

**INFORMATION ON SUNSHARE****1. HISTORY AND BUSINESS**

SunShare was incorporated in Labuan under the Offshore Companies Act 1990 as a private limited company on 7 June 2005. As at the LPD, the principal activity of SunShare is investment holding.

SunShare is a joint venture consortium formed by the TM Group and Khazanah. SunShare was initially structured as a joint venture with TM International having an 80% interest in SunShare and Khazanah the balance of 20%, with a provision for Khazanah's shareholding in SunShare to increase to 49%. Subsequent issuance of SunShare RCPS resulted in the TM Group and Khazanah to have current economic interest of 51% and 49% respectively in SunShare.

In 2005, SunShare, having acquired 12.1% of the equity shares in M1 from Great Eastern Telecommunications Ltd, became a strategic shareholder in M1. Prior to March 2006, SunShare made on-market purchases, bringing its total equity interest in M1 to 29.69%. As at the LPD, SunShare has a 29.69% equity interest in M1.

M1 is a public company listed on the Singapore Exchange Securities Trading Limited offering a full range of mobile voice and data communications services over its 2G/3G/3.5G network. As at 30 September 2007, M1 was the third largest mobile telecommunications service provider in Singapore with approximately 1.5 million subscribers, representing an approximate 27.8% market share, according to Frost & Sullivan. As at 31 December 2007, M1's network covers all populated areas of Singapore.

SunShare's primary source of income is dividend received from its investment in its foreign associated company, M1. Based on SunShare's audited financial statements for the financial year ended 31 December 2006, SunShare reported dividend income of SGD77.0 million, while its audited net assets and profit after tax are SGD180.6 million and SGD57.0 million respectively.

As at the LPD, SunShare does not undertake any research and development.

## 2. SHARE CAPITAL

SunShare's authorised and issued and paid-up share capital as at the LPD are as follows:

Type	No. of shares	Par value USD	Total USD
<b>Authorised</b>			
Class A ordinary shares	10	1.00	10
Class B ordinary shares	99,999,990	1.00	99,999,990
SunShare RCPS	10,000,000,000	0.01	100,000,000
Total	<u>10,100,000,000</u>		<u>200,000,000</u>
<b>Issued and paid-up</b>			
SunShare Shares	10	1.00	10
SunShare RCPS	73,399,990	0.01	734,000
Total	<u>73,400,000</u>		<u>734,010</u>

The changes in SunShare's issued and paid-up share capital since the date of its incorporation up to the LPD are as follows:

Date of allotment	No. of shares allotted	Par value USD	Consideration	Cumulative issued and paid-up share capital USD
<b>SunShare Shares</b>				
07.06.2005	2	1.00	Cash	2
17.08.2005	8	1.00	Cash	10
<b>SunShare RCPS</b>				
26.09.2005	33,999,990	0.01	Cash	340,000
24.10.2005	26,400,000	0.01	Cash	604,000
16.12.2005	13,000,000	0.01	Cash	734,000

The salient terms of the SunShare RCPS are as follows:

Issuer	:	SunShare.
Tenure	:	Perpetual.
Dividend	:	(i) The RCPS shall carry a variable dividend which will be payable annually at the option of the Issuer provided that any such dividends shall only be payable subject to availability of distributable profits.
		(ii) The RCPS shall rank for dividend in priority to ordinary shares of the Issuer.
		(iii) Any declaration or payment of dividend on the RCPS shall be based on the proportion of RCPS held by the RCPS holders respectively.
Redemption	:	The RCPS shall only be redeemable at the option of the Issuer at anytime in accordance with the Offshore Companies Act, 1990.

- Conversion : The RCPS shall be convertible at the option of the Issuer at anytime during the Tenure.
- Conversion Price : Each RCPS is convertible into new Class B ordinary shares of the Issuer at USD1.00 per share.
- Status of RCPS : The RCPS shall rank prior to Class A ordinary shares of the Issuer in the event of the winding-up/liquidation of the Issuer provided there shall be no further right to participate in the surplus assets or profits of the Issuer.
- Status of new SunShare shares : The new Class B ordinary shares of the Issuer to be issued upon the conversion of the RCPS will rank equally with the existing Class A ordinary shares of the Issuer except that they shall not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date is before the allotment date of the new SunShare shares.

Class B ordinary shares shall rank for dividend in priority to Class A ordinary shares.

Any declaration or payment of dividend on the Class B ordinary shares shall be based on the proportion of Class B ordinary shares held by the holders of Class B ordinary shares.

- Rights : Voting rights

Prior to conversion of the RCPS, the RCPS holders has no voting right at the Issuer's general meetings unless the meeting convened is for the purposes of reducing capital, winding up, sanctioning a sale of the principal undertaking of the Issuer, alter the Articles of Association of the Issuer which affects the rights of the RCPS holders, or where the proposition to be submitted to the meeting directly affects the rights of the RCPS holders.

#### Changes in capital

The Issuer may create and issue further preference shares with equal ranking with, but not in priority to the RCPS, with the approval of the RCPS holders. Subject to such approval, the issue of further preference shares ranking in priority to, or not equally, with the RCPS will be deemed a variation to the special rights of the RCPS.

- Governing Law : Laws of Malaysia.

### 3. DIRECTORS

As at the LPD, the Directors of SunShare are as follows:

- (i) Ganendran Sarvananthan
- (ii) Roni Lihawa Abdul Wahab
- (iii) Datuk Bazlan Osman
- (iv) Dato' Yusof Annuar Yaacob

As at the LPD, none of the Directors of SunShare hold any shares in SunShare.

#### 4. SHAREHOLDERS

As at the LPD, the shareholders of SunShare are as follows:

##### 4.1 SunShare Shares

Shareholder	No. of SunShare Shares held	%
TM International	8	80
Khazanah	2	20

##### 4.2 SunShare RCPS

Shareholder	No. of SunShare RCPS held	%
TM	37,433,992	51
Khazanah	35,965,998	49

#### 5. SUBSIDIARIES AND ASSOCIATED COMPANIES

SunShare's associated company as at the LPD is as follows:

Name of company	Date and place of incorporation	Paid-up capital <sup>1</sup> SGD	Effective equity interest %	Principal activities
M1	07.11.1992 Singapore	114,561,962.72	29.69	Provision of mobile telecommunications services, international call services, mobile retail sales, after-sales support, customer services, research and development of mobile telecommunication product and services and investments holding

**Note:**

<sup>1</sup> Pursuant to the Singapore Companies (Amendment) Act 2005, the concept of par value and authorised capital has been abolished, effective from 30 January 2006. The term "Paid-up Capital" is used to denote the amount paid on issued shares, and the amount standing in the share premium account and the capital redemption reserve (if any) shall be automatically become part of the company's share capital.

As at the LPD, SunShare does not have any subsidiary.

## 6. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the relevant financial information of SunShare based on its audited financial statements for the financial period from 7 June 2005 (date of incorporation) to 31 December 2005 and the financial year ended 31 December 2006:

	Financial period from 7 June 2005 to 31 December 2005 SGD million	Financial year ended 31 December 2006 SGD million
Dividend income	3.4	77.0
Profit from ordinary activities	1.1	76.7
Finance cost	(1.3)	(19.7)
PBT / (Loss before taxation)	(0.2)	57.0
Taxation	-	-
PAT / (Loss after taxation)	(0.2)	57.0
EPS / (Loss per share) (SGD) <sup>**</sup>	(0.002)	0.78
Dividend (%)	-	-

### Notes:

*There are no exceptional and/or extraordinary items for the period/year under review.*

<sup>\*\*</sup> *The earnings per share / (loss per share) is computed by dividing net income by the total number of shares (i.e. the sum of the ordinary shares and RCPS)*

### Commentary:

#### Financial period between 7 June 2005 and 31 December 2005

*During the financial period between 7 June 2005 and 31 December 2005, SunShare's dividend income of SGD3.4 million was solely derived from interim dividend of M1 for 2005 whilst its loss after taxation was SGD0.2 million due to finance cost from borrowings, professional fees for acquisition of shares in M1 and foreign exchange loss from translation of US Dollar short term deposit.*

#### Financial year ended 31 December 2006

*During the financial year ended 31 December 2006, SunShare recorded a dividend income of SGD77.0 million, an increase of approximately SGD73.6 million or 2165% above the SGD3.4 million recorded for the financial period from 7 June 2005 to 31 December 2005. This is principally due to the higher dividend income from M1 through its 2005 final dividend and 2006 interim dividend.*

*Further, during the financial year ended 31 December 2006, the functional currency for SunShare had been changed from USD to SGD resulting in downward adjustment to loss after taxation by SGD3 million for the prior year, due to re-adjustment of foreign exchange loss of SGD3 million.*

## INFORMATION ON XL

## 1. HISTORY AND BUSINESS

XL was incorporated as a limited liability company under the laws of Indonesia and was established under the Deed of Establishment No. 55, dated 6 October 1989, as amended by Deed No. 79, dated 17 January 1991. XL was previously established under the name PT Grahame Metropolitan Lestari and has its legal domicile in Jakarta, Indonesia. In 1995, XL changed its name to its present name. In 1996, XL commenced commercial operations and was the first private company to provide mobile telephony services in Indonesia. In September 2005, it was listed on the Jakarta Stock Exchange (*now known as Indonesia Stock Exchange*) and became an indirect subsidiary of TM International through a series of acquisitions in 2005 and 2006 by TM International's wholly-owned subsidiaries, TM International (L) Limited and Indocel.

XL's business primarily consists of providing voice, data and other value-added mobile telecommunications services. XL operates its network under a GSM 900 and GSM 1800 license from the Minister of Communications and Information in Indonesia and has been allocated two bands of spectrum pursuant to which it operates its GSM 900 and GSM 1800 networks. XL has also been allocated 3G spectrum and in September 2006, XL introduced its 3G service in Indonesia, the XL 3G, which is currently available in 73 cities throughout Indonesia. As at 31 December 2007, XL's network covers more than 90% of the populated areas of Indonesia. XL also provides leased line and corporate services which include internet service provider and Voice over Internet Protocol services. As at 31 December 2007, XL has approximately 15.5 million subscribers.

Based on the audited consolidated financial statements of XL for the financial year ended 31 December 2006, XL's consolidated net assets and PAT were IDR4,281,194 million and IDR651,883 million. XL reported a net revenue of IDR4,681,675 million whereby the breakdown of XL's net revenue is as follows:

Net Revenue	IDR million	%
Within Indonesia	4,681,675	100
Outside of Indonesia	-	-
	<u>4,681,675</u>	<u>100</u>

XL does not have a dedicated research and development department and does not employ any staff to carry out research and development activities.

## 2. SHARE CAPITAL

XL's authorised and issued and paid-up share capital as at the LPD are as follows:

	No. of ordinary shares	Par value IDR	Total IDR
Authorised	22,650,000,000	100	2,265,000,000,000
Issued and fully paid-up	7,090,000,000	100	709,000,000,000

The changes in XL's issued and paid-up share capital since the date of its incorporation up to the LPD are as follows:

Date of allotment	No. of ordinary shares allotted	Par value IDR	Consideration	Cumulative issued and paid-up share capital IDR
06.10.1989	100	1,000,000	Subscriber's shares	100,000,000
26.06.1995	49,900	1,000,000	Cash	50,000,000,000
20.11.1995	403,000	250,000	Cash and share split <sup>*1</sup>	113,250,000,000
18.03.1997	1,812,000	250,000	Bonus issue <sup>*2</sup>	566,250,000,000
19.07.2005	5,662,500,000	100	Share split <sup>*3</sup>	566,250,000,000
19.07.2005	1,427,500,000	100	Cash	709,000,000,000

**Notes:**

\*1 The par value of the share capital was sub-divided from IDR1,000,000 to IDR250,000 per share.

\*2 Bonus issue on the basis of four new shares for every one existing share held.

\*3 The par value of the share capital was sub-divided from IDR250,000 to IDR100 per share.

### 3. COMMISSIONERS

As at the LPD, the Commissioners of XL are as follows:

- (i) Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor
- (ii) Datuk Nur Jazlan Tan Sri Mohamed
- (iii) Rosli Man
- (iv) Datuk Bazlan Osman
- (v) Dato' Yusof Annuar Yaacob
- (vi) Abdul Farid Alias
- (vii) Peter J Chambers
- (viii) Gen (Ret) Wismoyo Arismunandar
- (ix) Dato' Mohamad Norza Hj Zakaria
- (x) Ir Tjahjono Soerjodibroto

As at the LPD, none of the Commissioners of XL hold any shares in XL.

### 4. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of XL are as follows:

Shareholder	No. of ordinary shares held	%
Indocel	4,749,383,500	66.99
Khazanah	1,191,553,500	16.81
Emirates Telecommunications Corporation (Etisalat) International Indonesia Limited	1,132,497,500	15.97

## 5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiaries of XL as at the LPD are as follows:

Name of company	Date and place of incorporation	Issued and paid-up capital	Effective equity interest %	Principal activities
Excel Phoneloan 818 BV	12.05.1997 The Netherlands	NLG40,000 <sup>*1</sup>	100	Dormant
Excelcomindo Finance Company BV	23.12.2003 The Netherlands	EUR20,000 <sup>*2</sup>	100	Investment holding
GSM One (L) Limited	17.12.1996 Federal Territory of Labuan, Malaysia	USD1.00	100	Dormant
GSM Two (L) Limited	24.11.1997 Federal Territory of Labuan, Malaysia	USD1.00	100	Dormant

**Notes:**

\*1 *NLG represents Dutch Guilders*

\*2 *EUR represents Euros*

As at the LPD, XL does not have any associated companies.



## 6. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the relevant financial information of XL based on its audited consolidated financial statements for the financial years ended 31 December 2002 to 31 December 2006 and unaudited consolidated results of XL for the 9-month period ended 30 September 2007:

	----- Audited -----					Unaudited 9-month ended 30 September 2007 IDR million
	----- Financial year ended 31 December -----					
	2002 IDR million	2003 IDR million	2004 IDR million	2005 IDR million	2006 IDR million	
Net revenue <sup>*1</sup>	2,138,773	2,228,723	2,590,704	3,059,127	4,681,675	5,425,758
Operating profit	753,044	583,422	662,401	570,059	1,027,861	1,102,333
PBT / (Loss before taxation)	1,067,161	589,957	(46,581)	(313,227)	1,002,422	334,682
Taxation	(323,875)	(189,224)	1,278	89,135	(350,539)	(178,818)
PAT / (Loss after taxation)	743,286	400,724	(45,303)	(224,092)	651,883	155,864
Weighted average number of shares (million)	2.265	2.265	2.265	6,030	7,090	7,090
EPS / (Loss per share) (IDR) <sup>*2</sup>	328,162	176,920	(20,001)	(37)	92	22
Dividend (%)	-	-	-	-	9.47	-

### Notes:

*There are no exceptional and/or extraordinary items during the years under review.*

<sup>\*1</sup> *Net of interconnection charges, other GSM telecommunication charges and other telecommunication service cost.*

<sup>\*2</sup> *EPS / (Loss per share) is calculated by dividing PAT / (Loss after taxation) with the weighted average number of shares in issue.*

### Commentaries:

#### Financial year ended 31 December 2002

Net revenue for the financial year ended 31 December 2002 of IDR2,138,773 million mainly attributable to prepaid revenue, postpaid revenue and interconnection revenue. XL reported a PAT of IDR743,286 million for the financial year ended 31 December 2002 mainly due to a gain on foreign exchange on its USD borrowings. In the financial year ended 31 December 2002, the IDR appreciated against the USD.

#### Financial year ended 31 December 2003

Net revenue for the financial year ended 31 December 2003 of XL increased by approximately IDR89,950 million or 4.2% from IDR2,138,773 million in the financial year ended 31 December 2002 to IDR2,228,723 million in the financial year ended 31 December 2003. The increase of IDR89,950 million was mainly attributable to increase in XL's customer base by approximately 1.2 million subscribers or 41.4% from 1.7 million subscribers as at 31 December 2002 to 2.9 million subscribers as at 31 December 2003 primarily due to successful launch of regional pricing plan which has enhanced customer acquisition, stimulated usage and maintained customer loyalty.

XL's PAT for the financial year ended 31 December 2003 decreased by approximately IDR342,562 million or 46.1% from IDR743,286 million in the financial year ended 31 December 2002 to IDR400,724 million in the financial year ended 31 December 2003. This was mainly due to lower foreign exchange gains recorded in 2003 as compared to 2002. The decrease in results was due to higher operating expenses which mostly arose from the increase in the number of base transceiver stations from 950 stations in 2002 to 1,491 stations in 2003, which resulted in an increase in depreciation charges, repair and maintenance expense and general administration expenses.

#### **Financial year ended 31 December 2004**

Net revenue for the financial year ended 31 December 2004 of XL increased by approximately IDR361,981 million or 16.3% from IDR2,228,723 million in the financial year ended 31 December 2003 to IDR2,590,704 million in the financial year ended 31 December 2004, mainly due to increase in XL's customer base by approximately 0.9 million subscribers or 31.0% from 2.9 million subscribers as at 31 December 2003 to 3.8 million subscribers as at 31 December 2004 as a result of aggressive marketing and innovative service offerings to customers.

XL registered a loss after taxation of approximately IDR45,303 million for the financial year ended 31 December 2004 from a PAT of IDR400,724 million in the previous financial year ended 31 December 2003. This was mainly due to foreign exchange loss resulting from the weakening of the IDR against the USD and higher interest expense on XL's IDR Bonds and 8% Guaranteed Notes Due 2009.

#### **Financial year ended 31 December 2005**

Net revenue for the financial year ended 31 December 2005 of XL increased by approximately IDR468,424 million or 18.1% from IDR2,590,704 million in the financial year ended 31 December 2004 to IDR3,059,127 million in the financial year ended 31 December 2005, mainly due to increase in XL's customer base which primarily due to the rebranding of XL's previous brand of "ProXL" prepaid and postpaid, and launching of "jempol" services. The customer base increased by approximately 3.3 million subscribers or 86.8% from 3.8 million subscribers as at 31 December 2004 to 7.0 million subscribers as at 31 December 2005

XL's loss after taxation for the financial year ended 31 December 2005 increased by approximately IDR178,789 million or 395% from a loss after taxation of IDR45,303 million in the financial year ended 31 December 2004 to a loss after taxation of IDR224,092 million in the financial year ended 31 December 2005. This was mainly due to weakening of IDR against the USD, a consent fee paid to the holders of XL's 8% Guaranteed Notes Due 2009 and a redemption premium paid on the repurchase of XL's IDR 1.25 trillion Rupiah Bonds.

#### **Financial year ended 31 December 2006**

Net revenue for the financial year ended 31 December 2006 of XL increased by approximately IDR1,622,547 million or 53.0% from IDR3,059,127 million in the financial year ended 31 December 2005 to IDR4,681,675 million in the financial year ended 31 December 2006, mainly due to increase in XL's customer base. The customer base was 9.5 million subscribers as at 31 December 2006 and 7.0 million subscribers as at 31 December 2005

XL registered a PAT of IDR651,883 million for the financial year ended 31 December 2006, representing an increase of approximately IDR875,976 million from a loss after taxation of IDR224,092 million in the financial year ended 31 December 2005. This was mainly due to better operating results and foreign exchange gains in 2006 compared to foreign exchange loss in 2005.

## DRAFT BY-LAWS FOR THE PROPOSED OPTION SCHEME

## 1. DEFINITIONS AND INTERPRETATION

## 1.1 Definitions

In these By-Laws, the following words shall, unless the context otherwise requires, bear the following meanings:

“Act”	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
“Articles”	:	Articles of association of a company including amendments from time to time
“Board”	:	The Board of Directors of the Company for the time being
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (Company No.:165570-W)
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Company No.:635998-W)
“Bursa Securities LR”	:	The Listing Requirements of Bursa Securities
“By-Laws”	:	The terms and conditions of the ESOS as set out in these By-Laws, as amended, modified and supplemented from time to time
“CDS”	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
“CDS Account”	:	The account established by Bursa Depository for a depositor for the recording of dealings by that depositor of securities
“Cut-Off Date”	:	Means: <ul style="list-style-type: none"> <li>(i) 31 December 2007, in connection with the initial Offers made under this Scheme; or</li> <li>(ii) such other date as the Options Committee may determine in its absolute discretion, in connection with any subsequent Offers made under the Scheme</li> </ul>
“Disciplinary Proceedings”	:	Proceedings instituted by the Underlying Companies (or any other member of the Underlying Companies Group, as the case may be) against a Grantee employed by the Underlying Companies (or by that member, as the case may be) for any alleged misbehaviour, misconduct and/or any other act of the Grantee’s deemed to be unacceptable by the Underlying Companies (or by that member, as the case may be) in the course of that Grantee’s employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Grantee
“Effective Date”	:	Date as defined in Clause 18.1
“Eligible Employee”	:	An employee or Executive Director of the TM Group who meets the criteria of eligibility for participation in the ESOS as set out in Clause 4

"Eligible Subsidiaries"	:	Subsidiaries (as defined in Section 5 of the Act) of the Underlying Companies which are incorporated in Malaysia and which are not dormant, and which are at any time and from time to time nominated by the Options Committee to be companies participating in the ESOS in accordance with Clause 4, and "Eligible Subsidiary" means any one of them
"ESOS" or "Scheme"	:	The employees' share option scheme for the grant of Options to Eligible Employees on the terms as set out in these By-Laws
"Ex-Date"	:	The date the TM Shares trade ex-entitlement pursuant to the Proposed Demerger
"Executive Director"	:	A Director of the Company or any of the Eligible Subsidiaries who is on the payroll and who is involved in the day-to-day management of the Company or any of the Eligible Subsidiaries
"Exercise Notice"	:	The notice in writing of intention to exercise an Option in such form as may be prescribed or approved by the Options Committee, as referred to in Clause 9.1
"Exercise Price(s)"	:	The price(s) at which a Grantee shall be entitled to purchase the Underlying Shares as set out in Clause 7
"Grantee"	:	An Eligible Employee who has accepted an Offer in the manner indicated in Clause 8
"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, as provided in Clause 6
"Offer"	:	An offer made in writing by the Trustee to an Eligible Employee of an option to purchase the Underlying Shares in the manner indicated in Clause 5,
"Offer Date"	:	The date of the letter containing an Offer made to an Eligible Employee by the Trustee, irrespective of the date the Offer is actually received or accepted by the Eligible Employee
"Option"	:	The right granted to a Grantee to purchase a certain number of the Underlying Shares, pursuant to a contract constituted by the Grantee's acceptance of an Offer, in the manner indicated in Clause 8
"Option Period"	:	A period commencing from the date an Offer is accepted in accordance to Clause 8 or such other date which the Options Committee may in its discretion decide, and expiring on the last day of the period referred to in Clause 18.1
"Options Committee"	:	The committee duly appointed and authorised by the Board to give instructions to the Trustee with regards to the grant of Options and other benefits under the ESOS to Eligible Employees and the implementation and administration of the ESOS in accordance with these By-Laws
"Previous Company"	:	"Previous Company" as defined in Clause 4.5(i)

"Proposed Demerger"	:	Proposed demerger of the mobile and fixed-line businesses of the TM Group to create 2 separate entities with distinct business strategies and aspirations, as set out in TM's Circular to Shareholders dated 20 February 2008.
"Resident"	:	A person being: <ul style="list-style-type: none"> <li>(i) a citizen of Malaysia (excluding persons who have obtained permanent resident status of a territory outside Malaysia and are residing abroad); or</li> <li>(ii) a non-citizen who has obtained permanent resident status in Malaysia and is residing permanently in Malaysia</li> </ul>
"RM"	:	Ringgit Malaysia
"Selling Flexibility"	:	Arrangement to facilitate the immediate selling by the Grantee of the Underlying Shares comprised in his Option upon the exercise of his Option
"Selling Flexibility Terms"	:	Terms and conditions of the Selling Flexibility as prescribed by the Options Committee which will be furnished to the Eligible Employee along with the Offer
"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 for the purpose of Clause 4.2
"TM" or "Company"	:	Telekom Malaysia Berhad (Company No.: 128740-P), a public company incorporated in Malaysia
"TM Group" or "Group"	:	TM and its Eligible Subsidiaries
"TM International"	:	TM International Berhad (Company No.: 242188-H), a public company incorporated in Malaysia
"TM International Group"	:	TM International and its Eligible Subsidiaries after the Proposed Demerger
"TM International Shares"	:	Ordinary shares of RM1.00 each in TM International
"TM Shares" or "Shares"	:	Ordinary shares of RM1.00 each in the Company
"Trust Deed"	:	Deed of Trust dated [ ] between the Company and the Trustee to govern the trust in connection with, <i>inter alia</i> , the Underlying Shares to be held by the Trustee for the benefit of the Grantees under the ESOS
"Trustee"	:	[ ] (Company No. [ ]), a private limited company incorporated in Malaysia, or its successors appointed in accordance with the Trust Deed
"Underlying Companies"	:	TM and TM International (from the Ex-Date)
"Underlying Companies Group"	:	TM Group and TM International Group

"Underlying Shares" : Shares comprised in the Options being TM Shares or TM International Shares, if such Options are exercised on or after the Ex-Date

## **1.2 Interpretation**

In these By-Laws:

- (i) a reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any listing requirements, policies and/or guidelines of Bursa Securities and/or any other relevant authority respectively (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or any other relevant authority respectively);
- (ii) a reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Option offered and accepted within the duration of the ESOS as stated in Clause 18 and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (iii) the term "subsidiary" shall mean a subsidiary of a company as defined in Section 5 of the Act and "subsidiaries" shall be construed accordingly;
- (iv) words importing the singular meaning, where the context so admits, include the plural meaning and vice versa;
- (v) words of the masculine gender include the feminine genders and all such words shall be construed interchangeably in that manner;
- (vi) any liberty or power which may be exercised or any determination which may be made hereunder by the Options Committee may be exercised at the Options Committee's sole and absolute discretion;
- (vii) the headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws; and
- (viii) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day provided always that if such day shall fall beyond the duration of the ESOS as stated in Clause 18, then the stipulated day shall be taken to be the preceding Market Day.

## **2. NAME OF THE ESOS**

The ESOS will be named the "TM Special ESOS".

## **3. QUANTUM**

- 3.1 The total number of TM Shares to be made available under the Scheme shall not exceed four percent (4%) of the issued and paid-up ordinary share capital of the Company as at the Effective Date.

- 3.2 Notwithstanding the provisions of Clause 3.1 above or any other provisions contained herein, in the event the Company purchases its own shares or undertakes any other corporate proposal resulting in the total number of TM Shares made available under the Scheme to exceed 15% of the issued and paid-up ordinary share capital of the Company, no further Options shall be offered until the total number of TM Shares to be made available under the Scheme falls below 15% of the issued and paid-up ordinary share capital of the Company. Any Option granted prior to the adjustments of the issued and paid-up ordinary share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme.
- 3.3 Not more than fifty percent (50%) of the TM Shares available under the Scheme shall be allocated, in aggregate, to Eligible Employees who are Executive Directors or are in Senior Management and above.
- 3.4 In addition, not more than ten percent (10%) of the TM Shares available under the Scheme shall be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with him (as defined in the paragraph 1.01 of the Bursa Securities LR), holds twenty percent (20%) or more of the issued and paid-up capital of the Company.

#### **4. ELIGIBILITY**

- 4.1 Any employee (including Executive Directors) of the Group shall be eligible to participate in the ESOS if, the employee:-
- (i) is a Resident as at the Offer Date;
  - (ii) has attained the age of eighteen (18) years as at the Cut-Off Date;
  - (iii) is employed on full time basis by and on the payroll of a corporation within the Group as at the Offer Date;
  - (iv) has been in the employment of the Group on full time basis for a period of at least one (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
  - (v) fulfills any other criteria as may be set by the Options Committee from time to time at its absolute discretion,

PROVIDED ALWAYS THAT the selection of any Eligible Employee for participation in the Scheme shall be at the discretion of the Options Committee (save that no Offer shall be made to a director of the Company or a person connected to major shareholder/director of the Company unless such Offer shall have first been approved by the shareholders of the Company in general meeting), and the decision of the Options Committee shall be final and binding.

- 4.2 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 notwithstanding his non-fulfilment of the eligibility criteria referred to in Clauses 4.1(iii), (iv) and (v) above PROVIDED that the period of contract in respect of which he is then employed is for a minimum period of one (1) year irrespective of the period remaining unexpired under such contract.

4.3 The Trustee may, as directed by the Options Committee at its discretion, designate any subsidiary of the Company (being a subsidiary that is incorporated in Malaysia and is not dormant) to be an Eligible Subsidiary at any time and from time to time. A corporation shall cease to be an Eligible Subsidiary at the time when such corporation ceases to be a subsidiary of the Company. In addition, the Options Committee may at its discretion revoke or suspend the nomination of any Eligible Subsidiary at any time and from time to time, whereupon the employees of such corporation shall henceforth cease to be eligible to receive an Offer under the ESOS PROVIDED THAT any Option already granted shall not be affected by such revocation or suspension.

4.4 Subject to these By-Laws and applicable laws, the Options Committee shall have the discretion at any time and from time to time to extend the benefit of the ESOS to employees of companies which are not Eligible Subsidiaries and deem such employees to be Eligible Employees, subject to the restrictions in this Clause 4, for the purposes of the ESOS in situations where such employees had at any time whether before or after the coming into force of these By-Laws been seconded from the Company or any Eligible Subsidiary to:

- (i) a subsidiary of the Company which is not an Eligible Subsidiary but which is not dormant; or
- (ii) an associated corporation.

4.5 In the case of:

- (i) an employee who is in the employment of a corporation which is not a member of the Group which subsequently becomes a member of the Group ("**Previous Company**") as a result of a restructuring, acquisition or divestment exercise or other exercise involving the Company and/or any corporation within the Group; or
- (ii) an employee who was employed in a Previous Company and is subsequently transferred from the Previous Company to any member of the Group;

only the period of service of that employee with the Previous Company from the date that that Previous Company becomes a member of the Group shall be counted as a period of service with the Group (for the purposes of the Scheme).

4.6 Eligibility under the ESOS does not confer on an Eligible Employee a claim or right to participate in or any rights whatsoever under the ESOS and an Eligible Employee does not acquire or have any rights over or in connection with the Option or the Underlying Shares comprised therein 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 these By-Laws.

4.7 In the event that an Eligible Subsidiary establishes an employees' share option scheme ("**Eligible Subsidiary's Scheme**") for its employees during the duration of the ESOS, the Eligible Subsidiary's employee may, subject further to fulfilment of the criteria of eligibility under:

- (i) By-Laws of the Eligible Subsidiary's Scheme; and
- (ii) these By-Laws;

participate in that Eligible Subsidiary's Scheme as well as in the ESOS.

For the avoidance of doubt, nothing in these By-Laws shall be construed as permitting any Eligible Employee who is not an Eligible Subsidiary's employee, to participate in the Eligible Subsidiary's Scheme.



Any Eligible Employee or Grantee who has so accepted such offer of option under that Eligible Subsidiary's Scheme shall forthwith give written notice of such acceptance to the Trustee.

For avoidance of doubt, Eligible Subsidiary referred to in this Clause 4.7 shall also include the TM International Group after the Proposed Demerger.

## **5. OFFER**

- 5.1 The Trustee shall, in accordance with the directions given by the Options Committee, within the duration of the ESOS as set out in Clause 18, make one or more Offers to any Eligible Employees (based on the criteria of allocation as set out in Clause 6).
- 5.2 Subject always to Clauses 3 and 6, the actual number of Underlying Shares which may be offered to an Eligible Employee shall be based on the directions given to the Trustee by the Options Committee and, subject to any adjustments that may be made under Clause 15, shall not be less than one hundred (100) shares and shall always be in multiples of one hundred (100) shares (or any other denominations as may be prescribed by Bursa Securities as a board lot). The number of Underlying Shares so offered pursuant to the Scheme shall be verified by the Company's external auditors as part of its audit exercise, which shall be disclosed in the Company's annual report. Any Offer made on or after the Ex-Date shall comprise equal number of TM Shares and TM International Shares, subject to adjustments made pursuant to Clauses 12, 13 and 15.
- 5.3 An Offer may be made by the Trustee upon such terms and conditions as the Options Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Eligible Employee and cannot be assigned, transferred, encumbered or otherwise disposed of in any manner whatsoever.
- 5.4 Without prejudice to the generality of Clause 5.3, any Offer that has not been accepted yet, shall become void, be of no further force and effect and incapable of acceptance upon any of the following events occurring:
- (i) the offeree's death;
  - (ii) the offeree ceasing to be an employee of any corporation within the TM Group for any reason whatsoever;
  - (iii) the offeree giving notice of his resignation from employment;
  - (iv) the offeree being adjudged a bankrupt; or
  - (v) the corporation which employs the offeree ceasing to be an Eligible Subsidiary.
- 5.5 Without prejudice to Clause 17, in the event of any error or omission on the part of the Company or the Options Committee in respect of the Offer, the Trustee and the Options Committee shall do all such things and acts to rectify such error or omission and if necessary, issue a supplemental Offer to amend or rectify the error or omission within such period as may be reasonable prior to the acceptance of the Offer by an Eligible Employee.
- 5.6 Without prejudice to Clause 17, the Trustee shall, unless otherwise directed by the Options Committee, have the sole and absolute discretion to revoke and withdraw any Offer in contravention of the eligibility criteria and in which event such Offer shall be deemed null and void and be of no further force and effect and the Eligible Employee shall not be entitled to any claim for compensation, loss or damages, whatsoever and howsoever arising from the said decision by the Trustee against the Trustee, the Options Committee or the Underlying Companies.

## 6. MAXIMUM ALLOWABLE ALLOCATION AND BASIS OF ALLOCATION

- 6.1 Subject to Clause 6.2, the number of Underlying Shares comprised in the Option that may be offered to any one of the Eligible Employees of the TM Group who are entitled to participate in the ESOS shall be at the discretion of the Options Committee after taking into consideration, amongst others, the performance, grades and number of years in service of the Eligible Employee, and such other criteria as may be determined by the Options Committee in its sole discretion, subject always to Clause 3 and the applicable provisions of Bursa Securities LR and all other relevant laws, rules and regulations applicable to the ESOS relating to allocations to directors and employees.
- 6.2 Subject to Clause 3 and any adjustments which may be made pursuant to Clause 15, the Options Committee shall have the absolute discretion to decide on the Maximum Allowable Allocation in respect of such categories of Eligible Employees.
- 6.3 Nothing herein shall prevent the Trustee at the directions of the Options Committee, from making more than one (1) Offer to any Eligible Employee holding an Option, provided that the total aggregate number of Underlying Shares to be offered to such Eligible Employee shall not exceed the Maximum Allowable Allocation.
- 6.4 Eligible Employees who are promoted to a higher grade during the duration of the Scheme may be eligible for consideration for an Option for additional Underlying Shares to be decided by the Options Committee at its discretion, provided that:
- (i) an Eligible Employee may be offered an Option for additional Underlying Shares up to the Maximum Allowable Allocation for the grade to which he has been promoted, less the number of Underlying Shares comprised in the Option that was offered under his original Offer (exercised and unexercised); and
  - (ii) the additional Underlying Shares referred to in Clause 6.4(i) shall be from the balance of Underlying Shares available under the Scheme arising from:
    - (a) Underlying Shares that have not been offered to Eligible Employees; and
    - (b) Underlying Shares comprised in such Options that have been terminated.

Notwithstanding the above, any offers of Options for additional Underlying Shares shall be at the absolute discretion of the Options Committee and neither the Trustee nor the Options Committee is obliged to make or ensure such Offers are made to a promoted Eligible Employee.

## 7. EXERCISE PRICE

- 7.1 In relation to Offers, the Exercise Price per TM Share and TM International Share (in relation to Offers made after the Ex-Date) shall be calculated based on the five (5) days' weighted average market price of the TM Shares and TM International Shares immediately preceding the Offer Date respectively, with a discount of up to 10%, provided that the combined Exercise Price shall not be less than the price per TM Share that the Trustee paid the Company for the subscription of the TM Shares ("**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 the Company), who shall deal with such benefits strictly in accordance with the Trust Deed.

- 7.2 Pursuant to the Proposed Demerger, the Exercise Price per TM Share shall be adjusted on the Ex-Date based on the following formula:

$$\text{Adjusted Exercise Price for TM Share} = B/A * C$$

On the Ex-Date, the Grantees shall be entitled to one (1) TM International Share for every one (1) TM Share comprised in the unexercised portion of Options at the beginning of the Ex-Date. The Exercise Price per TM International Share comprised in the Options shall be determined as follows:

$$\text{Exercise Price for TM International Share} = (A-B)/A * C$$

Where:

- A = Last price of TM Shares immediately before the Ex-Date
- B = Adjusted ex-entitlement price of TM Shares on the Ex-Date (as determined by Bursa Securities)
- C = Exercise Price of TM Share comprised in the Option immediately before the Ex-Date

- 7.3 In addition, the Exercise Prices for the Underlying Shares comprised in the Option shall be subject to adjustments in accordance with Clause 15.

## **8. ACCEPTANCE OF THE OFFER**

- 8.1 An Offer shall be valid for acceptance for a period of twenty-one (21) days from the Offer Date or such longer period as may be determined by the Trustee (with the Options Committee's recommendation) on a case to case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to whom the Offer is made, to the Trustee in the form prescribed by the Trustee. In the event the Eligible Employee fails to accept the Offer within the prescribed period, the Offer shall be deemed rejected by the Eligible Employee and shall automatically be null and void, and be of no further force and effect, and the Underlying Shares comprised in such Option may, at the directions of the Options Committee, be offered by the Trustee to other Eligible Employees.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by a payment to the Trustee of a sum of RM1.00 per Offer irrespective of the number of Underlying Shares available for purchase relating to the Offer or such other amount of payment as may be notified by the Trustee at the directions of the Options Committee as non-refundable consideration for the Option. The date of receipt by the Trustee of such written notice shall constitute the date of acceptance.
- 8.3 The Options cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- 8.4 Simultaneously with the acceptance of an Offer, the Eligible Employee shall inform the Company in writing of his irrevocable election as to whether the Eligible Employee elects to participate or not to participate in the Selling Flexibility. If the Eligible Employee elects to participate in the Selling Flexibility, then, for the duration of the Scheme and the availability or existence of the Selling Flexibility, the Option of the Eligible Employee shall be exercised in accordance with the Selling Flexibility Terms. If the Eligible Employee elects not to participate in the Selling Flexibility, then the Eligible Employee shall not be entitled to exercise his Option in accordance with the Selling Flexibility Terms.

## 9. EXERCISE OF OPTIONS

- 9.1 Subject to Clause 11, a Grantee may exercise his Option for TM Shares or TM International Shares, separately or jointly, during the Option Period by issuing a notice in writing ("**Exercise Notice**") to the Company or in such other manner as prescribed under the Selling Flexibility Terms unless otherwise notified by the Trustee at the directions of the Options Committee at its absolute discretion, in respect of all or any portion of the Underlying Shares comprised in his Option which he is able to exercise in any one period during the Option Period as prescribed by the Trustee at the directions of the Options Committee ("**Exercise Period**"), such part being in multiples of and not less than one hundred (100) TM Shares or TM International Shares, save and except that in the event the balance number of Underlying Shares comprised in a Grantee's Option exercisable during any one Exercise Period in accordance with these By-Laws, shall be less than one hundred (100) respectively or such minimum board lot as prescribed by Bursa Securities from time to time, the said balance shall, if exercised, be exercised in a single tranche.
- 9.2 The Options Committee may, at any time and from time to time, before or after Options are granted, impose any other terms and/or conditions deemed appropriate by the Options Committee in its sole discretion, including amending, substituting, revoking or deleting any terms and conditions imposed earlier.
- 9.3 If the Grantee has elected not to participate in the Selling Flexibility or if the Selling Flexibility has been terminated or no longer exist, every Exercise Notice must be in the form prescribed by the Trustee at the directions of the Options Committee from time to time and shall be accompanied by a remittance for the full amount of the acquisition monies for the Underlying Shares in respect of which the Exercise Notice is given. Within five (5) Market Days after the receipt by the Trustee of the aforesaid notice (duly completed) (or such other period as may be prescribed or allowed by Bursa Securities) and full remittance from the Grantee, the Trustee shall do all such things as are necessary to effect the transfer of the Underlying Shares to the Grantee which include the crediting of the Underlying Shares into the CDS Account of the Grantee and the despatch of a notice of transfer to the Grantee. In the event of the transfer not being permitted, the Trustee shall upon the exercise of the Option by the Grantee and upon being requested to do so, sell the Underlying Shares beneficially owned by such Grantee and pay the Grantee the sale proceeds after setting off all transaction cost.

For avoidance of doubt, the remittance for the full amount of the acquisition monies for the Underlying Shares in respect of which the Exercise Notice is given will be retained by the Trustee in favour of the Company.

No physical share certificate will be issued and delivered to the Grantee upon the transfer of the Underlying Shares to the Grantee.

- 9.4 If the Grantee has elected to participate in the Selling Flexibility and the Selling Flexibility is still valid and existing, upon the exercise of the Option by the Grantee in the manner as prescribed under the Selling Flexibility Terms ("**Selling Instruction**"), the equivalent number of Underlying Shares in respect of the exercise, will be sold in accordance with the Selling Flexibility Terms at the price(s) not lower than the price(s) selected by such Grantee. Such Selling Instruction is deemed to be the Grantee's irrevocable authorisation and instruction for the sale of the relevant Underlying Shares at the price(s) not lower than the price(s) selected by such Grantee.

Proceeds of such sale of the Underlying Shares shall be received by the Trustee and the Trustee shall retain the amount equivalent to the aggregate sum of the Exercise Price for the Underlying Shares in respect of which the Selling Instruction is given and shall release the remaining proceeds of such sale (net of all transaction costs) to the Grantee. For avoidance of doubt, all costs (if any) incurred in relation to the exercise of the Option shall be borne solely by the Grantee.

If the number of Underlying Shares under the Selling Instruction is not sold for whatsoever reason within the time period prescribed under the Selling Flexibility, such Underlying Shares shall be deemed not to be exercised and accordingly, shall be available to be exercised by the Grantee at another time.

In these By-Laws, all references to "Selling Flexibility" shall be applicable for so long as the Selling Flexibility continues to be in force and be made available by the Trustee at the directions of the Options Committee.

In the event such Selling Flexibility is terminated or is no longer made available, the exercise of Options shall be governed by Clause 9.3.

9.5 Notwithstanding anything herein to the contrary, the procedure for the exercise of Options to be complied by the Grantees whether the Grantees elect to participate in the Selling Flexibility or not, shall be determined and may be modified or supplemented by the Trustee from time to time and at any time, at the directions of the Options Committee. The Trustee shall at the directions of the Options Committee reject any Exercise Notice if there is any failure to comply with the procedures of exercising Options under these By-Laws or as specified by the Options Committee from time to time. Such rejected Exercise Notice shall be null and void and be of further force and effect.

9.6 In the event that a Grantee is subject to Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service) the Trustee shall have the right, at the directions of the Options Committee, and by notice in writing to that effect, to suspend his Option (with effect from the date specified in such notice) pending the outcome of such Disciplinary Proceedings. The Trustee may at the directions of the Options Committee impose such terms and conditions as the Options Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT:

- (i) in the event that such Grantee shall subsequently be found to be not guilty of all the charges which gave rise to such Disciplinary Proceedings, the Trustee shall forthwith reinstate the rights of such Grantee to exercise his Option;
- (ii) in the event the Disciplinary Proceedings results in a dismissal or termination of service of such Grantee, his Option shall immediately lapse and be null and void and be of no further force and effect upon the date of the notice of the dismissal or termination of service of such Grantee notwithstanding that such dismissal or termination of service may be subsequently challenged by the Grantee in any other forum; and
- (iii) in the event such Grantee is found guilty of some or all of the charges but no dismissal or termination of service is recommended, the Options Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.

## **10. RIGHTS ATTACHED TO THE UNDERLYING SHARES**

### **10.1 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 Option prior to the record date to receive notice of general meetings of the relevant Underlying Companies and to vote thereat.

### **10.2 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 anytime held by the Trustee. In addition, the new Underlying Shares shall not be entitled 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.

### 10.3 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 one (1) TM International Share for every one (1) TM Share offered for purchase 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 the Company.

## 11. **TERMINATION OF THE OPTION**

11.1 In the event of the cessation of employment of a Grantee with the Underlying Companies Group for whatever reason prior to the full exercise of his Option, his Option shall forthwith lapse, become null and void and be of no further force and effect without any claim against the Underlying Companies or the Trustee PROVIDED ALWAYS THAT subject to the written approval of the Trustee at the directions of the Options Committee in its discretion, if such cessation occurs by reason of:

- (i) retirement on attaining the retirement age under the Underlying Companies Group's retirement policy;
- (ii) ill health, injury, physical or mental disability;
- (iii) transfer of the Grantee to a corporation outside of the Underlying Companies Group;
- (iv) redundancy or retrenchment, or pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the Underlying Companies;
- (v) expiry of any fixed term contract of service of an employee in the category of Senior Management; or
- (vi) any other circumstances which are acceptable to the Options Committee;

his Option shall remain exercisable for such period prescribed by the Trustee at the directions of the Options Committee notwithstanding the cessation of employment of such Grantee.

11.2 Subject to Clause 11.1, in the event a Grantee ceases to be an employee or Executive Director of any company within the Underlying Companies Group whether as a result of a termination of employment or directorship, as the case may be, or upon him serving the notice period of his resignation from employment with any company within the Underlying Companies Group, his Option shall lapse, become null and void and be of no further force and effect on the date the Grantee ceases to be an employee or Executive Director and the unexercised portion of the Underlying Shares comprised in his Option may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.

- 11.3 In the event that any subsidiary shall cease to be a subsidiary of the Underlying Companies, a Grantee who is employed under the said subsidiary shall be entitled to continue to exercise his Options subject to the provisions of Clause 9 for a period of six (6) months, or such longer period as may be determined by the Options Committee in its sole discretion, after such cessation, and the Option of such Grantee employed under the said subsidiary shall automatically lapse and be null and void and be of no further force and effect upon the expiry of the said six (6) months period, or where the Options Committee has determined a longer period as aforesaid, upon the expiry of the said longer period, and that the unexercised portion of the Underlying Shares comprised in such Option may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.

Notwithstanding anything contained in this Clause 11.3, upon the completion of the Proposed Demerger and TM International ceases to be a subsidiary of TM, all unexercised portion of Options (including those held by a Grantee who is under the employment of the TM International Group) shall remain valid and binding in accordance with the terms of these By-Laws, until the expiry of the Option Period.

- 11.4 Where a Grantee dies before the expiry of the Option Period, the unexercised portion of his Option may be exercised by the legal or personal representative of the Grantee and be entitled to any benefit as if the Grantee himself had exercised his Option PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period. In this regard, the Trustee shall be entitled to require the said legal or personal representative to provide evidence satisfactory to the Trustee of his status as such legal or personal representative.
- 11.5 Upon the bankruptcy of a Grantee, any unexercised portion of his Option shall immediately become null and void and be of no further force and effect as if the same had never been granted in the first place.
- 11.6 Any Option granted in accordance with the provisions herein can be mutually terminated by consent of both the Trustee and the Grantee in which event any such Option offered shall lapse, become null and void and be of no further force and effect.

## **12. TAKEOVER AND COMPULSORY ACQUISITION**

- 12.1 Notwithstanding Clause 9, and subject to the provisions of any applicable statute, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of:
- (i) a takeover offer being made for any of the Underlying Companies through a general offer or otherwise, any unexercised portion of Options shall remain in force and be exercisable until the expiry of the Option Period applicable thereto; and
  - (ii) the person or entity making the offer ("**Offeror**") becomes entitled or bound to exercise rights of compulsory acquisition of the said Underlying Shares under the provisions of the Act or the Capital Markets and Services Act, 2007 and gives notice to the said Underlying Company that it intends to exercise such rights on a specific date, a Grantee will be entitled to exercise all or any part of his Option with respect to the relevant Underlying Company from the date of service of the said notice to the relevant Underlying Company until and inclusive of the date on which the right of compulsory acquisition is exercised PROVIDED ALWAYS that any Option with respect to the relevant Underlying Company to the extent unexercised after the date on which the right of the compulsory acquisition is exercised shall lapse and be null and void and be of no further force and effect.
- 12.2 All unexercised portion of Options with respect to the Underlying Company which is not subject to the takeover or compulsory acquisition shall remain valid and binding throughout the remaining Option Period.

### **13. SCHEME OF ARRANGEMENT OR OTHER FORMS OF REORGANISATION**

- 13.1 Notwithstanding Clause 9 and subject to the discretion of the Options Committee, in the event of an arrangement between any of the Underlying Companies and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the said Underlying Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act or any other forms of reorganisation including any scheme of arrangement, capital repayment/reduction or reorganisation resulting in the privatisation of the subject Underlying Company ("**Scheme of Arrangement**"), a Grantee may be entitled to exercise his Options in connection with all or any part of the shares of the relevant Underlying Company at any time commencing from the date upon which the Scheme of Arrangement becomes unconditional and ending on the date upon which it becomes effective or on any other date specified by the Options Committee within the Option Period. Thereafter, any unexercised portion of Options with respect to the relevant Underlying Company shall lapse and be null and void and be of no further force and effect.
- 13.2 All unexercised portion of Options with respect to the Underlying Company which is not subject to the Scheme of Arrangement shall remain valid and binding throughout the remaining Option Period.

### **14. RETENTION PERIOD**

A Grantee may deal with the Underlying Shares transferred to him in any way he pleases.

### **15. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD**

- 15.1 In the event of any alteration in the capital structure of any of the Underlying Companies during the Option Period, whether by way of capitalisation issue, rights issues, bonus issues, capital reduction/repayment, subdivisions or consolidations of capital or any other variation of capital:
- (i) the relevant Exercise Price; and/or
  - (ii) the number of relevant Underlying Shares comprised in Options which have yet to be exercised;

may be adjusted in such manner as either the external auditors or the adviser of the Company (which must be a merchant bank or a participating organisation that may act as a principal adviser under the Policies and Guidelines on Issue/Offer of Securities issued by the Securities Commission) for the time being (acting as experts and not as arbitrators) (except for adjustments due to bonus issue), upon reference to them by the Options Committee, must confirm in writing to be, in their opinion, fair and reasonable and such determination shall be final and binding on the Grantees, PROVIDED ALWAYS THAT:

- (i) any adjustment to the Exercise Price shall be rounded down to the nearest one (1) sen;
- (ii) upon any adjustment being made pursuant to this Clause, the Options Committee shall notify the Grantee (or his personal representatives where applicable) in writing of the adjusted Exercise Price, the adjusted number of Underlying Shares comprised in the Options and/or percentage of the total Underlying Shares comprised in the Options that may be exercised in any particular Exercise Period; and
- (iii) in the event that a fraction of an Underlying Share arising from the adjustments referred to in this By-Law would otherwise be required to be transferred upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number.

For avoidance of doubt, any alteration of in the capital structure of TM International Group before the Ex-Date will not result in any change to the Exercise Price.



- 15.2 The adjustment pursuant to this Clause 15 shall be effective on the day the relevant Underlying Shares trade ex-entitlement for the event giving rise to the adjustment or such other period as may be specified in writing by the Trustee to the Grantees.
- 15.3 The provisions of this Clause 15 shall not apply where the alterations in the capital structure of the Underlying Companies arises from:
- (i) an issue of new Underlying Shares or other securities in consideration or part consideration for an acquisition of any other securities, assets or business;
  - (ii) a special issue of new Underlying Shares or other securities to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other government authority to comply with government policy on Bumiputera capital participation;
  - (iii) a private placement or restricted issue of new Underlying Shares or other securities by the Underlying Companies;
  - (iv) implementation of a share buy-back arrangement by any of the Underlying Companies under Section 67A of the Act;
  - (v) 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
  - (vi) an issue of new TM Shares upon the implementation of the ESOS.

## **16. ADMINISTRATION**

The ESOS shall be managed and administered by the Trustee in accordance with the directions and instructions of the Options Committee from time to time. The Trustee shall act on the directions of the Options Committee with respect to the granting of Options and the distribution of other benefits from the Trust. For the purpose of administering the ESOS, the Trustee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the ESOS to such other persons as the Options Committee may determine.

## **17. AMENDMENT AND/OR MODIFICATION TO THE ESOS**

- 17.1 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 these By-Laws provided that no such amendment shall be made 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 ESOS without the prior approval of the Company's shareholders in general meeting.
- 17.2 No amendments may be made which shall be to the advantage of any Eligible Employees to the following provisions without first obtaining the prior approval of the Company's shareholders:
- (i) eligibility criteria of Eligible Employees;
  - (ii) the maximum number of TM Shares to be made available under the ESOS;
  - (iii) the duration of the Scheme;
  - (iv) the rights attaching to the TM Shares including that arising on a liquidation of the Company; and
  - (v) any formulae for adjustments to the Exercise Price.

## **18. DURATION, EXTENSION AND TERMINATION OF THE ESOS**

18.1 The ESOS shall be in force for a period of eighteen (18) months commencing from the effective date for the implementation of the Scheme ("**Effective Date**"), which shall be the date of full compliance with the relevant requirements of the Bursa Securities LR including the following:

- (i) submission of the final copy of these By-Laws to Bursa Securities pursuant to paragraph 6.30F of the Bursa Securities LR;
- (ii) procurement of the Company's shareholders' approval for the Scheme;
- (iii) receipt of approval of any other relevant authorities, where applicable; and
- (iv) fulfilment of all conditions attached to the above approvals, if any,

provided that the Company may extend or renew the validity period of the ESOS if such extension/renewal is approved by the relevant authorities and the shareholders of the Company and does not contravene any applicable laws prevailing at the time of such extension or renewal.

18.2 Subject to approval of the relevant authorities including Bursa Securities and compliance with the requirements of the relevant authorities and the written consent of the Grantees, who have yet to fully exercise their Options, the Company in general meeting may, by ordinary resolution passed by the shareholders of the Company, terminate the continuation of the ESOS at any time and in such an event:

- (i) No further Offers shall be made by the Trustee from the date the last of all the above conditions have been fulfilled ("**Termination Date**");
- (ii) All Offers which have yet to be accepted by any Eligible Employees shall automatically lapse, become null and void and be of no further force and effect on the Termination Date; and
- (iii) All unexercised portion of Options shall automatically lapse, become null and void and be of no further force and effect on the Termination Date.

18.3 The Company may, subject to the approval of Bursa Securities, its shareholders and any other relevant authorities, establish a new employees' share option scheme after the expiry or termination of the Scheme.

## **19. LIQUIDATION OF AN UNDERLYING COMPANY**

Upon the receipt of a winding-up order issued by a Court in Malaysia by any of the Underlying Companies, all unexercised portion of Options with respect to the Underlying Company subject to the winding-up order shall lapse and be null and void and be of no further force and effect. All unexercised portion of Options with respect to the Underlying Company which is not subject to the winding-up order shall remain valid and binding throughout the remaining Option Period.

## **20. DISPUTES**

In the event of a dispute between the Trustee and an Eligible Employee or Grantee, as to any matter or thing of any nature arising hereunder, the Trustee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the same by written notice to the Trustee within fourteen (14) days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects.

## **21. COMPENSATION**

- 21.1 An Eligible Employee who ceases to hold office or employment with the Underlying Companies Group shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the ESOS which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 21.2 No employee of any company within the Underlying Companies Group shall be entitled to any compensation for any damages in connection with the Trustee's discretion (with recommendation by the Options Committee), in the selection of Eligible Employees, termination of any Option or termination of this Scheme pursuant to these By-Laws.

## **22. TAXES**

All taxes (including income tax), if any, arising from the exercise of any Option under the ESOS, shall be borne by the Grantee.

## **23. COSTS AND EXPENSES**

- 23.1 All cost and expenses incurred in relation to the ESOS including but not limited to fees, costs and expenses relating to the allotment and issue of new TM Shares and new TM International Shares pursuant to the implementation of the ESOS shall be borne by the Company.
- 23.2 Notwithstanding Clause 23.1, all other costs, fees, levies, charges that are incurred by a Grantee of the Underlying Shares pursuant or relating to the exercise of any Option and any holding or dealing of such Underlying Shares (such as (but not limited to) brokerage commissions and stamp duty) shall be borne by that Grantee for his own account, and the Underlying Companies or Trustee shall not be liable for any such costs, fees, levies and charges.

## **24. LIMITATION OF LIABILITY**

Notwithstanding any provisions contained herein and subject to the Act, the Trustee, the Options Committee and the Underlying Companies shall not under any circumstances be held liable for any damages, cost, losses and expenses whatsoever and howsoever arising in any event, including but not limited to the Trustee's delay in transferring the Underlying Shares, suspension of the Eligible Employees' rights to exercise their Options or any Option ceasing to be valid, pursuant to the provisions of these By-Laws, as may be amended from time to time as the case may be.

## **25. NOT A TERM OF EMPLOYMENT**

The ESOS does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any Eligible Employee.

## **26. ARTICLES AND CIRCULARS**

- 26.1 Notwithstanding the terms and conditions contained in the ESOS, if a situation of conflict should arise between the ESOS and either one of the Articles of the Underlying Companies, the provisions of the Articles of the Underlying Companies shall prevail at all times.

- 26.2 If a situation of conflict should arise between the ESOS and the provisions of any circulars, directives and correspondence issued prior to the Effective Date of the ESOS, these By-Laws shall prevail at all times.

**27. NOTICES**

- 27.1 Subject to Clause 27.2, any notice required to be given to an Eligible Employee and/or Grantee may be sent by way of e-mail to the e-mail addresses in accordance with the Company's records. For employees without e-mail addresses, any notice shall be deemed served once the e-mail is sent through the care of the employee's relevant heads of division.
- 27.2 In respect of letters of Offer, the letters shall be sent to the Eligible Employee by ordinary post to the office address in respect of that Eligible Employee and any such notice shall be deemed to have been delivered four (4) calendar days after the date it is posted and in proving delivery it shall be sufficient to prove that such a letter was properly stamped, addressed and placed in the post.

**28. SEVERABILITY**

Any provision under these By-Laws which is illegal, invalid, void or unenforceable shall be ineffective to the extent of such illegality, invalidity, voidness or unenforceability without invalidating the remaining provisions of these By-Laws.

**29. GOVERNING LAW**

These By-Laws shall be governed by and construed in accordance with the law of Malaysia.

PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE  
FINANCIAL YEAR ENDED 31 DECEMBER 2006 AND THE REPORTING ACCOUNTANTS' LETTER



The Board of Directors  
Telekom Malaysia Berhad  
Level 51, North Wing  
Menara TM  
50672 Kuala Lumpur

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
Level 10, 1 Sentral  
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12 February 2008

PwC/NAL/Ih/1781J

**TELEKOM MALAYSIA BERHAD**  
**PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

Dear Sirs,

- 1 We report on the proforma consolidated income statement for the financial year ended 31 December 2006 and the proforma consolidated balance sheet as at 31 December 2006 of Telekom Malaysia Berhad ('TM') and its subsidiaries ('TM Group'), together with the Notes thereon (collectively known as 'Proforma Consolidated Financial Information'), as set out in the Appendix to this letter for which the Directors are solely responsible.
- 2 The Proforma Consolidated Financial Information has been prepared for illustrative purposes only, for inclusion in the Circular to Shareholders of TM to be dated 20 February 2008 in connection with the following:
  - (a) Proposed demerger of TM Group;
  - (b) Proposed listing of the entire issued and paid-up ordinary share capital of TM International Berhad ('TMI') 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 TMI;
  - (d) Proposed employees' share option scheme to eligible employees of the TM Group; and
  - (e) Proposed acquisition by TMI and Indocel Holding Sdn Bhd from Khazanah Nasional Berhad of equity interests in SunShare Investments Ltd ('SunShare') and PT Excelcomindo Pratama Tbk.

(collectively known as the 'Proposals')

The Board of Directors  
Telekom Malaysia Berhad  
PwC/NAL/lh/1781J  
12 February 2008

### **Responsibilities**

- 3 It is the responsibility solely of the Directors of TM to prepare the Proforma Consolidated Financial Information.
- 4 It is our responsibility to form an opinion on the Proforma Consolidated Financial Information and our report is given to you solely for this, and for no other purpose.
- 5 In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

- 6 Our work consisted primarily of comparing the audited financial information in the Appendix with the audited financial statements of TM Group, considering the evidence supporting the adjustments and discussing the Proforma Consolidated Financial Information with the Directors of TM Group. Our work involved no independent examination of any of the underlying financial information.
- 7 As the Proforma Consolidated Financial Information is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposals on the financial position and results of TM Group had the transaction or event occurred at the balance sheet date. Further, such information does not purport to predict the Group's future financial position, results and cash flows.
- 8 As described in Note 3.1.3, the effects of the grant of options under the proposed employees share option scheme ('Proposed Option Scheme') for eligible employees and executive directors of the TM Group have not been considered in the preparation of the proforma consolidated balance sheet as at 31 December 2006. The Directors are in the process of determining the accounting effects of the Proposed Option Scheme. Adjustments arising from this determination may have a significant effect on the results, assets and liabilities of the TM Group.

The Board of Directors  
Telekom Malaysia Berhad  
PwC/NAL/lh/1781J  
12 February 2008

- 9 As described in Notes 2.1.3 and 3.1.4, the Proforma Consolidated Financial Information has been prepared in accordance with the accounting policies adopted by TM Group in the preparation of the audited financial statements of TM Group for the financial year ended 31 December 2006, except that the assets and liabilities including intangible assets and contingent liabilities of SunShare accounted for to illustrate the effects of the Proposed Acquisition described in Note 1.1.6 have not been measured at their respective fair values. Instead, these assets and liabilities are based on the carrying values of assets and liabilities in SunShare's audited financial statements for the financial years ended 31 December 2005 and 31 December 2006 for the proforma consolidated income statement and proforma consolidated balance sheet respectively. Adjustments to the carrying values of assets and liabilities of SunShare will have a corresponding effect on goodwill, net tangible assets and the results of TM Group. The Directors will carry out a proper valuation and ascertain the fair values of the assets and liabilities and determine the amount of intangible assets and contingent liabilities to be recognised upon completion of the Proposed Acquisition. Any adjustments may have a significant effect on the carrying value of net assets acquired and goodwill on acquisition which in turn may have a significant effect on the results of TM Group.
- 10 As described in Notes 2.1.4 and 3.1.5, the Proforma Consolidated Financial Information have been prepared in accordance with the accounting policies adopted by TM Group in the preparation of the audited financial statements of TM Group for the financial year ended 31 December 2006 except that in illustrating the issuance of new TMI shares pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition, the value of new TMI shares used may not be measured at their respective fair values. Instead the share prices used in the proforma illustrations were based on TMI's proforma net assets per share and the transaction price as detailed in the sale and purchase agreement. The Directors will carry out a proper valuation to ascertain the fair value of shares to be issued pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition prior to the completion of those proposals. Any adjustments arising from this valuation may have significant effect on the recording of the proceeds received, the cost of acquisition, and the corresponding goodwill and share premium balances which may in turn have a significant effect on the results of TM Group.

The Board of Directors  
Telekom Malaysia Berhad  
PwC/NAL/Ih/1781J  
12 February 2008

**Opinion**

- 11 Except for the matters detailed in Paragraphs 8, 9 and 10, in our opinion:
- (a) the Proforma Consolidated Financial Information has been properly compiled on the bases set out in the Notes thereon and such bases are consistent with the accounting policies adopted by TM Group in the preparation of the audited financial statements of TM Group for the financial year ended 31 December 2006;
  - (b) the Proforma Consolidated Financial Information has been properly prepared based on audited financial statements prepared in accordance with Financial Reporting Standards, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities; and
  - (c) the adjustments set out in the Notes to the Proforma Consolidated Financial Information are appropriate.

Yours faithfully,



PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants





TM Group

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON

## 1 INTRODUCTION

The Proforma Consolidated Financial Information of Telekom Malaysia Berhad ('TM' or the 'Company') and its subsidiaries (collectively known as the 'TM Group') for which the Directors of TM are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Circular to Shareholders of TM in connection with the following:

- (a) Proposed demerger of TM Group ('Proposed Demerger') comprising the Proposed Internal Restructuring and Proposed Distribution (both as defined herein);
- (b) Proposed listing of the entire issued and paid-up ordinary share capital of TM International Berhad ('TMI') on the Main Board of Bursa Malaysia Securities Berhad ('Bursa Securities');
- (c) Proposed shareholders' mandate for the issuance of up to 10% of the share capital of TMI;
- (d) Proposed employees' share option scheme to eligible employees of the Group; and
- (e) Proposed acquisitions by TMI and Indocel Holding Sdn Bhd ('Indocel') from Khazanah Nasional Berhad ('Khazanah') of equity interests in SunShare Investments Ltd ('SunShare') and PT Excelcomindo Pratama Tbk ('XL').

(collectively known as the 'Proposals')

### 1.1 The Proposals

#### 1.1.1 Proposed Internal Restructuring

On 10 December 2007, TM, Telekom Enterprise Sdn Bhd ('TESB'), TMI, Celcom (Malaysia) Berhad ('Celcom') and Celcom Transmission (M) Sdn Bhd ('CTX') entered into an agreement to give effect to the Proposed Internal Restructuring ('Demerger Agreement').

The Proposed Internal Restructuring involves the following:

- (i) CTX, a wholly owned subsidiary of 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 TESB, for a consideration of RM33 million;

## TELEKOM MALAYSIA BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 1 INTRODUCTION (CONTINUED)

## 1.1 The Proposals (continued)

## 1.1.1 Proposed Internal Restructuring (continued)

- (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 ('Celcom Shares') representing 100% of the issued and paid-up share capital of Celcom, to TMI 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 RCPS') representing approximately 51% of the issued and paid-up share capital of SunShare Investments Ltd ('SunShare'), to TMI for a consideration of RM141 million;
- (iv) Settlement of net amount owing by TMI and its subsidiaries upon completion of the Proposed Internal Restructuring to TM and its subsidiaries upon the completion of the Proposed Demerger as at 30 November 2007 of RM3,041 million.

whereby the net consideration of RM7,826 million in relation to the Proposed Internal Restructuring will be satisfied as follows:

- (v) RM3,801 million shall be satisfied through the issuance of such number of ordinary shares of RM1.00 each in TMI ('TMI Shares') at an issue price to be determined such that the enlarged number of TMI 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 on which TM's shareholders must be registered in TM's Record of Depositors or Register of Members ('Entitlement Date');
- (vi) RM2,925 million shall be satisfied by way of an amount owing from TMI to TM at a finance cost of 5.90% per annum ('First Amount Owing'); and
- (vii) RM1,100 million shall be satisfied by way of an amount owing from TMI to TM at a finance cost of 6.72% per annum ('Second Amount Owing').

The First Amount owing and Second Amount Owing will be payable by TMI to TM within 12 months from the date of completion of the Proposed Internal Restructuring ('Completion Date'). Pending such payment, TMI shall also from the Completion Date, make semi-annual interest payments due on 30 June and 31 December of each year, at the prescribed finance costs as stated above until the respective outstanding amounts are fully paid, unless otherwise agreed in writing between TM and TMI.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.1 The Proposals (continued)

1.1.1 Proposed Internal Restructuring (continued)

In addition, subject to the approvals of the relevant regulatory authorities, TM intends to transfer the 3G Spectrum Assignment (as defined below) to Celcom on an 'as is where is basis', for a consideration of RM40.1 million to be satisfied by way of cash.

The '3G Spectrum Assignment' refers to the Spectrum Assignment No. SA/01/2003 granted to TM 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;
- (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.

1.1.2 Proposed Distribution

- (i) Following the Proposed Internal Restructuring, TM will distribute its entire holding of and rights to TMI Shares to the shareholders of TM whose names appear in TM's Record of Depositors or Register of Members as at the Entitlement Date on the basis of 1 TMI share for every 1 TM share held as at the Entitlement Date ('Proposed Distribution'); and
- (ii) The Proposed Distribution will be effected through the reduction in TM's retained earnings.

1.1.3 Proposed Option Scheme

TM proposes to establish an employees' share option scheme for eligible employees and Executive Director(s) of the TM Group (other than subsidiaries that are dormant) (collectively referred to as 'Eligible Employees'). For the purpose of operating the Proposed Option Scheme, a trust will be set up to hold the TM Shares to be granted to Eligible Employees under the Proposed Option Scheme.

The trust will be constituted by a Trust Deed. Under the Trust Deed, a trustee to be appointed by TM ('Trustee') will subscribe for such new TM Shares, representing up to 4% of the issued and paid-up share capital of TM. The subscription price shall be 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% ('Subscription Price').

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.1 The Proposals (continued)

1.1.3 Proposed Option Scheme (continued)

The other salient terms and conditions of the Proposed Option Scheme are as follows:

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

The total number of TM Shares which may be offered under the Proposed Option Scheme shall not exceed 4% of existing issued and paid-up share capital of TM or 15% of the issued and paid-share capital of TM at any one time, whichever is lower.

(ii) Option Price

The price payable by Eligible Employees for each TM Share and TMI Share (in relation to Options offered after the Proposed Demerger) shall be determined based on the five (5) days' weighted average market price of the TM Shares and TMI Shares immediately preceding the offer date respectively, with a discount of up to 10%, provided that the combined Option Price shall not be less than the Subscription Price.

1.1.4 Proposed Shareholders' Mandate

Under the Proposed Shareholders' Mandate, TMI proposes to issue of up to 10% of TMI's issued and paid-up share capital to investors to be identified.

1.1.5 Proposed Listing

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

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.1 The Proposals (continued)

1.1.6 Proposed Acquisition

On 6 February 2008, TMI, Indocel and Khazanah ('collectively referred to as the "Parties"') entered into a Sale and Purchase Agreement ('SPA') for the following:

- (i) proposed acquisition by TMI from Khazanah of 35,965,998 SunShare RCPS and 2 Class A ordinary shares of USD1.00 each in SunShare ('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 ordinary shares of IDR100 each in XL ('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 consideration of RM1,580 million will be satisfied through the issuance of:

- (i) 176 million new TMI Shares to be issued under the Proposed Acquisition ('Consideration Shares') at an issue price of approximately RM8.98 per TMI Share if the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement; or
- (ii) 4.5 million Consideration Shares at an issue price of approximately RM351.11 per TMI Share if the Proposed Demerger does not become unconditional in accordance with the terms and conditions of the Demerger Agreement.

Upon the completion of this transaction, TMI and Khazanah shall take necessary steps to terminate the joint venture and shareholders' agreement dated 17 August 2005 entered into by TMI, Khazanah and SunShare in relation to the acquisition by SunShare of shares in MobileOne Ltd, which was restated on 23 September 2005 pursuant to a subscription agreement dated 23 September 2005 entered into by TM, Khazanah and SunShare in relation to subscription by TM and Khazanah of SunShare RCPS.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.2 Conditionality

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

The Proposed Shareholders' Mandate, Proposed Option Scheme and Proposed Acquisition are not conditional upon any other proposals and vice versa.

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

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006

Scenario 1: Proforma TM Group assuming Proposed Demerger effected

The proforma consolidated income statement for the financial year ended 31 December 2006 as set out below has been prepared, solely for illustrative purposes, to show the results of TM Group had the Proposals as set out in Note 1.1 of this Appendix been effected from 1 January 2006 except for the Proposed Option Scheme and Proposed Shareholders' Mandate set out in Note 1.1.3 and 1.1.4.

	Audited TM Group RM'million	Proforma adjustments (Note 2.1.5(a)) RM'million	Proforma TM Group after Proposed Demerger RM'million
OPERATING REVENUE	16,399.2	(8,198.5)	8,200.7
OPERATING COST			
- depreciation and amortisation	(4,039.0)	1,622.6	(2,416.4)
- other operating costs	(9,048.1)	4,280.1	(4,768.0)
	(13,087.1)	5,902.7	(7,184.4)
OTHER OPERATING INCOME	178.5	(79.0)	99.5
OPERATING PROFIT	3,490.6	(2,374.8)	1,115.8
FINANCE INCOME	234.0	140.6	374.6
FINANCE COST	(621.9)	241.8	(380.1)
NET FINANCE COST	(387.9)	382.4	(5.5)
JOINTLY CONTROLLED ENTITIES			
- share of results (net of tax)	10.6	(10.6)	-
ASSOCIATES			
- share of results (net of tax)	19.9	(20.0)	(0.1)
PROFIT BEFORE TAXATION	3,133.2	(2,023.0)	1,110.2
TAXATION	(830.9)	663.5	(167.4)
PROFIT AFTER TAXATION	2,302.3	(1,359.5)	942.8

## TELEKOM MALAYSIA BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

Scenario 1: Proforma TM Group assuming Proposed Demerger effected (continued)

	Audited TM Group RM'million	Proforma adjustments (Note 2.1.5(a)) RM'million	Proforma TM Group after Proposed Demerger RM'million
ATTRIBUTABLE TO:			
- equity holders of the Company	2,068.8	(1,165.2)	903.6
- minority interest	233.5	(194.3)	39.2
PROFIT FOR THE YEAR	<u>2,302.3</u>	<u>(1,359.5)</u>	<u>942.8</u>
Number of shares in TM (million)	<u>3,397.6</u>		<u>3,397.6*</u>
Basic/diluted earnings per share (sen)	<u>61</u>		<u>27</u>

\* Based on the issued and paid-up share capital of 3,397.6 million shares (as illustrated in the Audited Balance Sheet of TM Group set out in Note 3 to the Proforma Consolidated Financial Information) prior to the completed transaction subsequent to 31 December 2006 detailed in Note 3.1.6(c).

Notes:

1. The Proposed Option Scheme has not been illustrated in the proforma consolidated income statement as the Directors are of the view that notional earnings adjustments arising from the utilisation of share issue proceeds may not adequately illustrate the effects of the Proposed Option Scheme.
2. The proforma consolidated income statement should be read in conjunction with the accompanying notes.



TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006  
(CONTINUED)

Scenario 2: Proforma TM Group assuming Proposed Demerger not effected

The proforma consolidated income statement for the financial year ended 31 December 2006 as set out below has been prepared, solely for illustrative purposes, to show the results of TM Group had the Proposals as set out in Note 1.1 of this Appendix been effected from 1 January 2006 except for the Proposed Demerger, Proposed Option Scheme and Proposed Shareholders' Mandate set out in Notes 1.1.1 to 1.1.4.

	Proforma TM Group assuming Proposed Demerger not effected				
	Audited TM Group RM'million	Proforma adjustments (Note 2.1.5(b)(ii)) RM'million	Proforma I		Proforma II
			After incorporating Proposed Shareholders' Mandate RM'million	Proforma adjustments (Note 2.1.5 (b)(iii)) RM'million	After Proforma I and Proposed Acquisition RM'million
OPERATING REVENUE	16,399.2	-	16,399.2	-	16,399.2
OPERATING COST					
- depreciation and amortisation	(4,039.0)	-	(4,039.0)	-	(4,039.0)
- other operating costs	(9,048.1)	-	(9,048.1)	(6.2)	(9,054.3)
	(13,087.1)	-	(13,087.1)	(6.2)	(13,093.3)
OTHER OPERATING INCOME	178.5	14.1	192.6	1,016.9	1,209.5
OPERATING PROFIT	3,490.6	14.1	3,504.7	1,010.7	4,515.4
FINANCE INCOME	234.0	-	234.0	5.3	239.3
FINANCE COST	(621.9)	-	(621.9)	(45.3)	(667.2)
NET FINANCE COST	(387.9)	-	(387.9)	(40.0)	(427.9)
JOINTLY CONTROLLED ENTITIES					
- share of results (net of tax)	10.6	-	10.6	(38.0)	(27.4)
ASSOCIATES					
- share of results (net of tax)	19.9	-	19.9	113.6	133.5
PROFIT BEFORE TAXATION	3,133.2	14.1	3,147.3	1,046.3	4,193.6
TAXATION	(830.9)	-	(830.9)	-	(830.9)
PROFIT AFTER TAXATION	2,302.3	14.1	2,316.4	1,046.3	3,362.7

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006  
(CONTINUED)

Scenario 2: Proforma TM Group assuming Proposed Demerger not effected (continued)

	Proforma TM Group		assuming Proposed Demerger not effected	
	Audited TM Group RM'million	Proforma adjustments (Note 2.1.5(b)(ii)) RM'million	Proforma I After incorporating Proposed Shareholders' Mandate RM'million	Proforma II After Proforma I and Proposed Acquisition RM'million
ATTRIBUTABLE TO:				
- equity holders of the Company	2,068.8	(61.1)	2,007.7	3,023.0
- minority interest	233.5	75.2	308.7	339.7
PROFIT FOR THE YEAR	<u>2,302.3</u>	<u>14.1</u>	<u>2,316.4</u>	<u>3,362.7</u>
Number of shares in TM (million)	<u>3,397.6</u>		<u>3,397.6*</u>	<u>3,397.6*</u>
Basic/diluted earnings per share (sen)	<u>61</u>		<u>59</u>	<u>89</u>

\* Based on the issued and paid-up share capital of 3,397.6 million shares (as illustrated in the Audited Balance Sheet of TM Group set out in Note 3 to the Proforma Consolidated Financial Information) prior to the completed transaction subsequent to 31 December 2006 detailed in Note 3.1.6(c).

Notes

1. The Proposed Option Scheme and Proposed Shareholders' Mandate has not been illustrated in the proforma consolidated income statement as the Directors are of the view that notional earnings adjustments arising from the utilisation of share issue proceeds may not adequately illustrate the effects of the Proposed Option Scheme and Proposed Shareholders' Mandate.
2. The proforma consolidated income statement should be read in conjunction with the accompanying notes.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.1 Basis of preparation of proforma consolidated income statements

2.1.1 The proforma consolidated income statements have been prepared for illustrative purposes only to present the results of the TM Group on the following basis.

Scenario 1: Proforma TM Group assuming Proposed Demerger effected

Scenario 1 has been prepared to present the results of the TM Group had the Proposals set out in Note 1.1 been effected on 1 January 2006.

Scenario 2: Proforma TM Group assuming Proposed Demerger not effected

Scenario 2 has been prepared to present the results of the TM Group had the Proposals set out in Note 1.1 excluding those relating to the Proposed Demerger been effected on 1 January 2006.

2.1.2 The proforma consolidated income statements have been prepared using TM Group's accounting policies which were adopted in the preparation of its audited financial statements for the financial year ended 31 December 2006.

In addition, the proforma consolidated income statements are based on the following:

- (i) The audited consolidated financial statements of TM Group for the financial year ended 31 December 2006;
- (ii) The audited consolidated financial statements of TMI Group for the financial year ended 31 December 2005 and 31 December 2006;
- (iii) The audited consolidated financial statements of Celcom Group for the financial year ended 31 December 2006;
- (iv) The audited financial statements of Fibrecomm for the financial years ended 31 December 2006;
- (v) The audited financial statements of SunShare for the financial years ended 31 December 2005 and 31 December 2006; and
- (vi) The audited financial statements of XL for the financial year ended 31 December 2005 and 31 December 2006.

## TELEKOM MALAYSIA BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

## 2.1 Basis of preparation of proforma consolidated income statements (continued)

2.1.3 The proforma consolidated income statements have been prepared in accordance with the accounting policies adopted by TM Group in the preparation of the audited financial statements of TM Group for the financial year ended 31 December 2006, except that the assets and liabilities including intangible assets and contingent liabilities of SunShare accounted for to illustrate the effects of the Proposed Acquisition described in Note 1.1.6 have not been measured at their respective fair values. Instead, these assets and liabilities are based on the carrying values of assets and liabilities in SunShare's audited financial statements as at 31 December 2005. Adjustments to the carrying values of assets and liabilities of SunShare will have a corresponding effect on goodwill, net tangible assets and the results of TM Group. The Directors will carry out a proper valuation and ascertain the fair values of the assets and liabilities and determine the amount of intangible assets and contingent liabilities to be recognised upon completion of the Proposed Acquisition. Any adjustments may have a significant effect on the carrying value of net assets acquired and goodwill on acquisition which in turn may have a significant effect on the results of TM Group.

2.1.4 The proforma consolidated income statements have been prepared in accordance with the accounting policies adopted by TM Group in the preparation of the audited financial statements of TM Group for the financial year ended 31 December 2006 except that in illustrating the issuance of new TMI shares pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition, the value of new TMI shares used may not be measured at their respective fair values. Instead the share prices used in the proforma illustrations were based on TMI's proforma net assets per share and the transaction price as detailed in the sale and purchase agreement. The Directors will carry out a proper valuation to ascertain the fair value of shares to be issued pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition prior to the completion of those proposals. Any adjustments arising from this valuation may have significant effect on the recording of the proceeds received, the cost of acquisition, and the corresponding goodwill and share premium balances which may in turn have a significant effect on the results of TM Group.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.1 Basis of preparation of proforma consolidated income statements (continued)

2.1.5 Proforma adjustments

The following adjustments have been made in arriving at the proforma consolidated income statements for the financial year ended 31 December 2006:

(a) Scenario 1: Proforma TM Group assuming Proposed Demerger effected

- (i) Adjustments have been made in arriving at the proforma consolidated income statement for the financial year ended 31 December 2006 to reflect the effects of the Proposals set out in Note 1.1 had the Proposals been effected from 1 January 2006 except for the Proposed Option Scheme and Proposed Shareholders' Mandate set out in Note 1.1.3 and 1.1.4.
- (ii) With respect to the First Amount Owing, adjustment has been made in arriving at the proforma consolidated income statement for the financial year ended 31 December 2006 to reflect TM's finance income of approximately RM172.6 million calculated based on a rate of interest of 5.90% per annum on the amount of RM2,925 million.
- (iii) With respect to the Second Amount Owing, adjustment has been made in arriving at the proforma consolidated income statement in the financial year ended 31 December 2006 to reflect a finance income of RM73.9 million per annum calculated based on the rate of interest of 6.72% per annum on the amount of RM1,100 million cost.

(b) Scenario 2: Proforma TM Group assuming Proposed Demerger not effected

- (i) Adjustments have been made in arriving at the proforma consolidated income statement for the financial year ended 31 December 2006 to reflect the effects of the Proposals set out in Note 1.1 had the Proposals been effected from 1 January 2006 except for the Proposed Internal Restructuring, Proposed Distribution, Proposed Option Scheme and Proposed Shareholders' Mandate set out in Notes 1.1.1 to 1.1.4.

## TELEKOM MALAYSIA BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

## 2.1 Basis of preparation of proforma consolidated income statements (continued)

## 2.1.5 Proforma adjustments (continued)

(b) Scenario 2: Proforma TM Group assuming Proposed Demerger not effected (continued)

(ii) With respect to the Proposed Shareholders' Mandate, adjustment has been made in arriving at the gain on dilution of TM's interest in TMI of RM14.1 million included in the proforma consolidated income statement for the financial year ended 31 December 2006 on the assumption that the issuance of 3.6 million new TMI shares, representing approximately 10% of the enlarged issued not paid-up share capital of TMI at an illustrative price based on the net assets per share of TMI Group of RM90.27 per TMI share. The gain on dilution was calculated based on the change in the net assets of TMI Group as at 1 January 2006.

(iii) With respect to the Proposed Acquisition, adjustment has been made in arriving at the gain on dilution of TM's interest in TMI of RM1,016.9 million included in the proforma consolidated income statement for the financial year ended 31 December 2006 for the issuance of 4.5 million new TMI shares at a price of RM351.11 per TMI share as consideration for the acquisition of 35,965,998 SunShare RCPS, 2 SunShare Shares and 1,191,553,500 XL Shares. The gain on dilution was calculated based on the change in net asset of TMI Group as at 1 January 2006.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.1 Basis of preparation of proforma consolidated income statements (continued)

2.1.5 Proforma adjustments (continued)

Scenario 1 : Proforma TM Group assuming Proposed Demerger effected

	Operating revenue RM'million	Depreciation and amortisation RM'million	Other operating costs RM'million	Other operating income RM'million	Finance income RM'million	Finance cost RM'million	Share of results of jointly controlled entities RM'million	Share of results of associates RM'million	Taxation RM'million	Profit attributable to equity holders of the Company RM'million	Minority interest RM'million
Effects of the Proposed Internal Restructuring and Proposed Distribution as detailed in Note 2.1.5 (a)(i)	(8,198.5)	1,622.6	4,280.1	(79.0)	(105.9)	241.8	(10.6)	(20.0)	678.7	(1,396.5)	(194.3)
Finance income arising from the First Amount Owing by TMI as detailed in Note 2.1.5 (a)(ii)	-	-	-	-	172.6	-	-	-	-	172.6	-
Finance income arising from the Second Amount Owing by TMI as detailed in Note 2.1.5 (a)(iii)	-	-	-	-	73.9	-	-	-	-	73.9	-
Tax effect arising from the Proposed Internal Restructuring as detailed in Note 2.1.5 (a)(ii) and 2.1.5 (a)(iii)	-	-	-	-	-	-	-	-	(15.2)	(15.2)	-
	<u>(8,198.5)</u>	<u>1,622.6</u>	<u>4,280.1</u>	<u>(79.0)</u>	<u>140.6</u>	<u>241.8</u>	<u>(10.6)</u>	<u>(20.0)</u>	<u>663.5</u>	<u>(1,165.2)</u>	<u>(194.3)</u>

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.1 Basis of preparation of proforma consolidated income statements (continued)

2.1.5 Proforma adjustments (continued)

Scenario 2 : Proforma TM Group assuming Proposed Demerger not effected

	Other Operating costs RM'million	Other operating income RM'million	Finance income RM'million	Finance cost RM'million	Share of results of jointly controlled entities RM'million	Share of results of associates RM'million	Profit attributable to equity holders of the Company RM'million	Minority interest RM'million
Effects of the Proposed Shareholders' Mandate as detailed in Note 2.1.5(b)(i)	-	-	-	-	-	-	(75.2)	75.2
Loss on dilution arising from the issuance of new TMI Shares pursuant to the proposed shareholders mandate as detailed in Note 2.1.5(b)(ii)	-	14.1	-	-	-	-	14.1	-
	-	14.1	-	-	-	-	(61.1)	75.2
Effects of the Proposed Acquisition as detailed in Note 2.1.5 (b)(i)	(6.2)	-	5.3	(45.3)	(38.0)	113.6	(1.6)	31.0
Gain on dilution arising from the issuance of new TMI shares pursuant to the Proposed Acquisition as detailed in Note 2.1.5(b)(iii)	-	1,016.9	-	-	-	-	1,016.9	-
	(6.2)	1,016.9	5.3	(45.3)	(38.0)	113.6	1,015.3	31.0



TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

## 2.2 Effects on the proforma consolidated income statements

(a) Scenario 1 : Proforma TM Group assuming Proposed Demerger effected

- (i) Proforma I incorporates the effects of the Proposed Demerger as detailed in Notes 1.1.1 and 1.1.2 and the proforma adjustments as detailed in Note 2.1.5(a) on the audited consolidated income statement of TM for the year ended 31 December 2006.

(b) Scenario 2 : Proforma TM Group assuming Proposed Demerger not effected

- (i) Proforma I incorporates the effects of the Proposed Shareholders' Mandate as detailed in Note 1.1.4 and assuming the issuance of 3.6 million new TMI shares, representing approximately 10% of the enlarged issued and paid-up share capital of TMI at an illustrative issue price of RM90.27 per TMI share as detailed in Note 2.1.5(b)(ii) on the audited consolidated income statement of TM for the year ended 31 December 2006.

The gross proceeds from the issuance of shares under the Proposed Shareholders' Mandate of RM325.0 million is illustrated to be utilised as follows:

	RM'million
Placement in deposits	280.0
Estimated share issue expenses	45.0
	<u>325.0</u>

The estimated share issue expenses of RM45.0 million will be debited against the share premium account.

With respect to the issuance of new TMI shares under the Proposed Shareholders' Mandate a gain on dilution of TM's interest in TMI amounting to RM14.1 million was recognised to the income statements; and

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.2 Effects on the proforma consolidated income statements (continued)

(b) Scenario 2 : Proforma TM Group assuming Proposed Demerger not effected (continued)

(ii) Proforma II incorporated the effects of the effects of Proforma I and the Proposed Acquisition as detailed in Note 1.1.6 which include the issuance of 4.5 million new TMI shares at an issue price of RM351.11 per TMI Share being the transaction price for the issuance of TMI Shares as consideration for the acquisition of 35,965,998 SunShare RCPS, 2 SunShare Shares and 1,191,553,500 XL Shares. Total consideration under the Proposed Acquisition is RM155.0 million for SunShare RCPS and SunShare Shares and RM1,425.0 million for XL Shares respectively.

With respect to the issuance of new TMI shares under the Proposed Acquisition, gain on dilution of TM's interest in TMI amounting to RM1,016.9 million was recognised to the income statement.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006

The proforma consolidated balance sheets of TM Group as set out below have been prepared, solely for illustrative purposes, to show the effects on the audited consolidated balance sheet of TM Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 set out in Note 3.1.6 and the Proposals set out in Note 1.1 been effected on that date and assuming that the options granted under the Proposed Option Scheme have been fully vested and fully exercised as at 31 December 2006.

	Completed transactions					Proposals	
	Audited Balance Sheet as at 31.12.2006 RM'million	Proforma I After incorporating completed transactions (Note 3.1.6 (c) to (f)) RM'million	Proforma II After Proforma I and Proposed Option Scheme RM'million	Scenario 1: Proforma TM Group assuming Proposed Demerger effected		Scenario 2: Proforma TM Group assuming Proposed Demerger not effected	
				Proforma III After Proforma II and Proposed Demerger RM'million	Proforma IV After Proforma II and Proposed Shareholders' Mandate RM'million	Proforma III After Proforma II and Proposed Demerger RM'million	Proforma V After Proforma IV and Proposed Acquisition RM'million
SHARE CAPITAL	3,397.6	3,439.8	3,577.4	3,577.4	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	5,541.7	5,541.7
OTHER RESERVES	12,571.6	11,070.1	11,070.1	2,920.0	11,029.2	12,010.4	12,010.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	19,911.1	18,772.0	20,189.2	12,039.1	20,148.3	21,129.5	21,129.5
MINORITY INTERESTS	836.5	836.5	836.5	128.2	1,157.4	1,573.3	1,573.3
TOTAL EQUITY	20,747.6	19,608.5	21,025.7	12,167.3	21,305.7	22,702.8	22,702.8
Borrowings	10,282.8	10,282.8	10,282.8	7,147.0	10,282.8	11,524.6	11,524.6
Deferred tax liabilities	2,261.9	2,261.9	2,261.9	1,555.9	2,261.9	2,261.9	2,261.9
Provision for liabilities	64.6	64.6	64.6	.	64.6	64.6	64.6
DEFERRED AND LONG TERM LIABILITIES	12,609.3	12,609.3	12,609.3	8,702.9	12,609.3	13,851.1	13,851.1
	33,356.9	32,217.8	33,635.0	20,870.2	33,915.0	36,553.9	36,553.9

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)  
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3

	Completed transactions					Proposals	
	Scenario 1:					Scenario 2	
	Audited Balance Sheet as at 31.12.2006 RM'million	Proforma I After incorporating completed transactions (Note 3.1.6 (c) to (f)) RM'million	Proforma II After Proforma I and Proposed Option Scheme RM'million	Proforma III After Proforma II and Proposed Demerger RM'million	Proforma IV After Proforma II and Proposed Shareholders' Mandate RM'million	Proforma V After Proforma IV and Proposed Acquisition RM'million	Proforma TM Group assuming Proposed Demerger not effected
INTANGIBLE ASSETS	7,059.1	7,228.1	7,228.1	-	7,228.1	8,449.8	
PROPERTY, PLANT AND EQUIPMENT	24,026.5	24,026.5	24,026.5	13,428.8	24,026.5	24,026.5	
INVESTMENT PROPERTY	-	-	-	179.8	-	-	
LAND HELD FOR PROPERTY DEVELOPMENT	168.4	168.4	168.4	168.4	168.4	168.4	
JOINTLY CONTROLLED ENTITIES	807.5	807.5	807.5	-	807.5	632.2	
ASSOCIATES	220.6	220.6	220.6	0.5	220.6	1,641.6	
INVESTMENTS	226.7	226.7	226.7	226.7	226.7	226.7	
LONG TERM RECEIVABLES	557.7	557.7	557.7	557.3	557.7	557.7	
DEFERRED TAX ASSETS	115.6	115.6	115.6	21.6	115.6	115.6	
Non-current asset held for sale	24.0	24.0	24.0	24.0	24.0	24.0	
Inventories	172.8	172.8	172.8	110.2	172.8	172.8	
Trade and other receivables	3,464.1	3,464.1	3,464.1	2,743.4	3,464.1	3,464.6	
Amounts receivable from TMI	-	-	-	4,025.0	-	-	
Short term investments	320.1	320.1	320.1	318.4	320.1	320.1	
Cash and bank balances	4,680.4	3,372.3	4,789.5	3,360.2	5,069.5	5,245.1	
CURRENT ASSETS	8,661.4	7,353.3	8,770.5	10,581.2	9,050.5	9,226.6	
Trade and other payables	5,740.9	5,740.9	5,740.9	2,817.2	5,740.9	5,745.5	
Customer deposits	718.9	718.9	718.9	590.9	718.9	718.9	
Borrowings	1,803.1	1,803.1	1,803.1	788.8	1,803.1	1,803.1	
Current tax liabilities	223.7	223.7	223.7	97.2	223.7	223.7	
CURRENT LIABILITIES	8,486.6	8,486.6	8,486.6	4,294.1	8,486.6	8,491.2	
NET CURRENT ASSETS/(LIABILITIES)	174.8	(1,133.3)	283.9	6,287.1	563.9	735.4	
	33,356.9	32,217.8	33,635.0	20,870.2	33,915.0	36,553.9	

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

	Completed transactions	Proposals				
		Scenario 1:		Scenario 2		
		Proforma I After incorporating completed transactions (Note 3.1.6 (c) to (f)) RM'million	Proforma II After Proforma I and Proposed Option Scheme RM'million	Proforma III After Proforma II and Proposed Demerger RM'million	Proforma IV After Proforma II and Proposed Shareholders' Mandate RM'million	Proforma V After Proforma IV and Proposed Acquisition RM'million
Audited Balance Sheet as at 31.12.2006 RM'million	19,911.1	18,772.0	20,189.2	12,039.1	20,148.3	21,129.5
Net assets attributable to ordinary shareholders	12,852.0	11,543.9	12,961.1	12,039.1	12,920.2	12,679.7
Net tangible assets attributable to equity holders ('NTA')	5.86	5.46	5.64	3.37	5.63	5.91
Net assets per ordinary shares of RM1.00 each (RM)	3.78	3.36	3.62	3.37	3.61	3.54

The proforma consolidated balance sheets should be read in conjunction with the accompanying notes.

## TELEKOM MALAYSIA BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

## 3.1 Basis of preparation of proforma consolidated balance sheets

- 3.1.1 The proforma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the audited consolidated balance sheet of TM Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 described in Note 3.1.6 and had the Proposals set out in Note 1.1 had been effected as follows:

Scenario 1 : Proforma TM Group assuming Proposed Demerger effected

Scenario 1 has been prepared to show the effects on the audited consolidated balance sheet of TM Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 and the Proposals set out in Note 1.1.

Scenario 2 : Proforma TM Group assuming Proposed Demerger not effected

Scenario 2 has been prepared to show the effects on the audited consolidated balance sheet of TM Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 and the proposals set out in Note 1.1 excluding those relating to the Proposed Demerger.

In addition, the proforma consolidated balance sheets have been prepared based on the following:

- (i) The audited consolidated financial statements of TM Group for the financial year ended 31 December 2006;
- (ii) The audited consolidated financial statements of TMI Group for the financial year ended 31 December 2006 adjusted to incorporate the effects of TM advances to TMI Group as described in Note 3.1.6 (b) had the said transaction been effected on 31 December 2006;
- (iii) The audited consolidated financial statements of Celcom Group for the financial year ended 31 December 2006 adjusted to incorporate the effects of the Celcom Capital Repayment transactions described in Note 3.1.6 (a) had the said transactions been effected on 31 December 2006;
- (iv) The audited financial statements of Fibrecomm for the financial year ended 31 December 2006;
- (v) The audited financial statements of SunShare for the financial year ended 31 December 2006; and
- (vi) The audited financial statements of XL for the financial year ended 31 December 2006.

## TELEKOM MALAYSIA BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

## 3.1 Basis of preparation of proforma consolidated balance sheets (continued)

3.1.2 The proforma consolidated balance sheets have been prepared using TM Group's accounting policies, which were adopted in the preparation of its audited financial statements for the financial year ended 31 December 2006.

3.1.3 The effects of the grant of Options under the Proposed Option Scheme for Eligible Employees and Executive Director(s) of the TM Group have not been considered in the preparation of the proforma consolidated balance sheets as at 31 December 2006. The Directors are in the process of determining the accounting effects of the Proposed Option Scheme. Adjustments arising from this determination may have a significant effect on the results, assets and liabilities of TM Group.

3.1.4 The proforma consolidated balance sheets have been prepared in accordance with the accounting policies adopted by TM Group in the preparation of the audited financial statements of TM Group for the financial year ended 31 December 2006, except that the assets and liabilities including intangible assets and contingent liabilities of SunShare accounted for to illustrate the effects of the Proposed Acquisition described in Note 1.1.6 have not been measured at their respective fair values. Instead, these assets and liabilities are based on the carrying values of assets and liabilities in SunShare's audited financial statements as at 31 December 2006. Adjustments to the carrying values of assets and liabilities of SunShare will have a corresponding effect on goodwill, net tangible assets and the results of TM Group. The Directors will carry out a proper valuation and ascertain the fair values of the assets and liabilities and determine the amount of intangible assets and contingent liabilities to be recognised upon completion of the Proposed Acquisition. Any adjustments may have a significant effect on the carrying value of net assets acquired and goodwill on acquisition which in turn may have a significant effect on the results of TM Group.

## TELEKOM MALAYSIA BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

## 3.1 Basis of preparation of proforma consolidated balance sheets (continued)

3.1.5 The proforma consolidated balance sheets has been prepared in accordance with the accounting policies adopted by TM Group in the preparation of the audited financial statements of TM Group for the financial year ended 31 December 2006 except that in illustrating the issuance of new TMI shares pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition, the value of new TMI shares used may not be measured at their respective fair values. Instead the share price used in the proforma illustrations were based on TMI's proforma the net assets per share and the transaction price as detailed in the sale and purchase agreement. The Directors will carry out a proper valuation to ascertain the fair value of shares to be issued pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition prior to the completion of those proposals. Any adjustments arising from this valuation may have significant effect on the recording of the share proceeds received, the cost of acquisition, and the corresponding goodwill and share premium balances which may in turn have a significant effect on the results of TM Group.

## 3.1.6 Completed transactions subsequent to 31 December 2006 and reclassifications

The following transactions were completed subsequent to 31 December 2006 and reclassifications:

## (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 Companies Act 1965. The scheme involved:

- (i) Reduction in par value of the ordinary shares of Celcom, resulting in the decrease in the issued and paid up capital of RM1,767.9 million comprising 1,767.9 million ordinary shares of RM1.00 each 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 ordinary shares of RM1.00 each 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.



TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.1 Basis of preparation of proforma consolidated balance sheets (continued)

3.1.6 Completed transactions subsequent to 31 December 2006 and reclassifications (continued)

(b) TM advances to TMI group

TM had advanced RM384.1 million to TM International (L) Limited ('TMIL'), a wholly owned subsidiary of TMI to fund its acquisition of 523,532,100 ordinary shares of Indonesian Rupiah 100 each in PT Excelcomindo Pratama Tbk ('XL') 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, TM had advanced RM68.0 million to TMI to fund its subscription of a rights issue by Dialog Telekom Plc. 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 TM's Employee Share Option Scheme ('TM ESOS')

Subsequent to 31 December 2006 and through to 31 July 2007, the issued and paid-up capital of TM increased from 3,397.6 million shares of RM1.00 each to 3,439.8 million shares of RM1.00 each as a result of employees exercising their options under the Employees' Share Option Scheme 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

As described in Note 1.1.1, TM 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 the shareholders of TM. The Special Dividend was paid on 31 January 2008.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.1 Basis of preparation of proforma consolidated balance sheets (continued)

3.1.6 Completed transactions subsequent to 31 December 2006 and reclassifications (continued)

(f) Reclassification of goodwill

On 7 June 2006, TMIL, 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, TMI entered into a Share Sale and Purchase Agreement with Samart Corporation Public Company Limited ('Samart'), a company incorporated in Thailand, for the acquisition of 1,038,700 ordinary shares of USD4.00 each representing the remaining 49.0% equity interest in Telekom Malaysia International (Cambodia) Ltd from Samart for a consideration of USD29.0 million (RM107.9 million).

Goodwill totalling RM172.5 million arising from these transactions previously recorded in equity has now been reclassified as an intangible asset as the Directors are of the view that this reclassification reflects TM's modified parent entity accounting model.

3.2 Effects on the proforma consolidated balance sheets

(a) Scenario 1: Proforma TM Group assuming Proposed Demerger effected

- (i) Proforma I incorporates the effects of the Completed transactions subsequent to 31 December 2006 detailed in Notes 3.1.6 (c) to (f) on the audited consolidated balance sheet of TM as at 31 December 2006; and
- (ii) Proforma II incorporates the effects of Proforma I and the Proposed Option Scheme as detailed in Note 1.1.3. Proforma II incorporates the effects of the Proposed Option Scheme assuming full exercise of the Options to be granted resulting in the issuance of 137.6 million new TM shares each, representing approximately 4% of the existing issued and paid-up share capital of TM at an assumed exercise price of RM10.30 per share (based on the 5-day volume-weighted average market price of TM shares up to 31 January 2008 at a discount of approximately 10%); and
- (iii) Proforma III incorporates the effects of Proforma II and the Proposed Demerger as detailed in Notes 1.1.1 and 1.1.2.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.2 Effects on the proforma consolidated balance sheets (continued)

(b) Scenario 2: Proforma TM Group assuming Proposed Demerger not effected

- (i) Proforma I incorporates the effects of the Completed transactions subsequent to 31 December 2006 detailed in Notes 3.1.6 (c) to (f) on the audited consolidated balance sheet of TM as at 31 December 2006; and
- (ii) Proforma II incorporates the effects of Proforma I and the Proposed Option Scheme as detailed in Note 1.1.3. Proforma II incorporates the effects of the Proposed Option Scheme assuming full exercise of the Options to be granted resulting in the issuance of 137.6 million new TM shares each, representing approximately 4% of the existing issued and paid-up share capital of TM at an assumed exercise price of RM10.30 per share (based on the 5-day volume-weighted average market price of TM shares up to 31 January 2008 at a discount of approximately 10%); and
- (iii) Proforma IV incorporates the effects of Proforma II and the Proposed Shareholders' Mandate as detailed in Note 1.1.4 assuming the issuance of 3.6 million new TMI shares, representing approximately 10% of the enlarged issued and paid-up share capital of TMI at an illustrative issue price of RM90.27 per TMI share.

The gross proceeds from the issuance of shares under the Proposed Shareholders' Mandate of RM325.0 million is illustrated to be utilised as follows:

	RM'million
Placement in deposits	280.0
Estimated share issue expenses	45.0
	<hr/>
	325.0
	<hr/> <hr/>

The estimated share issue expenses of RM45.0 million which will be debited against the share premium account;

With respect to the issuance of shares under the Proposed Shareholders' Mandate loss on dilution of TM's interest in TMI amounting to RM40.9 million to retained earnings; and

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.2 Effects on the proforma consolidated balance sheets (continued)

(b) Scenario 2: Proforma TM Group assuming Proposed Demerger not effected (continued)

(iv) Proforma V incorporates the effects of Proforma IV and the Proposed Acquisition as detailed in Note 1.1.6 which includes the issuance of 4.5 million new TMI shares at an issue price of approximately RM351.11 per TMI Share being the transaction price for the issuance of TMI Shares as consideration for the acquisition of 35,965,998 SunShare RCPS, 2 SunShare Shares and 1,191,553,500 XL Shares. Total consideration under the Proposed Acquisition is RM155.0 million for SunShare RCPS and SunShare Shares and RM1,425.0 million for XL Shares respectively.

With respect to the Proposed Acquisition, the following adjustments have been made:

- (I) recognition of a gain on dilution of TM's interest in TMI amounting to RM960.8 million to retained earnings.
- (II) recognition of negative goodwill arising from the acquisition of SunShare RCPS and SunShare Shares calculated based on the carrying values of assets and liabilities in SunShare's audited financial statements as at 31 December 2006 amounted to RM16.9 million to the retained earnings.
- (III) recognition of goodwill arising from the acquisition of XL Shares calculated based on the carrying values of assets and liabilities in XL's audited financial statements as at 31 December 2006 amounting to RM1,221.7 million.

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.3 Share capital, share premium, retained earnings, reserves and minority interests

Movements in the issued and paid up share capital, share premium, retained earnings, ESOS reserves, foreign exchange reserves and minority interests of TM Group are as follows:

Scenario 1: Proforma TM Group assuming Proposed Demerger effected

	Share capital RM'million	Share premium RM'million	Retained earnings RM'million	ESOS reserves RM'million	Foreign exchange reserves RM'million	Total other reserves RM'million	Minority interests RM'million	Total equity RM'million
Audited Balance Sheet of TM Group as at 31 December 2006	3,397.6	3,941.9	12,829.0	25.0	(282.4)	12,571.6	836.5	20,747.6
Shares issued pursuant to the TM ESOS from 1 January 2007 to 31 July 2007 (Note 3.1.6 (c))	42.2	320.2	-	(16.0)	-	(16.0)	-	346.4
Amortisation of 3G Spectrum Assignment from 1 January 2007 to 30 November 2007 (Note 3.1.6 (d))	-	-	(3.5)	-	-	(3.5)	-	(3.5)
Special Dividend of 65 sen per share less tax of 26% (representing a net dividend of approximately 48.1 sen per share) in respect of the financial year ended 31 December 2007 (Note 3.1.6 (e))	-	-	(1,654.5)	-	-	(1,654.5)	-	(1,654.5)
Reclassification of goodwill (Note 3.1.6 (f))	-	-	172.5	-	-	172.5	-	172.5
As shown in Proforma I	3,439.8	4,262.1	11,343.5	9.0	(282.4)	11,070.1	836.5	19,608.5

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.3 Share capital, share premium, retained earnings, reserves and minority interests (continued)

Scenario 1: Proforma TM Group assuming Proposed Demerger effected (continued)

	Share capital RM'million	Share premium RM'million	Retained earnings RM'million	ESOS reserves RM'million	Foreign exchange reserves RM'million	Total other reserves RM'million	Minority interests RM'million	Total equity RM'million
Exercise of Proposed Option Scheme resulting in issuance of 137.6 million new TM Shares at exercise price of RM10.30 each (Note 1.1.3)	137.6	1,279.6	-	-	-	-	-	1,417.2
As shown in Proforma II	3,577.4	5,541.7	11,343.5	9.0	(282.4)	11,070.1	836.5	21,025.7
Proposed Distribution of 3,577.4 million TMI Shares on the basis of 1 TMI share for every 1 TM share held, effected through TM's retained earnings (Note 1.1.2)	-	-	(8,332.8)	-	182.7	(8,150.1)	(708.3)	(8,858.4)
As shown in Proforma III	3,577.4	5,541.7	3,010.7	9.0	(99.7)	2,920.0	128.2	12,167.3

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.3 Share capital, share premium, retained earnings, reserves and minority interests (continued)

Scenario 2: Proforma TM Group assuming Proposed Demerger not effected

	Share capital RM'million	Share premium RM'million	Retained earnings RM'million	ESOS reserves RM'million	Foreign exchange reserves RM'million	Total other reserves RM'million	Minority interests RM'million	Total equity RM'million
Audited Balance Sheet of TM Group as at 31 December 2006	3,397.6	3,941.9	12,829.0	25.0	(282.4)	12,571.6	836.5	20,747.6
Shares issued pursuant to the TM ESOS from 1 January 2007 to 31 July 2007 (Note 3.1.6 (c))	42.2	320.2	-	(16.0)	-	(16.0)	-	346.4
Amortisation of 3G Spectrum Assignment from 1 January 2007 to 30 November 2007 (Note 3.1.6 (d))	-	-	(3.5)	-	-	(3.5)	-	(3.5)
Special Dividend of 65 sen per share less tax of 26% (representing a net dividend of approximately 48.1 sen per share) in respect of the financial year ended 31 December 2007 (Note 3.1.6 (e))	-	-	(1,654.5)	-	-	(1,654.5)	-	(1,654.5)
Reclassification of goodwill (Note 3.1.6 (f))	-	-	172.5	-	-	172.5	-	172.5
As shown in Proforma I	3,439.8	4,262.1	11,343.5	9.0	(282.4)	11,070.1	836.5	19,608.5

TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.3 Share capital, share premium, retained earnings, reserves and minority interests (continued)

Scenario 2: Proforma TM Group assuming Proposed Demerger not effected (continued)

	Share capital RM'million	Share premium RM'million	Retained earnings RM'million	ESOS reserves RM'million	Foreign exchange reserves RM'million	Total other reserves RM'million	Minority interests RM'million	Total equity RM'million
Exercise of Proposed Option Scheme resulting in issuance of 137.6 million new TM Shares at exercise price of RM10.30 each (Note 1.1.3)	137.6	1,279.6	-	-	-	-	-	1,417.2
As shown in Proforma II	3,577.4	5,541.7	11,343.5	9.0	(282.4)	11,070.1	836.5	21,025.7
Loss dilution of TM's interest in TMI pursuant to the issuance of TMI shares under the Proposed Shareholders' Mandate (Note 3.2(b)(iii))	-	-	(40.9)	-	-	(40.9)	320.9	280.0
As shown in Proforma IV	3,577.4	5,541.7	11,302.6	9.0	(282.4)	11,029.2	1,157.4	21,305.7
Gain on dilution of TM's interest in TMI pursuant to the issuance of TMI shares under the Proposed Acquisition (Note 3.2(b)(iv)(I))	-	-	960.8	-	-	960.8	619.2	1,580.0
Acquisition of interest in XL and SunShare pursuant to the Proposed Acquisition (Notes 3.2(b)(iv)(II))	-	-	16.9	-	3.5	20.4	(203.3)	(182.9)
As shown in Proforma V	3,577.4	5,541.7	12,280.3	9.0	(278.9)	12,010.4	1,573.3	22,702.8



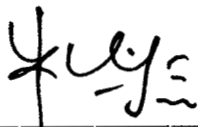
TELEKOM MALAYSIA BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Telekom Malaysia Berhad in  
accordance with a resolution duly passed at a Board Meeting held on

**31 JAN 2008**



\_\_\_\_\_  
DATO' SRI ABDUL WAHID OMAR  
GROUP CHIEF EXECUTIVE OFFICER



\_\_\_\_\_  
DATO' DR ABDUL RAHIM HAJI DAUD  
DIRECTOR

**PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF TM INTERNATIONAL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 AND THE REPORTING ACCOUNTANTS' LETTER**



The Board of Directors  
Telekom Malaysia Berhad  
Level 51, North Wing  
Menara TM  
50672 Kuala Lumpur

**PricewaterhouseCoopers**  
**(AF 1146)**  
**Chartered Accountants**  
Level 10, 1 Sentral  
Jalan Travers, Kuala Lumpur Sentral  
P O Box 10192  
50706 Kuala Lumpur, Malaysia  
Telephone +60 3 2173 1188  
Facsimile +60 3 2173 1288  
www.pwc.com

12 February 2008

PwC/NAL/fm/1782J

**TM INTERNATIONAL BERHAD**  
**PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

Dear Sirs,

- 1 We report on the proforma consolidated income statement for the financial year ended 31 December 2006 and proforma consolidated balance sheet as at 31 December 2006 of Telekom Malaysia Berhad's ('TM') wholly owned subsidiary, TM International Berhad ('TMI') and its subsidiaries ('TMI Group'), together with the Notes thereon (collectively known as 'Proforma Consolidated Financial Information'), as set out in the Appendix to this letter for which the Directors are solely responsible.
- 2 The Proforma Consolidated Financial Information has been prepared for illustrative purposes only, for inclusion in the Circular to Shareholders of TM to be dated 20 February 2008 in connection with the following:
  - (a) Proposed demerger of the TM Group of Companies ('TM Group');
  - (b) Proposed listing of the entire issued and paid-up ordinary share capital of TMI 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 TMI;
  - (d) Proposed employees' share option scheme to eligible employees of the TM Group; and
  - (e) Proposed acquisition by TMI and Indocel Holding Sdn Bhd from Khazanah Nasional Berhad of equity interests in SunShare Investments Ltd ('SunShare') and PT Excelcomindo Pratama Tbk.

(collectively known as the 'Proposals')

The Board of Directors  
Telekom Malaysia Berhad  
PwC/NAL/fm/1782J  
12 February 2008

### **Responsibilities**

- 3 It is the responsibility solely of the Directors of TM to prepare the Proforma Consolidated Financial Information.
- 4 It is our responsibility to form an opinion on the Proforma Consolidated Financial Information and our report is given to you solely for this, and for no other purpose.
- 5 In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

- 6 Our work consisted primarily of comparing the audited financial information in the Appendix with the audited financial statements of TMI Group, considering the evidence supporting the adjustments and discussing the Proforma Consolidated Financial Information with the Directors of TM Group. Our work involved no independent examination of any of the underlying financial information.
- 7 As the Proforma Consolidated Financial Information is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposals on the financial position and results of TMI Group had the transaction or event occurred at the balance sheet date. Further, such information does not purport to predict Group's future financial position, results and cash flows.
- 8 As described in Note 3.1.3, the effects of the grant of options under the proposed employees share option scheme ('Proposed Option Scheme') for eligible employees and executive directors of the TM Group have not been considered in the preparation of the proforma consolidated balance sheet as at 31 December 2006. The Directors are in the process of determining the accounting effects of the Proposed Option Scheme. Adjustments arising from this determination may have a significant effect on the results, assets and liabilities of the TMI Group.

The Board of Directors  
Telekom Malaysia Berhad  
PwC/NAL/fm/1782J  
12 February 2008

- 9 As described in Notes 2.1.3 and 3.1.4, the Proforma Consolidated Financial Information has been prepared in accordance with the accounting policies adopted by TMI Group in the preparation of the audited financial statements of TMI Group for the financial year ended 31 December 2006, except that the assets and liabilities including intangible assets and contingent liabilities of SunShare accounted for to illustrate the effects of the Proposed Acquisition described in Note 1.1.6 have not been measured at their respective fair values. Instead, these assets and liabilities are based on the carrying values of assets and liabilities in SunShare's audited financial statements for the financial years ended 31 December 2005 and 31 December 2006 for the proforma consolidated income statement and proforma consolidated balance sheet respectively. Adjustments to the carrying values of assets and liabilities of SunShare will have a corresponding effect on goodwill, net tangible assets and the results of TMI Group. The Directors will carry out a proper valuation and ascertain the fair values of the assets and liabilities and determine the amount of intangible assets and contingent liabilities to be recognised upon completion of the Proposed Acquisition. Any adjustments may have a significant effect on the carrying value of net assets acquired and goodwill on acquisition which in turn may have a significant effect on the results of TMI Group.
- 10 As described in Note 3.1.5, the Proforma Consolidated Financial Information has been prepared in accordance with the accounting policies adopted by TMI Group in the preparation of the audited financial statements of TMI Group for the financial year ended 31 December 2006, except that in illustrating the issuance of new TMI shares pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition, the value of new TMI shares used may not be measured at their respective fair values. Instead the share prices used in the proforma illustration were based on TMI's proforma net assets per share and the transaction price as detailed in the sale and purchase agreement. The Directors will carry out a proper valuation to ascertain the fair value of shares to be issued pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition prior to the completion those proposals. Any adjustments arising from this valuation may have significant effect on the recording of the share proceeds received, the cost of acquisition, and the corresponding goodwill and share premium balances.

The Board of Directors  
Telekom Malaysia Berhad  
PwC/NAL/fm/1782J  
12 February 2008

**Opinion**

- 11 Except for the matters detailed in Paragraphs 8, 9 and 10, in our opinion:
- (a) the Proforma Consolidated Financial Information has been properly compiled on the bases set out in the Notes thereon and such bases are consistent with the accounting policies adopted by TMI Group in the preparation of the audited financial statements of TMI Group for the financial year ended 31 December 2006;
  - (b) the Proforma Consolidated Financial Information has been properly prepared based on audited financial statements prepared in accordance with Financial Reporting Standards, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities; and
  - (c) the adjustments set out in the Notes to the Proforma Consolidated Financial Information are appropriate.

Yours faithfully,



PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants



TM Group

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON

## 1 INTRODUCTION

The Proforma Consolidated Financial Information of TM International Berhad ('TMI') and its subsidiaries (collectively known as the 'TMI Group') for which the Directors of Telekom Malaysia Berhad ('TM' or the 'Company') are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Circular to Shareholders of TM in connection with the following:

- (a) Proposed demerger of the TM Group of Companies ('TM Group') ('Proposed Demerger') comprising the Proposed Internal Restructuring and Proposed Distribution (both as defined herein);
- (b) Proposed listing of the entire issued and paid-up ordinary share capital of TMI on the Main Board of Bursa Malaysia Securities Berhad ('Bursa Securities');
- (c) Proposed shareholders' mandate for the issuance of up to 10% of the share capital of TMI;
- (d) Proposed employees' share option scheme to eligible employees of the TM Group; and
- (e) Proposed acquisitions by TMI and Indocel Holding Sdn Bhd ('Indocel') from Khazanah Nasional Berhad ('Khazanah') of equity interests in SunShare Investments Ltd ('SunShare') and PT Excelcomindo Pratama Tbk ('XL').

(collectively known as the 'Proposals')

### 1.1 The Proposals

#### 1.1.1 Proposed Internal Restructuring

On 10 December 2007, TM, Telekom Enterprise Sdn Bhd ('TESB'), TMI, Celcom (Malaysia) Berhad ('Celcom') and Celcom Transmission (M) Sdn Bhd ('CTX') entered into an agreement to give effect to the Proposed Internal Restructuring ('Demerger Agreement').

The Proposed Internal Restructuring involves the following:

- (i) CTX, a wholly owned subsidiary of 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 TESB for a consideration of RM33 million;

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.1 The Proposals (continued)

1.1.1 Proposed Internal Restructuring (continued)

- (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 ('Celcom Shares') representing 100% of the issued and paid-up share capital of Celcom to TMI 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 Limited ('SunShare RCPS') representing approximately 51% of the issued and paid-up share capital of SunShare Investments Limited ('SunShare'), to TMI for a consideration of RM141 million;
- (iv) Settlement of net amount owing by TMI and its subsidiaries upon completion of the Proposed Internal Restructuring to TM and its subsidiaries upon the completion of the Proposed Demerger as at 30 November 2007 of RM3,041 million.

whereby the net consideration of RM7,826 million in relation to the Proposed Internal Restructuring will be satisfied as follows:

- (v) RM3,801 million shall be satisfied through the issuance of such number of ordinary shares of RM1.00 each in TMI ('TMI Shares') at an issue price to be determined such that the enlarged number of TMI 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 on which TM's shareholders must be registered in TM's Record of Depositors or Register of Members ('Entitlement Date').
- (vi) RM2,925 million, shall be satisfied by way of an amount owing from TMI to TM at a finance cost of 5.90% per annum ('First Amount Owing');
- (vii) RM1,100 million shall be satisfied by way of an amount owing from TMI to TM at a finance cost of 6.72% per annum ('Second Amount Owing').

The First Amount Owing and Second Amount Owing will be payable by TMI to TM within 12 months from the date of completion of the Proposed Internal Restructuring ('Completion Date'). Pending such payment, TMI shall also from the Completion Date, make semi-annual interest payments due on 30 June and 31 December of each year, at the prescribed finance cost as stated above until the respective outstanding amount are fully paid, unless otherwise agreed in writing between TM and TMI.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.1 The Proposals (continued)

1.1.1 Proposed Internal Restructuring (continued)

In addition, subject to the approvals of the relevant regulatory authorities, TM intends to transfer the 3G Spectrum Assignment (as defined below) to Celcom on an 'as is where is basis', for a consideration of RM40.1 million to be satisfied by way of cash.

The '3G Spectrum Assignment' refers to the Spectrum Assignment No. SA/01/2003 granted to TM 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;
- (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.

1.1.2 Proposed Distribution

- (i) Following the Proposed Internal Restructuring, TM will distribute its entire holding of and rights to TMI Shares to the shareholders of TM whose names appear in TM's Record of Depositors or Register of Members as at the Entitlement Date on the basis of 1 TMI share for every 1 TM share held as at the Entitlement Date ('Proposed Distribution'); and
- (ii) The Proposed Distribution will be effected through the reduction in TM's retained earnings.

1.1.3 Proposed Option Scheme

TM proposes to establish an employees' share option scheme for eligible employees and Executive Director(s) of the TM Group (other than subsidiaries that are dormant) (collectively referred to as 'Eligible Employees'). For the purpose of operating the Proposed Option Scheme, a trust will be set up to hold the TM Shares to be granted to Eligible Employees under the Proposed Option Scheme.

The trust will be constituted by a Trust Deed. Under the Trust Deed, a trustee to be appointed by TM ('Trustee') will subscribe for such new TM Shares, representing up to 4% of the issued and paid-up share capital of TM. The subscription price shall be 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% ('Subscription Price').



TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.1 The Proposals (continued)

1.1.3 Proposed Option Scheme (continued)

The other salient terms and conditions of the Proposed Option Scheme are as follows:

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

The total number of TM Shares which may be offered under the Proposed Option Scheme shall not exceed 4% of existing issued and paid-up share capital of TM or 15% of the issued and paid-share capital of TM at any one time, whichever is lower.

(ii) Option Price

The price payable by Eligible Employees for each TM Share and TM International Share (in relation to Options offered after the Proposed Demerger) shall be determined based on the five (5) days' weighted average market price of the TM Shares and TM International Shares immediately preceding the offer date respectively, with a discount of up to 10%, provided that the combined Option Price shall not be less than the Subscription Price.

1.1.4 Proposed Shareholders' Mandate

Under the Proposed Shareholders' Mandate, TMI proposes to issue of up to 10% of TMI's issued and paid-up share capital to investors to be identified.

1.1.5 Proposed Listing

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

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.1 The Proposals (continued)

1.1.6 Proposed Acquisition

On 6 February 2008, TMI, Indocel and Khazanah ('collectively referred to as the "Parties"') entered into a Sale and Purchase Agreement ('SPA') for the following:

- (i) proposed acquisition by TMI from Khazanah of 35,965,998 SunShare RCPS and 2 Class A ordinary shares of USD1.00 each in SunShare ('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 ordinary shares of IDR100 each in XL ('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 consideration of RM1,580 million will be satisfied through the issuance of:

- (i) 176.0 million new TMI Shares to be issued under the Proposed Acquisition ('Consideration Shares') at an issue price of approximately RM8.98 per TMI Share if the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement; or
- (ii) 4.5 million Consideration Shares at an issue price of approximately RM351.11 per TMI Share if the Proposed Demerger does not become in accordance with the terms and conditions of the Demerger Agreement.

Upon the completion of this transaction, TMI and Khazanah shall take necessary steps to terminate the joint venture and shareholders' agreement dated 17 August 2005 entered into by TMI, Khazanah and SunShare in relation to the acquisition by SunShare of shares in MobileOne Ltd, which was restated on 23 September 2005 pursuant to a subscription agreement dated 23 September 2005 entered into by TM, Khazanah and SunShare in relation to subscription by TM and Khazanah of SunShare RCPS.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

1 INTRODUCTION (CONTINUED)

1.2 Conditionality

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

The Proposed Shareholders' Mandate, Proposed Option Scheme and Proposed Acquisition are not conditional upon any other proposals and vice-versa.

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

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED  
31 DECEMBER 2006

Scenario 1: Proforma TMI Group assuming Proposed Demerger effected

The proforma consolidated income statement of TMI Group for the financial year ended 31 December 2006 as set out below has been prepared, solely for illustrative purposes, to show the results of TMI Group had the proposals as set out in Note 1.1 of this Appendix been effected from 1 January 2006 except for the Proposed Option Scheme and Proposed Shareholders' Mandate set out in Notes 1.1.3 and 1.1.4:

	Audited TMI Group RM'million	Proforma adjustments (Note 2.1.4 (a)(i) to (iii)) RM'million	Proforma TMI Group assuming Proposed Demerger effected		
			Proforma I	After incorporating Proposed Demerger RM'million	Proforma adjustments (Note 2.1.4 (a)(iv)) RM'million
OPERATING REVENUE	4,050.2	4,523.3	8,573.5	-	8,573.5
OPERATING COST					
- depreciation and amortisation	(820.3)	(802.2)	(1,622.5)	-	(1,622.5)
- other operating costs	(2,080.1)	(2,605.5)	(4,685.6)	(6.2)	(4,691.8)
	(2,900.4)	(3,407.7)	(6,308.1)	(6.2)	(6,314.3)
OTHER OPERATING INCOME	103.3	11.0	114.3	-	114.3
OPERATING PROFIT BEFORE FINANCE COST	1,253.1	1,126.6	2,379.7	(6.2)	2,373.5
FINANCE INCOME	50.2	55.7	105.9	5.3	111.2
FINANCE COST	(202.0)	(291.1)	(493.1)	(45.3)	(538.4)
NET FINANCE COST	(151.8)	(235.4)	(387.2)	(40.0)	(427.2)
JOINTLY CONTROLLED ENTITIES					
- share of results (net of tax)	(27.4)	38.0	10.6	(38.0)	(27.4)
ASSOCIATES					
- share of results (net of tax)	28.6	(8.6)	20.0	113.6	133.6
PROFIT BEFORE TAXATION	1,102.5	920.6	2,023.1	29.4	2,052.5
TAXATION	(281.7)	(397.0)	(678.7)	-	(678.7)
PROFIT AFTER TAXATION	820.8	523.6	1,344.4	29.4	1,373.8

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED  
31 DECEMBER 2006 (CONTINUED)

Scenario 1: Proforma TMI Group assuming Proposed Demerger effected (continued)

	Proforma TMI Group assuming Proposed Demerger effected				
	Audited TMI Group RM'million	Proforma adjustments (Note 2.1.4 (a)(i) to (iii)) RM'million	Proforma I After incorporating Proposed Demerger RM'million	Proforma II Proforma adjustments (Note 2.1.4 (a)(iv)) RM'million	Proforma II After Proforma I and Proposed Acquisition RM'million
ATTRIBUTABLE TO:					
- equity holders of the Company	629.3	520.8	1,150.1	81.1	1,231.2
- minority interest	191.5	2.8	194.3	(51.7)	142.6
PROFIT FOR THE YEAR	<u>820.8</u>	<u>523.6</u>	<u>1,344.4</u>	<u>29.4</u>	<u>1,373.8</u>
Number of shares in TMI (million)	<u>35.7*</u>		<u>3,577.4**</u>		<u>3,753.4***</u>
Basic earnings per share (sen)	<u>1,763</u>		<u>32</u>		<u>33</u>

\* Based on the issued and paid-up share capital of 35.7 million shares (as illustrated in the Audited Balance Sheet of TMI Group set out in Note 3 to the Proforma Consolidated Financial Information).

\*\* Based on the issued and paid-up share capital of 3,577.4 million shares (as illustrated in Proforma Consolidated Balance Sheet II of TMI Group set out in Note 3 to the Proforma Consolidated Financial Information).

\*\*\* Based on the issued and paid-up share capital of 3,753.4 million shares (as illustrated in Proforma Consolidated Balance Sheet IV of TMI Group set out in Note 3 to the Proforma Consolidated Financial Information excluding the issuance of share capital arising from the Proposed Shareholders' Mandate detailed in Note 1.1.4.)

Notes

1. The Proposed Option Scheme and Proposed Shareholders' Mandate has not been illustrated in the proforma consolidated income statement as the Directors are of the view that notional earnings adjustment arising from the utilisation of share issue proceeds may not adequately illustrate the effects of the Proposed Option Scheme and Proposed Shareholders' Mandate.
2. The proforma consolidated income statement should be read in conjunction with the accompanying notes.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED  
31 DECEMBER 2006 (CONTINUED)

Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected

The proforma consolidated income statement of TMI Group for the financial year ended 31 December 2006 as set out below has been prepared, solely for illustrative purposes, to show the results of TMI Group had the proposals as set out in Note 1.1 of this Appendix been effected from 1 January 2006 except for the Proposed Demerger, Proposed Option Scheme and Proposed Shareholders' Mandate set out in Notes 1.1.1 to 1.1.4:

	Audited TMI Group RM'million	Proforma adjustments (Note 2.1.4(b)) RM'million	Proforma TMI Group assuming Proposed Demerger not effected Proforma I  Proforma TMI Group after Proposed Acquisition RM'million
OPERATING REVENUE	4,050.2	-	4,050.2
OPERATING COST			
- depreciation and amortisation	(820.3)	-	(820.3)
- other operating costs	(2,080.1)	-	(2,080.1)
	<u>(2,900.4)</u>	<u>-</u>	<u>(2,900.4)</u>
OTHER OPERATING INCOME	103.3	-	103.3
OPERATING PROFIT BEFORE FINANCE COST	<u>1,253.1</u>	<u>-</u>	<u>1,253.1</u>
FINANCE INCOME	50.2	-	50.2
FINANCE COST	(202.0)	-	(202.0)
NET FINANCE COST	<u>(151.8)</u>	<u>-</u>	<u>(151.8)</u>
JOINTLY CONTROLLED ENTITIES			
- share of results (net of tax)	(27.4)	33.0	5.6
ASSOCIATES			
- share of results (net of tax)	28.6	-	28.6
PROFIT BEFORE TAXATION	<u>1,102.5</u>	<u>33.0</u>	<u>1,135.5</u>
TAXATION	(281.7)	-	(281.7)
PROFIT AFTER TAXATION	<u><u>820.8</u></u>	<u><u>33.0</u></u>	<u><u>853.8</u></u>

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006  
(CONTINUED)

Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected (continued)

	Audited TMI Group RM'million	Proforma adjustments (Note 2.1.4(b)) RM'million	Proforma TMI Group assuming Proposed Demerger not effected Proforma I  Proforma TMI Group after Proposed Acquisition RM'million
ATTRIBUTABLE TO:			
- equity holders of the Company	629.3	84.7	714.0
- minority interest	191.5	(51.7)	139.8
PROFIT FOR THE YEAR	<u>820.8</u>	<u>33.0</u>	<u>853.8</u>
Number of shares in TMI (million)	<u>35.7*</u>		<u>40.2**</u>
Basic earnings per share (sen)	<u>1,763</u>		<u>1,776</u>

\* Based on the issued and paid-up share capital of 35.7 million shares (as illustrated in the Audited Balance Sheet of TMI Group set out in Note 3 to the Proforma Consolidated Financial Information).

\*\* Based on the issued and paid-up share capital of 40.2 million shares (as illustrated in Proforma Consolidated Balance Sheet VI of TMI Group set out in Note 3 to the Proforma Consolidated Financial Information) excluding the issuance of share capital arising from the Proposed Shareholders' Mandate detailed in Note 1.1.4.

Notes

1. The Proposed Option Scheme and Proposed Shareholders' Mandate has not been illustrated in the Proforma Consolidated income statement as the Directors are of the view that notional earnings adjustment arising from the utilisation of share issue proceeds may not adequately illustrate the effects of the Proposed Option Scheme and Proposed Shareholders' Mandate.
2. The proforma consolidated income statement should be read in conjunction with the accompanying notes.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.1 Basis of preparation of proforma consolidated income statements

2.1.1 The proforma consolidated income statements have been prepared for illustrative purposes only to present the results of the TMI Group on the following basis:

Scenario 1: Proforma TMI Group assuming Proposed Demerger effected

Scenario 1 has been prepared to present the results of the TMI Group had the proposals set out in Note 1.1 been effected on 1 January 2006.

Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected

Scenario 2 has been prepared to present the results of the TMI Group had the proposals set out in Note 1.1 excluding those relating to the Proposed Demerger been effected on 1 January 2006.

2.1.2 The proforma consolidated income statements have been prepared using TMI Group's accounting policies which were adopted in the preparation of its audited financial statements for the financial year ended 31 December 2006.

In addition, the proforma consolidated income statements are based on the following:

- (i) The audited consolidated financial statements of TMI Group for the financial year ended 31 December 2006;
- (ii) The audited consolidated financial statements of Celcom Group for the financial year ended 31 December 2006;
- (iii) The audited financial statements of Fibrecomm for the financial year ended 31 December 2006. This subsidiary was disposed off by CTX, a wholly owned subsidiary of Celcom under the Proposed Internal Restructuring as detailed in Note 1.1.1(i);
- (iv) The audited financial statements of SunShare for the financial years ended 31 December 2005 and 31 December 2006; and
- (v) The audited financial statements of XL for the financial years ended 31 December 2005 and 31 December 2006.



## TM INTERNATIONAL BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

## 2.1 Basis of preparation of proforma consolidated income statements (continued)

- 2.1.3 The proforma consolidated income statements have been prepared in accordance with the accounting policies adopted by TMI Group in the preparation of the audited financial statements of TMI Group for the financial year ended 31 December 2006, except that the assets and liabilities including intangible assets and contingent liabilities of SunShare accounted for to illustrate the effects of the Proposed Acquisition described in Note 1.1.6 have not been measured at their respective fair values. Instead, these assets and liabilities are based on the carrying values of assets and liabilities in SunShare's audited financial statements as at 31 December 2005. Adjustments to the carrying values of assets and liabilities of SunShare will have a corresponding effect on goodwill, net tangible assets and the results of TMI Group. The Directors will carry out a proper valuation and ascertain the fair values of the assets and liabilities and determine the amount of intangible assets and contingent liabilities to be recognised upon completion of the Proposed Acquisition. Any adjustments may have a significant effect on the carrying value of net assets acquired and goodwill on acquisition which in turn may have a significant effect on the results of TMI Group.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006  
(CONTINUED)

2.1 Basis of preparation of proforma consolidated income statements (continued)

2.1.4 Proforma adjustments

The following adjustments have been made in arriving at the proforma consolidated income statements for the financial year ended 31 December 2006:

(a) Scenario 1: Proforma TMI Group assuming Proposed Demerger effected

- (i) Adjustments have been made in arriving at the proforma consolidated income statement for the financial year ended 31 December 2006 to reflect the effects of the Proposals set out in Note 1.1 had the Proposals been effected from 1 January 2006 except for the Proposed Option Scheme and Proposed Shareholders' Mandate set out in Notes 1.1.3 and 1.1.4.
- (ii) With respect to the First Amount Owing, adjustment has been made in arriving at the proforma consolidated income statement for the financial year ended 31 December 2006 to reflect TMI's finance cost of approximately RM172.6 million calculated based on a rate of interest of 5.90% per annum on the amount of RM2,925 million.
- (iii) With respect to the Second Amount Owing, adjustment has been made in arriving at the proforma consolidated income statement in the financial year ended 31 December 2006 to reflect a finance cost of RM73.9 million per annum calculated based on the rate of interest of 6.72% per annum on the amount of RM1,100 million cost.
- (iv) Adjustment have been made in arriving at the proforma consolidated income statement for the financial year ended 31 December 2006 to reflect the effects of the Proposed Acquisition set out in Notes 1.1.6.

(b) Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected

- (i) Adjustments have been made in arriving at the proforma consolidated income statements for the financial year ended 31 December 2006 to reflect the effects of the proposals set out in Note 1.1 of this Appendix had the proposals been effected from 1 January 2006 except for the Proposed Internal Restructuring, Proposed Distribution, Proposed Option Scheme and Proposed Shareholders' Mandate set out in Notes 1.1.1 to 1.1.4.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.1 Basis of preparation of proforma consolidated income statements (continued)

2.1.4 Proforma adjustments (continued)

Scenario 1: Proforma TMI Group assuming Proposed Demerger effected

Notes:

	Operating revenue RM'million	Depreciation and amortisation RM'million	Other operating costs RM'million	Other operating income RM'million	Finance income RM'million	Finance cost RM'million	Share of results of jointly controlled entities RM'million	Share of results of associates RM'million	Taxation RM'million	Profit attributable to equity holders of the Company RM'million	Minority interest RM'million
Effects of the Proposed Internal Restructuring and Proposed Distribution as detailed in Note 2.1.4 (a)(i)	4,523.3	(802.2)	(2,605.5)	11.0	55.7	(44.6)	38.0	(8.6)	(397.0)	767.3	2.8
Finance cost arising from the First Amount Owning as detailed in Note 2.1.4 (a)(ii)	-	-	-	-	-	(172.6)	-	-	-	(172.6)	-
Finance cost arising from the Second Amount Owning as detailed in Note 2.1.4(a)(iii)	-	-	-	-	-	(73.9)	-	-	-	(73.9)	-
	4,523.3	(802.2)	(2,605.5)	11.0	55.7	(291.1)	38.0	(8.6)	(397.0)	520.8	2.8
Effects of the Proposed Acquisition detailed in Note 2.1.4 (a)(iv)	-	-	(6.2)	-	5.3	(45.3)	(38.0)	113.6	-	81.1	(51.7)
	-	-	(6.2)	-	5.3	(45.3)	(38.0)	113.6	-	81.1	(51.7)

## TM INTERNATIONAL BERHAD

## PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

## 2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

## 2.1 Basis of preparation of proforma consolidated income statements (continued)

## 2.1.4 Proforma adjustments (continued)

Scenario 2: Proforma TMI Group assuming Proposed Demerger not effectedNotes:

	Share of results of jointly controlled entities RM'million	Profit attributable to equity holders of the Company RM'million	Minority interest RM'million
Effects of the Proposed Acquisition as detailed in Note 2.1.4 (b)(i)	33.0	84.7	(51.7)
	<u>33.0</u>	<u>84.7</u>	<u>(51.7)</u>

## 2.2 Effects on the proforma consolidated income statements

(a) Scenario 1 : Proforma TMI Group assuming Proposed Demerger effected

- (i) Proforma I incorporates the effects of the Proposed Demerger as detailed in Notes 1.1.1 and 1.1.2 and the proforma adjustments as detailed in Note 2.1.4(a) on the audited consolidated income statement of TMI for the financial year ended 31 December 2006.
- (ii) Proforma II incorporates the effects of Proforma I and the effects of the Proposed Acquisition as detailed in Note 1.1.6 which include the issuance of 176.0 million new TMI shares at an issue price of RM8.98 per TMI Share as consideration for the acquisition of 35,965,998 SunShare RCPS, 2 SunShare Shares and 1,191,553,500 XL Shares. Total consideration under the Proposed Acquisition is RM155.0 million for the SunShare RCPS and SunShare Shares and RM1,425.0 million for the XL Shares respectively.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

2 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2.2 Effects on the proforma consolidated income statements (continued)

(b) Scenario 2 : Proforma TMI Group assuming Proposed Demerger not effected

- (i) Proforma 1 incorporates the effects of the Proposed Acquisition as detailed in Note 1.1.6 which include assuming the issuance of 4.5 million new TMI shares at an issue price of RM90.27 as consideration for the acquisition of 35,965,998 SunShare RCPS, 2 SunShare Shares and 1,191,553,500 XL Shares. Total consideration under the Proposed Acquisition is RM155.0 million for the SunShare RCPS and SunShare Shares and RM1,425.0 million for the XL Shares respectively. For the purpose of proforma illustration, the terms of the joint venture and shareholders' agreement which will be terminated upon the completion of the Proposed Acquisition is assumed to be novated to TMI. On this basis, TMI has equity accounted for 49% of the economic interest in SunShare as a jointly controlled entity.

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006

The proforma consolidated balance sheets of TMI Group as set out below have been prepared, solely for illustrative purposes, to show the effects of the audited consolidated balance sheet of TMI Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 set out in Note 3.1.6 and the proposals set out in Note 1.1 been effected on that date.

	Completed transactions		Proposals					
			Scenario 1: Proforma TMI Group assuming Proposed Demerger effected			Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected		
	Audited Balance Sheet as at 31.12.2006 RM'million	Proforma I After incorporating advances from TM (Note 3.1.6 (b)) RM'million	Proforma II After Proforma I and Proposed Demerger RM'million	Proforma III After Proforma II and Proposed Shareholders' Mandate RM'million	Proforma IV After Proforma III and Proposed Acquisition RM'million	Proforma V After Proforma I and Proposed Shareholders' Mandate RM'million	Proforma VI After Proforma V and Proposed Acquisition RM'million	
SHARE CAPITAL	35.7	35.7	3,577.4	3,935.1	4,111.1	39.3	43.8	
SHARE PREMIUM	58.3	58.3	317.9	718.8	2,122.8	334.7	1,910.2	
OTHER RESERVES	3,128.8	3,128.8	4,254.7	4,254.7	4,275.1	3,128.8	3,145.7	
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	3,222.8	3,222.8	8,150.0	8,908.6	10,509.0	3,502.8	5,099.7	
MINORITY INTERESTS	703.8	703.8	708.3	708.3	505.0	703.8	500.5	
TOTAL EQUITY	3,926.6	3,926.6	8,858.3	9,616.9	11,014.0	4,206.6	5,600.2	
Payable to TM	2,598.3	3,050.4	-	-	-	3,050.4	3,050.4	
Borrowings	2,925.5	2,925.5	3,135.8	3,135.8	4,377.6	2,925.5	2,925.5	
Deferred tax liabilities	361.5	361.5	800.6	800.6	800.6	361.5	361.5	
Provision for liabilities	-	-	64.6	64.6	64.6	-	-	
DEFERRED AND LONG TERM LIABILITIES	5,885.3	6,337.4	4,001.0	4,001.0	5,242.8	6,337.4	6,337.4	
	9,811.9	10,264.0	12,859.3	13,617.9	16,256.8	10,544.0	11,937.6	

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

	Completed transactions		Scenario 1: Proforma TMI Group assuming Proposed Demerger effected				Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected			
	Audited Balance Sheet as at 31.12.2006 RM'million	Proforma I After incorporating advances from TM (Note 3.1.6 (b)) RM'million	Proforma II After Proforma I and Proposed Demerger RM'million	Proforma III After Proforma II and Proposed Shareholders' Mandate RM'million	Proforma IV After Proforma III and Proposed Acquisition RM'million	Proforma V After Proforma I and Proposed Shareholders' Mandate RM'million	Proforma VI After Proforma V and Proposed Acquisition RM'million	Proposals		
								Proforma V	Proforma VI	
INTANGIBLE ASSETS	3,165.1	3,165.1	7,228.1	7,228.1	8,449.8	3,165.1	4,386.8			
PROPERTY, PLANT AND EQUIPMENT	6,456.2	6,456.2	10,417.9	10,417.9	10,417.9	6,456.2	6,456.2			
JOINTLY CONTROLLED ENTITIES	632.2	632.2	807.5	807.5	632.2	632.2	804.1			
ASSOCIATES	222.3	222.3	220.1	220.1	1,641.0	222.3	222.3			
LONG TERM RECEIVABLES	0.4	0.4	0.4	0.4	0.4	0.4	0.4			
DEFERRED TAX ASSETS	188.6	188.6	188.6	188.6	188.6	188.6	188.6			
Inventories	43.3	43.3	62.6	62.6	62.6	43.3	43.3			
Trade and other receivables	625.0	625.0	942.6	942.6	943.1	625.0	625.0			
Amount due from TM	2.9	2.9	-	-	-	2.9	2.9			
Amount due from related companies	6.1	6.1	-	-	-	6.1	6.1			
Short term investments	-	-	1.7	1.7	1.7	-	-			
Cash and bank balances	539.5	991.6	1,429.3	2,187.9	2,363.6	1,271.6	1,271.6			
CURRENT ASSETS	1,216.8	1,668.9	2,436.2	3,194.8	3,371.0	1,948.9	1,948.9			

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

	Completed transactions	Proposals					
		Scenario 1: Proforma TMI Group assuming Proposed Demerger effected			Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected		
		Proforma I After incorporating advances from TM (Note 3.1.6 (b))	Proforma II After Proforma I and Proposed Demerger	Proforma III After Proforma II and Proposed Shareholders' Mandate	Proforma IV After Proforma III and Proposed Shareholders' Mandate	Proforma V After Proforma I and Proposed Shareholders' Mandate	Proforma VI After Proforma V and Proposed Acquisition
Audited Balance Sheet as at 31.12.2006	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	
Trade and other payables	1,483.8	3,145.7	3,145.7	3,150.3	1,483.8	1,483.8	
Amount owing to TM	-	4,025.0	4,025.0	4,025.0	-	-	
Customer deposits	64.3	128.0	128.0	128.0	64.3	64.3	
Borrowings	500.6	1,014.3	1,014.3	1,014.3	500.6	500.6	
Current tax liabilities	21.0	126.5	126.5	126.5	21.0	21.0	
CURRENT LIABILITIES	2,069.7	8,439.5	8,439.5	8,444.1	2,069.7	2,069.7	
NET CURRENT LIABILITIES	(852.9)	(6,003.3)	(5,244.7)	(5,073.1)	(120.8)	(120.8)	
	9,811.9	12,859.3	13,617.9	16,256.8	10,544.0	11,937.6	



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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

	Completed transactions	Proposals					
		Scenario 1: Proforma TMI Group assuming Proposed Demerger effected			Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected		
	Proforma I After incorporating advances from TM (Note 3.1.6 (b)) RM'million	Proforma II After Proposed Demerger RM'million	Proforma III After Proposed Shareholders' Mandate RM'million	Proforma IV After Proposed Acquisition RM'million	Proforma V After Proposed Shareholders' Mandate RM'million	Proforma VI After Proposed Acquisition RM'million	
Net assets attributable to ordinary shareholders	3,222.8	8,150.0	8,908.6	10,509.0	3,502.8	5,099.7	
Net tangible assets attributable to equity holders ('NTA')	57.7	921.9	1,680.5	2,059.2	337.7	712.9	
Net assets per ordinary shares of RM1.00 each (RM)	90.27	2.28	2.26	2.56	89.13	116.43	
NTA per ordinary shares of RM1.00 each (RM)	1.62	0.26	0.43	0.50	8.59	16.28	

The proforma consolidated balance sheets should be read in conjunction with the accompanying notes.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.1 Basis of preparation of proforma consolidated balance sheets

- 3.1.1 The proforma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the audited consolidated balance sheet of TMI Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 described in Note 3.1.6 and had the Proposals set out in Note 1.1 been effected as follows:

Scenario 1: Proforma TM Group assuming Proposed Demerger effected

Scenario 1 has been prepared to show the effects on the audited consolidated balance sheet of TMI Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 and the Proposals set out in Note 1.1.

Scenario 2: Proforma TM Group assuming Proposed Demerger not effected

Scenario 2 has been prepared to show the effects on the audited consolidated balance sheet of TMI Group as at 31 December 2006 had the completed transactions subsequent to 31 December 2006 and the Proposals set out in Note 1.1 excluding those relating to the Proposed Demerger.

In addition, the proforma consolidated balance sheets have been prepared based on the following:

- (i) The audited consolidated financial statements of TMI Group for the financial year ended 31 December 2006;
- (ii) The audited consolidated financial statements of Celcom Group for the financial year ended 31 December 2006 adjusted to incorporate the effects of the Celcom Capital Repayment described in Note 3.1.6 (a) had the said repayment been effected on 31 December 2006;
- (iii) The audited financial statements of Fibrecomm for the financial year ended 31 December 2006;
- (iv) The audited financial statements of SunShare for the financial year ended 31 December 2006; and
- (v) The audited financial statements of XL for the financial year ended 31 December 2006.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.1 Basis of preparation of proforma consolidated balance sheets (continued)

3.1.2 The proforma consolidated balance sheets have been prepared using TMI Group's accounting policies, which were adopted in the preparation of its audited financial statements for the financial year ended 31 December 2006.

3.1.3 The effects of the grant of Options under the Proposed Option Scheme for Eligible Employees and Executive Director(s) of the TM Group have not been considered in the preparation of the proforma consolidated balance sheets as at 31 December 2006. The Directors are in the process of determining the accounting effects of the Proposed Option Scheme. Adjustments arising from this determination may have a significant effect of the results, assets and liabilities of the TMI Group.

3.1.4 The proforma consolidated balance sheets have been prepared in accordance with the accounting policies adopted by TMI Group in the preparation of the audited financial statements of TMI Group for the financial year ended 31 December 2006, except that the assets and liabilities including intangible assets and contingent liabilities of SunShare accounted for to illustrate the effects of the Proposed Acquisition described in Note 1.1.6 have not been measured at their respective fair values. Instead, these assets and liabilities are based on the carrying values of assets and liabilities in SunShare's audited financial statements as at 31 December 2006. Adjustments to the carrying values of assets and liabilities of SunShare will have a corresponding effect on goodwill, net tangible assets and the results of TMI Group. The Directors will carry out a proper valuation and ascertain the fair values of the assets and liabilities and determine the amount of intangible assets and contingent liabilities to be recognised upon completion of the Proposed Acquisition. Any adjustments may have a significant effect on the carrying value of net assets acquired and goodwill on acquisition which in turn may have a significant effect on the results of TMI Group.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.1 Basis of preparation of proforma consolidated balance sheets (continued)

3.1.5 The proforma consolidated balance sheets have been prepared in accordance with the accounting policies adopted by TMI Group in the preparation of the audited financial statements of TMI Group for the financial year ended 31 December 2006, except that in illustrating the issuance of new TMI shares pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition, the value of new TMI shares used may not be measured at their respective fair values. Instead the share prices used in the proforma illustration were based on TMI's proforma net assets per share and the transaction price as detailed in the sale and purchase agreement. The Directors will carry out a proper valuation to ascertain the fair value of shares to be issued pursuant to the Proposed Shareholders' Mandate and Proposed Acquisition prior to the completion of those proposals. Any adjustments arising from this valuation may have significant effect on the recording of the share proceeds received, the cost of acquisition and, the corresponding goodwill and share premium balances.

3.1.6 Completed transactions subsequent to 31 December 2006

The following transactions were completed subsequent to 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 Companies Act 1965. The scheme involved:

- (i) Reduction in par value of the ordinary shares of Celcom, resulting in the decrease in the issued and paid-up capital of RM1,767.9 million comprising 1,767.9 million ordinary shares of RM1.00 each 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 ordinary shares of RM1.00 each 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.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.1 Basis of preparation of proforma consolidated balance sheets (continued)

3.1.6 Completed transactions subsequent to 31 December 2006 (continued)

(b) TM advances to TMI Group

TM had advanced RM384.1 million to TM International (L) Limited, a wholly owned subsidiary of TMI to fund its acquisition of 523,532,100 ordinary shares of Indonesian Rupiah 100 each in XL 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, TM had advanced RM68.0 million to TMI to fund its subscription of a rights issue by Dialog Telekom Plc. 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 TM's Employee Share Option Scheme ('TM ESOS')

Subsequent to 31 December 2006 and through to 31 July 2007, the issued and paid-up capital of TM increased from 3,397.6 million shares of RM1.00 each to 3,439.8 million shares of RM1.00 each as a result of employees exercising their options under the Employees' Share Option Scheme 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.

3.2 Effects on the proforma consolidated balance sheets

(a) Scenario 1: Proforma TMI Group assuming Proposed Demerger effected

(i) Proforma I incorporates the effects of the Completed Transactions subsequent to 31 December 2006 detailed in Note 3.1.6 (b) on the audited consolidated balance sheet of TMI Group.

Proforma I also incorporates the effects of the Proposed Option Scheme detailed in Note 1.1.3 assuming full exercise of the Options to be granted resulting in the issuance of 137.6 million new TM Shares, representing 4% of the existing issued and paid-up share capital of TM. On the basis of the assumption, TM's issued and paid-up capital increased from 3,439.8 million TM shares to 3,577.4 million TM shares of RM1.00 each, which in turn would determine the number of TMI Shares to be issued under the Proposed Internal Restructuring as detailed in Note 1.1.1;

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.2 Effects on the proforma consolidated balance sheets (continued)

(a) Scenario 1: Proforma TMI Group assuming Proposed Demerger effected (continued)

- (ii) Proforma II incorporates the effects of Proforma I and the Proposed Demerger as detailed in Note 1.1.1 and Note 1.1.2 assuming the issuance of 3,541.7 million TMI Shares at an issue price of RM1.07;
- (iii) Proforma III incorporates the effects of Proforma II and the Proposed Shareholders' Mandate as detailed in Note 1.1.4 assuming the issuance of 357.7 million new TMI Shares, representing approximately 10% of the enlarged issued and paid-up share capital of TMI after the Proposed Demerger at an illustrative issue price of RM2.28 per TMI Share.

The gross proceeds from the issuance of shares under the Proposed Shareholders' Mandate of RM815.6 million is illustrated to be utilised as follows:

	RM'million
Placement in deposits	758.6
Estimated listing expenses	57.0
	<hr/>
	815.6
	<hr/> <hr/>

The estimated listing expenses comprises share issue expenses of RM57.0 million which will be debited against the share premium account; and

- (iv) Proforma IV incorporates the effects of Proforma III and the Proposed Acquisition as detailed in Note 1.1.6 which include the issuance of 176.0 million new TMI shares at an issue price of approximately RM8.98 per TMI Share as consideration for the acquisition of 35,965,998 SunShare RCPS, 2 SunShare Shares and 1,191,553,500 XL Shares. Total consideration under the Proposed Acquisition is RM155.0 million for the SunShare RCPS and SunShare Shares and RM1,425.0 million for the XL Shares respectively.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.2 Effects on the proforma consolidated balance sheets (continued)

(a) Scenario 1: Proforma TMI Group assuming Proposed Demerger effected (continued)

With respect to the Proposed Acquisitions, the following adjustments have been made in arriving at Proforma IV:

- (I) recognition of negative goodwill arising from the acquisition of SunShare RCPS and SunShare Shares calculated based on the carrying values of assets and liabilities in SunShare's audited financial statement as at 31 December 2006 amounted to RM16.9 million to the retained earnings.
- (II) recognition of goodwill arising from the acquisition of XL Shares calculated based on TMI Group's share of the carrying values of assets and liabilities in XL's audited financial statements as at 31 December 2006 amounting to RM1,221.7 million.

(b) Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected

- (i) Proforma I incorporates the effects of the Completed Transactions subsequent to 31 December 2006 detailed in Note 3.1.6 (b) on the audited consolidated balance sheet of TMI Group;
- (ii) Proforma V incorporates the effects of Proforma I and the Proposed Shareholders' Mandate as detailed in Note 1.1.4 assuming the issuance of 3.6 million new TMI Shares, representing approximately 10% of the issued and paid-up share capital of TMI at an illustrative issue price of RM90.27 per TMI Share.

The gross proceeds from the issuance of shares under the Proposed Shareholders' Mandate of RM325.0 million is illustrated to be utilised as follows:

	RM'million
Placement in deposits	280.0
Estimated share issue expenses	45.0
	325.0
	325.0

The estimated share issue expenses of RM45.0 million which will be debited against the share premium account; and

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.2 Effects on the proforma consolidated balance sheets (continued)

(b) Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected (continued)

(iii) Proforma VI incorporates the effects of Proforma V and the Proposed Acquisition as detailed in Note 1.1.6 which include the issuance of 4.5 million new TMI shares at an issue price of approximately RM351.11 per TMI as consideration for the acquisition of 35,965,998 SunShare RCPS, 2 SunShare Shares and 1,191,553,500 XL Shares. Total consideration under the Proposed Acquisition is RM155.0 million for the SunShare RCPS and SunShare Shares and RM1,425.0 million for the XL Shares respectively. For the purpose of proforma illustration, the terms of the joint venture and shareholders' agreement which will be terminated upon the completion of the Proposed Acquisition is assumed to be novated to TMI. On this basis, TMI has equity accounted for 49% of the economic interest in SunShare as a jointly controlled entity.

With respect to the Proposed Acquisitions, the following adjustments have been made in arriving at Proforma VI:

- (I) recognition of negative goodwill arising from the acquisition of SunShare RCPS and SunShare Shares calculated based on the carrying values of assets and liabilities in SunShare's audited financial statement as at 31 December 2006 amounted to RM16.9 million to the retained earnings.
- (II) recognition of goodwill arising from the acquisition of XL Shares calculated based on TMI Group's share of the carrying values of assets and liabilities in XL's audited financial statements as at 31 December 2006 amounting to RM1,221.7 million.



TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.3 Share capital, share premium, retained earnings, reserves and minority interests

Movements in the issued and paid up share capital, share premium, retained earnings, reserves and minority interests of TMI Group are as follows:

Scenario 1: Proforma TMI Group assuming Proposed Demerger effected

	Share capital RM'million	Share premium RM'million	Retained earnings RM'million	Currency translation reserves RM'million	Capital reserves RM'million	Total other reserves RM'million	Minority interest RM'million	Total equity RM'million
Audited Consolidated Balance Sheet of TMI as at 31 December 2006 as shown in Proforma I	35.7	58.3	3,331.8	(182.7)	(20.3)	3,128.8	703.8	3,926.6
Effects arising from the Proposed Demerger (Note 1.1.1)	3,541.7	259.6	749.7	-	376.2	1,125.9	4.5	4,931.7
As shown in Proforma II	<u>3,577.4</u>	<u>317.9</u>	<u>4,081.5</u>	<u>(182.7)</u>	<u>355.9</u>	<u>4,254.7</u>	<u>708.3</u>	<u>8,858.3</u>
Issuance of 357.7 million new ordinary TMI Shares of RM1.00 each at a premium of approximately RM1.28 each in conjunction with the Proposed Shareholders' Mandate (net of estimated share issue expenses) (Note 1.1.4)	357.7	400.9	-	-	-	-	-	758.6
As shown in Proforma III	<u>3,935.1</u>	<u>718.8</u>	<u>4,081.5</u>	<u>(182.7)</u>	<u>355.9</u>	<u>4,254.7</u>	<u>708.3</u>	<u>9,616.9</u>
Issuance of 176.0 million new ordinary TMI shares of RM1.00 each at a premium of approximately RM7.98 each in conjunction with the Proposed Acquisition (Note 1.1.6)	176.0	1,404.0	16.9	3.5	-	20.4	(203.3)	1,397.1
As shown in Proforma IV	<u>4,111.1</u>	<u>2,122.8</u>	<u>4,098.4</u>	<u>(179.2)</u>	<u>355.9</u>	<u>4,275.1</u>	<u>505.0</u>	<u>11,014.0</u>

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

3 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTINUED)

3.3 Share capital, share premium, retained earnings, reserves and minority interests (continued)

Scenario 2: Proforma TMI Group assuming Proposed Demerger not effected

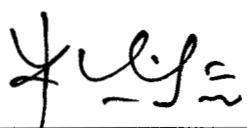
	Share capital RM'million	Share premium RM'million	Retained earnings RM'million	Currency translation reserves RM'million	Capital reserves RM'million	Total other reserves RM'million	Minority interest RM'million	Total equity RM'million
Audited Consolidated Balance Sheet of TMI as at 31 December 2006 as shown in Proforma I	35.7	58.3	3,331.8	(182.7)	(20.3)	3,128.8	703.8	3,926.6
Issuance of 3.6 million new ordinary TMI Shares of RM1.00 each at a premium of approximately RM89.27 each in conjunction with the Proposed Shareholders' Mandate (net of estimated share issue expenses (Note 1.1.4))	3.6	276.4	-	-	-	-	-	280.0
As shown in Proforma V	39.3	334.7	3,331.8	(182.7)	(20.3)	3,128.8	703.8	4,206.6
Issuance of 4.5 million new ordinary TMI shares of RM1.00 each at a premium of approximately RM350.11 each in conjunction with the Proposed Acquisition (Notes 3.2 (b)(iii)(I) and (II))	4.5	1,575.5	16.9	-	-	16.9	(203.3)	1,393.6
As shown in Proforma VI	43.8	1,910.2	3,348.7	(182.7)	(20.3)	3,145.7	500.5	5,600.2

TM INTERNATIONAL BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON (CONTINUED)

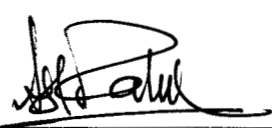
APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Telekom Malaysia Berhad in accordance with a resolution duly passed at a Board Meeting held on **31 JAN 2008**



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DATO' SRI ABDUL WAHID OMAR  
GROUP CHIEF EXECUTIVE OFFICER



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DATO' DR ABDUL RAHIM HAJI DAUD  
DIRECTOR