

OPENING UP
POSSIBILITIES



GROUP CORPORATE COMMUNICATIONS

Telekom Malaysia Berhad
Level 8 (South Wing), Menara TM
Jalan Pantai Baharu, 50672 Kuala Lumpur

www.tm.com.my

OUR VISION

Our vision is to be the Communications Company of choice – focused on delivering Exceptional Value to our customers and other stakeholders.

OUR MISSION

To achieve our vision, we are determined to do the following:

- Be the recognised leader in all markets we serve
- Be a customer-focused organisation that provides one-stop total solution
- Build enduring relationships based on trust with our customers and partners
- Generate shareholder value by seizing opportunities in Asia Pacific and other selected regional markets
- Be the employer of choice that inspires performance excellence

TM – THE NEW BRAND IDENTITY



TM, the new brand identity for Telekom Malaysia was launched on 14 April 2005 by the Prime Minister of Malaysia, Yang Amat Berhormat Dato' Seri Abdullah Haji Ahmad Badawi.

This new brand is not a mere cosmetic change. It encompasses a real change to the way TM provides its services. The main emphasis of this transformation is to instill a customer service oriented culture amongst employees and will be reinforced with improvement in the quality of customer service provided.

Three main reasons behind the re-branding exercise:

- This year marks the 15th year of listing for TM on the Main Board of Bursa Securities and it is timely for the Company to 'renew' its image and refresh its brand identity. This is also the first time after 15 years that the Company undertakes a re-branding exercise;
 - To re-inforce the change efforts that are currently taking place at TM; and
 - There is a need for a new brand identity that is global and universal, thus positioning TM to compete against key players in the telecommunication industry in the international arena.

The bold typeface in 'TM', created especially for this logo and its italicised font style signifies forward looking and pro-activeness. The 3 corporate colours composed in the logo are the integration of its original corporate blue, the orange of TM Net's boomerang and the red of Celcom's wing. Combined and positioned above the letter 'M', the TM Net's orange boomerang and Celcom's red wing form the shape of a pair of flapped open wings termed as 'WINGZ'. The 'WINGZ' symbolises the new brand positioning of facilitating and liberating all by opening up possibilities. The bright orange and red in the 'WINGZ' reflect the new brand personality of bold and vibrant, while the blue colour of the typeface means passionate and emphatic.

This is supported by the new brand values which seek TM employees to be proactive, knowledgeable, innovative and refreshing.

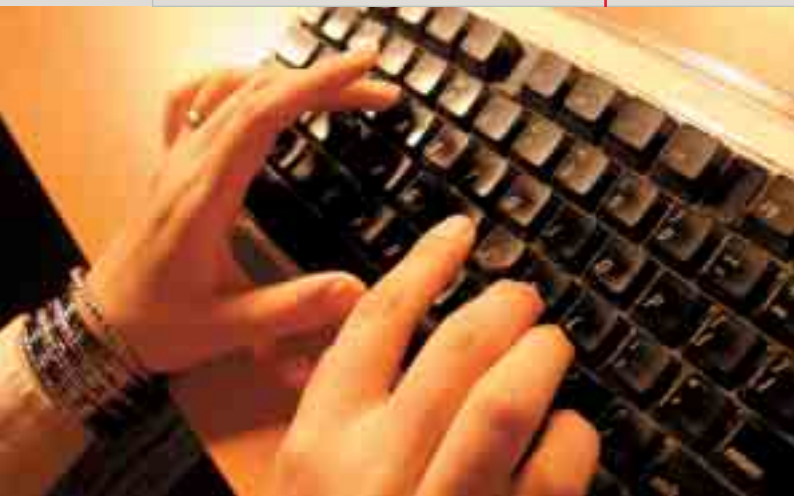
Change at TM is a continuous effort. The new brand identity will give TM immense opportunity to continue improving itself in its journey to scale greater heights.



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FINANCIAL CALENDAR



18 May 2004

19th Annual General Meeting (AGM) of the Company.

26 May 2004

Announcement of the unaudited consolidated 1st quarter results for the three months ended 31 March 2004.

26-27 May 2004

Book Closure for determining the entitlement of the final dividend of 10 sen per share (less 28% Malaysian Income Tax) and special dividend of 10 sen per share (less 28% Malaysian Income Tax) for the financial year ended 31 December 2003.

21 June 2004

Date of payment of the final and special dividend for the financial year ended 31 December 2003.

24 August 2004

Announcement of the unaudited consolidated 2nd quarter results for the six months ended 30 June 2004 and the Declaration of a tax exempt Interim Dividend of 10 sen per share for the financial year ended 31 December 2004.

21-22 September 2004

Book Closure for determining the entitlement of the interim dividend for the financial year ended 31 December 2004.

18 October 2004

Date of payment of the Interim Dividend for the financial year ended 31 December 2004.

30 November 2004

Announcement of the unaudited consolidated 3rd quarter results for the nine months ended 30 September 2004.

24 February 2005

Announcement of the audited consolidated results and the proposed tax exempt final dividend of 20 sen per share for the financial year ended 31 December 2004.

25 April 2005

Issuance of Notice of the 20th AGM, Notice of Book Closure for Payment of Dividend and Annual Report for the financial year ended 31 December 2004.

17 May 2005

20th AGM of the Company.

25-26 May 2005

Book Closure for determining the entitlement of the final dividend for the financial year ended 31 December 2004.

20 June 2005

Date of payment of the final dividend for the financial year ended 31 December 2004.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of the Company will be held at 10:00 a.m., on Tuesday, 17 May 2005 at the Dewan Merdeka, Level 4, Putra World Trade Centre, 41 Jalan Tun Ismail, 50480 Kuala Lumpur, for the following purposes:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Reports of the Directors and Auditors thereon. (Ordinary Resolution 1)
2. To declare a tax exempt final dividend of 20 sen per share in respect of the financial year ended 31 December 2004. (Ordinary Resolution 2)
3. To re-elect the following Directors who were appointed to the Board during the year and retire in accordance with Article 98(2) of the Company's Articles of Association:-
 - (i) YB. Datuk Nur Jazlan Tan Sri Mohamed (Ordinary Resolution 3)
 - (ii) Dato' Azman Mokhtar (Ordinary Resolution 4)
 - (iii) Dato' Abdul Wahid Omar (Ordinary Resolution 5)
 - (iv) Dato' Haji Abd. Rahim Haji Abdul (Ordinary Resolution 6)
4. To re-elect Dato' Dr. Abdul Rahim Haji Daud, the Director who retires by rotation in accordance with Article 103 of the Company's Articles of Association. (Ordinary Resolution 7)
5. To approve the payment of Directors' fees for the financial year ended 31 December 2004. (Ordinary Resolution 8)
6. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Ordinary Resolution 9)



7. As **SPECIAL BUSINESS**

To consider and if thought fit, to pass the following Ordinary Resolution:-

Authority to Allot and Issue Shares

“THAT subject to the Companies Act, 1965 (the Act), the Articles of Association of the Company, approval from the Bursa Malaysia Securities Berhad (Bursa Securities) and other Government or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Act, to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided always that the aggregate number of shares to be issued, shall not exceed 10% of the issued share capital of the Company.”

(Ordinary Resolution 10)

8. To transact any other business of the Company of which due notice has been received.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall be eligible to attend this meeting only in respect of:-

- (a) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 5 May 2005 (in respect of shares which are exempted from Mandatory Deposit);
- (b) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 5 May 2005 (in respect of Ordinary Transfer); and
- (c) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

Shareholders are reminded that pursuant to the Securities Industry (Central Depositories) (Amendment No. 2) Act, 1998 (SICDA) which came into force on 1 November 1998, all shares not deposited with Bursa Malaysia Depository Sdn Bhd (Bursa Depository) by 12:30 p.m. on 1 December 1998 and not exempted from Mandatory Deposit, have been transferred to the Minister of Finance (MOF). Accordingly, the eligibility to attend this Meeting for such undeposited shares will be the MOF.

NOTICE OF BOOK CLOSURE FOR PAYMENT OF DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT the Register of Members will be closed from 25 May 2005 to 26 May 2005 (both dates inclusive) to determine the Shareholders' entitlement to the dividend payment. The dividend, if approved by the shareholders at the Company's Twentieth Annual General Meeting, will be paid on 20 June 2005 to shareholders whose names appear in the Register of Depositors on 24 May 2005.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for dividend entitlement only in respect of:-

- (a) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 19 May 2005 (in respect of shares which are exempted from Mandatory Deposit);
- (b) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 24 May 2005 (in respect of Ordinary Transfers); and
- (c) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

Shareholders are reminded that pursuant to SICDA, all shares not deposited with Bursa Depository by 12:30 p.m. on 1 December 1998 and not exempted from Mandatory Deposit, have been transferred to the MOF. Accordingly, the dividend for such undeposited shares will be paid to MOF.

By Order of the Board

Wang Cheng Yong (MAICSA 0777702)

Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur

25 April 2005



Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his stead. A Proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting provided that where a member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointee is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.
5. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. This instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above if any, must be deposited at the office of the Share Registrar, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
7. **Explanatory Note for Ordinary Resolution No. 10**
In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden its operating base and earnings potential. As the expansion/diversification may involve the issuance of new shares, the Directors, under present circumstances would be required to convene a general meeting to approve the issuance of new shares even though the number involved is less than 10% of the issued share capital. In order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares, it is considered appropriate that the Directors be now empowered to issue shares in the Company up to an amount not exceeding in total, 10% of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS RANKING FOR RETIREMENT AND RE-ELECTION AT THE 20TH ANNUAL GENERAL MEETING

The Directors retiring due to casual vacancy and by rotation and are seeking re-election respectively, pursuant to the Company's Articles of Association are as follows:-

Article 98(2): Retirement due to casual vacancy

1. YB. Datuk Nur Jazlan Tan Sri Mohamed
2. Dato' Azman Mokhtar
3. Dato' Abdul Wahid Omar
4. Dato' Haji Abd. Rahim Haji Abdul

Article 103: Retirement by rotation

1. Dato' Dr. Abdul Rahim Haji Daud

The respective profiles of the above Directors are set out in the Profile of the Board of Directors on pages 28 to 37 inclusive, of this Annual Report. Their securities holdings in the Company and its subsidiaries are set in the Analysis of Shareholdings on page 320 of this Annual Report.

LIST OF GENERAL MEETINGS FROM 1 JANUARY 2004 TO 31 DECEMBER 2004

TYPE OF MEETING	DATE	TIME	VENUE
19th Annual General Meeting	18 May 2004	10:00 a.m.	Grand Ballroom 9th Floor, The Legend Hotel, 100 Jalan Putra, 50350 Kuala Lumpur.



ATTENDANCE OF DIRECTORS AT THE BOARD OF DIRECTORS' MEETING

The Board of Directors met sixteen (16) times during the financial year ended 31 December 2004. Details of the Directors' attendance are as follows:

NAME	DATE OF APPOINTMENT/ RESIGNATION DURING THE YEAR	ATTENDANCE	PERCENTAGE OF ATTENDANCE
Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor	—	16/16	100%
Dato' Dr. Abdul Rahim Haji Daud	—	15/16	94%
Dato' Lim Kheng Guan	—	15/16	94%
Ir. Prabahar N.K. Singam	—	16/16	100%
Rosli Man	—	16/16	100%
Dato' Azman Mokhtar	<i>Appointed on 1 June 2004</i>	8/9	89%
YB. Datuk Nur Jazlan Tan Sri Mohamed	<i>Appointed on 1 June 2004</i>	6/9	67%
Dato' Abdul Wahid Omar	<i>Appointed on 1 July 2004</i>	9/9	100%
Dato' Haji Abd. Rahim Haji Abdul	<i>Appointed on 23 November 2004</i>	1/2	50%
YB. Dato' Joseph Salang Gandum	<i>Resigned on 1 April 2004</i>	2/3	67%
YB. Dato' Ir. Mohd Zin Mohamed	<i>Resigned on 1 April 2004</i>	2/3	67%
Datuk Dr. Halim Shafie	<i>Retired on 18 May 2004</i>	3/6	50%
Dato' Dr. Mohd Munir Abdul Majid	<i>Resigned on 1 June 2004</i>	7/7	100%
Tan Poh Keat	<i>Resigned on 1 June 2004</i>	7/7	100%
Dato' Dr. Md Khir Abdul Rahman	<i>Resigned on 1 July 2004</i>	7/7	100%
Dato' Abdul Majid Haji Hussein	<i>Resigned on 2 October 2004</i>	9/12	75%
Dato' Suriah Abdul Rahman (Alternate Director to Datuk Dr. Halim Shafie)	<i>Ceased on 18 May 2004</i>	3/6	50%
Mohammad Zanudin Ahmad Rasidi (Alternate Director to Dato' Abdul Majid Haji Hussein)	<i>Ceased on 2 October 2004</i>	3/12	25%
(Alternate Director to Dato' Haji Abd. Rahim Haji Abdul)	<i>Appointed on 23 November 2004</i>	1/2	50%

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

In RM Million	2000	2001	2002	2003	2004
1. Operating revenue	8,815.7	9,673.2	9,834.1	11,796.4	13,250.9
2. Profit before taxation [^]	1,250.8	2,443.6	1,530.4	1,810.5	3,172.8
3. Profit after taxation [^]	578.7	1,775.1	870.7	1,444.2	2,676.5
4. Profit attributable to shareholders [^]	586.1	1,751.2	844.3	1,390.4	2,613.5
5. Total shareholders' fund * [^]	12,345.1	13,805.8	14,919.6	16,782.4	19,453.3
6. Total assets [^] ~	27,311.9	27,395.1	28,935.4	36,040.3	37,675.2
7. Total borrowings ~	8,481.0	7,081.7	7,676.5	11,708.4	10,784.7

GROWTH RATES OVER PREVIOUS YEARS

1. Operating revenue	12.5%	9.7%	1.7%	20.0%	12.3%
2. Profit before taxation [^]	23.0%	95.4%	-37.4%	18.3%	75.2%
3. Total shareholders' fund * [^]	6.7%	11.8%	8.1%	12.5%	15.9%
4. Total assets [^] ~	6.6%	0.3%	5.6%	24.6%	4.5%
5. Total borrowings ~	5.2%	-16.5%	8.4%	52.5%	-7.9%

SHARE INFORMATION

1. Per share					
Earnings [^]					
– Basic	19.1 sen	56.6 sen	26.8 sen	43.6 sen	78.2 sen
Gross dividend	10.0 sen	15.0 sen	10.0 sen	20.0 sen	30.0 sen
Net tangible assets * [^]	399.9 sen	444.8 sen	433.0 sen	391.0 sen	454.7 sen
2. Share price information					
High	RM17.70	RM12.60	RM10.20	RM9.20	RM12.10
Low	RM9.65	RM7.50	RM6.90	RM7.15	RM8.25

FINANCIAL RATIO

1. Return on shareholders' fund * [^]	4.7%	12.7%	5.7%	8.3%	13.4%
2. Return on total assets [^]	2.1%	6.5%	3.0%	4.0%	7.1%
3. Debt equity ratio [^]	0.7	0.5	0.5	0.7	0.6
4. Dividend cover [^]	1.9	3.8	2.7	2.1	2.6

* Comparative figures for 2000-2001 are restated to conform with the change in accounting policy in year 2002 on the recognition of liabilities with respect to dividend proposed.

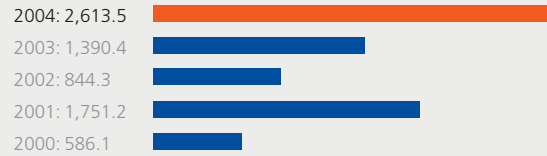
[^] Comparative figures for 2000-2002 are restated to conform with the change in accounting policy in year 2003 with respect to the recognition of deferred tax and goodwill.

~ Comparative figures for 2000-2002 are restated to conform with the change in presentation as explained in 2003 financial statements.



OPERATING REVENUE (RM Million)

RM13,250.9 million



PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RM Million)

RM2,613.5 million



TOTAL SHAREHOLDERS' FUND (RM Million)

RM19,453.3 million



TOTAL ASSETS (RM Million)

RM37,675.2 million



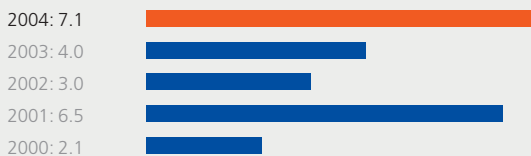
TOTAL BORROWINGS (RM Million)

RM10,784.7 million



RETURN ON SHAREHOLDERS' FUND (%)

13.4%



RETURN ON TOTAL ASSETS (%)

7.1%

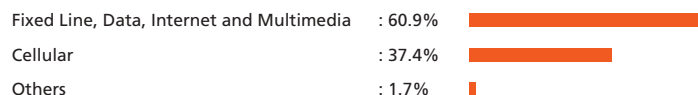


DEBT EQUITY RATIO

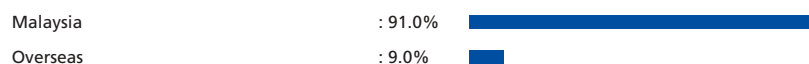
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GROUP SEGMENTAL ANALYSIS

By Business



By Geographical Location



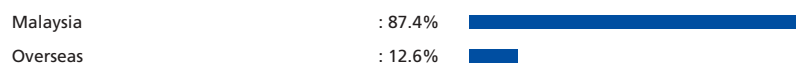
SEGMENT OPERATING REVENUE

for the year ended 31 December 2004 (%)

By Business



By Geographical Location



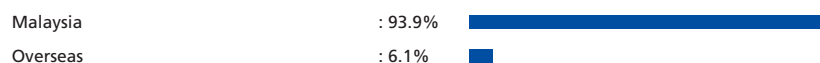
SEGMENT RESULTS

for the year ended 31 December 2004 (%)

By Business



By Geographical Location



SEGMENT ASSETS

as at 31 December 2004 (%)

BUSINESS & OTHER STATISTICS



Year ended 31 December	2000	2001	2002	2003	2004
CUSTOMER BASE					
TM Wholesale					
1. Leased Circuits Customers	—	—	—	—	4,960
2. ISDN	34,512	52,202	64,976	63,587	58,469
TM Retail					
1. Residential telephone	3,258,044	3,405,744	3,406,655	3,328,456	3,236,457
2. Business telephone	1,228,601	1,252,352	1,264,844	1,295,185	1,429,675
3. Public Payphones	156,600	120,528	79,479	79,613	73,498
4. Leased Circuits Customers	—	—	—	—	49,773
5. Other services	5,592	5,022	4,671	4,488	3,889
6. Toll Free (1-300 and 1-800)	1,573	1,658	1,703	2,195	3,156
7. Total access lines	4,634,345	4,659,007	4,593,300	4,623,641	4,666,132
8. Total access lines per 100 population	20.9	20.0	18.8	18.1	17.2
Celcom (Malaysia) Berhad					
1. Postpaid	—	—	—	1,176,860	1,104,419
2. Prepaid	—	—	—	3,160,065	4,230,998
TM Net Sdn Bhd					
1. Access Services	855,495	1,271,038	1,480,327	1,741,108	2,178,406
2. Application Services	1,610 ¹	621	7,937	9,158	9,685
3. Content Services	—	253,413	380,884	480,290	636,491
NETWORK CAPACITY ('000)					
TM Wholesale					
1. Kilometers cable pair	30,404	30,724	30,850	31,040	31,644
2. Fibre kilometers	245	295	326	472	637
3. Exchange lines	7,970	8,528	8,656	8,679	8,684
4. International gateway exchange	34.5	40.3	45.7	45.7	45.7
Celcom (Malaysia) Berhad					
1. No. of BTS	—	—	—	5,322	3,749
2. Network Switching System (NSS) capacity ('000)	—	—	—	5,046,517	5,680
3. Coverage populated area (%)	—	—	—	95	96

Business & Other Statistics continued

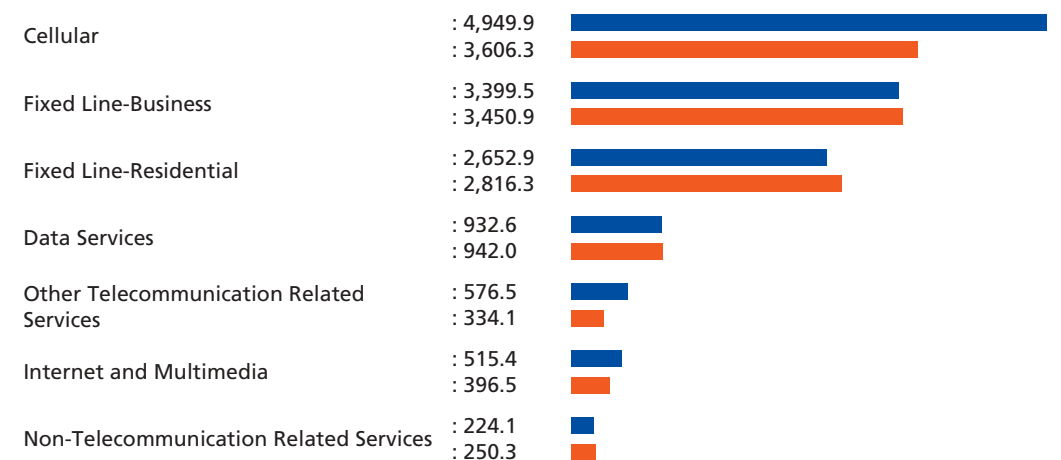
Year ended 31 December	2000	2001	2002	2003	2004
PRODUCTIVITY					
TM Wholesale					
1. Number of employee	—	—	—	—	11,690
TM Retail					
1. Number of employee	—	—	—	—	5,496
2. Number of access lines per employee	—	—	—	—	804
Celcom (Malaysia) Berhad					
1. Number of employees	—	—	—	4,264	4,019
2. Revenue per employee (RM'000)	—	—	—	858	1,063
3. Customer per employee	—	—	—	1,017	1,328
TM Net Sdn Bhd					
1. Number of employees	254 ²	406	424	510	660
2. Revenue per employee (RM)	828,590	743,936	872,641	433,333	841,006
3. Customer per employee	—	—	—	—	3,315
QUALITY OF SERVICE					
TM Wholesale					
1. Total faults report per line	0.4	0.4	0.4	0.3	0.28
2. Total complaints per 1,000 lines	8.3	5.6	5.2	4.2	0.23
3. Leased circuits fault restoration (within 24 hours – %)	100.0	85.1	96.7	97.5	93.7
Celcom (Malaysia) Berhad					
1. 013/019 – Overall Network Availability (%)	—	—	—	—	99.37
TM Net Sdn Bhd³					
1. Complaints of bills issued (%)	—	—	—	0.22	0.07
2. Number of complaints per 1,000 customers	—	—	—	31	28

¹ In year 2000, Netmyne offered a one-year free subscription for the service and 1,610 subscribers signed up. However, in 2001, a significant number of those subscribers terminated the service when the free subscription period ended.

² Significant drop in the number of employees in 2000 as more than half at the non-executives from Internet Data Center (IDC) were transferred to COINS.

³ Based on the Mandatory standards for Quality of Service required by Malaysian Communication and Multimedia Commission.

GROUP FINANCIAL PERFORMANCE



OPERATING REVENUE (RM Million) ■ 2004 ■ 2003

OPERATING REVENUE

For the financial year ended 31 December 2004, the Group registered encouraging growth of 12.3% (RM1,454.5 million) in operating revenue from RM11,796.4 million recorded in 2003 to RM13,250.9 million in 2004. The increase in revenue was largely attributed to growth in cellular, Internet and multimedia as well as other telecommunication services.

Fixed line business and residential continued to be the major contributors to the Group revenue, followed by cellular, data services, Internet and multimedia. While fixed line continued to be the main cash generator, the contribution from the cellular segment to the overall revenue continued to grow, in line with current global trends. Cellular segment contributed 37.4% of Group

revenue in 2004 as compared to 30.6% in 2003. Contribution from fixed-line segment was however reduced to 45.7% from 53.1% recorded in 2003. Contribution from data services, Internet and multimedia services and other telecommunication related services maintained at about the same level as 2003 i.e. 7.0% (2003: 8.0%), 3.9% (2003: 3.4%) and 4.3% (2003: 2.8%) respectively. Non-telecommunication related services contributed the remaining 1.7% (2003: 2.1%) of Group operating revenue.

Fixed line services comprise business telephony (which also includes ISDN, payphone, interconnect, international in-payment) and residential telephony. This segment recorded 3.4% (RM214.8 million) decrease in revenue from RM6,267.2 million recorded in 2003 to RM6,052.4

million in 2004 resultant from lower call revenue and higher discounts due to call plans introduced since May 2004. In addition, the revised interconnection rate effected in July 2003 further reduced the revenue from fixed line segment, as there was a 12 months impact in 2004 as compared to only a 6 months impact in 2003.

Revenue from Cellular segment comprises rental, calls charges, short message services and interconnect charges terminating at mobile, registered significant growth of 37.3% (RM1,343.6 million) from RM3,606.3 million recorded in 2003 to RM4,949.9 million in 2004. Celcom (Malaysia) Berhad (Celcom) contributed approximately 70.0% of the increase due to consolidation of full year results in 2004 as compared to only 8.5 months in 2003. Celcom also recorded net addition in subscribers of almost 1.0 million in 2004. Overseas subsidiaries namely MTN Networks (Pvt) Limited (MTN) and TM International (Bangladesh) Limited (TMIB) recorded robust revenue growth of 52.6% and 107.8% respectively following increase in subscribers, expansion of network and wider network of roaming operators.

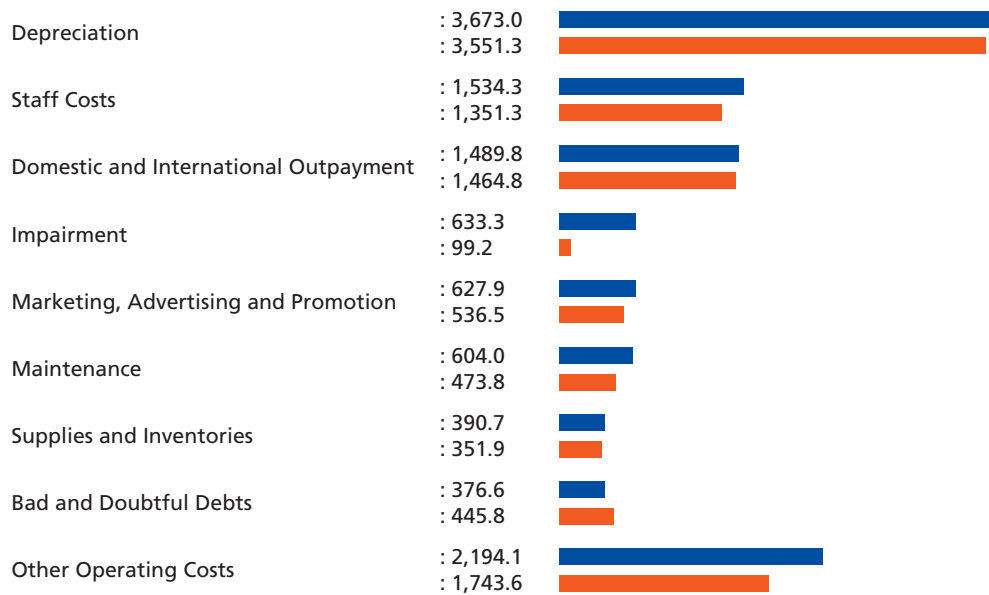
Revenue from data services, which mainly comprise leased services, COINS and frame relay recorded marginal contraction of 1.0% mainly due to adjustments of RM124.6 million primarily for discounts granted and resolution of disputed bills in favour of major clients.

Revenue from Internet and multimedia services comprise mainly revenue from Internet and other multimedia services, publication and advertisement charges. Internet services especially broadband, continued to record strong

growth in 2004, bringing the customer base to 1.9 million for dial up services while broadband customers increased to 258,000 as compared to 101,000 in the preceding year. As a result, the revenue from this segment registered commendable growth of 30.0% (RM118.9 million) primarily contributed by TM Net Sdn Bhd (TM Net).

Other telecommunication related services comprise mainly recoverable works order (RWO), maintenance, broadcasting, restoration of submarine cable, managed network services and enhanced value added telecommunication services. Recognition of an additional Universal Services Obligation contribution of RM90.0 million received during the year and higher progress billings for RWO projects were the main contributing factors to the 72.6% (RM242.4 million) growth in revenue from this segment as compared to the preceding year. GITN Sdn Bhd, a 100% owned subsidiary, contributed RM70.0 million to the increase following aggressive implementation of Esyariah, PMS, ELX application and new Schoolnet Project.

Non-telecommunication related services comprise mainly services from subsidiaries with core business in consultancy, property management, education, trading in consumers premises equipment and etc. This segment recorded 10.5% (RM26.2 million) reduction in revenue mainly due to lower contribution from trading in consumers premises equipment.



OPERATING COSTS (RM Million)

2004 2003

OPERATING COSTS

For the financial year ended 31 December 2004, Group operating costs rose by 15.0% (RM1,505.5 million) from RM10,018.2 million recorded in 2003 to RM11,523.7 million in 2004. The increase in costs was largely attributed to significant impairment loss and depreciation charge of property, plant and equipment (PPE), higher staff costs, maintenance, marketing, advertising and promotion as well as diminution in value of quoted investments, which have jointly accounted for 78.8% (RM1,186.7 million) of the total increase in operating costs.

The Group recorded significant impairment loss of PPE of RM633.3 million in 2004 as compared to only RM99.2 million in 2003. Celcom incurred impairment loss of RM320.7 million arising from the integration of network with TM Cellular. The Company and an overseas subsidiary also incurred substantial impairment loss of PPE amounting to RM220.4 million and RM76.0 million respectively following impairment assessment performed on specific assets during the year.

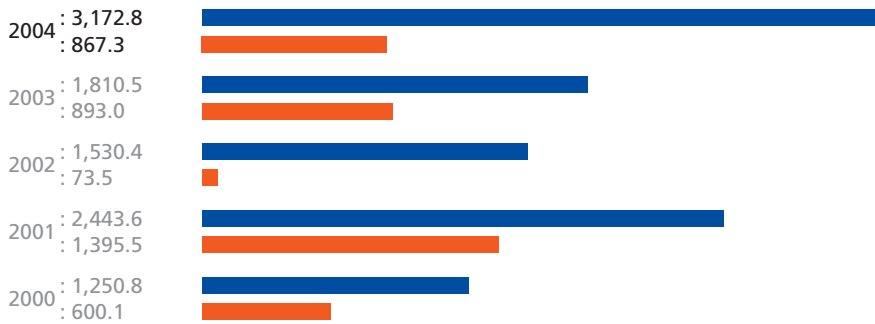
Depreciation charge increased by 3.4% (RM121.7 million) to RM3,673.0 million as compared to RM3,551.3 million recorded in 2003 primarily attributed to accelerated depreciation incurred by the Company and Celcom. During the year, the Company and Celcom had respectively reviewed the estimated economic useful life of submarine cables and specific telecommunication network equipment. Arising from the review, the estimated useful life of submarine cables was reduced from 15 years to 10 years whereas the economic useful life of the specific telecommunication network equipment was reduced from 6 years to less than 1 year. These changes in estimates resulted in accelerated depreciation charge of RM98.7 million and RM229.4 million respectively. Net increase in depreciation charge of RM121.7 million was however lower than the accelerated depreciation mentioned above due to reduction in normal depreciation charge on remaining depreciable assets.

The Group also registered significant increase in domestic interconnect outpayment of RM249.4 million mainly attributed to full year effect of the new interconnect tariff in 2004 as compared to only 6 months in 2003 as the new rates was effected in July 2003. Full year consolidation of Celcom's results in 2004 as compared to 8.5 months in 2003 also contributed to higher interconnect outpayment. International outpayment was however significantly lower than 2003 by RM224.4 million primarily due to 2003 included backdated adjustments for volume and traffic discrepancies. Hence, on combine basis, there was only marginal increase of RM25.0 million in domestic and international outpayment.

Celcom had embarked on aggressive marketing efforts in securing and retaining customers to combat the intense market condition and stiff competition, with focus on product branding that include events, promotions and etc. This had resulted in higher advertisement and promotion cost. TM Net, MTN and TMIB also incurred higher advertisement and promotion cost arising from sponsorship for Malaysian Idol programme and extensive branding activities respectively. In line with aggressive customer acquisition activities, these companies also incurred higher dealer commission. Consequent from the above, the Group's marketing, advertisement and promotion costs rose from RM536.5 million in 2003 to RM627.9 million in 2004.

The Group staff cost rose by 13.5% (RM183.0 million) primarily attributed to higher cost recorded by TM, TM Net, MTN and TMIB. TM registered 15.8% (RM139.5 million) increase in staff cost following higher percentage of annual increment in 2004 as compared to 2003 coupled with increase in number of senior management. TM Net, MTN and TMIB also recorded higher staff cost of RM10.9 million, RM3.8 million and RM5.3 million respectively due to increase in number of employees in line with business expansion. Full year consolidation of Celcom's results in 2004 contributed RM24.0 million to higher Group staff cost.

Depreciation charge remained the biggest cost component and constituted 31.9% of Group operating costs followed by staff cost (13.3%), domestic and international outpayments (12.9%), impairment loss of PPE (5.5%), marketing, advertisement and promotion (5.4%), maintenance (5.2%), supplies and inventories (3.4%), allowance for bad and doubtful debt (3.3%).



PROFIT BEFORE TAXATION (RM Million) ■ Group ■ Company

CONTRIBUTION FROM ASSOCIATES

During the year, the Group disposed its entire interest in an associate, Telkom SA Limited (TSA) in 2 tranches i.e. on 18 June 2004 and 15 November 2004 respectively. The disposals resulted in a one off gain of RM1,515.2 million. Celcom group also registered a one off gain on disposal of Sheba Telecom (Pvt) Ltd of RM23.6 million. Hence, total gain on disposal of associates was RM1,538.8 million.

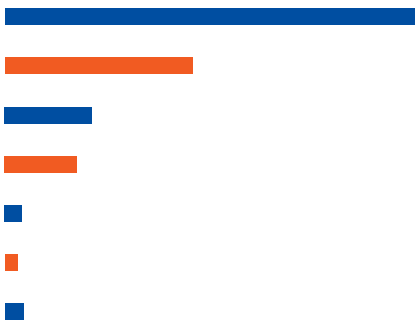
Following the disposal of TSA, the Group ceased to apply equity accounting on TSA's results. As a consequence, the share of profit less losses of associates for current year of RM163.7 million was much lower than RM375.2 million recorded in 2003.

PROFITABILITY

The Group recorded significant growth of 75.2% (RM1,362.3 million) in profit before taxation (PBT) from RM1,810.5 million in 2003 to RM3,172.8 million in 2004. Significant gain on disposal of associates as explained earlier was the main contributor to higher PBT.

Despite 75.2% increase in PBT, the increase in taxation expense for 2004 was lesser at 35.5% (RM130.0 million) primarily due to the fact that gain on disposal of associates is non-taxable. In addition, the recognition of deferred tax income in respect of previously unrecognised temporary differences of RM69.1 million by Celcom group also helped to reduce the net increase in taxation expense. Following smaller increase in taxation, profit after taxation increased by 85.3% (RM1,232.3 million) over the preceding year.

Group Financial Performance continued

Property, Plant and Equipment	: 52.4%	
Cash and Bank Balances	: 23.4%	
Intangible Assets	: 10.8%	
Trade and Other Receivables	: 8.9%	
Long Term Receivables	: 1.7%	
Investments	: 1.0%	
Other Assets	: 1.8%	

TOTAL ASSETS 2004

Consequent from significantly higher profit after taxation, profit attributable to shareholders rose by 88.0% (RM1,223.1 million) to RM2,613.5 million.

ASSETS

Total assets for the group increased from RM36,040.3 million in 2003 to RM37,675.2 million in 2004 mainly due to increase in cash and bank balances after netting off decrease in property, plant and equipment (PPE), associates and trade and other receivables.

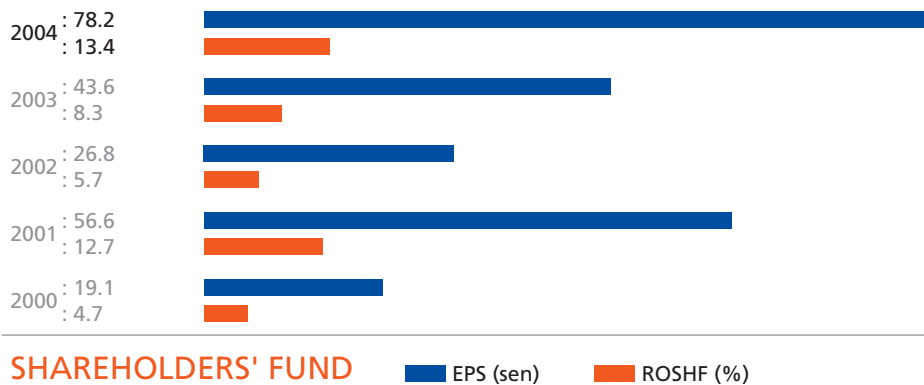
As explained earlier, the Group disposed its entire interest in an associate, TSA during the year. This disposal resulted in an increase of RM3,003.2 million in cash balances. There was also surplus cash flow from operating activities after netting off cash outflow for

capital expenditure and purchase of PPE. Resulting from the above, the Group's cash and bank balances increased by 163.0% (RM5,455.5 million) from RM3,346.1 million in 2003 to RM8,801.6 million in 2004.

PPE decreased by 8.6% (RM1,866.7 million) from RM21,605.9 million in 2003 to RM19,739.2 million in 2004 due to higher impairment losses and depreciation charges compared to capital expenditure incurred during the year.

Following the disposal of TSA and Sheba Telecom (Pvt) Ltd, the balance of associates reduced significantly from RM1,499.6 million as at 31/12/2003 to RM105.7 million as at 31/12/2004.

Resulting from higher profit after taxation, the return on total assets improved from 4.0% in 2003 to 7.1% in 2004



SHAREHOLDERS' FUND

The Group shareholders' fund increased from RM16,782.4 million in 2003 to RM19,453.3 million in 2004. The increase was jointly attributed to issuance of new shares under the Employees' Share Options Scheme and net profit attributable to shareholders after netting off dividend paid during the year.

Consequent from significantly higher net profit attributable to shareholders as mentioned earlier, return on shareholders' fund increased significantly from 8.3% in 2003 to 13.4% in 2004. Likewise, basic earnings per share (EPS) also increased from 43.6 sen in 2003 to 78.2 sen in 2004.

In line with improved performance in 2004, total dividend for current financial year comprised proposed final tax-exempt dividend of 20.0 sen and interim tax-exempt dividend of 10.0 sen was higher as compared to final gross dividend of 10.0 sen less tax at 28% and special gross dividend of 10.0 sen less tax at 28% in 2003. Consequent from greater increase in earnings per share than in dividend per share, dividend cover improved from 2.1 in 2003 to 2.6 in 2004.



GROUP STRUCTURE

AS AT 31 MARCH 2005

WHOLESALE

TM WHOLESALE*

- 100% TELEKOM MALAYSIA (HONG KONG) LIMITED
- 100% TELEKOM MALAYSIA (UK) LIMITED
- 100% TELEKOM MALAYSIA (USA) INC
- 100% TELEKOM MALAYSIA (S) PTE LTD
- 60% FIBERAIL SDN BHD

RETAIL

TM RETAIL*

- 69.52% VADS BERHAD
 - 100% VADS e-SERVICES SDN BHD
 - 100% VADS SOLUTIONS SDN BHD
 - 100% VADS PROFESSIONAL SERVICES SDN BHD
- 100% TELEKOM SALES & SERVICES SDN BHD
- 100% GITN SDN BERHAD
- 100% TM PAYPHONE SDN BHD (formerly known as Citifon Sdn Bhd)
- 70% MEGANET COMMUNICATIONS SDN BHD

MOBILE

- 100% CELCOM (MALAYSIA) BERHAD
 - 100% CELCOM MOBILE SDN BHD (formerly known as TM Cellular Sdn Bhd)
 - 100% CELCOM TRANSMISSION (M) SDN BHD
 - 41% FIBRECOMM NETWORK (M) SDN BHD
 - 100% CELCOM TECHNOLOGY (M) SDN BHD
 - 27.15% CELCOM TIMUR (SARAWAK) SDN BHD
 - 60% CELCOM TIMUR (SABAH) SDN BHD
 - 100% TECHNOLOGY RESOURCES INDUSTRIES BERHAD
 - 49% MOBILE TELECOMMUNICATIONS COMPANY OF ESFAHAN (J.V.-P.J.S.)
 - 100% ALPHA CANGGIH SDN BHD
- 100% MOBIKOM SDN BHD

Note: Depicting Major Subsidiaries/Associated Companies only
 * Strategic Business Unit (SBU) within Telekom Malaysia Berhad



MULTIMEDIA

- 100%
TM NET SDN BHD
- 100%
TELEKOM MULTI-MEDIA SDN BHD
 - 51%
TELEKOM SMART SCHOOL SDN BHD
 - 49%
MAHIRNET SDN BHD
 - 30%
MUTIARA.COM SDN BHD
- 100%
TELEKOM PUBLICATIONS SDN BHD
- 100%
TELEKOM APPLIED BUSINESS SDN BHD

INTERNATIONAL OPERATIONS

- 100%
TM INTERNATIONAL SDN BHD
 - 100%
TMI MAURITIUS LIMITED
 - 100%
TM INTERNATIONAL (L) LIMITED
 - 100%
INDOCEL HOLDING SDN (formerly known as Nynex Indocel Holding Sdn)
 - 23.10%
PT EXCELCOMINDO PRATAMA
 - 100%
MTN NETWORKS (PRIVATE) LIMITED
 - 100%
TM INTERNATIONAL LANKA (PRIVATE) LIMITED
 - 70%
TM INTERNATIONAL (BANGLADESH) LIMITED
 - 40%
THINTANA COMMUNICATIONS LLC
 - 85%
G-COM LTD
 - 30%
GHANA TELECOMMUNICATIONS LTD
 - 51%
CAMBODIA SMART COMMUNICATION CO LTD
 - 19.43%
SAMART CORPORATION PUBLIC COMPANY LIMITED
 - 100%
TELEKOM MANAGEMENT SERVICES SDN BHD
- 60%
SOTELGUI S.A. (Societe Des Telecommunications De Guinee)
- 60%
TELEKOM NETWORKS MALAWI LIMITED

FACILITIES MANAGEMENT

- 100%
TM FACILITIES SDN BHD
 - 100%
TM LAND SDN BHD (formerly known as Telekom Land Sdn Bhd)
- 100%
MENARA KUALA LUMPUR SDN BHD

OTHERS

- 100%
UNIVERSITI TELEKOM SDN BHD
 - 100%
UNITELE MULTIMEDIA SDN BHD
- 100%
TELEKOM RESEARCH & DEVELOPMENT SDN BHD

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor
Chairman
(Non-Independent Non-Executive Director)

Dato' Abdul Wahid Omar
Group Chief Executive Officer
(Non-Independent Executive Director)

Dato' Dr. Abdul Rahim Haji Daud
(Non-Independent Non-Executive Director)

Dato' Haji Abd. Rahim Haji Abdul
(Non-Independent Non-Executive Director)

Dato' Azman Mokhtar
(Non-Independent Non-Executive Director)

Dato' Lim Kheng Guan
(Senior Independent Non-Executive Director)

YB. Datuk Nur Jazlan Tan Sri Mohamed
(Independent Non-Executive Director)

Ir. Prabahar N.K. Singam
(Independent Non-Executive Director)

Rosli Man
(Independent Non-Executive Director)

Mohammad Zanudin Ahmad Rasidi
(Alternate Director to Dato' Haji Abd. Rahim
Haji Abdul)
(Non-Independent Non-Executive Director)



SECRETARIES	<ul style="list-style-type: none"> • Wang Cheng Yong (MAICSA 0777702) • Zaiton Ahmad (MAICSA 7011681)
REGISTERED OFFICE	<p>Level 51, North Wing Menara TM Jalan Pantai Baharu 50672 Kuala Lumpur Tel No. : 03-2240 1211/1221/1225 Fax No. : 03-2283 2415/2284 8039</p>
REGISTRAR	<p>Tenaga Koperat Sdn Bhd 20th Floor, Plaza Permata Jalan Kampar Off Jalan Tun Razak 50400 Kuala Lumpur Tel No. : 03-4041 6522 Fax No. : 03-4042 6352</p>
AUDITORS	<p>PricewaterhouseCoopers (Chartered Accountants) 11th Floor, Wisma Sime Darby Jalan Raja Laut 50706 Kuala Lumpur Tel No. : 03-2693 1077 Fax No. : 03-2693 0997</p>
PRINCIPAL BANKERS	<ul style="list-style-type: none"> • Bumiputra-Commerce Bank Berhad • Malayan Banking Berhad • Affin Bank Berhad
PRINCIPAL SOLICITORS	<ul style="list-style-type: none"> • Zul Rafique & Partners • Nik Saghir & Ismail
STOCK EXCHANGE LISTING	<p>Bursa Malaysia Securities Berhad</p>

BOARD OF DIRECTORS



From Left to Right:

ROSLI MAN (Director)

YB. DATUK NUR JAZLAN TAN SRI MOHAMED (Director)

DATO' HAJI ABD. RAHIM HAJI ABDUL (Director)

DATO' AZMAN MOKHTAR (Director)

Ir. PRABAHAR N.K. SINGAM (Director)

TAN SRI DATO' Ir. MUHAMMAD RADZI
HAJI MANSOR (Chairman)

DATO' ABDUL WAHID OMAR
(Group Chief Executive Officer)

DATO' DR. ABDUL RAHIM HAJI DAUD (Director)

DATO' LIM KHENG GUAN (Director)

MOHAMMAD ZANUDIN AHMAD RASIDI
(Alternate Director)

WANG CHENG YONG (Company Secretary)

ZAITON AHMAD (Joint Secretary)



PROFILE OF THE BOARD OF DIRECTORS



1 2

TAN SRI DATO' Ir. MUHAMMAD RADZI HAJI MANSOR 1

Chairman • Non-Independent Non-Executive Director

(63 years of age – Malaysian)

Tan Sri Dato' Ir. Muhammad Radzi was appointed Chairman and Director of TM on 12 July 1999. He graduated with a Diploma in Electrical Engineering in 1962 from Faraday House Engineering College, London and a Masters in Science (Technological Economics) from the University of Stirling, Scotland in 1975.

A Chartered Professional Engineer registered with the Board of Engineers, Malaysia and Engineering Council, United Kingdom; he is a corporate member of the Institution of Engineers, Malaysia, the Institution of Electrical Engineers, United Kingdom and the Institute of Management, United Kingdom. He was appointed Board Member, Board of Engineers Malaysia, effective from 23 August 2002.

He served in various engineering and management capacities in the former Jabatan Telekom Malaysia (JTM) over a twenty-two year period, including a three-year secondment as Technical Adviser to the Ministry of Energy, Telecommunications and Post.

Tan Sri Radzi retired as Director General of Telecommunications upon corporatisation of JTM on 1 January 1987 and was subsequently

appointed as Director of Operations of TM. He served as Director of Marketing and Customer Services from 1989 to 1995. He was then appointed as Director of Regulatory Management and External Affairs, and retired in July 1996.

From 1997 to 1999, he was retained as a Consultant/Adviser on multimedia flagship application projects for the Multimedia Development Corporation Sdn Bhd (MDC), a company established by the Malaysian Government to oversee the development and implementation of multimedia projects.

Tan Sri Radzi is also the Chairman of Celcom (Malaysia) Berhad.

Tan Sri Radzi currently serves as Chairman of the Board Nominating and Remuneration Committee and Board Employees' Share Option Scheme Committee. He is also a Board Member of a number of subsidiaries and associate companies of TM. He is a Non-Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of TM and has never been charged for any offence. He has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



DATO' ABDUL WAHID OMAR 2

Group Chief Executive Officer • Non-Independent Executive Director

(41 years of age – Malaysian)

Dato' Abdul Wahid Omar was appointed Group Chief Executive Officer (Group CEO) of TM on 1 July 2004. He was formerly the Managing Director/Chief Executive Officer of United Engineers (Malaysia) Berhad and UEM World Berhad. He was also the Executive Vice Chairman of PLUS Expressways Berhad.

Prior to his stint at UEM Group, Dato' Abdul Wahid had served TM as the Chief Financial Officer from March to September 2001.

A qualified accountant by training, Dato' Abdul Wahid is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a member of the Malaysian Institute of Accountants. He previously served as a Director of Group Corporate Services cum Divisional Director, Capital Market & Securities of Amanah Capital Partners Berhad, Chairman of Amanah Short Deposits Berhad and the Association of Discount Houses in Malaysia as well as a Director of Amanah Merchant Bank Berhad and several other companies in the financial services sector.

He is also currently a Director of Bursa Malaysia Berhad and member of the Financial Reporting Foundation of Malaysia and the Investment Panel of Lembaga Tabung Haji.

As the Group CEO, Dato' Abdul Wahid sits on various Board committees including the Board Tender Committee and Board Employees' Share Option Scheme Committee. He is also the Chairman of TM Net Sdn Bhd, Deputy Chairman of Celcom (Malaysia) Berhad and Director of VADS Berhad and several companies in the TM's Group.

He is an Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of TM and has never been charged for any offence. He has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



3 4

DATO' DR. ABDUL RAHIM HAJI DAUD 3

Non-Independent Non-Executive Director

(56 years of age – Malaysian)

Dato' Dr. Abdul Rahim Haji Daud was appointed to the Board of TM on 7 July 1998. He obtained a Bachelor of Engineering (Hons.) in Electronics from the University of Liverpool, United Kingdom, Masters in Science (Telecommunications Engineering) from University of Birmingham, United Kingdom and Doctorate in Engineering (Telecommunication) from the University of Bath, United Kingdom. He also obtained a Masters in Business Administration from University of Ohio, USA. He has attended the Harvard Business School's Advanced Management Program (AMP) and the Senior Executive Development Program at the Wharton School of Business, University of Pennsylvania, USA. He is a Member of the Board of Engineers, Malaysia and a Fellow of the Institution of Engineers, Malaysia.

He joined JTM as a Telecommunications Engineer in 1973. He has wide experience in managing business operations in relation to Telecommunications and Information Technology. In 1988, he was appointed General Manager, Information Systems and became the Senior General Manager, National Network Operations in 1993. In July 1995, he was made Senior Vice President, Network Services before

his appointment to head TM's TelCo as its Chief Operating Officer in 1996. Upon his appointment as Executive Director in July 1998, he remained as the Chief Operating Officer TelCo until 1 February 2001 when he assumed the position of Executive Director, Corporate Strategy and Development. He was then appointed as the Deputy Chief Executive/Executive Director of TM from 29 May 2001 until his retirement on 30 June 2004. Effective 1 July 2004, Dato' Abdul Rahim remains as the Non-Independent and Non-Executive Director of TM.

He was the first Malaysian to be elected as Chairman of Commonwealth Telecommunications Organisation (CTO) comprising 35 countries for three terms from September 1999 to November 2002.

Dato' Dr. Abdul Rahim serves as a Member of the Board Audit Committee, Board Employees' Share Option Scheme Committee, Board Tender Committee and also a Board Member of a number of subsidiaries of TM. He has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



DATO' HAJI ABD. RAHIM HAJI ABDUL

4

Non-Independent Non-Executive Director

(55 years of age – Malaysian)

Dato' Haji Abd. Rahim was first appointed to the board as a Non-Independent Non-Executive Director on 23 November 2004.

Upon graduating from University of Malaya with a Bachelor of Arts (Hons) in 1972, Dato' Haji Abd. Rahim began his career in the Malaysian civil service as an Assistant Secretary (Supply & Contract) in the Federal Treasury. He continued serving the Treasury for 14 years throughout his career, holding various positions.

In 1983, he obtained his Master of Public Administration from Pennsylvania State University and LL.B. (Hons) from University of London in 1993. He continued serving the Treasury until 1987 before joining the Ministry of Youth and Sports as Principal Assistant Secretary, Administration and Finance Unit.

Thereafter, he served various government departments namely the Prime Minister's Department, National Registration Department, Institute of Islamic Understanding Malaysia, State Financial Officer for Perlis and Pahang and State Secretary of Pahang prior to being appointed in his present capacity as Deputy Secretary General Treasury (Operations) in the Ministry of Finance on 2 October 2004.

Dato' Haji Abd. Rahim serves as Chairman of Board Tender Committee, a Member of the Board Audit Committee and Board Employees' Share Option Scheme Committee. He is a Non-Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of TM and has never been charged for any offence. He has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



DATO' AZMAN MOKHTAR 5

Non-Independent Non-Executive Director

(44 years of age – Malaysian)

Dato' Azman was appointed Director of TM on 1 June 2004.

Dato' Azman is the Managing Director of Khazanah Nasional Berhad (Khazanah) with effect from 1 June 2004. Until May 2004, he was the Managing Director of BinaFikir Sdn Bhd. Prior to that, he was the Director, Head of Country Research, Salomon Smith Barney (SSB) Malaysia and Director, Head of Research of the Union Bank of Switzerland, Malaysia. Prior to that, he was with the then National Electricity Board (NEB) and Tenaga Nasional Berhad (TNB).

He obtained his Master in Philosophy Development Studies, from Darwin College, Cambridge University as a British Chevening Scholar. Dato' Azman is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Chartered Financial Analyst (CFA) of the Association of Investment Management and Research (AIMR).

Dato' Azman is also a Director of United Engineers (Malaysia) Berhad, UEM World Berhad and TNB. He is also the Chairman of Valuecap Sdn Bhd.

He is a Non-Executive Director nominated by the Company's Substantial Shareholder, Khazanah and has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

**DATO' LIM KHENG GUAN** 6

Senior Independent Non-Executive Director

(62 years of age – Malaysian)

Dato' Lim Kheng Guan was appointed to the Board of TM on 23 June 2000.

He is a Chartered Accountant by profession and an Associate Member of the Malaysian Institute of Accountants, Associate of the Malaysian Institute of Certified Public Accountants, Fellow of Australian Society of Certified Practising Accountants, Associate of the Australian Institute of Bankers and a Member of the Malaysian Institute of Management. He has also attended Advanced Management Programs at Manchester Business School, INSEAD and London Business School.

He has more than 30 years of experience in accounting, management consulting and senior managerial positions in local and multinational public listed companies. Currently, he is the Executive Director of Malaysian Management Consultants Sdn Bhd.

Dato' Lim Kheng Guan currently serves as an Independent Non-Executive Chairman of the Board Commercial Dispute Resolution Committee, a Member of the Nominating and Remuneration Committee and Board Audit Committee of TM. He is also a Board Member of a number of subsidiaries and associate companies of TM. He has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



7 8

YB. DATUK NUR JAZLAN TAN SRI MOHAMED 7
Independent Non-Executive Director

(39 years of age – Malaysian)

YB. Datuk Nur Jazlan was appointed to the Board of TM on 1 June 2004. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom, Council Member and Chairman of Public Relations Committee of Malaysian Institute of Accountants. YB. Datuk Nur Jazlan is also a Council Member of the Asean Federation of Accountants.

In addition to his corporate experience in the financial arena, YB. Datuk Nur Jazlan is also active in politics. He is the Head of UMNO Pulai, Johor and also Chairman of Barisan Nasional for the division. He was an Exco Member of UMNO Youth from 1996 until 2004. He was elected in the last General Election, as Member of Parliament for Pulai parliamentary constituency, Johor.

YB. Datuk Nur Jazlan is also a Director of United Malayan Land Berhad, Prinsiptek Corporation Berhad and Penang Port Sdn Bhd.

YB. Datuk Nur Jazlan is the Chairman of TM's Board Audit Committee and a Member of Board Tender Committee. He is also a Member of Board of Commissioners of PT Excelcomindo Pratama, Indonesia, an associate company of TM. He has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



Ir. PRABAHAR N.K. SINGAM 8
 Independent Non-Executive Director

(43 years of age – Malaysian)

Ir. Prabahar was appointed Director of TM on 23 June 2000. He is an engineer by profession and has a Bachelor of Science (Civil Engineering) Degree from Portsmouth Polytechnic, United Kingdom in 1985.

A member of the Board of Engineers Malaysia and the Institute of Engineers Malaysia, he is a professional engineer who has wide experience in the civil engineering sector, especially in the areas of consultancy, contracting, project management and project financing.

Ir. Prabahar currently serves as a Member of the Board Nominating and Remuneration Committee and Board Tender Committee. He is also a Board Member of a number of subsidiaries and associate companies of TM. He has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



ROSLI MAN 9

Independent Non-Executive Director

(51 years of age – Malaysian)

Rosli Man was appointed to the Board of TM on 15 July 2000. He has more than 26 years of experience in the telecommunications industry. Rosli holds a Bachelor in Science in Electrical and Electronic Engineering (Electrical Design and Instrumentation) from University of Glasgow, United Kingdom and a Diploma in Electrical and Electronic Engineering (Communications) from Technical College, Kuala Lumpur.

He joined JTM in 1976 as Assistant Controller where he gained wide exposure in telecommunication services including the task to implement the country's first mobile telecommunication service i.e. ATUR 450. In 1985, he made a career move to the private sector by joining the Fleet group as its Group Manager, Technical Services where he was part of the team responsible in overseeing the roll-out and operations of the nation's first privately operated terrestrial television station namely Sistem Televisyen Malaysia Berhad (TV3). From 1988 to 1996, he was instrumental in setting up the first privately owned

telecommunication company in Malaysia i.e. Celcom (M) Sdn Bhd, catering for the cellular mobile telecommunication business. He left Celcom (M) Sdn Bhd as its President in 1996 to join Prismanet Sdn Bhd as Managing Director and held the position until November 1998. In July 2000, he joined Natrindo Telpon Sellular (NTS), the GSM 1800 cellular operator in East Java, Indonesia. As the Chief Operating Officer, he was responsible for the planning, development, successful roll-out of the network and the day-to-day operations of the business. He was then appointed as Deputy Chief Operating Officer of Lippo Telecom to oversee NTS planning, roll-out and operation of NTS National Cellular Operation. He left NTS in January 2002.

He currently serves as a Member of Board Audit Committee, Board Tender Committee and Board Commercial Dispute Resolution Committee. He is also a Board Member of a number of subsidiaries of TM. He has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



MOHAMMAD ZANUDIN AHMAD RASIDI 10

Alternate Director to Dato' Haji Abd. Rahim Haji Abdul • Non-Independent Non-Executive Director

(51 years of age – Malaysian)

Mohammad Zanudin was appointed as Alternate Director to Dato' Haji Abd. Rahim Haji Abdul on 23 November 2004. He has a Bachelor of Economics from Universiti Kebangsaan Malaysia and a Master Degree in Public Management from Carnegie-Mellon University, USA. He also completed the Harvard International Tax Program at the Harvard University in 1992.

He began his career with the Treasury in 1984 as Assistant Secretary in the Economic and International Division. After four years, he was assigned to the Tax Analysis Division where he was directly involved in formulating policies and strategies for budget proposals. He was then promoted to be Principal Assistant

Secretary in 1998. Subsequently, he was transferred to the Public Enterprises, Privatisation and Minister of Finance Incorporated Coordination Division as Principal Assistant Secretary in November 2000, a position he holds until today.

Mohammad Zanudin is also the Alternate Member/Director to Dato' Haji Abd. Rahim on the Board Employees' Share Option Scheme Committee and Board Tender Committee, where Dato' Haji Abd. Rahim has been appointed as a member. He has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

GROUP SENIOR MANAGEMENT



DATO' ABDUL WAHID OMAR
Group Chief
Executive Officer, TM

DATO' DR. IDRIS IBRAHIM
Chief Operating Officer,
TM Wholesale

DATO' ADNAN ROFIEE
Chief Operating Officer,
TM Retail

DATUK HAMZAH YACOB
Chief Executive Officer,
TM Facilities Sdn Bhd

DATO' DR. IR. MOHD KHIR HARUN
Chief Group Business
Restructuring &
Coordination, TM


JAFFA SANY ARIFFIN
Group Chief Financial
Officer, TM

AHMAD AZHAR YAHYA
Chief Information Officer,
TM

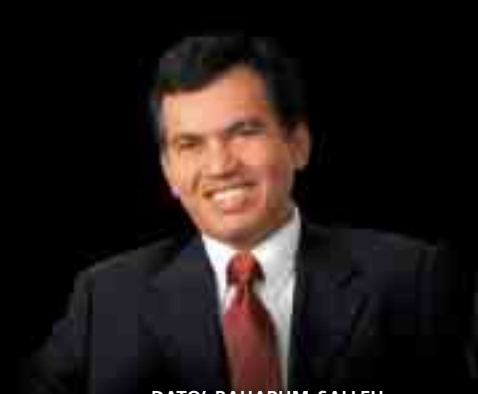
ISMAIL NORDIN
Vice President,
Change Management
Office, TM

KAIRUL ANNUAR MOHAMED ZAMZAM
General Manager, Corporate Affairs, TM

MARIAM BEVI BATCHA
General Manager,
Group Corporate
Communications




**DATO' MOHAMED
YUNUS RAMLI ABBAS**
Group Chief Executive
Officer, Celcom
(Malaysia) Berhad




DATO' BAHARUM SALLEH
Chief Executive Officer,
TM Net Sdn Bhd




CHRISTIAN DE FARIA
Chief Executive Officer,
TM International Sdn Bhd




RANBIR SINGH NANRA
Senior Vice President,
Group Marketing, TM



ABDUL AZIZ ABU BAKAR
Senior Vice President,
Group Human Resource, TM



ABDUL MAJID ABDULLAH
Vice President,
Corporate Strategy &
Planning, TM




HASHIM MOHAMMED
Group Chief Auditor, TM



MOHD ZAKRI HASSAN
General Manager,
Corporate Regulatory, TM



NASSER ABU BAKAR
General Manager,
Group Business Planning,
TM



**AHMAD SOBRI HJ.
ISMAIL**
General Manager,
QIBE, TM

CORPORATE GOVERNANCE STATEMENT



“The objective of good corporate governance is to promote strong, viable and competitive corporations. Boards of directors are stewards of the corporation’s assets and their behaviour should be focused on adding value to those assets by working with management to build a successful corporation and enhance shareowners value.”

– *The Joint Committee on Corporate Governance 2001*

(The Canadian Institute of Chartered Accountants, the Canadian Venture Exchange and the Toronto Stock Exchange)

Your Company recognises that corporate governance guidelines and best practices have evolved over a period of time and your Board of Directors is committed to pursue best practices with a view in building and maintaining public trust. Your Company’s high standards of corporate governance and the effective application of the principles and best practices as set out in the Malaysian Code on Corporate Governance (the Code) throughout its Group did not go unnoticed, winning us the **“Best Company for Corporate Governance in Malaysia”** from the Asiamoney’s third Corporate Governance Poll in 2004.

The Board will continue to play an active role in improving governance practices to ensure that best interests of shareholders and other stakeholders are served by transparent disclosure policies.

The Board considers that the Company has fully complied with Part I and Part II of the Code. This Statement, together with other statements, such as the Statement on Internal Control, sets out the manner in which the Company has applied the principles and best practices of the Code.

BOARD OF DIRECTORS

An experienced Board consisting of members with a wide range of business, financial, technical and public service background leads and controls the Group. This brings depth and diversity in expertise and perspectives to the leadership of a highly regulated telecommunication business. Directors’ biographies, appearing on pages 28 and 37 illustrates an impressive spectrum of experiences vital to the direction and management of a telecommunication company.

During the year 2004, sixteen (16) Board Meetings were held and the attendance of the current Directors are recorded in the Statement accompanying the Notice of the Annual General Meeting (AGM) on page 9.

Board Composition and Balance

A total of ten (10) Directors of the Board consist of a Non-Executive Chairman, an Executive Director designated as the Group Chief Executive Officer (Group CEO) and four (4) Independent Non-Executive Directors representing more than one third of the Board. The Board believes that the current size is appropriate based on the Company's circumstances and according to the guidelines for Government Linked Companies, where smaller Boards are encouraged.

The roles of the Non-Executive Chairman, Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor and the Group CEO, Dato' Abdul Wahid Omar, are separate with clear distinction of responsibilities between them. Dato' Lim Kheng Guan is the Senior Independent Non-Executive Director, called for in the Code and to whom concerns pertaining to the Group may be conveyed by shareholders and the public.

The Board's principal focus is the overall strategic direction, development and control of the Group. In support of this focus, the Board approves the Group's strategic plan and its annual budget and throughout the year, reviews the performance of the operating subsidiaries against their budgets and targets. The Group's CEO is responsible for the implementation of broad policies approved by the Board and he is obliged to report and discuss at board meetings all material

matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments. The Chairman is responsible in ensuring the integrity and effectiveness of the relationship between the Non-Executive and Executive Director(s). His interactions with various institutions, such as his active participation as a member of the Board of Engineers helps to bring about the benefits of the engineering profession to the Group and the society.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies. YB. Datuk Nur Jazlan Tan Sri Mohamed the Independent Non-Executive Chairman of the Company's Audit Committee is a Council Member of the Malaysian Institute of Accountants (MIA). The Independent Non-Executive Directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement as defined under paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities). They provide unbiased and independent views in ensuring that the strategies proposed by the management are fully deliberated and examined, in the interest of shareholders, employees, customers, and the many communities in which the Group conducts its business.

Independence and Conflict of Interest

The Independence of the Non-Executive Directors is under constant review against best practices and regulatory provisions. The Directors have a continuing responsibility to determine whether they have a potential or actual

conflict of interest in relation to any matter, which comes before the Board. The Company and Group has adopted a process whereby each Director is required to make written declarations whether they have any interest in transactions tabled at regular board meetings of the Group.

Code of Business Ethics

In February 2004, your Company officially launched its Code of Business Ethics in support of the Company's vision and core values, designed to instil, internalise and uphold the value of "uncompromising integrity" among the behaviour and conduct of the Board of Directors, Management, Employees and all stakeholders of the Company. The Group CEO, Management and all employees are required to declare their assets and interest according to the Code of Business Ethics. The Board of Directors including all employees of the Company are obliged to submit their certification of compliance to the Company's Code of Business Ethics.

Board Appointment Process

The Company has in place formal and transparent procedures for the appointment of new Directors. These procedures ensure that all nominees to the Board, are first considered by the Board Nominating and Remuneration Committee taking into account the required mix of skills and experience and other qualities, before making a recommendation to the Board and its major shareholders.

Board Appraisal Process

In July 2004, your Board of Directors has adopted a formal Performance Evaluation Framework (the Framework) recommended by PwC Consulting Sdn Bhd. The Framework comprises a Board Effectiveness Assessment and the Board of Directors' Self/Peer Assessment. The Framework has been carefully designed to maintain cohesiveness of the Board and at the same time serves to improve the Board's effectiveness. In order to ensure integrity and independence of the appraisal process, the external auditor, PricewaterhouseCoopers has been engaged to tabulate and report to the Chairman, the results of the evaluation process. Every board member is provided with the results of the self-evaluation marked against the peer evaluation to allow for comparison.

Re-Election

In accordance with the Listing Requirements of Bursa Securities and the Company's Articles of Association, all Directors are subject to re-election by rotation once in at least every three (3) years and a re-election of Directors shall take place at each AGM. Executive Directors also rank for re-election by rotation.

The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board. Particulars of Directors submitted to shareholders for re-election are enumerated in the Statement Accompanying the Notice of AGM.

Directors' Training

The Board acknowledged the importance of continuous education and training to enable effective discharge of their responsibilities. All the Directors have successfully completed the Mandatory Accreditation Programme (MAP) during the year 2004, save for Dato' Haji Abd. Rahim Haji Abdul who completed the MAP on 2 February 2005.

On 1 July 2004, an induction briefing was organised for newly appointed Board of Directors, namely, the Group CEO, Dato' Azman Mokhtar and YB. Datuk Nur Jazlan Tan Sri Mohamed. The said briefing included information on the corporate profile and activities of the Group as well as business plan targets and group performance.

During the year, the Directors have also attended various seminars and international conventions to gain insight into the state of the economy as well as latest regulatory and technological developments in relation to the Group's business. Following the introduction of the mandatory Continuing Education Programme (CEP) by Bursa Securities in July 2003, the Directors actively pursued relevant courses and seminars recognised under the CEP.

In September 2004, Bursa Securities repealed of the Practice Note No. 15/2003 (PN 15), being guidelines on the CEP requirements, effective from 1 January 2005. Following the repeal of PN 15, the board of directors of each listed that the issuer must evaluate and determine

the training needs of its Directors on a continuous basis. The training must be one that aids the Director in the discharge of his duties as a Director.

Your Board of Directors has duly adopted a set of guidelines for the Company's Board Training Programme effective from 1 January 2005, to address training needs of the Directors in the absence of the Bursa Securities' CEP requirements. A report on the status of Directors' training activities would be compiled and tabled at regular meetings of the Board Nominating & Remuneration Committee to keep track and monitor the progress of Directors' training. The training status of Directors will be reported in the Company's next annual report.

Directors' Remuneration

The Board Nominating and Remuneration Committee has recommended to the Board a framework for the remuneration of the Executive and Non-Executive Directors.

The Executive Directors' remuneration comprises a salary, allowances, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Group. Remuneration of Non-Executive Directors is based on a standard fixed fee. Additional allowances are also paid in accordance with the number of meetings attended during the year.



Details of the remuneration of each Director of the Company, categorised into appropriate components for the financial year ended 31 December 2004, are as follows:

NAME OF DIRECTORS	SALARY (RM)	FEES & ALLOWANCES (RM)	BONUS (RM)	EX-GRATIA (RM)	BENEFIT IN KIND (RM)	TOTAL (RM)
Non-Independent and Executive Directors:						
Dato' Dr. Md Khir Abdul Rahman (Resigned on 1/7/2004)	*429,846	64,550	59,400	200,000	9,788	763,584
Dato' Abdul Wahid Omar (Appointed on 1/7/2004)	300,000	42,200	—	—	7,921	350,121
Dato' Dr. Abdul Rahim Haji Daud (Redesignation from Executive Director to Non-Executive Director on 1/7/2004)	**310,538	119,595	70,400	—	58,989	559,522
Non-Executive Directors:						
Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor	—	208,312	—	—	19,002	227,314
Datuk Dr. Halim Shafie (Retired on 18/5/2004)	—	26,400	—	—	625	27,025
Dato' Abdul Majid Haji Hussein (Resigned on 2/10/2004)	—	30,900	—	—	1,250	32,150
YB. Dato' Joseph Salang Gandum (Resigned on 1/4/2004)	—	43,056	—	—	57,304	100,361
YB. Dato' Ir. Haji Mohd Zin Mohamed (Resigned on 1/4/2004)	—	35,912	—	—	33,994	69,906

NAME OF DIRECTORS	SALARY (RM)	FEES & ALLOWANCES (RM)	BONUS (RM)	EX-GRATIA (RM)	BENEFIT IN KIND (RM)	TOTAL (RM)
Non-Executive Directors:						
Dato' Dr. Mohd Munir Abdul Majid <i>(Resigned on 1/6/2004 also as Chairman of Celcom)</i>	—	116,150	—	—	134,824	250,974
Ir. Prabahar N.K. Singam	—	137,705	—	—	35,103	172,808
Dato' Lim Kheng Guan	—	135,494	—	—	70,895	206,389
Rosli Man	—	77,700	—	—	2,033	79,733
Tan Poh Keat <i>(Resigned on 1/6/2004)</i>	—	95,450	—	—	2,014	97,464
YB. Datuk Nur Jazlan Mohamed <i>(Appointed on 1/6/2004)</i>	—	16,700	—	—	875	17,575
Dato' Azman Mokhtar <i>(Appointed on 1/6/2004)</i>	—	#14,600	—	—	875	15,475
Dato' Haji Abd. Rahim Haji Abdul <i>(Appointed on 23/11/2004)</i>	—	1,600	—	—	125	1,725
Alternate Directors:						
Mohammad Zanudin Ahmad Rasidi <i>(Ceased as Alternate Director to Dato' Abdul Majid and appointed as Alternate to Dato' Haji Abd. Rahim Haji Abdul on 23/11/2004)</i>	—	5,400	—	—	1,500	6,900
Dato' Suriah Abd Rahman <i>(Ceased as Alternate Director to Datuk Dr. Halim Shafie on 18/5/2004)</i>	—	5,700	—	—	625	6,325
TOTAL AMOUNT	1,040,384	1,177,424	129,800	200,000	437,743	2,985,351

Notes:

* Inclusive of compensation of RM286,000 upon resignation

** Inclusive of gratuity of RM132,000

Paid directly to Khazanah Nasional Berhad (Khazanah) since Dato' Azman Mokhtar is a nominee Director from Khazanah.

ACCESS TO INFORMATION

The Board and its Committees are supplied with an agenda and relevant up-to-date information for review in good time prior to each meeting to enable them to make informed decisions. The process of Board papers approval, compilation and dissemination is expedited via an efficient and securely encrypted electronic Board Document Management System to facilitate an informed decision-making process within the Group.

The Board has full and timely access to all relevant information to discharge its duties effectively. All Directors have access to the advice and services of the Company Secretary. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. Procedures are in place for Directors and board committees to seek independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

BOARD COMMITTEES

The Board delegates certain responsibilities to Board Committees, namely, the Audit Committee, Nominating and Remuneration Committee, Tender Committee, Employee Share Option Scheme Committee, 3G Implementation Committee and Commercial Dispute Resolution Committee. All committees have written terms of reference and the Board receives reports of their proceedings and deliberations. Where committees have

no authority to make decisions on matters reserved for the Board, recommendations would be highlighted for the Board of Directors' approval. The Chairmen of the various committees report the outcome of the committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board of Directors' meetings.

Audit Committee

A full Audit Committee report enumerating its membership, its role and its activities during the year is set out on pages 64 to 72.

Nominating and Remuneration Committee

Membership:

Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor
(Chairman – Non-Independent Non-Executive)

Ir. Prabahar N.K. Singam
(Independent Non-Executive)

Dato' Lim Kheng Guan
(Independent Non-Executive)

Objectives:

The main objectives of the Nominating and Remuneration Committee are:

- to ensure that the Directors of the Board bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience;

- to set the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Executive Director(s) and other top selected management positions with the aim to attract, retain and motivate individuals of the highest quality.

Principal Duties and Responsibilities:

- Recommend to the Board, candidates for directorship on the Board of the Company and its Group as well as membership of all other Board Committees. In making its recommendations, the Committee considers candidates from the Management for directorship in its Group of companies as proposed by the Group CEO;
- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness and review its required mix of skills and experience and other qualities;
- Recommend suitable orientation, educational and training programmes to continuously train and equip existing and new Directors;
- Set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of the Executive Director(s) having regard to the overall Group policy guidelines and framework;

- Advise the Board on the performance of the Executive Director(s) and an assessment of their entitlement to performance related pay and advise the Executive Director(s) on the remuneration terms and conditions of senior management; and
- Establish and recommend a formal and transparent procedure for developing a policy on the remuneration of the Non-Executive Chairman, Non-Executive Directors and Board Committees, which recommendation shall be decided by the Board of Directors as a whole.

During the year, the Nominating and Remuneration Committee has been assigned the role to monitor and facilitate the administration and conduct of the Board appraisal/evaluation process and in ensuring the integrity and independence of the appraisal process.

The Nominating and Remuneration Committee has the authority to examine a particular issue and report back to the Board with recommendations. The determination of remuneration packages of Directors is a matter for the Board as a whole and individuals are required to abstain from discussion on their own remuneration. The Committee met eight (8) times during the year.



Tender Committee

Membership:

Dato' Haji Abd. Rahim Haji Abdul
(Chairman – Non-Independent Non-Executive)

Dato' Abdul Wahid Omar
(Group CEO – Non-Independent Executive Director)

Dato' Dr. Abdul Rahim Haji Daud
(Non-Independent Non-Executive)

YB. Datuk Nur Jazlan Tan Sri Mohamed
(Independent Non-Executive)

Rosli Man
(Independent Non-Executive)

Ir. Prabahar N.K. Singam
(Independent Non-Executive)

Mohammad Zanudin Ahmad Rasidi
(Alternate to Dato' Haji Abd. Rahim Haji Abdul)
(Non-Independent Non-Executive)

The principal duties and responsibilities of the Tender Committee are to ensure that the procurement process complies with the relevant policies and requirements and to consider, evaluate and approve or recommend awards which are beneficial to the Company taking into consideration various factors such as price, usage of product and services, its quantity, duration of service and other relevant factors. The Committee met eight (8) times during the year.

Employee Share Option Scheme (ESOS) Committee

Membership:

Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor
(Chairman – Non-Independent Non-Executive)

Dato' Abdul Wahid Omar
(Group CEO – Non-Independent Executive Director)

Dato' Haji Abd. Rahim Haji Abdul
(Non-Independent Non-Executive)

Dato' Dr. Abdul Rahim Haji Daud
(Non-Independent Non-Executive)

Mohammad Zanudin Ahmad Rasidi
(Alternate to Dato' Haji Abd. Rahim Haji Abdul)
(Non-Independent Non-Executive)

The principal duties and responsibilities of the ESOS Committee are to construe and interpret the ESOS and options granted under it, to define the terms therein and to recommend to the Board to establish, amend and resolve rules and regulations relating to the scheme and its administration. The Committee only meets as and when required.

Ad-Hoc Committees

Apart from the above, specific and ad-hoc Board Committees, such as the Commercial Dispute Resolution Committee and 3G Implementation Committee were established on need basis to deliberate and expedite decision-making processes on specific aspects of the business and corporate exercises.

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS/INVESTORS

The Company is committed to regular and proactive communication with investors and shareholders. Formal channels of communication are used to give an account to shareholders on the performance of the Group.

In addition to quarterly financial reports, the Company communicates with shareholders and investors through its annual report, with comprehensive and sufficient details about financial results and activities of the Group. The annual report published in English language, is despatched to shareholders who are also given the option to receive the annual reports in Bahasa Malaysia (the national language) upon request. Established procedures are in place to ensure the timely public release of share price sensitive information.

The AGM provides an open forum at which shareholders and investors are informed of current developments and where ample time is allowed for questions to be raised to Board members and Committees' Chairman. The Company supports the Code's principle to encourage shareholder participation. The Company's Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provide that a proxy need not be a member of the Company. A press conference is held immediately after the AGM where the Chairman, Executive Directors and Group Chief Financial Officer are present to clarify and explain issues raised by the media.

To ensure easy and convenient access to the Group's financial information by shareholders and investors, press releases, annual reports and other corporate information, a website is maintained at <http://www.tm.com.my>. The Bursa Securities also provides for the Company to electronically publish all its announcements including its quarterly results and Annual Report through Bursa Securities' Internet website at <http://www.announcements.bursamalaysia.com>

INVESTOR RELATIONS

In line with good corporate governance practices, the Company's Investor Relations (IR) unit proactively and actively disseminates relevant information about the Group to the investment community, specifically the institutional fund managers and analysts.

Your Company is one of the most actively covered companies in the Kuala Lumpur Composite Index with regular tracking by more than 18 research brokers, 3 rating agencies and over 200 domestic and foreign institutional investors, both in the equity and debt markets. The IR unit maintains very close contact with them, to ensure that the Group's strategies, operational activities and financial performance are well understood and that such information is made available to them in a timely manner.

Regular contacts to provide accurate and timely information are established through road shows, company visits, and one on one meetings, teleconferences and e-mails. Your Company participated actively in more than 10 local and overseas investor conferences in Los Angeles, London, Hong Kong, Japan and Singapore, in the year 2004 including the Bursa Malaysia's Investor Week 2004.

Your Company is one of the few corporations in Malaysia that conducts teleconferences every quarter to brief analysts on its quarterly results. At these sessions, analysts are not only given a comprehensive review of the Group's financial performance but are also given the opportunity to clarify whatever queries they may have in question and answer sessions. The content of these briefings is posted on the Company's website <http://www.tm.com.my>.

The senior management mainly, the Group CEO and the Group Chief Financial Officer, are actively involved in IR activities, meeting fund managers and analysts regularly.

Information that is disseminated to the investment community conforms to Bursa Securities disclosure rules and regulations. Care has been taken to ensure that no market sensitive information such as corporate proposals, financial results and other material information is disseminated to any party without first making an official announcement to the Bursa Securities for public release.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's Statement and the Group CEO's review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year. The Directors consider that in presenting these financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors have a general responsibility for ensuring that the Company and the Group keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Company and the Group. Due care and reasonable steps are taken by the Directors to ensure that such financial statements comply with the Companies Act, 1965, approved accounting standards in Malaysia and other regulatory provisions.

Internal controls

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and Group's assets. The Statement on Internal Control is set out on pages 73 to 75 of the annual report providing an overview of the state of internal controls within the Group.

Relationship with Auditors

An appropriate relationship is maintained with the Company's Auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the external Auditors and internal Auditors.

The role of the Audit Committee in relation to the Auditors is set out in the Terms of Reference on pages 70 to 72.

Audit Committee

The Audit Committee also conducts review of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter. Furthermore, it ensures the independence of the internal auditors and unrestricted access to information and people in the Group. Highlights of activities conducted by the Committee are detailed in the Audit Committee Report on pages 67 to 68 inclusive.

Signed on behalf of the Board of Directors pursuant to a resolution dated 24 February 2005.



TAN SRI DATO' Ir. MUHAMMAD RADZI HAJI MANSOR
Chairman

RISK MANAGEMENT



INTRODUCTION

The TM Group recognises that an effective risk management programme is critical to ensure that it continues to provide unsurpassed services to its customers and, at the same time, enhance shareholder value through consistent profitability.

TM GROUP DEFINITION OF RISKS & RISK MANAGEMENT

Risk is any event or uncertainty that may enhance or impede the Group's ability to achieve its current or future business objectives.

Risk Management is the systematic, proactive identification of threats to resources and the development of appropriate strategies which will minimise risks.

As such, the Board continues to acknowledge its responsibility in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing the effectiveness, adequacy and integrity of these systems.

The Board also recognises that such internal control systems are designed to manage, rather than eliminate, the risk of failure to the achievement of business objectives. Therefore, such systems can provide only reasonable but not absolute assurance against possible losses originated from within the

organisation or due to external factors that sometimes go beyond the Group's control.

TM has put in place the processes for identifying, evaluating and managing the significant risks faced by the Group using the integrated Enterprise Risk Management (ERM) framework. These processes have been in place for the whole of the 2004 financial year and have assisted the Group in formalising a process to identify, measure, respond, monitor and review the group-wide risk exposures. The adopted ERM framework has seven phases namely:

1. Establish Context
2. Define Objectives
3. Identify Risks

6. Respond to Risk



4. Analyse Risks

5. Assess Risks

KEY RISK MANAGEMENT DEVELOPMENTS IN 2004

The Group's profitability depends on its ability to keep the risk management process alive and embedded in all key business decision-making processes. In that respect, the following key initiatives have been carried out to further strengthen the risk management implementation:

a. Risk Identification and Assessment Program

To ensure that the risk identification and assessment programme works continuously, a total of 48 ERM workshops have been carried out covering almost all major business units and operating companies within the TM Group, both local and overseas operations, using the "AIR" concept:

- i. **Awareness** – continually educating all levels of management, starting with senior management, on the standard and structured risk management processes adopted by the TM Group. This will ensure standardisation of risk management processes and reporting within the Group.
- ii. **Implementation** – in the same workshop, a strategic risk identification and assessment will be held where senior management will be required to apply the structured risk management processes that they have learnt to arrive at the list of principal risks and the control plans for their respective business operations. At this stage, the trained risk facilitators will closely guide the participants to complete the risk management value chain using the Group's standard risk identification and assessment template.
- iii. **Review** – the 2003 risk profiles will be reviewed to determine the risk status, control effectiveness status as well as identification and assessment of newly recognised risks. The Group risk profiles will be updated accordingly upon completion of the workshop.

ESTABLISH CONTEXT

- Determine business environment, strategic direction and culture.

**DEFINE OBJECTIVES**

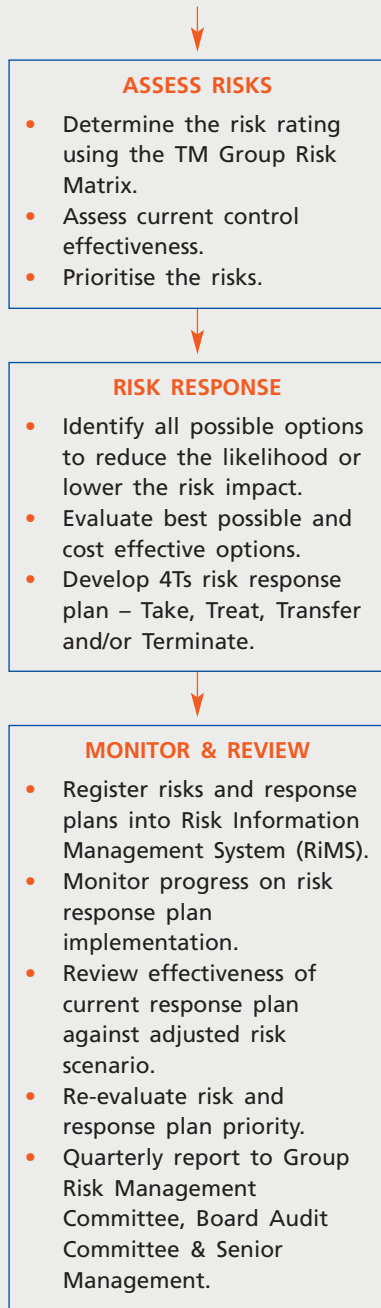
- Understand Group business objectives.
- Understand what expectations has been set.
- Understand what must be delivered.

**IDENTIFY RISKS**

- Identify and describe an event that might impact on business objective.
- Develop comprehensive list of possible loss scenarios.
- Review various sources of risks.
- Categorise the risks – Strategic, Compliance, Systems, Operational & Financial.

**ANALYSE RISKS**

- Determine the likelihood that the event will happen.
- Determine the severity should the risk happen.
- Determine level of risk acceptability.



b. Embedding ERM into Balanced Score Card

Structured identification and assessment of risks during the business planning process will further strengthen the Group’s commitment towards ensuring that risk management starts at the very early stage of setting the annual business direction. On this score, the team from the Risk Management Unit and the Corporate Strategy Division is in the process of modifying the risk identification and assessment module in the Balanced Score Card programme to utilise the structured ERM framework towards standardising the risk management approach. Once completed, the business performance review will be more objective, especially in managing non-performance where control failure can be easily identified from the documented risk response plan.

c. ERM Guidelines

As a reference tool, the ERM Guidelines Booklet has been updated to further strengthen the ERM awareness programme. The updated guidelines will not only guide the management team to understand the overall risk management framework, process and value chain but also illustrate how they can implement enterprise risk management within their organisation. The guidelines also provide clear definition of the risk management role for the following levels of management:

- i. **Board of Directors** – The Board has responsibility for determining the strategic direction of the Company and for creating the environment and structure for risk management to operate effectively.
- ii. **Management Team** – The Group Chief Executive Officer (GCEO) is accountable to the stakeholders for the implementation of a risk management framework and practices throughout the organisation. All line managers must support the GCEO in ensuring that the risk-based approach is fully adopted and embedded in all business processes.

- iii. **Group Risk Management Committee (GRMC)** – The GRMC is responsible for overseeing the ERM implementation, regularly updating the Board on the group risk profiles and improving the implementation methodology.
- iv. **Group Risk Management Unit (GRMU)** – The GRMU is responsible for recommending and reviewing Group risk management strategies. It also acts as the ERM champion within the Group, assists operating companies and business units to carry out risk identification and assessment programmes. The unit also carries out periodical risk management awareness sessions for the Group.
- v. **Group Internal Audit (GIA)** – The GIA is responsible for providing independent assessment of the adequacy and reliability of the risk management programme.
- vi. **Risk Coordinators at Business Unit or Operating Company** – These coordinators are responsible for implementing risk management policies and procedures in their day-to-day business processes.

BUSINESS RISKS CATEGORISATION

Considering the diverse business operations of the TM Group, both local and international, the Group is exposed to a wide range of risks. To streamline the risk profiling, the TM Group has reviewed and adopted the following five broad risks categories:

- a. Strategic risk
- b. Compliance risk
- c. System risk
- d. Operational risk
- e. Financial risk

TM GROUP RISK MANAGEMENT AND INTERNAL CONTROL POLICY STATEMENT

TM Group is committed to a risk-based system of internal controls designed to provide reasonable assurance of achieving the Group business objectives, safeguarding and enhancing shareholder's investment and the Company assets.

The risk management approach will be conducted through the implementation of an integrated risk management framework and programme throughout the Group. Risk Management is a systematic, proactive identification of threats to resources and the development of appropriate strategies, which will minimise risks.

**TM GROUP RISK
MANAGEMENT AND INTERNAL
CONTROL POLICY STATEMENT
(cont'd.)**

The responsibility and accountability for embedding risk management are as follows:

1. The Group Chief Executive Officer is accountable to the stakeholders for the implementation of risk management framework and practices.
2. The Chief Operating Officer and Chief Executive Officer of operating companies within the Group are responsible and accountable for the following:
 - establish clear business objectives, identify, analyse, assess significant risks and formulate risk strategies

Apart from standardising the classification of risk categories, the Group has also recognised the importance of splitting the drivers of key risks into two sections:

- a. Internally driven key drivers
- b. Externally driven key drivers

This move will enable the Group to further focus and prioritise the review and implementation of its control measures.

The Group's business is affected by a number of factors, not all of which are wholly within its control. Although many of the factors influencing the Group's performance are macro economic and likely to affect the business performance generally, some aspects of the Group's business make it particularly sensitive to certain areas of business risk.

RISK PORTFOLIO MONITORING AND TRACKING

The process owner of each of the above risk categories has put in place reasonable control measures to minimise the impact of the risk or reduce the likelihood of it happening. Each control measure is being closely tracked through the integrated Risk Information Management System (RiMS) and the overall risks portfolio will be subject to review at six-months intervals. The review process will involve the following:

- a. Alignment of risk description with the existing and additional control measures.
- b. Follow-up on the implementation progress of control measures.
- c. Review the risk rating and re-prioritise the control measures implementation considering the changes to the factors affecting the likelihood and the extent of impact, together with factors that affect the suitability or cost of the various risk response.
- d. Identification of newly emerged risks arising from changes to the business operation and processes.

Triggered risks or near misses will be escalated to the Board through the Group Risk Management Committee and Board Audit Committee meetings.

CONCLUSION

Risk Management initiatives within the TM Group continue to be strengthened from time to time in response to the constantly evolving business and operational conditions. Management control through policies and guidelines are being constantly reviewed and updated to close the operational gaps between existing and new business processes. Control Self-Assessments performed at operational and day-to-day business levels are actively performed to complement ERM that manages high level and strategic business risks. This ensures the robustness of the Group's overall risk management initiatives.

TM GROUP RISK MANAGEMENT AND INTERNAL CONTROL POLICY STATEMENT (cont'd.)

- develop risk management standards and practices in the areas for which they are accountable;
- ensure that these practices are fully communicated to and have active support of all employees;
- ensure systematic, regular identification and analysis of loss exposures;
- design, operate and monitor a sound system of internal control; and
- ensure risk-based approach is adopted to internal controls and embedded in all business processes.

CODE OF BUSINESS ETHICS

The objective of TM Group's Code of Business Ethics (CBE) is to support its vision and core values of "KRISTAL" by informing the Board of Directors, Managers, Employees and all representatives of TM of the acceptable and unacceptable business conducts. The CBE was designed to be in line with the Group's initiative to instill, internalise and uphold the value of "Uncompromising Integrity" in the behaviour and conduct of all stakeholders of the Group.

The CBE clearly outlines the responsibilities of the Directors, Management and employees. All Directors, Management, employees and other representatives are responsible for complying with all the applicable laws, regulations and with the CBE. Violation of the laws or the CBE could result in disciplinary action, including termination or dismissal.

The CBE applies to the Group's management of company assets and dealings with stakeholders including employees, customers, suppliers and business partners, shareholders, competition, communities and government.

The CBE also guides the Group with regard to potential Conflict of Interest situations. It clearly states that we operate and make business decisions based on the best interest of the Group. Business decisions and actions are not motivated by personal interest, consideration or relationship. Relationships with prospective or existing suppliers, contractors, customers, competitors or regulators do not affect our independent and sound judgements on behalf of the Group. All employees are required to declare their assets and conflict of interest (if any) to their supervisors and the Group Human Resource Management, as requested by the Management or when the need arises.

The Board and the Management are committed to an internal whistle-blowing programme by introducing a safe and acceptable platform for employees to channel concerns about illegal, unethical and improper business conduct affecting the Group. Through this programme, employees are encouraged to discreetly and anonymously disclose concerns about any impropriety within the Group. The aim of this policy is for the employees to raise the matters in an independent and unbiased manner. The Board gives assurances that employees will not be at risk of any form of victimisation, retribution or retaliation from their superiors or the Management.



All employees are reminded to be alert and sensitive to situations that could result in actions by themselves, or others, which might violate the CBE. Where employees are uncertain what is the proper conduct in a particular situation, it is the employee's obligation to contact his or her immediate superior or appropriate personnel from the Legal, Human Resources, Internal Audit or Change Management Office.

The CBE was approved by the Board on 26 February 2004 and was launched in October 2004. The CBE awareness road shows were conducted for employees on the need to be more transparent in all their daily business transactions. By the end of April 2005, all employees are required to declare their assets, conflict of interests (if any) and compliance with CBE. To ensure the objectives of CBE are fully understood and practised in our daily activities, training programmes on CBE and related activities have been planned and will be executed in 2005. TM's contractors and other major business partners shall also be included in the Group's CBE programmes in April 2005 onwards.

The Government, under the National Integrity Plan (NIP), has recommended the role of a Chief Ethics Officer as a focal point to promote and effectively implement ethics programme for a more ethical corporate environment. TM's perspective is that the role and objectives of a Chief Ethics Officer are to provide independent assurance that there are ethical practices and that all TM Group employees maintain values of uncompromising integrity. These objectives are accomplished by conducting preventive measures through intelligence on information brokering, carrying out investigations on internal control incidents and allegations of employees misconducts. These roles are assigned to a newly set up Special Affairs Unit headed by an experienced General Manager.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) for the financial year ended 31 December 2004:

1. SHARE BUYBACKS

The Company did not enter into any share buyback transactions during the financial year.

2. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

3. IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

4. NON-AUDIT FEES

The amount of non-audit and other non-statutory audit fees paid and payable to the external auditors and their affiliated companies by the Group for the financial year ended 31 December 2004 are as follows:

	RM
a) PricewaterhouseCoopers, Malaysia	1,475,500
b) PricewaterhouseCoopers Taxation Services Sdn Bhd	1,187,060
c) Overseas Firm affiliated to PricewaterhouseCoopers, Malaysia	82,217
Total	2,744,777

5. UTILISATION OF PROCEEDS FROM ISSUANCE OF BONDS

The Company, via its wholly-owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued a 10-year USD500.0 million Guaranteed Notes on 22 September 2004, carrying an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and September commencing in March 2005. The Notes will mature on 22 September 2014. Proceeds from the Bonds will be utilised to refinance TM's maturing debt and for general working capital purposes.

The Notes are unconditional and irrevocably guaranteed by the Company.

6. VARIATION IN RESULTS

There was no profit estimation, forecast or projection made or released by the Company during the financial year under review.

7. PROFIT GUARANTEE

There was no profit guarantees given by the Company during the financial year under review.

8. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interests either subsisting as at 31 December 2004 or entered into since the end of the previous financial year ended 31 December 2003.

9. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (RRPTS)

There were no RRPTs entered into by the Company and/or its subsidiaries involving Directors and major shareholders either subsisting as at 31 December 2004 or entered into since the end of the previous financial year ended 31 December 2003.

AUDIT COMMITTEE REPORT



YB. Datuk Nur Jazlan Tan Sri Mohamed
(Chairman)
Independent Non-Executive Director

Dato' Lim Kheng Guan
Senior Independent Non-Executive Director



MEMBERSHIP

The Audit Committee comprises three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors of the Board as follows:-

YB. Datuk Nur Jazlan Tan Sri Mohamed
(appointed 1 July 2004) (Chairman)
Independent Non-Executive Director

Dato' Lim Kheng Guan
Senior Independent Non-Executive Director

Dato' Dr. Abdul Rahim Haji Daud
(appointed 1 July 2004)
Non-Independent Non-Executive Director

Rosli Man (appointed 1 July 2004)
Independent Non-Executive Director

Dato' Haji Abd. Rahim Haji Abdul
(appointed on 30 November 2004)
Non-Independent Non-Executive Director

Dato' Dr. Mohd Munir Abdul Majid
(resigned 1 June 2004) (Chairman)
Senior Independent Non-Executive Director

YB. Dato' Joseph Salang Gandum
(resigned 1 April 2004)
Non-Independent Non-Executive Director

Dato' Abdul Majid Haji Hussein
(resigned 1 July 2004)
Non-Independent Non-Executive Director

Dato' Dr. Abdul Rahim Haji Daud
Non-Independent Non-Executive Director



Rosli Man
Independent Non-Executive Director



Dato' Haji Abd. Rahim Haji Abdul
Non-Independent Non-Executive Director

Ir. Prabahar N.K. Singam (resigned 1 July 2004)

Independent Non-Executive Director

Hashim Mohammed

Group Chief Auditor/Secretary to the Audit Committee

Members of the Audit Committee shall not have a relationship which in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee. Members of the Audit Committee shall possess wisdom, sound judgement, objectivity, independent attitude, management experience and knowledge of the industry.

YB. Datuk Nur Jazlan Mohamed, the Chairman of the Audit Committee and Dato' Lim Kheng Guan, both, independent non-executive directors are members of the Malaysian Institute of Accountants (MIA).



Hashim Mohammed
Group Chief Auditor/
Secretary to the Audit
Committee

MEETINGS

The Audit Committee had five (5) meetings in the financial year 2004. The meeting attendance of the Committee members is as follows:

	ATTENDANCE
YB. Datuk Nur Jazlan Tan Sri Mohamed	2/2
Dato' Lim Kheng Guan	5/5
Dato' Dr. Abdul Rahim Haji Daud	2/2
Rosli Man	2/2
Dato' Haji Abd. Rahim Haji Abdul	N/A
Dato' Dr. Mohd Munir Abdul Majid	2/3
Dato' Abdul Majid Haji Hussein	1/3
YB. Dato' Joseph Salang Gandum	1/1
Ir. Prabahar N.K. Singam	3/3

Note: Dato' Dr. Abdul Rahim Haji Daud had also attended 2 Audit Committee meetings on invitation as Management representative prior to his appointment as Audit Committee member.

Group Chief Financial Officer, other Senior Management members and the External Auditors attended these meetings upon invitation to brief the Committee on specific issues. Prior to the meetings, the Group Chief Auditor and the External Auditors separately met with the Chairman of the Audit Committee in private without the Management's presence.

Minutes of meetings of the Audit Committee were circulated to all members of the Board and significant issues were discussed at Board Meetings.

SUMMARY OF ACTIVITIES IN THIS FINANCIAL YEAR

The Audit Committee carried out its duties as set out in the terms of reference as on pages 70 to 72.

Apart from its duties as set out in its terms of reference, the Audit Committee also reviewed and deliberated on reports and updates as provided by:

- (a) The Task Force for Best Practices which was established by the Audit Committee in the year 2001 mainly to support them on the following:-
- New updates and developments of best business practices and exposure drafts, principally on Corporate Governance, statutory and regulatory requirements, compliance to accounting standards and other business guidelines. The Task Force consistently submitted their reports at every Audit Committee meeting.
 - The planning, implementation and progress report of enterprise-wide risk management programmes that were identified and implemented at various major divisions and subsidiaries of the Group to institute risk management, control and governance practices by the Management to achieve business excellence and support overall Group objectives.
 - Receive and review report on the adequacy, effectiveness and reliability of the system of internal controls based on control self assessment performed annually by the CEO/COO of the Operating Companies/Subsidiaries through the Annual Internal Control Assurance Letter reporting and Internal Control Incidents submitted to the Group Chief Executive Officer and the Group Chief Auditor.
 - Receive and review reports on the status of financial control based on self-assessment conducted quarterly by CEO/CFO of the Operating Companies/Subsidiaries through the Financial Controls Compliance and Assurance Letter submitted to Group CFO.
 - Review and recommend the Risk and Internal Control Policy for Audit Committee's approval.
 - Review and deliberate on new policy updates, revisions or enhancements of the Business Process Manual and Subsidiary Policy as recommended by the Management to ascertain that the improvements made are aligned with business best practices and effective internal control processes.
 - Monitoring and coordinating reviews on the effectiveness of the Group's system of internal controls, through reports furnished by the Group Internal Audit, the External Auditor and the Management.
 - The implementation of the Enhanced Telekom Operation Maps (eTOM) as the telecommunications industry business framework and best practices to be used for reference by Management and internal auditors to benchmark against the industry standards.

- (b) The Management Audit Issues Action Committee which was established by the Audit Committee in year 2002 to update the Audit Committee on progress of:
- Management actions to resolve significant internal controls and accounting issues as highlighted by the Internal and External auditors.
 - Any other recommendations made by the Audit Committee for Management actions.

- (c) The Internal Control Incident Committee which was established in year 2003, deliberates alleged major control incidents or failures based on reports submitted from Management or special investigation/audit conducted and to propose next cause of actions. The reports are summarised by the Group Chief Auditor and updated to the Audit Committee on quarterly basis describing the following:-

- the nature and root causes of control failures which have financial impact and/or affecting image and reputation of the Group.
- lateral learning to prevent recurrence of similar incident within the Group.
- status of actions taken by Management to remedy the control weaknesses and appropriate disciplinary actions.

During the year, the Audit Committee reviewed its Terms of Reference and the Internal Audit Charter and these were approved by the Board. The revisions were made to adopt the latest best practices in corporate governance.

INTERNAL AUDIT

The Audit Committee is strongly supported by a well-established Group Internal Audit function which reports to the Audit Committee on its activities based on the approved annual Internal Audit Plan. Group Internal Audit's main focus is to evaluate and report on the adequacy, integrity and effectiveness of the Group's overall system of internal control and governance for assurance.

The risk based internal audit plan is developed to cover key compliance, financial, operational and strategic matters that are significant to the overall performance of the Group. The audit activities include:

- Governance and Management Control Reviews
- Reviews of strategic plans and business processes
- Information Technology and Systems Reviews
- Revenue Assurance Audits
- Audits on Financial Reporting and Controls, Technical and Network, Human Resource Management, Marketing and Sales, Legal and Compliance
- Facilitations of Enterprise Risk Management (ERM) and Control Self Assessment (CSA) Workshops and subsequent post implementation reviews
- Special reviews as requested either by the Board, Audit Committee or Management
- Consultancy services such as due diligences and the drafting of code of ethics.



The Audit Committee receives regular and timely reports from the Group Chief Auditor on audit work and activities. In 2004, Group Internal Audit undertook 202 audit assignments covering locations at Corporate Headquarters, local and overseas operating subsidiaries and strategic business units. The Group Chief Auditor receives periodic reports from subsidiaries with internal audit functions such as Celcom (Malaysia) Berhad, VADS Berhad, MTN Networks (Pvt) Ltd and TM International (Bangladesh) Ltd and escalates key strategic and control issues noted to the Audit Committee. Group Internal Audit also coordinates the follow-up reviews on the resolutions of both internal and external audit and control issues and reports the status to the Audit Committee accordingly.

The Audit Committee reviews and approves the Group Internal Audit's annual budget and Human Resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. As at 31 December 2004, Group Internal Audit has 42 auditors of various mix of expertise and experiences as tabulated below:

EXPERTISE POOL WITHIN GROUP INTERNAL AUDIT

CATEGORY	NO	%
Finance	20	48%
IT/MIS	8	19%
Network/Engineering	8	19%
Marketing	5	12%
General	1	2%
Total	42	100%

PROFESSIONALS

CATEGORY	NO
Masters of Business Administration (MBA) and others	11
Certified Practising Accountants (CPA)/Chartered Accountants (CA)	7
Certified Internal Auditors (CIA)	5
CIA Internships	5
CPA/CA/ACCA Internships	3
MBA/Masters studentship	3
Certified Information Systems Auditor (CISA)	1

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Audit Committee hereby verify that during the financial year under review, the allocation of option shares pursuant to the ESOS 3 of TM (Scheme) to eligible employees had been made in accordance with the criteria of allocation of options shares as set out in the By-Laws and guidelines governing the Scheme.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. COMPOSITION

The Audit Committee (AC) Members and Chairman shall be appointed by the Board of Directors ("Board") or its Nominating and Remuneration Committee. No alternate director shall be appointed as a member of the AC.

The AC must compose of no fewer than (3) three members and the majority shall be Independent Non-Executive Directors. All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company.

The composition of the AC shall meet the independence and experience requirements of the Listing Requirements of Bursa Malaysia and other rules and regulations of the Securities Commission. The Board must review the term of office and performance of the AC and each of its members at least once every three years to determine whether the AC has carried out its duties in accordance with its terms of reference.

2. MEETINGS

The AC shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide. In order to form a quorum, the majority of the members must be present and that the majority of those present must be Independent Non-Executive Directors. Meeting agendas and briefing materials will be prepared and provided in advance to members. Meeting minutes will be prepared.

3. AUTHORITY

The AC has full, free and unrestricted access to information, records, properties and personnel of the Group. It also has direct communication channels with the external and internal auditors. The AC is also authorised by the Board to obtain external independent professional advice as necessary and to invite outsiders with relevant experience to attend the AC meetings (if required) and to brief the AC thereof.

4. DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the AC collectively, (and shall review and report the same to the Board):

- 4.01 To approve the Internal Audit Charter, which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and Group;
- 4.02 Consider the appointment of a suitable accounting firm to act as External Auditors and amongst the factors to be considered for the appointment are the adequacy of the experiences and resources of the firm and the persons assigned to the audit, to consider any question of resignation (including any letter of resignation) or removal and whether there is a reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment and to recommend the audit fee payable thereof;



- 4.03 Discuss with the External Auditors before the audit commences, the audit plan, nature, approach and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- 4.04 Review the quarterly interim results, half-year and annual financial statements of the Company and the Group, focusing particularly on:
- a) Any changes in accounting policies and practices;
 - b) Significant adjustments arising from the audit;
 - c) The going concern assumption;
 - d) Compliance with accounting standards and other legal requirements.
- 4.05 Review with the External Auditors the financial statements for the purpose of approval before the audited financial statements are presented to the Board for adoption including:
- a) Whether the auditors' report contained any qualifications which must be properly discussed and acted upon for purposes of resolving the contentious point of disputes in the current audits and to remove the cause of the auditors' concern in the conduct of future audits.
 - b) Significant changes and adjustments in the presentation of financial statements.
 - c) Compliance with laws, local and international accounting standards.
 - d) Material fluctuations in balances in the financial statements.
 - e) Significant variations in audit scope and approach.
 - f) Significant commitments or contingent liabilities.
- 4.06 Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the Management where necessary;
- 4.07 Review the follow-up actions by Management on the weaknesses of internal accounting procedures and controls as highlighted by the External and Internal Auditors as per management letters;
- 4.08 Review the assistance and co-operation given by the Management to the External and Internal Auditors;
- 4.09 Review the Internal Audit Plan and results of the internal audit process and where necessary to ensure:
- a) That appropriate action is taken on the recommendations of the internal audit function;
 - b) That Group Internal Audit has adequate and competent resources and that it has the necessary authority to carry out its work;
 - c) That the goals and objectives of Group Internal Audit commensurate with corporate goals.

- 4.10 a) Review and appraise the performance and remuneration of the Group Chief Auditor and senior staff members of Group Internal Audit;
- b) Approve the appointment or termination of the Group Chief Auditor and senior staff members of Group Internal Audit;
- c) Inform itself of resignations of the Group Chief Auditor and senior staff members of the Group Internal Audit and provide the resigning staff member an opportunity to submit his reasons for resigning;
- d) The AC must be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceedings/ investigations, including the nature and reasons for the said disciplinary proceedings/ investigations, as well as the subsequent findings and proposed disciplinary actions against the Group Chief Auditor and the senior staff members of Group Internal Audit. As employees of TM, the Group Chief Auditor and senior staff members of Group Internal Audit are subject to TM's human resource policies and guidelines, including disciplinary proceedings/ investigations and actions.
- 4.11 Review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines;
- 4.12 Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines;
- 4.13 Propose an adequate system of risk management for Management to safeguard the Group's assets;
- 4.14 Consider and review any significant transactions which are not within the normal course of business and any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of Management integrity;
- 4.15 To report to Bursa Securities, if the AC views that a matter resulting in a breach of the Bursa Securities Listing Requirements reported by the AC to the Board has not been satisfactorily resolved by the Board; and
- 4.16 Consider other topics as defined by the Board.
- 4.17 The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Board or the AC should determine the remit of the internal audit function.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors ("Board") is committed to its responsibility in maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness, adequacy and integrity of those systems. The system of internal control covers, inter alia, governance, risk management, financial, organisational, operational and compliance control. However, the Board recognises that this system is designed to manage, rather than eliminate the risk of non-achievement of the Group's objectives. It therefore provides reasonable assurance, and not absolute assurance, against the occurrence of any material misstatement or loss.

This Statement of Internal Control has been prepared in compliance with the Listing Requirements of Bursa Securities.

ENTERPRISE RISK MANAGEMENT

The Board recognises the dynamism of risks affecting the day-to-day operations of the Group. Enterprise Risk Management (ERM) framework had been formalised and is being implemented organisation-wide on a progressive basis. For the financial year ended 31 December 2004, 48 ERM workshops have been conducted covering major divisions, local and overseas subsidiaries. Post Implementation Reviews of ERM Workshops were conducted by Group Internal Audit to independently review the risk profiles, risk management strategies and adequacy and effectiveness of the controls identified in response to the identified risks.

During the year, the Group Risk Management Committee (GRMC) was established. The GRMC is responsible for steering the ERM implementation, identification and communication to the Board, the Group's present and potential critical risks, changes in the risk profiles and the Management action plans to manage the risks.

Initiatives are continually rolled out to encourage members of the staff to inculcate a risk-based culture within the Group. ERM Guidelines Booklets have been distributed to further enhance awareness and create a common language on risk management. ERM is also in the midst of being embedded in Balanced Score Cards to strengthen risk management focus.

CONTROL SELF-ASSESSMENT

Central to the Group's Internal Control and ERM systems is the Control Self-Assessment (CSA) process facilitated by the Group Internal Auditors. CSA is a process which internal control effectiveness is examined and assessed at operational levels to identify risks that prevent the achievement of their business objectives. The objectives of CSA are to create increased appreciation of risks and controls and their linkages to business objectives. Employees are then encouraged to take on full ownership and accountability of the individual control mechanisms within their respective areas of work. During 2004, 41 CSA workshops were conducted involving more than 1,200 staff members in various operating units within the Group.

OTHER KEY ELEMENTS OF THE SYSTEM OF INTERNAL CONTROL

In addition to the above, the other key elements of the Group's internal control system reviewed by the Board are as follows:

- An **organisation structure**, with clearly defined lines of responsibility and accountability aligned to business and operations requirements.
- **Integrated business planning and budgeting processes** driven by commercial objectives, vetted and approved by the Board and cascaded throughout the organisation to ensure effective execution and followed through. Periodic reviews performed on achievement of business objectives/ targets and financial performance.
- **Structured review** of all material capital and investment acquisitions by Management Executive Committees and respective Boards of major operating companies prior to approval by the main Board.
- Clear **definition of limits of authority and responsibilities** through the Group's Business Process Manual and Subsidiaries Policies that has been approved by the Board and subject to regular reviews and enhancements.
- Procedures with embedded internal controls documented in a series of **policies, procedures and guidelines** including those relating to Financial Controls, Procurement, Network Operations, Management Information Systems, Information Technology, Marketing, Human Resources, Occupational, Health and Safety, etc.
- **Annual self-assessments** and disclosures by the Group's Operating Companies' Chief Executive Officers (CEO)/Chief Operating Officers (COO) and Chief Financial Officers on the effectiveness, reliability and adequacy of their respective companies' system of internal controls and financial controls respectively.
- The Management's tools for enhancing self-assurance includes providers such as the **Risk Management Unit, Compliance Unit, Corporate Regulatory Unit and Quality Improvement and Business Excellence Unit.**
- **Internal Control Incident (ICI) Reporting** procedure with clear reporting guidelines. Lateral learnings from reported ICI are captured and disseminated to CEO/COO of operating companies to prevent potential recurrence in these companies.
- **Special Affairs Unit** responsible to review and monitor the ethical conducts and practices of all employees including Senior Management and Board. Investigation of ICI cases is also undertaken by the Unit (where applicable) and tabled to the **ICI Committee** and to the Board vide the Audit Committee. Appropriate actions are then taken based on the strengths and merits of the findings.
- **Audit Committee**, comprising a majority of independent non-executive directors was maintained throughout the financial year. The composition of the Audit Committee brings with them a wide ranging deep experience, knowledge and expertise. They continue to meet, have full and unimpeded access to both the internal and external auditors during the financial year.

- **Task Force of Best Practices** is a Management Committee that reports to the Audit Committee. It provides updates and developments of best practices and exposure drafts on corporate governance, statutory and regulatory requirements set by all statutory bodies/relevant authorities, compliance to accounting standards and other business guidelines and issues all requisite reminders and updates through its secretariat, the Compliance Unit.
- **Group Internal Audit**, reports to the Audit Committee, performs systematic reviews of key processes relating to high-risk areas and assesses the effectiveness of internal controls, including compliance. Recommendations for improvements are highlighted to Senior Management and the Audit Committee, with periodic follow up review of actions plans. Group Internal Audit's practices and conduct are governed by the Internal Audit Charter and are aligned to the Standards of Professional Practices Framework of Internal Auditing.
- **Management Audit Issues Action Committee**, comprising members of Senior Management and CEO/COOs of major Operating Companies regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.
- Internalisation of **TM Group's Core Values** of "Total Commitment to Customers", "Uncompromising Integrity" and "Respect and Care" sets the guiding principles of the Group's culture.
- The Group's **Code of Business Ethics**, endorsed during the year, documents formally the manner in which employees should conduct themselves in all business matters. Booklets of the Code are distributed to all

employees and road shows are underway to reach all employees on the Code's implementation. All employees are also required to sign the "Compliance Statement".

The Board considers the system of internal control described in this statement to be adequate and the risks are considered to be at an acceptable level within the context of the Group's business environment. The Board and Management continue to take measures to strengthen the control environment.

For the financial year under review, the Board is satisfied that the system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties.

TM's internal control system does not apply to its associated companies, which fall within the control of their majority shareholders. Nonetheless, the interests of TM is served through representation on the Board of Directors and Senior Management posting(s) of the associated companies and through the review of management accounts received. These provide the Board with performance-related information to enable informed and timely decision making to the Group's investments in such companies.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed and affirmed this Statement on Internal Control for inclusion in the annual report of the Company for the financial year ended 31 December 2004.



Bridging divides
opening up possibilities

Our world
does not exist
in isolation.

Our lives
are meant to be
lived with interaction and
communication.

At TM,
we are committed
to breaking barriers and
bridging digital divides.



CHAIRMAN'S STATEMENT





This year, Telekom Malaysia Berhad (TM) entered its 15th year of listing on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities). It also marks my 5th year as Chairman of the Company and 40th year in the telecommunications industry. It gives me a great sense of satisfaction to witness the tremendous progress TM has gone through over the years and a pleasure to present you the Company's Annual Report and Accounts for the financial year ended 31 December 2004.

The financial year 2004 (FY 2004) saw TM registering a record Profit After Tax and Minority Interest (PATAMI) of RM2,613.5 million, a significant increase of 88% as compared to RM1,390.4 million in 2003. The good performance was driven by the gain on divestment of our effective 12.0% equity interest in Telkom SA Ltd (Telkom SA) totaling RM1,515.2 million but moderated by several provisions and asset impairment charges totalling RM928.3 million.

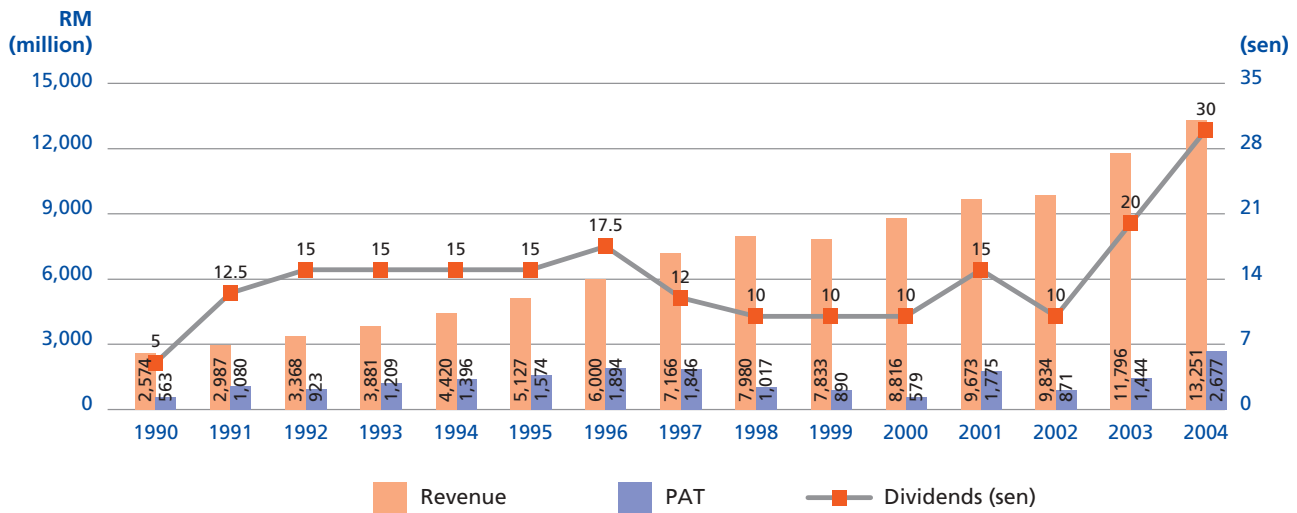
Total Group shareholders funds increased from RM16,782.4 million as at December 2003 to RM19,453.3 million as at December 2004 while the Group's cash position stood at RM8,801.6 million and debt position stood at RM10,784.7 million.

TM's performance over the last 15 years since our listing is testimony of Malaysia's own steady progress and the success of the Government's Privatisation Policy. Revenue has grown at a Compound Annual Growth Rate (CAGR)

of 12.4% per annum whilst Profit After Tax (PAT) has grown at a CAGR of 11.7% per annum. In recognition of the faith our investors have put in us, the dividend payout has increased sixfold or a CAGR of 13.6% per annum over the same period.

On that note, I am pleased to announce that the Board is proposing a tax exempt final dividend of 20 sen per share for FY 2004, subject to shareholders approval. TM earlier made a tax exempt interim dividend payment of 10 sen per share on 18 October 2004. This represents a total dividend payout for FY 2004 of RM1,013.3 million or a dividend payout ratio of 38.8% on our PATAMI which is well within our dividend payout policy of between 20% to 50% of PATAMI. As articulated previously, we will continue to strive to achieve a payout ratio at the upper end of the range. With this dividend strategy, the onus is on us to match dividend with corresponding performance. It also adds a measure of predictability to shareholder expectations.

TM Group - Revenue, PAT & Dividend 1990-2004



The Malaysian economy continues to provide an encouraging landscape for TM to grow. In terms of GDP, Malaysia is expecting 6.0% growth in 2005, compared to a 7.1% growth for 2004. This means we as a nation are on track towards achieving Vision 2020.

For TM Group the growth opportunities are immense; in all aspects of our operations be it wireline or wireless. We will focus on new revenue generation especially in data, cellular and on the international fronts. The key concepts going forward are customer centricity, enterprise solutions, mobility and broadband; all within the convergence framework. TM will also put in place initiatives to increase asset and human resources productivity as well as make prudent investments where required. We are committed to performance and growth.

2004 also saw TM redefining its focus. This involved further rationalization of domestic operations and the strategic migration of selected overseas ventures to emerging markets nearer home. In pursuing our international expansion, we cannot afford to ignore the economic relevance of this part of the world. ASEAN or the wider Asia Pacific region, is home to over half the world's population – 75% if you include India. As reported by International Monetary Fund (IMF) in its World Economic Outlook for 2004, with an average age of 23 compared with 37 in ageing Developed Nations, we can expect the emerging market's per capita income growth to be boosted by the increase in the share of this working-age population. This demographic transition will see that the world's economic centre of gravity moving inexorably from West to East.



True to this strategy, we divested our stake in Telkom SA and made our foray into the Indonesian and Indian markets with the acquisition of PT Excelcomindo Pratama (Excelcomindo) and Idea Cellular respectively. TM International Sdn Bhd (TMI), TM's subsidiary which oversees its international ventures will play an active role in coordinating our global outreach. Our investment telescope will also be trained on the Middle East.

On the domestic front, we continue to upgrade the quality and capacity of our network. To date, TM has the most extensive network infrastructure that has enabled us to provide end-to-end communications solutions to our customers. In the year 2004, we also saw intense competition in the fast paced mobile sector given the phenomenal increase in mobile usage. One of the most



exciting developments was the technical trials of the 3G cellular service. We are still conducting system and network trials, and expect the commercial launch of the service by middle 2005. With the completion of network integration in October 2004, Celcom will be able to aggressively focus its effort to enhance its market share and position itself for the roll-out of 3G services.

We expect increasing pressure in the future for local loop unbundling. Notwithstanding that, our long term goal is to give the best service to our customers and to increase TM's revenue, and the last mile component can be a commodity that enables broadband services to be provided to all of our customers.

Meanwhile, TM remains committed to support the National Broadband Plan to connect 50% of Malaysia's households to high-speed internet connection by 2008. TM, via its wholly owned subsidiary, TM Net Sdn Bhd is already expediting the roll-out of broadband in areas where distance between the exchange and the home is less than 6km.

At the same time, in providing our services and conducting our business, may I assure all our stakeholders that TM practices the highest standards of corporate governance in order to protect and enhance shareholders value.

Whilst 2004 has been an exceptional year for TM, we never expected that it would end with the devastating tsunami that claimed more than 230,000 lives across the region. It came to my mind that 2004 was the year of the Monkey in the lunar calendar. We can only suppose that the most mischievous of animals, symbolically associated with natural disasters, played its last trick.



Malaysia was relatively spared, thanks to God and the geographic shield of Sumatra. The disaster touched everyone's lives and united humanity in compassion.

I am happy to report that TM played a special role in relief operations during the catastrophe. Thanks to the robustness of our systems and networks, the integrity of our regional operations in Sri Lanka and Indonesia remain intact and we were able to help and carry on. In Sri Lanka where we are the biggest player in the mobile market; TM, its subsidiaries and associated companies played its part by contributing both funds and manpower in disaster relief and reconstruction. I would like to pay tribute to TM's staff in our regional operations, who rallied so promptly and effectively in response to the disaster relief and later the reconstruction required.

Our associate PT Excelmomindo in Indonesia similarly played their part in relief and reconstruction efforts in

Acheh. In total TM Group contributed about RM6.7 million towards this cause.

Closer to home in Malaysia where we were least affected, TM contributed more than RM500,000 to various Tsunami relief funds. All connectivity to the disaster affected areas have been restored.

On that note, TM is committed to bridge the digital divide. We bring people together. We strive to reach all corners of the land. Testimony to this is our rural penetration, less profitable but bringing a social gain. We are the main service provider in the rural areas, which aligns us with the current national agenda that puts strong emphasis on rural development. TM also champions various causes that contribute to the positive developments of the community.

Now we are ready to go forward. The future looks exciting. The Monkey is gone. We have entered the Year of the Rooster – the bird of dawning. It heralds a fresh start to the day – a time of renewal. I recall it was a Rooster year, 1957, that we gained our Independence and a fresh start for our country. The year of the Rooster 2005 promises to be a declared time of renewal for TM.

As the industry continues to evolve, we can expect TM to also evolve to adapt to the changing environment. Being one of the Government-linked Companies (GLCs), TM's evolution received an additional boost with the Government's call for a GLC revamp. The consolidation made in 2004 has opened the way for further smart investments – for more serial innovations, for more interactions with our customers and our interfaces with society. We will continue to enhance our efficiency and competitiveness in key areas and forge smart partnerships where necessary to enrich our experiences and improve product and service offerings.



We are already positioning ourselves for an era of growth. An imminent milestone in the Company's history is the re-branding exercise that was launched by YAB Dato' Seri Abdullah Haji Ahmad Badawi, the Prime Minister of Malaysia on 14 April 2005 with a new brand identity, based on service quality and the customer experience. Renewal is our pledge to all our faithful stakeholders – our customers, shareholders, our professional brethren out there, and most of all our loyal and valued staff.

To drive this journey of renewal is none other than our staff. Hence, staff development and welfare remain one of the Company's top priorities. A particularly popular move in 2004 was to introduce a 5-day working week which is more in line with private sector practice, allowing more quality time with family and healthy recreational pursuits for a balanced life style. The bonus was an increase in productivity and work ethics on the job. We reaffirmed our performance culture by giving staff at all levels a chance to excel, assisted by company-wide schemes for continuous improvements to meet the demands of the Knowledge Age. In a total quality culture there is no finishing line.

On behalf of the Board and Management, I sincerely acknowledge the loyalty and hard work of the staff last year and look forward to an even more rewarding one in 2005.

I would like to take this opportunity to thank our former Directors; Datuk Dr. Halim Shafie who retired at the last Annual General Meeting, Dato' Dr. Mohd Munir Majid and Mr. Tan Poh Keat who both resigned as Directors of the Company with effect from 1 June 2004 and Dato' Abdul Majid Haji Hussein who resigned with effect from 2 October 2004. I would therefore like to acknowledge

their valuable contributions. We also welcome back Dato' Abdul Wahid Omar, our new Group Chief Executive Officer who joined us on 1 July 2004 and our new Board members namely Dato' Azman Mokhtar and YB. Datuk Nur Jazlan Tan Sri Mohamed who joined us on 1 June 2004 and Dato' Haji Abd. Rahim Haji Abdul, appointed with effect from 23 November 2004.

At the same time, on behalf of the Board, Management and staff of TM, I would like to thank Dato' Dr. Md. Khir Abdul Rahman, our former Chief Executive who resigned on 30 June 2004. His dedication and contributions are invaluable and we wish him continued success in his future undertakings.

We also take the opportunity to thank Dato' Dr. Mohd Munir Majid, our first Chairman of the new Celcom – the merged TM Cellular-Celcom, for his contribution and the active role he played during the merger process. We congratulate him on his appointment to the Chair of Malaysia Airlines Berhad.

Finally, let me thank all our shareholders, the Government and regulators, business associates and other stakeholders for your continued support over the years. After being in the industry for 40 years, I am proud to say that our telecommunication industry has achieved tremendous progress, and more importantly, how TM has always played a vital part in contributing towards that progress.

Till then I take my leave of you.

Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor
Chairman