OTHER SUBSIDIARIES

VADS BERHAD

VADS Berhad began operations in 1991 as a joint venture between TM and IBM World Trade Corporation. In 1997, VADS became a wholly owned subsidiary of TM. On 7 August 2002, VADS was listed on the Second Board of Bursa Malaysia. The three core business segments of VADS are Managed Network Services (MNS), System Integration Services (SIS) and Contact Centre Services (CCS).

In 2004, VADS registered a turnover of RM194.3 million, which was 28 per cent higher against the RM151.3 million posted in the previous year. The company's pre-tax profit increased to RM16.3 million compared to RM14.7 million in 2003. The MNS business continued to be the major contributor with a revenue of RM156.6 million for the year ended 31 December 2004, an increase of 21 per cent from the RM129.1 million recorded in 2003. Earnings per share grew to 30.3 sen in 2004 from 26.4 sen in 2003.

At an Extraordinary General Meeting of VADS held on 28 January 2005, its shareholders have approved the proposed one-for-two bonus issue of 20 million new ordinary shares of RM1 each. The exercise raised its issued and paid-up capital to RM60 million, in line with the capital requirements for a Main Board listed company. The Company was duly transfered to the Main Board of Bursa Securities on 10 March 2005.

MANAGED NETWORK SERVICES

On the international front, VADS has been appointed by MCI Inc. as its managed service partner in Malaysia to deliver a portfolio of global managed networking services.

NASDAQ-listed MCI is a leading global communications provider, delivering innovative, cost-effective and advanced communications connectivity to businesses, governments and consumers.

Domestically, VADS started developments to be a Managed Security Service Provider (MSSP). The service branded as VADS SecurePro is an innovative suite of information security management services to help medium and large corporations secure and manage their IT environment and mission critical assets. VADS SecurePro comprises SecurePro InfoSec Management, SecurePro InfoSec Surveillance and SecurePro InfoSec Assessment. The products offer real-time security monitoring, management and response to protect companies from intrusions, hacking, viruses and other security threats.

Innovative Managed Networking Services by VADS Berhad

VADS SOLUTIONS SDN BHD

VADS Solutions provides systems integration and e-infrastructure in areas such as hardware (including servers, PCs and maintenance services), software licences and maintenance services, performance monitoring services and financial e-application services.

In December 2004, VADS Solutions sealed a supply and delivery agreement with iScalar Technology Sdn Bhd to provide systems integration services. iScalar specialises in mobile application services. VADS Solutions is also an appointed partner of Microsoft, Oracle, IBM and HP. The partnership helps deliver value to its businesses in system integration.
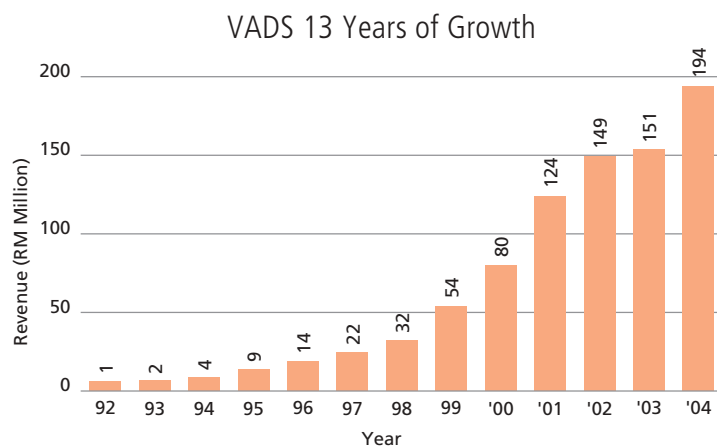
VADS e-SERVICES SDN BHD

VADS e-Services started its contact centre services in 2004. It now handles over 100,000 calls a month while the number of seats has expanded to 200 from 60 initially.

In the months ahead, the company plans to market the contact centre services primarily to medium and large-scale enterprises for clients seeking to improve customer service.

PROSPECTS

For 2005, VADS is confident of maintaining its track record of 14 years of growth. It will continue to focus on its business operations in Managed Network Services, System Integration Services and Contact Centre Services in synergy with the TM Group.

VADS 13 Years of Growth

Year	Revenue (RM Million)
92	1
93	2
94	4
95	9
96	14
97	22
98	32
99	54
'00	80
'01	124
'02	149
'03	151
'04	194

FIBERAIL SDN BHD

Fiberail Sdn Bhd (Fiberail) was formed in 1992 as a joint venture between TM and Keretapi Tanah Melayu Berhad (KTMB) to provide telecommunications network related services utilising fibre optics along the railway corridor. Fiberail's 1,600km fibre optics cables along the KTMB railway corridor ensures broadband connectivity to all the major towns in Peninsular Malaysia.

Fiberail's core products and services include flexible leased fibre optics packages, broadband services and total business solutions. The Company also offers ancillary services such as telecommunications tower space and equipment cabin space. Consultancy services and co-location services have also been introduced to cater to customer demand in various industries.

Its latest service-featured product, the Helpdesk, was successfully launched in the third quarter of 2004 to complement all other services and products offered by Fiberail. Alongside the Helpdesk, the customer-interface Operational Control Centre coordinates all responses according to customers' needs and requests, thus enabling streamlined customer service and enhancing the image of Fiberail. The Operational Control Centre also functions as a co-hosting site for customers.

Fiber optic cable laying

Fiberail has embarked on a restructuring programme to achieve business excellence and to sustain a competitive edge while facing the challenges of globalisation. Its successful migration to ISO9001:2001 has motivated the company to expand its services and to venture to new locations such as Menara Ansar (Johor Bahru), Pusat Bandar Seberang Jaya (Pulau Pinang), CP Tower, Wisma IBM Taman Tun Dr. Ismail, Menara Aik Hua and Cordoda Data Center (Technology Park Malaysia).

Maintaining its leadership position in the digital telecommunications business, Fiberail has completed the installation of a 22-station microwave link network for Celcom and will complete the installation of a second fibre cable system by March 2005. This system will serve as a back-up to the existing cables to ensure network stability.

The Company recorded a pre-tax profit of RM15.03 million in 2004 compared to RM17.39 million in 2003. At the same time, the Company has maintained a commendable financial standing with net tangible assets improving from RM8.56 per share in 2003 to RM8.58 per share during the year under review.

In 2004, Fiberail focused on business planning realignment and marketing strategies in its attempt to realise its corporate goals and objectives. Year 2005 will see Fiberail emerging as an energised, customer-driven organisation with all its employees embracing this new culture as part of their professional environment.

MEGANET COMMUNICATIONS SDN BHD

Meganet Communications Sdn Bhd (Meganet), a subsidiary of TM, began as a joint-venture between TM and Nippon Telephone & Telegraph (NTT) Corporation of Japan. TM holds 70 per cent equity while NTT Japan holds the remaining 30 per cent.

Meganet was specifically set up to venture into the area of Intelligent Building System (IBS), Intelligent Building Management System (IBMS) and its components. Meganet offers high quality, cost-effective IT solutions that enable enterprises to meet their business goals. A core objective of IBS and IBMS is to improve the provision of information to facilitate processes for more effective and efficient management of a building. It also provides the integration platform for all the services under its function.

Meganet also caters for the services which fall under the IBS sub-components, namely Network and Office Automation Systems, Structured Cabling and IT Infrastructure, Security Management System which consists of Card Access Systems, Closed Circuit TV (CCTV) and Alarm Systems. Value-added services provided by Meganet include Network Management Systems, Network Security, Building Automation Systems, Application Development, Multimedia AV Systems and IT Migration and Operation & Maintenance Support services.

One of the benefits of the rapid evolution of information technology has been the development of systems that can measure, evaluate and respond to change. An enhanced ability to control change has sparked developments in the way we design our physical environment, in particular, the buildings in which we work. As a result, we are witnessing significant growth in the area of 'Intelligent Buildings', buildings that incorporate information technology and communication systems, thus making them more comfortable, secure, productive and cost-effective.

As an expert in the Intelligent Building industry, Meganet completed more than RM300 million IBS-related projects since its commencement in 1997.

One of the sub-components under IBS is Security Management Systems (SMS), which comprises several elements such as Access Control, Intrusion Detection, Integrated Surveillance and Time Attendance Management. This has been one of Meganet's core areas of expertise since commencing its business in 1997. For the Card Access System, Meganet is the local distributor for Cardax New Zealand. Currently, Meganet is working on several new SMS projects for TM at Sistem Kabel Dasar Laut, Melaka, the new TM administration building in Alor Setar, Kedah and on going maintenance at Menara Kuala Lumpur.

In July 2004, Meganet achieved another milestone with the successful handover of the National Operations Center in Cyberjaya, to TM. The project, costing RM68 million, will be fully equipped with Integrated Network Management System and Graphic Display Wall Systems by July 2005.

Outside the Group, Meganet bid and won the contract for the Supply and Installation of the IT Network (ATM LAN) in Parcel 2G3 (Kementerian Perdagangan Dalam Negeri) and 2G4 (Jabatan Imigresen) at Putrajaya. The project was successfully completed in August 2004.

In 2004, Meganet recorded a revenue of RM33.7 million, a slight increase from RM33.3 million in the previous year.

With a team of dedicated and skilled employees from various backgrounds and in-depth technical skills, Meganet is clearly in a strong position to assist customers to realise their goals. Meganet strongly believes that continuous investments in enhancing its customer services will in turn create and strengthen relationships with all its customers in the future.

Office Automation at Menara TM

Winner, '2004 Quality Award' Ministry of Energy, Water and Communications – TMpoint Pelangi, Johor Bahru

TELEKOM SALES & SERVICES SDN BHD

Telekom Sales & Services Sdn Bhd (TSSSB) is a customer service organisation which provides a one-stop solution for the Group's products and services. With the vision, "To be the best one-stop centre for customer service and communication solutions in Malaysia," TSSSB is consistently working towards providing excellent customer service and quality products that exceed customer expectations.

Currently TSSSB has 96 ISO-certified TMpoint outlets nationwide. These serve as the primary channels in providing TM's services such as service provisioning, bill payments and enquiries. TSSSB also markets a wide range of telecommunications as well as IT related products and accessories.

For the year 2004, the business focus of TSSSB was on enhancing and improving customer service quality. Working together with the Customer Relationship Management (CRM) group and Change Management Office (CMO), the Company has taken various initiatives towards achieving excellent Customer Service. Among these initiatives are:

- *Mesra Pelanggan*, a 3-month programme to improve customer service.

- Call Centre, a centre where customers can make enquiries and complaints about the products and services provided at TMpoint.

- Online Info. Grabber, an online tool to provide front liners with up-to-date information on the products and services offered at TMpoint.

- Standard People Practice (SPP), training for front liners nationwide on improvements in customer service.

- Performance Assessment System, a system that evaluates front liners' performance.

- Customer Feedback Card, a card for customers to provide feedback and comments on the products and services offered at TMpoint.

In its bid to strive for the best, TSSSB participated in the *"Anugerah Kualiti YB. Menteri Tenaga, Air dan Komunikasi 2004"*, whereby TMpoint Kuantan (Pahang) and TMpoint Pelangi (Johor) were shortlisted. TMpoint Pelangi reached the Finals.

TSSSB works very closely with the Group's product marketing division, TM Net Sdn Bhd, Celcom (Malaysia) Bhd, vendors, suppliers and business partners to provide prepaid calling cards, TM Net services, mobile prepaid cards and Customer Premises Equipment to TM's customers. In 2004, retail sales for TSSSB amounted to RM51.0 million.

Through its Corporate Sales division, TSSSB provides ICT sales and solutions to meet the needs of its customers, namely TM subsidiaries, corporate, government, major businesses as well as small and medium businesses. Among the projects undertaken by the Corporate Sales division is the supply of PABX systems including installation of structured cabling for the Ministry of Defence's camps in Labuan and Lok Kawi. The largest project undertaken during the year was the Universal Service Provisioning Project for the Ministry of Energy, Water and Communications for the supply of telecommunications infrastructure and equipment to rural areas.

For the financial year ended 31 December 2004, the Company recorded a revenue of RM158.6 million, an increase from RM155.3 million in the previous year.

To ensure that the Company achieves its goals in 2005, effective and continuous initiatives are already in progress. Among them is the WOW project, which is a continuance of the *Mesra Pelanggan* project, which will be launched in January 2005. To provide better service to its customers, TMpoint will be undergoing a rationalisation where some outlets will be relocated to more strategic locations and transformed with a new look and feel. TSSSB is also upgrading its Payment Collection system and will be sending its front liners for further training to meet new challenges.

In achieving the Company's Vision and Mission, TSSSB will continue striving towards providing excellent customer service and quality products as it looks forward to future growth in the coming years.

TELEKOM APPLIED BUSINESS SDN BHD

Telekom Applied Business Sdn Bhd (TAB) is an MSC status ICT solutions provider focused on the development and marketing of Telco-based ICT solutions.

In 2004, TAB's efforts were geared towards penetrating the global market. TAB participated in several exhibitions such as ITU TELECOM AFRICA 2004, and Langkawi International Dialogue (LID), organised by the Ministry of Science, Technology and Innovation in Langkawi, Kedah. The Company also participated in trade matching sessions organised by MATRADE and the Multimedia Development Corporation (MDC). Through these leads, TAB has made encouraging progress in countries such as Bangladesh, Sudan, Swaziland, Pakistan and Vietnam.

On the home front, TAB's product, the Ezeephone, garnered the PIKOM 2004 ICT Product of the Year award through our CPE partner, Alif Manufacturing Sdn Bhd. This award is an affirmation of Ezeephone as a solution to address issues faced by fixed-line telcos.

Throughout 2004, TAB made concerted efforts to improve the quality of its products and services by embarking on various quality initiatives, namely the Capability Maturity Matrix (CMM) and Object Oriented Application Development (OOAD).

In the year under review, TAB's revenue declined 38.85 per cent to RM9.762 million compared to RM18.023 million in the previous year due mainly to delays in project completion. TAB recorded a net profit of RM579,784, down by 81 per cent as compared to RM3.037 million in 2003. Immediate measures were taken to address the decrease in revenue, in particular the close

Penetrating global markets through strategic international partnerships

monitoring of operating expenses in 2004. The EBITDA margin was stable with a slightly improved figure of 27.48 per cent as compared to 23 per cent in 2003.

Nevertheless, TAB has continued to generate substantial cash from operations and remains in a strong financial position.

In 2005, TAB will be diversifying its product mix to ensure a balance between product-based revenue and project-based revenue. TAB will also be lessening its dependency on TM as a source of revenue by increasing its revenue mix from other sources, mainly other corporate customers and global telcos.

With this view, several contacts have been established with overseas partners and TAB will continue to focus on expanding its global market reach in 2005. To ensure a higher chance of success in penetrating global markets, other business models will continually be assessed and adopted, if viable.

In addition, TAB will also consider other flexible business arrangements such as revenue sharing with other telcos. This arrangement is advantageous to TAB as it takes a shorter time to market and will provide the Company with recurring revenue while capitalising on its brand and existing customer base.

TAB's competitive advantage has always been based on innovation. Thus, year 2005 will see TAB developing many innovative new products. TAB will also be enhancing its current core products including Ezeephone and netSMS to ensure that it is constantly up-to-date with current trends and technologies.

TAB's product, netSMS, complemented by its derivative value added services, such as netSMS Customer Relationship Management, netSMS Voting and netSMS Servwatch, is expected to be a killer application for fixed line telcos to capture a share of the corporate messaging market.

TELEKOM PUBLICATIONS SDN BHD

Telekom Publications Sdn Bhd (TPSB) was incorporated as a wholly owned subsidiary of Telekom Malaysia Bhd. (TM) in August 1989, with the main responsibility of ensuring the timely publication and delivery of telephone directories in the country. TPSB has been granted the exclusive right to produce and print TM's subscribers listings and is the official publisher of the Malaysian Telephone Directories (Yellow Pages and White Pages) for both the print and multimedia formats.

Currently, TPSB is in the midst of establishing print and online directories by maintaining a database. The database consists of raw data obtained from TM and this forms the basis of listings, which include subscriber information from TM and other telcos. This data is further updated with information obtained by TPSB's sales and customer service employees.

The directory industry worldwide is undergoing rapid changes in view of the new opportunities brought about by the Internet as witnessed in the developed markets where print products have reached maturity and continue to enjoy market leadership. As such, the Yellow Pages will continue to be important in mature markets despite stiff competition from other media due to its strong market and product positioning. The Yellow Pages market is quite vibrant and is expected to grow gradually over time.

TPSB's range of publications

TPSB's overall strategic objectives are to grow its advertiser base, increase yields from its existing advertiser base, maximise margins, expand the range of channels that connect buyers and sellers and expand the geographical markets.

TPSB's core products, the Yellow Pages and White Pages, are a series of annual regional classified directories that list the names, addresses and telephone numbers of almost all business telephone subscribers in Malaysia. The listings are currently organised into over 3,000 classifications, with more than one classification potentially applicable to a business. This is to enhance the opportunity of an advertiser to further specify their nature of business.

The Yellow Pages offers a complete guide for users to browse through a comprehensive list of products and services. The listings are based on classifications that are convenient to use and ensure a fast and easy reference to the desired telephone numbers of the listed products and services.

In 2004 TPSB renewed its agreement with a US based company, namely Verison Information Service (VIS) to have the sole rights and license to use the ubiquitous "Walking Finger" logo in Malaysia. In addition, TPSB is also a member of the Yellow Pages Association (YPA), which serves to update members on industry trend, market analysis, product development and benchmarking of Yellow Pages from other publishers and countries.

Other than the core products, Yellow Pages and White Pages, there are five other niche directories. They are:

i. Malaysia Tourist Pages, which is designed to assist foreign tourists and locals alike in finding information about Malaysia and the businesses that supports tourism and other tourism-related businesses.

ii. Malaysia Oil & Gas Directory, which is targeted at the oil industry's executives, providing them with information on opportunities, current trends and other interests.

iii. Halal Pages, which focuses on information and listings related to the Halal industry.

iv.   Corporate Agriculture Directory, which is a source of information, concerning the Agricultural sector and related agencies, the manufacturers, distributors, retailers and other supporting industries.

v.   Malaysia Chinese Yellow Pages, which caters to the Chinese speaking community.

Yellow Pages and White Pages is also accessible via the Internet at www.yellowpages.com.my and through the short messaging system (SMS). The SMS Yellow Pages will be a business collaboration with all mobile operators in Malaysia. Strategic alliances with other companies will be developed for the SMS/MMS Yellow Pages services, in order to share expertise and experience as well as the infrastructure.

As a member of the Asian Directory Publishers Association Inc. (ADPAI), the company has embarked on a cross-selling arrangement with other members of ADPAI. TPSB has also been awarded the ISO: 9001:2000 certification by SIRIM for its management systems, reflecting a high standard of business processes as well as quality products and services.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur, the fourth tallest tower in the world, plays an important role in broadcasting and telecommunications. As the only tower in the world to be surrounded by a century-old forest, Menara Kuala Lumpur offers a deep and incomparable experience of viewing, dining, shopping and events for its visitors.

While tourist arrivals were slow in 2003 due to the regional SARS outbreak, 2004 showed a 14 per cent increase in visitor arrivals to the Tower. Menara Kuala Lumpur was able to develop its presence further in the South East Asian region and Europe, which contributed towards the total of 860,305 visitor arrivals last year. The top ten countries contributing to the growth in tourist arrivals were India, followed by the United Kingdom, Indonesia, Japan, Hong Kong, Australia, Saudi Arabia, Singapore, China and Taiwan.

Creative marketing strategies to draw tourists from these top ten markets were emphasised and carefully implemented in 2004 to achieve higher arrivals. Menara Kuala Lumpur was able to penetrate into the Indian and Chinese markets through more active participation in regional trade shows. A facelift of the food and beverage facilities was also undertaken at the Tower to cater to the various markets. More dining outlets were added such as the D'Tandoor Northern Indian Cuisine Restaurant to cater to the Indian and Middle Eastern markets, and Modesto's for Western dining. These new outlets offer more dining options to visitors in addition to the existing Seri Angkasa Revolving Restaurant and White Knight Tower Deli.

Among many tourist attractions at Menara KL

The year 2004 also saw various product enhancements in providing convenience and value-added services to all visitors. Several new tenants were introduced to enhance the shopping experience for tourists. These included Batek Malaysia, Indah Craft, Mavel Creations and De Tower Duty Free Shop. These new shopping outlets, together with the current tenants, offer visitors a range of products and services such as souvenirs, local crafts and handiwork, computerised photography services, watches and confectionery delights. In addition to these, there is also the Weekend Bazaar which offers more local products and delicacies at the Tower terrace.

To boost visitor arrivals at the Tower, Menara Kuala Lumpur has also initiated a complimentary shuttle bus service. Working with 18 hotels in the Golden Triangle, this synergised marketing effort was introduced to increase walk-in visitors from the hotels. The Tower intends to extend this shuttle service to other hotels in the Klang Valley with the support of the related industry players.

Apart from the value-added shuttle service, the Tower is also exploring the possibility of expanding into other areas such as adventure products. Products such as Reverse Bungee, Skywalk, Flying Fox and Sky Jump have been initiated and are expected to take off in 2005.

For nature lovers, the Tower will introduce the Boardwalk as well as Day and Night Tours where visitors will get a chance to get to know the flora and fauna of the Bukit Nanas Forest Reserve – the oldest gazetted forest reserve in the country.

To capture the interest of the international market, Menara Kuala Lumpur will soon introduce the 'Colours of Malaysia Wedding' package. Marketed internationally, this package is aimed at couples who want something different in celebrating the memorable moment of their union in marriage.

The Tower has continued to be dynamic in organising a multitude of ground activities to increase local visits and prolong foreign stays. These include local and international cultural performances, school holiday activities, singing competitions and sports events such as the BASE Jump, Mountain Bike Race, Formula 1 promotions, National Cancer Council Day and National Day. Open-stage parties were introduced at the Tower Terrace to promote use of the terrace area and to create night traffic at the Tower.

A resplendent Menara KL
at night

Last year also saw the arrival of Menara Kuala Lumpur's seven millionth visitor. The 'Karnival 7 Juta' was held to celebrate this achievement. The lucky visitor received two return air tickets to Shanghai plus a visit to the Shanghai Oriental Tower – the third tallest tower in the world and a member of the World Federation of Great Towers (WFGT).

Menara Kuala Lumpur also played a key role in the WFGT when its proposal to create a World Tower Day for Peace and World Tower Kids Privilege Card was accepted and endorsed at the WFGT conference in 2004.

With strong support from key industry players, solid endorsement and a strong partnership with the Tourism Ministry and City Hall, Menara Kuala Lumpur is set to maintain its position as a 'must visit' attraction for both domestic and foreign visitors.

GITN SDN BHD

The Government Integrated Telecommunications Network (GITN) was set up by the Government in October 1995 to ensure that the vision of an e-Government became a reality. The implementation of the Electronic Government Flagship applications in the Multimedia Super Corridor (MSC) began in 1998. The Government appointed GITN Sdn Bhd (GSB) to provide an exclusive secured network for the purpose of facilitating efficient and effective flow of electronic information, processes and services within and between Government agencies and departments.

As a network provider, GSB plays an important role in providing a reliable and efficient communication network. GSB provides managed network connectivity and managed security services to all Government agencies that implement e-Government applications nationwide. It also provides integrated network connectivity for Intranet, Extranet and Internet access that enables Government agencies to communicate with one another and access EG*Net using a single connection to the nearest GITN node. The network has built-in connectivity to the Internet gateway provider, enabling electronic communications networks for government-to-government, government-to-business and government-to-citizens.

The vision of GSB is "To be a Preferred Information & Communication Technology provider, creating the growth engine for Malaysian K-Economy by 2006", while its mission is "GSB is committed to deliver state-of-the-art technology through highly skilled personnel in meeting total customer satisfaction."

In 2004, GSB achieved gross sales of RM124.9 million, a commendable growth of 140.0 per cent as compared to 2003. The Company's revenue was generated by Managed Network Services, EG*Net, Value Added Services and SchoolNet. EG*Net's contribution increased tremendously with the signing of a RM88.7 million service provisioning agreement with the Government of Malaysia. It contributed 52.9 per cent of the Company's total revenue of RM124.9 million in 2004. In addition, the appointment of GSB by the Government to implement the SchoolNet Project, which provides 10,000 schools nationwide with Internet Broadband access, also contributed RM33.8 million or 27.0 per cent of total revenue for 2004.

Realising the government's
e-government vision at GITN

At the same time, expenses increased by 100 per cent to RM114.4 million. This was used to support customer requirements and company expansion. A total of 70 per cent of the costs were on telecommunications services, mostly with TM.

The higher revenue growth contributed to better profit after tax, which amounted to RM10.8 million for the year ended 31 December 2004. This represented a growth of 299 per cent as compared to the loss after tax of RM5.4 million in 2003. GSB's net worth improved from a negative RM36.9 million to a positive of RM3.9 million with the increase in fixed assets, current assets and profit.

Moving forward, GSB anticipates a more positive market outlook in the Government market, especially with aggressive efforts in the implementation of EG*Net and SchoolNet projects. A total of 1,800 sites will be installed with EG*Net and Managed Network Services in 2005 and this is expected to contribute 52.5 per cent to revenue growth for the year 2005. EG*Net is expected to reach saturation point by 2007, while the SchoolNet project should be completed by March 2005.

GSB expects Intranet to experience steady growth in anticipation of an expanding customer base with the implementation of more ICT initiatives by the Government, while value-added services are expected to grow three times, thus making a significant contribution to overall Company revenue.

Realising potential
opening up possibilities

The only limits
that exist are those that we
set for ourselves.

When we view things
in a positive light,
anything is possible.

At TM,
we live to meet
challenges head on.
Because only those
who dare, win.

TM

EDUCATIONAL EXCELLENCE

DATUK PROF. GHAUTH JASMON
President
UNIVERSITI TELEKOM SDN BHD

DR. NAS TAMIMI IBRAHIM
Acting Chief Executive Officer
TELEKOM SMART SCHOOL SDN BHD

DATUK IR. AHMAD ZAINI MOHD AMIN
Chief Executive Officer
TELEKOM TRAINING COLLEGE

UNIVERSITI TELEKOM SDN BHD

Multimedia University

Universiti Telekom Sdn Bhd was established in June 1997 to manage Multimedia University (MMU). In 2004, MMU continued its theme of growth and development, which it has adopted since its establishment as the country's first private university. Its presence in the home market is secure as undergraduate entry applications for 2004 were six times the capacity of admission.

MMU is positioning itself to capture a bigger share of the international market. It has opened an offshore office in Tehran and Jeddah in 2004, while another will be opened in Bangladesh in 2005. These offices are managed by MMU personnel to ensure that the interests of the University as well as those of its parent company are prioritised.

To date, these offshore offices and the recently established Centre for International Student Recruitment (CISR) have been very effective. CISR was set up to expand MMU's reach to international students. It is responsible for providing various services and support to meet MMU's targeted number of international students, which is 30 per cent by 2014. This is in line with the Malaysian Government's aspiration to raise the number of foreign students in Malaysia to about 50,000 by 2005 and 100,000 by 2010. In December 2004, there were 1,541 international students from 72 countries studying in MMU's campuses in Cyberjaya and Melaka.

MMU-Cyberjaya Campus

In 2004, MMU generated a profit before tax of RM4.3 million on the back of a revenue of RM142 million (In 2003 profit before tax was RM5.8 million and revenue RM135 million). This is reflective of the increase in the University's output of graduates. During the year, 2,585 students graduated from MMU. Of these, 247 were Diploma holders, 2,218 were Bachelor degree holders, 113 received Masters while the remaining seven received their PhDs.

During the year 2004, MMU continued to expand and introduced new courses. Three ground-breaking programmes were proposed and approved by the Ministry of Education. The new programmes are the Master of Engineering Systems, Bachelor of IT (Hons) Security Technology and Master of IT (Information Systems) and are scheduled to be launched in the third quarter of 2005.

As in previous years, an annual budget of RM10.5 million was allocated internally as seed funding for young researchers and academic staff members. MMU continues to secure more research grants from collaborations with local and international companies, as well as from research funding agencies, such as the Intensification of Research in Priority Areas (IRPA) grant, the Multimedia R&D Grant Scheme under the Ministry of Science, Technology and Innovation, as well as the Malaysian Toray Science and Technology Foundation.

Existing courses were also given continuous focus. During the year, approvals for 18 courses were renewed while six others were given accreditation.

MMU has also attracted additional research funds from new industrial sources, such as Agilent Technologies, Komag and Finisar. The University focuses on research collaborations with international companies, such as IBM, Intel, NTT, Alcatel, Ericsson, Microsoft, Nokia, the National Institute of Information and Communications Technologies of Japan, and Fujitsu. In total, MMU received RM11 million from external research grants in 2004, reflecting the quality of R&D activities at the University.

Research and development activities at MMU have also produced good results. A proactive move has been made to disseminate new scientific knowledge through publications in international journals and international conferences of high standing. For the period under review, on average international journal papers published per academic staff has increased to 0.47 per cent.

Some of the research results have earned awards, locally and internationally. The innovation, "Paddy Monitoring and Yield Prediction System using Remote Sensing and GIS Technologies" where MMU collaborated with the Malaysian Centre for Remote Sensing, won a Gold Medal at the 2003 Malaysian. Science and Technology Expo, and a Gold Medal at the 32nd International Exhibition of Inventions in Geneva in 2004. A staff member from the Centre for Applied Electromagnetics also won the 2004 Young Engineer Award from the Institute of Engineers Malaysia for his research contribution to the development of microwave remote sensors.

Similarly, the R&D work of final year students have been recognised for their excellent quality. For instance, a final year student from the Faculty of Engineering won the Best of Tertiary Project Category under the Asia Pacific ICT Awards (APICTA) in Hong Kong for his R&D project on "Wireless Mobile Java Home Automation System".

MMU students have continued to do their University proud. One of the most notable achievements was World Debate 2004, an event sponsored by TM, which attracted 933 participants from 30 countries where MMU was the convenor and organiser. MMU students also bagged several awards at prestigious events such as the IEE Inter-varsity Project Competition, Robofest 2004, and APICTA, to name a few.

The University is also expanding physically. As at December 2004, Parcel One of the Second Phase at Cyberjaya was 35 per cent completed, while Parcel Two stood at 5 per cent completion. In the Melaka campus, the Third Phase has been fully completed, while the Centre for Foundation Studies and Foundation Education now has its own building.

MMU is pleased that it has been able to successfully expand into all critical areas as this is a winning formula for a world-class educational institution. This will continue to be the university's plans in moving forward into 2005.

For the future, especially in the next 10 years, MMU will among others further elevate its achievements in R&D by the establishment of Research institutes in certain niche areas of strength. New courses relevant to the K-era will be introduced at all levels. MMU will also expand its international networking by establishing relations with more universities and organisations worldwide. All in all, these plans will see MMU grow into a truly international university that stands at par with other top world-class institutions. This is crucial in contributing towards making Malaysia the new hub for educational excellence.

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS) was established in 1999 to realise the Malaysian Smart School Project, one of the country's Multimedia Super Corridor (MSC) flagship applications. Through this project, TSS will help transform the Malaysian education system into a highly advanced technology-based system, where ICT will be used to create a generation of knowledge workers for the country. With the Ministry of Education leading the project, TSS has successfully completed the three-year National Smart School Pilot Project contract which involved 88 schools throughout the country.

In line with its vision to become a leading total e-education solution provider by 2008 and its mission of accelerating the creation of a Knowledge Society through e-education, TSS has continued to focus on the development of e-education solutions in terms of products, services, processes, expertise and resources in 2004.

The company has embarked on several projects, including the following, some of which have been completed:

- **Science and Maths Translation Project**
  The development and translation of 543 titles of Science and Mathematics courseware for Years 1, 2 & 3 as well as Forms 1, 2 & 3 from Bahasa Malaysia to English; and the deployment of the courseware to all government schools, as well as the compilation of Year 3 and Form 3 English courseware. The Year 1 Form 1 Project commenced in September 2002 and was completed in October 2003, whereas the Year 2 Form 2 Project commenced in October 2003 and was completed in September 2004. The Year 3 and Form 3 Project commenced in August 2004 and is expected to be completed by the end of February 2005.

- **Form 4 Biology Project**
  The development of Form 4 Smart School Biology courseware for the Ministry of Education, which is currently ongoing and expected to be completed by the end of March 2005.

- **21 Penang Schools Project**
  The deployment of the Smart School courseware, integrated with the open source technology and Web-based Courseware Management System (SMA*RT), to 21 secondary schools in Penang. The project was completed in September 2004.

- **Syrian Project**
  In line with its goal to expand into the international market, TSS has developed the Arabic Web-based School Management System, Mathematics and English Secondary courseware which were implemented at two Syrian schools. The project was completed in November 2004.

- **The Web-Based School Management System and Learning Content Management System Development Project**
  The enhancement of the next-generation web and open source technology-based Smart School solution, which is the Web-Based School Management System (WSMS) and Learning Content Management System (LCMS). The industry standard Shareable Content Object Reference Model based LCMS is an infrastructure that can be used to create, modify and manage content delivery for a wide range of learning needs. WSMS is the total solution that can be used to manage school administration functions, information and processes.

Both solutions are being test-bedded at one of the Smart Schools of the Ministry of Education as part of the Company's commitment to ensure that the current Smart School Integrated Solution is being utilised in the most optimal way, and henceforth to determine the best possible means for the solution to be rolled out to the rest of schools in the country.

During the year, TSS continued to mass-market its brand of Government-endorsed Smart School multimedia courseware, namely the BestariEd series. The Bahasa Melayu, English, Mathematics and Science courseware for Year 1 to Form 5 are available in different packaging modes; namely through Portable Hard Disk, On-line Content and Stand-alone CD Courseware.

Smart School session in progress

Realising the nation's IT agenda through Smart Schools

TSS is also collaborating with Utusan Melayu (M) Bhd (Utusan) to promote BestariEd series through www.tutor.com.my; Utusan's Internet education portal; and the education section of the Utusan Malaysia daily.

While growing its business, TSS has not forgotten its Corporate Social Responsibility, especially to students in remote areas who have no access to Personal Computers or the Internet. Hence, TSS has embarked on several corporate social responsibility projects, the notable one being the PC Gemilang "One Home, One PC" Campaign in collaboration with the then Ministry of Energy, Telecommunications and Multimedia (now Ministry of Energy, Water and Communications) and the Association of the Computer and Multimedia Industry, Malaysia (PIKOM). This project involved the packaging of 10 titles of the Smart School courseware into each PC Gemilang Unit. Another noteworthy project was the "Perpustakaan Desa" Project whereby TSS enabled a total of 176 village libraries to download the Smart School courseware via the Internet.

TSS has also initiated an Adopted School Programme 2004-05, whereby TSS and the Education Technology Division (BTP) of the Ministry of Education "adopted" SMK Bandar Baru Bangi, a Level B Smart School. Through the Programme, the school's academic and administrative staff and students were groomed to become expert users of the teaching and learning materials and the Smart School applications. In addition, the school served as a test bed for further Smart School application enhancements and developments. As a result, optimal usage of the solutions was achieved.

Throughout 2004, TSS participated in various exhibitions and outreach programmes on its own and under the banner of its parent company TM, the Ministry of Education or the Multimedia Development Corporation to promote the smart school project. TSS also received foreign visitors from the academic fraternity as well as foreign Education Ministry officials who were interested in the Smart School development programme.

The 2004 financial year was another challenging year for TSS as the company continues its effort to secure the National Roll-Out project. The evolution of the project implementation model rendered better understanding for both TSS and the Ministry of Education to implement the project in the most economical, practical and steadfast manner.

The main revenue contribution in 2004 came from the translation and development work for Year 2 and 3 and Form 2 and 3, which contributed more than 80 per cent of the total revenue of about RM20 million. Other contributions to the company's revenue included the COINS services and the JPM Penang projects.

This resulted in a higher profit after tax of approximately RM3.3 million for TSS in 2004 compared to RM2.0 million achieved in 2003. Gross profit and net profit margins were higher at 46 per cent and 17 per cent respectively and were in fact the best margins ever achieved since the company's inception.

Of the 49 employees in TSS, 27 are permanent staff, 13 are contract staff while 9 staff are on short-term service contracts.

Mindful of the value of human capital in the organisation, TSS has taken steps to develop a Core Competency and Professional Certification Programme for its staff. This is part of its continuing efforts to upgrade the core competencies and skills of its workforce.

For 2005, TSS will continue to strive towards its vision of becoming the leading total e-education solutions provider by 2008. The company needs to prove that it has the ability to offer total e-education solutions in terms of products, services, processes, expertise and resources. Towards this end, it has adopted the Balance Scorecard Approach, to re-align its strategic direction towards achieving its vision and mission.

TELEKOM TRAINING COLLEGE (TTC)

Telekom Training College (TTC) is the premier national provider of telecommunications training in Malaysia. Established in 1948, the college was initially responsible for providing training to the staff of the Telecommunications Department. A new telecommunications training centre was set up in 1961, as a result of a joint venture between the United Nations and the Malaysian Government.

In 1980, five regional training schools or branch campuses were established in Taiping, Kuala Terengganu, Melaka, Kuching and Kota Kinabalu to facilitate training need for the increasing number of staff. The year itself also saw the appointment of TTC as a training provider for other Commonwealth countries through the Commonwealth Telecommunications Organisation (CTO).

In 1998, TTC was awarded the ISO 9002 certification by SIRIM in recognition of its consistent conduct of high quality training programmes. It was also appointed the sole Certifying Agency for the Malaysian telecommunications industry by the Malaysian Communications & Multimedia Commission in 2002.

TTC offers educational programmes at diploma level, which meets the exact requirements of the K-economy. The wide selection of courses offered include the Diploma in Multimedia (Business & Computing), Diploma in Multimedia Technology, Diploma in Technology (Telecommunications Engineering), Diploma in Computer Science, Diploma in Marketing with Multimedia and Diploma in Management with Multimedia. During TTC's 9th convocation ceremony held on 2 October 2004, a total of 73 graduates received their Diploma in Multimedia Technology while 20 graduated with Diploma in Multimedia Business Computing. As at today, 942 students have graduated from various TTC Diploma Programmes.

Since 2000, TTC has been operating as a Private Institution of Higher Learning that is on par with the best educational and technical colleges in the country. This is further proven by the growing number of trainees from all over the world who have benefited from the various courses provided by TTC.

TTC also manages the training and development needs of top-ranking employees in TM via its Management & Leadership Institute (MLI). Among the courses conducted are the Top Management Programme, Senior Management Development Programme, Management Leadership Development Programme and the Management Trainee Programme.

During the year, TTC organised the Malaysian Technical Cooperation Programme (MTCP) to train and encourage knowledge sharing especially in the telecommunications and ICT industries. A total of 45 participants were enrolled in the June session and another 61 participants in the August session. Most participants were from Mauritius, Malawi, Indonesia, Bosnia Herzegovina, Laos, Vietnam and Gambia.

TTC also organised a Training Coordinators Workshop in August 2004 to reach out to its customers, especially the Training Coordinators, and to update them on the company's latest training courses and programmes. A total of 120 coordinators participated in this one-day workshop.

On 10 August 2004, TTC signed an agreement to provide training programmes for Perbadanan Hal Ehwal Angkatan Tentera (PERHEBAT). This was the first collaboration between PERHEBAT and TTC, and TTC will provide training in the "Kursus Pengkabelan Kontraktor Komunikasi" for pensioned officers from Angkatan Tentera Malaysia for six months. Once they complete the programme, they will be awarded with a certification from the Certifying Agency.

On 15 September 2004, a delegation from Botswana Telecommunications visited the company with the objective of benchmarking TTC's business operations as a training and education organisation, and its expertise in Telecommunications and ICT. TTC, in conjunction with the Information Technology Shared Services (ITSS) division, also organised the IT Seminar and Exhibition 2004 on "Realising Shared Services with IT Intelligently". The seminar focused on ways of improving the ICT services of TM in line with industry demands and on maximising customer satisfaction at minimal cost. It was attended by 200 participations from all units and divisions under TM.

The year 2004 was also TTC's 55th Anniversary and a dinner was held to commemorate its history and achievements. Themed "Down Memory Lane", the dinner was attended by around 500 guests, clients and staff.

For the 2004 financial year, TTC registered revenue of RM61.5 million and profit before tax of RM0.434 million.

In 2005, TTC plans to expand its operations and be more competitive as a reputable Learning Organisation. It is no secret that 'Learning Organisations' have a better chance to compete and survive. It is also true that successful organisations engage in vigorous programmes of training and developing their human resource to equip them with the changing needs of the business. Henceforth, TTC hopes to achieve the vision of the TM Group Chief Executive Officer towards achieving 'World Class Standards of Operation, Performance and Productivity'.

A Learning Environment at TTC

HUMAN RESOURCES

TM recognises that as the industry becomes more knowledge- and information-intensive, there is more reliance on its workforce as human capital is one of the key ingredients for success. In this context, industry competitiveness means that a great deal of attention must be paid to managing human capital exceptionally well in order to be successful. As such, nurturing and developing talent within the company becomes essential.

In 2004, the talent management process was further enhanced and formalised. Talent nomination activities to scout for young talents were conducted whereby all heads of divisions from TM operating companies, subsidiaries and corporate centres identified potential executives to be part of the talent pool for future career development and the Group's succession planning process. TM has also established processes Group-wide to support talent management and to groom future leaders. As at the end of 2004, the number of talents in TM was 200.

TM's commitment to continuously promote learning throughout its employees' career is reflected in the participation of its senior management in top management and leadership programmes such as those conducted by the Harvard Business School and the Michigan Business School. To fulfil functional learning requirements, TM has also worked closely with organisations such as the Telecommunications Executive Management Institute of Canada (TEMIC), which has sponsored programmes for selected top management personnel.

The main challenge in a rapidly changing world is to maintain and enhance professionalism through constant improvement and continuous learning. The life cycles of knowledge, skills and lead-times are becoming shorter. People have to identify and respond to challenges faster. These challenges have necessitated a review of TM's existing HR development framework, that is the TM Competency Model and Structured Training and Development. The revised Competency Model is developed and derived from the Group's critical success factors and translated into critical capabilities. It comprises five critical competency areas which are linked to TM's six job levels (from executive to senior and top management) and serves as a roadmap for training and development programmes as well as the basis for its executives' career path and progression.

The success of the revised competency-based model is monitored and measured through the Competency Index (CI) as a continuous learning initiative. For the first time in 2004, the CI has been incorporated as one of the divisional-shared Key Performance Indicators (KPIs) to measure organisational learning. The platform for measuring the CI is the enhanced 360-degree feedback assessment. The objective of this 360-degree assessment is to gauge each individual's competency level as well as each Division's Competency Index. The Divisional Competency Index is then used as the CI for each General Manager's KPI. The Individual Competency Index, meanwhile, is also used to identify the appropriate development and training programme for each individual.

At present, 53 senior managers have successfully completed the Senior Management Development Programme (SMDP), conducted jointly with institutions of higher learning such as Strachclyde University, Glasgow, United Kingdom. In 2004, approximately RM5 million has been invested in this programme and 27 senior managers have enrolled in it. Apart from the SMDP, 722 executives have also attended Structured Training Programmes to enhance their managerial and leadership competencies.

During the year under review, the company spent a total of RM14.7 million on programmes conducted by the Telekom Training College to improve functional and technical skills for both executive and non-executive staff. Each employee has clocked in an average of 40 hours of training a year. Meanwhile, a total of 2,256 executives have participated in training programmes for functional or strategic competencies.

TM's commitment to providing development opportunities extends to the Malaysian public through its scholarships and education loans. The Group, through Yayasan Telekom Malaysia (YTM), has allocated RM33 million for scholarships and education loans. A total of 1,267 undergraduate and postgraduate students as well as 1,679 students between the ages of 13 to 17, studying in Form One to Form Five, have received sponsorship from the fund. To-date, about 1,071 employees and 3,788 external students have been provided with financial assistance to pursue their undergraduate and postgraduate studies, both locally and abroad.

TM has also embarked on a Corporate Culture Transformation initiative which has a three-year road map. The alignment of Corporate Culture Transformation is central to all Business Transformation Programmes at TM. The TM Corporate Culture Transformation Programme addresses the human factor to support the Leadership and "Workforce Engine" required for the overall transformation at TM. The overall Culture Transformation programme involves the five areas described below:

i) **Culture Alignment and Development** – To ensure the desired culture of competence (Leadership & Workforce) and the implementation of the vehicles/channels for interventions.

ii) **Leadership Interventions and Development** – To enable leaders to inspire others while embedding KRISTAL values and the desired culture in an employee's daily behaviour.

iii) **Change Agents Network Development Team** – To develop an internal collaborative infrastructure network of change management capabilities.

iv) **Communications Development Team** – To facilitate communications across all stakeholder groups and work streams, vertically and horizontally.

v) **HR Practices Alignment Team** – To streamline the existing HR infrastructure to support the desired culture and workforce of the future.

On 1 July 2004, the business transformation of the Telco organisation into a wholesale and retail business set-up was rolled out. The objectives of the transformation were to achieve growth in profits and revenue, delivery of

quality products and services, cost leadership, customer satisfaction as well as to develop a workforce that is committed to quality. As part of this transformation initiative, HR's major involvement was to ensure that the newly transformed entities (TM Wholesale and TM Retail) were provided with the right skills, the right culture and the right talent mix.

Year 2004 marked another milestone in TM's Industrial Relations management. The Group successfully concluded collective bargaining with all the three in-house unions namely, National Union of Telekom Employees (NUTE), Sabah Union of Telekom Employees (SUTE) and Union of Telecoms Employees Sarawak (UTES) resulting in the signing of the respective Collective Agreement. As a result of the new agreements, non-executive employees now enjoy better terms and conditions of service for the period 2004 – 2006.

In response to the Government's initiative to improve the performance, value and services of Government-linked Companies (GLCs), TM has taken steps, through GHRM, to offer contract employment to officers in senior and top management. The main objective of this initiative is to inculcate a performance-based culture and to motivate the officers in senior and top management to be performance-driven within their respective business units. The offer was well received by these officers, whereby about 90 per cent of the officers in senior and top management accepted the offer for contract employment. The shift from permanent to contract employment schemes will ultimately create a high performance corporate culture, with greater emphasis on business urgency and achieving business objectives.

Several HR strategies and plans have been formulated moving forward to support the business. TM is continuously improving employee productivity through right-sizing strategies and workforce adjustment to ensure it achieves an optimum workforce. For 2005, employee productivity is expected to be above RM700,000 revenue per employee, with a projected workforce of about 27,000 employees Group-wide. To complement the right-sizing strategy, TM is currently focusing on establishing a lean organisation that will facilitate the construction of teams and the improvement of responsibility towards customers. It will also help to minimise layering and achieve full delegation of authority to the appropriate level of action.

Along with the right-sizing strategy, there is also an urgent need to enhance the capabilities of existing staff through right-skilling (multi-skilling, cross-skilling and re-skilling) as this will ensure that a quality, competent and motivated workforce is available to plan, manage and operate the current and future business. TM is investing heavily into the development of strategic skills or "new age" skills required by business, leadership and management through structured training programmes and competency-based development and assessment.

To drive the development of a high performance culture, there is a need to shift the "old entitlement culture" to a culture that focuses on individual and team accountability for results. Efforts are ongoing to align the performance of individuals and teams with business results and rewards will be tied to business performance. TM recognises that effective human capital is critical to an organisation's success. To ensure the successful implementation of these HR strategies, TM is currently reconfiguring its current HR practices to be more strategic and transforming them into "Business Smart HR".

RESEARCH AND DEVELOPMENT

TELEKOM RESEARCH AND DEVELOPMENT SDN BHD

Telekom Research & Development Sdn Bhd (TMR&D), a wholly-owned subsidiary of TM, commenced operations on 1 January 2001. An ISO9001:2000 certified company, TMR&D conducts R&D in ICT for the TM Group of companies and plays a vital role in providing customised solutions through leading-edge designs, fabrication and state-of-the art technologies.

Besides the TM Group, the Company's customer base includes local and multinational companies, corporate organisations, universities and other players in the ICT industry. Its main activities are to:

1. Identify and undertake R&D in ICT;

2. Develop, enhance and upgrade all aspects of the related technology of new and/or existing products, systems and services;

3. Conduct studies, consultations, advisory, testing and management services in its area of expertise; and

4. Use the knowledge and understanding gained from research towards production of useful materials, devices, systems and methods including design and development of prototypes and processes.

R&D management is unique due to the unpredictable market demand for state-of-the-art product and services. With rapid changes in technology, risks need to be mitigated and the needs of a talented workforce met to ensure that TMR&D succeeds. Thus, to remain agile and competitive, the Company has adopted the Balanced Scorecard methodology to identify key initiatives that will drive the organisation's vision.

TMR&D has also introduced several Knowledge Management initiatives as a framework to manage and utilise the wealth of intellectual capital within the organisation.

The Company will continue to support TM on its vision of becoming "the communications company of choice and delivering exceptional value to customers and stakeholders". The development of R&D products encompass will consider two critical factors, namely market-driven products and products that can be commercialised. Research in general is carried out on niche technology to serve a specific market.

TMR&D has also aligned its research activities to the National Broadband Plan, which is to provide broadband wired and wireless network infrastructure, applications and services to the local and global marketplace. With the inevitable integration of the wired and wireless network infrastructure into the Next Generation Network (NGN) in the near future, TMR&D is embarking on research in the field of 3G, IPV6, Mobile, Data, Voice and Multimedia communications.

The company's research activities have been streamlined to support the strategic theme of the organisation. Five research programmes have been identified covering the various areas of technological focus. Each research programme will chart technology trends as well as the business requirements for present and future market conditions. These research programmes are in the areas of software application and multimedia, mobile and wireless, wired network technology, enabling technology, automation and intelligence.

For 2004, TMR&D's total revenue fell by 9 per cent to RM61.28 million from RM61.94 million in 2003. The company's total expenditure also increased by 44 per cent in 2004 to RM56.13 million from RM54.38 million in 2003.

A total of 49 research projects were planned and executed in 2004, of which 20 research projects were successfully completed in 2004 according to schedule. The balance of the research projects are scheduled for completion in 2005 and beyond.

TMR&D has thus far filed for 23 patents, 17 industrial designs, 30 copyrights and five layout designs for Integrated Circuits through the Perbadanan Harta Intelek Malaysia.

In 2004, TMR&D also successfully handed over 12 products to TM's Commercialisation Unit, making a total of 52 viable products handed over since 2002.

To-date, TMR&D has published seven Research Journal volumes, based on papers submitted by its researchers. These efforts are paramount for TMR&D to achieve its vision of becoming the leading ICT R&D company in South East Asia by 2008.

The Publication Committee was established in 2002 to help the organisation achieve its key performance targets. In 2004, the Publication Committee conducted a series of internal seminars entitled "Some Hints to Improve Your Technical Writing Skill" which received overwhelming response from the researchers. As a result, 39 per cent of the 30 research papers submitted in 2004 were accepted for publication at several prestigious international conferences.

Having realised the importance of time-to-market, TMR&D has encouraged its researchers to initiate research collaborations with external parties to speed up project completion. It has signed Memorandums of Understanding with most of the leading universities in the country and other organisations such as Sirim, Malaysian Institute for Nuclear Technology Research, AIC Corporation, Korea Electronics Technology Institute, Australian Telecommunication Consulting & Marconi (M) Sdn Bhd as a stepping stone towards opening up new avenues for smart-partnerships.

The Skim Ijazah Lanjutan was introduced in 2002 to help upgrade researchers' skills and knowledge and to improve knowledge on management of support staff. Under the scheme, TMR&D's employees are given the opportunity to pursue higher degrees or post graduate diplomas on a part-time basis

To date, 43 researchers have registered under the scheme – three are pursuing PhD degrees and the rest, Masters degrees. In 2004, 27 have registered for Masters programmes and one for a PhD.

The Information Resource Centre (IRC) was established in 2002 to support research activities in terms of reading materials and references. Currently, IRC has 52 titles of journals, 2,634 titles of books, 444 titles of reports and 45 titles of CD-ROM related to ICT.

Application of new technologies through Research & Development

CARING FOR THE ENVIRONMENT

Safety in the workplace is of utmost importance and remains a key focus of TM. The Group is committed to achieving the highest standards of safety and health throughout the organisation.

As part of our continuing efforts to improve overall safety standards, TM has come up with a comprehensive Operational Safety and Health (OSH) Manual which contains guidelines on safety at work. The manual is divided into sections and provides safety guidelines not only for TM's employees but also for its suppliers and contractors.

TM's continuing emphasis on safety is reflected in its Safety and Health Policy Statement which reads: "TM is committed to safeguarding and improving its safety and health performance by conducting its business activities in an organised and responsible manner. We will endeavour to see that our activities, services and products do not harm employees, customers and members of the public who may be affected by our activities."

To achieve high safety standards, it is imperative that TM's suppliers and contractors play their role too in rendering quality service and work to the Company in a safe manner. In this regard, TM has drawn up safety training programmes for its contractors' personnel. Various occupational and health initiatives were also taken during the year to further improve the Group's safety and health performance.

TM has always been a caring corporate citizen and its efforts to create a safer and healthier work environment is another manifestation of its civic consciousness towards the well-being of its workforce.

A major area of concern for TM's Safety and Health Committee was the exposure of its workers at hill stations throughout Malaysia to non-ionizing radiation, namely microwave and radio frequency radiation. In this regard, the company has worked with a team of specialists from the Malaysian Institute of Nuclear Technology to conduct a study on non-ionizing radiation exposure at a few hill stations.

Based on these findings, TM is of the view that the presence of the communications and broadcast antennas at hill stations do not cause any dangerous increase in the level of radio frequency or microwave radiation, and pose no danger to the health of workers at these sites. This opinion is based on current knowledge and available scientific evidence, which suggest that such low radiation levels do not cause any adverse health effects.

Over the years, TM has placed emphasis on helping to create awareness and protect the environment. The Group's commitment to environmental conservation is seen in the continuing efforts taken by TM Negeri Sembilan to maintain the environment in Gunung Telapa Burok where TM is operating a strategic telecommunications station.

A major landslide had occurred in December 2002 by the side of the access road to the hill station as a result of a heavy downpour. A slope 30' wide and 110' long was damaged by the heavy rain. There were also signs of cracks on the road. The landslide caused damage to the natural environment and also exposed the 11KV electrical cable providing power to the station.

Efforts were undertaken by TM Facilities Management and Infrastructure Development to repair the damage and to restore the affected environment at Gunung Telapa Burok in Jelebu, Negeri Sembilan. The repair work cost RM180,000 and was completed in June 2004.

Eco-tourism – Bukit Nanas Forest Reserve

Gunung Telapa Burok's strategic location, coupled with TM's station height of 3,918', makes it the choice of most mobile operators and broadcasters, such as RTM (radio & TV) and other private radio and television stations to locate their transmitters. The station is categorised as a "Sasaran Penting Negara" and is situated in a forest reserve area.

TM's contribution to creating environmental awareness is also seen in Menara Kuala Lumpur. Being the only tower in the world that is uniquely nestled within a century old forest in the city, Menara Kuala Lumpur is committed to work with the Wilayah Persekutuan Forestry Department in promoting eco-tourism. For nature lovers, the Tower is targeting to introduce the Boardwalk as well as Day and Night Tours where visitors will be able to see the 11.05 hectares of flora and fauna found in the Bukit Nanas Forest Reserve – the oldest gazetted tropical forest reserve in the country.

The Boardwalk is a 1 km long platform extension above the ground connecting the Tower's upper ground floor to the forest. With the Boardwalk, visitors will enjoy a closer view of the RM450,000 preservation

project undertaken on the 100-year old Jelutong tree during the construction of the Tower in 1996. Similarly, with the 'Forest in the City' package, visitors will have the opportunity to be closer to nature and enjoy the sights and sounds of the colourful butterflies, insects, monkeys, squirrels and exotic birds in their natural habitat. The forest is classified as Lowland Dipterocarp Forest and contains some dominant tree species and other indigenous plants.

To help create environmental awareness in the community, TM MSC organised a 'gotong royong' with the villagers of Kampung Baru Lanjut, Salak Tinggi on 25 April 2004 which was officiated by YB. Dato' Liew Chee Kong, ADUN Sungai Pelek. The 'gotong royong' was aimed at enhancing the relationship between TM and the local citizens and authorities as well as promoting a cleaner environment at Kampung Baru Lanjut. During the event, an aerobics session and a friendly football match were also conducted and a service counter was opened for applications, complaints and sales of prepaid cards.

Preserving the 100 years old
Jelutong tree

At Celcom, TM's mobile telecommunications arm, the safety of its employees is of utmost importance and the company is committed to providing a safer and healthier work environment to minimise the risk of work-related injuries and illnesses.

As such, Celcom conducts its business in a manner designed to protect the safety and health of not only its employees but also its customers. The promotion of safety and occupational health is a vital part of the company's culture and is fundamental to the attainment of its corporate vision, values and principles.

As a telecommunications company, there will be instances where some of its employees are called to do fieldwork that will require them to enter 'hazardous' areas. Therefore, Celcom has implemented safety measures and established guidelines based on international safety standards to ensure its employees' safety at all times. These measures include providing protective head gear, safety harness/belt, proper shoes and safety jackets to those who work in potentially hazardous areas.

One of the major issues that Celcom has to deal with is cellular radiation and its effects on the public. The radiation safety issue has generated controversy and has caused some parties to question whether electromagnetic emissions from telecommunications structures pose a health risk to the public.

However, exhaustive studies conducted locally and internationally have shown that there is no evidence linking telecommunications structures with radiation-related ailments. It has been found conclusively that all mobile communications structures emit a low level of radiation and do not endanger public health.

As with all service providers in Malaysia, Celcom is operating under internationally-acceptable guidelines and best practices on the installation of telecommunications structures and is subject to a number of stringent guidelines and regulatory approvals. To reassure the public that there is nothing to fear, Celcom has embarked on various public education and awareness programmes to educate the community that cellular radiation poses no serious threat to health.

Nurturing growth
opening up possibilities

Every new generation sees more, experiences more and knows more than the last.

We believe that people, not technology, is the greatest resource we have.

At TM, we will always invest in developing minds and nurturing talents.

TM

CORPORATE SOCIAL RESPONSIBILITIES

Corporate and Social Responsibilities
Sports
Education and ICT
Community and International

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is very important to TM. It is embedded into our core values and principles and integrated into the way we run our business. As one of the largest government-linked companies, we strive to add value and enrich lives through our contributions to society and the nation.

In the early days of the country's development, the Group's core business of telecommunications fulfilled an essential social function in improving communication and accessibility.

Today, with telecommunications progressing at a rapid pace, TM is no longer confined to providing just the basic facilities. Technological developments have necessitated change and innovation, resulting in different needs and expectations. While the Group continues to play a key role in spurring development in many parts of the country by making communication affordable and accessible, it also supports and enhances the efficiency and quality of telecommunications for trade and commerce as Malaysia moves into the globalised era.

Over the years, TM has remained committed to community programmes and has promoted excellence in many fields. In 2004, the Group was actively involved in various CSR initiatives, especially in events related to Sports, Education, Information and Communication Technology (ICT), Health and Social Services, and the Environment.

SPORTS

TM recognises the importance of sports in helping to build the nation and it has continued to support both national and international sporting events through cash, other forms of assistance or the provision of communication facilities. We believe our sponsorship of sports events will help to develop and inculcate a spirit of excellence in Malaysian youths, whilst promoting healthy minds and bodies. International sports events will also help to develop the local tourism industry and to highlight Malaysia's capacity and capability to stage world-class sporting events successfully.

Langkawi International Nature Challenge

One of the international sports-related events sponsored by TM in 2004 was the Langkawi International Nature Challenge. About 30 teams participated in the race, which was held from 12 to 25 August 2004. The race was divided into four stages with 12 disciplines which included running, jungle trekking, sea kayaking, mountain biking, caving, abseiling, obstacle course, night orienteering, bamboo rafting, swimming and traditional boat rowing. TM was the main communications service provider for this event.

Formula One

The Petronas Malaysian Grand Prix has successfully enhanced the image of Malaysia during the past few years. Since 2002, TM has been sponsoring free tickets to the Formula 1 race at the Sepang International Circuit. Around 1,000 students in the Klang Valley, Selangor, Pahang, Perak and Negeri Sembilan benefited from TM's sponsorship. Tickets were also given to TM's corporate customers.

Sarawak Regatta 2004

For the third consecutive year, TM was one of the sponsors for the Sarawak Regatta. The Sarawak Regatta is an annual event held at the Kuching Waterfront. The event is witnessed by thousands of people from all walks of life. The Sarawak Regatta comprises traditional Sarawak water sports, including boat races of traditional longboats and dragon boats, catching ducks in the Sarawak River and pillow fights.

The event was held from 3 to 5 September 2004.

Asian Youth Football Championship 2004

In October 2004, TM sponsored the Football Association of Malaysia (FAM) in hosting the Asian Youth Football Championship. The Asian Youth Football championship is an international competition, involving more than 400 athletes and officers as well as 700 media representatives.

F1 ticket sponsorship for students

Formula One – Sepang

There were a total of 16 teams consisting of players below the age of 20. The competition attracted participants from countries such as China, Japan, South Korea, Thailand, Indonesia and Vietnam.

11th Asian Youth Athletics Championship

To encourage sports among Malaysian youth, TM provided sponsorship for the 11th Asian Youth Athletics Championship. The event was organised by the Perak Government and the Malaysian Athletics Amateur Association.

The international level competition involved more than 500 athletes, officials, supporters and media representatives from some 44 Asian countries.

Sukan Malaysia (SUKMA X)

This national level sports event was organised by the State Sports Council, Malaysian Sports Council and the Police Sports Council.

10th SUKMA sponsorship

SUKMA is a multi-sport competition held bi-annually, using the mini Malaysia Olympics theme. For last year's competition, there were 15 contingents participated in the event from the 13 Malaysian states, Polis DiRaja Malaysia and Brunei. TM was the main telecommunications provider for the event.

EDUCATION AND ICT

Education is crucial to a country's development and TM remains committed to CSR programmes in this area. In line with the Government's move to promote and encourage higher education, TM has invested in higher education facilities such as the Multimedia University, Telekom Training College and Yayasan Telekom Malaysia. The establishment of these institutions is testimony to the Group's continuing commitment to encourage excellence in education. The Group has also made it a point to contribute as much as it can to improve training facilities and to raise awareness of ICT. As a leading Telco, it fully supports the initiatives taken by the Government to promote and develop ICT in Malaysia.

During the year, TM contributed to several CSR initiatives to educate and promote excellence in various educational and ICT- related fields.

Akademi NUTE

The Telekom Malaysia Workers Association (NUTE)'s move to set up the NUTE Academy at Wisma NUTE will enhance skills and knowledge in the telecommunications industry. As a caring and responsible employer, TM contributed RM60,000 to the infrastructure development of this academy. The objective of this academy is to provide training to TM's workforce in all fields related to ICT.

APICTA was initiated by the Multimedia Development Corporation with the Prime Minister of Malaysia as its Patron. The aim is to provide a platform for ICT innovators and entrepreneurs in the region to benchmark their products. This is expected to stimulate economic and trade relations, technology transfer, and business matching opportunities.

National Telethon for Education

TM contributed RM150,000 to the national telethon for education. This was a fund-raising telethon for the education fund of ANSARA (the Maktab Rendah Sains Mara Former Students Association of Malaysia). The campaign started on 10 February 2004, culminating in the grand telethon event on 21 February 2004.

TM – PERSAMA Mathematics Camp

Several mathematics camps were conducted nationwide in conjunction with the TM – PERSAMA Mathematics Camp. The camps were organised to raise awareness of the importance of Mathematics among children and to encourage them to excel in the subject.

In 2004, Mathematics camps were conducted in Negeri Sembilan, Kedah and Terengganu. Each session was conducted over a three-day period and was attended by more than 100 school children from rural schools. The camps were conducted between May and September 2004 to coincide with the university semester holidays as the volunteers from PERSAMA (the Malaysian Mathematics and Science Association) were mainly from the teaching faculty at local universities.

MSC-APICTA

TM made a cash contribution of RM60,000 to the Prime Minister's Best of the Best Award at the MSC-Asia Pacific ICT Awards (APICTA) 2004.

Launch of APICTA-MSC

World Universities Debating Championship (WUDC)

WUDC is one of the largest non-sporting student events during the year. For the first time, the Championship was hosted by Multimedia University. There were over 800 participants from all over the world. TM was the main sponsor of the Championship.

LID – Promoting strong interactive networking through smart partnerships

COMMUNITY & INTERNATIONAL

In line with its philosophy of being a responsible corporate citizen, TM has been a regular sponsor to community projects that contribute to the well-being of society and the nation. It has also sponsored events which help to promote Malaysia's standing in the international business arena.

Langkawi International Dialogue

TM was the main sponsor for the 7th Langkawi International Dialogue (LID) 2004 which was held from 29 to 31 July 2004. TM has been a sponsor of LID since 1995 and the main sponsor since 1997.

LID, which was first organised in 1995, has become an important global event for Malaysia in helping to promote and strengthen interactive networking through smart partnerships between Malaysia and the international business community.

WUDC Debating Championship organised by MMU

Invest Malaysia, Putra World Trade Centre

Invest Malaysia

Bursa Malaysia held its inaugural Invest Malaysia event in August 2004 at the Putra World Trade Centre. The exposition comprised an exhibition that aimed to showcase Malaysia's finest companies, including a series of educational seminars and workshops on investments and financial markets.

As one of the largest companies listed on Bursa Malaysia, TM was the main sponsor for this exhibition.

8th International Advisory Panel (IAP) Meeting & Multimedia Super Corridor (MSC) Expo

TM sponsored the communication facilities for the 8th IAP Meeting & MSC Expo, amounting to RM160,000.

The IAP is a forum for leading Chief Executive Officers, international experts and local businessmen to share their views on shaping Malaysia's Multimedia Super Corridor for the future.

Talun Merdeka

TM made a sponsorship to the Talun Merdeka at Menara Kuala Lumpur. The event was held in conjunction with the 47th Merdeka celebrations organised together with Menara Alor Setar. A total of 47 drummers from various ethnic groups performed at the open deck of Menara Kuala Lumpur. This was the first Merdeka celebration event of this nature representing the youths of the nation.

Malaysia Consumer's Day

The Consumers Association (FOMCA) plays an important role in protecting and educating consumers. During Consumer Week from 26 July to 1 August, FOMCA organised several programmes which included a colouring contest, a consumerism rights essay, drawing competition and a consumerism elocution contest for centres of higher education. TM contributed in terms of cash for this event.

First Malaysia Radio Industry Awards (AIR)

The Malaysian Association of Commercial Radio Operators conceived the idea of recognising and awarding exceptionally good creative radio commercials at the First Malaysia Radio Industry Awards (AIR). TM made a sponsorship to this event which will help to encourage excellence in radio commercials.

Tsunami Disaster

2004 ended with a devastating tsunami which hit coastal areas across the region. It caused fatal destruction and claimed more than 230,000 lives.

The TM Group has stepped forward to assist the tsunami devastated areas including Sri Lanka, India, Thailand, Indonesia as well as Malaysia. In total TM Group contributed more than RM6.7 million in terms of funds and manpower towards the disaster relief and reconstruction efforts.