisition on our consolidated net assets and gearing, based on the assumption that these transactions were completed on 31 December 2006 are set out below.

		Proforma I	Proforma II	Proforma III	Proforma IV
	Audited as at 31 December 2006 RM million	After incorporating completed transactions[*1] RM million	After Proforma I and Proposed Option Scheme RM million	After Proforma II and the issuance of Issue Shares under the Proposed Shareholders' Mandate RM million	After Proforma III and Proposed Acquisition RM million
Share capital	3,397.6	3,439.8	3,577.4	3,577.4	3,577.4
Share premium	3,941.9	4,262.1	5,541.7	5,541.7	5,541.7
Reserves	12,571.6	11,070.1	11,070.1	11,029.2	12,010.4
Shareholders' funds / Net assets	19,911.1	18,772.0	20,189.2	20,148.3	21,129.5
No. of TM Shares in issue (million)	3,397.6	3,439.8	3,577.4	3,577.4	3,577.4
Net assets per share (RM)	5.86	5.46	5.64	5.63	5.91
Total borrowings	12,085.9	12,085.9	12,085.9	12,085.9	13,327.7
Gearing (times)	0.61	0.64	0.60	0.60	0.63

Note:

*1 *Assuming the following transactions were completed on 31 December 2006:*

(a) Celcom capital repayment

On 23 August 2007, Celcom was granted approval by the High Court of Malaya to proceed with a capital repayment scheme pursuant to Sections 60, 62 and 64 of the Act. The scheme involved:

(i) reduction in par value of Celcom Shares, resulting in the decrease in the issued and paid-up capital of RM1,767.9 million comprising 1,767.9 million Celcom Shares by RM530.4 million to RM1,237.5 million comprising of 1,767.9 million ordinary shares of 70.0 sen each;

(ii) cancellation and utilisation of the share premium account of RM199.7 million; and

(iii) consolidation of 1,767.9 ordinary shares of 70.0 sen each into 1,237.5 million Celcom Shares issued as fully paid, resulting in an issued and paid-up capital of RM1,237.5 million.

The capital repayment was completed on 21 September 2007.

(b) Our Company advances to the TM International Group

Our Company had advanced RM384.1 million to TM International (L) Limited, a wholly-owned subsidiary of TM International to fund its acquisition of 523,532,100 XL shares representing approximately 7.38% of the issued and paid-up share capital of XL for a cash consideration of USD113.0 million. The funds for the acquisition were transferred on 1 June 2007. In addition, our Company had advanced RM68.0 million to TM International to fund its subscription of a rights issue by Dialog. The funds for this purpose were transferred on 14 June 2007. For the purposes of illustration, these advances have been included as cash and bank balances.

(c) Exercise of our Company's employees' share option shares ("ESOS")

Subsequent to 31 December 2006 and through to 31 July 2007, the issued and paid-up capital of our Company increased from 3,397.6 million TM Shares to 3,439.8 million TM Shares as a result of employees exercising their options under the ESOS at respective exercise prices of RM7.09, RM8.02, RM8.69, RM9.22 and RM9.32 per share and Performance Linked Employee Options Scheme at exercise price of RM10.24 per share.

(d) Amortisation of 3G Spectrum Assignment

Our Company intends to transfer the 3G Spectrum Assignment to Celcom on an 'as is where is basis', for a consideration of RM40.1 million representing its carrying amount as at 30 November 2007. An adjustment of RM3.5 million has been made to the carrying value of the 3G Spectrum Assignment of RM43.6 million as at 31 December 2006 to reflect the amortisation of this intangible up to 30 November 2007.

(e) Special Dividend

Payment of a special gross dividend of 65 sen per share less tax of 26% (representing a net dividend of approximately 48.1 sen per share or RM1,654.5 million) in respect of the financial year ended 31 December 2007, to our shareholders. The Special Dividend was paid on 31 January 2008.

(f) Reclassification of goodwill

*On 7 June 2006, TM International (L) Limited entered into an agreement with AIF (Indonesia) Limited ("**AIF**") to purchase 195,605,400 XL Shares, representing approximately 2.8% of the issued and paid-up share capital of XL from AIF for a cash consideration of USD39.7 million. The acquisition of the additional stake in XL was completed on 12 June 2006. Consequently, TM Group's effective equity interest in XL increased from 56.9% to 59.7%. On 17 February 2006, TM International entered into a Share Sale and Purchase Agreement with Samart Corporation Public Company Limited ("**Samart**") for the acquisition of 1,038,700 ordinary shares of USD4.00 each representing the remaining 49.0% equity interest in TMIC from Samart for a consideration of USD29.0 million (RM107.9 million).*

Goodwill totaling RM172.5 million arising from these transactions previously recorded in equity has now been reclassified as an intangible asset to reflect our Company's modified parent entity accounting model.

(ii) TM International

Save for the potential charge by our Company to TM International pursuant to the Proposed Option Scheme, the Proposed Option Scheme will not have any effect on TM International's consolidated net assets and gearing.

Based on TM International's audited consolidated financial statements as at 31 December 2006, the proforma effects of the other Proposals on TM International's consolidated net assets and gearing based on the assumption that the Proposals were completed on 31 December 2006 are set out below:

(a) Scenario 1:

		Proforma I	Proforma II	Proforma III
	Audited as at 31 December 2006	After the Proposed Internal Restructuring*1	After Proforma I and the issuance of Issue Shares under the Proposed Shareholders' Mandate	After Proforma II and Proposed Acquisition
	RM mil	RM mil	RM mil	RM mil
Share capital	35.7	3,577.4	3,935.1	4,111.1
Share premium	58.3	317.9	718.8*2	2,122.8
Reserves	3,128.8	4,254.7	4,254.7	4,275.1
Shareholders' funds / Net assets	3,222.8	8,150.0	8,908.6	10,509.0
No. of TM International Shares in issue (million)	35.7	3,577.4	3,935.1	4,111.1
Net assets per share (RM)	90.27	2.28	2.26	2.56
Total borrowings (RM million)	3,426.1	8,175.1*3	8,175.1*3	9,416.9*4
Gearing (times)	1.06	1.00	0.92	0.90

Notes:

*1 *Assuming completion of the following transactions prior to the Proposed Internal Restructuring:*

(a) Celcom capital repayment

On 23 August 2007, Celcom was granted approval by the High Court of Malaya to proceed with a capital repayment scheme pursuant to Sections 60, 62 and 64 of the Act. The scheme involved:

(i) reduction in par value of Celcom Shares, resulting in the decrease in the issued and paid-up capital of RM1,767.9 million comprising 1,767.9 million Celcom Shares by RM530.4 million to RM1,237.5 million comprising of 1,767.9 million ordinary shares of 70.0 sen each;

(ii) cancellation and utilisation of the share premium account of RM199.7 million; and

(iii) consolidation of 1,767.9 ordinary shares of 70.0 sen each into 1,237.5 million Celcom Shares issued as fully-paid, resulting in an issued and paid-up capital of RM1,237.5 million.

The capital repayment was completed on 21 September 2007.

(b) Our Company advances to the TM International Group

Our Company had advanced RM384.1 million to TM International (L) Limited, a wholly-owned subsidiary of TM International to fund its acquisition of 523,532,100 XL Shares representing approximately 7.38% of the issued and paid-up share capital of XL for a cash consideration of USD113.0 million. The funds for the acquisition were transferred on 1 June 2007. In addition, our Company had advanced RM68.0 million to TM International to fund its subscription of a rights issue by Dialog. The funds for this purpose were transferred on 14 June 2007. For the purposes of illustration, these advances have been included as cash and bank balances.

(c) Exercise of our Company's ESOS

Subsequent to 31 December 2006 and through to 31 July 2007, the issued and paid-up capital of our Company increased from 3,397.6 million TM Shares to 3,439.8 million TM Shares as a result of employees exercising their options under the ESOS at respective exercise prices of RM7.09, RM8.02, RM8.69, RM9.22 and RM9.32 per share and Performance Linked Employee Options Scheme at exercise price of RM10.24 per share.

*2 *After deducting estimated expenses of RM57.0 million, based on the illustrative Issue Price of RM2.28 per Issue Share. For the purpose of illustration, the entire cost of the Proposed Demerger, Proposed Listing, and the issuance of Issue Shares under the Proposed Shareholders' Mandate has been allocated to TM International.*

*3 *Includes the First Amount Owing and Second Amount Owing.*

*4 *Includes the First Amount Owing and Second Amount Owing and the consolidation of SunShare's borrowings.*

(b) Scenario 2:

		Proforma I	Proforma II
	Audited as at 31 December 2006	After issuance of Issue Shares under the Proposed Shareholders' Mandate	After Proforma I and Proposed Acquisition
	RM mil	RM mil	RM mil
Share capital	35.7	39.3	43.8
Share premium	58.3	334.7[*1]	1,910.2
Reserves	3,128.8	3,128.8	3,145.7
Shareholders' funds / Net assets	3,222.8	3,502.8	5,099.7
No. of TM International Shares in issue (million)	35.7	39.3	43.8
Net assets per share (RM)	90.27	89.13	116.43
Total borrowings (RM million)	3,426.1	3,426.1	3,426.1
Gearing (times)	1.06	0.98	0.67

Note:

*1 *After deducting estimated expenses of RM45.0 million, based on the illustrative Issue Price of RM90.27 per Issue Share. For the purpose of illustration, the entire cost of the Proposed Demerger, Proposed Listing and issuance of Issue Shares under the Proposed Shareholders' Mandate has been allocated to TM International.*

5.4 Substantial shareholders' shareholdings

(i) TM

The Proposed Demerger, Proposed Shareholders' Mandate and Proposed Acquisition will not have any effect on the shareholdings of the substantial shareholders of our Company.

The effects of the Proposed Option Scheme on the shareholdings of the substantial shareholders of our Company, based on our Company's Register of Substantial Shareholders as at the LPD, are as follows:

	As at the LPD				After Proposed Option Scheme			
	Direct		Indirect		Direct		Indirect	
	No. of TM Shares held million	%	No. of TM Shares held million	%	No. of TM Shares held million	%	No. of TM Shares held million	%
Khazanah	1,243.1	36.14	-	-	1,243.1	34.75	-	-
EPF	316.7	9.21	39.4[*1]	1.14	316.7	8.85	39.4[*1]	1.10
SASB	310.6[*2]	9.03	-	-	310.6[*2]	8.68	-	-
BNM	251.7	7.32	-	-	251.7	7.04	-	-

Notes:

*1 *Deemed interest by virtue of TM Shares managed by other portfolio managers on behalf of EPF under Section 6A of the Act.*

*2 *Held via Amanah Raya Nominees (Tempatan) Sdn Bhd.*

(ii) TM International

Save for consequential changes to TM International's issued and paid-up share capital as a result of an increase in our Company's issued and paid-up share capital pursuant to the Proposed Option Scheme, the Proposed Option Scheme will not have any effect on the shareholdings of the substantial shareholders of TM International in TM International.

Further, the Proposed Shareholders' Mandate will not have an immediate impact on the shareholdings of TM International's existing and proposed substantial shareholders in TM International. However, there will be an increase of up to 10% of TM International's issued and paid-up share capital if any Issue Shares are issued pursuant to the Proposed Shareholders' Mandate which will dilute the percentage shareholdings of the substantial shareholders of TM International in TM International.

Save for the Proposed Option Scheme, the effects of the other Proposals on the shareholdings of the existing and proposed substantial shareholders of TM International, based on our Company's Register of Substantial Shareholders as at the LPD, are as follows:

(a) Scenario 1:

					Proforma I				Proforma II				Proforma III			
	As at the LPD*1				After the Proposed Demerger*2				After Proforma I and the issuance of the Issue Shares under the Proposed Shareholders' Mandate*3				After Proforma II and Proposed Acquisition			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Shareholders	**No. of shares held million**	**%**	**No. of shares held million**	**%**	**No. of shares held million**	**%**	**No. of shares held million**	**%**	**No. of shares held million**	**%**	**No. of shares held million**	**%**	**No. of shares held million**	**%**	**No. of shares held million**	**%**
TM	35.7	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Khazanah	-	-	35.7*4	100	1,243.1	34.75	-	-	1, 243.1	31.59	-	-	1,419.1	34.52	-	-
EPF	-	-	-	-	316.7	8.85	39.4*5	1.10	424.0	10.77	39.4*5	1.00	424.0	10.31	39.4*5	0.96
SASB	-	-	-	-	310.6*6	8.68	-	-	310.6*6	7.89	-	-	310.6*6	7.56	-	-
BNM	-	-	-	-	251.7	7.04	-	-	251.7	6.40	-	-	251.7	6.12	-	-

Notes:

*1 *Based on TM International's Register of Members as at the LPD.*

*2 *Based on our Company's Register of Substantial Shareholders as at the LPD, adjusted for the effects of the Proposed Option Scheme.*

*3 *Assuming EPF subscribes for 30% of the Issue Shares available under the Proposed Shareholders' Mandate, while our Company and the other proposed substantial shareholders of TM International are assumed to not participate in the issuance under the Proposed Shareholders' Mandate.*

*4 *Deemed interest through our Company under Section 6A of the Act.*

*5 *Deemed interest by virtue of TM International Shares to be managed by other portfolio managers on behalf of EPF under Section 6A of the Act.*

*6 *Held via Amanah Raya Nominees (Tempatan) Sdn Bhd.*

(b) **Scenario 2:**

Shareholders	As at the LPD[*1]				Proforma I After the issuance of Issue Shares under the Proposed Shareholders' Mandate				Proforma II After Proforma I and Proposed Acquisition			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares held million	%	No. of shares held million	%	No. of shares held million	%	No. of shares held million	%	No. of shares held million	%	No. of shares held million	%
TM	35.7	100	-	-	35.7	90.91	-	-	35.7	81.56	-	-
Khazanah	-	-	35.7[*2]	100	-	-	35.7[*2]	90.91	4.5	10.28	35.7[*2]	81.56

Notes:

*1 *Based on TM International's Register of Members as at the LPD.*

*2 *Deemed interest through our Company under Section 6A of the Act.*

5.5 Dividends

(i) Proposed TM Group

In determining the dividend payout ratio in respect of any financial year after the Proposed Demerger, our Company intends to adopt a progressive dividend policy which enables us to provide stable and sustainable dividends to our shareholders while maintaining an efficient capital structure and ensuring sufficiency of funding for future growth.

Upon completion of the Proposed Demerger, our Company intends to distribute yearly dividends of RM700 million or up to 90% of our normalised PATAMI, whichever is higher.

Dividends will be paid only if approved by our Board out of funds available for such distribution. The actual amount and timing of dividend payments will depend upon our level of cash and retained earnings, results of operations, business prospects, monetisation of non-core assets, projected levels of capital expenditure and other investment plans, current and expected obligations and such other matters as our Board may deem relevant.

The Proposed Option Scheme is not expected to have any material effect on the quantum of dividends to be recommended or distributed by our Company.

If the issuance of the Issue Shares under the Proposed Shareholders' Mandate and Proposed Acquisition occur after the Proposed Demerger, the issuance of the Issue Shares under the Proposed Shareholders' Mandate and the Proposed Acquisition will not have any effect on the dividends of our Company as these transactions are carried out by the Proposed TM International Group which has been demerged from TM Group following the Proposed Demerger.

If the issuance of the Issue Shares under the Proposed Shareholders' Mandate and Proposed Acquisition take place prior to the Proposed Demerger, these transactions are not expected to have any material effect on the quantum of dividends to be recommended or distributed by our Company in the near term.

(ii) Proposed TM International Group

In determining the capital structures of the Proposed TM Group and Proposed TM International Group, our Board has considered the expected dividend payment capacity of TM International, bearing in mind the Proposed TM International Group's strategy to explore regional growth opportunities and the dividend policies of comparable companies. Our Board expects TM International's dividend payout ratio (i.e. dividends as a proportion to normalised PATAMI) to not exceed TM Group's payout ratio in recent years.

The actual dividend policy of TM International shall be determined at a later date by TM International's Board, leading up to the Proposed Demerger. It should be noted that dividends to shareholders in the future will depend upon a number of factors, including TM International's level of cash and retained earnings, results of operations, business prospects, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by TM International's Board.

6. PROSPECTS

The prospects relating to the Proposed Acquisition include the following:

6.1 SunShare

SunShare, being a joint venture company between the TM Group and Khazanah set up for the purpose of investing in M1, a mobile telecommunications service provider in Singapore, holds a total equity interest of 29.69% in M1 as at the LPD. Under the Proposed Acquisition, the TM Group's, or the Proposed TM International Group's, as the case may be, economic interest in SunShare will increase from 51% to 100%, resulting in the increase in its effective equity interest in M1 (through SunShare) from 15.14% to 29.69% upon completion of the Proposed Acquisition.

M1 is expected to benefit from the introduction of its mobile broadband High Speed Downlink Packet Access ("**HSDPA**") services, which is one of the key drivers for the expansion of addressable market for mobile telecommunication operators. This is mainly attributable to the positive outlook on M1's entry into the residential broadband market.

We have set out below the prospects relating to the mobile telecommunications market in Singapore.

Prospects relating to the mobile telecommunications services market in Singapore

According to Frost & Sullivan, with a penetration rate of 112.8% as at 30 September 2007, the mobile telecommunications services market in Singapore can be considered as one of the most saturated markets in the region. Although the market has reached saturation, the subscriber growth in the first 9 months of 2007 grew substantially at a rate of 13.8% to 5.3 million subscribers due to the influx of foreign workers and robust growth in the prepaid segment. Prepaid subscribers, which accounted for 44.2% of total mobile subscribers in Singapore, grew by 30.0% over the same period. Frost & Sullivan projects mobile subscriber base in Singapore to grow at a CAGR of 7.4% between 2006 and 2011. Future subscriber growth is envisaged to be from the prepaid segment which caters to the lower-end market and foreign workers. Revenue growth is likely to stem from a larger addressable market resulting from the growth in population base and emergence of mobile broadband services, and greater emphasis for value-added services and convergent services. The emphasis of competition has gone beyond pricing, and is heavily placed on network quality, breadth of value-added services and service convergence.

The emergence of mobile broadband would expand the addressable market opportunity for the mobile telecommunications industry, particularly for mobile operators that do not currently own a fixed broadband business. The introduction of mobile broadband services over HSDPA networks is expected to expand the addressable market for mobile operators and to tap on the residential broadband market. In line with increased need for further market segmentation, mobile operators are turning to value added services such as addressing the high growth enterprise market and non- Short Messaging Services segments for other revenue streams.

Competition in Singapore's mobile telecommunications market has intensified, given its high market saturation and the introduction by the Infocomm Development Authority of a 10-year masterplan, known as the Intelligent Nation 2015, which would reduce demarcation between the wireless (mobile) and wired (fixed-line) telecommunications market. Singapore Telecommunications Ltd ("**SingTel**") and StarHub Mobile Pte Ltd ("**StarHub**"), which hold significant market share over wired broadband services, are expected to face competitive pressures from new wireless broadband access entrants and M1's mobile broadband HSDPA services.

(Source: Executive Summary of the Mobile Telecommunications Market in Singapore, Frost & Sullivan, December 2007)

6.2 XL

XL is a mobile telecommunications service provider in Indonesia, in which the TM International Group holds an effective equity interest of 66.99% as at the LPD. Under the Proposed Acquisition, the TM International Group will increase its effective equity interest to 83.80%.

Our Board is optimistic on the outlook of XL given that XL is expected to capitalise on the growth potential in Indonesia's mobile telecommunications market, in tandem with XL's efforts in expanding and enhancing its network and coverage (which is envisaged to be one of the key basis of competition apart from pricing).

We have set out below the prospects relating to the mobile telecommunications services market in Indonesia.

Prospects relating to the mobile telecommunications services market in Indonesia

Indonesia is one of the fastest growing mobile markets in Asia Pacific, with total number of subscribers growing at a staggering CAGR of 50.9% between 2003 and 2006. Several factors are expected to drive the robust growth of Indonesia's mobile telecommunications market further. The present low mobile penetration, the lack of fixed-line infrastructure and the anticipated price competition resulting from the entry of new players are expected to spur demand for mobile services. While major cities are experiencing mobile saturation, the reduction in cost of entry-level handsets is expected to enhance affordability particularly in rural areas and lower-end segments of the market. The Indonesian mobile market is still in its growth stage, with a mobile penetration rate of approximately 33% as at 30 September 2007. Meanwhile, subscriber penetration for fixed-line services in Indonesia is still very low, at approximately 4% as at 30 September 2007. The lack of fixed-line infrastructure and the increasing preference for mobility are expected to accelerate the pace of fixed-to-mobile substitution effect where more users are expected to adopt mobile services over fixed-line services. The mobile subscriber base in Indonesia is expected to grow at a CAGR of 22.4% from 2006 to 2011, to 175 million users and a mobile penetration of over 66% by 2011.

(Source: Executive Summary of the Mobile Telecommunications Market in Indonesia, Frost & Sullivan, December 2007)

7. RISK FACTORS

As the Proposed TM International Group is already involved in M1's (through SunShare) and XL's mobile telecommunications business, the risk factors relating to SunShare and XL respectively described in Sections 7.3 and 7.4 of this Circular already exist in the TM Group, or the Proposed TM International Group, as the case may be.

7.1 Risk factors relating to the Proposed Demerger

7.1.1 Credit profile

Upon completion of the Proposed Demerger, the credit profiles and financial capacity of the Proposed TM International Group and the Proposed TM Group may not be as strong as the credit profile and financial capacity of the combined TM Group. The gearing of the TM Group for the financial year ended 31 December 2006 is 0.61 times. Upon completion of the Proposed Demerger, the proforma gearing of the Proposed TM International Group is 1.00 times (inclusive of the First Amount Owing and Second Amount Owing) whereas the proforma gearing of the Proposed TM Group is 0.66 times. The proforma gearing of the Proposed TM Group (net of the First Amount Owing and Second Amount Owing) is 0.32 times.

Prior to the announcement of the Proposed Demerger, the credit rating of the TM Group was AAA by the Ratings Agency Malaysia Berhad ("**RAM**"), A-/Stable by Fitch Ratings Ltd ("**Fitch**") and Standard & Poor's Ratings Services ("**S&P**"), and A2/Stable by Moody's Investors Service ("**Moody's**"). After the announcement of the Proposed Demerger, RAM, Fitch and S&P have reaffirmed their credit ratings for the TM Group, whereas Moody's has continued to keep the TM Group rating under review with possible downgrade. In the event that TM is downgraded to A3, this would place TM on par with Moody's sovereign rating for Malaysia. There is no assurance that the credit ratings of the Proposed TM Group after the Proposed Demerger will be retained. There is also no assurance that the Proposed TM International Group is able to achieve the current credit ratings of the TM Group. Further, a downgrade in the credit ratings of the Proposed TM Group and/or if the Proposed TM International Group is unable to achieve the current credit ratings of the TM Group, this may restrict the Proposed TM Group's and Proposed TM International Group's access to debt and equity markets, which may lead to a relatively higher cost of capital.

7.1.2 Source of funding

Telecommunications service businesses are capital intensive in nature. The Proposed TM Group requires substantial capital to maintain and operate its fixed-line and broadband services, and to develop the HSBB infrastructure in partnership with the Government of Malaysia. The Proposed TM International Group requires substantial capital to build, maintain and operate its mobile telecommunications services. In order for the Proposed TM Group and Proposed TM International Group to remain competitive and continue to provide technologically innovative and compatible services, the 2 entities must also continue to expand and modernise their networks, which involve substantial capital investment. The Proposed TM Group and Proposed TM International Group also require significant amounts of capital to market and distribute their services and products, to develop new services and products, and to develop and implement new telecommunications technologies. The Proposed TM International Group may also require funds to potentially acquire and invest in other telecommunications companies and spectrum rights.

With the Proposed Demerger, the financial capacity of the Proposed TM Group and Proposed TM International Group may not be a strong as the combined TM Group. The ability of the Proposed TM Group and Proposed TM International Group to obtain additional financing at a competitive price will depend on a number of factors, including:

(i) their future financial condition, results of operations and cashflows;

(ii) general market conditions for financing activities by fixed-line and broadband, and mobile telecommunications companies; and

(iii) economic, political and other conditions in the markets where the entities operate.

Adequate financing for the expansion and modernisation of the Proposed TM Group's and Proposed TM International Group's networks, support systems and for telecommunications related investments may not be available to the relevant entities on acceptable terms, or at all. Accordingly, there is no assurance that the Proposed TM Group or the Proposed TM International Group will have sufficient capital resources to improve or expand their infrastructure or update their other technologies to the extent necessary to remain competitive. If adequate financing is not available, the Proposed TM Group's and Proposed TM International Group's prospects may be adversely affected.

7.1.3 Completion of the Proposed Demerger

The completion of the Proposed Demerger is subject to certain conditions (some of which are beyond our control) such as the approvals of the relevant authorities, consent of lenders and our shareholders. There is no assurance that the Proposed Demerger will be completed as contemplated by us and TM International.

7.1.4 Transactions between the Proposed TM International Group and Proposed TM Group post-demerger

Given that the Proposed TM International Group is currently within the TM Group, there are numerous transactions between the Proposed TM International Group and Proposed TM Group. Such transactions between the 2 entities are expected to continue on an arm's length commercial terms basis after the Proposed Demerger, and shall be governed by the Framework Agreement dated 10 December 2007 and Definitive Agreements to be signed as described in Section 2.3 of this Circular.

There is no assurance that the continuation of the transactions on an arm's length commercial terms basis will not materially adversely affect the financial performance of either the Proposed TM International Group or Proposed TM Group. There is also no assurance that the Framework Agreement and Definitive Agreements to be signed are exhaustive in covering all the existing and future arrangements and/or transactions that have or may be potentially entered into between the Proposed TM International Group and Proposed TM Group. Future arrangements and/or transactions between the Proposed TM International Group and Proposed TM Group not covered under the Framework Agreement and Definitive Agreements may not continue, or may not continue on terms which are favourable to one entity, and may have a material adverse effect on the financial performance of the Proposed TM International Group or Proposed TM Group.

7.1.5 Benefits arising from the Proposed Demerger

There is no assurance that the anticipated benefits arising from the Proposed Demerger as set out in Section 4.1 in this Circular will materialise in full or at all. The realisation of the anticipated benefits is subject to various factors which may be beyond our control.

7.2 Risk factors relating to the Proposed Acquisition

The TM International Group will be exposed to the following risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition which are set out below:

7.2.1 Completion of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon the Proposed Exemption being approved (in respect to Scenario 1), and is subject to the fulfillment of the various terms and conditions of the SPA. The Proposed Acquisition may not be completed if any of the conditions precedent are not fulfilled (some of which are beyond TM International's control). There is no assurance that the Proposed Acquisition will be completed as contemplated by our Company and TM International.

7.2.2 Acquisition risk

There are inherent risks relating to acquisitions of companies. There is no assurance that the expected benefit arising from the acquisition of the remaining stake in SunShare and an additional stake in XL will be fully realised or at all.

Further, upon completion of the Proposed Acquisition, the TM International Group is expected to recognise additional goodwill upon the consolidation pursuant to purchase accounting method applied.

Under the Financial Reporting Standards, review of goodwill for impairment is required when events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, goodwill with indefinite lives is required to be tested for impairment at least annually.

There is no assurance that the additional goodwill expected to be recognised by the TM International Group arising from the Proposed Acquisition will not be subject to impairment in the future. Any impairment of goodwill will result in a charge to the consolidated earnings of TM International, which may have a material adverse effect on the TM International Group's financial results.

7.2.3 Fluctuations in the exchange rate

A weakening or strengthening of the Singapore Dollar or Indonesian Rupiah may impact the profits of SunShare and XL in RM terms which will be equity accounted/consolidated as part of the earnings of the Proposed TM International Group as well as on the receipt of any dividend to be received from M1 (through SunShare) and/or XL. There can be no assurance that any significant fluctuation in the exchange rate will not adversely affect the financial position of the TM International Group with respect to the additional interest in SunShare and XL to be acquired under the Proposed Acquisition.

7.2.4 Regulations on foreign investment

The TM International Group's investment in M1 and XL will be subject to the foreign investment policies of the Singaporean and Indonesian Government respectively. For example, Indonesia recently enacted Presidential Regulation No. 77 of 2007 as amended by Presidential Regulation No. 111, which restricts foreign ownership in Indonesian telecommunications companies depending on the line of business of the relevant company. There are a number of different restriction thresholds applicable to XL's various services, with the most stringent restriction being 49% maximum allowable foreign ownership applicable to companies providing Voice over Internet Protocol services. As a matter of practice, the above limitation is generally not applied to publicly-listed companies such as XL. In addition, currently such practice has not been formalised into or officially recognised in any legislation, decree, rulings or guideline, circulars and other forms of statutory products of the relevant regulatory authorities. There can be no assurance that the relevant Indonesian regulatory authorities will continue observing such practice.

Further, the ability of SunShare and the TM International Group to repatriate profits arising from their investments in M1 and XL respectively will depend largely on the relevant legislation relating to repatriation of profits prevailing at the point of repatriation. There is no assurance that any change to these policies will not materially and adversely affect the performance of the TM International Group.

7.2.5 Credit profile

Upon completion of the Proposed Acquisition, the TM Group or the Proposed TM International Group, as the case may be, will consolidate all the assets and liabilities of SunShare, including SunShare's borrowings of SGD540.0 million (or equivalent to RM1,231.0 million) based on SunShare's audited financial statements for the financial year ended 31 December 2006. This may potentially affect the credit profile and financial capacity of the TM Group or the Proposed TM International Group, as the case may be.

A diminution in the credit profile or financial capacity of the TM Group or the Proposed TM International Group may lead to a relatively higher cost of capital. In addition, if adequate financing is not available, the prospects of the relevant group may be adversely affected.

7.3 Risk factors relating to SunShare

A summary of the risks (which may not be exhaustive) relating to SunShare and M1's business is set out below:

7.3.1 Dependence on dividend income

As an investment holding company, SunShare is dependent on the dividend income from M1 as its main income and accordingly, any adverse impact on the results of the operations or financial performance of M1 may affect SunShare's ability to serve the obligation on its indebtedness and its ability to pay dividends to the TM Group or the Proposed TM International Group,, as the case may be.

Nonetheless, given the scale of the TM Group's and/or the Proposed TM International Group's operations and the relative contribution of SunShare at the consolidated group level, it is expected that any such adverse impact will not bear any significant impact to the Group as a whole.

7.3.2 Competition faced by M1

M1 compete with 2 other mobile operators in Singapore, namely, Singapore Telecom Mobile Pte Ltd ("**SingTel Mobile**"), a subsidiary of SingTel, and StarHub. SingTel and StarHub are full service providers, offering services ranging from mobile to fixed-line, broadband and pay TV. M1, on the other hand, only offers mobile services but has recently entered into the residential broadband segment with the deployment of its HSDPA broadband services.

Further, along with its competitors, M1 faces two immediate threats which are Voice over Internet Protocol (the transmission of voice through the Internet) and new Wireless Broadband Access ("**WBA**") licensees (including WiMAX deployment). Nevertheless, poor commercial readiness for mobile WiMAX and the lack of a viable business plan have been the key obstacles for the said license holders to launch commercial WBA services.

(Source: Executive Summary of the Mobile Telecommunications Market in Singapore, Frost & Sullivan, December 2007)

7.3.3 Rapid technology changes

The mobile telecommunications industry is susceptible to technology changes. This may require significant changes to the mobile operators' business model, development of new products and substantial investments in next-generation infrastructure to accommodate growth in its business and the adoption of new technologies and services. A new generation network is a packet-based network where service-related functions are independent from the underlying transport-related technologies. The effect of emerging and future technological changes on the competitiveness of mobile operators' business cannot be accurately predicted. There can be no assurance that technologies employed by M1 will not become obsolete or be subject to competition from new technologies in the future.

(Source: Executive Summary of the Mobile Telecommunications Market in Singapore, Frost & Sullivan, December 2007)

7.3.4 Regulations and licenses

The operation of mobile telecommunications networks and the provision of related services in Singapore are subject to statutory licensing requirements and regulated by the Government of Singapore via the Infocomm Development Authority of Singapore ("**IDA**"). Changes in laws, regulations or government policy in Singapore, or in relation to the telecommunications industry in Singapore, or changes in the licenses held by M1 or its competitors by the IDA, could adversely affect M1's results of operations and prospects. Any breach of the terms and conditions of its licenses or authorisation by M1 or failure to comply with applicable regulations on M1's part may result in such licenses or authorisation being revoked and/or relevant penalty being imposed upon M1. Any revocation or unfavorable amendment of the licenses or authorisation, or any failure to remedy the breach or renew the licenses or authorisation on comparable terms, could have a material adverse effect on M1's business, financial condition, results of operations and prospects.

7.4 Risk factors relating to XL

A summary of the risks (which may not be exhaustive) relating to XL's business is set out below:

7.4.1 Competition

The Indonesian telecommunication market is highly competitive with 8 mobile operators and 3 fixed wireless operators according to Frost & Sullivan. Competition in the mobile telecommunications industry is based mainly on factors such as network coverage, quality, price and customer service. XL's most prominent competitors are PT Telekomunikasi Selular ("**Telkomsel**") and PT Indosat Tbk. ("**Indosat**").

In addition, the regulatory reform in the Indonesian telecommunications sector, which was initiated by the Government of Indonesia in 2003, has to a certain extent resulted in the liberalisation of the telecommunications industry. Other competitors, potentially with greater resources than XL, may enter the Indonesian telecommunications sector and compete with it in providing mobile telecommunications services.

Along with its competitors, XL may also be subject to competition from providers of new telecommunication services as a result of technological developments and the convergence of various telecommunication services. New and existing mobile telecommunications service providers may significantly increase subscriber acquisition costs by offering more attractive product and service packages, resulting in higher average monthly churn, lower ARPU or a reduction, or slower growth, in XL's subscriber base.

(Source: Executive Summary of the Mobile Telecommunications Market in Indonesia, Frost & Sullivan, December 2007)

7.4.2 Rapid technology changes

The mobile telecommunications industry is subject to rapid, ongoing technological changes. Emerging and future technological changes may adversely affect the viability or competitiveness of XL's business. Furthermore, changing market demand and consumer trends may require XL to adopt new technologies that could render its existing technologies less competitive or obsolete. At present, it is expected that XL will continue to invest in enhancing its network and coverage for its customers. However, there is no assurance that services enabled by new technologies that XL implements will achieve commercial acceptance or be cost effective.

The introduction and availability of new services offering mobility such as Code Division Multiple Access ("**CDMA**") based cellular services as well as Fixed Wireless Access ("**FWA**") have increased competition based on prices, product and service packages among mobile service providers.

These operators who are paying lower regulatory/frequency fees than GSM mobile operators are offering their services at lower tariffs and their service quality may also exceed GSM-based mobile services due to more efficient spectrum usage.

Fixed wireless services, particularly those offered without significant regulatory restrictions regarding mobility are able to be more competitive (through savings from lower frequency fees) which can be passed on to consumers in the forms of cheaper tariffs. This may have a material adverse effect on XL's business, resulting in, amongst others, higher average monthly churn, lower ARPU, slower growth in total customers and increased subscriber acquisition cost.

7.4.3 Regulations and licenses

Through the Ministry of Communications and Information of Indonesia ("**MOCI**"), the Government of Indonesia exercises regulatory power over the telecommunication market in Indonesia. The Government of Indonesia may have objectives that are not necessarily consistent with the maximisation of profits by industry participants. Changes in laws, regulations or government policy in Indonesia, or in relation to the telecommunications industry in Indonesia could adversely affect XL's results of operations and prospects.

The MOCI is also responsible for the setting and adjustment of tariff guidelines. Since a significant portion of XL's revenue is dependent upon tariff guidelines formulated by the Indonesian government, any future change, or a lack of change, in the Government of Indonesia's tariff guidelines could adversely affect XL's business, financial condition, results of operations and prospects.

XL also relies on licenses issued by the MOCI for the provision of its mobile telecommunications services as well as for the utilisation of its allocated spectrum frequencies. The MOCI, with due regard to prevailing laws and regulations, may amend the terms of XL's licenses at its discretion. Any breach of the terms and conditions of XL's licenses or failure to comply with applicable regulations could result in fines being imposed on it or its licenses being cancelled by the Government of Indonesia. Any revocation or unfavorable amendment of the terms of the licenses, or any failure to renew them on comparable terms, could have a material adverse effect on XL's business, financial condition, results of operations and prospects.

7.4.4 Funding needs and revenue growth

XL's business is capital intensive in nature and will require substantial capital to build, maintain and operate its mobile telecommunications network as well as to expand and modernise its network to remain competitive and continue to provide technologically innovative and compatible services.

XL's investment of significant financial resources to expand its network in Indonesia to increase its subscriber base has resulted in an increase in the number of its subscribers without a corresponding increase in its revenue. XL believes that this is partly due to declining voice usage, the industry trend of increasing SMS usage, increased penetration into the lower income segments of the Indonesian market comprised principally of low usage users and that it offers discounts to its normal tariffs in connection with its marketing, loyalty and retention programs. There is no assurance that further expansions of its subscriber base will result in corresponding increases to its revenue.

7.4.5 Significant indebtedness

XL has and will continue to have substantial indebtedness. Based on its unaudited consolidated financial results for the 9-month period ended 30 September 2007, XL has a gearing level of 1.98 times. As a result of this substantial indebtedness, XL will require substantial cash flow to meet its obligations under its current and future indebtedness. Therefore, a substantial part of its cash flow from operations will not be available for its business.

There can be no assurance that XL's substantial indebtedness and cash flow restrictions will not materially and adversely affect its ability to finance its future operations or capital needs or to engage in other business activities, or otherwise adversely affect its business, financial condition, results of operations and prospects and consequently any dividends or distributions to the TM International Group.

7.4.6 Investigation by the Indonesian Anti-Monopoly Committee

On 1 November 2007, the Commissioner for the Supervision of Business Competition ("**KPPU**") issued a determination to commence a preliminary investigation against XL and 7 other telecommunication companies suspected of having established price-fixing of SMS and allegedly breaching Article 5 of Antimonopoly Law (Law No.5/1999).

On 15 November 2007, the KPPU sent a summons letter to XL for a hearing session scheduled on 16 November 2007, which was subsequently postponed to 12 December 2007. Other telecommunication companies also received similar summons letters. Following completion of the preliminary investigation, the KPPU has decided to proceed with the second stage investigation against all operators, including PT Natrindo Telepon Seluler, which was initially not included in the preliminary investigation. If the KPPU believes that it requires further information from XL, XL may be summoned to appear before the KPPU or requested to provide such information. Under Indonesian Law, the KPPU is required to complete the second stage of the investigation within 60 days, although this may be extended for an additional period of up to 30 days. The KPPU has the obligation to decide whether there is a violation or not to the Antimonopoly Law within 30 days.

If XL and the other operators are found liable for price-fixing, based on Article 47 of Law No. 5/1999, they may be ordered to terminate or abandon the minimum price arrangement and to pay certain fines. Such a decision may also force Indonesian mobile operators to lower tariffs for SMS services and may lead to a decrease in XL's revenues generated from SMS services and affect its profitability.

8. APPROVALS REQUIRED

All the Proposals are subject to your approval at our forthcoming EGM.

8.1 Proposed Demerger, Proposed Listing, issuance of the Issue Shares under the Proposed Shareholders' Mandate and Proposed Issue to EPF

In addition to your approval, the Proposed Demerger, Proposed Listing, issuance of the Issue Shares under the Proposed Shareholders' Mandate and Proposed Issue to EPF are subject to the following:

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

(ii) approval of the SC and SC (on behalf of the FIC) for the Proposed Demerger, Proposed Listing and issuance of the Issue Shares pursuant to the Proposed Shareholders' Mandate, which was obtained on 30 January 2008;

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

(iv) approval of the Malaysian Communications and Multimedia Commission ("**MCMC**") for the transfer of the 3G Spectrum Assignment under the Proposed Internal Restructuring;

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

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

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

The approval of the SC and SC (on behalf of the FIC), through its letter dated 30 January 2008 ("**Approval Letter**"), is subject to the following conditions:

(i) CIMB and TM International should disclose in the listing prospectus the following:

  (a) details on how and when TM International is to finance the repayment of the amount owing to TM pursuant to the Proposed Internal Restructuring; and

  (b) impact to the operation and financials of Celcom in the event that the approvals sought for the construction of the transmission towers and rooftop sites ("**Outdoor Structures**") owned by the Celcom Group are not obtained;

(ii) with regards to the Celcom Group's Outdoor Structures:

  (a) TM/TM International to obtain the relevant approvals for all Outdoor Structures within 2 years from the date of the Approval Letter;

  (b) TM International, when listed, to make quarterly announcements on the status of application on the Outdoor Structures to Bursa Securities until such approvals are obtained; and

  (c) TM International/CIMB to update the SC on the status of the application every quarter until such approvals are obtained;

(iii) the new directors to be appointed to TM International's Board of Directors should submit their respective declarations in accordance with the SC's Policies and Guidelines on Issue/Offer of Securities ("**Issues Guidelines**") prior to the issuance of the listing prospectus of TM International;