

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The aspiration to be a good corporate citizen is one of the core values of our vision to become the finest enterprise in Malaysia. That is why Celcom has established a Corporate Social Responsibility (CSR) programme that is very near and dear to our hearts.

One of our most successful CSR initiatives is the Celcom Youth Ambassador programme. This programme links the company to the youth community, in particular secondary school students. The main objective of the programme is to inspire the students to achieve their dreams and make a difference in their community and also their life.

Approximately 900 students from 45 schools in Selangor and the Klang Valley area have participated in the workshop for the year 2004. The programme also entails educating the students about cellular telecommunications, the technology behind it and the corporate role of being the premier mobility solutions provider.

During the one-day workshop, students are given an hour to come up with a project that will benefit their school or community. Once the project is endorsed, they will be given six weeks to complete it and RM300 as start-up capital. Their project will then be contested in a competition and judged based on five criteria: teamwork, creativity, originality, practicality and timeliness.

In addition, the company under the Celcom Advantage banner has also organised the “We’ve Got Your Back” – Self Defence for Women workshop which taught women how to defend themselves in the event of an attack. The programme serves to help women master self-defence strategies, such as Aikido, thus enabling them to keep themselves physically and emotionally safe in the face of hostility. The programme is extended to our female customers as well as our female employees.

In an effort to put an end to violence against women, Celcom sponsored the ‘White Ribbon Campaign 2004’. As a corporate citizen who cares about the welfare of the public, we aim to create awareness of women’s issues and play an active role in preventing further violence against women.

In view of the recent Tsunami Disaster, which affected not only Malaysia but other major Asian countries, namely Indonesia and India, Celcom launched the RM5 SMS donation campaign to raise support for the Malaysian Tsunami Disaster Fund organised by the NST, BH, TV3





and 8TV. This proactive effort is aimed at helping the tsunami victims in Malaysia. In addition, Celcom employees organised a donation drive to collect uniforms, school books, school supplies and canned foods for all the school children who have lost their personal belongings due to the tsunami disaster. All the items collected were distributed by Celcom officials and personally delivered to the victims in the affected areas.

CELCOM WINS BEST RADIO COMMERCIAL

Celcom was awarded with the 'Anugerah Citra Iklan Radio' during the 'Anugerah Citra Wangsa Malaysia Sektor Swasta ke-8' which took place at the Palace of the Golden Horses Hotel. The award winning commercial was for the SALAM Campaign which featured the voices of renowned local actors Rosyam Nor and Jalaluddin Hassan.

Sponsored by Dewan Bahasa dan Pustaka (DBP), the award was introduced as an initiative to enhance the quality and proper usage of Bahasa Malaysia among various sectors, most importantly, the private sector. The winners received RM3,000, a trophy and several books published by DBP.

The commercial was judged based on the proper usage and accuracy of Bahasa Malaysia as well as the overall effectiveness of the presentation and sound.



Sharing moments through
Celcom

CELCOM WINS THE 'ANUGERAH KAUNTER PERKHIDMATAN PELANGGAN CEMERLANG 2004' FROM THE MINISTRY OF ENERGY, WATER AND COMMUNICATIONS

In 2004, Celcom (Malaysia) Berhad's Bandar Baru Klang branch won national recognition and became the proud recipient of the coveted 'Anugerah Kaunter Perkhidmatan Pelanggan Cemerlang 2004' award by the Ministry of Energy, Water and Communications for its excellent customer service and exceptional counter staff practices.

Celcom's Bandar Baru Klang (BBK) branch was among the 28 nominees from 11 various organisations in the Energy, Water and Communications industry to have been assessed by the Ministry. Entrants were measured on six criteria which were customer facilities, readiness to serve customers, exceptional practices of counter staff, management support, staff involvement and anticipation of customer needs and expectations.

One of the aspects that helped BBK win the award was its focus on service delivery – it introduced the 'early bird' and 'late bird' services for customers who came before and after working hours. Apart from that, BBK also internalised the teamwork approach by involving counter staff in its continuous improvement initiatives. One of the major initiatives undertaken last year was the 'customer portfolio analysis', which was conducted to assess customer needs and expectations with regard to excellence in counter service.





The award programme was conceptualised by the Ministry to give formal recognition to organisations that have achieved excellence in service quality, mainly concentrating on over-the-counter customer service excellence.

In pursuit of excellence, Celcom has always strived to be at the forefront of the industry. This award is a reflection of the Company's undying commitment to provide top-notch customer service and offer customers the value-added services that they deserve.

PROSPECTS

In the year ahead, Celcom will continue to focus on the following key areas:

- i) Building our brand position through the power of true connection to be targeted to the consumer, business and corporate mobility segments and localised with globalised flavour.

- ii) Providing compelling mobility value-added solutions supported by technological advancements that offer innovative products in personal and business wireless technology.
- iii) Keeping a relentless focus on surpassing customers' expectations by effectively enhancing the base of quality customers through strong leadership in key customer segment and improve quality and customer satisfaction.
- iv) Developing diverse, skilled and motivated people through organisational development and inculcating performance culture and core values to gain competitive advantage.

The company will continue to focus on customer acquisitions, on developing its human capital and building a performance-based culture. In addition, the new and growing business means more value-added products and mobility solutions through GPRS and the latest 3G services which are beginning to take off.

Broadening horizons
opening up possibilities

The world has no barriers.

Not anymore.

We can now reach
every corner of the
globe with ease.

At TM,
we are at the
forefront of this
broadband revolution.



Dato' Baharum Salleh

Chief Operating Officer • TM NET SDN BHD

PERFORMANCE

In 2004, TM Net continued to sustain its market share with a stronger foothold in the Malaysian Internet market, particularly in the broadband sector. As Malaysia's leading Internet Service Provider, TM Net currently serves 2.2 million subscribers and provides nationwide Internet access, content, commerce and application services, effecting a seamless, information superhighway with leading-edge technology.

With gross revenue growing 21 per cent to RM417.9 million and prudent cost measures, TM Net achieved a profit before tax of RM32.2 million and profit after tax of RM26.1 million in 2004. Business growth was focused on the three main products of Internet access service – application, e-Commerce services and content aggregation. Of this, broadband remains the key with a physical subscriber growth of 167 per cent.

With the lifestyle changes brought about by the rapid adoption of the Internet, TM Net will further intensify the availability and offering of broadband applications that will enrich information and bring content alive. Since introducing the broadband Internet service to customers in 2002 and the addition of more broadband content, the Company's position has been strengthened as the leading broadband provider in the country.



OPERATIONS

Through the years, TM Net has evolved to become a progressive, dynamic, innovative and spirited company to spearhead the nation's drive in enhancing the new economy.

The year 2004 saw the company realigning its organisation and building a strong dedicated team to serve its customers better.

TM Net's broadband services have grown since its inception in 2002 and it continues to be the market leader. By end 2004, TM Net had acquired 430,000 ports from its Network Facilities Provider (NFP) with over 658

exchanges, and is serving 258,000 subscribers nationwide, including Sabah and Sarawak. To date, TM Net has the capacity to continue serving customers' demand for this service.

Strategically, TM Net has continued to define the market through better surfing experience and Internet speed offerings. The year 2004 saw a new range of broadband speeds from 512kbps up to 2Mbps, from its previous offering of 384kbps.

Through consistent advertising and promotions activities and Quality of Service initiatives, TM Net has achieved up to 4.5 per cent on household penetration with 258,000

subscribers in 2004. As part of its strategy to build its subscriber base, narrowband still remains the first level of service to new customers with TM achieving 1.9 million subscribers in 2004.

With the rapid growth of broadband services, there is now an increasing demand in hosting services.

Physically, TM Net has expanded its data centres from five in 2003 to nine in 2004 with maximum connectivity of 1Gbps. Out of the nine centres, five are located in the Klang Valley and the others in Penang, Johor Bahru, Ipoh and Labuan respectively. To date, TM Net serves more than 2,000 customers under this service and the number is still growing.

To meet international connectivity demands and as the nation's leading ISP, TM Net had 8Gbps of international transit and peering capacity by end 2004. Currently, TM Net is peering with 20 partners in 10 countries. As for the local traffic, 2004 saw growth on the domestic traffic via Malaysian Internet Exchange with plans to further cater for domestic traffic demand.





Lifestyle challenges with BlueHippo

Being driven towards quality service, the Internet Quality Management System was installed in mid-2004. This allows both subscribers and TM Net to check the end-to-end network performance of the system.

Our experienced 'flying squad', a team of technical experts, have helped to resolve service related issues from hardware maintenance to faulty equipment. This squad will continue to enhance the quality of service through a high level of management.

As further encouragement to our customers, TM Net has made it easier to apply for a connection online via TM Net Online Services and has also improved the call centre for better service. TM Net's call centres have been outsourced since April 2004. By July 2004, the number of calls abandoned after 40 seconds was reduced to 0.48 per cent from 6 per cent in June 2004.

The introduction of new broadband prices in November 2003 saw even more Malaysians enjoying broadband speed, thus encouraging people to adopt broadband and have Internet

access in more households. Currently, 258,000 customers are on broadband, which is more than double the number from end December 2003.

In defining the broadband market, TM Net has increased its offering of faster speeds at no change in prices. In line with the leadership effort to continuously excite customers, effective 1 November 2004, TM Net has upgraded the Internet connection speed of its tmnet streamyx basic package to 512kbps from 384kbps, and from 512kbps to a blistering 1.0Mbps at no extra cost. This allows subscribers to run more broadband applications on the Internet with improved audio-visual quality such as video and movie download, teleconferencing, e-commerce and more.

With the new speed, TM Net continues to be ranked among the cheapest broadband providers in the world. It will also make broadband Internet more attractive and affordable to Malaysians.

Through its portal www.Bluehippo.com, TM Net continues to offer a variety of programmes. The year 2004 saw

Bluehippo.com offering 24 channels and more than 600,000 content listed as well as a membership of 637,000. It has received more than 380 million hits and recorded more than 72 million page views for the year. Bluehippo.com is the only portal that offers trilingual content – English, Malay and Mandarin. The portal continues to offer narrowband, broadband and now provides subscribed premium content via its Video-on-Demand service in Bluehippo.com. It has also collaborated with TV3 and 8TV to make Bluehippo.com the site to go for local users.

Complementing the growth in broadband, Bluehippo.com has enriched its services by making it easier to add graphics or video content to phone calls or email. Cross-media capabilities enable users to listen to email over the phone, check voice messages from the Internet, and forward faxes wherever they may be. This is all now possible over Bluehippo.com if one has broadband.



In line with its corporate philosophy and to reach a wider audience through its online platform, tmnet e-browse was introduced as an online newspaper reading facility via TM Net's Bluehyppo.com portal. Tmnet e-browse does not only work on personal computers, but also on other platforms such as high definition televisions and wireless devices like PDAs, laptops and interactive phones that give users greater accessibility to the service wherever they are. This technology is not limited to newspapers, but can be applied to magazines. To date, it has 1,400 customers on tmnet e-browse. This application is also applicable to annual reports, books, catalogues, maps and other print publications. Through this latest effort, TM Net provides a greater reason for users to be on broadband.

For those on the move, TM Net has extended its tmnet hotspot, first introduced in February 2003. By end 2004, the service was made available at 500 locations nationwide, plus it includes a roaming facility if one is overseas. To ensure that its subscribers enjoy reliable, high-quality wireless Internet service at every tmnet hotspot location, the company is

constantly upgrading and improving its tmnet hotspot service, the latest being the Network Monitoring System for proactive monitoring.

Intel Electronics (M) Sdn Bhd through the Intel Wireless Verification Programme certifies the tmnet hotspot service, which is a leading edge Intel programme. To date, Intel has already verified more than 40,000 hotspots worldwide and TM Net is the first Malaysian Internet Service Provider to join the ranks of more than 115 service providers worldwide whose networks have been verified.

To capitalise on today's mobile communications technology, TM Net has collaborated with Celcom to allow subscribers to surf the net, send e-mail and conduct other online activities at any tmnet hotspot location. As TM Net is the largest Wi-Fi service operator in the country, the collaboration with Celcom will yield synergies in the service offering to Celcom's customers whereby Celcom customers can subscribe to the tmnet hotspot service via Celcom. This in turn channels higher traffic to the hotspot service.

Given today's complex enterprise environment, basic security is insufficient to support high value transactions and the exchange of sensitive data through the Internet. To meet the security requirements of each corporate customer, TM Net has launched tmnet e-secure, offering optimal protection of mission-critical assets. This managed security service provides the organisation with peace of mind on the network security infrastructure, which is fully monitored and managed on a 24 x 7 basis.

SERVING BUSINESSES AND ORGANISATIONS

TM Net has also enhanced the current solutions for manufacturers on tmnet e-supplychain, to address the specific needs of the industry. Using the RosettaNet standard, it provides companies with the critical solutions to automate supply chain processes, enable faster access to more accurate forecast data and eliminate routine manual administrative functions.



TM Net's innovative supply chain management solution will enable businesses to evolve from an enterprise-centric model to enterprise-to-enterprise model that leverages on the strengths and capabilities of their business partners.

Today's communication technologies have changed telephone services significantly. One of the broadband applications which allow users to make phone calls using the Internet is the Voice Over Broadband application. Voice Over Broadband allows customers to place and receive calls over broadband networks using standard telephones. TM Net's latest service, tmnet e-voice premium, allows customers to make calls to branch offices for free, or make international telephone calls at a fraction of the cost or even get free phone calls from tmnet e-voice premium customers nationwide. An organisation with branches nationwide and regionally can subscribe to the service for more cost-efficient communications between regional offices and the head office.



Launch of TM Net's Prepaid One Internet service

Introduced on 1 December 2004, 'tmnet e-mall' is an achievement on the Internet online shopping front. This new product is positioned to be the leading and largest retail e-commerce/B2C website in Malaysia. Its website is www.tmnetmall.com.my. It is a one-stop centre for online catalogue shopping with flexible payment options, via credit card, online banking with RHB or Malaysian Exchange Payment System (MEPS), Financial Payment Exchange (FPX) or via a tmnet prepaid and micro payment.



PREPAID SERVICES

TM Net has recently introduced its latest series of tmnet prepaid ONE start-up and reload cards featuring new designs. The newly designed tmnet prepaid ONE start-up card comes with a single Internet account of tmnet prepaid ONE, 30 minutes bonus time for account registration and RM35 worth of credit.

These services include tmnet 1515 and 1525 dial-up Internet service, tmnet hotspot wireless broadband service, HyppTalk VOIP service, Value Added Services such as powerSurf

and e-mail with Virus Shield and Anti-Spamming as well as micropayment service for online purchases such as tmnet messenger and MMS.

The tmnet prepaid ONE start-up and reload cards are available for RM35 each at any tmnet clickers outlets, tmnet clickers authorised service outlets (CASO), Kedai Telekom or tmnet prepaid Authorised Resellers. The card removes the need to carry separate cards for the different prepaid services.

The latest tmnet prepaid CD was reintroduced to customers in October 2004, where TM Net launched its special edition of the tmnet prepaid ONE CD as a tribute to former Prime Minister, Tun Dr Mahathir Mohamad. The fourth edition of this CD features the biography of Tun Dr. Mahathir. The prepaid CD also allows customers to experience TM Net's own creative multimedia effort.

REACH

In addition to its first tmnet clickers outlet in Kelana Jaya, Selangor, TM Net has spread its wings to the East

Coast with the opening of its fifth tmnet clickers outlet in Kuantan on 22 November 2004, to ensure Malaysians continue to enjoy the best of what TM Net has to offer. There are now five tmnet clickers nationwide, one outlet each in the Klang Valley, Pulau Pinang, Johor Bahru, Kuching and Kuantan. Besides tmnet clickers, we have also established regional offices in every state in the country.

Apart from the five tmnet clickers outlet nationwide, TM Net has also expanded its reach through collaboration with its authorised resellers with the opening of tmnet clickers authorised service outlets (CASO) in Seri Petaling and Wangsa Maju in Kuala Lumpur, Menara Northam in Pulau Pinang, Subang Jaya and Damansara Utama in Selangor and the latest being in Taman Connought, Cheras in Kuala Lumpur. These outlets allow customers to register for services and enquire about TM Net's products and services in a convenient and comfortable environment. CASO is TM Net's alternative one-stop Internet centre to obtain consultation and sales of tmnet products or services including Internet-related products and services.



By end of December 2004, TM Net had appointed 166 tmnet streamyx resellers, 50 tmnet e-voice resellers and 12 tmnet prepaid resellers to assist in the sales of both the tmnet prepaid and post-paid products. Sales have increased tremendously in 2004.

One of the main initiatives taken by TM Net is to provide better service for its customers. In line with this, online registration for broadband and narrowband services is no longer limited to the tmnet streamyx basic package but open for all packages, including tmnet streamyx Enterprise and Corporate ADSL packages. To date, 22,508 customers have successfully applied for tmnet streamyx via online registration.

TM Net has also collaborated with TV3 for the Sure Heboh Carnival and 8TV's Malaysian Idol programme to develop local content with its branding and promotional activities. The TV3 Sure Heboh Carnival was brought to 11 locations across the country and TM Net leveraged on the carnival to create better awareness for public to experience

broadband in its efforts to support the government's call to bridge the digital divide. Along with the carnival, TM Net organised the "Kuiz SMS TM Net Sure Heboh" contest and "Let's Be A Star" contest where it provided 'live' web streaming of the event to viewers at home via Bluehyppo.com – TM Net's very own lifestyle portal. With this, TM Net has managed to reach out to more than two million visitors and provided first hand information and demonstration on its products and services.

The collaboration with 8TV for *Malaysian Idol* marks another milestone in TM Net's efforts to offer added value and excitement to the local ICT and entertainment industry. Through its participation of the inaugural *Malaysian Idol* contest, TM Net went to greater lengths to create fusion and synergy between the entertainment and ICT industries with the bundling of its products and services with entertainment elements. This created brand recognition in all parts of the country.



Enhancing Internet connectivity through prepaid services

Wireless connectivity at any location



SOCIAL RESPONSIBILITY AND CONTRIBUTIONS

At TM Net, we realise that the children of today will be the leaders of tomorrow. TM Net's CyberSchool Community Project, the latest community initiative undertaken by TM Net, aims to create greater awareness among students especially in rural areas about broadband Internet connection and tmnet streamyx. It also provides a means for TM Net to assist in developing IT-related skills at the adopted schools. TM Net provides the hardware, software and expertise needed to achieve e-learning up to a period of three years. During this

time, training, maintenance and services will be conducted free. TM Net has contributed more than 50 personal computers (PCs) to 18 selected schools in 2004 and this is expected to increase in 2005. The first schools that received TM Net's contributions were Sekolah Menengah Kebangsaan Bahau, Negeri Sembilan, Sekolah Menengah Tinggi St David, Bukit Baru Melaka, Sekolah Menengah Kebangsaan Ulu Tiram, Johor, Sekolah Menengah Telipok, Tuaran Sabah and SMK USJ4 Subang Jaya. The recipients were selected with assistance from the Ministry of Education.

Such contributions are focused on helping to spur the students' interest in exploring the benefits of the Internet world which is laden with information. The IT infrastructure provided to the recipient schools will create a launch pad for educational, social and economic development for the country. As such, TM Net trusts that the students will use this facility wisely as an opportunity to learn and eventually master IT, which is the cornerstone of the K-economy.



Let BlueHyppo.com enhance
your lifestyle



In addition, TM Net has collaborated with the Malaysian Council for Rehabilitation to help develop an e-learning portal for 'GROW' – Growing Rehabilitation Opportunities via Web. This is a pilot community-based project initiated to help bridge the information gap on disability management between tertiary and community levels, using information and communication technology as the primary medium. The project aims to provide access to rehabilitation information and facilities to members of the Community Based Rehabilitation (CBR) centers as the ultimate users of the facility, involving more than 60 disabled children from the Gombak District.

In addition, TM Net has also participated in projects initiated by the Ministry of Energy, Water and Communications, such as the Pusat Internet Desa and "One Home One PC" projects, to assist in achieving the country's goal of building an ICT-enabled and knowledge society.

Throughout the year, TM Net has shown high commitment in driving the content industry. TM Net is a council member of the Content Forum and was involved in the development of the Content Code, which was launched in November 2004. Meanwhile, TM Net has also been appointed by the Consumer Forum to take the lead in drafting the Internet Access Service Provider (IASP) sub-code, which was submitted to the Malaysian Communications and Multimedia Commission for approval at the end of December 2004.

PROSPECTS

For 2005, TM Net is targeting to draw in more than 400,000 new broadband subscribers. This is in line with the National Broadband Plan, which is to achieve 693,000 broadband subscribers by end of 2005. Though broadband is the main focus, TM Net will continue to place greater efforts on increasing its narrowband subscriber base, as this is the easiest entry point to the Internet.

TM Net has a proven track record in delivering a wide range of e-business processes to small businesses, SMEs and large organisations every month through one of the most diversified and expanded portfolios of managed hosting and value-added services in the industry. TM Net is confident that it will continue to grow and become a leader in providing hosting and commerce application services.

Beyond boundaries
opening up possibilities

There are times
when you need to expand
your horizons.

To seek greener pastures.

And to explore the limits
of your own potential.

At TM,
we're constantly moving
ahead. By exploring the
opportunities to be found in
countries far and wide.



Christian De Faria

Chief Executive Officer • TM INTERNATIONAL SDN BHD

Recognising that overseas investment is no longer an option but essential to TM's future, the Company had the foresight to activate an investment holding company, TM International Sdn Bhd in 2001. Previously the international ventures division, TM International has today made the successful transition from an operating division to a wholly-owned subsidiary. TM International's authorised share capital stands at RM500 million and paid-up capital is RM30.5 million.

By the end of 2004, TM International had made significant progress in completing the migration process. The migration was to move some of TM's subsidiaries to TM International (L) Limited. The move was a consequence of TM's internal restructuring to facilitate the future increase in authorised capital of companies as well as to improve tax efficiency and effectiveness. At year-end, MTN Networks (Pvt) Limited, TM International (Bangladesh) Limited and TM International Lanka (Pvt) Limited were successfully migrated to TM International (L) Limited.

In the financial year ended 31 December 2004, TM's overseas investments contributed an operational profit after tax of RM419.1 million, compared to RM399.8 million the previous year. With cellular services serving as the cornerstone of its investments, TM International's presence in Sri Lanka, Bangladesh, Cambodia, Malawi and Guinea provided access to a combined cellular subscriber base of some 2.8 million as at end 2004.

TM International set out in 2004 with a target to add new core investments as well as strengthen its presence closer to home. In 2004, the Company successfully made two new investments, namely its acquisitions of PT Excelcomindo Pratama (Excelcomindo) in Indonesia and Idea Cellular in India, thereby establishing a strong regional presence.

Excelcomindo was established in 1995 and operates on both GSM 900 and 1,800. With a subscriber base of 3.8 million, it has a market share of approximately 16 per cent as at end December 2004. It has 2,400 base stations covering the islands of Java, Sumatra, Kalimantan, Sulawesi and Bali, which has an addressable market of 200 million people. On 9 December 2004, TM International reached an agreement with the Rajawali Group to acquire





Exchanging of documents between TM and Idea Cellular witnessed by Prime Minister, YAB Dato' Seri Abdullah Ahmad Badawi in Delhi

International Operations | operations review continued

Excelcomindo. The transaction was structured as an initial acquisition of a 23.1 per cent interest, together with transfer of majority management and board control to TM. The transaction was completed on 11 January 2005.

The investment in Idea Cellular was a milestone as the investment was made together in consortia with Singapore Technologies Telemedia (ST Telemedia). Idea Cellular commenced operations in 1997 and has become a significant operator in India providing services to approximately 4.4 million subscribers. On 11 December 2004, TM International and ST Telemedia entered into definitive agreements to acquire a 47.7 per cent stake in Idea Cellular. Upon completion of the transaction, the Consortium will become the single largest shareholder of Idea Cellular with the 47.7 per cent stake. The transaction is subject to government approvals and other conditions. It is anticipated to be completed in the first half of 2005.

In line with its move to realise a stronger and more viable regional presence, TM International publicly made known in 2004 its desire to

exit the African market, a strategy that commenced with the sale of its 12 per cent stake in Telkom SA Ltd (Telkom SA).

TM International first started the disposal of its stake in Telkom SA on 18 June 2004 when it sold its six per cent stake through a private placement to institutional investors.

On 15 November 2004, TM International sold its remaining six per cent stake in Telkom SA to the South African Black Empowerment Consortium. The disposal resulted in an exceptional gain of RM1,515.2 million for the financial year ended 31 December 2004. The disposal of Telkom SA is in line with TM International's move to consolidate its strategic investment overseas and focus on markets closer to home.

The year 2004 ended rather unexpectedly with the earthquake tragedy off Indonesia, which caused tsunamis in major Asian coastlines, including those of countries where the Company operates. TM International instantaneously turned its attention to aid the relief and reconstruction efforts in Sri Lanka, Indonesia, India and Thailand. A contribution totalling approximately

RM2.4 million was promptly collected as Tsunami relief funds from TM International and its subsidiaries, namely, MTN Networks (Pvt) Limited (MTN), TM International (Bangladesh) Limited (TMIB) and Excelcomindo. TM International itself contributed RM1 million in total to the tsunami disaster relief funds in Sri Lanka and Indonesia while MTN contributed US\$250,000, TMIB contributed US\$17,300 and Excelcomindo, via the Rajawali Group, contributed one billion rupiah towards relief funds in their respective countries.

In addition to the relief funds, MTN also pledged USD1 million towards the Tsunami reconstruction fund in Sri Lanka.

Moving ahead, TM International's investment strategy remains focused on emerging markets closer to home particularly those with high growth potential, thereby strengthening its regional presence. While this will primarily relate to investments in cellular mobile, the company will also be open to new areas of investments such as in VoIP, ISP and its related businesses. Its existing core businesses especially those in Bangladesh, Sri Lanka, India and Indonesia will be further strengthened.



Much of TM International's efforts in 2005 will focus on the implementation of synergies within the TM Group and raising the Group's profile internationally. From an operational perspective, the adoption of global procurement practices, brand rebuilding and positioning, consolidation of IT systems and joint efforts in revenue assurance are in the pipeline.

OPERATIONS

MTN Networks (Private) Limited (MTN)

As TM's pioneer international investment, MTN was initially set up in Sri Lanka in 1995 to provide GSM cellular service on the 900 Mhz frequency band, under an 18-year licence valid until 2013.

MTN, Sri Lanka's flagship telecommunications company, is 100 per cent owned by TM International. It operates Dialog GSM, the country's largest mobile phone network. Dialog GSM is also a key player in the Internet Service Provision Market with its state-of-the-art ISP – Dialog Internet, and also operates Dialog SAT, Sri Lanka's pioneer Mobile Satellite Service Provider. Having made an aggressive entry into the International Services Market, Dialog

Global has now established itself as a premier provider of International Services in Sri Lanka.

Dialog GSM spearheaded the mobile industry in Sri Lanka since the late 1990's propelling it to a level of technology on par with the developed world. The company operates on a 2.5G GSM network, supporting the very latest in multimedia and mobile Internet services, and also provides International Roaming facilities in over 182 countries.

For the year under review, the total revenue stood at US\$112.9 million (RM428.9 million) while the net profit after tax, as at end December 2004, was US\$40.5 million (RM154.1 million).

Year 2004 was a significant one for Dialog GSM as it saw the company reaching the one million-subscriber mark by mid-year, consolidating its position as an undisputed market leader. As at end 2004, Dialog GSM was Sri Lanka's largest cellular network, providing services to over 1.4 million customers across all nine provinces of Sri Lanka – accounting for approximately 60 per cent share of the country's mobile sector and 40 per cent of total telecommunications subscribers.

Aptly, Dialog started off 2004 with a record – the receipt of a US\$50 million International Finance Corporation (IFC) investment. IFC is the World Bank's private sector arm. The funding, the largest ever made by IFC in Sri Lanka, was to support the accelerated expansion of the Dialog GSM network. The success in securing the facility indicated Dialog's coming of age and a resounding vote of confidence since it was obtained on a stand-alone basis without parental support.

The relentless pursuit of excellence in business practices earned MTN the distinction of the National Business Excellence Gold Award, awarded by the National Chamber of Commerce of Sri Lanka in November 2004. At the same event, MTN beat tough competition to bag awards for Excellent Corporate of the Year Award (Extra Large Category), Award for the Best Tech Savvy Company, and the Award for the Best Capacity Builder.

In August 2004, Dialog entered into an agreement with the University of Moratuwa and its industrial research arm, Uni-Consultancy Services (UNIC) to establish the country's first Research Laboratory for Mobile Technology. The landmark initiative,

billed to be the most significant co-operation between the University and the technology sector to-date, will signal a new era for telecommunications research and development in the country. The Dialog-University of Moratuwa Mobile Communications Research Laboratory will specialise in applied research in mobile telecommunication technologies and Internet applications.

As espoused in its signature, "The Future Today", the company prides itself in its commitment to and achievement in research, development and new technology introduction. In keeping with its pioneering spirit, the company launched a non-commercial 3G trial in March 2004, becoming the first telecommunication company in Sri Lanka and in South Asia to launch 3G. Enhancing its value added service provision, Dialog also introduced Enhanced Pre-paid Services: Dual SIM (Pre-paid and Post-paid), EDGE services, Fixed SMS (Send and receive SMS from fixed phones), Video streaming and Zero77 Live – a text streaming service in 2004.

Dialog GSM takes pride in its customer service infrastructure which is unrivalled by any other service provider in the country. In 2004, the Company enhanced its service levels by broad-basing the bill payment infrastructure through third party retail networks, thus enhancing Call Centre infrastructure to meet subscriber demand and by extending its IVR and SMS based self-help services and Automated service registration/activation using SMS and IVR.

The Company also put in place an enhanced operational infrastructure with the establishment of an Enterprise Risk Management unit, Internal Audit Division and Business Control unit.

Against a backdrop of increasing competition, falling equipment costs and deregulation, Dialog sees a further deepening of its incumbent strengths 2005. As such, MTN's business plan going forward will focus on aggressive growth in terms of subscribers, network coverage and capacity, relentless excellence in service, operational consolidation, cost rationalisation and competency-based human resource development.

Dialog GSM has always meshed itself within the communities in which it operates and expects this to be further strengthened. Dialog's charitable arm, the Change Trust Fund spearheads its activities in the community. Dialog GSM announced the donation of a Rs25 Million Audiology Laboratory for the hearing and speech impaired to the Deaf and Blind School. The first of its kind in the country, the gift was to mark the achievement of obtaining a million subscribers by mid-year.

Other community projects in 2004 included the donation of equipment to the ear mould laboratory at Ceylon School for the deaf and blind; donation to the Cancer Hospital's children's ward, donation of artificial limbs to Jaipur Foot Foundation and the setting of the Dialog Merit Scholarship programme.

TM International (Bangladesh) Limited (TMIB)

TMIB was established in 1997 as a joint venture company between AK Khan & Company Limited (a leading Bangladesh business group) and TM. TM holds a 70 per cent stake in the venture while AK Khan holds the remaining 30 per cent. The Company operates an expansive nationwide



GSM cellular service on the 900 Mhz frequency band, under the brand name Aktel.

As at December 2004, revenue stood at US\$108.1 million (RM410.7 million) while the profit after tax was US\$57.7 million (RM219.2 million).

In 2004, TMIB embarked on its most aggressive expansion plan since the commencement of its operations. Commencing the year with 401,680 subscribers, the company ended 2004 hitting the one million-subscriber mark, a growth of 149 per cent on the previous year, bringing its market share to 29 per cent.

The aggressive investment channelled to extending network coverage and improving call quality, mirrored the company's commitment to provide subscribers with the best possible mobile service across the country. Aktel will cover 275 upazillas (an administrative region lower than the district level) by 2004, and all remaining (allowed) upazillas by 2005. Making a significant contribution to the economy of Bangladesh, Aktel's investment in Bangladesh currently stands at US\$300 million.



Aktel has end-to-end network coverage from the northern (Tetulia) to the southern tip (Teknaf) of Bangladesh, encompassing 61 districts with more than a million customers as at the end of 2004.

TMIB has also recently launched the international roaming service, AIRS, with over 317 operators across more than 170 countries. This has made the Company the widest roaming operator in the country.

The launch of the Intelligent Network (IN) platform was another key development in 2004, with Aktel's GSM service now being based on a robust network architecture and cutting edge technology. The IN platform provides for voice clarity, wider nationwide network coverage, numerous international roaming

global partners, popular value-added services (VAS), quality and easy to access customer care centres, round-the-clock call centre operations, digital network security and competitive tariff plans.

TMIB's call centre operations took off in 2004 in a dramatic way. In addition to competitive products, the Company is determined to be highly accessible to all its customers, addressing their concerns on product packages, billing and SIM replacements. In addition to the call centres being accessible 24 hours, seven days a week from any phone nationwide, Aktel has also undertaken the initiative of setting up four full service online Customer Care Centres in all the major cities countrywide.



Growing by leaps and bounds in Bangladesh

International Operations | operations review continued

TMIB's presence is felt throughout the community not only in the commercial sense, but also through its Corporate Citizenship Programmes in the form of donations, sponsorships and charitable deeds. It is also involved in local government programmes to develop and beautify many of the capital's major thoroughfares.

Moving forward, the Company plans to continue making critical investments, targeting three million subscribers by year-end of 2005. To facilitate this, TMIB intends to increase more than double the number of its base stations. The Company's current combined manpower strength surpassed 600 and is expected to grow to 1,200 employees by the end of 2005.

Cambodia Smart Communication Co. Ltd. (Casacom)

Casacom started commercial operations in 1999 and provides services on the GSM 900 and NMT 900 Mhz frequency bands in Cambodia. TM holds a 51 per cent stake in the venture while Smart Corp holds the remaining 49 per cent.

Casacom operates under a 35-year cellular concession commencing 1996 from the Ministry of Posts and Telecommunications. It is currently the second largest cellular operator in Cambodia. As at the end 2004, the subscriber base of Casacom stood at 105,900 subscribers.

For the year under review, total revenue stood at US\$14.8 million (RM56.1 million), a growth of 28 per cent from the previous year. The bulk of the growth can be attributed to the completion of the fourth phase of network expansion, migration to the IN that increased coverage and capacity, and more innovative marketing campaigns with more creative tariff packages and product innovations. In total, the Company performed favourably, generating a net profit after tax of US\$1.3 million (RM4.8 million) in 2004.

For the past several years, Casacom has been carrying out aggressive network expansion in phases according to approved business plans. In 2004, network expansion costing US\$7.5 million (RM28.5 million) was carried out.

The Company installed and commissioned a new Prepaid Service System with a licensed capacity for 120,000 subscribers. A new Multimedia Message server and Short Message Service Centre with increased capacity and features were added to the network. The expanded network elements include the Mobile Switching Center (MSC), Base Station Controller (BSC), Base Transceiver Station (BTS), new BTS sites and transmission links. The capacity of the MSC was increased from 110,000 to 140,000 subscribers.

In addition to that, the Company installed a new BSC and upgraded the capacity of existing BSCs. 32 new BTS sites were added to the network, bringing the total to 150 sites nationwide. Casacom also increased the radio capacity in 67 existing BTS sites. The radio network has an estimated radio channel capacity of about 170,000 subscribers.

Additional transmission links were also introduced to increase traffic channel capacity between Casacom's network and other mobile network operators and to improve the inter-network call termination rate.

Dialog received US\$50 million from International Finance Corporation (IFC) investment in 2004



Casacom's reach currently covers five per cent of the nation's geographical area and 43 per cent of the population. Besides the increase to the physical capacity of the network, Casacom successfully launched new network-based value-added services such as General Packet Radio Service (GPRS) with Coding Scheme 3 and 4, which would enable data speed up to 40 kbps and GPRS international roaming service with 12 networks. Global Short Message Service (SMS) was also launched, enabling subscribers to send SMS to other GSM subscribers in the world.

Furthermore, there was an increase in the number of International Roaming partners to 128 networks from 57 countries. The International Roaming services continue to contribute significantly to the revenue stream of the Company.

Going forward, Casacom notes that further network expansion is necessary in view of the growth expected and to meet customer demand for coverage. The long-term objective of the network is to have coverage over 80 per cent of the population or 15 per cent of the country's geographical area.

Samart Corporation Public Company Ltd. (Samart)

Public-listed Samart, in which TM has a 19.4 per cent stake as at end 2004, provides a wide range of value-added telecommunications services.

Samart Corp reported revenues of 14.2 billion Thai baht (RM1.3 billion) for the year ending 31 December 2004, an increase of 16 per cent from the same period in 2003 (12.2 billion Thai baht/RM1.1 billion).

Samart I-Mobile, a 70 per cent subsidiary of Samart, underwent a successful IPO exercise in December 2003, listing on the Thailand Stock Exchange. A handset-retailer and mobile content provider, Samart I-Mobile as at end of the third quarter of 2004 posted 3.343 billion baht (RM314.51 million) in revenues, up by 49.9 per cent, and net profit of 134 million baht (RM12.60 million), up by 90.4 per cent.



Yet another subsidiary of Samart Corp is Samart Telcoms Public Company Limited (Samtel), a 55 per cent subsidiary. Samtel is involved in telecommunications infrastructure including rural telephony.

Samart Corp also plays a role in the community and social responsibility through various activities and donations via the Samart Foundation. The Company contributed one million baht (approximately RM100,000) towards the Thai Government tsunami fund.

Telekom Networks Malawi Limited (TNM)

TNM was established in 1996 as a joint venture between TM and Malawi Telecommunications Ltd (MTL), with TM holding 60 per cent equity and MTL the remaining 40 per cent.

The initial paid-up capital of the company is MK65 million (RM3.9 million) when it commenced operations on 15 December 1995. The company currently has a paid-up capital of MK350 million (RM23.5 million).

At end 2004, the subscriber base of TNM stood at 97,717 subscribers. The Company has its head office in the commercial city of Blantyre.

TNM mainly operates as a GSM service under a licence valid until 2014. The main product is voice telephony; offering both post-paid and prepaid services. TNM also offers a variety of value added services such as SMS, voicemail, call conferencing and call holding. In 2004, TNM introduced Wireless Application Protocol (WAP), a standard for accessing the Internet with wireless devices. The company also introduced coverage to over 18 new areas, including the two furthest tips of Malawi (Chitipa in the North and Nsanje in the South).

TNM's challenge for the coming year would be to regain its leadership position. While the management of TNM is aware of shareholders' expectations, they are determined to fully utilise the available resources to take the Company to greater heights.



Prudent overseas investments
with TMI



In order to win customers, TNM will reposition itself and attach international value to its brand. Furthermore, it will continue expanding its coverage to be more competitive. TNM plans to increase the number of base transceiver stations by 65 per cent, from 90 to 150 in 2005, and to focus on improving the network service quality and increasing product accessibility and reachability.

TNM forecasts that the telephone penetration rate in Malawi will be around 2.76 per cent in 2005 and this will increase to 4 per cent by 2007. The total number of telephone users is expected to be about 360,000 in 2005 and approximately 587,000 by 2007.

Societe Des Telecommunications De Guinee (Sotelgui s.a.)

Sotelgui s.a. was formed out of a strategic partnership with the Government of the Republic of Guinea. TM holds a 60 per cent stake while the Guinea Government owns the remaining 40 per cent. Sotelgui operates both fixed lines and mobile. At end 2004, the subscriber base of Sotelgui stood at 142,903.

For the year under review, total revenue stood at US\$43.8 million (RM166.3 million). Meanwhile, net loss after tax as at December 2004 stood at US\$11.9 million (RM45.5 million).

In 2004, Sotelgui gave its strategic priority to the development of the competitive capacity of its various business units, continuous innovation, cost-cuts and stronger cash flow, with the aim of ensuring the creation of value for its stakeholders.

A short-term, concerted plan aimed at building market competitiveness called 'Operation 36' was launched in 2004. Focusing on three selective areas – Network Development, Revenue Assurance and Human Resource Improvement – 'Operation 36' also identified specific goals and actions to improve service quality and enhance Sotelgui as the operator of choice in the Republic of Guinea.

In 2004, Sotelgui managed to introduce 7,100 new telephone lines in the national network and rehabilitated an additional 1,800 lines nation-wide. In the GSM (Global System for Mobile Communications) network, the Company successfully

offered 50,000 additional lines to the public. With these achievements, Sotelgui managed to attain a subscriber base of approximately 150,000, which affirmed the effectiveness of 'Operation 36'.

Efforts made in 2004 generated very positive results and will therefore encourage the Company to continue enthusiastically along this path to ensure future growth and improvement.

In 2005, a 19 per cent growth in penetration rate is expected. Through network coverage and availability expansion, Sotelgui is expected to have better subscriber growth for the coming year. The target is for a 100,000 expansion in the GSM subscriber base in 2005, as well as an additional 20,000 fixed subscribers utilising CDMA technology.



Evolving with change
opening up possibilities

In an era
where change
is the only constant,
and new technologies are
superceding older ones
with alarming pace,
the ability to be
flexible and adapt to
market and consumer
demands is more
important than ever.

At TM, your needs
will always be met,
when your requirements
change with time.



Datuk Hamzah Yacob

Chief Executive Officer • **TM FACILITIES SDN BHD**

The role of providing and managing 'total facilities management' services for the Group has been a challenge for TM Facilities Sdn Bhd (TM Facilities). Entering its third year (based on the Management Agreement signed between TM and TM Facilities) of managing the Strategic Business Units (SBUs), TM Facilities has successfully achieved revenue growth and cost containment whilst maintaining service quality at the highest level with prudent procurements. Overall, the SBUs, namely Property Development, Fleet Management, Malaysian Logistics, Malaysian Security and Facilities Management & Infrastructure Development have continued to record very encouraging results for 2004.

For the year ended 31 December 2004, TM Facilities Management achieved revenue of RM527.3 million which is a significant increase of 46.2 per cent as compared to 2003. For the second year in a row, costs have been well managed and contained. In 2004, TM Facilities Management achieved a PBIT of RM164.4 million, a significant increase compared to RM3.0 million in the previous year. The exceptional performance was due to contributions from land-related activities, including the sale of land from TM to TM Facilities Sdn Bhd for RM117.3 million at fair market price.

OPERATIONS

PROPERTY DEVELOPMENT

The Property Development (PD) unit is responsible for identifying, developing and unlocking the potential of land belonging to TM. Several activities have been undertaken with selected potential partners for the purpose of joint ventures, joint-developments or outright disposals. Besides TM's land bank, PD is also responsible for the development of newly transferred land from TM to TM Facilities. Other functions of PD include managing the infrastructure projects, for example, the development of submarine cable station, property management and land administration of all TM's assets. PD also plays a significant role in the liaison with land offices and the local authorities.

PD recorded an outstanding performance in 2004. It registered RM118.2 million in revenue, mainly contributed by the land-related activities.





Logistics and support for TM's operations

FLEET MANAGEMENT

The Fleet Management (FM) Unit oversees the Group's fleet of 6,500 vehicles. The number of vehicles has been reduced due to the rationalisation exercise, which emphasised the optimum usage of vehicles with respect to availability, utilisation and replacement of vehicles. Other functions of FM

include vehicle maintenance and repair, licensing and permits, insurance claims as well as the purchase of new vehicles and sale of used vehicles.

For the year under review, FM has succeeded in containing and managing its cost. This was a result of the rationalisation exercise, which had great impact on costs in relation to maintenance and material used. FM has also managed to secure RM8.6 million in proceeds from the sale of used vehicles.

MALAYSIAN LOGISTICS

The Malaysian Logistics (ML) Unit is responsible for the management and provision of total logistics services to the Group. Other major activities include transportation, warehousing, scrap management, contract management and liaison with the Customs Department. With a network of 28 warehouses located nationwide, ML has the capability and economies of scale to provide for TM's entire logistics requirements as well as for external customers while, at the same time, offer competitive pricing for its products.



Cash income from renting out warehouses to external customers amounted to RM7.2 million in 2004. Among established customers that have dealings with ML are Shapadu Linfox and Shell Gas. Again ML managed to contain its cost in the year under review. This was due to the rationalisation of warehouse activities in 2004. Due to ML's nature of business as well as its operations that complement Procurement – Shared Service Operation (SSO), the top management has recently agreed to amalgamate ML's functions with Procurement – SSO to provide better supply chain management to TM.

MALAYSIAN SECURITY

The key responsibility of the Malaysian Security (MS) Unit is to safeguard TM's assets, resources and personnel of TM. This role has assumed greater importance considering the ever increasing challenges in security, especially the threat of terrorist activities. The main activity of MS is to provide armed and unarmed security guards for high-risk areas such as exchanges, premium commercial buildings, earth satellite stations, submarine cables stations, hill stations, office buildings, business centres and government-gazetted key telecommunications installations that fall under *Arahan Tetap Sasaran Penting Negara*.

Other functions of MS include providing security for cash-in-transit, crime prevention patrol, night vaulting, patrolling of optical fibre routes, overhead and underground cables as well as transmission towers and masts.

For the year under review, its performance was below expectations, due to late implementation of the new security rates, which was only implemented in July instead of January 2004.

FACILITIES MANAGEMENT AND INFRASTRUCTURE DEVELOPMENT

The operations and maintenance of all TM assets, such as buildings, telecommunications facilities and installations, come entirely under the jurisdiction of the Facilities Management and Infrastructure Development (FMID) unit. FMID also provides AC/DC services, mechanical and civil engineering services, and manages the outsourcing companies and the maintenance of the Group's commercial buildings.

With its commitment to provide value-added services, FMID has embarked on several benchmarking activities to enhance its services to the highest possible standard. Hence, meetings and visits have been conducted with reputable facilities management companies, such as Jones Lang Wootton, Rahim & Co, CH William and KLCC Urusharta. To reinforce FMID's position, a due diligence study was conducted by an international 'facilities management'



Surau at Menara Telekom



company where FMID played host to a one-month study, which commenced 1 September 2004 at the Shah Alam office.

FMID will continue to improve its customer service quality by enhancing its Customer Service Management System and Telekom Assets Management System. It plans to embark on total preventive maintenance initiatives for all TM equipment, committing power availability to 99.99 per cent at various Exchanges and documentation of information with regard to its application for ISO 2001 certification.



Modern amenities and facilities for staff at Menara TM

PROSPECTS

The future of facilities management services looks very promising. In that respect, TM Facilities has explored various plans as well as business models and benchmarking studies to enhance the SBUs' business profitability. In line with its new direction, which emphasises value enhancement and quick turnaround by unlocking the businesses of the SBUs, the management of TM Facilities is exploring new approaches to fulfil its aspiration.





One problem = Many solutions
opening up possibilities

Our customers,
from large multinationals
to individuals, are always
looking for one thing.

They seek solutions.

At TM,
we believe that
any problem can be
solved eventually.
But we are determined
to solve it faster and
more efficiently than
anyone else.

