

- (iv) the proposed substantial shareholder of TM International upon completion of the Proposed Demerger, namely Khazanah, should submit the details and confirmation in relation to, amongst others, the disclosure of circumstances that could result in a conflict of interests situation as required under the SC's Format and Content of Applications for Initial Public Offering prior to the issuance of the listing prospectus of TM International;
- (v) for the purpose of complying with the NDP requirement, at least 30% of the enlarged share capital upon the listing of TM International should be held by Bumiputera shareholders. The existing Bumiputera shareholders in TM International should be recognised by MoF Inc and the allocation and nomination of new Bumiputera investors should be approved by MoF Inc;
- (vi) TM to comply with any equity condition that may be imposed by MoF Inc pursuant to the Proposed Demerger;
- (vii) TM/Celcom to comply with any equity condition that may be imposed by the MCMC for the transfer of the 3G Spectrum Assignment under the Proposed Demerger; and
- (viii) CIMB, TM and TM International should inform the SC upon completion of the Proposed Demerger, Proposed Listing and issuance of Issue Shares under the Proposed Shareholders' Mandate, and provide a confirmation to the SC that TM International has complied with the terms and conditions of approval and all other relevant requirements in implementing the Proposed Demerger, Proposed Listing and issuance of Issue Shares under the Proposed Shareholders' Mandate under the Issues Guidelines.

The Proposed Issue to EPF is only subject to your approval.

## **8.2 Proposed Option Scheme and Proposed Grant of Options**

In addition to your approval, the Proposed Option Scheme is subject to the approval of Bursa Securities for the listing of and quotation for the TM Shares.

No approvals for the Proposed Grant of Options are required other than your approval.

## **8.3 Proposed Acquisition and Proposed Exemption**

In addition to your approval, the Proposed Acquisition is subject to the following, which are still pending:

- (i) approval of the SC;
- (ii) approval of the SC (on behalf of the FIC);
- (iii) approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Board of Bursa Securities in conjunction with the Proposed Listing (if applicable);
- (iv) approval of the TM International Group's creditors/lenders (where applicable); and
- (v) approvals/consents of any other relevant authorities.

In addition, the Proposed Acquisition is subject to the Proposed Exemption being approved by you at the forthcoming EGM to be convened and by the SC (with respect to Scenario 1), which the SC had, through its letter dated 18 February 2008, stated that they will consider the Proposed Exemption upon various conditions being met as set out in Section 2.9.1 of this Circular.

## 9. HISTORICAL SHARE PRICES

The month high and low prices of TM Shares traded on the Main Board of Bursa Securities for the past 12 months from February 2007 to January 2008 are as follows:

<b>2007</b>	<b>High</b>	<b>Low</b>
<b>Month</b>	<b>RM</b>	<b>RM</b>
February	11.10	9.75
March	10.30	9.50
April	10.90	10.00
May	11.20	9.60
June	11.00	10.00
July	10.70	9.85
August	10.30	9.20
September	9.95	9.35
October	11.10	9.85
November	11.20	10.10
December	11.80	10.80
<b>2008</b>		
January	12.70	10.80 <sup>*1</sup>

The last transacted price on 7 December 2007<sup>\*2</sup> 11.20

The last transacted price on the LPD<sup>\*1</sup> 11.30

(Source: Bloomberg)

### Notes:

<sup>\*1</sup> On 16 January 2008, TM's share price was adjusted downwards by 65 sen for the Special Dividend.

<sup>\*2</sup> Being the last trading day prior to our announcement on the Proposed Option Scheme.

## 10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

Save as disclosed below, none of our Directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposals, save for their respective entitlements under the Proposed Distribution as our shareholders (where applicable), which shall also be made available to all other shareholders of our Company.

Khazanah, being a major shareholder of our Company and a party to the SPA in relation to the Proposed Acquisition, is interested in the Proposed Acquisition and Proposed Exemption, and MoF Inc, being the major shareholder of Khazanah, is deemed interested in the Proposed Acquisition and Proposed Exemption.

Datuk Zalekha Hassan, our Director, is MoF Inc's representative on our Board. Puan Dyg Sadiah Abg Bohan is the alternate Director to Datuk Zalekha Hassan. Dato' Azman Mokhtar is the Managing Director of Khazanah and also Khazanah's representative on our Board. Datuk Zalekha Hassan, Puan Dyg Sadiah Abg Bohan and Dato' Azman Mokhtar are deemed interested in the Proposed Acquisition and Proposed Exemption.

Dato' Sri Abdul Wahid Omar, being an Executive Director of our Company, is interested in the Proposed Option Scheme and the Proposed Grant of Option to Dato' Sri Abdul Wahid Omar.

Rosli Man, being a Director of our Company and the father of Mohd Azizi Rosli, an employee of our Company who is eligible to participate in the Proposed Option Scheme, is deemed interested in the Proposed Option Scheme and Proposed Grant of Option to Mohd Azizi Rosli.

EPF, being a major shareholder of our Company, is interested in the Proposed Issue to EPF, and is deemed interested in the Proposed Shareholders' Mandate.

Based on our Company's Register of Directors' Shareholdings, Register of Substantial Shareholders and Record of Depositors as at the LPD, the direct and indirect shareholdings of the interested parties mentioned above in our Company are as follows:

Interested parties	----- Direct -----		----- Indirect -----	
	No. of TM Shares	%	No. of TM Shares	%
Khazanah	1,243,057,173	36.14	-	-
MoF Inc	144,000	*	1,243,057,173 <sup>*1</sup>	36.14
EPF	316,672,550	9.21	39,365,300 <sup>*2</sup>	1.14
Datuk Zalekha Hassan	-	-	-	-
Puan Dyg Sadiyah Abg Bohan	-	-	-	-
Dato' Azman Mokhtar	-	-	-	-
Dato' Sri Abdul Wahid Omar	250,000	*	-	-
Rosli Man	-	-	-	-

**Notes:**

\* Less than 0.01%.

\*1 Deemed interest through Khazanah under Section 6A of the Act.

\*2 Deemed interest by virtue of TM Shares managed by other portfolio managers on behalf of EPF under Section 6A of the Act

Datuk Zalekha Hassan, Puan Dyg Sadiyah Abg Bohan and Dato' Azman Mokhtar have abstained and will continue to abstain from deliberation and voting on the Proposed Acquisition and Proposed Exemption at our relevant Board meetings.

Khazanah, MoF Inc, Datuk Zalekha Hassan, Puan Dyg Sadiyah Abg Bohan and Dato' Azman Mokhtar will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolutions pertaining to the Proposed Acquisition and Proposed Exemption to be tabled at our forthcoming EGM.

EPF will abstain from voting in respect of its direct and/or indirect in our Company on the resolutions pertaining to the Proposed Shareholders' Mandate and Proposed Issue to EPF to be tabled at our forthcoming EGM.

Dato' Sri Abdul Wahid Omar has abstained and will continue to abstain from deliberating and voting on the Proposed Option Scheme and Proposed Grant of Option to Dato' Sri Abdul Wahid Omar at our relevant Board meetings. Dato' Sri Abdul Wahid Omar will abstain from voting in respect of his direct and/or indirect shareholdings (if any) in our Company on the resolutions for the Proposed Option Scheme and Proposed Grant of Option to Dato' Sri Abdul Wahid Omar at our forthcoming EGM.

Rosli Man has abstained and will continue to abstain from deliberating and voting on the Proposed Option Scheme and Proposed Grant of Option to Mohd Azizi Rosli at our relevant Board meetings. Rosli Man will abstain from voting in respect of his direct and/or indirect shareholdings (if any) in our Company on the resolutions for the Proposed Option Scheme and Proposed Grant of Option to Mohd Azizi Rosli at our forthcoming EGM.

In accordance with Bursa Securities LR, the interested parties mentioned above must ensure that any persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolutions pertaining to the relevant Proposals (in which the relevant interested parties have an interest) to be tabled at our forthcoming EGM.

#### **11. DIRECTORS' RECOMMENDATION**

Having considered all aspects of the Proposals, our Board, save for the following:

- (i) Datuk Zalekha Hassan, Puan Dyg Sadiyah Abg Bohan and Dato' Azman Mokhtar who have abstained from expressing their opinions and recommendations in respect of the Proposed Acquisition and Proposed Exemption;
- (ii) Dato' Sri Abdul Wahid Omar who has abstained from deliberation in respect of the Proposed Option Scheme and Proposed Grant of Option to Dato' Sri Abdul Wahid Omar; and
- (iii) Rosli Man who has abstained from deliberation in respect of the Proposed Option Scheme and Proposed Grant of Option to Mohd Azizi Rosli,

is of the opinion that the Proposals are in the best interest of our Company and recommends you to vote in favour of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

#### **12. ESTIMATED TIMEFRAME FOR COMPLETION**

We expect to complete the Proposals by the end of the second quarter of 2008. The proposed issuance of TM International Shares under the Proposed Shareholders' Mandate (if implemented) will be implemented over the Mandate Period.

#### **13. INDEPENDENT ADVISER**

In view of the interests of the persons named in Section 10 above, we have appointed PIVB to advise our non-interested shareholders on the reasonableness and fairness of the Proposed Acquisition and Proposed Exemption and whether the Proposed Acquisition and Proposed Exemption are to the detriment of the non-interested shareholders. PIVB also advises the non-interested shareholders on whether they should vote in favour of the Proposed Acquisition and Proposed Exemption. Please refer to Part B of this Circular for the Independent Advice Letter from PIVB.

**14. EGM**

Our forthcoming EGM will be held at Multi Purpose Hall, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 6 March 2008 at 10.00 a.m., or at any adjournment, for the purpose of considering and if thought fit, passing the resolutions on the Proposals. The Notice of EGM is enclosed in this Circular.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the enclosed Proxy Form to our Share Registrars' office at Tenaga Koperat Sdn Bhd, G-01 Ground Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia, not less than 48 hours before the time of the EGM or at any adjournment, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll. You may attend and vote in person at the EGM, if you wish to do so, even after you have completed and returned the Proxy Form so long as you revoke the appointment of your proxy.

**15. FURTHER INFORMATION**

Please refer to the attached appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**TELEKOM MALAYSIA BERHAD**

Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor  
Chairman

**PART B**

**INDEPENDENT ADVICE LETTER BY PIVB  
ON THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION**

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## EXECUTIVE SUMMARY

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We have prepared this independent advice letter (“IAL”) as your independent adviser (“Independent Adviser”) to provide you with an independent evaluation of the Proposed Acquisition and Proposed Exemption and to express our recommendation thereon. This executive summary is intended to be only a brief summary of the IAL. We advise you to read both this IAL together with the circular to the shareholders of TM dated 20 February 2008 (“Circular”) and to carefully consider the recommendation contained herein before voting on the resolution pertaining to the Proposed Acquisition and Proposed Exemption at the forthcoming EGM of TM.

*All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular except where the context otherwise requires or where otherwise defined in this IAL.*

### 1. INTRODUCTION

On 10 December 2007, CIMB, on behalf of TM, announced that TM’s Board had, amongst others, approved the final terms of the Proposed Demerger, which comprises the Proposed Internal Restructuring and Proposed Distribution. On 10 December 2007, CIMB had also announced that TM’s Board proposes to undertake the Proposed Shareholders’ Mandate, Proposed Option Scheme and Special Dividend respectively.

On 6 February 2008, CIMB, on behalf of TM, announced that TM’s wholly-owned subsidiary, TM International, and TM International’s indirectly-owned subsidiary, Indocel, had, on the same date, entered into a sale and purchase agreement with Khazanah to acquire all of Khazanah’s equity interests in SunShare and XL, for a total purchase consideration of RM1,580 million to be satisfied through the issuance of new TM International Shares (“SPA”).

In compliance with Chapter 10 of the Listing Requirements of Bursa Securities, TM had on 31 January 2008, appointed PIVB to act as the Independent Adviser to the non-interested shareholders of TM in relation to the Proposed Acquisition. Subsequently, PIVB had on 11 February 2008, confirmed to Bursa Securities on our eligibility to act as the Independent Adviser to the non-interested shareholders of TM for the Proposed Acquisition.

Upon the Proposed Demerger becoming unconditional, as a result of the Proposed Acquisition under Scenario 1, Khazanah’s shareholding in TM International will increase from 34.75% to 37.81% (based on Khazanah’s shareholdings in TM as at the LPD adjusted for the effects of the Proposed Option Scheme based on the Assumptions). As such, Khazanah’s equity interest in TM International will increase by more than 2% in a period of six (6) months. Pursuant to Section 6, Part II of the Code, Khazanah would then be obliged to carry out a mandatory take-over offer to acquire the remaining TM International Shares not held by them unless an exemption from the obligation to carry out a mandatory take-over offer has been obtained under the Code.

There are no take-over implications with respect to Scenario 2 (i.e. if the Proposed Demerger does not become unconditional) as upon the completion of the Proposed Acquisition, the direct shareholdings of Khazanah in TM International will increase from nil to approximately 11.20% and as such, will not be obliged to extend a mandatory take-over offer for the remaining voting Shares in TM International not already owned by it under the Code. It is pertinent to note that the Proposed Acquisition is conditional upon the Proposed Exemption being approved by the SC and TM’s shareholders at the EGM to be convened.

In compliance with the requirements under Practice Note 2.9.1 of the Code, TM had on 31 January 2008, appointed PIVB as the Independent Adviser to the non-interested shareholders of TM for the Proposed Exemption. PIVB had on 18 February 2008, confirmed to the SC of its eligibility to act as independent adviser for the Proposed Exemption and its appointment was approved by the SC on 18 February 2008.

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**2. PROPOSED ACQUISITION**

On 6 February 2008, TM International, Indocel and Khazanah entered into the SPA for the following:

- (i) Proposed acquisition by TM International from Khazanah of 35,965,998 SunShare RCPS and 2 SunShare Shares, collectively representing approximately 49% of the issued and paid-up share capital of SunShare for a purchase consideration of RM155 million ("**Proposed SunShare Acquisition**"); and
- (ii) Proposed acquisition by Indocel from Khazanah of 1,191,553,500 XL Shares, representing approximately 16.81% of the issued and paid-up share capital of XL for a purchase consideration of RM1,425 million ("**Proposed XL Acquisition**"),

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

- (i) 176,000,000 Consideration Shares at an issue price of approximately RM8.98 per TM International Share if the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the agreement dated 10 December 2007 in relation to the Demerger Agreement ("**Scenario 1**"); or
- (ii) 4,500,000 Consideration Shares at an issue price of approximately RM351.11 per TM International Share if the Proposed Demerger does not become unconditional in accordance with the terms and conditions of the Demerger Agreement ("**Scenario 2**").

**3. PROPOSED EXEMPTION**

The Proposed Exemption is sought as it is not the intention of Khazanah to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by it upon completion of the Proposed Acquisition under Scenario 1. Any take-over offer on the remaining TM International Shares may lead to a privatisation of TM International, which is not in line with the objectives of the Proposed Demerger. Furthermore, the Proposed Exemption is not regarded as an avenue for Khazanah to gain control of TM International.

As such, the Proposed Exemption will relieve Khazanah from the obligation to undertake a mandatory take-over offer for the remaining TM International Shares not already owned by it upon completion of the Proposed Acquisition under Scenario 1.

There are no take-over implications with respect to Scenario 2 as upon the completion of the Proposed Acquisition, the direct shareholdings of Khazanah in TM International will increase from nil to approximately 11.20% and as such, will not be obliged to extend a mandatory take-over offer for the remaining voting shares in TM International not already owned by it under the Code.

It is pertinent to note that the Proposed Acquisition is conditional upon the Proposed Exemption being approved by the SC and TM's shareholders at the EGM to be convened. As such, the Proposed Acquisition will not be implemented in the absence of the approval from the non-interested shareholders of TM for the Proposed Acquisition and Proposed Exemption.

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4. EVALUATION OF THE PROPOSED ACQUISITION

<p><b>Rationale for the Proposed Acquisition</b></p>	<p>The rationale for the Proposed Acquisition is <b>fair and reasonable</b> considering:</p> <p><b>(i) Increase in the Proposed TM International Group's effective equity stake</b></p> <ul style="list-style-type: none"> <li>▪ The effective shareholdings of the Proposed TM International Group in XL would increase from 66.99% to 83.80%, whilst its shareholdings in M1 would increase from 15.14% to 29.69%, pursuant to the Proposed Acquisition, enabling it to enjoy greater effective equity interest in these companies.</li> </ul> <p><b>(ii) In line with the Proposed TM International Group's strategy for earnings enhancement</b></p> <ul style="list-style-type: none"> <li>▪ Potentially translate into <b>higher earnings</b> for the Proposed TM International Group in the future in view of the revenue and PAT growth of XL as well as the potential high growth in the Indonesian mobile telecommunication markets of which XL has a total market share of approximately 14% (as at 31 December 2006).</li> <li>▪ Potentially translate into <b>higher earnings</b> for the Proposed TM International Group in the future in view of the revenue and PAT growth as well as dividend payouts of M1 as well as the potential growth in the Singaporean mobile telecommunication markets of which M1 has a total market share of approximately 27% (as at 31 December 2007).</li> </ul> <p><b>(iii) Enhance the Proposed TM International Group's growth profile</b></p> <ul style="list-style-type: none"> <li>▪ Allows the Proposed TM International Group to enjoy greater economic interest in both XL and M1 in proportion to the increase in effective equity interest thus <b>strengthening their regional footprint</b> in both Indonesia as well as Singapore which is expected to <b>enhance its growth profile</b> in the region.</li> </ul>
<p><b>Financial evaluation of the Proposed Acquisition</b></p>	<p>Based on our financial evaluation of the Proposed Acquisition, the purchase consideration for the Proposed Acquisition appears <b>fair and reasonable</b> considering:</p> <p><b><u>Pricing of the issue price of TM International Shares</u></b></p> <ul style="list-style-type: none"> <li>▪ It is noted that the issue price of RM8.98 per TM International Share under Scenario 1 is higher than the implied value of RM7.96 (<i>computed as at 31 December 2007</i>) and RM7.74 (<i>computed as at 31 January 2008</i>) respectively, offering a premium of 12.81% and 16.02% respectively.</li> <li>▪ Similarly, the issue price of RM351.11 per TM International Share under Scenario 2 is higher than the implied value of RM315.75 (<i>computed as at 31 December 2007</i>) and RM293.99 (<i>computed as at 31 January 2008</i>) respectively, offering a premium of 11.20% and 19.43% respectively.</li> <li>▪ A higher issue price per TM International Share pursuant to the Proposed Acquisition as opposed to the equity value under both scenarios would be favourable to the non-interested shareholders of TM.</li> </ul>

<b>Financial evaluation of the Proposed Acquisition (Cont'd)</b>	<b><u>TM Exchange Ratio arising from the Proposed Acquisition</u></b>			
	<b><u>Scenario 1</u></b>			
		<b>Transacted Valuation</b>	<b>PIVB Valuation</b>	<b>Premium</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b><u>TM Exchange Ratio</u></b>	4.92%	5.13%	-
	<b><u>Consideration Shares</u></b>			
	Value per TM International share	8.98	7.96	1.02
	<b><i>Premium received</i></b>			<b>12.81%</b>
	<b><u>Purchase consideration</u></b>			
	Acquisition of SunShare	155,000,000	136,981,610	
	Acquisition of XL	1,425,000,000	1,324,527,296	
		1,580,000,000	1,461,508,906	118,491,094
	<b><i>Premium paid</i></b>			<b>8.11%</b>
	<b><u>Scenario 2</u></b>			
		<b>Transacted Valuation</b>	<b>PIVB Valuation</b>	<b>Premium</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b><u>TM Exchange Ratio</u></b>	12.61%	12.97%	-
	<b><u>Consideration Shares</u></b>			
	Value per TM International share	351.11	315.75	35.36
	<b><i>Premium received</i></b>			<b>11.20%</b>
	<b><u>Purchase consideration</u></b>			
	Acquisition of SunShare	155,000,000	136,981,610	
	Acquisition of XL	1,425,000,000	1,324,527,296	
	1,580,000,000	1,461,508,906	118,491,094	
<b><i>Premium paid</i></b>			<b>8.11%</b>	
<p>As such, the TM Exchange Ratio used in deriving the purchase consideration for the Proposed Acquisition is <b>fair and reasonable</b> to the non-interested shareholders of TM.</p>				

<p><b>Financial evaluation of the Proposed Acquisition (Cont'd)</b></p>	<p><b><u>Purchase consideration for the Proposed SunShare Acquisition</u></b></p> <p><i>(i) Market Value</i></p> <ul style="list-style-type: none"> <li>▪ Although a premium of 13.15% is paid for the 49% stake in SunShare, it is important to note that the current trading price of M1 has been the lowest for the past twelve (12) months.</li> <li>▪ Using the simple average of the share price for M1 for the past twelve (12) months of SGD2.10 (as opposed to the closing price of SGD1.90 used), the purchase consideration for SunShare would be at a discount of approximately 21.28%.</li> <li>▪ Further, the premium received from the purchase consideration of 12.81% under Scenario 1 or 11.20% under Scenario 2 is <b>only slightly lower</b> than the premium currently paid for the Proposed SunShare Acquisition.</li> </ul> <p><i>(ii) Historical financial performance of M1</i></p> <ul style="list-style-type: none"> <li>▪ M1 has been experiencing uninterrupted growth in revenue since FYE 31 December 2004. The operating profit as well as the PATAMI have also reported a <b>healthy growth</b> since FYE 31 December 2004 to 2006 from SGD193.21 million (RM449.65 million) to SGD219.28 million (RM503.97 million) and SGD153.92 million (RM358.21 million) to SGD164.58 million (RM378.24 million) respectively. Besides, based on the latest unaudited results of M1 for the FYE 31 December 2007, M1 recorded the highest PATAMI in the four (4) financial years under review of SGD171.80 million (RM395.71 million).</li> <li>▪ The <b>dividends declared</b> for the past four (4) financial years was on an <b>increasing rate</b> from SGD0.11 (RM0.25) to SGD0.15 (RM0.36) with a further special dividend of SGD0.12 (RM0.28) declared in FYE 31 December 2005.</li> </ul> <p><i>(iii) Comparison with selected comparable companies of M1</i></p> <ul style="list-style-type: none"> <li>▪ The range of PE Multiples of M1 as denoted by its three (3) market prices of between 9.89 times to 12.65 times respectively are <b>lower</b> than the range of the PE Multiples of the selected comparable companies of 16.53 times to 16.67 times and is also <b>lower</b> than the simple average of the PE Multiple of the selected comparable companies of 16.60 times based on the market price as at 31 December 2007.</li> <li>▪ The PBR of M1 as denoted by its three (3) market prices of between 5.51 times to 8.26 times respectively are <b>higher</b> than the PBR of the selected comparable companies of 2.82 times to 5.02 times and are <b>higher</b> than the simple average of the PBR of the selected comparable companies of 3.92 times.</li> </ul> <p>As such, premised on the above, the purchase consideration for the Proposed SunShare Acquisition is <b>fair and reasonable</b> to the non-interested shareholders of TM.</p>
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<p><b>Financial evaluation of the Proposed Acquisition (Cont'd)</b></p>	<p><b><u>Purchase consideration for the Proposed XL Acquisition</u></b></p> <p><b>(i) Market Value</b></p> <ul style="list-style-type: none"> <li>▪ Although it appears that a premium of 7.59% is paid for the 16.81% stake in XL, nonetheless it is important to note that the current trading price of XL has been the lowest for the past twelve (12) months.</li> <li>▪ Furthermore, it has to be noted that the purchase of a significant block of shares in XL in the open market would drive the share price upwards.</li> <li>▪ The premium received from the purchase consideration of 12.81% under Scenario 1 or 11.20% under Scenario 2 is <b>higher</b> than the premium currently paid for the Proposed XL Acquisition of 7.59%.</li> </ul> <p><b>(ii) Historical financial performance of XL</b></p> <ul style="list-style-type: none"> <li>▪ XL has been experiencing growth in revenue since FYE 31 December 2004 as well as growth in operating profit since year 2006.</li> <li>▪ XL has been experiencing loss after taxation from FYE 31 December 2004 to FYE 31 December 2005. Nonetheless, XL registered a healthy profit after taxation of IDR651,883 million (RM255.54 million) and IDR207,820 million (RM73.36 million) in FYE 31 December 2006 and FPE 30 September 2007 extrapolated to twelve (12) months respectively.</li> </ul> <p><b>(iii) Historical share price of XL</b></p> <ul style="list-style-type: none"> <li>▪ XL shares have been trading in the range of IDR1,720.00 (RM0.60) (lowest) and IDR 2,975.00 (RM1.05) (highest) for the past twelve (12) months prior to the LPD.</li> <li>▪ XL shares have been thinly traded with a simple average monthly volume of 3,524,917 XL Shares, representing approximately 0.05% of XL's issued and paid-up share capital as at 30 September 2007 of 7.1 billion XL Shares. In light of the lack of liquidity and marketability of XL shares, it may be difficult to acquire XL shares in the open market for large quantities.</li> </ul> <p><b>(iv) Comparison with selected comparable companies of XL</b></p> <ul style="list-style-type: none"> <li>▪ The range of PE Multiples of XL as denoted by its four (4) market prices of between 19.53 times to 25.29 times respectively are <b>lower</b> than the PE Multiples of the selected comparable companies of 24.23 times to 69.52 times and the simple average of the PE Multiple of the selected comparable companies of 48.73 times.</li> <li>▪ The PE Multiple of XL of 34.93 as denoted by its implied value of RM1.11 per XL share is <b>within the range</b> of the PE Multiples of the selected comparable companies of 24.23 times to 69.52 times and <b>lower</b> than the simple average of the PE Multiple of the selected comparable companies of 48.73 times.</li> <li>▪ The PBR of XL as denoted by its four (4) market prices of between 2.75 times to 3.85 times are <b>within the range</b> of the PBR of the selected comparable companies of 2.80 times to 4.23 times and is higher than the simple average of the PBR of the selected comparable companies of 3.30 times.</li> </ul>
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**EXECUTIVE SUMMARY (Cont'd)**

<p><b>Financial evaluation of the Proposed Acquisition (Cont'd)</b></p>	<ul style="list-style-type: none"> <li>▪ The PBR of XL of 4.93 times as denoted by its implied value of RM1.11 per XL Share is <b>higher</b> than the range of the selected comparable companies of 2.80 times to 4.23 times and is also <b>higher</b> than the simple average of the PBR of the selected comparable companies of 3.30 times.</li> <li>▪ In the month of December 2007, Etisalat, through its subsidiary, acquired a 15.97% equity interest in XL at approximately RM1.28 per XL Share. As such, the purchase consideration of RM1.11 per XL share pursuant to the Proposed XL Acquisition is still below the recent precedent transaction price, notwithstanding the fact that it is higher than its current market price.</li> </ul> <p>As such, premised on the above, the purchase consideration for the Proposed XL Acquisition is <b>fair and reasonable</b> to the non-interested shareholders of TM.</p>																																				
<p><b>Effects of the Proposed Acquisition</b></p>	<ul style="list-style-type: none"> <li>▪ The proforma effects of the Proposed Acquisition on TM are as follows: <table border="1" data-bbox="512 757 1321 1151"> <thead> <tr> <th></th> <th>Scenario 1</th> <th>Scenario 2</th> </tr> </thead> <tbody> <tr> <td>Issued and paid-up share capital</td> <td>No effects</td> <td>No effects</td> </tr> <tr> <td>Earnings</td> <td>No effects</td> <td>One-off consolidated earnings enhancement of RM0.28 per TM Share</td> </tr> <tr> <td>Net assets and gearing</td> <td>No effects</td> <td>Slight increase in net assets per share of RM0.05 to RM5.91 and an increase in gearing to 0.63 times</td> </tr> <tr> <td>Substantial shareholders' shareholdings</td> <td>No effects</td> <td>No effects</td> </tr> <tr> <td>Dividends</td> <td>No effects</td> <td>No effects</td> </tr> </tbody> </table> </li> <li>▪ The proforma effects of the Proposed Acquisition on TM International are as follows: <table border="1" data-bbox="512 1256 1321 1809"> <thead> <tr> <th></th> <th>Scenario 1</th> <th>Scenario 2</th> </tr> </thead> <tbody> <tr> <td>Issued and paid-up share capital</td> <td>Increased by RM176 million comprising 176 million TM International Shares</td> <td>Increased by RM4.5 million comprising 4.5 million TM International Shares</td> </tr> <tr> <td>Earnings</td> <td>Decrease in earnings per share of RM17.30 to RM0.33</td> <td>Increase in earnings per share of RM0.13 to RM17.76</td> </tr> <tr> <td>Net assets and gearing</td> <td>Decrease in net assets per share of RM87.71 to RM2.56 and a decrease in gearing to 0.90 times</td> <td>Increase in net assets per share of RM26.16 to RM116.43 and a decrease in gearing to 0.67 times</td> </tr> <tr> <td>Substantial shareholders' shareholdings</td> <td>Please refer to Section 11.1.4(ii)(a) of the IAL</td> <td>Please refer to Section 11.1.4(ii)(b) of the IAL</td> </tr> <tr> <td>Dividends</td> <td>No effects</td> <td>No effects</td> </tr> </tbody> </table> </li> </ul>		Scenario 1	Scenario 2	Issued and paid-up share capital	No effects	No effects	Earnings	No effects	One-off consolidated earnings enhancement of RM0.28 per TM Share	Net assets and gearing	No effects	Slight increase in net assets per share of RM0.05 to RM5.91 and an increase in gearing to 0.63 times	Substantial shareholders' shareholdings	No effects	No effects	Dividends	No effects	No effects		Scenario 1	Scenario 2	Issued and paid-up share capital	Increased by RM176 million comprising 176 million TM International Shares	Increased by RM4.5 million comprising 4.5 million TM International Shares	Earnings	Decrease in earnings per share of RM17.30 to RM0.33	Increase in earnings per share of RM0.13 to RM17.76	Net assets and gearing	Decrease in net assets per share of RM87.71 to RM2.56 and a decrease in gearing to 0.90 times	Increase in net assets per share of RM26.16 to RM116.43 and a decrease in gearing to 0.67 times	Substantial shareholders' shareholdings	Please refer to Section 11.1.4(ii)(a) of the IAL	Please refer to Section 11.1.4(ii)(b) of the IAL	Dividends	No effects	No effects
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EXECUTIVE SUMMARY (Cont'd)

<p><b>Risk factors associated with SunShare</b></p>	<ul style="list-style-type: none"> <li>▪ The risk factors associated with SunShare includes, amongst others, the following:               <ul style="list-style-type: none"> <li>(a) Dependence on dividend income;</li> <li>(b) Competition faced by M1;</li> <li>(c) Rapid technology changes; and</li> <li>(d) Regulations and licenses.</li> </ul> </li> </ul> <p>The risk factors mentioned above are no different to the current risks being experienced by TM International itself.</p>
<p><b>Risk factors associated with XL</b></p>	<ul style="list-style-type: none"> <li>▪ The risk factors associated with XL includes, amongst others, the following:               <ul style="list-style-type: none"> <li>(a) Competition faced by XL;</li> <li>(b) Rapid technology changes;</li> <li>(c) Regulations and licenses;</li> <li>(d) Funding needs and revenue growth;</li> <li>(e) Significant indebtedness; and</li> <li>(f) Investigation by the Indonesian Anti-Monopoly Committee.</li> </ul> </li> </ul> <p>The risk factors mentioned above are no different to the current risks being experienced by TM International itself.</p>
<p><b>Risk factors associated with the Proposed Acquisition</b></p>	<ul style="list-style-type: none"> <li>▪ The risk involved in the Proposed Acquisition includes, amongst others, the following:               <ul style="list-style-type: none"> <li>(a) Completion of the Proposed Acquisition;</li> <li>(b) Acquisition risk;</li> <li>(c) Fluctuations in the exchange rate;</li> <li>(d) Regulations on foreign investment; and</li> <li>(e) Credit profile.</li> </ul> </li> </ul> <p>The risk factors mentioned above save for point (a) and (e) are no different to the current risks being experienced by TM International itself.</p>
<p><b>Overview and Prospects of the Malaysian economy and the mobile telecommunications industry in Malaysia, Singapore and Indonesia</b></p>	<ul style="list-style-type: none"> <li>▪ The overview and prospects of the Malaysian economy and the mobile telecommunications industry in Malaysia, Singapore and Indonesia are expected to remain <b>positive and encouraging</b> in the next (12) months.</li> </ul>
<p><b>Prospects of the Proposed TM International Group</b></p>	<ul style="list-style-type: none"> <li>▪ The prospects of the Proposed TM International Group's operations for the next twelve (12) months will remain <b>favourable</b> based on the current core business activities of the TM International Group in providing mobile telecommunication services.</li> </ul>

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5. EVALUATION OF THE PROPOSED EXEMPTION

<b>Rationale for the Proposed Exemption</b>	<p>The rationale for the Proposed Exemption is <b>fair and reasonable</b> considering:</p> <ul style="list-style-type: none"> <li>▪ The Proposed Exemption is sought as it is not the intention of Khazanah to undertake a mandatory take-over offer for the remaining TM International Shares not already owned by it as a result of the Proposed Acquisition.</li> </ul>
<b>Effects of the Proposed Exemption</b>	<ul style="list-style-type: none"> <li>▪ The Proposed Exemption <b>will not have any direct effects</b> on TM and TM International's share capital, consolidated earnings, consolidated NA, dividend policy, consolidated gearing, and substantial shareholders' shareholdings in TM and TM International.</li> </ul>
<b>Risk factor associated with the Proposed Exemption</b>	<ul style="list-style-type: none"> <li>▪ Khazanah's shareholdings in the Proposed TM International Group will increase from 34.75% to 37.81% upon the Proposed Acquisition becoming unconditional. However, this increase in shareholdings is not deemed substantial from its present shareholdings and we do not foresee any significant change in the business direction of the Proposed TM International Group.</li> <li>▪ Furthermore, the Proposed Acquisition would not result in a change of substantial shareholders but only an increase in the shareholdings of Khazanah in TM International, of which pursuant to the Proposed Demerger, Khazanah already has a controlling stake.</li> </ul>
<b>Other considerations of the Proposed Exemption</b>	<ul style="list-style-type: none"> <li>▪ If the non-interested shareholders of TM approve the Proposed Exemption, it would mean that the SC would be able to consider the application by Khazanah for the Proposed Exemption. If the exemption is granted, it would then relieve Khazanah from the obligation of having to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by them in the event the obligation occurs, thus, TM will proceed with the Proposed Acquisition, should it be approved by its shareholders.</li> </ul> <p>If the non-interested shareholders of TM vote against the Proposed Exemption, it would mean that the SC would not be able to consider the application made by Khazanah for the Proposed Exemption under Practice Note 2.9.1 of the Code. Further thereto, Khazanah do not intend to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by it arising from the Proposed Acquisition.</p> <ul style="list-style-type: none"> <li>▪ As such, with the Proposed Acquisition and Proposed Exemption being inter-conditional, the Proposed Acquisition will not be implemented in the absence of the approval from the non-interested shareholders of TM for the Proposed Exemption.</li> </ul>

6. RECOMMENDATION

Premised on the foregoing and our evaluation of the Proposed Acquisition and Proposed Exemption, we are of the opinion that the **Proposed Acquisition and Proposed Exemption are fair and reasonable** and are not detrimental to the interest of the non-interested shareholders of TM.

Accordingly, we recommend that the non-interested shareholders of TM to vote *in favour of* the resolutions pertaining to the Proposed Acquisition and Proposed Exemption to be tabled at the forthcoming EGM of TM.



**PUBLIC INVESTMENT BANK**  
**大众投资银行**

**Registered Office:**

27<sup>th</sup> Floor  
Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur

20 February 2008

To: **The Non-interested shareholders of Telekom Malaysia Berhad**

Dear Sir/Madam,

**INDEPENDENT ADVICE LETTER (“IAL”) TO THE NON-INTERESTED SHAREHOLDERS OF TELEKOM MALAYSIA BERHAD (“TM”) IN RELATION TO THE FOLLOWING:**

- I. **PROPOSED ACQUISITION BY TM INTERNATIONAL BERHAD (“TM INTERNATIONAL”) AND INDOCEL HOLDING SDN BHD (“INDOCEL”), BOTH WHOLLY-OWNED SUBSIDIARIES OF TM, FROM KHAZANAH NASIONAL BERHAD (“KHAZANAH”) OF EQUITY INTERESTS IN SUNSHARE INVESTMENTS LTD (“SUNSHARE”) (“PROPOSED SUNSHARE ACQUISITION”) AND PT EXCELCOMINDO PRATAMA TBK (“XL”) (“PROPOSED XL ACQUISITION”), (COLLECTIVELY REFERRED TO AS “PROPOSED ACQUISITION”); AND**
- II. **PROPOSED EXEMPTION UNDER PRACTICE NOTE 2.9.1 OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 1998, FOR KHAZANAH FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER ON THE REMAINING VOTING SHARES OF TM INTERNATIONAL NOT HELD BY KHAZANAH (“PROPOSED EXEMPTION”)**

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1. **PREAMBLE**

This IAL is prepared for inclusion in the circular to the shareholders of TM (“**Shareholders**”) dated 20 February 2008 in relation to the Proposed Acquisition and Proposed Exemption and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the “*Definitions*” section of the Circular, except where the context otherwise requires or where otherwise defined herein.

2. **INTRODUCTION**

On 10 December 2007, CIMB, on behalf of TM, announced that TM’s Board had, amongst others, approved the final terms of the Proposed Demerger, which comprises the Proposed Internal Restructuring and Proposed Distribution. On 10 December 2007, CIMB had also announced that TM’s Board proposes to undertake the Proposed Shareholders’ Mandate, Proposed Option Scheme and Special Dividend respectively.

On 6 February 2008, CIMB, on behalf of TM, announced that TM’s wholly-owned subsidiary, TM International, and TM International’s indirectly-owned subsidiary, Indocel, had, on the same date, entered into a sale and purchase agreement with Khazanah to acquire all of Khazanah’s equity interests in SunShare and XL, for a total purchase consideration of RM1,580 million, to be satisfied through the issuance of:

- (i) 176,000,000 Consideration Shares at an issue price of approximately RM8.98 per TM International Share if the Proposed Demerger has become unconditional in accordance with the terms and conditions of the Demerger Agreement (“**Scenario 1**”); or
- (ii) 4,500,000 Consideration Shares at an issue price of approximately RM351.11 per TM International Share if the Proposed Demerger does not become unconditional in accordance with the terms and conditions of the Demerger Agreement (“**Scenario 2**”).

(hereinafter known as “**SPA**”)

**PUBLIC INVESTMENT BANK BERHAD** (20027-W)

(Formerly known as PB Securities Sdn Bhd)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Head Office : 25th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur

Peti Surat 10988, 50732 Kuala Lumpur. Telephone : 03 - 21669382 (15 lines) Facsimile : 03 - 21669362

(Wholly-owned subsidiary of Public Bank Berhad)



In compliance with Chapter 10 of the Listing Requirements of Bursa Securities, TM had on 31 January 2008 appointed Public Investment Bank Berhad (“PIVB”) to act as the Independent Adviser to the non-interested shareholders of TM in relation to the Proposed Acquisition. Subsequently, PIVB had on 11 February 2008, confirmed to Bursa Securities on our eligibility to act as the Independent Adviser to the non-interested shareholders of TM for the Proposed Acquisition.

As disclosed in Section 2.9.1, Part A of the Circular, upon the Proposed Demerger becoming unconditional, as a result of the Proposed Acquisition under Scenario 1, Khazanah’s shareholding in TM International will increase from 34.75% to 37.81% (based on Khazanah’s shareholdings in TM as at the LPD adjusted for the effects of the Proposed Option Scheme based on the Assumptions). As such, Khazanah’s equity interest in TM International will increase by more than 2% in a period of six (6) months.

Pursuant to Section 6, Part II of the Code, Khazanah would then be obliged to carry out a mandatory take-over offer to acquire the remaining TM International Shares not held by them unless an exemption from the obligation to carry out a mandatory take-over offer has been obtained under the Code. There are no take-over implications with respect to Scenario 2 (i.e. if the Proposed Demerger does not become unconditional) as upon the completion of the Proposed Acquisition, the direct shareholdings of Khazanah in TM International will increase from nil to approximately 11.20% and as such, will not be obliged to extend a mandatory take-over offer for the remaining voting Shares in TM International not already owned by it under the Code. It is pertinent to note that the Proposed Acquisition is conditional upon the Proposed Exemption being approved by the SC and TM’s shareholders at the EGM to be convened.

In this respect, CIMB on behalf of Khazanah, had on 15 February 2008 made an application to the SC seeking an exemption for Khazanah from the obligation to undertake a mandatory take-over offer as provided for under Practice Note 2.9.1 of the Code. On 20 February 2008, CIMB, on behalf of Khazanah, announced that the SC had, vide its letter dated 18 February 2008, stated that they will consider the application for the Proposed Exemption upon the following conditions being met:

- (a) approval has been obtained from the independent holders of voting shares of TM, on a poll in a general meeting in which the interested parties are to abstain from voting. The result of the poll has to be confirmed by an independent auditor;
- (b) the shareholders of TM have been provided with competent independent advice regarding the Proposed Exemption. The appointment of the independent adviser and the independent adviser’s circular to the shareholders are to be first approved and consented to by the SC; and
- (c) Khazanah is to submit a declaration (to be furnished after the general meeting) addressed to the SC, attesting that they have not purchased any shares in TM International in the six (6) months before the posting of the circular relating to the Proposals to the shareholders, but subsequent to discussion in relation to the Proposals (the date of the discussion is to be stated in the declarations) and until the granting of the Proposed Exemption by the SC (if so decided).

In compliance with the requirements under Practice Note 2.9.1 of the Code, TM had on 31 January 2008, appointed PIVB as the Independent Adviser to the non-interested shareholders of TM for the Proposed Exemption. PIVB had on 18 February 2008, confirmed to the SC of its eligibility to act as independent adviser for the Proposed Exemption and its appointment was approved by the SC on 18 February 2008. The SC had also on 19 February 2008, given its consent to the despatch of this IAL. The consent of the SC for the despatch of this IAL is not to be taken or implied that the SC concurs with the views and recommendation of PIVB contained herein but only that this IAL has been prepared in compliance with the disclosure requirements of the Code.

The purpose of this IAL is to provide the non-interested shareholders of TM with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and also our independent evaluation on the terms and effects of the Proposed Exemption together with our recommendations thereon, subject to the scope of our role and evaluation specified herein, in relation to the Proposed Acquisition and Proposed Exemption. The non-interested shareholders of TM should nonetheless rely on their own evaluation of the merits of the Proposed Acquisition and Proposed Exemption before making a decision on the course of action to be taken.

NON-INTERESTED SHAREHOLDERS OF TM ARE ADVISED TO READ BOTH THIS IAL TOGETHER WITH THE OTHER SECTIONS OF THE CIRCULAR AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION TO BE TABLED AT THE FORTHCOMING EGM.

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

### 3. DETAILS OF THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION

#### 3.1 Proposed Acquisition

*Unless otherwise stated, the exchange rates of SGD1.00:RM2.2833 and IDR100:RM0.0350 being the respective middle rates prevailing on the LPD as published by BNM have been applied for the purpose of illustration presented in Section 3.1 of this IAL.*

On 6 February 2008, TM International, Indocel and Khazanah entered into the SPA for the following:

- (i) Proposed acquisition by TM International from Khazanah of 35,965,998 SunShare RCPS and 2 SunShare Shares, collectively representing approximately 49% of the issued and paid-up share capital of SunShare for a purchase consideration of RM155 million ("**Proposed SunShare Acquisition**"); and
- (ii) Proposed acquisition by Indocel from Khazanah of 1,191,553,500 XL Shares, representing approximately 16.81% of the issued and paid-up share capital of XL for a purchase consideration of RM1,425 million ("**Proposed XL Acquisition**"),

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

- (i) 176,000,000 Consideration Shares at an issue price of approximately RM8.98 per TM International Share if the Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement ("**Scenario 1**"); or
- (ii) 4,500,000 Consideration Shares at an issue price of approximately RM351.11 per TM International Share if the Proposed Demerger does not become unconditional in accordance with the terms and conditions of the Demerger Agreement ("**Scenario 2**").

The total purchase consideration of the Proposed Acquisition of RM1,580 million and the issue prices of the Consideration Shares were arrived at on a willing buyer-willing seller basis after taking into consideration the following:

- (i) SunShare's PAT, net assets and bank borrowings of SGD57.0 million, SGD180.6 million and SGD540.0 million respectively (equivalent to RM130.1 million, RM412.4 million and RM1,232.9 million respectively) based on SunShare's audited financial statements for the financial year ended 31 December 2006;
- (ii) the 3-month volume weighted average market price of M1's shares up to the LPD of approximately SGD1.94 per share (equivalent to RM4.43 per share or a market capitalisation of RM3,837.3 million). As at the LPD, SunShare has no investment other than a 29.69% equity interest in M1;
- (iii) XL's PAT and net assets of IDR651.9 billion and IDR4,281.2 billion respectively (equivalent to RM228.2 million and RM1,498.4 million respectively) based on XL's audited consolidated financial statements for the financial year ended 31 December 2006;

- (iv) the purchase consideration of the recent transaction as announced by Emirates Telecommunication Corporation (“**Etisalat**”) on 11 December 2007, whereby, Etisalat, through its subsidiary, acquired 15.97% equity interest in XL from Bella Sapphire Ventures Ltd for a total purchase consideration of USD438 million (equivalent to RM1,452 million based on the exchange rate of USD1.00:RM3.3140 prevailing on 11 December 2007);
- (v) the Proposed TM International Group’s proforma profit after tax and after minority interests, being profit attributable to shareholders/equity holders (“**PATAMI**”) and net assets of RM1,150.1 million and RM8,150.0 million respectively based on TM International’s proforma consolidated financial statements after the Proposed Demerger for the financial year ended 31 December 2006 and the market prices of the publicly listed subsidiaries and associated companies of the Proposed TM International Group; and
- (vi) the TM International Group’s PATAMI and net assets of RM629.3 million and RM3,222.8 million respectively based on TM International’s audited consolidated financial statements for the financial year ended 31 December 2006 and the market prices of the publicly listed subsidiaries and associated companies of the TM International Group.

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

For further details on the salient terms of the SPA and the Proposed Acquisition, please refer to Section 2.8, Part A of the Circular.

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### 3.2

#### Proposed Exemption

Under Scenario 1, after the Proposed Demerger, Khazanah would hold approximately 1,243.1 million TM International Shares representing approximately 34.75% of TM International equity interest as set out below:

Shareholders	As at 31 January 2008 <sup>(a)</sup>		After the Proposed Demerger <sup>(b)</sup>		After the Proposed Acquisition	
	Direct No. of shares held million	Indirect No. of shares held million	Direct No. of shares held million	Indirect No. of shares held million	Direct No. of shares held million	Indirect No. of shares held million
TM	35.7	100.00	-	-	-	-
Khazanah	-	35.7 <sup>(c)</sup>	1,243.1	34.75	1,419.1	37.81

Under Scenario 2, there are no take-over implications, as set out below:

Shareholders	As at 31 January 2008 <sup>(a)</sup>		After the Proposed Acquisition	
	Direct No. of shares held million	Indirect No. of shares held million	Direct No. of shares held million	Indirect No. of shares held million
TM	35.7	100.00	35.7	88.80
Khazanah	-	35.7 <sup>(c)</sup>	4.5	11.20
				35.7 <sup>(c)</sup>
				88.80

Notes:

- (a) Based on TM International's Register of Members as at 31 January 2008.
- (b) Based on TM's Register of Substantial Shareholders as at 31 January 2008, adjusted for the effects of the Proposed Option Scheme.
- (c) Deemed interest through TM under Section 6A of the Act.

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As a result, under Scenario 1, if the Proposed Demerger becomes unconditional, upon completion of the Proposed Acquisition, the shareholdings of Khazanah in TM International will increase from approximately 34.75% to 37.81%. As such, Khazanah will increase its shareholdings in TM International by more than 2% of the voting shares in TM International in a period of six (6) months and hence will be obliged to extend a mandatory take-over offer for the remaining voting Shares in TM International not already owned by it upon completion of the Proposed Acquisition, unless an exemption from the obligation to carry out a mandatory take-over offer has been obtained under the Code.

Under Scenario 2, upon the completion of the Proposed Acquisition, the direct shareholdings of Khazanah in TM International will increase from nil to approximately 11.20% and as such, will not be obliged to extend a mandatory take-over offer for the remaining voting Shares in TM International not already owned by it under the Code.

It is pertinent to note that the Proposed Acquisition is conditional upon the Proposed Exemption being approved by the SC and TM's shareholders at the EGM to be convened. As such, the Proposed Acquisition will not be implemented in the absence of the approval from the non-interested shareholders of TM for the Proposed Acquisition and Proposed Exemption.

However, it should be noted that the Proposed Acquisition and Proposed Exemption will not result in any change in the dominant shareholders of TM.

### **3.3 Conditionality**

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

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

Save as disclosed above, there is no other conditionality in terms of approvals amongst the Proposed Acquisition and Proposed Exemption.

## **4. SOURCES OF INFORMATION**

In preparing this IAL, PIVB has relied upon the following sources of information and documents:

- (a) SPA;
- (b) information contained in the Circular;
- (c) Frost & Sullivan's independent market report on the mobile telecommunications markets in Malaysia, Indonesia, Sri Lanka, Bangladesh, Cambodia, Singapore and overview of other key regional markets dated December 2007;
- (d) other relevant information furnished to us by TM and Khazanah;
- (e) other publicly available information; and
- (f) discussions with the management of TM.

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## 5. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION

PIVB was not involved in any formulation of the Proposed Acquisition and Proposed Exemption and/or any deliberation and negotiations on the terms and conditions of the Proposed Acquisition and Proposed Exemption. Accordingly, our evaluation of the Proposed Acquisition and Proposed Exemption is based on the sources of information highlighted in Section 4 of this IAL.

We have not, however, independently verified such information for its reasonableness, reliability, accuracy and/or completeness. As information relied on for the preparation of this IAL has been furnished by TM, no representations, express or implied, are made of such information. We express no opinion on any such information and have not taken any independent investigation into the business and affairs of TM and all relevant parties involved in the Proposed Acquisition and Proposed Exemption.

However, the Directors of TM have individually and collectively confirmed that all relevant material facts and information critical to our evaluation have been disclosed to us. The Directors of TM have also accepted responsibility for the accuracy of the information provided and given herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there is no omission of any material fact that would make any information supplied to us incomplete, misleading and inaccurate.

Our evaluation and recommendations expressed herein shall hold only in so far as the information and data supplied to us as at the date hereof remains accurate and consistent.

As the Independent Adviser, we have evaluated the Proposed Acquisition and Proposed Exemption, and, in rendering our advice, we have considered those factors, which we believe are of importance to an assessment of the implications of the Proposed Acquisition and Proposed Exemption and therefore of general concern to the non-interested shareholders of TM. As such:

- (i) the scope of PIVB's responsibility regarding the evaluation and recommendations contained herein is confined to the financial terms of the Proposed Acquisition and assessment of the implications of the Proposed Exemption only and where comments or points of consideration are included on matters which may be commercially oriented, these are incidental to our overall financial evaluation and concern matters which may be deemed material for disclosure;
- (ii) PIVB's views and advice as contained in this IAL only cater for the non-interested shareholders of TM at large and not to any non-interested shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, financial situations and particular needs of any individual shareholder or any specific group of non-interested shareholders; and
- (iii) we recommend that any individual shareholder or group of shareholders who is in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition and Proposed Exemption in the context of their individual objectives, financial situation or particular needs, consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately. We shall not be liable for any damage or loss of any kind sustained or suffered by an individual shareholder or any group of shareholders in reliance on the opinion stated herein for any purpose whatsoever that is particular to such individual shareholder or group of non-interested shareholders.

In this IAL, there are some illustrations used that we believe would be of relevance and general importance to and for the better understanding of the non-interested shareholders of TM on the Proposed Acquisition and Proposed Exemption, based on appropriate assumptions. However, the non-interested shareholders of TM should note that some of these assumptions used have not been independently verified, may not materialise in the future and should only be used for illustrative purposes.

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## 6. CONFIRMATIONS AND DECLARATIONS

Pursuant to Schedule 2 of the Code, Khazanah has given its undertaking that it **does not intend** to effect any of the following:

- (i) any major changes to the continuation of the business of the Proposed TM International Group;
- (ii) any major changes to the existing business activities of the Proposed TM International Group;
- (iii) any major immediate changes to the continued employment of the employees of the Proposed TM International Group or its employment policies except such re-deployment of staff may be effected to rationalise and/or improve the efficiency of operations; and
- (iv) any major re-deployment of the property, plant and equipment of the Proposed TM International Group.

Upon the Proposed Demerger becoming unconditional, as a result of the Proposed Acquisition under Scenario 1, the equity shareholdings of Khazanah in TM International will increase from 34.75% to 37.81%. As such, the Proposed Exemption will not result in any change in the dominant shareholders of TM International. Also, having considered the above confirmations by Khazanah, we note that the increase in shareholdings by Khazanah is not expected to materially affect the existing businesses of the Proposed TM International Group.

In addition, pursuant to Practice Note 2.9.1 of the Code, on 15 February 2008, Khazanah had submitted a declaration confirming that it had not purchased any voting shares in TM International in the six (6) months prior to the date of submission to the SC for the Proposed Exemption but subsequent to the negotiation, discussion, understanding or agreement with the Directors of TM in relation to the new issue of shares pursuant to the Proposed Acquisition which took place on 29 October 2007, whichever is the shorter period. Khazanah had also undertaken that they would not acquire any shares in TM International until the granting of the Proposed Exemption by the SC (if so decided).

It should be noted that TM and TM International do not hold, directly or indirectly, any voting shares and/or convertible securities or any interest in Khazanah as at the LPD.

The Directors of TM and TM International do not hold, directly or indirectly, any voting shares and/or convertible securities or any interest in Khazanah as at the LPD.

In addition, none of the Directors of TM and TM International have any existing service contracts with TM International or the Proposed TM International Group, which is not expiring or terminable by the employing company without payment of compensation within twelve (12) months from the LPD. Further, no such service contract has been entered into or amended within six (6) months of the LPD.

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## 7. MAJOR SHAREHOLDERS' AND DIRECTORS' INTERESTS

Save as disclosed below, none of the Directors of TM, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition and Proposed Exemption.

Based on TM's Register of Directors' Shareholdings, Register of Substantial Shareholders and Record of Depositors as at 31 January 2008, the direct and indirect shareholdings of the interested parties mentioned above in TM are as follows:

Interested parties	Direct		Indirect	
	No. of ordinary shares	%	No. of ordinary shares	%
Khazanah	1,243,057,173	36.14	-	-
MoF Inc	144,000	*	1,243,057,173 <sup>*1</sup>	36.14
Datuk Zalekha Hassan	-	-	-	-
Puan Dyg Sadiyah Abg Bohan	-	-	-	-
Dato' Azman Mokhtar	-	-	-	-

Notes:

\* Less than 0.01%.

<sup>\*1</sup> Deemed interest through Khazanah under Section 6A of the Act.

Khazanah, being a major shareholder of TM and a party to the SPA in relation to the Proposed Acquisition, is interested in the Proposed Acquisition and Proposed Exemption. MoF Inc, being the major shareholder of Khazanah, is also deemed interested in the Proposed Acquisition and Proposed Exemption. Accordingly, Khazanah and MoF Inc will abstain from voting in respect of their direct and/or indirect shareholdings in TM on the resolution pertaining to the Proposed Acquisition and Proposed Exemption to be tabled at TM's forthcoming EGM.

Please refer to Section 2.8.6, Part A of the Circular for further information on Khazanah.

Dato' Azman Mokhtar is the Managing Director of Khazanah and also Khazanah's representative on TM's Board and is deemed interested in the Proposed Acquisition and Proposed Exemption. Datuk Zalekha Hassan, who is MoF Inc's representative on TM's Board, and Puan Dyg Sadiyah Abg Bohan, who is the alternate Director to Datuk Zalekha Hassan are also deemed interested in the Proposed Acquisition and Proposed Exemption. As at 31 January 2008, Datuk Zalekha Hassan, Puan Dyg Sadiyah Abg Bohan, and Dato' Azman Mokhtar has no direct or indirect shareholdings in TM.

In accordance with Bursa Securities LR, the interested parties mentioned above must ensure that any persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in TM on the resolutions pertaining to the Proposed Acquisition and Proposed Exemption to be tabled at TM's forthcoming EGM.

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## 8. EVALUATION OF THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION

PIVB's scope in expressing a recommendation as the Independent Adviser to the non-interested shareholders of TM is limited and confined to the following:

(a) Rationale for the Proposed Acquisition and Proposed Exemption	Section 9
(b) Financial evaluation of the Proposed Acquisition	Section 10
(c) Effects of the Proposed Acquisition and Proposed Exemption	Section 11
(d) Risk factors	Section 12
(e) Other considerations	Section 13
(f) Overview and prospects of the Malaysian economy, the mobile telecommunications industry in Malaysia, Singapore and Indonesia and the Proposed TM International Group	Section 14

The views expressed by PIVB in this IAL are, amongst others, based on current economic, market and other conditions prevailing as at the LPD. In this respect, the non-interested shareholders of TM should take further note of any announcements relevant to their consideration of the Proposed Acquisition and Proposed Exemption to enable the non-interested shareholders of TM to vote for or against the Proposed Acquisition and Proposed Exemption to be tabled at TM's forthcoming EGM.

## 9. RATIONALE FOR THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION

### 9.1 Rationale for the Proposed Acquisition

Set out below are our comments on the rationale for the Proposed Acquisition as stated in Section 4.5, Part A of the Circular:

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

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

#### (i) Increase in the Proposed TM International Group's effective equity stake

XL is a subsidiary company of TM held through Indocel, a wholly-owned subsidiary of TM International. As at the LPD, TM International holds approximately 66.99% in XL via Indocel which equates to 4,751,433,500 ordinary shares in XL. Upon completion of the Proposed Acquisition, the shareholdings of the Proposed TM International Group in XL will increase from approximately 66.99% to 83.80%.

On the other hand, SunShare is a joint venture consortium formed by TM, via TM International, and Khazanah whereby, as at the LPD, the TM Group has an economic interest of approximately 51.00% in SunShare. Upon completion of the Proposed Acquisition, the Proposed TM International Group will hold 100.00% of the issued and paid-up share capital of SunShare, which in turn holds 29.69% equity interest in M1 and hence enables the Proposed TM International Group to enjoy greater effective equity interest in M1 in the future.

(ii) **In line with the Proposed TM International Group's strategy for earnings enhancement**

Should the Proposed Acquisition be completed, the Proposed TM International Group will be able to equity account for SunShare in future via its 100.00% ownership in SunShare. In essence, the Proposed TM International Group would have an effective equity interest of 29.69% in M1 as compared to 15.14% prior to the Proposed Acquisition. In addition, the Proposed TM International Group's stake in XL will also increase from 66.99% to 83.80%. As such, it is pertinent to consider the financial performance of both M1 and XL in order to assess the earnings contribution of these companies to the Proposed TM International Group.

**(a) M1**

The customer base of M1 had increased by approximately 0.2 million to approximately 1.5 million users at the end of 2007 from 2006 (*Source: M1's quarterly report for the quarter ended 31 December 2007*). The following table indicates the customer base and market share of M1 in the mobile telecommunications industry in Singapore:

	FYE 31 December			Quarterly report for the period ended 31 December 2007
	2004	2005	2006	
Mobile customer base (million)	1,162	1,246	1,337	1,535
Mobile customer base growth (%)	8.8	7.2	7.3	14.8
Total market share (%)	30.1	29.3	28.8	27.4

*(Source: Annual Reports and quarterly report of M1)*

Although the mobile telecommunications services market in Singapore has reached its saturation point with a penetration rate exceeding 100%, M1 has been experiencing growth of more than 7% in its mobile customer base since FYE 31 December 2004. The level of competition amongst Singapore's mobile telecommunications operators is highly competitive as the competitive edge of each operator has gone beyond pricing. Existing and new customers are driven by introduction of new value-added services and the convenience of service convergence.

Notwithstanding the high level of competition endured by M1, it is still able to command a market share of 27% to 30% during the period of four (4) years as depicted in the table above. Despite the saturated market, the subscriber base is still expected to grow due to the influx of foreign workers and robust growth in the prepaid mobile telecommunication segment.

As explained in Section 10.2.1(ii) of this IAL, M1 has been experiencing uninterrupted growth in revenue since FYE 31 December 2004, save for FYE 2006. Based on the audited financial statements of M1, the operating profit as well as the PATAMI have reported a healthy growth since FYE 31 December 2004 to 2006 from SGD193.21 million (RM449.65 million) to SGD219.28 million (RM503.97 million) and SGD153.92 million (RM358.21 million) to SGD164.58 million (RM378.24 million) respectively.

Based on the unaudited results for the FYE 31 December 2007, M1 recorded revenue, operating profit and PATAMI of SGD803.30 million (RM1,850.24 million), SGD204.00 million (RM469.87 million) and SGD171.80 million (RM395.71 million) respectively. In terms of earnings, M1 recorded a growth in PATAMI of approximately 4.4% in 2007 as compared to 2006. In addition, M1 had also declared dividends in the past four (4) financial years ended 2007 and the dividends declared was on an increasing trend from SGD0.11 (RM0.25) to SGD0.15 (RM0.36).

As such, premised on the reasonable M1 financial performance, the contribution from SunShare via an increased stake in M1 from 15.14% to 29.69% would potentially translate into higher earnings for the Proposed TM International Group in the future.

**(b) XL**

The customer base of XL had increased from a mere 3.8 million in the financial year ended (“FYE”) 31 December 2004 to approximately 12.8 million users as at the financial period ended (“FPE”) 30 September 2007. The following table indicates the customer base and market share of XL in the mobile telecommunications industry in Indonesia:

	FYE 31 December			FPE 30 September 2007
	2004	2005	2006	
Mobile customer base (million)	3.8	7.0	9.5	12.8
Mobile customer base growth (%)	28.8	84.2	35.7	34.7
Total market share (%)	13	N/A	14	N/A

*(Source: Annual Reports of XL, Investor Release from XL dated 31 October 2007 and XL's Prospectus dated 20 September 2005)*

*Note:*

*N/A Information not publicly available*

Similar to M1, XL also operates in a highly competitive mobile telecommunications industry whereby there are approximately seven other mobile operators competing with XL in Indonesia. In spite of the high level of competition encountered, XL has been experiencing growth of more than 30% in its mobile customer base since FYE 31 December 2005. The FYE 31 December 2005 recorded a growth of 84.2% as a result of XL obtaining its listing status on the Jakarta Stock Exchange (“IDX”). In terms of its market share, XL was able to maintain its market share of 14% for the FYE 31 December 2006 which is slightly higher than its market share of 13% for the FYE 31 December 2004.

As explained in Section 10.2.2(ii) of this IAL, XL has been experiencing uninterrupted growth in revenue since FYE 31 December 2004. In the FYE 31 December 2004 and 2005, XL recorded a loss after taxation of IDR45.303 billion (RM18.53 million) and IDR224.09 billion (RM86.05 million) respectively. Nevertheless, XL registered a healthy profit after taxation of IDR651.88 billion (RM255.54 million) in FYE 31 December 2006.

As for the nine (9) months financial period ended 30 September 2007 extrapolated to twelve (12) months, XL had recorded a revenue and profit after taxation of IDR7,234.34 billion (RM2.55 billion) and IDR207.82 billion (RM73.36 million) respectively.

As such, premised on the improved XL financial performance, the contribution from XL via an increased stake from 66.99% to 83.80% would potentially translate into higher earnings for the Proposed TM International Group in the future.

Based on the historical trend of the financial performance of both M1 and XL and also their respective prospects, it is envisaged that pursuant to the Proposed Acquisition, the contribution from XL and M1 would potentially translate into higher earnings for the Proposed TM International Group in the short to medium term and this is expected to translate into improved earnings visibility for the Proposed TM International Group.

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(c) **Enhance the Proposed TM International Group's growth profile**

Indonesia is one of the fastest growing mobile markets in Asia Pacific, with total number of subscribers growing at a staggering compounded annual growth rate ("CAGR") of 50.9% between 2003 to 2006. Moving forward, the mobile subscriber base in Indonesia is expected to grow at a CAGR of 22.4% from 2006 to 2011 (*Source: Executive Summary of the Mobile Telecommunications Market in Indonesia, Frost & Sullivan, December 2007*).

As XL is one of the prominent mobile service provider which also holds a 3G licence in Indonesia, the additional stake in XL would allow the Proposed TM International Group to enhance its general growth profile in line with its aspiration to become a leading mobile operator in South East Asia.

In addition, based on Frost & Sullivan's independent market research report on the Mobile Telecommunications Market in Singapore dated December 2007, as the Singapore mobile telecommunications market has a penetration rate of 112.8% as at 30 September 2007, it can be considered as one of the most saturated markets in the region. Although the market has reached saturation, the subscriber growth in the first 9 months of 2007 grew substantially at a rate of 13.8% to 5.3 million subscribers due to the influx of foreign workers and robust growth in the prepaid segment. Prepaid subscribers, which accounted for 44.2% of total mobile subscribers in Singapore, grew by 30.0% over the same period. Frost & Sullivan projects mobile subscriber base in Singapore to grow at a CAGR of 7.4% between 2006 and 2011 (*Source: Executive Summary of the Mobile Telecommunications Market in Singapore, Frost & Sullivan, December 2007*).

M1's customer base stems from both the postpaid and prepaid segment of the mobile telecommunications market, and besides prepaid services, M1 had also experienced growth in the non-voice services and addressed the enterprise market with more innovative products and services. With an increase in effective equity interest from 15.14% to 29.69% in M1 pursuant to the Proposed Acquisition, this affords the Proposed TM International Group with an opportunity to strengthen its regional footprint in Singapore's third largest mobile telecommunications service provider.

Based on the foregoing, the Proposed Acquisition would allow the Proposed TM International Group to enjoy greater economic interest in both XL and M1 in proportion to the increase in effective equity interest thus strengthening their regional footprint in both Indonesia as well as Singapore which is expected to enhance its growth profile in the region.

**Premised on the above, we are of the opinion that the rationale for the Proposed Acquisition is fair and reasonable.**

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## 9.2 Rationale for the Proposed Exemption

Set out below are our comments on the rationale for the Proposed Exemption as stated in Section 4.6, Part A of the Circular:

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

Upon the Proposed Demerger becoming unconditional, as a result of the Proposed Acquisition under Scenario 1, the equity shareholdings of Khazanah in TM International will increase from 34.75% to 37.81%. As a result, Khazanah will increase their equity shareholdings in TM International by more than 2% of the voting shares of TM International in a period of six (6) months and hence will be obliged to extend a mandatory take-over offer for the remaining shares in TM International not already owned by it, unless an exemption from the obligation to carry out a mandatory take-over offer has been obtained under the Code.

It is pertinent to note that under Scenario 2, there are no take-over implications as upon the completion of the Proposed Acquisition, the direct shareholdings of Khazanah in TM International will increase from nil to approximately 11.20% and as such, will not be obliged to extend a mandatory take-over offer for the remaining voting Shares in TM International not already owned by it under the Code.

The Proposed Exemption is necessary as it is not the intention of Khazanah to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by it upon completion of the Proposed Acquisition, as any take-over offer on the remaining TM International Shares may lead to a privatisation of TM International, which is not in line with the objectives of the Proposed Demerger. Therefore, the Proposed Exemption will relieve Khazanah from the obligation to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by it upon completion of the Proposed Acquisition.

Prior to the Proposed Demerger, TM International is a wholly-owned subsidiary of TM. Khazanah’s obligation to undertake a mandatory take-over offer on the remaining TM International Shares not held by it would be triggered if the Proposed Demerger becomes unconditional, as a result of the Proposed Acquisition, whereby Khazanah would receive 176,000,000 new TM International Shares as consideration for the disposal of the Sale Shares to TM International. As such, the Proposed Exemption is not regarded as an avenue for Khazanah to gain control of TM International Shares.

**In view of the above, we are of the opinion that the rationale for the Proposed Exemption is fair and reasonable.**

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## 10. FINANCIAL EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the reasonableness and fairness of the terms of the Proposed Acquisition, and arriving at our recommendation, we have evaluated and considered the following financial considerations and the implications involved pursuant to the Proposed Acquisition:

(a) Evaluation of the TM Exchange Ratio:	Section 10.1
(i) Evaluation of the Proposed TM International Group	Section 10.1.1
(ii) Pricing of the issue price of TM International Shares	Section 10.1.2
(b) Evaluation of the purchase consideration for the Proposed Acquisition:	Section 10.2
(i) Purchase consideration for the Proposed SunShare Acquisition	Section 10.2.1
(ii) Purchase consideration for the Proposed XL Acquisition	Section 10.2.2

For purposes of the evaluation contained in this IAL, we have analysed the Proposed Acquisition based on the following scenarios:

***Scenario 1: The Proposed Demerger becomes unconditional in accordance with the terms and conditions of the Demerger Agreement***

***Scenario 2: The Proposed Demerger does not become unconditional in accordance with the terms and conditions of the Demerger Agreement***

Shareholders should note that each TM International Share has a par value of RM1.00 each and has been issued at RM8.98 based on Scenario 1 or RM351.11 based on Scenario 2 respectively as the Consideration Shares pursuant to the Proposed Acquisition. It is therefore essential to not only evaluate the reasonableness of the purchase consideration to be paid for the Proposed Acquisition of RM1,580,000,000 it is equally important to ascertain the reasonableness of the issue price of TM International Shares, which is the offer consideration to be given pursuant to the Proposed Acquisition.

Whilst the shares of XL and M1 (held by SunShare) are traded on the IDX and the Singapore Exchange Securities Trading Limited (“SGX-ST”) respectively, the TM International Shares have yet to be listed on the Main Board of Bursa Securities, as such there is currently no market value attached to the TM International Shares. As such, in order to provide a meaningful comparison for purposes of the Proposed Acquisition due to it being a share swap transaction, the implied value of TM International Shares is computed herein merely for illustration purposes only.

Furthermore, the implied value of TM International Shares is expected to fluctuate due to prevailing market prices of its proposed listed subsidiary and associated companies as well as foreign exchange rates, therefore the absolute value of TM International and its shares will then change accordingly. It is therefore pertinent to note that the share swap ratio for the Proposed Acquisition (“**TM Exchange Ratio**”) is highly important and would take precedence over the absolute value of TM International, as the value ascribed to the Proposed Acquisition would then be correspondingly used to value the related portion of TM International’s shareholdings.

It is also essential to note that the implied value of TM International Shares computed herein does not represent the actual share price of TM International Shares once its shares are listed on the Main Board of Bursa Securities. Shareholders should take note that the financial evaluation in this IAL is shown for illustrative purposes only, and the outcome of the financial evaluation would be dependent on the prevailing market prices of the Proposed TM International Group’s shareholdings in all its foreign listed telecommunication companies located at various countries across the region and the eventual market price of TM International Shares, including the prevailing foreign exchange rates at the relevant point when the financial evaluation is computed.

As such, the illustrated values may not represent the actual value of TM International Shares at the point when Shareholders receive the TM International Shares. Hence, Shareholders should consider the effects of prevailing market prices as well as the future prospects and risk factors associated with the Proposed Acquisition prior to making any decision on the Proposed Acquisition.

## 10.1 Evaluation of the TM Exchange Ratio

### 10.1.1 Evaluation of the Proposed TM International Group

It is important to note that the Proposed SunShare Acquisition and the Proposed XL Acquisition are to be satisfied by the issuance of (i) 176,000,000 Consideration Shares at an issue price of RM8.98 per TM International Share based on Scenario 1; or (ii) 4,500,000 Consideration Shares at an issue price of RM351.11 per TM International Share based on Scenario 2. As such, the purchase consideration for the Proposed Acquisition has to first be evaluated, and this is achieved via the evaluation of the Proposed TM International Group.

The Proposed TM International Group consists mainly of the following companies:

#### Listed Companies

- (i) XL;
- (ii) Dialog Telekom PLC (“**Dialog**”);
- (iii) Spice Communications Limited (“**Spice**”);
- (iv) Samart I-Mobile Public Company Limited (“**SIM**”); and
- (v) Samart Corporation Public Company Limited (“**Samart**”).

#### Unlisted companies

- (i) Celcom (Malaysia) Berhad (“**Celcom**”)<sup>(a)</sup>;
- (ii) SunShare<sup>(b)</sup>;
- (iii) TM International (Bangladesh) Limited (“**TMIB**”);
- (iv) Telekom Malaysia International (Cambodia) Company Limited (“**TMIC**”);
- (v) Multinet Pakistan (Private) Limited (“**Multinet**”); and
- (vi) Mobile Telecommunications Company of Esfahan (“**MTCE**”).

#### *Notes:*

(a) *Applicable under Scenario 1 only as Celcom is not part of the Proposed TM International Group if the Proposed Demerger is not approved by the shareholders of TM.*

(b) *Joint venture company which has shareholdings in M1 owned by TM, TM International and Khazanah.*

From the list of companies stated above, these companies are at various stages of their business life cycle operating in various countries across the region. It is inherent therefore that each company, being listed or otherwise would be different from one another due to various factors but not limited to factors such as marketability and liquidity of the shares, size of the business, geographical spread, profit track record, financial strength, accounting policies, risk profile and future prospects. As such, the valuations made herein are necessarily limited and serve only as a guide to the shareholders.

Taking into account these factors, we have adopted different valuation methodologies in arriving at the equity value of these companies that forms the Proposed TM International Group. As a general guideline, all listed companies would be valued based on their market capitalisation and non-listed companies would be based on either enterprise value (“**EV**”) / earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) multiple or its net assets (“**NA**”).

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We have evaluated and ascertained the equity value of the Proposed TM International Group using the sum-of-the-parts (“SOTP”) valuation of the individual companies within the Proposed TM International Group, the summary of which is illustrated in the table below:

(i) *Valuation of listed companies*

	Listed Companies					
	XL <sup>(b)</sup> RM'000	Dialog <sup>(c)</sup> RM'000	Spice RM'000	SIM RM'000	Samart RM'000	Sub-Total RM'000
Company Value <sup>(a)</sup>	7,882,231	5,981,967	3,646,737	769,358	782,385	19,062,678
TM International's Shareholdings	66.99%	84.81%	39.20%	24.42%	18.97%	-
<b>TM International's Value</b>	<b>5,280,307</b>	<b>5,073,306</b>	<b>1,429,521</b>	<b>187,877</b>	<b>148,418</b>	<b>12,119,429</b>

Notes:

- (a) *The valuation methodology applied was based on the market capitalisation method, using the unadjusted closing market price as at 31 December 2007 as well as the prevailing foreign exchange rates prevailing at that point in time. The following closing market prices as well as foreign exchange rates extracted from [www.bnm.gov.my](http://www.bnm.gov.my) were applied:*

Company	Market Price	Foreign Exchange Rates
Spice	INR 63.00	0.083900
SIM	THB 18.20	0.098308
Samart	THB 8.15	0.098308

- (b) *The valuation methodology applied was using the EV/EBITDA multiple of 9.5 times on the nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months. Please refer to Section 10.2.2 of this IAL for further analysis on the company's value.*
- (c) *The valuation methodology applied was using the EV/EBITDA multiple of 13.5 times on the nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months.*

From the table above, the equity value of TM International's equity stake in its listed companies is approximately RM12.12 billion. It has been noted that the trading of the shares in these companies have been fairly liquid save for XL and Dialog, whilst the closing market prices of these listed companies approximate that of its average trading prices for 2007. As such, the market capitalisation valuation methodology was applied in valuing all the listed companies save for XL and Dialog, which we have applied the comparables multiple approach.

**Valuation of XL**

Please refer to Section 10.2.2 of this IAL for further analysis on the valuation of XL.

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### **Valuation of Dialog**

It is pertinent to note that Dialog shares are fairly illiquid and thinly traded in the open market. TM International owns 84.81% of the total issued and paid-up share capital of Dialog, whilst the remaining 15.19% are held by various institutions and the public. In addition, Dialog's average monthly trading volume is only 0.089% of the total issued and paid-up share capital of Dialog. As such, the share price of Dialog may not be reflective of its equity value. Hence, the EV/EBITDA valuation methodology was used in deriving the equity value of Dialog instead of the market price. This is illustrated in the following table:

	<b>Annualised 2007 RM</b>
EBITDA	440,313,600 <sup>(a)</sup>
Short term borrowings	25,496,085 <sup>(b)</sup>
Long term borrowings	76,252,381 <sup>(b)</sup>
Cash and bank balances	139,482,162 <sup>(b)</sup>
EV / EBITDA multiple (times)	13.5 <sup>(c)</sup>
Equity value of Dialog	5,981,967,296
Price per Dialog share (RM)	0.73
Price per Dialog share (Sri Lankan Rupees) ("LKR")	24.16
6 months – volume weighted average market price ("VWAMP") (RM)	0.69
6 months – VWAMP (LKR)	22.53

*Notes:*

- (a) Computed based on Dialog's nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months. The foreign exchange rate applied was LKR1:RM0.0304 as extracted from Bloomberg as at 31 December 2007.
- (b) Extracted from Dialog's nine (9) months unaudited quarterly results for the FPE 30 September 2007. The foreign exchange rate applied was LKR1:RM0.0304 as extracted from Bloomberg as at 31 December 2007.
- (c) The multiple used was based on the selected comparable companies listed in the Bombay Stock Exchange with a discount attached to it. The multiples for the past two (2) financial years 2006 and 2007 as reflected by its trading market prices calculated on 31 December each year was also considered in order to ensure that the multiples used were within range.

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(ii) *Valuation of unlisted companies*

Scenario 1:

	Unlisted Companies						Sub-Total RM'000
	Celcom <sup>(a)</sup> RM'000	SunShare <sup>(b)</sup> RM'000	TMIB <sup>(c)</sup> RM'000	TMIC <sup>(d)</sup> RM'000	Multinet <sup>(e)</sup> RM'000	MTCE <sup>(f)</sup> RM'000	
Company Value	18,042,060	279,554	2,067,817	611,663	37,278	96,637	21,135,009
Proposed TM International Group's Shareholdings	100%	51%	70%	100%	89%	49%	N/A
<b>Proposed TM International Group's Value</b>	<b>18,042,060</b>	<b>142,573</b>	<b>1,447,472</b>	<b>611,663</b>	<b>33,177</b>	<b>47,352</b>	<b>20,324,297</b>

Scenario 2:

	Unlisted Companies						Sub-Total RM'000
	TMIB <sup>(c)</sup> RM'000	TMIC <sup>(d)</sup> RM'000	Multinet <sup>(e)</sup> RM'000	MTCE <sup>(f)</sup> RM'000	Sub-Total RM'000	MTCE <sup>(f)</sup> RM'000	
Company Value	2,067,817	611,663	37,278	96,637	2,813,395	96,637	2,813,395
TM International Group's Shareholdings	70%	100%	89%	49%	N/A	49%	N/A
<b>TM International Group's Value</b>	<b>1,447,472</b>	<b>611,663</b>	<b>33,177</b>	<b>47,352</b>	<b>2,139,664</b>	<b>47,352</b>	<b>2,139,664</b>

Notes:

(a) *The valuation methodology applied was using the EV/EBITDA multiple of 7.7 times on the nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months.*

(b) *The valuation methodology applied was based on the closing market price of M1 of SGD1.90 as at 31 December 2007 as well as the foreign exchange rates prevailing at that point in time (SGD1.00: RM2.3033 as extracted from BNM as at 31 December 2007), adjusted for SunShare's unaudited NA as at 30 September 2007.*

- (c) The valuation methodology applied was using the EV/EBITDA multiple of 10.5 times on the nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months. Based on extracted exchange rate of BDT1:RM0.047651 from Bloomberg as at 31 December 2007.
- (d) The valuation methodology applied was using the EV/EBITDA multiple of 9.5 times on the nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months. Based on extracted exchange rate of USD1:RM3.3115 from BNM as at 31 December 2007.
- (e) The valuation methodology applied was using the company's prorated unaudited NA as at 31 December 2007.
- (f) The valuation methodology applied was using the EV/EBITDA multiple of 5.0 times (which is a discount to the average trading multiples in the region) on the unaudited financial results for the six (6) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months. Based on extracted exchange rate of IRR1:RM0.0003621 from BNM website as at 31 December 2007.

From the table above, the equity value of TM International's equity stake in its unlisted companies based on Scenario 1 is approximately RM20.32 billion. As there is no active market for the shares in these companies, these unlisted companies have been valued using the EV/EBITDA multiple valuation methodology for Celcom, TMIB, TMIC and MTCE, and the NA valuation methodology for SunShare and Multinet. Please refer to Section 10.2.1 of this IAL for further analysis on the valuation of SunShare.

(iii) **Valuation of the Proposed TM International Group**

	Scenario 1	Scenario 2*
	Sub-Total RM'000	Sub-Total RM'000
Total value of the listed companies	12,119,429	12,119,429
Total value of the unlisted companies	20,324,297	2,139,664
Total	32,443,726	14,259,093
Less: Net Debt at TM International	(3,973,000) <sup>(a)</sup>	(2,989,000) <sup>(b)</sup>
<b>Total Value of the Proposed TM International Group prior to the Proposed Acquisition</b>	<b>28,470,726</b>	<b>11,270,093</b>

Notes:

\* Excluding Celcom.

(a) Includes the amount owing by the Proposed TM International Group to TM pursuant to the Proposed Demerger of RM4.025 million less cash of RM52.3 million (based on TM International's nine (9) months unaudited quarterly results for the FPE 30 September 2007).

(b) Includes the amount owing by the TM International Group to TM pursuant to the Proposed Demerger of RM3,041 million less cash of RM52.3 million (based on TM International's eleven (11) months unaudited results for the FPE 30 November 2007).

Premised on the above, as at 31 December 2007, the equity value of the Proposed TM International Group based on Scenario 1 and Scenario 2 is approximately RM28.47 billion and RM11.27 billion respectively. It is important to note that this value will fluctuate depending on the cut-off dates, the prevailing market prices of the listed companies as well as the respective foreign exchange rates.

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For information purposes only, should the same valuation methodology be adopted in determining the value of the Proposed TM International Group based on the average market prices at different cut-off dates, the following valuation for the Proposed TM International Group would be noted:

**Scenario 1:**

	As at 31 December 2007 RM'000	As at 31 January 2008 RM'000
Total value of the listed companies	12,119,429	11,369,538
Total value of the unlisted companies	20,324,297	20,290,065
Total	32,443,726	31,659,603
Less: Net Debt at TM International	(3,973,000)	(3,973,000)
<b>Total Value of the Proposed TM International Group prior to the Proposed Acquisition</b>	<b>28,470,726</b>	<b>27,686,603</b>

**Scenario 2:**

	As at 31 December 2007 RM'000	As at 31 January 2008 RM'000
Total value of the listed companies	12,119,429	11,369,538
Total value of the unlisted companies	2,139,664	2,112,852
Total	14,259,093	13,482,390
Less: Net Debt at TM International	(2,989,000)	(2,989,000)
<b>Total Value of the TM International Group prior to the Proposed Acquisition</b>	<b>11,270,093</b>	<b>10,493,390</b>

Note:

- (a) Based on the closing market price as well as the foreign exchange rates prevailing at that point in time. The following closing market prices as well as foreign exchange rates were applied:

Company	31 December 2007		31 January 2008	
	Market Price	Foreign Exchange Rates <sup>(iii)</sup>	Market Price	Foreign Exchange Rates <sup>(iii)</sup>
<i>XL</i>	IDR 3,149 <sup>(i)</sup>	0.000353	IDR 3,149 <sup>(i)</sup>	0.000350
<i>Dialog</i>	LKR 24.16 <sup>(ii)</sup>	0.030400	LKR 24.16 <sup>(ii)</sup>	0.030000
<i>Spice</i>	INR 63.00	0.083900	INR 36.25	0.082200
<i>SIM</i>	THB 18.20	0.098308	THB 18.40	0.097942
<i>Samart</i>	THB 8.15	0.098308	THB 7.30	0.097942
<i>MI<sup>(i)</sup></i>	SGD1.90	2.303300	SGD1.88	2.283300
<i>TMIB</i>	N/A	0.047551	N/A	0.047192
<i>TMIC</i>	N/A	3.3115	N/A	3.2355
<i>Multinet</i>	N/A	0.0533	N/A	0.0517
<i>MTCE</i>	N/A	0.0003621	N/A	0.0003556

Notes:

- (i) Used in determining the value of SunShare.
- (ii) Represented by equity value per share as market price was not used to determine the value of the Proposed TM International Group.
- (iii) Quoted as RM per 1 unit local currency.

As such, based on the valuations depicted above, different cut-off dates as well as fluctuations in the share prices of the listed companies which form part of the Proposed TM International Group would significantly affect the valuation of the Proposed TM International Group. As such, by adopting a ten percent (10%) sensitivity threshold would render the valuation of the Proposed TM International Group to be between RM25.62 billion to RM31.32 billion under Scenario 1 and RM10.14 billion to RM12.40 billion under Scenario 2.

Based on the Issue Price of RM8.98 (under Scenario 1) or RM351.11 (under Scenario 2) per TM International Share pursuant to the Proposed Acquisition, this implies that the valuation of the Proposed TM International Group would be approximately RM32.13 billion or RM12.56 billion. It is pertinent to note that this valuation is marginally higher than the range mentioned above, albeit at the higher end of the valuation spectrum. It is imperative that the non-interested shareholders note that the higher the valuation of the Proposed TM International Group prior to the Proposed Acquisition, the lesser the amount of shares would be issued as the purchase consideration, thus benefiting the non-interested shareholders as the enlarged issued and paid-up share capital base of TM International would be lower.

Notwithstanding that, it is essential for the non-interested shareholders to note that the TM Exchange Ratio is highly important and would take precedence over the absolute value of the Proposed TM International Group, as the value ascribed to the Proposed Acquisition would then be correspondingly used to value the related portion of TM International's shareholdings.

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The points mentioned above are illustrated in the following table:

	Scenario 1		Scenario 2	
	Implied Valuation RM	Transacted Valuation RM	Implied Valuation RM	Transacted Valuation RM
Total value of the Proposed TM International Group prior to the Proposed Acquisition	28,470,726,352	32,125,070,562	11,270,093,656	12,532,209,959
No. of TM International Shares subsequent to the Proposed Demerger ( <i>No. of shares</i> )	3,577,402,067	3,577,402,067	35,693,116	35,693,116
Value per share	7.96	8.98	315.75	351.11
<b><u>Proposed Acquisition</u></b>				
Value of SunShare	136,981,610	155,000,000	136,981,610	155,000,000
Value of XL	1,324,527,296	1,425,000,000	1,324,527,296	1,425,000,000
Total purchase consideration	1,461,508,906	1,580,000,000	1,461,508,906	1,580,000,000
No. of new TM International shares to be issued pursuant to the Proposed Acquisition ( <i>No. of shares</i> )	183,606,647	176,000,000	4,628,690	4,500,000
No. of TM International Shares subsequent to the Proposed Acquisition ( <i>No. of shares</i> )	3,761,008,714	3,753,402,067	40,321,806	40,193,116
TM Exchange Ratio	5.13%	4.92%	12.97%	12.61%
% of new shares issued pursuant to the Proposed Acquisition	4.88%	4.69%	11.48%	11.20%
Non-interested shareholders' equity interest in TM International prior to the Proposed Acquisition	65.25%	65.25%	100.00%	100.00%
Non-interested shareholders' equity interest in TM International post the Proposed Acquisition	62.06%	62.19%	88.52%	88.80%

Premised on the above, despite the different value adopted in determining the equity value of the Proposed TM International Group as well as the issue price per TM International Share, the TM Exchange Ratio is fair and reasonable in both Scenario 1 and Scenario 2, as the exchange ratios represented by the implied valuations are both higher than the exchange ratios indicated by the transacted valuations. This effectively means that the amount of shares issued under the transacted valuation is less than our independent assessment, thus favouring the non-interested shareholders of TM.

**As such, the TM Exchange Ratio used in deriving the purchase consideration for the Proposed Acquisition is fair and reasonable to the non-interested shareholders of TM.**

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### 10.1.2 Pricing of the issue price of TM International Shares

	Scenario 1	Scenario 2*
	RM'000	RM'000
Total value of the Proposed TM International Group prior to the Proposed Acquisition	28,470,726	11,270,093
No. of shares after the Proposed Demerger	3,577,402	35,693
Equity value per share (RM)	7.96	315.75
Issue Price per share pursuant to the Proposed Acquisition (RM)	8.98	351.11
Premium over the equity value	12.81%	11.20%

Note:

\* Excluding Celcom.

From the table above, the issue price per share pursuant to the Proposed Acquisition represents a premium of 12.81% (under Scenario 1) or 11.20% (under Scenario 2) to the implied equity value of each TM International Share. It is pertinent to note that the implied equity value per share of TM International would vary as 42.57% of its total value would be based on prevailing market prices of its listed entities overseas as well as the prevailing foreign exchange rates. Furthermore, the valuation of TM International would fluctuate according to the value of the shares of the listed entities in the respective foreign countries as well as being exposed to foreign exchange rate fluctuations.

For further analysis, we have computed the implied value of each TM International Share based on different cut-off dates. The following table outlines the comparisons between (i) the implied value of the Proposed TM International Group per share, and (ii) the issue price of RM8.98 per TM International Share at the following dates:

	Scenario 1		Scenario 2	
	As at 31 December 2007 RM	As at 31 January 2008 RM	As at 31 December 2007 RM	As at 31 January 2008 RM
Implied value per TM International Share	7.96 <sup>(a)</sup>	7.74 <sup>(b)</sup>	315.75 <sup>(c)</sup>	293.99 <sup>(d)</sup>
Issue price per TM International Share pursuant to the Proposed Acquisition	8.98	8.98	351.11	351.11
Premium	12.81%	16.02%	11.20%	19.43%

Notes:

- (a) Calculated based on the implied value of the Proposed TM International Group of RM28,470.73 million, which was represented by the prevailing market price as at 31 December 2007 and the proforma number of issued shares of 3,577.4 million.
- (b) Calculated based on the implied value of the Proposed TM International Group of RM27,686.60 million, which was represented by the prevailing market price as at 31 January 2008 and the proforma number of issued shares of 3,577.4 million.
- (c) Calculated based on the implied value of the Proposed TM International Group of RM11,270.09 million, which was represented by the prevailing market price as at 31 December 2007 and the proforma number of issued shares of 35.69 million.

(d) *Calculated based on the implied value of the Proposed TM International Group of RM10,493.39 million, which was represented by the prevailing market price as at 31 January 2008 and the proforma number of issued shares of 35.69 million.*

From the table above, it is noted that the issue price of RM8.98 per TM International Share under Scenario 1 is higher than the implied value of RM7.96 and RM7.74 respectively, offering a premium of between 12.81% to 16.02%. Similarly, the issue price of RM351.11 per TM International Share under Scenario 2 is higher than the implied value of RM315.75 and RM293.99 respectively, offering a premium of between 11.20% to 19.43%. A higher issue price per TM International Share pursuant to the Proposed Acquisition as opposed to the equity value under both scenarios would be favourable to the non-interested shareholders of TM due to lesser number of new ordinary shares being issued by TM International.

It is important to note that whatever value that has been ascribed to the valuation of XL and SunShare, will in turn be reflected in the Proposed TM International Group. As such, it is imperative to note that the TM Exchange Ratio would take precedence over the absolute amount of the value of TM International. It is therefore essential to ascertain the reasonableness of the TM Exchange Ratio, as illustrated in Section 10.1.1(iii) above rather than the absolute value of the Proposed TM International Group.

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## 10.2 Evaluation of the purchase consideration for the Proposed Acquisition

The financial evaluation on the EPS and NA set out in Section 10.2 of this IAL are based on SunShare's and XL's unaudited quarterly results for the nine (9) months financial period ended 30 September 2007, whilst M1's analysis is based on its unaudited results for the twelve (12) months financial year ended 31 December. Premised on the above, the non-interested shareholders of TM should note that these figures have yet to be audited and the actual figures announced may differ from the extrapolated/announced numbers.

### 10.2.1 Purchase consideration for the Proposed SunShare Acquisition

#### (i) Market Value

In evaluating the financial merits of undertaking the Proposed SunShare Acquisition, it is important to consider the NA of SunShare, as the company is an unlisted entity with no prevailing market price for its shares. SunShare is predominantly an investment holding company. The following table outlines comparisons between the adjusted NA as at 30 September 2007 and the purchase consideration for the Proposed SunShare Acquisition:

	RM
Market value of M1 shares (265,410,150 units x SGD1.90 <sup>(a)</sup> x RM2.3033 <sup>(b)</sup> )	1,161,506,477
Less: Investment cost (SGD581,322,331 <sup>(c)</sup> x RM2.3033 <sup>(b)</sup> )	<u>(1,338,959,725)</u>
Provision for diminution in value of investment	<u>(177,453,248)</u>
NA (SGD198,414,255 <sup>(d)</sup> x RM2.3033 <sup>(b)</sup> )	457,007,554
Less: Provision for diminution in value of investment	<u>(177,453,248)</u>
Adjusted NA	<u>279,554,306</u>
49% of the adjusted NA	<u><b>136,981,610</b></u>
Purchase consideration	155,000,000
Premium	18,018,390
Premium for the purchase consideration paid to Khazanah	13.15%
<b><u>Scenario 1:</u></b>	
Premium received from the issue price of the Consideration Shares	12.81%
<b><u>Scenario 2:</u></b>	
Premium received from the issue price of the Consideration Shares	11.20%

Notes:

- (a) Being the closing market price of M1 Shares as at 31 December 2007. (Source: Bloomberg)
- (b) Being the closing exchange rate of SGD1:RM2.3033 as at 31 December 2007 as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).
- (c) Being the investment cost of M1, as extracted from SunShare's unaudited nine (9) months quarterly results for the FPE 30 September 2007.

*(d) Being the NA of SunShare, as extracted from SunShare's unaudited nine (9) months quarterly results for the FPE 30 September 2007.*

For illustrative purposes only, we note that from the table above, the net book value of 35,965,998 SunShare RCPS and 2 SunShare Shares as at 30 September 2007 which, collectively represents 49% of the issued and paid-up capital of SunShare is worth approximately RM137 million. It is pertinent for non-interested shareholders of TM to note that upon completion of the Proposed SunShare Acquisition, the Proposed TM International Group's economic benefit in SunShare will increase from 51% to 100%, which in turn holds 29.69% equity interest in M1, an associate company of SunShare.

Though it appears that a premium of 13.15% is paid for the 49% stake in SunShare, nonetheless it is important to note that the current trading prices of M1 have been the lowest for the past twelve (12) months. Using the simple average of the share price for M1 for the past twelve (12) months of SGD2.10, the purchase consideration for SunShare would be at a discount of approximately 21.28%.

Notwithstanding that, it is also important to note that the premium received from the issuance of TM International shares of 12.81% under Scenario 1 or 11.20% under Scenario 2 is only slightly lower than the premium currently paid for the Proposed SunShare Acquisition. As the Proposed Acquisition is inter-conditional, on a collective basis, the premium paid is still reasonable.

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(ii)

**Historical Financial Performance**

The following table outlines the summary of M1's historical financial information based on its audited financial statements from FYE 31 December 2004 to 2006 as well as the latest unaudited results for the FYE 31 December 2007:

	FYE 31 December											
	2004		2005		2006		2007					
	SGD million <sup>(a)</sup>	RM million <sup>(a)</sup>	SGD million <sup>(a)</sup>	RM million <sup>(a)</sup>	SGD million <sup>(a)</sup>	RM million <sup>(a)</sup>	SGD million <sup>(b)</sup>	RM million <sup>(a)</sup>	SGD million <sup>(b)</sup>	RM million <sup>(d)</sup>	RM million <sup>(d)</sup>	
Revenue	747.09	1,738.62	778.23	1,768.67	773.02	1,776.64	803.30	1,850.24				
Operating profit	193.21	449.65	212.10	482.04	219.28	503.97	204.00	469.87				
Finance cost	(10.29)	(23.95)	(10.26)	(23.32)	(10.26)	(23.59)	(9.50)	(21.88)				
PBT	182.92	425.70	201.84	458.72	209.02	480.38	194.50	447.99				
Taxation	(29.00)	(67.49)	(40.80)	(92.74)	(44.44)	(102.14)	(22.70)	(52.28)				
Minority interest	-	-	-	-	-	-	-	-				
PATAMI	153.92	358.21	161.04	365.98	164.58	378.24	171.80	395.71				
EPS (sen)	14.7	34.2	16.4	37.3	16.6	38.2	18.9	43.5				
Dividend (sen)	10.7	24.9	13.1	29.8	13.3	30.6	15.4 <sup>(c)</sup>	35.5				
Special dividend (sen)	-	-	12.2	27.7	-	-	-	-				

Notes:

- (a) Extracted from the Annual Report of M1 for the respective years.
- (b) Unaudited quarterly results for the FYE 31 December 2007.
- (c) Extracted from M1's official website, [www.m1.com.sg](http://www.m1.com.sg).
- (d) For illustration purposes, profit and loss items were converted at the closing foreign exchange rate as at the end of its respective years, 2004: SGDI: RM2.3272; 2005: SGDI: RM2.2727; 2006: SGDI: RM2.2983; and 2007: SGDI: RM2.3033, as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).

From the table above, we noted that M1 has been experiencing uninterrupted growth in revenue since FYE 31 December 2004. The operating profit as well as the PATAMI have also reported a healthy growth since FYE 31 December 2004 to 2006 from SGD193.21 million (RM449.65 million) to SGD219.28 million (RM503.97 million) and SGD153.92 million (RM358.21 million) to SGD164.58 million (RM378.24 million) respectively. Besides, based on the latest unaudited results of M1 for the FYE 31 December 2007, M1 recorded the highest PATAMI in the four (4) financial years under review of SGD171.80 million (RM395.71 million). This augurs well for the Proposed TM International Group, as by increasing its equity stake in M1 via the Proposed SunShare Acquisition, they stand to benefit from any upside in the future financial performance of the company.

In addition, it was noted that M1 has declared dividends in the past four (4) financial years and the dividends declared was on an increasing rate from SGD0.11 (RM0.25) to SGD0.15 (RM0.36). A special dividend of SGD0.12 (RM0.28) was declared in the FYE 31 December 2005. Nonetheless, non-interested shareholders of TM should note that a company's ability to pay dividends to its shareholders is directly affected by, *inter-alia*, its financial condition and the ability of companies in the group to pay the holding company (i.e. M1) dividends.

As such, there is no certainty that the historical gross dividend payments by M1 would be maintained in the future as the dividend payout policy depends on numerous factors such as M1's profitability, availability of free cash flows, level of distributable reserves, debt servicing and financing commitments, restrictions imposed by the debt covenants of the respective entities as well as future expansion plan of M1.

**(iii) Historical Share Price**

In assessing the attractiveness of increasing its equity stake in M1, the non-interested shareholders of TM should also take into consideration the movements in the market price of M1 Shares.

	Volume Shares	High SGD	High RM <sup>(a)</sup>	Low SGD	Low RM <sup>(a)</sup>
<b>2007</b>					
February	37,246,000	2.22	5.09	2.06	4.72
March	56,557,000	2.22	5.06	2.00	4.56
April	35,636,000	2.36	5.31	2.10	4.73
May	22,062,000	2.32	5.15	2.18	4.84
June	29,617,000	2.34	5.28	2.11	4.76
July	44,662,000	2.21	5.05	2.08	4.76
August	31,523,000	2.18	5.01	1.97	4.52
September	23,514,000	2.16	4.95	2.05	4.70
October	24,629,000	2.16	4.98	2.04	4.70
November	35,633,000	2.12	4.92	1.90	4.41
December	22,109,000	2.10	4.84	1.80	4.15
Up to the LPD	23,992,000	2.00	4.57	1.75	3.99
<b>Simple average</b>	<b>32,265,000</b>	<b>2.20</b>	<b>5.02</b>	<b>2.00</b>	<b>4.57</b>

(Source: Bloomberg)

Note:

(a) Converted at the closing foreign exchange rate as at the end of the respective months as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).

It is noted from the table above that the price of M1 Shares has been traded on a declining trend since the month of August 2007 up to 31 January 2008. Furthermore, the share price of M1 in January 2008 was traded at the lowest price for the past twelve (12) months (ie. SGD1.75).

Notwithstanding that, the M1 Shares have been actively traded in the past twelve (12) months period from February 2007 up to 31 January 2008 with a simple average monthly volume of 32,265,000 M1 Shares. This represents approximately 3.61% of M1's issued and paid-up share capital as at 31 December 2007 of 893.88 million M1 Shares. This implies that there is ample liquidity and marketability of M1 Shares.

*(iv) Selected Comparable Companies*

For the purpose of assessing the value of M1, we have also reviewed the price-to-earnings multiples ("**PE Multiples**") and price-to-book-ratio ("**PBR**") of selected comparable companies listed and traded on the SGX-ST to provide an indication of the current market valuations with regard to the valuation of M1 shares. The comparable companies were selected on the basis that they were profitable companies listed on the SGX-ST as at 31 January 2008, which are classified under the mobile telecommunications sector and their principal activities being broadly similar to the core business of M1.

Nonetheless, shareholders are advised that the selected comparable companies tabulated below have been selected for PE Multiple and PBR comparison purposes only and may not be directly comparable to M1 due to various factors which include, amongst others, marketability and liquidity of the shares, scale and composition of business activities, reputation, target markets or product offerings, profit track record, financial strength, accounting policies, risk profile, and future prospects. As such, the comparisons made herein are necessarily limited and serve only as an illustrative guide to shareholders. The list of selected comparable companies set out in the following table is by no means exhaustive.

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### **PE Multiples**

The table below provides an illustrative comparison of the PE Multiples of M1 relative to the selected comparable companies:

<b>Companies</b>	<b>FPE/FYE</b>	<b>Price (SGD)</b>	<b>Basic EPS (SGD)</b>	<b>PE Multiple (times)</b>
M1 - as at 31.01.2008	31.12.2007	1.88 <sup>(a)</sup>	0.19 <sup>(d)</sup>	9.89
M1 - as at 31.12.2007	31.12.2007	1.90 <sup>(b)</sup>	0.19 <sup>(d)</sup>	10.00
M1 - as at 31.12.2006	31.12.2006	2.15 <sup>(c)</sup>	0.17 <sup>(e)</sup>	12.65
<b>Selected comparable companies</b>				
Singapore Telecommunications Ltd	30.09.2007	4.00 <sup>(b)</sup>	0.24 <sup>(f)</sup>	16.67
Starhub Ltd	30.09.2007	2.81 <sup>(b)</sup>	0.17 <sup>(f)</sup>	16.53
<b>Simple average of the PE Multiple of the selected comparable companies</b>				<b>16.60</b>

Notes:

- (a) Being the closing market price of M1 Shares as at 31 January 2008. (Source: Bloomberg)
- (b) Being the closing market price of shares of the respective companies as at 31 December 2007. (Source: Bloomberg)
- (c) Being the closing market price of M1 Shares as at 31 December 2006. (Source: Bloomberg)
- (d) Extracted from M1's unaudited quarterly results for the FYE 31 December 2007.
- (e) Extracted from M1's 2006 Annual Report.
- (f) Computed based on the EPS extracted from the respective companies' unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months.

Based on the table above, we wish to highlight that the range of PE Multiples of M1 as denoted by its three (3) market price as at 31 December 2006, 31 December 2007 and 31 January 2008 of between 9.89 times to 12.65 times respectively are **lower** than the PE Multiples of the selected comparable companies of 16.53 times to 16.67 times and the simple average of the PE Multiple of the selected comparable companies of 16.60 times based on the market price as at 31 December 2007.

Shareholders should note that the PE Multiples depicted above are historical PE Multiples based on M1's unaudited quarterly results for the FYE 31 December 2007, and therefore they do not take into consideration the prospects and future performance of M1 and may not be reflective of the actual position of M1 if an audit had been conducted on the financial information.

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## **PBR**

The table below provides an illustrative comparison of the PBR of M1 relative to the selected comparable companies:

Companies	FPE/FYE	NA		PBR (times)
		Price (SGD)	per share (SGD)	
M1 - as at 31.01.2008	31.12.2007	1.88 <sup>(a)</sup>	0.23 <sup>(d)</sup>	8.17
M1 – as at 31.12.2007	31.12.2007	1.90 <sup>(b)</sup>	0.23 <sup>(d)</sup>	8.26
M1 - as at 31.12.2006	31.12.2006	2.15 <sup>(c)</sup>	0.39 <sup>(e)</sup>	5.51
<b>Selected comparable companies</b>				
Singapore Telecommunications Ltd	30.09.2007	4.00 <sup>(b)</sup>	1.42 <sup>(f)</sup>	2.82
Starhub Ltd	30.09.2007	2.81 <sup>(b)</sup>	0.56 <sup>(f)</sup>	5.02
<b>Simple average of the PE Multiple of the selected comparable companies</b>				<b>3.92</b>

Notes:

- (a) Being the closing market price of M1 Shares as at 31 January 2008. (Source: Bloomberg)
- (b) Being the closing market price of shares of the respective companies as at 31 December 2007. (Source: Bloomberg)
- (c) Being the closing market price M1 Shares as at 31 December 2006. (Source: Bloomberg)
- (d) Computed based on the NA of M1 divided by the number of ordinary shares that were issued and paid-up as at 31 December 2007. These financial data were extracted from M1's unaudited quarterly results for the FYE 31 December 2007.
- (e) Computed based on the NA of M1 divided by the number of ordinary shares that were issued and paid-up as at 31 December 2006. These financial data were extracted from M1's 2006 Annual Report.
- (f) Computed based on the adjusted NA of the respective companies divided by the number of ordinary shares that were issued and paid-up as at 30 September 2007. These financials were extracted from the latest unaudited quarterly results for the FPE 30 September 2007 of the respective companies.

Based on the table above, the PBR of M1 as denoted by its three (3) market price as at 31 December 2006, 31 December 2007 and 31 January 2008 of between 5.51 times to 8.26 times respectively are **higher** than the PBR of the selected comparable companies of 2.82 times to 5.02 times and are **higher** than the simple average of the PBR of the selected comparable companies of 3.92 times.

It is pertinent for the shareholders to note that the PBR represented above are based on historical figures based on M1's unaudited quarterly results for the FYE 31 December 2007, and therefore they do not take into consideration the prospects and future performance of M1 and may not be reflective of the actual position of M1 if an audit had been conducted on the financial information.

Premised on the above, the Proposed SunShare Acquisition appears to be **fair and reasonable** to TM International, considering that upon the completion of the Proposed SunShare Acquisition, TM International's equity in SunShare will increase from 51% to 100%, and effectively would be able to further capitalise on M1's strengths and prospects.

## 10.2.2 Purchase consideration for the Proposed XL Acquisition

### (i) EV/EBITDA and Market Value

It is pertinent to note that XL shares are fairly illiquid and thinly traded in the open market. Between the three (3) largest shareholders of XL, namely TM (66.99%), Khazanah (16.81%) and Etisalat (15.97%), there are only approximately less than 1% of the total issued and paid-up share capital of XL that are traded in the open market. As such, the share price of XL may not be reflective of its equity value. Hence, the EV/EBITDA valuation methodology was used in deriving the equity value of XL instead of the market price. This is illustrated in the following table:

	Annualised 2007 RM
EBITDA	1,128,737,541 <sup>(a)</sup>
Long term borrowings	3,056,632,513 <sup>(b)</sup>
Cash and bank balances	215,857,076 <sup>(b)</sup>
EV/EBITDA multiple (times)	9.5 <sup>(c)</sup>
Equity value of XL	7,882,231,198
Price per XL share (RM)	1.11
Price per XL share (IDR)	3,149
Closing price as at 31 December 2007 (RM)	0.77
Closing price as at 31 December 2007 (IDR)	2,175
6 months - VWAMP (RM)	0.69
6 months - VWAMP (IDR)	2,246.03

Notes:

- (a) Computed based on XL's nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months.
- (b) Extracted from XL's nine (9) months unaudited quarterly results for the FPE 30 September 2007.
- (c) The multiple used was based on the simple average of the multiples for the past two (2) financial years 2006 and 2007 as reflected by its trading market prices calculated on 31 December each year.

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In evaluating the financial merits of undertaking the Proposed XL Acquisition, we have taken into consideration the market value of XL as XL is a listed entity. The value of 1,191,553,500 XL Shares, which represents approximately 16.81% of the issued and paid-up share capital of XL is summarised in the following table:

	RM
Market value of 1,191,553,500 XL Shares (1,191,553,500 units x IDR2,175.00 <sup>(a)</sup> x RM0.000353 <sup>(b)</sup> )	<b><u>914,844,988</u></b>
Market value of 1,191,553,500 XL Shares per unit	0.77
Value of 1,191,553,500 XL Shares based on the valuation illustrated in Section 10.2.2 (i) of this IAL (1,191,553,500 units x IDR3,149.00 x RM0.000353 <sup>(b)</sup> )	<b><u>1,324,527,296</u></b>
Value of 1,191,553,500 XL Shares per unit based on EV/EBITDA multiple price of IDR3,149.00	1.11
Purchase consideration	1,425,000,000
Premium	100,472,704
Premium for the purchase consideration paid to Khazanah	7.59%
<b><u>Scenario 1:</u></b>	
Premium received from the issue price of the Consideration Shares	12.81%
<b><u>Scenario 2:</u></b>	
Premium received from the issue price of the Consideration Shares	11.20%

Notes:

(a) Being the closing market price of XL Shares as at 31 December 2007. (Source: Bloomberg)

(b) Being the closing exchange rate of IDR1:RM0.000353 as at 31 December 2007. (Source: Bank Negara Malaysia)

From the table above, it is noted that the market value of 1,191,553,500 XL Shares based on the closing market price as at 31 December 2007 is approximately RM915 million, which translates into approximately RM0.77 per XL Share.

However, it is pertinent to note that XL Shares are fairly illiquid and thinly traded in the open market. Between the three (3) largest shareholders of XL, namely TM (66.99%), Khazanah (16.81%) and Etisalat (15.97%), there are only approximately less than 1% of the total issued and paid-up share capital of XL that are traded in the open market.

Though it appears that a premium of 7.59% is paid for the 16.81% stake in XL, nonetheless it is important to note that the current trading prices of XL have been the lowest for the past twelve (12) months. Furthermore, it has to be noted that the purchase of a significant block of shares in XL would drive the share price upwards.

Notwithstanding that, it is also important to note that the premium received from the Issue Price of the purchase consideration of 12.81% under Scenario 1 or 11.20% under Scenario 2 is higher than the premium currently paid for the Proposed XL Acquisition of 7.59%.

(ii) **Historical Financial Performance**

The following table is a summary of XL's financial information based on its consolidated audited financial statements for the FYE 31 December 2004 to 31 December 2006 as well as the latest quarterly results for the FPE 30 September 2007 extrapolated to twelve (12) months:

	← FYE 31 December →							
	2004		2005		2006		2007	
	IDR million <sup>(b)</sup>	RM million <sup>(d)</sup>	IDR million <sup>(b)</sup>	RM million <sup>(d)</sup>	IDR million <sup>(b)</sup>	RM million <sup>(d)</sup>	IDR million <sup>(c)</sup>	RM million <sup>(d)</sup>
Revenue	2,590,704	1,059.60	3,059,127	1,174.70	4,681,675	1,835.22	7,234,344	2,553.72
Operating profit	662,401	270.92	570,059	218.90	1,027,861	0.40	1,469,777	518.83
Profit/(Loss) before taxation	(46,581)	(19.05)	(313,227)	(120.28)	1,002,422	392.95	446,243	157.52
Taxation	1,278	0.52	89,135	34.23	(350,539)	(137.41)	(238,423)	(84.16)
Profit/(Loss) after taxation	(45,303)	(18.53)	(224,092)	(86.05)	651,883	255.54	207,820	73.36
EPS/(Loss per share) (IDR)	(20,001)	(8.18)	(37)	(0.01)	92.00	0.04	29.00	0.01
Dividend (%)	-	-	-	-	9.47	9.47	-	-

Notes:

- (a) There were no exceptional and/or extraordinary items for the FPE/FYE under review.
- (b) Extracted from Appendix III of the Circular.
- (c) Extracted from the nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months.
- (d) For illustration purposes, profit and loss items were converted at the closing foreign exchange rate as at the end of its respective years, 2004: IDRI: RM0.000409; 2005: IDRI: RM0.000384; 2006: IDRI: RM0.000392; and 2007: IDRI: RM0.000353, as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).

From the table above, we noted that XL has been experiencing uninterrupted growth in revenue since FYE 31 December 2004 as well as growth in operating profit since year 2006. The profit after taxation of XL has been on an increasing trend from FYE 31 December 2004 to FYE 31 December 2006. In the FYE 31 December 2004 and 2005, XL recorded a loss after taxation of IDR45,303 million (RM18.53 million) and IDR224,092 million (RM86.05 million) respectively. This was attributable mainly to the 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. Nonetheless, XL registered a healthy profit after taxation of IDR651,883 million (RM255.54 million) and IDR207,820 million (RM73.36 million) in FYE 31 December 2006 and FPE 30 September 2007 extrapolated to twelve (12) months respectively.

It was also noted that XL has not historically declared any dividend, save for FYE 31 December 2006. Nonetheless, shareholders should note that a company's ability to pay dividends to its shareholders is directly affected by, *inter alia*, its financial condition and the ability of companies in the group to pay the holding company (i.e. XL) dividends. Covenants in some of the loan agreements entered into by some members of the group may limit when and the quantum of dividends those companies can declare and pay.

(iii) **Historical Share Price**

The table below sets out the monthly highest and lowest market prices and transacted volume of XL Shares for the twelve (12) months period commencing 1 February 2007 up to 31 January 2008.

	Volume Shares	High IDR	High RM <sup>(a)</sup>	Low IDR	Low RM <sup>(a)</sup>
<b>2007</b>					
February	7,525,500	2,500.00	0.96	2,075.00	0.79
March	375,500	2,250.00	0.85	2,100.00	0.80
April	4,254,500	2,475.00	0.93	2,175.00	0.82
May	5,188,000	2,500.00	0.96	2,225.00	0.86
June	337,000	2,475.00	0.95	2,150.00	0.82
July	1,173,500	2,400.00	0.90	2,125.00	0.80
August	10,201,500	2,450.00	0.91	1,800.00	0.67
September	648,500	2,100.00	0.78	1,950.00	0.73
October	605,500	2,100.00	0.77	1,950.00	0.72
November	790,500	2,025.00	0.72	1,900.00	0.68
December	8,965,500	2,975.00	1.05	1,900.00	0.67
Up to the LPD	2,233,500	2,275.00	0.80	1,720.00	0.60
<b>Simple average</b>	<b>3,524,917</b>	<b>2,377.08</b>	<b>0.88</b>	<b>2,005.83</b>	<b>0.75</b>

(Source: Bloomberg)

Note:

(a) Converted at the closing foreign exchange rate as at the end of the respective months as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).

Based on the table above, it is noted that the XL Shares had been trading in the range of RM0.60 to RM1.05 for the past twelve (12) months up to 31 January 2008, where RM0.60 was the lowest and RM1.05 was the highest traded price for the past twelve (12) months up to 31 January 2008 respectively.

The purchase consideration of RM1.20 per XL Share is higher than the range of the lowest and highest traded price for the past twelve (12) months up to 31 January 2008 of RM0.60 and RM1.05, and the simple average highest traded price of RM0.88 for the past twelve (12) months up to 31 January 2008.

Further, we note that XL Shares are substantially held by a small number of investors, which explains the low level of trading of its shares. Based on the shareholding structure of XL as at 30 September 2007, the two (2) largest shareholders namely TM International and Khazanah (directly and indirectly) holds 66.99% and 16.81% of XL's issued and paid-up capital respectively.

During the twelve (12) months period up to 31 January 2008, XL Shares have also been thinly traded with a simple average monthly volume of 3,524,917 XL Shares. This represents approximately 0.05% of XL's issued and paid-up capital as at 30 September 2007 of 7.1 billion XL Shares. In light of the lack of liquidity and marketability of XL Shares, it may be difficult to acquire XL Shares in the open market for large quantities.

*(iv) Selected Comparable Companies*

For the purpose of assessing the value of XL, we have also reviewed the PE Multiples and PBR of selected comparable companies listed and traded on the IDX to provide an indication of the current market valuations with regard to the valuation of XL shares. The comparable companies were selected on the basis that they were profitable companies listed on the IDX as at 31 January 2008, which are classified under the mobile telecommunications sector and their principal activities being broadly similar to the core business of XL.

Nonetheless, shareholders are advised that the selected comparable companies tabulated below have been selected for PE Multiple and PBR comparison purposes only and may not be directly comparable to XL due to various factors which include, amongst others, marketability and liquidity of the shares, scale and composition of business activities, reputation, target markets or product offerings, profit track record, financial strength, accounting policies, risk profile, and future prospects. As such, the comparisons made herein are necessarily limited and serve only as an illustrative guide to shareholders. The list of selected comparable companies set out in the following table is by no means exhaustive.

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## PE Multiples

The table below provides an illustrative comparison of the PE Multiples of XL relative to the selected comparable companies:

Companies	FPE/FYE	Price (IDR)	Basic EPS (IDR)	PE Multiple (times)
XL - based on implied value	30.09.2007	3,149.00 <sup>(a)</sup>	90.14 <sup>(f)</sup>	34.93
XL - as at 31.01.2008	30.09.2007	1,760.00 <sup>(b)</sup>	90.14 <sup>(f)</sup>	19.53
XL - as at 31.12.2007	30.09.2007	2,175.00 <sup>(c)</sup>	90.14 <sup>(f)</sup>	24.13
XL - as at 30.09.2007	30.09.2007	2,075.00 <sup>(d)</sup>	90.14 <sup>(f)</sup>	23.02
XL - as at 31.12.2006	31.12.2006	2,325.00 <sup>(e)</sup>	91.94 <sup>(g)</sup>	25.29
<b>Selected comparable companies</b>				
PT Indosat Tbk	30.09.2007	8,650.00 <sup>(c)</sup>	357.05 <sup>(h)</sup>	24.23
PT Mobile-8 Telecom Tbk	30.09.2007	260.00 <sup>(c)</sup>	3.74 <sup>(h)</sup>	69.52
PT Bakrie Telecom Tbk	30.09.2007	420.00 <sup>(c)</sup>	8.01 <sup>(h)</sup>	52.43
<b>Simple average of the PE Multiple of the selected comparable companies</b>				<b>48.73</b>

Notes:

- (a) Based on the implied value of RM1.11 as computed in Section 10.1.2 converted at the foreign exchange rate as at 31 December 2007 of IDR1: RM0.000353.
- (b) Being the closing market price of XL Shares as at 31 January 2008. (Source: Bloomberg)
- (c) Being the closing market price of shares of the respective companies as at 31 December 2007. (Source: Bloomberg)
- (d) Being the closing market price of XL Shares as at 30 September 2007. (Source: Bloomberg)
- (e) Being the closing market price of XL Shares as at 31 December 2006. (Source: Bloomberg)
- (f) Computed based on the adjusted PAT for an exceptional item of IDR323.46 billion / the number of shares of 7.1 billion and extrapolated to twelve (12) months. (Source: XL's nine (9) months unaudited quarterly results for the FPE 30 September)
- (g) Extracted from XL's 2006 Annual Report.
- (h) Computed based on the EPS extracted from the respective companies' nine (9) months unaudited quarterly results for the FPE 30 September 2007 and extrapolated to twelve (12) months.

Premised on the table above, we wish to highlight that the range of PE Multiples of XL as denoted by its four (4) market price as at 31 December 2006, 30 September 2007, 31 December 2007 and 31 January 2008 of between 19.53 times to 25.29 times respectively are **lower** than the PE Multiples of the selected comparable companies of 24.23 times to 69.52 times and the simple average of the PE Multiple of the selected comparable companies of 48.73 times.

The PE Multiple of XL of 34.93 times as denoted by the implied value of RM1.11 per XL Share is **within the range** of the selected comparable companies of 24.23 times to 69.52 times and is **lower** than the simple average of the PE Multiple of the selected comparable companies of 48.73 times.

Further, as the PE Multiple of the implied value of RM1.11 is within the range of the selected comparable companies, this implies that the implied value of RM1.11, which is approximately 44.78% above the market value, is fair and reasonable.

### **PBR**

The table below provides an illustrative comparison of the PBR of XL relative to the selected comparable companies:

<b>Companies</b>	<b>FPE/FYE</b>	<b>Price (IDR)</b>	<b>NA per share (IDR)</b>	<b>PBR (times)</b>
XL - based on implied value	30.09.2007	3,149.00 <sup>(a)</sup>	638.88 <sup>(f)</sup>	4.93
XL - as at 31.01.2008	30.09.2007	1,760.00 <sup>(b)</sup>	638.88 <sup>(f)</sup>	2.75
XL - as at 31.12.2007	30.09.2007	2,175.00 <sup>(c)</sup>	638.88 <sup>(f)</sup>	3.40
XL - as at 30.09.2007	30.09.2007	2,075.00 <sup>(d)</sup>	638.88 <sup>(f)</sup>	3.25
XL - as at 31.12.2006	31.12.2006	2,325.00 <sup>(e)</sup>	603.84 <sup>(g)</sup>	3.85
<b>Selected comparable companies</b>				
PT Indosat Tbk	30.09.2007	8,650.00 <sup>(c)</sup>	3,023.60 <sup>(h)</sup>	2.86
PT Mobile-8 Telecom Tbk	30.09.2007	260.00 <sup>(c)</sup>	92.88 <sup>(h)</sup>	2.80
PT Bakrie Telecom Tbk	30.09.2007	420.00 <sup>(c)</sup>	99.23 <sup>(h)</sup>	4.23
<b>Simple average of the PE Multiple of the selected comparable companies</b>				<b>3.30</b>

Notes:

- (a) Based on the implied value of RM1.11 as computed in Section 10.1.2 converted at the foreign exchange rate of IDR1: RM0.000353.
- (b) Being the closing market price of XL Shares as at 31 January 2008. (Source: Bloomberg)
- (c) Being the closing market price of shares of the respective companies as at 31 December 2007. (Source: Bloomberg)
- (d) Being the closing market price of XL Shares as at 30 September 2007. (Source: Bloomberg)
- (e) Being the closing market price of XL Shares as at 31 December 2006. (Source: Bloomberg)
- (f) Computed based on the adjusted NA of XL divided by the number of ordinary shares that were issued and paid-up as at 30 September 2007. These financial data were extracted from XL's nine (9) months unaudited quarterly results for the FPE 30 September 2007.
- (g) Extracted from XL's 2006 Annual Report.
- (h) Computed based on the adjusted NA of the respective companies divided by the number of ordinary shares that were issued and paid-up as at 30 September 2007. These financial data were extracted from the latest quarterly results of the respective companies.

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Based on the table above, the PBR of XL as denoted by its four (4) market price as at 31 December 2006, 30 September 2007, 31 December 2007 and 31 January 2008 of between 2.75 times to 3.85 times respectively are **within the range** of the PBR of the selected comparable companies of 2.80 times to 4.23 times. The PBR of XL based on the market price as at 31 December 2007 is **higher** than the simple average of the PBR of the selected comparable companies of 3.30 times based on the market price as at 31 December 2007.

The PBR of XL of 4.93 times as denoted by the implied value of RM1.11 per XL Share is **higher** than the selected comparable companies of 2.80 times to 4.23 times and the simple average of the PBR of the selected comparable companies of 3.30 times.

It is pertinent to the shareholders to note that the PE Multiple and PBR represented above are based on historical figures based on XL's nine (9) months unaudited quarterly results FPE 30 September 2007, and the implied value of approximately RM1,325 million, therefore they do not take into consideration the prospects and future performance of XL and may not be reflective of the actual position of XL if an audit had been conducted on the financial information.

Based on all the discussions above, the implied value of RM1,325 million for 1,191,553,500 XL Shares based on the implied valuation of the Proposed TM International Group, which is approximately 44.78% higher than the market value of XL appears to be **fair and reasonable** to TM International.

(v) ***Precedent Transactions***

In the month of December 2007, Etisalat, through its subsidiary, acquired a 15.97% equity interest in XL at approximately RM1.28 per XL Share. The details of the acquisition are illustrated in the following table:

	<u>USD</u>
No. of XL shares purchased by Etisalat from Bella Sapphire Ventures Ltd	1,132,273,000
Purchase consideration	438,000,000
Foreign exchange rate as at 11.12.2007	<u>3.3150<sup>(a)</sup></u>
Purchase consideration (RM)	<u><u>1,451,970,000</u></u>
XL share valuation (RM)	1.28
XL share valuation (IDR)	3,585 <sup>(b)</sup>
Market price per XL share (RM)	0.82 <sup>(c)</sup>
Market price per XL share (IDR)	2,300 <sup>(d)</sup>
Premium per share	<u><u>56.10%</u></u>

Notes:

(a) Being the closing foreign exchange rate of USD1: RM3.3150 as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).

- (b) Being XL Share valuation of RM1.28 converted at the closing foreign exchange rate of IDR1: RM0.000357 as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).
- (c) Being the closing market price of XL Shares of IDR2,300 as at 11 December 2007 converted at the closing foreign exchange rate of IDR1: RM0.000357 as extracted from [www.bnm.gov.my](http://www.bnm.gov.my).
- (d) Being the closing market price of XL Shares as at 11 December 2007. (Source: Bloomberg)

As the shares of XL are fairly illiquid, the transacted price of each XL share was 56.10% above its market price. As such, it is pertinent to note that the purchase consideration of RM1.11 per XL share pursuant to the Proposed XL Acquisition is still below the recent precedent transaction price, notwithstanding the fact that it is significantly higher than its market price.

Premised on the considerations of the Proposed Acquisition above, the total valuation of both 35,965,998 SunShare RCPS and 2 SunShare Shares as well as 1,191,553,500 XL Shares is equivalent to approximately RM1,462 million as compared to the purchase consideration of RM1,580 million. This implies that the purchase consideration of RM1,580 million represents a premium of 8.07%.

However, as illustrated in Section 10.1.2 of this IAL, the Issue Price per share pursuant to the Proposed Acquisition of RM8.98 represents a premium of 12.81% over the equity value of the Proposed TM International Group.

A summary of both the purchase consideration and offer consideration for the Proposed Acquisition is summarised in the following table:

**Scenario 1**

	<b>Transacted Valuation RM</b>	<b>PIVB Valuation RM</b>	<b>Premium RM</b>
<b><u>TM Exchange Ratio</u></b>	4.92%	5.13%	-
<b><u>Consideration Shares</u></b>			
Value per TM International share	8.98	7.96	1.02
<b><i>Premium received</i></b>			<b>12.81%</b>
<b><u>Purchase consideration</u></b>			
Acquisition of SunShare	155,000,000	136,981,610	
Acquisition of XL	1,425,000,000	1,324,527,296	
	1,580,000,000	1,461,508,906	118,491,094
<b><i>Premium paid</i></b>			<b>8.11%</b>

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**Scenario 2**

	<b>Transacted Valuation RM</b>	<b>PIVB Valuation RM</b>	<b>Premium RM</b>
<b><u>TM Exchange Ratio</u></b>	12.61%	12.97%	-
<b><u>Consideration Shares</u></b>			
Value per TM International share	351.11	315.75	35.36
<b><i>Premium received</i></b>			<b><i>11.20%</i></b>
<b><u>Purchase consideration</u></b>			
Acquisition of SunShare	155,000,000	136,981,610	
Acquisition of XL	1,425,000,000	1,324,527,296	
	1,580,000,000	1,461,508,906	118,491,094
<b><i>Premium paid</i></b>			<b><i>8.11%</i></b>

Premised on the above, under Scenario 1, the TM Exchange Ratio is fair and reasonable coupled with the premium received from the issue price of the Consideration Shares of 12.81% being higher than the premium paid for the purchase consideration of 8.11%.

Under Scenario 1, the TM Exchange Ratio is also fair and reasonable coupled with the premium received from the issue price of the Consideration Shares of 11.20% being higher than the premium paid for the purchase consideration of 8.11%.

**In view of the foregoing, PIVB is of the opinion that the total purchase consideration for the Proposed Acquisition of RM1,580 million is fair and reasonable.**

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## 11. EFFECTS OF THE PROPOSED ACQUISITION AND PROPOSED EXEMPTION

### 11.1 PROPOSED ACQUISITION

As the Proposed Acquisition forms part of the Proposals, the effect of the Proposals on TM and TM International have been presented below, for illustrative purposes only, based on the following assumptions, where applicable:

- (i) issuance of 137.6 million TM Shares, representing approximately 4% of TM's issued and paid-up share capital, under the Proposed Option Scheme, which is assumed to be completed before the Proposed Demerger, with an assumed Option exercise price of RM10.30 (based on the 5-day volume-weighted average market price of TM Shares up to the LPD at a discount of approximately 10%), which results in an illustrative gross proceed of RM1,417.3 million from the Proposed Option Scheme; and
- (ii) for Scenario 1, issuance of 357.7 million Issue Shares pursuant to the Proposed Shareholders' Mandate, representing approximately 10% of TM International's issued and paid-up share capital after the Proposed Demerger, at an illustrative Issue Price of RM2.28 per Issue Share, representing the proforma consolidated net book value per TM International Share after the Proposed Demerger as at 31 December 2006; or
- (iii) for Scenario 2, issuance of 3.6 million Issue Shares pursuant to the Proposed Shareholders' Mandate, representing approximately 10% of TM International's existing issued and paid-up share capital, at an illustrative Issue Price of RM90.27 per Issue Share, representing the consolidated net book value per TM International Share as at 31 December 2006.

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

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

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

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

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

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

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

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

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

#### 11.1.1 Issued and paid-up share capital

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of TM.

The effects of the Proposed Acquisition on the issued and paid up share capital of TM International are illustrated as follows:

##### (a) Scenario 1:

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

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(b) Scenario 2:

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

11.1.2 Earnings

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

(i) TM

(a) Scenario 1:

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

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

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

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(b) Scenario 2:

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

(ii) TM International

(a) Scenario 1:

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

Note:

<sup>\*1</sup> Excluding the Issue Shares that may be issued under the Proposed Shareholders' Mandate.

(b) Scenario 2:

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

Note:

<sup>\*1</sup> Excluding the Issue Shares that may be issued under the Proposed Shareholders' Mandate.

### 11.1.3 Net assets and gearing

#### (i) TM

##### (a) Scenario 1

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

##### (b) Scenario 2

Based on TM's audited consolidated financial statements as at 31 December 2006, the proforma effects of the Proposed Acquisition on TM's consolidated net assets and gearing, based on the assumption that these transactions were completed on 31 December 2006 are set out below.

	Audited as at 31 December 2006 RM million	After incorporating completed transactions <sup>*1</sup> , the Proposed Option Scheme and the issuance of Issue Shares under the Proposed Shareholders' Mandate RM million	After incorporating completed transactions <sup>*1</sup> , the Proposed Option Scheme and the issuance of Issue Shares under the Proposed Shareholders' Mandate and Proposed Acquisition RM million
Share capital	3,397.6	3,577.4	3,577.4
Share premium	3,941.9	5,541.7	5,541.7
Reserves	12,571.6	11,029.2	12,010.4
Shareholders' funds / Net assets	19,911.1	20,148.3	21,129.5
No. of TM Shares in issue (million)	3,397.6	3,577.4	3,577.4
Net assets per share (RM)	5.86	5.63	5.91
Total borrowings	12,085.9	12,085.9	13,327.7
Gearing (times)	0.61	0.60	0.63

Notes:

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

##### (a) Celcom capital repayment

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

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

- (ii) cancellation and utilisation of the share premium account of RM199.7 million; and
- (iii) consolidation of 1,767.9 ordinary shares of 70.0 sen each into 1,237.5 million Celcom Shares issued as fully paid, resulting in an issued and paid up capital of RM1,237.5 million.

The capital repayment was completed on 21 September 2007.

**(b) TM advances to the TM International Group**

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

**(c) Exercise of TM's 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 TM Shares to 3,439.8 million TM Shares as a result of employees exercising their options under the ESOS at respective exercise prices of RM7.09, RM8.02, RM8.69, RM9.22 and RM9.32 per share and Performance Linked Employee Options Scheme at exercise price of RM10.24 per share.

**(d) Amortisation of 3G Spectrum Assignment**

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 TM's shareholders. The Special Dividend was paid on 31 January 2008.

**(f) Reclassification of goodwill**

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

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

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(ii) **TM International**

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

(a) **Scenario 1**

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

**Notes:**

\*<sup>1</sup> Assuming completion of the following transactions prior to the Proposed Internal Restructuring:

(a) **Celcom capital repayment**

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

- (i) reduction in par value of Celcom Shares, resulting in the decrease in the issued and paid up capital of RM1,767.9 million comprising 1,767.9 million Celcom Shares by RM530.4 million to RM1,237.5 million comprising of 1,767.9 million ordinary shares of 70.0 sen each;
- (ii) cancellation and utilisation of the share premium account of RM199.7 million; and
- (iii) consolidation of 1,767.9 ordinary shares of 70.0 sen each into 1,237.5 million Celcom Shares issued as fully paid, resulting in an issued and paid up capital of RM1,237.5 million.

The capital repayment was completed on 21 September 2007.

(b) **TM advances to the TM International Group**

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



(c) **Exercise of TM's 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 TM Shares to 3,439.8 million TM Shares of RM1.00 each as a result of employees exercising their options under the ESOS at respective exercise prices of RM7.09, RM8.02, RM8.69, RM9.22 and RM9.32 per share and Performance Linked Employee Options Scheme at exercise price of RM10.24 per share.

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

<sup>\*3</sup> Includes the First Amount Owing and Second Amount Owing.

<sup>\*4</sup> Includes the First Amount Owing and Second Amount Owing and the consolidation of SunShare's borrowings.

(b) **Scenario 2**

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

**Notes:**

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

**11.1.4 Substantial shareholders' shareholdings**

(i) **TM**

The Proposed Acquisition will not have any effect on the shareholdings of the substantial shareholders of TM.

(ii) **TM International**

The effects of the Proposed Acquisition on the shareholdings of the substantial shareholders of TM International are as follows:

(a) **Scenario 1:**

Shareholders	As at the LPD <sup>1</sup>				After the Proposed Demerger <sup>2</sup> and the issuance of the Issue Shares under the Proposed Shareholders' Mandate <sup>3</sup>				After the Proposed Demerger <sup>2</sup> and the issuance of the Issue Shares under the Proposed Shareholders' Mandate <sup>3</sup> and Proposed Acquisition			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares held (million)	%	No. of shares held (million)	%	No. of shares held (million)	%	No. of shares held (million)	%	No. of shares held (million)	%	No. of shares held (million)	%
TM	35.7	100	-	-	-	-	-	-	-	-	-	-
Khazanah	-	-	35.7 <sup>4</sup>	100	1,243.1	31.59	-	-	1,419.1	34.52	-	-
EPF	-	-	-	-	424.0	10.77	39.4 <sup>5</sup>	1.00	424.0	10.31	39.4 <sup>5</sup>	0.96
SASB	-	-	-	-	310.6 <sup>6</sup>	7.89	-	-	310.6 <sup>6</sup>	7.56	-	-
BNM	-	-	-	-	251.7	6.40	-	-	251.7	6.12	-	-

Notes:

<sup>1</sup> Based on TM International's Register of Members as at the LPD.

<sup>2</sup> Based on TM's Register of Substantial Shareholders as at the LPD, adjusted for the effects of the Proposed Option Scheme.

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

<sup>4</sup> Deemed interest through TM under Section 6A of the Act.

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

<sup>6</sup> Held via Amanah Raya Nominees (Tempatan) Sdn Bhd.

(b) Scenario 2:

Shareholders	As at the LPD <sup>*1</sup>				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of shares held (million)	%	No. of shares held (million)	%	No. of shares held (million)	%	No. of shares held (million)	%
TM	35.7	100	-	-	35.7	88.80	-	-
Khazanah	-	-	35.7 <sup>*2</sup>	100	4.50	11.20	35.7 <sup>*2</sup>	88.80

Notes:

<sup>\*1</sup> Based on TM International's Register of Members as at the LPD.

<sup>\*2</sup> Deemed interest through TM under Section 64 of the Act.

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### 11.1.5 Dividends

#### (i) Proposed TM Group

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

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

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

#### (ii) Proposed TM International Group

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

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

For further details in relation to the effects of other Proposals, please refer to Section 5, Part A of the Circular.

### 11.2 PROPOSED EXEMPTION

The Proposed Exemption will not have any direct effects on TM and TM International's share capital, consolidated earnings, consolidated NA, dividend policy, consolidated gearing, and substantial shareholders' shareholdings in TM and TM International.

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## 12. RISK FACTORS

In Sections 7.2, 7.3 and 7.4 of Part A of the Circular, the Board of TM had identified various risk factors (which may not be exhaustive) relating to the Proposed Acquisition which may have an impact on the Proposed TM International Group in the future. As the Proposed TM International Group is already involved in M1 and XL's mobile telecommunications business, the risk factors described in Sections 12.1 and 12.2 of this IAL below already exist in the Proposed TM International Group. Accordingly, the Proposed Acquisition could be viewed as an expansion of the Proposed TM International Group's business which may not necessarily result in greater degree of exposure to the risks inherent in the businesses of M1 and XL. The risk factors summarised together with our views are as follows:

### 12.1 Risk factors relating to SunShare

#### 12.1.1 Dependence on dividend income

In view of the fact that SunShare is an investment holding company, it relies heavily on the dividend income generated from M1 and there can be no assurance that the historical gross dividend payments by M1 would be maintained in the future as the dividend payout policy depends on numerous factors such as M1's profitability and availability of free cash flows. As such, any unfavourable impact on the results of the operations and financial performance of M1 may affect its dividend payout policy and thus affecting SunShare's ability to serve the obligation on its indebtedness as well as its ability to pay dividends to the Proposed TM International Group.

However, it is expected that any such unfavourable impact would be less significant to the Proposed TM International Group, as a whole, given the scale of its operations and the relative contribution of SunShare at the consolidated group level.

#### 12.1.2 Competition faced by M1

M1 faces competition from other mobile service providers in Singapore such as Singapore Telecommunications Ltd ("**SingTel**") and StarHub Ltd ("**StarHub**") in its core mobile communications business, in which all own 3G licenses. SingTel and StarHub are full service providers, offering services ranging from mobile to fixed-line, broadband and pay television as compared to M1, which only offers mobile services and residential broadband services.

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

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

Nonetheless, M1 has established itself as an innovative mobile operator by adopting a series of differentiation strategies which include being the first mobile operator in Singapore to establish a General Packet Radio Service ("**GPRS**") roaming agreement which supports Multimedia Messaging Service ("**MMS**") with an operator in the People's Republic of China, the first mobile operator in Singapore to offer video clips on mobile phones, launched Singapore's first music recognition service, and together with Google, M1 offered Asia's first wireless image search for mobile phones.

*(Source: Annual Reports of M1 for 2003 and 2004)*

As such, despite strong competition faced by M1 in Singapore, it appears that M1 is ready to face these challenges by offering innovative products and this is evidenced further by it being Singapore's third largest mobile telecommunications service provider.

### **12.1.3 Rapid technology changes**

The mobile telecommunications industry is characterised by rapid technology changes. Future development or application of new technologies may require significant changes to M1's business model or necessitate new investments to facilitate growth in its business and the adoption of new technologies and services. Hence, there can be no assurance that the technologies employed by M1 would not become obsolete or be subject to competition from alternative or new technologies in the future.

However, it is important to note that rapid technology changes are inherent in the telecommunications industry and would not only affect M1, but the rest of the market players as well. As noted in Section 12.1.2 above, M1 appears ready to adapt to these evolving conditions as and when they face these challenges.

### **12.1.4 Regulations and licenses**

The authority regulating the operation of mobile telecommunications networks and the provision of related services in Singapore is the Government of Singapore and Infocomm Development Authority of Singapore ("IDA"). Alterations in laws, regulations or government policy in Singapore, or in relation to the telecommunications industry in Singapore, or changes in the licenses held by M1 or its competitors by the IDA, could adversely affect M1's results of operations and prospects. Any revocation or unfavourable amendment of the licenses or authorisation, or any failure to remedy the breach or renew the licenses or authorisation on comparable terms, could have a material adverse effect on M1's business, financial condition, results of operations and prospects.

This risk factor is also inherent in the telecommunications industry in Singapore and would not only affect M1, but the rest of the market players as well. Based on historical data, M1 does not appear to have any unsatisfactory records with the authorities in Singapore.

## **12.2 Risk factors relating to XL**

### **12.2.1 Competition faced by XL**

XL faces competition from seven other mobile service providers in Indonesia and XL's most prominent competitors are PT Telekomunikasi Selular ("Telkomsel") and PT Indosat Tbk ("Indosat"), in which all own 3G licenses. Further, the Ministry of Communications and Information of Indonesia may license more telecommunications service providers in the future, which may result in increased level of competition in the market.

As such, despite strong competition faced by XL in Indonesia, it appears that XL is ready to face these challenges and this is evidenced further by it being Indonesia's third largest mobile telecommunications service provider.

### **12.2.2 Rapid technology changes**

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

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

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

As such, emerging and future technological changes may adversely affect the viability or competitiveness of XL's business. Future development or application of new technologies could require significant changes to XL's business model or necessitate new investments to facilitate growth in its business and the adoption of new technologies and services.

Furthermore, changing market demand and consumer trends may require XL to adopt new technologies that could render its existing technologies less competitive or obsolete. At present, it is expected that XL will continue to invest in enhancing its network and coverage for its customers. However, there is no assurance that services enabled by new technologies that XL implements will achieve commercial acceptance or be cost effective.

However, it is important to note that rapid technology changes are inherent in the telecommunications industry and would not only affect XL, but the rest of the market players as well. As noted in Section 12.2.1 above, XL appears ready to adapt to these evolving conditions as and when they face these challenges.

### **12.2.3 Regulations and licenses**

Through the Ministry of Communications and Information of Indonesia ("MOCI"), the Government of Indonesia exercises regulatory power over the telecommunication market in Indonesia. Any changes in laws, regulations or government policy in Indonesia, or in relation to the telecommunications industry in Indonesia could adversely affect XL's results of operations and prospects.

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

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

Furthermore, since a significant portion of XL's revenues is dependent upon tariff guidelines formulated by the Indonesian Government, any future change, or a lack of change, in the Indonesian Government's tariff guidelines may adversely affect XL's business, financial condition, results of operations and prospects. In addition, there can be no assurance that the Indonesian Government's future policies and plans would be favourable towards the business of XL.

Notwithstanding that, regulatory reform in itself may provide opportunities as well as challenges for XL as well as other Indonesian telecommunication industry players. This risk factor is also inherent in the telecommunications industry in Indonesia and would not only affect XL, but the rest of the market players as well.

#### **12.2.4 Funding needs and revenue growth**

The nature of mobile telecommunications business is capital intensive, which will need substantial funding to finance and facilitate ongoing growth and network expansion to provide technologically innovative and compatible services.

XL's investment of significant financial resources to expand its network in Indonesia to increase its subscriber base has resulted in an increase in the number of its subscribers without a corresponding increase in its revenues. As stated in Section 7.4.4, Part A of the Circular, XL believes that this is partly due to declining voice usage, the industry trend of increasing SMS usage, increased penetration into the lower income segments of the Indonesian market comprised principally of low usage users and the requirement that it offers discounts to its normal tariffs in connection with its marketing, loyalty and retention programs.

As such, XL may be required to utilise its internally generated fund and/or external borrowings to finance its expansion, therefore, it restricts its capabilities to frank dividends in the future and there can be no assurance that further expansions of its subscriber base will result in corresponding increases to its revenues.

Notwithstanding that, the gearing levels of the Proposed TM International Group would still be relatively manageable at 0.90 times subsequent to the Proposed Acquisition. This would enable the Proposed TM International Group to provide any funding requirements if necessary to enable XL to fund its operations, subject always to the Indonesia laws and regulations governing it.

#### **12.2.5 Significant indebtedness**

XL has and will continue to have substantial indebtedness. XL's total debts based on its audited financial statements FYE 31 December 2006 and the nine (9) months unaudited quarterly results FPE 30 September 2007 was IDR8,355.38 billion and IDR12,142.27 billion respectively. As a result of this substantial indebtedness, XL will require substantial cash flow to meet its obligations under its current and future indebtedness. Therefore, a substantial part of its cash flow from operations will not be available for expanding its business operations.

Premised on the above, XL would require substantial cash flow to meet its obligations under its indebtedness. There can be no assurance that XL's significant indebtedness would not affect its financial position and business condition as well as the distribution of dividends to the Proposed TM International Group in the future.

However, as mentioned in Section 12.2.4 above, due to the relatively manageable gearing levels of the Proposed TM International Group, the Proposed TM International Group would be able to provide any funding requirements if necessary to enable XL to fund its operations, subject always to the Indonesia laws and regulations governing it.

#### **12.2.6 Investigation by the Indonesian Anti-Monopoly Committee**

A decision was issued by the Commissioner for the Supervision of Business Competition ("KPPU") regarding a preliminary investigation on XL and seven (7) other telecommunications companies, namely Telkomsel, Indosat, PT Telkom, PT Hutchinson CP Telecommunication, PT Bakrie Telekom, PT Mobile 8 Telecom, and PT Smart Telecom, who are being suspected of having established price-fixing of short messaging service ("SMS") and therefore breaching Article 5 of Antimonopoly Law (Law No. 5/1999). A summon letter was issued to the president director of XL as well as the other seven (7) telecommunication companies for a hearing session, which was subsequently postponed to 12 December 2007. Following the completion of the preliminary investigation, the KPPU has decided to proceed with the second stage of investigation against all operators and XL may be summoned to appear before the KPPU to provide further information.



Under the Indonesian law, KPPU is required to complete the second stage of investigation within 60 days, although it can be extended for an additional period of up to 30 days.

In the event that XL is found liable based on Article 47 of Law No. 5/1999 for price fixing, it may be ordered to pay certain fines and terminate the current minimum price arrangement. This may have an adverse impact on XL's reputation as well as the revenue and profit generated from SMS services, thus affecting its profitability.

It is important to note that this risk factor not only affects XL, but the rest of the market players as well.

### **12.3 Risk factors in relation to the Proposed Acquisition**

#### **12.3.1 Completion of the Proposed Acquisition**

There can be no assurance that the Proposed Acquisition will be completed as the Proposed Acquisition is conditional upon the Proposed Exemption being approved (in respect to Scenario 1) and is subject to the fulfilment of the various terms and conditions of the SPA as detailed in Section 2.8.3, Part A of the Circular. The Proposed Acquisition may not be completed if any of the condition precedents are not fulfilled (some of which are beyond TM International's control). As such, there is no assurance that the Proposed Acquisition will be completed as contemplated by TM and TM International.

#### **12.3.2 Acquisition risk**

There are inherent risks in relation to the acquisition of companies or investments that are based in a foreign country such as political risk, regulatory risk and foreign currency risk. As such, there can be no assurance that the expected benefits derived from the Proposed Acquisition will be realised or translated into tangible benefits for the Proposed TM International Group.

Further, upon completion of the Proposed Acquisition, the Proposed TM International Group is expected to recognise additional goodwill upon consolidation pursuant to the purchase accounting method applied. In accordance with the Financial Reporting Standards, review of goodwill for impairment will required.

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

#### **12.3.3 Fluctuations in the exchange rate**

The movement of currency exchange rate between RM, SGD and IDR would have an impact on the financial position of the Proposed TM International Group as the profits of SunShare and XL will be consolidated as part of the earnings of the Proposed TM International Group, as well as the receipt of any dividend from these companies. Thus, there can be no assurance that the future foreign exchange fluctuations would not adversely affect the financial position of the Proposed TM International Group with respect to the additional equity interest in SunShare and XL to be acquired via the Proposed Acquisition.

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#### **12.3.4 Regulations on foreign investment**

The acquisition of investments in SunShare and XL are subject to the policies of the Government of Singapore and Indonesia respectively. For instance, Indonesia had recently enacted Presidential Regulation No. 77 of 2007 as amended by Presidential Regulation No.111, in which foreign ownership in Indonesian telecommunications companies are restricted, depending on the line of business of the relevant company.

There are a number of different restriction thresholds which is applicable to XL's various services, with the most stringent restriction being 49% maximum allowable foreign ownership applicable to companies providing VoIP services. As stated in Section 7.2.4, Part A of the Circular, as a matter of practice, the above limitation is generally not applied to publicly-listed companies such as XL. In addition, currently such practice has not been formalised into or officially recognised in any legislation, decree, rulings or guideline, circulars and other forms of statutory products of the relevant regulatory authorities. It is important to note that there can be no assurance that the relevant Indonesian regulatory authorities will continue observing such practice.

In addition, the ability of SunShare and XL to repatriate the dividends or profits to the Proposed TM International Group will depend on the relevant legislation in relation to repatriation of dividends and profits prevailing at the point of repatriation. Therefore, there can be no assurance that any change in these policies would not have material impact the performance of SunShare and XL.

#### **12.3.5 Credit profile**

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

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

### **12.4 Risk factors in relation to the Proposed Exemption**

#### **12.4.1 Control by substantial shareholders**

As disclosed in Section 3.2 of this IAL, Khazanah's shareholdings in the Proposed TM International Group will increase from 34.75% to 37.81% upon the Proposed Acquisition becoming unconditional under Scenario 1. This increase in shareholdings would enable Khazanah to exercise more voting powers on events or transactions that requires votes of TM International's shareholders, unless they are required to abstain from voting by law and/or relevant authorities.

This increase in shareholdings is not deemed substantial from its present shareholdings and we do not foresee any significant change in business direction. Furthermore, the Proposed Acquisition would not result in a change of substantial shareholders but only result in an increase in the shareholdings of Khazanah in TM International.

It is important to note that the risk factors mentioned above, save for Sections 12.3.1 and 12.3.5 above, are no different to the current risks being experienced by TM itself. Notwithstanding that, in evaluating the Proposed Acquisition, non-interested shareholders of TM are advised to carefully consider the said risk factors together with the mitigating factors (if any), and to note that these risk factors are not meant to be exhaustive before voting on the resolutions for the Proposed Acquisition and Proposed Exemption to be tabled at TM's forthcoming EGM.

### 13. OTHER CONSIDERATIONS OF THE PROPOSED EXEMPTION

Notwithstanding the qualitative and quantitative considerations set out in Sections 9, 10, 11 and 12 above, the non-interested shareholders of TM should also note that the possible outcome of the TM's non-interested shareholders' votes on the Proposed Exemption are as follows:

(i) *Assuming the Proposed Exemption is approved by the non-interested shareholders of TM:*

Should the non-interested shareholders of TM vote in favour of the Proposed Exemption, the SC would then be able to consider the application made by Khazanah for the Proposed Exemption. If the exemption is granted, it would then relieve Khazanah from the obligation of having to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by it in the event the obligation occurs.

TM will thus proceed with the Proposed Acquisition which is expected to yield numerous benefits as disclosed in Section 9.1 of this IAL.

Furthermore, as disclosed in Section 14.3 of this IAL, the future prospects of the Proposed TM International Group appears favourable.

(ii) *Assuming the Proposed Exemption is not approved by the non-interested shareholders of TM:*

Should the non-interested shareholders of TM vote against the Proposed Exemption, the SC would not be able to consider the application made by Khazanah for the Proposed Exemption under Practice Note 2.9.1 of the Code. Further thereto, Khazanah does not intend to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by them arising from the Proposed Acquisition.

As such, with the Proposed Acquisition and Proposed Exemption being inter-conditional, the Proposed Acquisition will not be implemented in the absence of the approval from the non-interested shareholders of TM for the Proposed Exemption.

**Premised on the above, we are of the view that the granting of approval for the Proposed Exemption would be fair and reasonable.**

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## 14. OVERVIEW AND PROSPECTS OF THE MALAYSIAN ECONOMY, THE MOBILE TELECOMMUNICATIONS INDUSTRY IN MALAYSIA, SINGAPORE AND INDONESIA AND THE PROPOSED TM INTERNATIONAL GROUP

### 14.1 Overview and prospects of the Malaysian economy for the next twelve (12) months

*The Malaysian economy is anticipated to strengthen further 6.0-6.5% in 2008 (2007: 6.0%) with positive contribution from all sectors of the economy. Domestic demand will be the main driver of the economy, while external demand is expected to pick up in tandem with improved prospects in world trade. Private investment and consumption spending are expected to remain robust, while public expenditure continues to expand. Inflation is anticipated to remain low despite strong expansion in the economy as output growth is still below potential level. Coupled with increased productivity, the economy would be able to absorb higher demand expenditure. In line with higher output and firm commodity prices, nominal GNP per capita is expected to rise 6.8% to RM23,864 in 2008 (2007: 7.2%; RM22,345). In terms of PPP, per capital income is expected to increase 6.9% to reach USD14,206 (2007: 13.9%; USD13,289), reflecting improved quality of life of the rakyat.*

*The Malaysian economy is expected to register robust growth in 2008, with real GDP expanding between 6.0% and 6.5%. This translates to a 6.8% growth in nominal per capita income, rising from RM22,345 in 2007 to RM23,864 in 2008 or in PPP terms from USD13,289 to USD14,206. With an unemployment rate of 3.3%, the Malaysian economy will continue to operate under full employment. In tandem with the Government's efforts to ensure fiscal sustainability, the fiscal deficit will continue to decline to 3.1% of GDP. Malaysia's balance of payments position is expected to remain strong with the current account recording a surplus for the eleventh consecutive year. The current accounts surplus amounting to 13.0% of GDP will emanate from the goods and travel account. These developments augur well for all Malaysians and keep the nation on track towards realising Vision 2020.*

*(Source: Economic Report 2007/2008)*

*The Malaysian economy is projected to grow in line with its potential output. Private expenditure will be the main impetus to growth. The government will adopt a pragmatic approach in its fiscal management while remaining supportive of private sector initiatives. With improved productivity and efficiency, inflation is expected to increase moderately. The unemployment rate is expected to remain low due to concerted efforts to create more job opportunities in all sectors of the economy.*

*The economy is projected to grow at an average rate of 6.0% per annum with price stability. This growth will be supported by domestic demand with strong private investment and consumption. Per capita GNP in current terms is projected to increase by an average rate of 5.9% per annum to RM23,573 in 2010. Per capita GNP in terms of purchasing power parity is expected to increase to USD13,878 in 2010.*

*(Source: Ninth Malaysia Plan, 2006-2010)*

Premised on the above, we are of the view that the outlook and the prospects of the Malaysian economy are expected to be **positive** with the Malaysian economy expected to grow for the next twelve (12) months underpinned by continued expansion of private sector activities, complemented by the Government's pragmatic policies and strategies to diversify and promote the new sources of growth and supported by domestic demand.

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## 14.2 Overview and prospects of the mobile telecommunications industry in which the Proposed TM International Group, M1 and XL are involved for the next twelve (12) months

### Malaysia

*With a mobile penetration of 80.8% as of September 30, 2007, the mobile market in Malaysia is close to saturation. Malaysia's mobile communications market saw a very small decline in subscriber growth in 2006 of 0.3% to below 19.5 million mobile subscribers. This was largely due to the prepaid registration exercise initiated by the Malaysian Government. While prepaid subscriptions declined, postpaid subscriptions continued its positive year-on-year growth over 2005 by 16.2% in 2006 to almost 3.4 million postpaid subscribers. As of September 30, 2007, there were more than 22.1 million mobile subscribers in Malaysia increasing from 21.2 million subscribers in the second quarter of 2007. It is expected that the total mobile subscriber market will sustain positive growth to reach 27.5 million subscribers by 2011 growing at a compound annual growth rate ("CAGR") of 7.1% between 2006 and 2011.*

*A combination of factors will continue to help sustain the strong growth in mobile subscribers and revenues for the mobile market in Malaysia. The increasing importance of mobility and the falling prices of mobile handsets will reach out to a wider demographic especially the younger segments. Moreover, increased competition and innovation with regards to mobile services plans are expected to further stimulate higher number of mobile subscribers in a household.*

*The Government is also a strong driver for increasing broadband penetration in the country and launched the MyICMS 886 framework which is a four-year plan aimed at boosting the growth of the local ICT industry, and to bolster its competitiveness globally. Under the MyICMS 886 framework the Government is targeting household broadband penetration to reach 50% by end-2008, and 75% by 2010. Frost & Sullivan is of the opinion that mobile broadband can, in the long term, become the much sought after killer application for mobile operators.*

*The introduction of less expensive tariff with innovative mobile plans and service bundles will improve the likelihood of users browsing for mobile content. There is also a strong trend of flat rate data plans that have successfully shown improved premium content adoption. The tightening of regulatory conditions of subscription services in 2006 is also positive for the industry as a whole, as industry transformation and effective regulation is likely to create a healthy competitive environment for committed industry participants in the long term.*

*Demand for mobile services is still on the rise and while the market is near saturation there remains growth potential through introduction of new products and services. Price competition in the postpaid and prepaid segments has contributed to increase in subscriber growth however this has resulted in slower ARPU growth. There has been a sharp reduction in voice call rates for postpaid plans whilst new packages and innovative plans were introduced in order to attract new postpaid subscribers. It is anticipated that there will be more significant migration of prepaid users to postpaid services which is likely to accelerate as a result of the removal of anonymity due to prepaid registration and the narrowing gap between prepaid and postpaid call charges. Overall, postpaid subscriber growth is expected to yield double-digit growth in the next few years. The mobile data segment is beginning to contribute positively to mobile operator revenues and is set to grow even further as demand for premium content and other mobile data services increase.*

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

### Singapore

*According to Frost & Sullivan, with a penetration rate of 112.8% as at 30 September 2007, the mobile telecommunications services market in Singapore can be considered as one of the most saturated markets in the region. Although the market has reached saturation, the subscriber growth in the first 9 months of 2007 grew substantially at a rate of 13.8% to 5.3 million subscribers due to the influx of foreign workers and robust growth in the prepaid segment.*

Prepaid subscribers, which accounted for 44.2% of total mobile subscribers in Singapore, grew by 30.0% over the same period. Frost & Sullivan projects mobile subscriber base in Singapore to grow at a CAGR of 7.4% between 2006 and 2011. Subscriber growth is envisaged to be from the prepaid segment which caters to the lower-end market as well as the influx of foreign workers. Revenue growth is likely to stem from a larger addressable market resulting from the growth in population base and emergence of mobile broadband services, and greater emphasis for value-added services and convergent services. The emphasis of competition has gone beyond pricing, and is heavily placed on network quality, breadth of value-added services, and service convergence.

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

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

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

### **Indonesia**

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

With major cities experiencing mobile saturation, the reduction in cost of entry-level handsets is expected to spur affordability particularly in rural areas and lower-end segments of the market. Given this, mobile subscriber base in Indonesia is expected to grow at a CAGR of 22.4% from 2006 to 2011, to 175 million users and a mobile penetration of over 66% by 2011.

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

Based on the foregoing, we are of the view that the outlook and prospect of the telecommunications industry in Malaysia, Singapore and Indonesia are expected to be **positive** supported by the continued expansion in the demand for cellular and broadband segments as well as the expansion on information and communications technology.

### 14.3 Prospects of the Proposed TM International Group

Based on the proforma financial statements of the Proposed TM International Group, revenue generated has been on an upward trend for the past three (3) years. For the FYE 31 December 2006, the revenue generated was RM8,573.5 million, representing an increase of 40.5% as compared to 2005's revenue of RM6,102 million. The pre-tax profit also experienced a substantial increase of 194.4% from RM687.2 million to RM2,023.1 million. The increase was due mainly to an exceptional cost incurred for 2005 pertaining to legal claims.

The increased in revenue in 2006 was due mainly to several positive factors, namely:

- (i) the consolidation of the full year's revenue of XL for 31 December 2006 in comparison with only two month's revenue in 2005;
- (ii) increase in revenue from Dialog attributed to the increase in revenue obtained from both post and prepaid services; and
- (iii) TMIB's increased contribution of revenue from their prepaid services.

With the Proposed Demerger, TM International would be able to focus on becoming a leading regional mobile telecommunication provider. This can be achieved due to the presence of the Proposed TM International Group in ten (10) countries, of which eight (8) are providing mobile telecommunication services. With the telecommunication infrastructure already in place in these countries, it would give the Proposed TM International Group a competitive edge over newly established telecommunication service providers.

Furthermore, the Proposed Listing following the Proposed Demerger would give access to the Proposed TM International Group to the equity market and increase its flexibility in sourcing for funding for future strategic growth.

Set out below are the prospects of the TM International Group as extracted from the Chairman's Statement from TM's 2006 Annual Report:

*"TM International's investment strategy remains focused on high growth and emerging markets that are nearer to home."*

*"Going forward, TM International aims to consolidate its leading position in its existing regional markets."*

*"In addition, the Company intends to study in detail all new commercial opportunities in Asia, focusing on the dynamic Indochina market with a view to developing its existing regional footprint."*

*"The year 2007 will also see TM International boosting its efforts in managing and enhancing its investments in boom markets, such as India and Indonesia, which represent two of the fastest growing mobile markets in the world today."*

*"Particular attention will also be paid to the dynamic economies of Indochina, as the telecommunications sector in these markets have great growth potential."*

Based on the increasing demand for better telecommunication access and advancement in mobile telecommunication technology, the Proposed TM International Group is set to reap the benefit of potential growth in the mobile telecommunication industry. The presence of the Proposed TM International Group in various countries is envisaged to provide on-going synergistic benefit to the Proposed TM International Group as a whole and is in line with its goal in becoming a leading regional mobile telecommunication provider.

Premised on the above statements, PIVB is of the view that the prospects of Proposed TM International Group's operations for the next twelve (12) months will remain favourable based on the current core business activities of the TM International Group in providing mobile telecommunications services.

15. FURTHER INFORMATION

We advise you to refer to Part A of the Circular and the enclosed appendices contained in the Circular for further information.

16. CONCLUSION AND RECOMMENDATION

The non-interested shareholders of TM should carefully consider all the merits and demerits of the Proposed Acquisition and Proposed Exemption based on all relevant and pertinent factors including those which are set out in the Circular, IAL and other publicly available information.

We have assessed and evaluated the Proposed Acquisition and Proposed Exemption, the summaries of which are set out in the foregoing section. The following pertinent factors were taken into consideration in forming the basis of our conclusion and recommendation:

(I) PROPOSED ACQUISITION

<b>Rationale for the Proposed Acquisition</b>	<p>The rationale for the Proposed Acquisition is <b>fair and reasonable</b> considering:</p> <p><i>(i) Increase in the Proposed TM International Group's effective equity stake</i></p> <ul style="list-style-type: none"><li>▪ The effective shareholdings of the Proposed TM International Group in XL would increase from 66.99% to 83.80%, whilst its shareholdings in M1 would increase from 15.14% to 29.69%, pursuant to the Proposed Acquisition, enabling it to enjoy greater effective equity interest in these companies.</li></ul> <p><i>(ii) In line with the Proposed TM International Group's strategy for earnings enhancement</i></p> <ul style="list-style-type: none"><li>▪ Potentially translate into <b>higher earnings</b> for the Proposed TM International Group in the future in view of the revenue and PAT growth of XL as well as the potential high growth in the Indonesian mobile telecommunication markets of which XL has a total market share of approximately 14% (as at 31 December 2006).</li><li>▪ Potentially translate into <b>higher earnings</b> for the Proposed TM International Group in the future in view of the revenue and PAT growth as well as dividend payouts of M1 as well as the potential growth in the Singaporean mobile telecommunication markets of which M1 has a total market share of approximately 27% (as at 31 December 2007).</li></ul> <p><i>(iii) Enhance the Proposed TM International Group's growth profile</i></p> <ul style="list-style-type: none"><li>▪ Allows the Proposed TM International Group to enjoy greater economic interest in both XL and M1 in proportion to the increase in effective equity interest thus <b>strengthening their regional footprint</b> in both Indonesia as well as Singapore which is expected to <b>enhance its growth profile</b> in the region.</li></ul>
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<b>Financial evaluation of the Proposed Acquisition</b>	Based on our financial evaluation of the Proposed Acquisition, the purchase consideration for the Proposed Acquisition appears <b>fair and reasonable</b> considering:		
	<b><u>Pricing of the issue price of TM International Shares</u></b>		
	<ul style="list-style-type: none"> <li>▪ It is noted that the issue price of RM8.98 per TM International Share under Scenario 1 is higher than the implied value of RM7.96 (<i>computed as at 31 December 2007</i>) and RM7.74 (<i>computed as at 31 January 2008</i>) respectively, offering a premium of 12.81% and 16.02% respectively.</li> <li>▪ Similarly, the issue price of RM351.11 per TM International Share under Scenario 2 is higher than the implied value of RM315.75 (<i>computed as at 31 December 2007</i>) and RM293.99 (<i>computed as at 31 January 2008</i>) respectively, offering a premium of 11.20% and 19.43% respectively.</li> <li>▪ A higher issue price per TM International Share pursuant to the Proposed Acquisition as opposed to the equity value under both scenarios would be favourable to the non-interested shareholders of TM.</li> </ul>		
	<b><u>TM Exchange Ratio arising from the Proposed Acquisition</u></b>		
	<b><u>Scenario 1</u></b>		
	<b>Transacted Valuation RM</b>	<b>PIVB Valuation RM</b>	<b>Premium RM</b>
<b><u>TM Exchange Ratio</u></b>	4.92%	5.13%	-
<b><u>Consideration Shares</u></b>			
Value per TM International share	8.98	7.96	1.02
<i>Premium received</i>			<b>12.81%</b>
<b><u>Purchase consideration</u></b>			
Acquisition of SunShare	155,000,000	136,981,610	
Acquisition of XL	1,425,000,000	1,324,527,296	
	1,580,000,000	1,461,508,906	118,491,094
<i>Premium paid</i>			<b>8.11%</b>

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Financial evaluation of the Proposed Acquisition (Cont'd)	Scenario 2		
	Transacted Valuation RM	PIVB Valuation RM	Premium RM
<b>TM Exchange Ratio</b>	12.61%	12.97%	-
<b>Consideration Shares</b>			
Value per TM International share	351.11	315.75	35.36
<b>Premium received</b>			<b>11.20%</b>
<b>Purchase consideration</b>			
Acquisition of SunShare	155,000,000	136,981,610	
Acquisition of XL	1,425,000,000	1,324,527,296	
	1,580,000,000	1,461,508,906	118,491,094
<b>Premium paid</b>			<b>8.11%</b>

As such, the TM Exchange Ratio used in deriving the purchase consideration for the Proposed Acquisition is **fair and reasonable** to the non-interested shareholders of TM.

**Purchase consideration for the Proposed SunShare Acquisition**

(i) **Market Value**

- Although a premium of 13.15% is paid for the 49% stake in SunShare, it is important to note that the current trading price of M1 has been the lowest for the past twelve (12) months.
- Using the simple average of the share price for M1 for the past twelve (12) months of SGD2.10 (as opposed to the closing price of SGD1.90 used), the purchase consideration for SunShare would be at a discount of approximately 21.28%.
- Further, the premium received from the purchase consideration of 12.81% under Scenario 1 or 11.20% under Scenario 2 is **only slightly lower** than the premium currently paid for the Proposed SunShare Acquisition.

(ii) **Historical financial performance of M1**

- M1 has been experiencing uninterrupted growth in revenue since FYE 31 December 2004. The operating profit as well as the PATAMI have also reported a **healthy growth** since FYE 31 December 2004 to 2006 from SGD193.21 million (RM449.65 million) to SGD219.28 million (RM503.97 million) and SGD153.92 million (RM358.21 million) to SGD164.58 million (RM378.24 million) respectively. Besides, based on the latest unaudited results of M1 for the FYE 31 December 2007, M1 recorded the highest PATAMI in the four (4) financial years under review of SGD171.80 million (RM395.71 million).
- The **dividends declared** for the past four (4) financial years was on an **increasing rate** from SGD0.11 (RM0.25) to SGD0.15 (RM0.36) with a further special dividend of SGD0.12 (RM0.28) declared in FYE 31 December 2005.

**Financial evaluation of the Proposed Acquisition (Cont'd)**

**(iii) Comparison with selected comparable companies of M1**

- The range of PE Multiples of M1 as denoted by its three (3) market prices of between 9.89 times to 12.65 times respectively are **lower** than the range of the PE Multiples of the selected comparable companies of 16.53 times to 16.67 times and is also **lower** than the simple average of the PE Multiple of the selected comparable companies of 16.60 times based on the market price as at 31 December 2007.
- The PBR of M1 as denoted by its three (3) market prices of between 5.51 times to 8.26 times respectively are **higher** than the PBR of the selected comparable companies of 2.82 times to 5.02 times and are **higher** than the simple average of the PBR of the selected comparable companies of 3.92 times.

As such, premised on the above, the purchase consideration for the Proposed SunShare Acquisition is **fair and reasonable** to the non-interested shareholders of TM.

**Purchase consideration for the Proposed XL Acquisition**

**(i) Market Value**

- Although it appears that a premium of 7.59% is paid for the 16.81% stake in XL, nonetheless it is important to note that the current trading price of XL has been the lowest for the past twelve (12) months.
- Furthermore, it has to be noted that the purchase of a significant block of shares in XL in the open market would drive the share price upwards.
- The premium received from the purchase consideration of 12.81% under Scenario 1 or 11.20% under Scenario 2 is **higher** than the premium currently paid for the Proposed XL Acquisition of 7.59%.

**(ii) Historical financial performance of XL**

- XL has been experiencing growth in revenue since FYE 31 December 2004 as well as growth in operating profit since year 2006.
- XL has been experiencing loss after taxation from FYE 31 December 2004 to FYE 31 December 2005. Nonetheless, XL registered a healthy profit after taxation of IDR651,883 million (RM255.54 million) and IDR207,820 million (RM73.36 million) in FYE 31 December 2006 and FPE 30 September 2007 extrapolated to twelve (12) months respectively.

**(iii) Historical share price of XL**

- XL shares have been trading in the range of IDR1,720.00 (RM0.60) (lowest) and IDR 2,975.00 (RM1.05) (highest) for the past twelve (12) months prior to the LPD.
- XL shares have been thinly traded with a simple average monthly volume of 3,524,917 XL Shares, representing approximately 0.05% of XL's issued and paid-up share capital as at 30 September 2007 of 7.1 billion XL Shares. In light of the lack of liquidity and marketability of XL shares, it may be difficult to acquire XL shares in the open market for large quantities.

<p><b>Financial evaluation of the Proposed Acquisition (Cont'd)</b></p>	<p><i>(iv) Comparison with selected comparable companies of XL</i></p> <ul style="list-style-type: none"> <li>▪ The range of PE Multiples of XL as denoted by its four (4) market prices of between 19.53 times to 25.29 times respectively are <b>lower</b> than the PE Multiples of the selected comparable companies of 24.23 times to 69.52 times and the simple average of the PE Multiple of the selected comparable companies of 48.73 times.</li> <li>▪ The PE Multiple of XL of 34.93 as denoted by its implied value of RM1.11 per XL share is <b>within the range</b> of the PE Multiples of the selected comparable companies of 24.23 times to 69.52 times and <b>lower</b> than the simple average of the PE Multiple of the selected comparable companies of 48.73 times.</li> <li>▪ The PBR of XL as denoted by its four (4) market prices of between 2.75 times to 3.85 times are <b>within the range</b> of the PBR of the selected comparable companies of 2.80 times to 4.23 times and is higher than the simple average of the PBR of the selected comparable companies of 3.30 times.</li> <li>▪ The PBR of XL of 4.93 times as denoted by its implied value of RM1.11 per XL Share is <b>higher</b> than the range of the selected comparable companies of 2.80 times to 4.23 times and is also <b>higher</b> than the simple average of the PBR of the selected comparable companies of 3.30 times.</li> <li>▪ In the month of December 2007, Etisalat, through its subsidiary, acquired a 15.97% equity interest in XL at approximately RM1.28 per XL Share. As such, the purchase consideration of RM1.11 per XL share pursuant to the Proposed XL Acquisition is still below the recent precedent transaction price, notwithstanding the fact that it is higher than its current market price.</li> </ul> <p>As such, premised on the above, the purchase consideration for the Proposed XL Acquisition is <b>fair and reasonable</b> to the non-interested shareholders of TM.</p>																		
<p><b>Effects of the Proposed Acquisition</b></p>	<ul style="list-style-type: none"> <li>▪ The proforma effects of the Proposed Acquisition on TM are as follows:</li> </ul> <table border="1" data-bbox="512 1211 1326 1608"> <thead> <tr> <th></th> <th>Scenario 1</th> <th>Scenario 2</th> </tr> </thead> <tbody> <tr> <td>Issued and paid-up share capital</td> <td>No effects</td> <td>No effects</td> </tr> <tr> <td>Earnings</td> <td>No effects</td> <td>One-off consolidated earnings enhancement of RM0.28 per TM Share</td> </tr> <tr> <td>Net assets and gearing</td> <td>No effects</td> <td>Slight increase in net assets per share of RM0.05 to RM5.91 and an increase in gearing to 0.63 times</td> </tr> <tr> <td>Substantial shareholders' shareholdings</td> <td>No effects</td> <td>No effects</td> </tr> <tr> <td>Dividends</td> <td>No effects</td> <td>No effects</td> </tr> </tbody> </table>		Scenario 1	Scenario 2	Issued and paid-up share capital	No effects	No effects	Earnings	No effects	One-off consolidated earnings enhancement of RM0.28 per TM Share	Net assets and gearing	No effects	Slight increase in net assets per share of RM0.05 to RM5.91 and an increase in gearing to 0.63 times	Substantial shareholders' shareholdings	No effects	No effects	Dividends	No effects	No effects
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<p><b>Risk factors associated with SunShare</b></p>	<ul style="list-style-type: none"> <li>▪ The risk factors associated with SunShare includes, amongst others, the following: <ul style="list-style-type: none"> <li>(a) Dependence on dividend income;</li> <li>(b) Competition faced by M1;</li> <li>(c) Rapid technology changes; and</li> <li>(d) Regulations and licenses.</li> </ul> <p>The risk factors mentioned above are no different to the current risks being experienced by TM International itself.</p> </li> </ul>																		
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<p><b>Risk factors associated with the Proposed Acquisition</b></p>	<ul style="list-style-type: none"> <li>▪ The risk involved in the Proposed Acquisition includes, amongst others, the following: <ul style="list-style-type: none"> <li>(a) Completion of the Proposed Acquisition;</li> <li>(b) Acquisition risk;</li> <li>(c) Fluctuations in the exchange rate;</li> <li>(d) Regulations on foreign investment; and</li> <li>(e) Credit profile.</li> </ul> <p>The risk factors mentioned above save for point (a) and (e) are no different to the current risks being experienced by TM International itself.</p> </li> </ul>																		

<b>Overview and Prospects of the Malaysian economy and the mobile telecommunications industry in Malaysia, Singapore and Indonesia</b>	<ul style="list-style-type: none"> <li>▪ The overview and prospects of the Malaysian economy and the mobile telecommunications industry in Malaysia, Singapore and Indonesia are expected to remain <b>positive and encouraging</b> in the next (12) months.</li> </ul>
<b>Prospects of the Proposed TM International Group</b>	<ul style="list-style-type: none"> <li>▪ The prospects of the Proposed TM International Group's operations for the next twelve (12) months will remain <b>favourable</b> based on the current core business activities of the TM International Group in providing mobile telecommunication services.</li> </ul>

## (II) EVALUATION OF THE PROPOSED EXEMPTION

<b>Rationale for the Proposed Exemption</b>	<p>The rationale for the Proposed Exemption is <b>fair and reasonable</b> considering:</p> <ul style="list-style-type: none"> <li>▪ The Proposed Exemption is sought as it is not the intention of Khazanah to undertake a mandatory take-over offer for the remaining TM International Shares not already owned by it as a result of the Proposed Acquisition.</li> </ul>
<b>Effects of the Proposed Exemption</b>	<ul style="list-style-type: none"> <li>▪ The Proposed Exemption <b>will not have any direct effects</b> on TM and TM International's share capital, consolidated earnings, consolidated NA, dividend policy, consolidated gearing, and substantial shareholders' shareholdings in TM and TM International.</li> </ul>
<b>Risk factor associated with the Proposed Exemption</b>	<ul style="list-style-type: none"> <li>▪ Khazanah's shareholdings in the Proposed TM International Group will increase from 34.75% to 37.81% upon the Proposed Acquisition becoming unconditional. However, this increase in shareholdings is not deemed substantial from its present shareholdings and we do not foresee any significant change in the business direction of the Proposed TM International Group.</li> <li>▪ Furthermore, the Proposed Acquisition would not result in a change of substantial shareholders but only an increase in the shareholdings of Khazanah in TM International, of which pursuant to the Proposed Demerger, Khazanah already has a controlling stake.</li> </ul>
<b>Other considerations of the Proposed Exemption</b>	<ul style="list-style-type: none"> <li>▪ If the non-interested shareholders of TM approve the Proposed Exemption, it would mean that the SC would be able to consider the application by Khazanah for the Proposed Exemption. If the exemption is granted, it would then relieve Khazanah from the obligation of having to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by them in the event the obligation occurs, thus, TM will proceed with the Proposed Acquisition, should it be approved by its shareholders.</li> </ul>

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<p><b>Other considerations of the Proposed Exemption (Cont'd)</b></p>	<p>If the non-interested shareholders of TM vote against the Proposed Exemption, it would mean that the SC would not be able to consider the application made by Khazanah for the Proposed Exemption under Practice Note 2.9.1 of the Code. Further thereto, Khazanah do not intend to undertake a mandatory take-over offer for all the remaining TM International Shares not already owned by it arising from the Proposed Acquisition.</p> <ul style="list-style-type: none"> <li>▪ As such, with the Proposed Acquisition and Proposed Exemption being inter-conditional, the Proposed Acquisition will not be implemented in the absence of the approval from the non-interested shareholders of TM for the Proposed Exemption.</li> </ul>
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Given the factors above, the decision to be made will depend on the individual risk appetite and specific requirements of the non-interested shareholders of TM. While we recognise the fact that various non-interested shareholders may have differing risk profiles and investment outlooks, we advise them to also carefully consider other factors such as future plans and prospects of the Proposed Acquisition and Proposed Exemption and any other relevant considerations including those set out in this IAL.

Premised on the foregoing and our evaluation of the Proposed Acquisition and Proposed Exemption, we are of the opinion that the **Proposed Acquisition and Proposed Exemption are fair and reasonable** and are not detrimental to the interests of the non-interested shareholders of TM.

Accordingly, we recommend that the non-interested shareholders of TM to vote *in favour* of the resolution pertaining to the Proposed Acquisition and Proposed Exemption at the forthcoming EGM of TM.

Yours truly  
for and on behalf of  
PUBLIC INVESTMENT BANK BERHAD

Teoh Cheng Soon  
Chief Executive Officer

Phang Siew Loong  
Head  
Corporate Finance & Advisory

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## INFORMATION ON THE PROPOSED TM INTERNATIONAL GROUP

### 1. HISTORY AND BUSINESS

TM International was incorporated in Malaysia under the Act on 12 June 1992 as a private limited company under the name of Telekom Malaysia International Sdn Bhd and commenced business in 1994. It changed its name to TM International Sdn Bhd on 16 October 2001. On 12 December 2007, TM International was converted to a public company under its present name.

With the completion of the Proposed Demerger, the Proposed TM International Group will be a regional mobile telecommunications provider, with a significant presence in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia. In addition, the Proposed TM International Group has strategic mobile and non-mobile telecommunications operations and investments in India, Singapore, Iran, Pakistan and Thailand. On a proforma basis, as at 31 December 2007, the Proposed TM International Group (including its associates) had a total of approximately 39 million mobile subscribers in various markets in Asia. The Proposed TM International Group's CAGR of mobile subscribers on a proforma basis (including its associates) was 32.8% between 2005 and 2007. The Proposed TM International Group intends to continue to focus on growing its existing market share and expanding into targeted new markets in the South and South East Asian mobile telecommunications sector in regions characterised by high economic growth and/or low mobile penetration rates.

#### ***Key mobile telecommunications operations***

The mobile telecommunications business of the Proposed TM International Group is currently anchored by its operations in Malaysia (Celcom), Indonesia (XL) and Sri Lanka (Dialog). Revenues from these subsidiaries contributed more than 90% of the Proposed TM International Group's proforma consolidated revenues for the financial year ended 31 December 2006. The Proposed TM International Group also has a 70% shareholding interest in TMIB, a mobile operator in Bangladesh and a wholly-owned subsidiary, TMIC, a mobile telecommunications operator in Cambodia. Revenues from TMIB and TMIC contributed approximately 8.3% and 1.3%, respectively, of the Proposed TM International Group's proforma consolidated revenues for financial year ended 31 December 2006. In addition, the Proposed TM International Group has an expanding presence in other markets in the South and South East Asian region from its strategic investments.

#### ***Foreign strategic operations and investments***

The Proposed TM International Group's investments in mobile telecommunications businesses include:

*India; Spice* – Spice is a public company listed on the Bombay Stock Exchange Limited, offering mobile telecommunications services in the Punjab and Karnataka states of India.

*Singapore; 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 in Singapore.

*Iran; Mobile Telecommunications Company of Esfahan ("MTCE")* – MTCE is a private company incorporated in Iran, offering mobile telecommunications services in the Esfahan province of Iran.



The Proposed TM International Group's investments in non-mobile telecommunications businesses include:

*Pakistan; Multinet Pakistan (Private) Limited ("Multinet")* – Multinet is a private company incorporated in Pakistan. Multinet's licenses allow it to offer a wide range of non-mobile telecommunications services, including broadband and long distance international voice, in Pakistan. It is carrying out a project to lay a nationwide fiber optic network in Pakistan.

*Thailand; Samart Corporation Public Company Limited ("Samart") and Samart I-Mobile Public Company Limited ("Samart I-Mobile")* – Samart is a public company listed on the Stock Exchange of Thailand and is engaged in the design, implementation and installation of telecommunications systems and the sale and distribution of telecommunications equipment through its affiliates. Samart I-Mobile is a subsidiary of Samart and is a public company listed on the Stock Exchange of Thailand, offering mobile telecommunications products and services primarily in Thailand, but also throughout the South and South East Asian region.

Based on the proforma consolidated financial statements of the Proposed TM International Group for the financial year ended 31 December 2006, the audited consolidated net assets and PATAMI of the Proposed TM International Group are RM8,150.0 million and RM1,150.1 million respectively, while the Proposed TM International Group reported a revenue of RM8,573.5 million whereby the breakdown between domestic (within Malaysia) and foreign (outside of Malaysia) revenue is as follows:

Revenue	RM million	%
Within Malaysia	4,522.8	52.8
Outside of Malaysia	4,050.7	47.2
	<u>8,573.5</u>	<u>100.0</u>

Currently, all research and development for the Proposed TM International Group is managed by Telekom Research & Development Sdn Bhd, a wholly-owned subsidiary of TM. All of such research and development expenses are funded by TM. Pursuant to the Framework Agreement (as described in Section 2.3 of this Circular), TM and Celcom have agreed to execute a definitive Research and Development Agreement prior to the completion of the Proposed Demerger. Currently, the terms of the arrangements between TM, Celcom and TM International with respect to research and development have not been determined.

In addition, TM International's subsidiaries in the mobile telecommunications provision business maintain close working relationships with their key network equipment suppliers and participate in their technology trials so as to improve equipment performance.

As at the LPD, there are 17 persons employed by Dialog, a subsidiary of TM International, to carry out research and development at various divisions in Dialog. Dialog spent approximately RM445,878 on research and development activities for the financial year ended 31 December 2006.

Further, Dialog, in conjunction with University of Moratuwa, has established the Dialog-University of Moratuwa Mobile Communications Research Laboratory in Sri Lanka. Two creations of the laboratory – a remotely activated GSM alarm device and a learning management system - are being used in two Dialog-supported national initiatives, namely the Disaster and Emergency Warning Network and the Digital Bridge.

## 2. SHARE CAPITAL

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

	No. of ordinary shares	Par value RM	Total RM
Authorised	500,000,000	1.00	500,000,000
Issued and fully paid-up	35,693,116	1.00	35,693,116

The changes in TM International'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 RM	Consideration	Cumulative issued and paid-up share capital RM
12.06.1992	2	1.00	Cash	2
30.05.1994	4,999,998	1.00	Cash	5,000,000
03.05.1996	10,000,000	1.00	Cash	15,000,000
07.08.1996	1,250,000	1.00	Cash	16,250,000
31.12.2004	14,221,701	1.00	Consideration for acquisition of shares of TMIB from TM by TM International (L) Limited arising from an internal restructuring exercise	30,471,701
16.03.2005	5,221,415	1.00	Consideration for acquisition of shares of Telekom Management Services Sdn Bhd from TM	35,693,116

## 3. DIRECTORS

As at the LPD, the Directors of TM International are as follows:

- (i) Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor
- (ii) Dato' Sri Abdul Wahid Omar
- (iii) Dato' Lim Kheng Guan
- (iv) Ganendran Sarvananthan
- (v) Datuk Bazlan Osman
- (vi) Dato' Yusof Annuar Yaacob

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

The TM Group is currently reviewing the composition of the Board of TM International in view of the Proposed Demerger. The proposed Directors of TM International will be announced in due course.

## 4. SUBSTANTIAL SHAREHOLDERS

As at the LPD, TM International is a wholly-owned subsidiary of our Company. The potential substantial shareholders of TM International pursuant to the Proposals are set out in Section 5.4(ii), Part A of this Circular.

## 5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The existing subsidiaries, jointly-owned entities and associated companies of TM International as at the LPD and the proposed subsidiaries and associated companies are as follows:

Name of company	Date and place of incorporation	Issued and paid-up capital RM (unless indicated otherwise)	Effective equity interest %	Principal activities
<b>Existing subsidiaries</b>				
TM International (L) Limited ("TMIL")	21.02.1997 Federal Territory, Labuan	USD78,425,873	100	Investment holding
Telekom Management Services Sdn Bhd	16.11.1994 Malaysia	100,000	100	Provision of consultancy and engineering services in telecommunication and related area
TMI Mauritius Ltd	03.06.1997 Republic of Mauritius	USD10,000	100	Investment holding
G-Com Limited	20.11.1996 Ghana	CED494,998,000	100	Investment holding
TMIC	14.06.1995 Cambodia	USD8,479,200	100	Provision of mobile telecommunication services in Cambodia
<b>Subsidiary held through TMI Mauritius Ltd</b>				
TMI India Ltd	03.01.1996 Republic of Mauritius	USD72,713,919	100	Investment holding
<b>Subsidiaries held through TMIL</b>				
Dialog <sup>1</sup>	27.08.1993 Sri Lanka	SLR33,056,413,435 <sup>2</sup>	84.81	Provision of mobile telecommunication services in Sri Lanka
TESS International Ltd	18.11.1998 Republic of Mauritius	USD1	100	Dormant
TMIB <sup>3</sup>	22.10.1995 Bangladesh	TK3,060,000,000	70	Provision of mobile telecommunication services in Bangladesh
TM International Lanka (Private) Limited ("TMILP") <sup>4</sup>	22.03.1996 Sri Lanka	SLR222,000,000 <sup>2</sup>	100	Investment holding
Indocel	25.10.1995 Malaysia	100,000	100	Investment holding
Multinet Pakistan (Private) Limited	04.11.1996 Pakistan	PKR992,499,200	89	Provision of cable television services, information technology (including software development), telecommunication and multimedia services in Pakistan
<b>Subsidiary held through Indocel</b>				
XL	06.10.1989 Indonesia	IDR709,000,000,000	66.99	Provision of mobile telecommunication services in Republic of Indonesia

Name of company	Date and place of incorporation	Issued and paid-up capital RM (unless indicated otherwise)	Effective equity interest %	Principal activities
<b>Subsidiaries held through XL</b>				
Excel Phoneloan 818 BV	12.05.1997 Netherlands	NLG40,000	66.99	Dormant
Excelcomindo Finance Company BV	23.12.2003 Netherlands	EUR20,000	66.99	Investment holding
GSM One (L) Limited	17.12.1996 Federal Territory, Labuan	USD1	66.99	Dormant
GSM Two (L) Limited	24.11.1997 Federal Territory, Labuan	USD1	66.99	Dormant
<b>Subsidiaries held through Dialog</b>				
Dialog Broadband Networks (Private) Limited ("DBNP") <sup>5</sup>	27.08.1993 Sri Lanka	SLR823,682,030 <sup>2</sup>	84.81	Provision of infrastructure facilities for voice and data communication systems, radio and television broadcasting systems and mobile radio communication systems and the provision of telecommunication services in Sri Lanka
Dialog Television (Private) Limited (formerly known as Asset Media (Private) Limited)	09.01.2004 Sri Lanka	SLR200 <sup>2</sup>	84.81	Carrying on the business of a television broadcasting station and television broadcasting network including cable and pay television transmission
<b>Subsidiaries held through Dialog Television (Private) Limited (formerly known Asset Media (Private) Limited)</b>				
Communiq Broadband Network (Private) Limited ("CBNP") <sup>6</sup>	13.09.2004 Sri Lanka	SLR50,000,000 <sup>2</sup>	84.81	Provision of information technology including data, content transmission services, audio visual services and television programmes services
CBN Sat (Private) Limited ("CBNSP") <sup>6</sup>	29.06.2005 Sri Lanka	SLR15,000 <sup>2</sup>	84.81	Provision of manufacturing, assembling, importing and exporting of electronic consumer products and audio visual goods
<b>Jointly-controlled entity held through TM International</b>				
SunShare <sup>7</sup>	07.06.2005 Federal Territory, Labuan	USD734,009.90	51	Investment holding company
<b>Jointly-controlled entity held through TMI India Ltd</b>				
Spice	28.03.1995 India	INR6,899,250,000	39.2	Licensed mobile cellular telecommunications service provider in the state of Punjab and Kamataka in India

Name of company	Date and place of incorporation	Issued and paid-up capital RM (unless indicated otherwise)	Effective equity interest %	Principal activities
<b>Associates held through TM International</b>				
Samart Corporation Public Company Limited ("Samart") <sup>8</sup>	23.03.1993 Thailand	BHT976,503,910	18.97	Design, implementation and installation of telecommunication systems and the sale and distribution of telecommunication equipment in Thailand
Samart I-Mobile Public Company Limited ("SIM") <sup>8,9</sup>	30.09.2003 Thailand	BHT430,000,000	35.58	Mobile phone distributor accessories and bundled with content and administration of the distribution channels for and management of customer care and billing system of 1900MHz mobile phone
<b>Associate held through TMIL</b>				
Mobile Telecommunications Company of Esfahan	06.04.1999 Iran	IRR63,320,000,000	49	Planning, designing, installing, operating and maintaining a GSM cellular telecommunication network to customer in the province of Esfahan, Iran
<b>Proposed subsidiary</b>				
Celcom	05.01.1988 Malaysia	1,237,534,681	100	Provision of network capacity and services
<b>Subsidiaries held through Celcom</b>				
Celcom Multimedia (Malaysia) Sdn Bhd	22.06.1999 Malaysia	2	100	Dormant
Celcom Technology (M) Sdn Bhd	21.05.1992 Malaysia	2,000,000	100	Provision of telecommunication value added services through cellular or other forms of telecommunication network
Celcom Timur (Sabah) Sdn Bhd ("CTS") <sup>10</sup>	17.01.1995 Malaysia	7,000,000	80	Provision of fibre optic transmission network
CTX	30.03.1990 Malaysia	25,000,000	100	Provision of network transmission related services
Celcom Trunk Radio (M) Sdn Bhd	04.10.1989 Malaysia	10,000	100	Ceased operation
CT Paging Sdn Bhd	04.08.1988 Malaysia	500,000	100	Provision of strategic and business development, management, administrative and support services and investment holding
Technology Resources Industries Berhad	01.12.1966 Malaysia	1,000	100	Investment holding
Celcom Mobile Sdn Bhd	15.07.1976 Malaysia	1,565,000,000	100	Provision of mobile communication services, network services, application services and content
Alpha Canggih Sdn Bhd	24.08.1994 Malaysia	2	100	Property investment

Name of company	Date and place of incorporation	Issued and paid-up capital RM (unless indicated otherwise)	Effective equity interest %	Principal activities
<b>Subsidiaries held through Technology Resources Industries Berhad</b>				
Alpine Resources Sdn Bhd	08.09.1987 Malaysia	2,500,000	100	Inactive
Rego Multi-Trades Sdn Bhd	01.11.1983 Malaysia	2,000,000	100	Dealing in marketable securities
Technology Resources Management Services Sdn Bhd	20.12.1985 Malaysia	2	100	Inactive
Technology Resources (Nominees) Sdn Bhd	30.05.1991 Malaysia	2	100	Dormant
TR Components Sdn Bhd	18.04.1991 Malaysia	2	100	Investment holding
TR International Limited	19.08.1993 Hong Kong	HK\$2	100	Investment holding
<b>Associate held through Celcom</b>				
Sacofa Sdn Bhd	11.07.2001 Malaysia	64,171,634	20	Trade or business of a telecommunications infrastructure and services company
<b>Associate held through CT Paging Sdn Bhd</b>				
C-Mobile Sdn Bhd ("CMSB") <sup>*11</sup>	09.01.2007 Malaysia	5,000,000	67.15	Setting up a distribution network of dealers and concept retail stores based on intellectual property rights owned by Celcom

**Notes:**

- <sup>\*1</sup> Pursuant to a call option deed dated 24 September 2007 between TMIL and International Finance Corporation ("IFC"), TMIL has granted to IFC a call option for a period of 6 months from the date of the deed to acquire such number of shares in Dialog held by TMIL that is equal to the aggregate purchase price of USD15 million.
- <sup>\*2</sup> Refers to stated capital. Pursuant to the new Companies Act, No. 7 of Sri Lanka, the concept of authorised and paid-up share capital has been replaced with the concept of stated capital, effective from 3 May 2007. The stated capital comprises of the total of all amounts received in respect of the issue of shares. For accounting purposes, the share premium is also included and expenses relating to the issuance are deducted.
- <sup>\*3</sup> TM International holds directly less than 0.001% equity interest in TMIB.
- <sup>\*4</sup> TM International holds directly 0.001% equity interest in TMILP.
- <sup>\*5</sup> TMILP holds directly 0.001% equity interest in DBNP.
- <sup>\*6</sup> Dialog holds directly 0.001% equity interest in CBNP and CBNSP respectively.
- <sup>\*7</sup> The Proposed TM International Group holds 80% of the ordinary shares in SunShare but 51% of the economic benefit.
- <sup>\*8</sup> The issued and paid-up share capital of our listed associated companies, Samart and SIM, and the respective effective shareholdings of TM International in Samart and SIM are as at 31 December 2007.
- <sup>\*9</sup> Samart holds 57.69% direct and 1.15% indirect equity interest in SIM as at 31 December 2007.
- <sup>\*10</sup> There is a put option granted by Celcom to its 10% joint venture partner in CTS, Hugold Success Sdn Bhd ("HSSB"), whereby HSSB's exercise of the option shall oblige Celcom to acquire HSSB's remaining 700,000 ordinary shares of RM1.00 each in CTS at an exercise price of RM9.00 per share. The put option is valid for a period of 3 months from 25 November 2007.

<sup>11</sup> In addition to its proposed holdings in CMSB through CT Paging Sdn Bhd, TM International effectively holds 18.15% in CMSB by virtue of SIM holding 100% equity interest in I-Mobile International Co. Ltd (as at 31 December 2007), which in turn, holds 51% equity interest in CMSB. Although the Proposed TM International Group's effective shareholding in CMSB is 67.15%, the Proposed TM International Group does not have direct majority control and board control of CMSB, hence it is not consolidated as a subsidiary.

**Currencies**

BHT	: Thai Baht
CED	: Ghanaian Cedi
EUR	: Euros
HK\$	: Hong Kong Dollar
IDR	: Indonesian Rupiah
INR	: Indian Rupee
IRR	: Iranian Rial
NLG	: Dutch Guilders
PKR	: Pakistani Rupee
SLR	: Sri Lankan Rupee
TK	: Bangladesh Taka
USD	: United States of America Dollar

The following corporations in which the Celcom Group owns more than one half of the voting power, which, due to permanent loss of control or significant influence, have been accounted as investments and written down to recoverable amounts of RM1 each:

- (i) TRI Telecommunication Tanzania Limited (on 12 June 2003, the High Court of Tanzania had endorsed a petition by 4 creditors of the company, namely Tanzania Communications Commission, Tanzania Telecommunications Company Limited, Tanzania Revenue Authority and VIP Engineering and Marketing Limited to wind up the company);
- (ii) TRI Telecommunication Zanzibar Limited (on 13 March 2006, Celcom's wholly-owned subsidiary had obtained an order from the High Court of Zanzibar to wind up the company); and
- (iii) Tripoly Communication Technology Corporation Ltd (in the process of commencing special liquidation).

In view of the above, the financial statements of the respective companies have not been consolidated nor equity accounted for.

## 6. SUMMARY OF PROFORMA FINANCIAL INFORMATION

Set out below is a summary of the relevant financial information of the Proposed TM International Group from its proforma consolidated financial statements for the financial years ended 31 December 2002 to 31 December 2006, after incorporating effects for the Proposed Demerger, based on its unaudited consolidated financial statements for the financial years ended 31 December 2002 to 31 December 2003 and audited consolidated financial statements for the financial years ended 31 December 2004 to 31 December 2006:

	-----Financial year ended 31 December-----				
	2002 RM million	2003 RM million	2004 RM million	2005 RM million	2006 RM million
Revenue	2,780.3	4,154.4	5,114.6	6,102.0	8,573.5
PBT / (Loss before taxation)	(240.0)	352.9	2,217.9 <sup>*1</sup>	687.2 <sup>*2</sup>	2,023.1
Taxation	112.6	(54.6)	(172.7)	(352.8)	(678.7)
PAT / (Loss after taxation)	(127.4)	298.3	2,045.2	334.4	1,344.4
Minority interest	(15.8)	(31.1)	(36.8)	(72.9)	(194.3)
PATAMI / (Loss after taxation and minority interest)	(143.2)	267.2	2,008.4	261.5	1,150.1
Number of shares <sup>*3</sup> (million)	3,577.4	3,577.4	3,577.4	3,577.4	3,577.4
Gross EPS / (loss per share) (sen) <sup>*4</sup>	(7)	10	62	19	57
Net EPS / (loss per share) (sen) <sup>*5</sup>	(4)	7	56	7	32
Dividend (%)	-	-	-	-	-

### Notes:

There are no extraordinary items for the years under review while the items which are material in nature for the years under review have been disclosed in notes 1 and 2 below.

<sup>\*1</sup> PBT for the financial year ended 31 December 2004 includes Celcom Group's allowances for impairment losses which amounted to RM320.7 million for the write down of certain classes of telecommunication network and equipment after completion of the network integration exercise and additional current year depreciation of RM229.4 million arising from the reduction of certain telecommunication network equipments' useful life from 6 years to less than 1 year.

<sup>\*2</sup> PBT for the financial year ended 31 December 2005 includes the provision for a claim in connection with DeTeAsia Holdings GmbH's claim as detailed in Section 5.1 (ii) of Appendix XI of this Circular.

<sup>\*3</sup> Based on the issued and paid-up share capital of 3,577.4 million shares of the Proposed TM International Group after the Proposed Demerger.

<sup>\*4</sup> Gross EPS / (loss per share) is calculated by dividing PBT / (loss before taxation) with the number of shares in issue.

<sup>\*5</sup> Net EPS / (loss per share) is calculated by dividing PATAMI / (loss after taxation and minority interest) with the number of shares in issue.



### **Commentaries:**

The proforma financial information, as discussed in the commentaries below, have been prepared to show the results of the Proposed TM International Group as if the Proposed Demerger had been effected from the beginning of the earliest year presented.

#### **Financial year ended 31 December 2002**

The Proposed TM International Group's proforma revenue of RM2,780.3 million in the financial year ended 31 December 2002 was mainly attributable to:

- (i) Celcom Group's revenue of RM2,400.8 million with subscriber base of 2 million as at 31 December 2002;
- (ii) Dialog Group's revenue of RM188.3 million with subscriber base of over 480,000 as at 31 December 2002; and
- (iii) TMIB's revenue of RM136.8 million with subscriber base of 161,265 as at 31 December 2002.

The Proposed TM International Group recorded a proforma loss after taxation and minority interest of RM143.2 million for the financial year ended 31 December 2002, which was mainly due to the impact of RM246.5 million proforma finance cost pursuant to the demerger restructuring, notwithstanding PAT contributions largely from the Celcom Group, Dialog Group and TMIB.

#### **Financial year ended 31 December 2003**

Proforma revenue for the financial year ended 31 December 2003 of Proposed TM International Group increased by RM1,374.1 million or approximately 49.4% from RM2,780.3 million in the financial year ended 31 December 2002 to RM4,154.4 million in the financial year ended 31 December 2003. The increase was mainly attributable to:

- (i) increase of RM1,197.1 million or 51% in Celcom Group's revenue from RM2.4 billion in the financial year ended 31 December 2002 mainly due to an increase in its prepaid subscriber base by approximately 2.0 million or 166% from 1.2 million subscribers as at 31 December 2002 to 3.2 million subscribers as at 31 December 2003. However revenue from postpaid segment remained fairly stagnant. Revenue growth was primarily from mobile data solutions, which more than doubled during the year. The launching of Multimedia Messaging Service ("MMS") via General Packet Radio Service ("GPRS") platform in August 2003 attracted initial registration of 18,000 customers;
- (ii) increase of RM160.3 million in Dialog Group's revenue resulting from continuous increase in subscriber base from over 480,000 as at 31 December 2002 to over 830,000 as at 31 December 2003, which was primarily due to its competitive advantage in product and service delivery. Numerous new value-added services for existing customers such as GPRS, video streaming and dual Subscriber Identity Module (prepaid and postpaid) Information On Demand were offered during the year; and
- (iii) increase of RM64.3 million in TMIB's revenue due to increase in its subscriber base by approximately 240,415 or 149.1% from 161,265 subscribers as at 31 December 2002 to over 401,680 as at 31 December 2003 on the back of growing network coverage and rolling out of various prepaid and postpaid packages.

The Proposed TM International Group's proforma PATAMI for the financial year ended 31 December 2003 increased by RM410.4 million to RM267.2 million from a loss after taxation and minority interest of RM143.2 million in the financial year ended 31 December 2002, mainly due to improved margins from Celcom Group and Dialog Group.

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

Proforma revenue for the financial year ended 31 December 2004 of Proposed TM International Group increased by RM960.2 million or approximately 23.1% from RM4,154.4 million in the financial year ended 31 December 2003 to RM5,114.6 million in the financial year ended 31 December 2004. The increase was mainly attributable to:

- (i) increase of RM601.1 million in Celcom Group's revenue following strong demand in prepaid sector. This was reflected in year on year prepaid subscriber growth from 3.2 million at the end of 2003 to 4.2 million at the end of 2004. The growth was the result of aggressive marketing activities and introduction of new and innovative product offerings during the year. Among others, these offerings include competitive SMS tariff, lowering price of prepaid starter pack, introduction of prepaid roaming, MMS, Call Me Tones and other value-added services;
- (ii) increase of RM134.4 million in Dialog Group's revenue resulting from continuous increase in subscriber base from over 830,000 as at 31 December 2003 to over 1.3 million as at 31 December 2004. Dialog continued to enhance its value-added services such as Dual Subscriber Identity Module, Enhanced Data rates for GSM Evolution services, Fixed SMS, video streaming, text streaming and 3G services which had positively contributed to the increase in the subscriber base; and
- (iii) increase of RM209.6 million in TMIB's revenue due to increase in its subscriber base from 401,680 as at 31 December 2003 to over a million as at 31 December 2004. The increase was made possible through aggressive investment in improving the network coverage and call quality.

The Proposed TM International Group's proforma PATAMI for the financial year ended 31 December 2004 increased by RM1,741.2 million or approximately 651.6% to RM2,008.4 million from RM267.2 million in the financial year ended 31 December 2003. This was mainly due to a gain on disposal of its 12% stake in Telkom SA Limited ("Telkom SA") of RM1,567.1 million recorded in the year ended 31 December 2004.

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

Proforma revenue for the financial year ended 31 December 2005 of Proposed TM International Group increased by RM987.4 million or approximately 19.3% from RM5,114.6 million in the financial year ended 31 December 2004 to RM6,102.0 million in the financial year ended 31 December 2005. The increase was mainly the direct result of the following:

- (i) increase of RM296.6 million in the Celcom Group's revenue, mainly due to increase in contribution from prepaid revenue of RM394.0 million resulting from increase in the net subscriber base from 4.2 million in the financial year ended 31 December 2004 to 5.7 million in the financial year ended 31 December 2005. However, this increase was partly offset by the decrease in postpaid revenue by RM105.6 million. Although postpaid subscriber base remained relatively unchanged from 1.10 million in the financial year ended 31 December 2004 to 1.11 million in the financial year ended 31 December 2005, besides the intense competition, postpaid performance to a certain extent was affected by the operational challenges faced during the consolidation and migration exercise of its billing platform undertaken during the year;
- (ii) increase of RM251.1 million in the Dialog Group's revenue with contribution of RM110.2 million and RM101.8 million from postpaid and prepaid, respectively. The increase in postpaid revenue was largely due to the increase in subscriber base as a result of tariff reductions combined with rapid expansion of network coverage. Whereas, the increase in prepaid revenue was mainly due to successful introduction of several promotions and loyalty programmes which resulted in higher subscriber and prepaid recharge;

- (iii) increase of RM143.3 million in TMIB's revenue was largely contributed by an increase in prepaid revenue of RM148.1 million. Its prepaid subscriber base increased by 200% to 2.97 million subscribers in 2005 resulting from attractive prepaid tariff offered to subscribers and the introduction of a new prepaid package "Joy". However, the increase in revenue was partly offset by the decrease in postpaid revenue of RM43.0 million largely due to the decrease in postpaid subscribers following the increase in take up of prepaid packages; and
- (iv) consolidation of XL's two months revenue amounting to RM293.6 million in 2005.

The Proposed TM International Group's proforma PATAMI for the financial year ended 31 December 2005 decreased by RM1,746.9 million or approximately 87.0% from RM2,008.4 million in the financial year ended 31 December 2004 to RM261.5 million in the financial year ended 31 December 2005. This was mainly due to:

- (i) provision for satisfaction of the award to DeTeAsia Holdings GmbH of RM879.5 million (including arbitration, legal, interest, tax and other related cost) by Celcom ("DeTeAsia Claim") in the financial year ended 31 December 2005; and
- (ii) the higher proforma PATAMI recorded in the previous financial year ended 31 December 2004 included a gain on disposal of Telkom SA, an associated company, of RM1,567.1 million and gain on disposal of the entire shareholding in Sheba Telecom (Pvt) Ltd by Celcom, through Technology Resources Industries Berhad, of RM23.6 million. The Proposed TM International Group's proforma PATAMI in the financial year ended 31 December 2005, however, is inclusive of a one off gain arising from the listing of Dialog and XL amounting to RM259.0 million and RM82.7 million, respectively.

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

Proforma revenue for the financial year ended 31 December 2006 of the Proposed TM International Group increased by RM2,471.5 million or approximately 40.5% from RM6,102.0 million in the financial year ended 31 December 2005 to RM8,573.5 million in the financial year ended 31 December 2006. The increase was mainly attributable to:

- (i) full year consolidation of XL's revenue in the financial year ended 31 December 2006 of RM2,310.4 million compared to 2-month consolidation in the financial year ended 31 December 2005;
- (ii) increase of RM208.4 million in Dialog Group's revenue, mainly comprising increases in postpaid and prepaid revenues of RM131.1 million and RM50.3 million respectively largely due to increases in both postpaid and prepaid subscribers resulting from improved network coverage, introduction of technology-based products and management focus on stimulating recharge activation; and
- (iii) increase of RM156.9 million in TMIB's revenue, mainly attributable to an increase in prepaid revenue and interconnection revenue of RM141.6 million and RM40.3 million respectively due to the increase in subscriber base resulting from continuous reduction in prepaid tariff and general growth in mobile users in Bangladesh.

The Proposed TM International Group's proforma PATAMI for the financial year ended 31 December 2006 increased by RM888.6 million or approximately 339.8% from RM261.5 million in the financial year ended 31 December 2005 to RM1,150.1 million in the financial year ended 31 December 2006. This was mainly due to the DeTeAsia Claim in the financial year ended 31 December 2005 which was absent in the financial year ended 31 December 2006, no goodwill amortisation in the financial year ended 31 December 2006 as compared to amortisation amounting to RM109.4 million in the financial year ended 31 December 2005 following the change in the accounting policy for goodwill on adoption of FRS 3 'Business Combinations' from 1 January 2006 onwards, foreign exchange gains of RM64 million in the financial year ended 31 December 2006 and contribution from XL of RM144.46 million in terms of PATAMI as compared to a negative contribution in the financial year ended 31 December 2005.

Nonetheless, the PATAMI was affected by the increase in taxation and profit attributable to minority interest for the financial year ended 31 December 2006 of RM325.9 million and RM121.4 million respectively. This was attributable to 194% growth in PBT in 2006 and higher minority interest in XL. Proposed TM International Group's PATAMI in RM term for the financial year ended 31 December 2006 was also adversely affected by the strengthening of RM against other currencies which resulted in translation loss of RM26 million.

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