



Opening Up Possibilities





OUR VISION

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

OUR MISSION

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

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



We believe that Corporate Social Responsibility (CSR) is about making a difference. A difference that is able to permeate the very fabric of society towards uplifting the economic well being of the people wherever they are.

Reaching out is TM's CSR program, a long term plan that aims to improve the lives of millions across the region for generations to come. Reaching out has been strategically formulated to bring forth what we believe results in greater tangible benefits to society. Through Reaching out, we champion education, sports development and community & nation building.

Our commitment to CSR is more than mere words. With the creation of a clear and concise identity, Reaching out is our iconic emblem in our pursuit to return to society what it has made us to be, the emerging leader in Asian communications.

As we celebrate 50 glorious years of nationhood, TM will continue to play its role in contributing towards the nation's economic progress and prosperity beyond tomorrow.

As an enabler, TM's Reaching out will continuously touch as many lives as possible, not only improving the lives of individuals but the progress of nations.

ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

DATE:
8 May 2007, Tuesday

TIME:
10.00 a.m.

VENUE:
Multi Purpose Hall, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur, Malaysia

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Notice of Annual GENERAL MEETING



NOTICE IS HEREBY GIVEN THAT THE **TWENTY-SECOND (22ND) ANNUAL GENERAL MEETING** OF THE COMPANY WILL BE HELD AT **10:00 A.M.**, ON **TUESDAY, 8 MAY 2007** AT **MULTI PURPOSE HALL, MENARA TM, JALAN PANTAI BAHARU, 50672 KUALA LUMPUR, MALAYSIA**, FOR THE FOLLOWING PURPOSES:-

- To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon.
(Ordinary Resolution 1)
 - To declare a final dividend of 30 sen per share (less 27% Malaysian Income Tax) in respect of the financial year ended 31 December 2006.
(Ordinary Resolution 2)
 - To re-elect the following Directors, who retire by rotation pursuant to Article 103 of the Company's Articles of Association:-
 - Tan Sri Dato' Ir Muhammad Radzi Haji Mansor
(Ordinary Resolution 3)
 - Ir Prabahar NK Singam
(Ordinary Resolution 4)
 - To approve the payment of Directors' fees of RM756,890.00 for the financial year ended 31 December 2006.
(Ordinary Resolution 5)
 - To re-appoint Messrs PricewaterhouseCoopers having consented to act as Auditors of the Company for the financial year ending 31 December 2007 and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 6)
- As SPECIAL BUSINESS**
To consider and if thought fit, to pass the following Ordinary Resolution:-
- Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares** "THAT pursuant to Section 132D of the Companies Act, 1965 (the Act), full authority be and is hereby given to the Directors to issue shares in the capital of the Company at any time until the conclusion of

the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued, does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities, where such approval is necessary.”

(Ordinary Resolution 7)

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

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

- (a) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 25 April 2007 (in respect of shares which are exempted from Mandatory Deposit);
- (b) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 25 April 2007 (in respect of Ordinary Transfer); and
- (c) Shares bought on the Bursa Malaysia Securities Berhad (Bursa Securities) on a cum entitlement basis according to the Rules of the Bursa Securities.

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

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 22nd Annual General Meeting to be held on 8 May 2007, a final dividend of 30 sen less 27% income tax for the financial year ended 31 December 2006 will be paid on 12 June 2007 to Depositors whose names appear in the Record of Depositors on 14 May 2007.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for entitlement to the dividends only in respect of:

- (a) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 10 May 2007 (in respect of shares which are exempted from Mandatory Deposit);
- (b) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 14 May 2007 (in respect of Ordinary Transfers); and
- (c) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

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

By Order of the Board

Wang Cheng Yong (MAICSA 0777702)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
16 April 2007

Notice of Annual General Meeting

Notes:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a Member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading *"signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation having been received"*. If the Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading *"signed under a Power of Attorney which is still in force, no notice of revocation having been received"*. A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
7. **Explanatory Note for Ordinary Resolution 7**
The proposed Ordinary Resolution 7, if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

Statement ACCOMPANYING THE NOTICE of Annual General Meeting

pursuant to Paragraph 8.28(2) of Bursa Securities Listing Requirements

DIRECTORS RANKING FOR RETIREMENT AND SEEKING RE-ELECTION AT THE 22ND ANNUAL GENERAL MEETING

The Directors retiring by rotation pursuant to Article 103 of the Company's Articles of Association and are seeking re-election are Tan Sri Dato' Ir Muhammad Radzi Haji Mansor and Ir Prabahar NK Singam.

The respective profiles of the above Directors are set out in the Profile of the Board of Directors on page 56 and 60 of this Annual Report. Their securities holdings in the Company and its related corporation are disclosed on page 351 of this Annual Report.

Financial CALENDAR

15 May 2006

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2006.

2006

2 August 2006

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2006 and the declaration of an interim dividend of 16 sen per share (less Malaysian Income Tax of 28%) for the financial year ended 31 December 2006.

2006

16 May 2006

21st AGM and Extraordinary General Meeting (EGM) of the Company.

2006

24-25 August 2006

Book Closure for determining the entitlement of the interim dividend of 16 sen per share (less Malaysian Income Tax of 28%) for the financial year ended 31 December 2006.

2006

16 April 2007

Issuance of Notices of the 22nd AGM and EGM together with the Annual Report for the financial year ended 31 December 2006 and the Circular to Shareholders.

2007

24-25 May 2006

Book Closure for determining the entitlement of the final dividend of 25 sen per share (less Malaysian Income Tax of 28%) for the financial year ended 31 December 2005.

2006

18 September 2006

Date of payment of the interim dividend of 16 sen per share (less Malaysian Income Tax of 28%) for the financial year ended 31 December 2006.

2006

8 May 2007

22nd AGM followed by the EGM of the Company.

2007

20 June 2006

Date of payment of the final dividend of 25 sen per share (less 28% Malaysian Income Tax) for the financial year ended 31 December 2005.

2006

28 November 2006

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2006.

2006

14 May 2007

Date of entitlement to the final dividend of 30 sen per share (less 27% Malaysian Income Tax) for the financial year ended 31 December 2006.

2007

23 February 2007

Announcement of the audited consolidated results and the proposed final dividend of 30 sen per share (less 27% Malaysian Income Tax) for the financial year ended 31 December 2006.

2007

12 June 2007

Date of payment of the final dividend of 30 sen per share (less 27% Malaysian Income Tax) for the financial year ended 31 December 2006.

2007

Milestones in TM's CSR schemes

KUALA LUMPUR: The Institut Multimedia University (MMU) in Cyberjaya is one of the more visible milestones of Telekom Malaysia Bhd (TM) in its corporate social responsibility (CSR) programmes.

Minara Kuala Lumpur, the communications tower in the city, also stands as a milestone pillar in its CSR scheme. While it is known as a tower at the top of which TM has installed antennas, Minara KL has also become better known as a tourist attraction, with its observation deck and restaurant.

"We did not call it Minara Telekom. We named it Minara KL. It's our gift to the city of KL," TM chairman Tan Sri Muhammad Razli Mazlan said in a recent meeting with *Business Today*.

The TM group had set up a framework for its efforts in CSR. Razli said it focused on education, sports and custom building.

This structured CSR will also cover the initiatives into which TM has expanded. "We will focus CSR programmes wherever we conduct our business. We need to consider what we give back to society," Razli said.

Currently, the areas have operations in

Bangladesh, Cambodia, Indonesia, Pakistan, Thailand, Singapore and Sri Lanka.

In education, one of the group's best visible programmes is its assistance to secondary school students who enrolled in their studies. In the past 10 years, TM has assisted more than 5,000 students.

"Through Telekom, the group's educational foundation, has awarded more 5,000 scholarships in the past 10 years. These students studied at local universities, including MMU. The foundation also awards students to top universities abroad. During the same period, it provided more than 200 scholarships for studies overseas."

"We also offer scholarships within our organisations. There were 630 part-time students and more than 100 full-time students among our employees in the past five years. We encourage them to improve themselves," Razli said.

TM built MMU in the late 1990s when it was very costly to send students overseas. After the crash of the US dollar, it became all the more costly when universities

in Britain raised their fees.

Razli said about 11,000 students had graduated from MMU since its inception six years ago. During that period, about 600 graduates from that university joined TM as employees.

"We taken pride in that the unemployed graduates problem is not found in the university. About 60% of the graduates have jobs before they graduate. The rest are employed within a year," he said.

MMU has grown to be a popular university and, as a result, "it is self-funding" now to cover its operating costs, after TM spent RM500mil on the initial land and construction costs.

In the field of sports, TM has been a sponsor of the Tour de Langkawi cycling event for the past 10 years. This event is believed to be the global ESPN channel where it presents an opportunity for TM to promote its brand.

The group is also active in sponsoring football activities. One of these was "My Team," a talent search programme.

By Tan Si P



Tan Sri Muhammad Razli Mazlan

Touching their lives



The TM group has touched through its Kelantanese Phila Top program the judge with their charitable gifts. - Photos courtesy of Education Malaysia

TM has given RM630mil to USP Fund since 2002

From P1

Its subsidiary Celcom (M) Bhd promotes football for a healthy lifestyle among students. Its activities include sponsorship of Liga Celcom Futsal Malaysia.

TM also recognises it has an important role to play in nation

building, specifically for a telecommunications company, in helping to build a knowledge society and bridge the digital divide between the urban and rural areas.

Its involvement in bridging the divide includes its contribution to the Universal Service Provisioning (USP) Fund, which is used by the

Government for this purpose. "We've contributed about RM630mil to this fund for rural telephony since 2002," Razli said.

Besides this, the span of Celcom's service into the rural areas will deliver broadband Internet access at a lower cost in terms of infrastructure than fixed line. (See also Pages 4 and 5)

bluehyppo sees red

TM net brings Chinese New Year cheer to old folks

In conjunction with the Chinese New Year celebrations, TM Net visited the residents of the Seremban Nursing Home in Klang to share the festive cheer.

TM Net acting chief executive officer Zaidi Hashim led the group to the home where they handed out gifts to the 40-plus residents and staff. There was also a lion dance show and an appearance by the "God of Prosperity". Aside from fun and festivities, we wanted to show the significance of the occasion and remember the less-privileged by celebrating the festival and bringing cheer to our senior citizens during this CNV. As the country's leading universal service provider, we are mindful of our corporate social responsibility and the need to do a small part of our on-going efforts.

By SUZIRANA USA NAGU



TM Net acting chief executive officer Zaidi Hashim led the group to the home where they handed out gifts to the 40-plus residents and staff. There was also a lion dance show and an appearance by the "God of Prosperity".

The power to change

By SUZIRANA USA NAGU

TM's Celcom Exchange programme is going from strength to strength, says former Celcom vice-president for corporate communications Hafiza Ramadhin.

"Three years ago, we thought the projects that our Selangor and Kuala Lumpur students dreamt up

attracted only three schools from Telangor and Kuala Lumpur in its first year. By 2004, the number grew to 45 schools. Last year, it rose to 142 schools involving about 1,600 students. This year, more than 140 schools took part."

The programme was re-launched by Education Minister Datuk Seri Mohamaduddin Hussein in April and renamed Exchange to symbolise students' power to "change" the future.

Instead of being known as Youth

team from Sekolah Menengah Best Kelantan for their 1st year in Penang - the 2004 Exchange grand prize-winner - met Celcom's CEO.

The team, comprising 20 members, raised close to RM10,000 to help youngsters in Yogyakarta whose schools were razed by the May 27 earthquake.

TM's Phila Top received RM1,000, a trophy and medals for each member.

Second prize-winner TMK Kabok



Most participants have no previous "test" of English to ensure their understandability. The event proved to be very interesting, particularly performing after lessons in English at their schools.

A shared responsibility

The Certificate in Business English and Communications programme - a joint initiative between Telekom Malaysia Berhad and Universiti Teknologi Malaysia's Business and Advanced Technology Centre - equips graduates with English language skills, business-related knowledge and confidence. SUZIRANA USA NAGU reports.



Azuan off to Adelaide for facial op

SELANGOR There is hope for the 16-year-old Azuan Hassan Mohd Ali, 15, who has spent the last of his childhood with a face disfigured by a severe growth.

Azuan suffers from a rare chronic disease called progeria syndrome, a condition that causes the body to age prematurely.



Multinationals lining up for these IT graduates

Yusuf Haniff
Graduated from the English Language Centre at Universiti Teknologi Malaysia (UTM) in 2004. He is currently working for a multinational IT company in Kuala Lumpur.

Abdullah Haniff
Graduated from the English Language Centre at Universiti Teknologi Malaysia (UTM) in 2004. He is currently working for a multinational IT company in Kuala Lumpur.

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Graduated from the English Language Centre at Universiti Teknologi Malaysia (UTM) in 2004. He is currently working for a multinational IT company in Kuala Lumpur.

Disaster and Emergency Warning Network (DEWN) gets global recognition

Dialog receives commendation at GSM Global Mobile Awards in Barcelona

Colombo, Sri Lanka, 14th February 2007, Dialog Telekom Sri Lanka's flagship telecommunications company received a Commendation Award from the Association of the GSM Mobile Awards in Barcelona this week.

Dialog Telekom together with technology partners; leading telecom software developer and the Dialog Unit of Motorola Mobile Incentives Research Labs have been commended category of "Best Use of for Social & Economic Impact", the same category which Nokia, China Mobile Phone and the Incentive Trade Centre (ITC-WTO) also participated.

Dialog Telekom already has the distinction of having won three consecutive awards at the GSM World Awards popularly referred to as the "Mobile Oscars", for technological innovations that benefit society.

Rob Conway, CEO of the GSM Association said, "The 2007 Awards attracted the greatest number of entries in the 12 year history of the competition. To be recognized for excellence at this level is an achievement of which you can be justifiably proud. My con-



MMU wired to 10 years of glory

MULTIMEDIA University celebrates its 10th anniversary this year. To mark the occasion, the university has organized a series of events to celebrate its 10th anniversary. The events include a series of seminars, workshops, and conferences. The university also plans to launch a new initiative to support its students and staff.

of its establishment, it has received more than RM100mil in grants. As the years pass, it has kept the fire alive.

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TM PROFILE

FROM THE EARLY DAYS AS THE MALAYAN TELECOMMUNICATIONS DEPARTMENT IN 1946, ITS CORPORATISATION IN 1987, INITIAL PUBLIC OFFERING AND LISTING ON BURSA SECURITIES IN 1990 AND ITS NEW BRAND IDENTITY IN 2005, TM HAS EVOLVED TO BECOME THE LARGEST INTEGRATED TELECOMMUNICATIONS SOLUTIONS PROVIDER IN MALAYSIA AND ONE OF ASIA'S LEADING COMMUNICATIONS COMPANIES. TM'S SUCCESS AND EVOLUTION HAS BEEN ESPECIALLY REMARKABLE, GIVEN ITS OPERATION IN A HIGHLY COMPETITIVE ENVIRONMENT. WITH A GROUP STAFF STRENGTH IN EXCESS OF 36,000 AND OPERATIONS AND INTERESTS IN 13 COUNTRIES IN ASIA AND GLOBALLY, TM IS FOCUSED ON DELIVERING EXCEPTIONAL VALUE TO ITS CUSTOMERS AND ON BEING A RECOGNISED LEADER IN ALL THE MARKETS IN WHICH IT OPERATES. DETERMINED TO BE CUSTOMER-CENTRIC IN ALL ITS PRODUCT AND SERVICE OFFERINGS, THE GROUP IS FOCUSED ON ACHIEVING SUSTAINABLE GROWTH IN BOTH LOCAL AND INTERNATIONAL ENVIRONMENTS.



A Beacon on the KL Skyline – Menara TM

As an integrated telecommunications company, TM offers a comprehensive range of communication services and solutions in fixed line, data, mobile and Internet, and multimedia. Supporting this extensive range of products and services is a spectrum of world-class communications infrastructure, spanning the entire country and going beyond Malaysian shores. In facilitating regional and international telecommunications, TM has in place an extensive combination of satellite, terrestrial and submarine fibre optic cable systems to deliver both domestic and international data services.

In August 2006, TM implemented the second phase of its corporate re-organisation that saw the creation of a Strategic Business Unit called Malaysia Business to consolidate all domestic fixed services and align businesses with a common agenda. Incorporating TM Retail, TM Wholesale and TM Net Sdn Bhd, Malaysia Business focuses on TM's fixed line and data, as well as Internet and multimedia businesses. As at 31 December 2006, TM's fixed services customers stood at 7.5 million, inclusive of fixed line, Internet and multimedia.

TM's mobile arm, Celcom (Malaysia) Berhad (Celcom), is Malaysia's premier mobile communications provider. Celcom has steadily made its presence felt in the market through its products and services which have raised standards of mobile communications in the country. Celcom was the first mobile operator in Malaysia to launch 3G services commercially. The Company continues to be a competitive player offering innovative products and services to customers. Leveraging on its partnership with Vodafone, Celcom launched the Vodafone Mobile Connect 3G Broadband (HSDPA) data card and *Blackberry by Vodafone*. The Company also launched PowerTools for the enterprise market, formed an alliance with online search engine Google, and joined hands with Maybank to introduce Malaysia's first mobile financial services, the Maybank2u Mobile Service. As at 31 December 2006, Celcom's customer base stood at 6.1 million.



Keeping tabs on TM's vast domestic and international network

In its quest for future and sustainable growth, TM is focused on continued regional expansion in markets closer to home. Today, TM is an emerging leader in Asian communications with operations and interests in the region and globally. Together with its mobile operations in Malaysia, TM's regional mobile customer base stood at 28.5 million as at end of 2006. Apart from Malaysia, TM has nine key markets within Asia; Indonesia, Singapore, Cambodia, Thailand, Bangladesh, Pakistan, India, Sri Lanka and Iran, with businesses focusing mainly in the mobile market. TM's investment philosophy is to play an active role in its international operations (where it has management control), with the aim to build value in its investments by hiring and developing local talents, sharing expertise, knowledge and best practices, contributing to infrastructure development of the countries in which



it has investments, as well as providing opportunities for wealth creation among the local public. An example of this effort is the highly successful listing of TM's pioneer investment in Sri Lanka, Dialog Telekom Limited (Dialog) on the Colombo Stock Exchange in July 2005. With a market capitalisation exceeding US\$1 billion, Dialog was the largest Initial Public Offering in Sri Lanka's corporate history. The successful listing of Dialog provides the opportunity for local ownership of a well-run company and the sharing of the Company's wealth with the Sri Lankan public. Dialog continues to lead the mobile industry in Sri Lanka with a market share of more than 60%.

Complementing its investment forays abroad, the international arm of TM's wholesale business, TM Global, provides a wide array of voice, international

bandwidth, IP and data services capacity across six continents, namely Asia, Europe, the Americas, Oceania, Middle East and Africa. In the ASEAN region, TM Global has business tie-ups and arrangements with telcos in Singapore, Philippines, Brunei, Indonesia, Thailand, Myanmar, Cambodia, Laos and Vietnam. TM Global has also set up Global IP Nodes in Singapore, Hong Kong, Japan, UK, US, Netherland, Egypt, Bahrain and Indonesia, while Sri Lanka and Pakistan Global IP Nodes will be ready in 2007.

TM remains committed to its Corporate Social Responsibility (CSR) practices through its various activities and projects, significantly contributing towards the national agenda and the community with the belief that these practices are a fundamental tenet of good corporate governance. TM undertakes its CSR initiatives through three major platforms i.e. education, sports development and community/nation-building. Under education, TM has invested a significant amount of money to develop the Multimedia University into one of the top universities in Malaysia with more than 20,000 students currently enrolled. TM has also provided scholarships to over 10,000 graduates since 1994 pursuing academic programmes locally and overseas. On the sports front, TM is actively involved in the promotion and strengthening of football at all levels, while under the community/nation-building platform, the Group actively contributes towards causes that bring value to the community and nation at large.

TM Group PRODUCTS and SERVICES

		
<p>TM WHOLESALE</p> <p>Traffic Minutes</p> <ul style="list-style-type: none"> Public Switched Terminal Network (PSTN) Voice-over Internet Protocol (VoIP) International & Domestic (Interconnect) <p>Access Services</p> <ul style="list-style-type: none"> Narrowband (Fixed, Fixed Wireless, Payphone) Broadband (DSL, Fixed, Fixed Wireless) <p>Bandwidth Services</p> <ul style="list-style-type: none"> Domestic (Commercial) <ol style="list-style-type: none"> Narrowband Broadband Ethernet Optical Bandwidth 	<ul style="list-style-type: none"> Domestic (Regulated) <ol style="list-style-type: none"> In span Full span POI Private Circuit Completion Domestic Network Transmission Services Domestic to International Connectivity International <ol style="list-style-type: none"> International Bandwidth Services Backhaul Services Transit Services Interconnection Services Indefeasible Right of Use (IRU) 	<p>Data Services</p> <ul style="list-style-type: none"> Domestic <ol style="list-style-type: none"> IP Wholesale VPN Wholesale International <ol style="list-style-type: none"> IP Wholesale VPN Wholesale <p>Infra Services</p> <ul style="list-style-type: none"> Tenancy Co-Location Tower Sharing <p>Customised Services</p> <ul style="list-style-type: none"> Recovery Work Order (RWO) Contract work Consultancy, professional services, etc
<p>TM RETAIL</p> <p>Voice Products</p> <ul style="list-style-type: none"> Home and Business Lines Mobile Homeline iTalk With Mobile Merdeka Plans MyVoice 1Number 	<p>Data Products</p> <ul style="list-style-type: none"> Metro Ethernet Internet Protocol Virtual Private Network (IPVPN) Global and Domestic Very Small Aperture Terminal (VSAT) Geomatics 	<p>Solution Added Services</p> <ul style="list-style-type: none"> SMI-Link Conferencing Services
<p>TM NET CONSUMER PRODUCTS</p> <p>Access Services</p> <ul style="list-style-type: none"> Narrowband Postpaid Services – tmnet dial up 1515 TM Net Streamyx Postpaid Services – tmnet streamyx TM Net Prepaid Services – tmnet prepaid TM Net Hotspots – tmnet hotspot <p>Application Services</p> <ul style="list-style-type: none"> TM Net Value Added Services TM Net Content Services – www.bluehyppo.com 	<p>ENTERPRISE PRODUCTS</p> <p>Access Services</p> <ul style="list-style-type: none"> Broadband – TM Net Streamyx – tmnet streamyx Broadband – TM Net Direct (Leased lines) – tmnet direct <p>Applications Services</p> <ul style="list-style-type: none"> Business Services Commerce Services Hosting Services Communications Services Business Portal – www.netmyne.com 	
<p></p> <p>CELCOM (MALAYSIA) BERHAD</p>	<p>CONSUMER PRODUCTS</p> <p>Celcom Postpaid Mobile Services</p> <ul style="list-style-type: none"> Postpaid Normal Plans Postpaid Minutes Plans Postpaid Data Plans Mobile Data Services Mobile Value Added Services Celcom 3G Postpaid Services <p>Celcom Prepaid Mobile Services</p> <ul style="list-style-type: none"> Xpax Prepaid Plans Mobile Data Services 	<ul style="list-style-type: none"> Mobile Value Added Services Celcom 3G Prepaid Services <p>Celcom Branded Content</p> <ul style="list-style-type: none"> Channels (TV) Entertainment Music Games Sports Lifestyle Funzone <p>Enterprise Market Products</p> <ul style="list-style-type: none"> Powertools Postpaid Plans Email & Beyond Workforce Mobility Services Celcom Vodafone Services



**MULTINET
PAKISTAN (PRIVATE)
LIMITED (MULTINET)**

PAKISTAN

- Broadband Internet services
- International bandwidth and data services
- Long distance and international voice services
- Dark fibre
- Domestic private leased circuits
- Corporate applications



DIALOG TELEKOM LIMITED



SRI LANKA

- Prepaid and postpaid mobile services
- Mobile data services
 - Corporate Push Email Service eg Blackberry and Ericsson Mobile Organizer
 - Interactive Broadcasting
 - Multi lingual Voice Portal, Voice SMS, Voice Greetings and song dedication
 - 3G services i.e. Video Streaming, Video Call, Video Clips, Full Track downloads, Pay-per-view TV channels, Interactive Games
 - Corporate Social Responsibility: Blood Matching solution, DEWN (Disaster and Emergency Warning network)
- Broadband voice, data and video solutions
- Internet services
- Direct To Home (DTH) satellite TV services
- Satellite services
- International voice and data services



**PT EXCELCOMINDO
PRATAMA TBK (XL)**

INDONESIA

- Prepaid and postpaid mobile services
- Mobile data services
 - Corporate Push Email eg Blackberry and Microsoft Push Email
 - Consumer Push email branded XLMobileMail
 - Location based services
 - E voucher Reload
 - 3G services i.e. Video Streaming, Video Call, Video Downloads, Full Track downloads, Mobile TV, Interactive Game
- Domestic and international business solutions



**TM INTERNATIONAL
(BANGLADESH)
LIMITED (TMIB)**

BANGLADESH

- Prepaid and postpaid mobile services
- Mobile data services
 - Infotainment Services
 - SMS Banking
 - E reload – Share a fill
 - Local Language messaging
 - Downloads: Ringtones, Operator logo, Screen Saver, Picture Message, MMS content
 - Voice Greetings – Fun Dose
 - Caller Ring Back Tone



**TELEKOM MALAYSIA
INTERNATIONAL (CAMBODIA)
COMPANY LIMITED (TMIC)**

CAMBODIA

- Prepaid and postpaid mobile services
- Mobile data services
 - Infotainment services eg sports
 - Voice SMS, Voicemail
 - Downloads: Ringtones, Operator logo, Screen Saver, Picture Message, MMS content



**SPICE
COMMUNICATIONS
LIMITED**

INDIA

- Prepaid and postpaid mobile services
- Mobile data services
 - Music: Caller Ringback tone, Background music, Jukebox, Mobile Karaoke
 - Entertainment services: Mobile Dating,
 - Emergency call service
 - Videotones



**MOBILEONE LIMITED
(M1)**

SINGAPORE

- Prepaid and postpaid mobile services
- Mobile data services
 - Visual Radio
 - Colorzip
 - Screen 3
 - Mobile Blogging
 - Podcasting
 - 3G Videos

MILESTONES Over Two CENTURIES

1874

The telephone makes its debut in Perak

1882

Perak and Penang are linked by telephone via a submarine cable

1891

The first telephone exchange is commissioned in Kuala Lumpur

1894

A submarine cable links Labuan with Singapore and Hong Kong

1900

The first magneto telephone service is introduced in Kudat, Jesselton (KK) and Sandakan

1908

Incorporation of postal and telegraph services

1926

Advent of radio communications in the country

1946

Establishment of the Telecommunications Department in Malaya

1962

Introduction of Subscriber Trunk Dialing (STD) between Kuala Lumpur and Singapore via the first long distance microwave link

1963

- Expansion of the microwave network throughout Malaysia

- Launch of television services in Peninsular Malaysia

1968

The Telecommunications Department of Sabah and Sarawak merge with that of Peninsular Malaysia forming the Telecommunications Department of Malaysia

1970

The first international standard satellite earth station is commissioned in Kuantan, marking the advent of live telecasts in Malaysia

1975

Establishment of the Automatic Telex Exchange

1979

Introduction of International Direct Dial (IDD) facilities

1980

- The first fully electronic exchange is commissioned in Pelangi, Johor

- Malaysia commissions its own submarine cable linking Kuantan and Kuching

1982

Introduction of Telefax and International Maritime Service

1983

Introduction of data communications

1984

Introduction of packet switch technology, leading to Malaysia's own public data network

1985

- Commissioning of the ATUR service using 450 analog cellular radio technology, a first in Asia

- The Multi Access Radio System, providing rural customers with easier access to telephone services, is introduced

1987

Jabatan Telekom Malaysia (JTM) is corporatised, forming Syarikat Telekom Malaysia Berhad (STMB), the nation's first privatised entity

1988

Introduction of digital INTELSAT Business Service

1989

Introduction of the 800 toll-free service

1990

- Introduction of international toll-free and prepaid cardphone (Kadfon)

- Listing of STMB on the Main Board of Bursa Securities and introduction of the new company logo



1991

- The Company rebranded its name to Telekom Malaysia
- Introduction of Malaysia Direct, Home Country Direct

1992

Introduction of Video Conferencing and CENTREX

1993

Introduction of ISDN services

1996

Introduction of 1800 MHz digital TMTOUCH cellular services

1997

Introduction of Corporate Information Superhighway (COINS), Telekom Malaysia's state-of-the-art, high-capacity enterprise solution

2001

- Launch of Bluehyppo.com, Telekom Malaysia's lifestyle Internet portal, which records more than 290 million searches a year
- Introduction of broadband services
- Telekom Malaysia becomes a major partner in the launch of the state-of-the-art submarine cable Asia Pacific Cable Network 2 (APCN2)
- Establishment of TM Net as the largest Internet Service Provider in the South-East Asian region
- Launch of CDMA service fixed wireless telephony

2002

Award of the 3G spectrum to Telekom Malaysia

2003

Merger of Celcom and TMTOUCH forming Malaysia's largest cellular operator

2004

Restructuring of TM TelCo into two Strategic Business Units (SBUs) – TM Wholesale and TM Retail

2005

- Telekom Malaysia undergoes a major re-branding exercise and TM is adopted as the new brand
- Launch of 3G Services – first in Malaysia
- Acquisition of 27.3% interest in PT Excelcomindo Pratama Tbk of Indonesia

2006

- TM forges strategic partnership with Vodafone, becoming a Vodafone Partner Network with a global reach of an estimated 179 million mobile customers worldwide
- TM implements its second phase restructuring exercise that organises the Group's business into 4 groupings – Malaysia Business, Celcom, TM International and TM Ventures
- XL, TM's Indonesian subsidiary secures 3G license while Dialog, TM's subsidiary in Sri Lanka launches South Asia's first 3G service
- Acquisition of the remaining 49% in Telekom Malaysia International (Cambodia) Company Limited, (formerly known as Cambodia Smart Communications Ltd), Cambodia and 49% interest in Spice Communications Private Limited, India
- TM initiates consortium to develop an undersea cable system, Asia-America Gateway, linking SE Asia and the USA

1800's-2006



MEDIA MILESTONES

In 2006

TM sets its sights on Vietnam, Thailand

Company seeks growth from overseas markets in the mobile phone sector

By Shahrizan Johari, Cheng Pooi Koon and Ho Siew Yee

TELEKOM Malaysia Bhd (TM) is hungry for more acquisitions and plans to target its mobile phone operators in Vietnam and Thailand over the next three years.

The country's most valuable phone firm announced a RM66 million deal to buy 49 per cent of India's Spice Communications Pvt Ltd just two weeks ago.

"We will further explore our regional presence," TM chief executive Datuk Abdul Wahid Omar said in a recent Malaysia 2006 conference in Kuala Lumpur.

TM, unlike its other local rivals, has to contend with falling revenues from its fixed-line business and is seeking growth from overseas markets in the mobile phone sector.

This is necessary because its home market is fast maturing.

More than 90 per cent of TM's Malaysia already has fixed-



target to have these overseas businesses under a third of net profit in as early as 2008.

TM has a sizeable war chest.

Telekom to gain from tie-up with Vodafone

By IZMAK KRIS

KUALA LUMPUR: Telekom Malaysia Bhd (TM) said its partnership with global telecommunications giant Vodafone Group Plc would enhance the group's brand equity and generate millions in additional profits a year.

TM's group chief executive officer Datuk Abdul Wahid Omar said that under the Vodafone Factory Network agreement signed yesterday, both companies would be able to access each other's facilities and services.

Three of TM's cellular units - Celcom (M) Bhd, F1 Communications Putrasia Tbk (PT) of Indonesia and So-Lanka based Dialog Telekom Ltd -



with Vodafone Group

than 20 million mobile subscribers in the TM family will augment a 179 million strong Vodafone family, thereby increasing roaming revenue by reaching out to more international travellers," he said.

Meanwhile, at a press conference earlier, Celcom (M) Bhd chief executive officer Datuk Shazali Ramly said the company's subscriber base had surpassed seven million in January.

"We can't disclose the numbers yet but during the last quarter of 2005, Celcom recorded its highest ever net addition to date," he said.

As of Dec 31, 2005, Celcom has 6.85 million subscribers, up from 6.3 million three months earlier.

Shazali expects the company to continue registering double-digit growth in net additions this year, although this rate is expected to be

TM bags overall award for Best Annual Report

By Zuraimi Abdullah

TELEKOM Malaysia Bhd (TM) bagged the overall excellence award for Best Annual Report of 2006 for the first time, edging out Public Bank Bhd which had won it for four consecutive times since 2002 and twice earlier, in 1990 and 1997.

The National Annual Corporate Report Awards (Nacra) programme, which was started in 1990, recognises and honours commercial entities that have exhibited a commendable degree of excellence in corporate reporting.

The awards presentation, held last night, also saw TM bagging the industry excellence award for the Bursa Malaysia Main

Guthrie emerged as performer under the main plantation and mining category.

Other winners of the excellence awards on main board category include Peninsular Bhd, Bhd, hotels and trus Corp Bhd (construction infrastructure project), Shell Refining Co (Fedes Malaysia) Bhd (industrial and technology), British Tobacco (M) Bhd (c

By CHAN CHAO PEN of The Edge Singapore

It has been just over a year since Telekom Malaysia (TM) emerged as the largest shareholder of MobileOne (M1), in a landmark inter-Causeway deal. But synergies between the two companies — especially in terms of subscribers' benefit — have yet to be developed in a significant way.

"M1 and TM are still looking at what else can be done, and that thought process is still on going," says Yusof Anwar Yacob, CEO of Telekom Malaysia International, in an interview with The Edge Singapore. So far, one of the most tangible perks was free video calls for the first five minutes



TM leads team in cable project

HONG KONG: Telekom Malaysia Bhd (TM) is leading a consortium to develop the Asia-America Gateway Cable System, an

diversity to many of the traditional routes and complement the existing infrastructure of high bandwidth cable systems previously in place

B2 News

Ring of optimism in Telekom



Telekom Malaysia Bhd chairman **Tan Sri Mohd Razali Mansor** and chief executive officer **Datuk Abdul Wahid Omar** discussed a myriad of issues, ranging from the telco's overseas operations to the outlook for this year, with SHAHIBMAN JOHARI recently. Here are excerpts from the interview.

Q: How is Telekom still interested in SEA? **A:** The interest is there but obviously, as you know, we have not been growing as aggressively. We want to look at every opportunity we can get in other parts we're going to pay and how much return we can get.

Q: How is Telekom's international strategy? **A:** We are looking for new growth in Southeast Asia at the moment. We're a 11 per cent owner but our partner is willing to give, we'd be raising the majority of cost TM's part of it.

Q: How is Telekom's international strategy? **A:** We are looking for new growth in Southeast Asia at the moment. We're a 11 per cent owner but our partner is willing to give, we'd be raising the majority of cost TM's part of it.



Better products, services with enriched database

It is highly targeted. A's investment RM10 million toward programme supported by Telekom Malaysia (TM) has resulted the company's ability to do database, with over 100 million records received from the programme. TM will utilize this information to offer new services to its customers after customer error information and other products and services.

"TM sees the programme as a 'win-win' situation for both our telco customers and the organisation," said TM Group chief executive officer (CEO) Datuk Abdul Wahid Omar.

The programme goes on to offer opportunities to explore and create new customer groups and reach targeted segments in our local customer base. TM is a member of the Asia-America Gateway Cable System (AAGCS) consortium.



The award ceremony is well-attended and the winners are awarded trophies and certificates. The award is presented to the winners by the Nacra committee members. Employees were encouraged to be proud of their achievements and to continue to strive for excellence in their work. The award ceremony was held at the Grand Hyatt Hotel in Kuala Lumpur.

TM makes foray into Gulf region via tie-up

Company signs up with Etisalat on enhanced link

■ BY CHAN CHONG THUT
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MANAMA: Telekom Malaysia Bhd (TM) moved its focus into the Gulf region via a partnership signed yesterday with Etisalat Bahrain B.S.C. to set up, market and maintain the region's first high capacity international leased multi-protocol Label Switching (MPLS) link.

Using TM's existing infrastructure, Etisalat will offer global Internet Protocol Virtual Private Network (IPVPN) covering on MPLS to Bahrain's government agencies, car-



Wahid: A CEO is only as good as his team

■ By Adeline Paul Raj
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DATUK Abdul Wahid Omar, chief executive officer (CEO) of Telekom Malaysia Bhd (TM) and a joint recipient of Malaysia's CEO of the Year 2006 Award, believes strongly that a CEO is only as good as his team.

In his acceptance speech for the award yesterday, he said he had his first taste of what it was like to go through the "CEO school" when he was called upon by the Government to head the UMS group conglomerate in October 2001 to spearhead its turnaround.

"I learnt quickly that a CEO is only as good as his team. I was



and it gave me a solid foundation for my transition back into TM," he said.

He said the challenges of being at the helm of TM were unique and

communications company.

"We are facing some challenges in our domestic market, but I believe with the right strategy in place and the execution capacity of our 28,000 strong workforce, TM will emerge as a true regional communications company of choice," he said.

Abdul Wahid said he had not expected to be a winner of the CEO award, but nevertheless was honored to have been recognized as a good CEO, and attributed his win to the hard work of his staff and colleagues.

He also expressed special thanks to his parents and wife Kay Roserina.

The CEO of the Year Award is an

Revitalising TM's fixed-line business

Telekom Malaysia Bhd Malaysia business chief executive Zamzamzairi Mohd Isa faces one of the most challenging missions in the industry -- to stop the decline in fixed-line revenue and then grow it. He tells COH THEAN EU about his plans to grow the business and the transformation to Internet Protocol-based services.



Whatever hard work we are putting in now will bear positive outcomes for TM, says Zamzamzairi.

Turning TM into a regional brand

Telekom Malaysia's regional branding campaign is targeted at top executives, fund managers, the investment community, media and governments



■ By Koh Thean Eu
 kohthean@nbt.com.my

KUALA LUMPUR: Telekom Malaysia Bhd (TM) embarked on its regional branding exercise in September. It knew that every detail had to be executed precisely.

That included the timing and de-

TM comes up with winning formula

■ By Koh Thean Eu
 kohthean@nbt.com.my

SETTING a high benchmark, 40 ways starting for improvement and ensuring strong teamwork at Telekom Malaysia Bhd (TM) were the main focus of the award ceremony at the 2006 National Award Corporate Report Awards (NARA) on Monday night. Winning the overall Best Firm was jointly awarded to three firms, with many other impressive and high-profile award reports submitted this year.

"The key difference to the current annual report compared with our previous annual reports is the substantial improvement in the content and disclosure writing,"



In addition to the benchmark, the award also...

overall excellence in annual reporting," Ruzain said.

In announcing the award, winning companies took about four minutes to complete the annual reports.

These four months included several late nights, working over the weekends and less-minute rest.

"Not only that, the team tended to work with different operating time zones, including Hong Kong, London and various countries time zones in South East Asia and South Asia. This had proved to be a challenging job, writing, but the award says, "It is indeed the winning

TM bags three Frost & Sullivan Malaysia awards

■ By Aflun Abu Bakar

TELEKOM Malaysia Bhd (TM) bagged three awards at the annual Frost & Sullivan Malaysia Telecom Awards last night.

TM took home the 2006 Best Communications Service Provider of the Year Award while its TM Net Bhd subsidiary took home the 2006 Broadband Service Provider of the Year Award.

It also received the most awarded award for the first time -- the 2006 Service Provider of the Year.

The company was pleased to judge competing with heavy personalities, leaders from the local telecommunications industry, the media and analysts from Frost & Sullivan Malaysia's technology practice team.

Speaking upon receiving the awards at a ceremony held in Kuala Lumpur last night, TM chief executive officer Datuk Abdul Halim Omar said 2006 was a very challenging year for the company.

"Despite the challenges of operating in a very competitive landscape, TM continues to gain by reducing efforts and initiatives in cutting its operating cost services further," he said.

He said the recognition received is an additional indication that the company's extraordinary efforts to lead a new-



"The real change at TM is here to stay and this will further strengthen the impact in our transformation agenda."

TM, a leading regional information and communications group, is one of the largest listed companies on Bursa Malaysia with an operating revenue of more than RM12 billion.

Other winners last night included Net1.com, which won the Most Promising Service Provider of the Year, Most Communications Industry, the media and analysts from Frost & Sullivan Malaysia's technology practice team.

AKN Management, Telekomsiga, Next Telecom, Telekom, AIMS, Data Vision, Telekom, NBN, Telekom, AIMS, Next Telecom, Telekom, AIMS and NBN Association also bagged awards.

The guest of honor at the prestigious event was Malaysian Communications and Multimedia Commission chairman Datuk Dr Hisham Shafi.

The Frost & Sullivan Malaysia Telecom Awards was introduced last year to recognize outstanding performance and industry's achievement in leading telecommunications and ICT content.

Celcom eyes postpaid sector lead

KUALA LUMPUR: Celcom (Malaysia) Bhd has revised and simplified its offering of postpaid plans and consolidated them into three plans, which the telco hopes would put it in the lead in the closely fought postpaid market.

The three new plans are the normal postpaid, minutes postpaid and family postpaid plan.

The normal postpaid package, which entails a low access fee, requires no monthly commitment and users only need to pay as they use while the minutes package gives users more minutes, lower rates and greater savings, with free short messaging services (SMS) and voice calls at low as 14.3 sen per minute to any mobile or fixed number.

"The family plan allows up to four members of a family to make free unlimited calls to one another."

Chief executive officer Datuk Shazali Ramly said that with these plans, "we are quite sure we

will dominate the postpaid market, especially with the family plan, which will be launched tomorrow."

Currently, Celcom has about 1.1 million postpaid subscribers.

Shazali added that more related services would be added to the family plan, "bundling will come soon after, and we also wanted to add (similar services for) broadband, fixed lines and facilities offered by TM Net Sdn Bhd."

Celcom has also revised its packages for its GPRS and 3G services. The latter is currently being upgraded, and the new features are expected to be announced next month.

Currently, Celcom has 72,000 3G service subscribers, a number that Shazali believes shows that the company is on track in its 3G expansion plan.

"We plan for the national rollout for 3G to be completed by the end of September, whereby coverage will be available at all central

business districts and major shopping centres in the country," he said.

Shazali said Celcom had targeted for 150,000 3G subscribers this year, and had already achieved the halfway mark before national rollout was completed.

The company is also on an aggressive drive to introduce new services to capture a wider portion of the market.



TM Q4 net profit soars to RM631.6m

■ By Goh Tee Ching
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MALAYSIA'S most valuable phone firm, Telekom Malaysia Bhd (TM), soundly beat market expectations as it reported a better fourth quarter net profit due to higher overseas contribution and foreign exchange gains.

Analysts had expected TM, which proposed to pay more than half of its net earnings, to make about RM500 million in the quarter to December 31, 2006.

TM posted a net income of RM631.6 million in that quarter. This is a stark difference from 2005 when it made a loss of RM701.3 million because of a large legal claim it settled with Germany's Deutsche Telekom.

"The substantial rise in net profit was due to better cost management, foreign exchange gain and the absence of an arbitration award compared to the 2005 quarter," TM chief executive officer Datuk



"TM will continue to seek opportunistic investments in regional markets"

- Wahid



FINANCIAL HIGHLIGHTS

Q4 2006	Q4 2005	% change	Q4 2006	Q4 2005	% change
4.41	3.72	17.4	12.41	12.04	3.1

Opening for TM to increase Spice stake

Indian mobile operator plans 20% public issue in near future

What the Indian mobile market group has done over the last 12 months is to build up a stake in the Indian mobile market. It has done this by acquiring a 20% stake in Spice Communications, a company that is planning to launch a 3G service in India in the next few months.

The group has also acquired a 20% stake in Spice Communications, a company that is planning to launch a 3G service in India in the next few months.

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all requires the use of open. While the telco group already has experience with Spice, it will need to acquire more open network capabilities. This is a key area for TM to focus on in the coming months.

The group has also acquired a 20% stake in Spice Communications, a company that is planning to launch a 3G service in India in the next few months.



New service to boost Celcom's corporate customer base

■ By IZWAN ERIS
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KUALA LUMPUR: Celcom (M) Bhd expects its extensive high-speed mobile Internet network coverage and new mobile enterprise solutions to boost its corporate customer base, said chief executive officer Datuk Shazali Ramly.

The company will officially launch the Celcom PowerToob -- developed in partnership with global giant Vodafone -- on May 1.

"We will launch an aggressive campaign targeting the enterprise market... we need to defend our turf and win new customers," Shazali said, adding that the new service would be available in the corporate segment, enterprise business customers about 10% to Celcom's revenue.

Shazali said more features would be added to PowerToob in stages over the next three months.

For starters, the PowerToob product offers enterprise postpaid plans, e-mail connectivity, contact card and remote data roaming and workforce mobility.

It can be integrated and synchronised with PC and business servers, such as Mobile Outlook, MS Exchange, SQL Server and System Management Server, via hosted or self-managed services.

"The PowerToob comes with customisable features to cater to client user groups like live video and voice



2006

Corporate EVENTS

6 January 2006

TM launched a first of its kind community service campaign to highlight the sanctity of prayer. The campaign called *Tiada Panggilan Sepenting Seruan Ilahi* saw a total of 7,000 signages costing RM600,000 being installed at 1,400 mosques nationwide.



18 January 2006

TM unveiled an exciting TV Reality Show called "MyTeam" which was aimed at discovering Football talent from among the ranks of amateur football players in the country.

22 January 2006

Over 1,000 cyclists from all over Malaysia participated in TM Ride, the traditional curtain raiser for TM *Le Tour de Langkawi*. The cycling enthusiasts made a 41 km ride from Menara TM in Jalan Pantai Baharu through the streets of Petaling Jaya and Kuala Lumpur and back.



26 January 2006

TM established a strategic partnership with Vodafone, forging a global communications reach with an estimated 179 million customers worldwide.



26 January 2006

TM signed a Network and Maintenance Services Agreement with Radio & Televisyen Malaysia (RTM) to continue providing broadcasting services for another three years for the TV Station which includes RTM 1, RTM 2 and eight FM Radio Stations.



3 February 2006

TM *Le Tour de Langkawi* 2006 brought 10 days of a world-class cycling event to 20 venues around the country.

9 February 2006

TM, Keretapi Tanah Melayu Berhad (KTMB) and Petrofibre Network (M) Sdn Bhd (PFN) signed a joint venture agreement to acquire PFN's business assets. The acquisition which increased Fiberail's fiber optic network cable to approximately 4,000 km with improved network coverage will provide an opportunity for Fiberail to extend its reach to the East Coast, particularly Pahang and Terengganu where its presence was limited due to restriction of the railway corridor. This would also allow Fiberail to tap into new customers such as the oil and gas companies in those areas.

10 February 2006

Celcom played host to its customers, business partners and suppliers during its open house held in conjunction with the Chinese New Year Celebration.

2006 Corporate Events

14 February 2006

As part of its on-going efforts to build rapport with media houses, TM Group's senior management entertained senior editors from Nanyang Siang Pau to a dinner get-together at the Hilton in Petaling Jaya.



13 March 2006

TM signed an agreement with Maybank to adopt the Maybank2e.net services – an integrated online enterprise cash management portal. Under the agreement, TM will adopt an entire suite of cash management products and services including payroll, SOCSO and subsequently eDividend as well as online bill payments and bulk payments to vendors and suppliers via auto credit and check balancing.



16 March 2006

TM was awarded a RM5 million contract to install telecommunications infrastructure at the 1 Borneo hypermall project, a development by Sagajuta (Sabah) Sdn Bhd.



1 April 2006

TM in collaboration with the Malaysian Communications and Multimedia Commission and the Selangor State Government launched the Universal Service Provision Project in Sabak Bernam, Selangor. The project was officiated by Selangor Menteri Besar YB. Dato' Seri Dr Mohd Khir Toyo.

6 April 2006

Celcom and Maxis Communications Berhad (Maxis) announced a 3G interconnection which enables interconnect video telephony between the two service providers. This interconnection is seen as a collective objective to boost the market and to create a larger community of 3G users.



15 April 2006

It was a night of accolades and recognition for TM staff during the inaugural TM Group Awards Nite 2005 held at PWTC. A total of 13 categories were presented with the highest achievement going to TM's subsidiary in Sri Lanka, Dialog Telekom Ltd which won the TM Group Award.

3 May 2006

TM launched a new campaign called "RM1 Million Reward Programme" offering fabulous prizes, including a Grand Prize of RM1 million in cash.



11 May 2006

TM secured a five-year contract worth RM45 million from CIMB and Bumiputra-Commerce Bank (BCB) to provide the bank with a managed network solution, Internet Protocol Virtual Private Network (IPVPN).



15 May 2006

Celcom introduced its new revised and simplified postpaid plans - Normal Postpaid, Minutes Postpaid and Family Postpaid.



26 May 2006

TM launched its latest enhanced and upgraded calling card, the *iTalk with Mobile*.

2 June 2006

Telekom Smart School Sdn Bhd launched the *e-Exam*, an online workbook designed to complement traditional learning methods.

7 June 2006

TM secured a critical piece in its regional footprint, with the completion of a 49% stake acquisition in Spice Communications Private Limited (Spice) of India.

2006 Corporate Events

27 June 2006

A Principal Collaboration Agreement was sealed between TM, Telekom Research & Development Sdn Bhd (TMR&D) and Multimedia University (MMU).



6 July 2006

38 year-old Emily Wu Ting Ting from Puchong, drove home a brand new Proton Waja Campro 1.6 AT when she emerged as the first monthly lucky winner of TM's RM1 Million Reward Programme. This was the first of three monthly car prizes given out which will culminate in a Grand Prize of RM1 million cash at the end of year.



17 July 2006

A total of 120 TM-sponsored students received various awards in acknowledgement of their excellent academic performance.



25-27 July 2006

In recognition of their contribution to the Company, TM honoured 597 retirees and their spouses at the annual Jasamu DiKenang Programme held at Putra World Trade Center (PWTC).

28 July 2006

TM Info-Media Sdn Bhd, formerly known as Telekom Publications Sdn Bhd, inked an agreement with Pampena Sdn Bhd, a subsidiary of Tourism Malaysia to co-produce the Malaysian Tourist Pages for the next five years beginning 2007.

12 August 2006

An ICT carnival was held at SMK Ayer Lanas, Kelantan, marking the conclusion of TM's 3-year Sekolah Angkat project, which was done in collaboration with the Ministry of Energy, Water & Communications.

25 August 2006

Menara Kuala Lumpur organised the 5th edition of its annual extreme sporting event – “Kuala Lumpur Tower International Jump – Merdeka Circuit 2006”. A total of 61 international jumpers from all over the world took the plunge in the name of charity in line with Menara’s philosophy – “Tower of Hope”.



26 August 2006

Music@BlueHyppo, TM Net’s one-stop cool and hip music portal was launched, allowing music lovers to select, preview and purchase more than 100,000 songs from international and local artistes.



6 September 2006

Celcom entered into a partnership with Hewlett-Packard (M) Sdn Bhd to unveil a unique notebook in line with its 3G service promotion.



7 September 2006

TM Net signed an agreement with the Melaka State Government for the provisioning of TM Net’s e-Biz Solution for the latter’s online mall, ENiaga.



19 September 2006

Celcom took a quantum leap forward in providing powerful telecommunication services with the introduction of three new services under the “Power of Three” package.



21 September 2006

Celcom and Google formed a strategic partnership to introduce Celcom Google Search which enables customers to search the Web with Google using the Celcom portal.

2006 Corporate Events

30 September 2006

TM gave a major boost to yet another international sporting event by becoming the title sponsor for the TM 20th Mount Kinabalu International Climbathon 2006.



12 October 2006

In keeping with the spirit of Ramadhan and Aidilfitri and in recognition of the numerous sacrifices made by our army personnel for the country and nation, the Group contributed RM30,000 in cash and in kind to the Angkatan Tentera Malaysia troops who were on duty during the festive season.



16 October 2006

For the sixth year running, TM contributed to the "Kempen Keselamatan Jalan Raya di Musim Perayaan" which was aimed at increasing public awareness of road safety.



18 October 2006

TM Net launched a comprehensive Islamic portal, Addeen (<http://addeen.bluehyppo.com>) on its BlueHyppo lifestyle portal.



6 November 2006

TM employees showed their caring side when they contributed generously towards a fund set up to assist a fellow employee's son to undergo an operation in Australia.



10 November 2006

More than 6,000 TM Group employees from in and around the Klang Valley and the HQ office came together for a joint Hari Raya-Deepavali celebration.

11 November 2006

In conjunction with the Hari Raya and Deepavali festivities, TM Group corporate clients were feted at a "Majlis Jalinan Mesra" at Menara TM.



9 December 2006

Some 600 unemployed graduates benefited from a four-week intensive Certificate in Business English and Communication Skills (CiBEC) programme introduced under TM's Corporate Social Responsibility initiative. The programme, aimed at improving the language and communication skills of young graduates, was open to all unemployed Malaysian graduates throughout the country.



12 December 2006

TM unveiled exciting developments that promised a whole new experience for football fans. The developments included a new look for the Malaysian football league, complete with an exciting new logo for the TM Liga Malaysia, a partnership with AMP Radio Networks and the professional expertise of Shebby Singh as the Sports Development Advisor for TM's initiatives and new football portal - www.tmfootball.com.



12 December 2006

TM's Pakistan subsidiary, Multinet Pakistan (Private) Limited (Multinet) and Telenor Pakistan sealed a 20-year capacity and service contract, which entails maintenance and associated services. The aggregate amount of both contracts is estimated to be USD40 million.

22 December 2006

TM allocated RM1 million to assist flood victims including its customers and employees in various parts of the country. This included cash and the use of its resources to assist the victims.

31 December 2006

TM, through its Badan Kebajikan Islam Telekom Malaysia (BAKIT), held a nationwide 'Korban' programme in conjunction with the Aidiladha celebration. More than 30 cows were donated at various locations nationwide during the programme.

TM AWARDS and RECOGNITION 2006



18 JANUARY 2006

TM Net Sdn Bhd (TM Net) began the year on a positive note when it clinched the “Best Wi-Fi Hotspot Operator of 2005” and “Best Broadband Internet Service Provider of 2005” awards from PC.Com magazine. Based on a poll done by PC.Com, TM Net emerged once again for the fourth year in a row as the most popular Broadband Internet Service Provider.



28 APRIL 2006

The Association of Chartered Certified Accountants (ACCA) conferred TM with a “Commendation for Social Reporting in an Annual Report”. The commendation was given in recognition of the completeness and credibility in the disclosure of TM’s environmental and social reporting, as well as its awareness of corporate transparency issues.



2 MAY 2006

TM was awarded the Reader’s Digest “Trusted Brand Platinum Award 2006” for the Telecom Company Category along with the “Gold Award” for the Mobile Service Provider Category. The Reader’s Digest Trusted Brands award is an annual regional consumer survey where votes are collated from all seven participating countries, namely Hong Kong, Taiwan, Thailand, Singapore, Malaysia, Philippines and India. Votes were based on ratings such as trustworthiness, credible image, quality, value, understanding of customer needs and innovation.

5 MAY 2006

TM walked away with two awards at the annual Frost & Sullivan Malaysia Telecoms Awards presentation ceremony. TM bagged the “2006 Data Communications Service Provider of the Year” award. For the first time, TM also received the most coveted award - “2006 Service Provider of the Year”. This award recognises TM’s

consistency and sustainable growth in revenue, substantial market share as well as overall leadership in new product introduction and innovation, based on its performance for base year 2005.

**15 MAY 2006**

TM received the “Corporate Governance Survey 2005 Award” from the Minority Shareholders Watchdog Group (MSWG) for its high level of compliance with local and international corporate governance requirements. TM was ranked second among the top 100 companies listed on Bursa Malaysia

from a study jointly conducted by MSWG and Nottingham University Business School (NUBS), a leading business school in the UK. This survey is part of MSWG-NUBS’s drive to promote best principles and practices of corporate governance and shareholder activism in Malaysia.

**21 MAY 2006**

Telekom Research & Development Sdn Bhd (TMR&D) won four prestigious awards at the I-TEX 2006 held at the Kuala Lumpur Convention Centre. The team bagged “Gold Awards” for its “KenalMuka” and “XstreamX P2P” products, as well as the “Innovative Product Award” and the “Genius Prize Budapest”. In addition, TMR&D also won the “Bronze Award” for two of its products which were competing in the Expo – the EPON Network Solution and the Micro Probes.

TM Awards and Recognition 2006

23 MAY 2006

TM was named second runner-up in the Malaysian Business Corporate Governance Award 2005. The annual award is organised by Malaysian Business Magazine, sponsored by the Chartered Institute of Management Accountants (CIMA) and supported by Bursa Malaysia. All nominees are vetted by KPMG prior to the selection of winners.

18 AUGUST 2006

TM received the 'Anugerah Perkhidmatan Kaunter Terbaik' for 2005 for its TMpoint in Alor Star, Kedah from the Ministry of Energy, Water and Communications. This marks TM's third recognition in this category, having won the same award in 2004 for Kedai Celcom Bandar Baru Klang and TMNet Clickers Kelana Jaya Park View.

12 SEPTEMBER 2006

TM Group Chief Executive Officer Dato' Abdul Wahid Omar was named joint winner of Malaysia's CEO of the Year award 2006 together with Morten Lundal, the CEO of Digi Communications Berhad. The prestigious annual award was jointly organised by Business Times and Maybank.



30 NOVEMBER 2006

TM clinched for the first time the Overall Excellence Award for the most outstanding Annual Report of the Year 2005. TM also took home the Industry Excellence Award for the Bursa Securities Main Board Companies category under the Trading & Services sector for the 10th consecutive time, the Gold Award for Best Designed Annual Report and the Silver Award for the Best Annual Report in Bahasa Malaysia.

17 JANUARY 2007

TM was conferred The Brand Laureate Award 2006 – 2007 for the Corporate Brand – Telecommunications Industry category by the Asia Pacific Brands Foundation (APBF). Selection was based on stringent criteria including Brand Strategy, Brand Culture, Brand Communications, Brand Equity and Performance.

INTERNATIONAL AWARDS**16 MAY 2006**

AKTEL was awarded the Telelink Telecommunication Award 2006, a prestigious award in the Telecommunications sector, for the “Best Mobile Service Provider in Bangladesh”. The award was organised by the Bangladesh Mobile Phone Business Association (BMBA).

**10 AUGUST 2006**

AKTEL was conferred the prestigious JFB Performance Award 2005 by the Cultural Journalist Forum of Bangladesh (CJFB) for its celebrated JOY television commercial. Through the success of this campaign, AKTEL acquired one million customers within a period of 15 days. Amid serious contenders, Aktel also topped the “Best Advertisement Award Category”.

14 FEBRUARY 2007

Dialog Telekom, Sri Lanka’s flagship telecommunications company, received a Commendation Award from the GSM Association at the GSM Global Mobile Awards in Barcelona, Spain for its Disaster and Emergency Warning Network (DEWN). DEWN will enable disaster warning information to be communicated securely and instantaneously to emergency personnel and mobile phone users anywhere in the country.

Corporate INFORMATION



BOARD OF DIRECTORS

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

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

Dato' Ahmad Haji Hashim
(Non-Independent Non-Executive Director)

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

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

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

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

Ir Prabahar NK Singam
(Independent Non-Executive Director)

Rosli Man
(Independent Non-Executive Director)

Dyg Sadiyah Abg Bohan
(Alternate Director to Dato' Ahmad Haji Hashim)
(Non-Independent Non-Executive Director)



SECRETARIES

- Wang Cheng Yong (MAICSA 0777702)
- Zaiton Ahmad (MAICSA 7011681)

REGISTERED OFFICE

Level 51, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel No. : 603-2240 1211/1221/1225
Fax No. : 603-2283 2415/2284 8039

SHARE REGISTRAR

Tenaga Koperat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel No. : 603-4041 6522
Fax No. : 603-4042 6352

AUDITORS

PricewaterhouseCoopers
(Chartered Accountants)
11th Floor, Wisma Sime Darby
Jalan Raja Laut
50706 Kuala Lumpur
Malaysia
Tel No. : 603-2693 1077
Fax No. : 603-2693 0997

PRINCIPAL BANKERS

- CIMB Bank Berhad (*formerly known as Bumiputra-Commerce Bank Berhad*)
- Malayan Banking Berhad

PRINCIPAL SOLICITORS

- Zul Rafique & Partners
- Hisham Sobri & Kadir

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
(Listed since 7 November 1990)

MALAYSIAN TAXES ON DIVIDEND

Malaysia practised an imputation system in the distribution of dividends whereby the income tax paid by a company is imputed to dividends distributed to shareholders.

As gazetted in the Finance Act, 2006, the corporate tax rate in Malaysia will be reduced to 27% for financial year 2007. Consequently, Malaysian income tax at 27% will be deducted from the proposed final gross dividend of 30 sen per share for financial year 31 December 2006, subject to shareholders' approval at the forthcoming 22nd AGM.

The income tax deducted or deemed to have been deducted from dividend is accounted for by the income tax of the company. There is no further tax or withholding tax on the payment of dividends to all shareholders.

The Annual Report is available to the public who are not shareholders of the Company, by writing to:

General Manager
Group Corporate Communications Division
Telekom Malaysia Berhad
Level 8, South Wing, Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur, Malaysia
Tel: 603-2240 2676/2657 Fax: 603-7955 2510

Group Corporate STRUCTURE

as at 6 March 2007

Depicting active subsidiaries, jointly controlled entities, associates and Strategic Business Units (SBUs) categorised under major business segments



Malaysia Business*1

- TM RETAIL*1
- TM WHOLESALE*1
- 100% TM NET SDN BHD
- 100% TELEKOM SALES & SERVICES SDN BHD
- 100% GITN SDN BERHAD
- 100% TELEKOM RESEARCH & DEVELOPMENT SDN BHD
- 100% TELEKOM MALAYSIA (USA) INC
- 100% TELEKOM MALAYSIA (UK) LIMITED
- 100% TELEKOM MALAYSIA (HONG KONG) LIMITED
- 100% TELEKOM MALAYSIA (S) PTE LTD
- 100% MOBIKOM SDN BHD
- 100% TELEKOM APPLIED BUSINESS SDN BHD

Celcom (Malaysia) Berhad

- 100% TECHNOLOGY RESOURCES INDUSTRIES BERHAD
- 100% CELCOM TRANSMISSION (M) SDN BHD
- 100% CELCOM TECHNOLOGY (M) SDN BHD
- 80% CELCOM TIMUR (SABAH) SDN BHD
- 100% CELCOM MOBILE SDN BHD
- 100% ALPHA CANGGIH SDN BHD
- 100% CT PAGING SDN BHD
 - 49% C-MOBILE SDN BHD
- 20% SACOFA SDN BHD

TM International Sdn Bhd

- 100% TM INTERNATIONAL (L) LIMITED
 - 89.62% DIALOG TELEKOM LIMITED
 - 100% DIALOG BROADBAND NETWORKS (PRIVATE) LIMITED *(Formerly known as MTT Network (Private) Limited)*
 - 90% ASSET MEDIA (PRIVATE) LIMITED
 - 100% COMMUNIQ BROADBAND NETWORK (PRIVATE) LIMITED
 - 100% CBN SAT (PRIVATE) LIMITED
 - 70% TM INTERNATIONAL (BANGLADESH) LIMITED
 - 100% INDOCEL HOLDING SDN BHD
 - 59.63% PT EXCELCOMINDO PRATAMA TBK
 - 78% MULTINET PAKISTAN (PRIVATE) LIMITED
 - 49% MOBILE TELECOMMUNICATIONS COMPANY OF ESFAHAN
- 100% TELEKOM MALAYSIA INTERNATIONAL (CAMBODIA) COMPANY LIMITED *(Formerly known as Cambodia Smart Communication Company Limited)*
- 18.98% SAMART CORPORATION PUBLIC COMPANY LIMITED
- 24.42% SAMART I-MOBILE PUBLIC COMPANY LIMITED*2
- 80% SUNSHARE INVESTMENTS LTD*3
 - 29.76% MOBILEONE LTD
- 100% TMI MAURITIUS LIMITED
 - 100% TMI INDIA LTD *(Formerly known as Distacom Communications (India) Limited)*
 - 49% SPICE COMMUNICATIONS LIMITED *(Formerly known as Spice Communications Private Limited)*



Note:

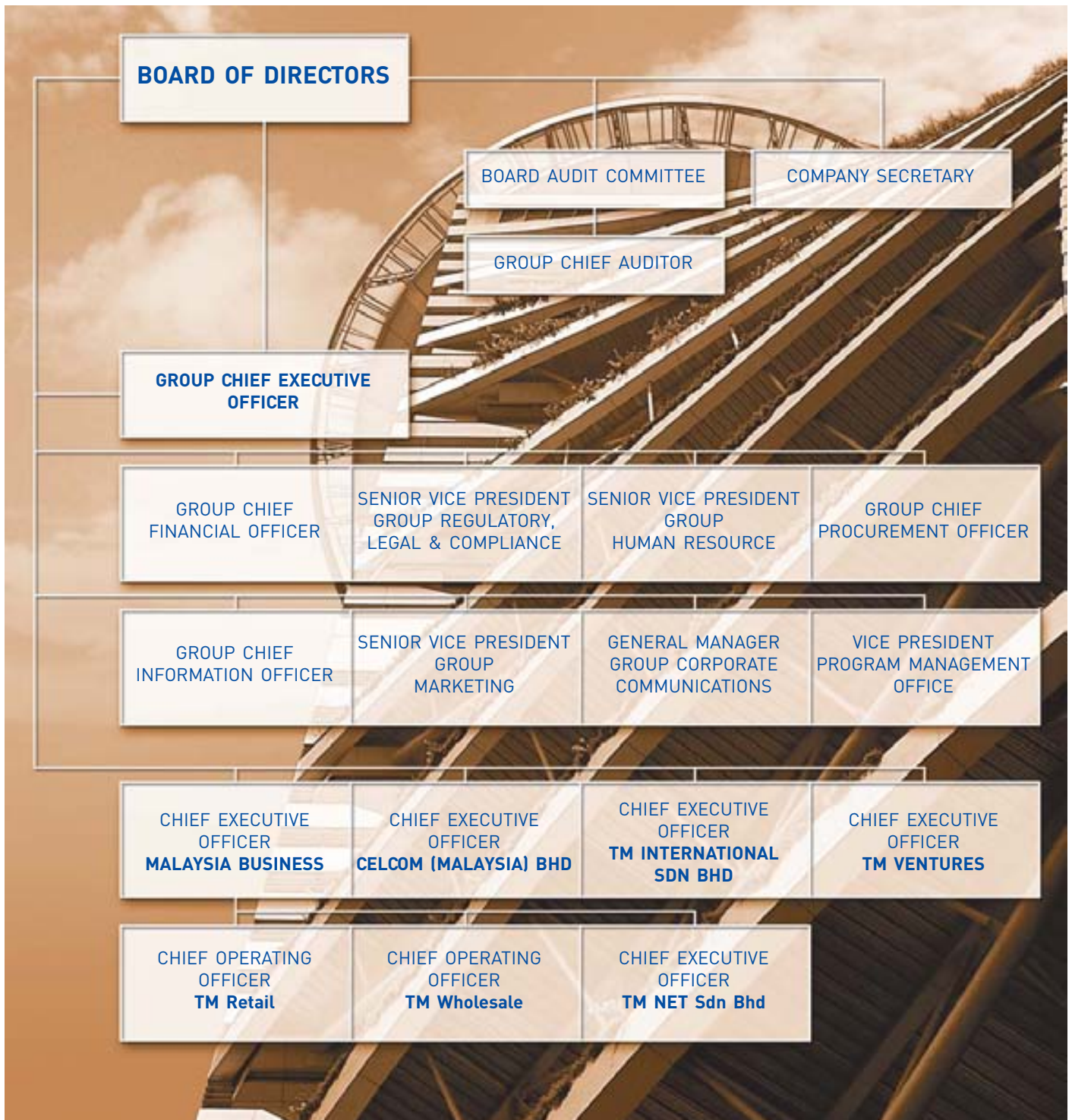
- *1 SBU within Telekom Malaysia Berhad
- *2 TM International Sdn Bhd's effective shareholding in Samart I-Mobile Public Company Limited (SIM) is 34.36% by virtue of SIM being a 56.69% subsidiary of Samart Corporation Public Company Limited
- *3 Economic benefit of TM Group in SunShare Investments Ltd is 51% notwithstanding TM Group's equity interest of 80%

TM Ventures*¹

- **66.94%** VADS BERHAD
 - **100%** VADS E-SERVICES SDN BHD
 - **100%** VADS CONTACT CENTRE SERVICES SDN BHD
(Formerly known as Meridian Manpower Sdn Bhd)
 - **100%** VADS PROFESSIONAL SERVICES SDN BHD
 - **100%** VADS SOLUTIONS SDN BHD
- **51%** FIBRECOMM NETWORK (M) SDN BHD
(Held via Celcom Transmission (M) Sdn Bhd)
- **54%** FIBERAIL SDN BHD
- **100%** UNIVERSITI TELEKOM SDN BHD
 - **100%** UNITELE MULTIMEDIA SDN BHD
 - **100%** MMU CREATIVISTA SDN BHD
(Formerly known as Lensa MMU JV Sdn Bhd)
- **100%** MENARA KUALA LUMPUR SDN BHD
- **100%** TM INFO-MEDIA SDN BHD
(Formerly known as Telekom Publications Sdn Bhd)
- **100%** TELEKOM MULTI-MEDIA SDN BHD
 - **51%** TELEKOM SMART SCHOOL SDN BHD
 - **30%** MUTIARA.COM SDN BHD
- **100%** TM PAYPHONE SDN BHD
- **100%** TM FACILITIES SDN BHD
 - **100%** TMF SERVICES SDN BHD
(Formerly known as Teleharta Sdn Bhd)
 - **100%** TMF AUTOLEASE SDN BHD
(Formerly known as TM Autolease Sdn Bhd)
 - **100%** TM LAND SDN BHD
- **70%** MEGANET COMMUNICATIONS SDN BHD
- PROPERTY DEVELOPMENT*¹



Group ORGANISATION Structure



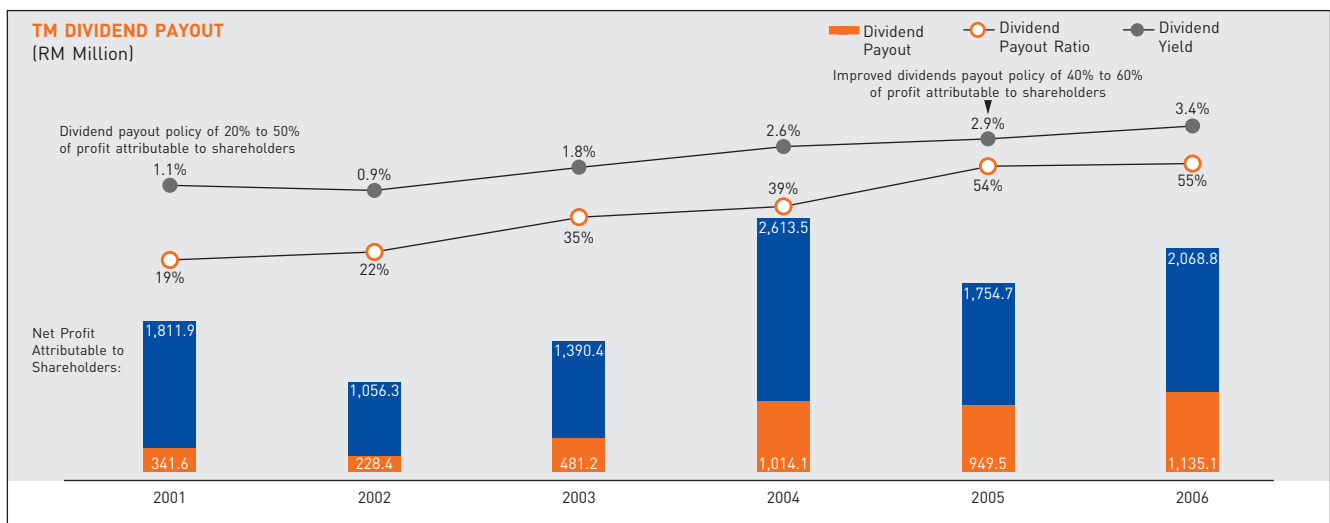
ENHANCING VALUE to Providers of CAPITAL

TM IS COMMITTED IN ENHANCING VALUE TO OUR PROVIDERS OF CAPITAL NAMELY OUR SHAREHOLDERS AND BONDHOLDERS THROUGH CONSTANT REVIEW OF OUR CAPITAL STRUCTURE TO BALANCE CAPITAL EFFICIENCY, FINANCIAL FLEXIBILITY AND IMPROVING RETURNS.

IMPROVING SHAREHOLDER PAYOUT

In our efforts to strengthen and establish TM as a leading Communications Company in this region, we have always remained focused in creating value for our shareholders. In 2006, we declared a proposed total dividend payout of RM1.14 billion to our shareholders which consists of a proposed final gross dividend of 30 sen per share less tax at 27% and an interim gross dividend of 16 sen per share less tax at 28%. This represents an improved dividend payout of 55% and in line with our dividend payout policy of between 40% to 60% of profit attributable to our shareholders.

Our dividend payout has improved over the last six years from 19% in 2001 to 55% in 2006 of net profit attributable to shareholders. In 2005, the Board of Directors had announced an improved dividend payout policy of 40% to 60% profit attributable to shareholders as compared to the previous policy of 20% to 50% profit attributable to shareholders. This improvement is a strong reflection of our increasing commitment to improve shareholders' return. Dividend yield to our shareholders has also shown a steady increase to a yield of over 3% as compared to only 1% five years ago.



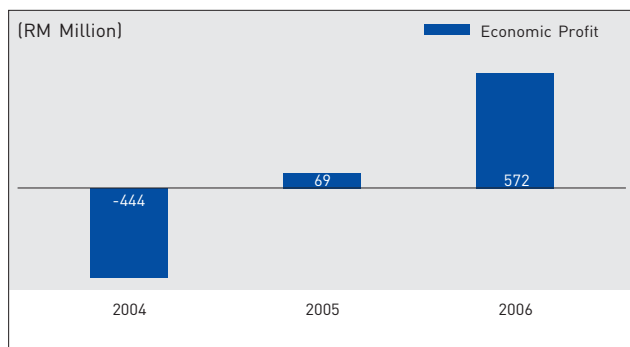
*Net profit excluding effect of FRS 121 in prior years
FY 2005 – Net Profit adjusted for provision of Dete claim of RM879.5 million.
Yield based on closing price at year-end.

Enhancing Value to Providers of Capital

Moving forward, we will continue to place emphasis and focus on providing positive returns to our shareholders, with rewards in line with our dividend payout policy.

BETTER ECONOMIC PROFIT

As part of the Transformation Program to improve the performance of Government-linked companies (GLC), a measure of Economic Profit (EP) was introduced in 2005. Economic Profit measures net profit after deducting a charge to account for the cost of capital utilized to generate this profit. EP is defined as capital invested multiplied by the spread between the return on invested capital (ROIC) and the weighted average cost of capital (WACC).^{*} EP has the benefit of incorporating profitability, size of capital base, return on capital and the cost of capital into a single measure.



^{*}Source: Khazanah Nasional Berhad
 Economic Profit = NOPLAT - (Invested Capital x WACC) where NOPLAT is Net Operating Profit Less Adjusted Taxes

TM has shown strong improvements in EP over the last 3 years where it has managed to turnaround a negative EP of RM444 million in 2004 to RM572 million in 2006. This was made possible through improvements in our earnings and improving weighted average cost of capital.

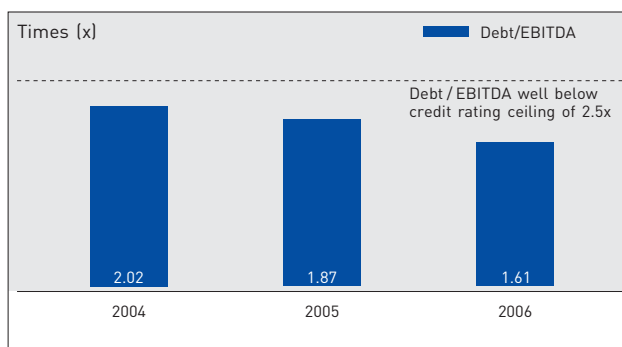
ENHANCING CAPITAL MANAGEMENT

TM has consistently displayed strong fundamentals and a healthy balance sheet. In managing our capital better, we continuously review our capital structure in balancing our flexibility for regional expansion, capital efficiency and improving returns to our providers of capital.

The Group's debt to EBITDA has improved from 2.02 times in 2004 to 1.61 times in 2006. This ratio is well below the downward credit rating risk threshold of 2.5 times Debt to EBITDA.

TM remains committed at maintaining our strong investment grade ratings.

TM is currently rated A2 by Moody's Investors Service, A- by Standard & Poor's and AAA by Rating Agency of Malaysia (RAM).



Moody's Investors Service	A2
Standard & Poor's	A-
Rating Agency of Malaysia	AAA

As part of the Performance Improvement Program (PIP) introduced in the third quarter of 2006, capital management is one of the key strategic thrusts which management will focus on moving forward. Non-core assets have been identified and grouped under TM Ventures where over the next 2 to 3 years, further value is to be unlocked through value creation from business turnaround, restructuring or disposal.

PERFORMANCE REVIEW

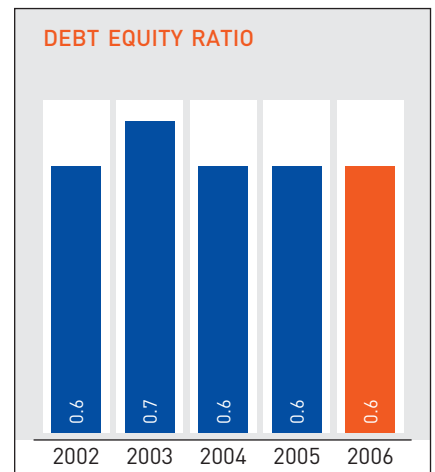
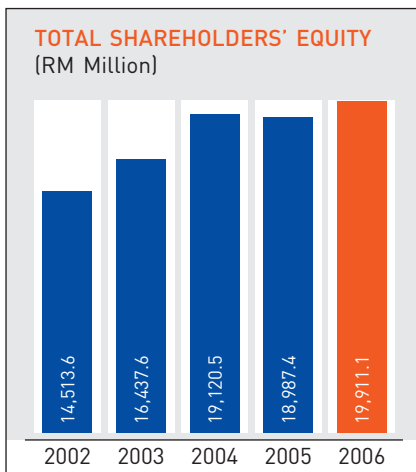
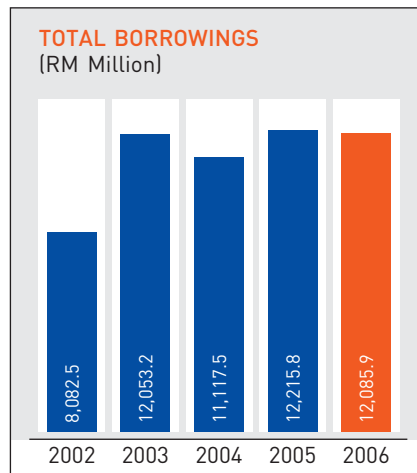
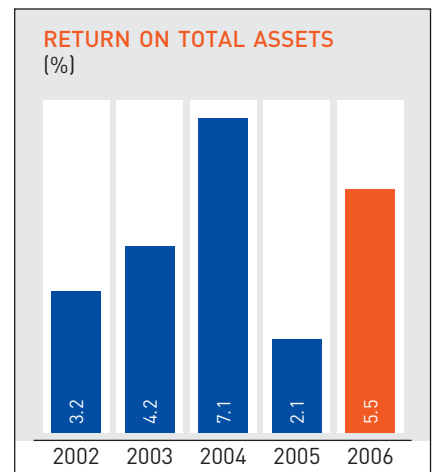
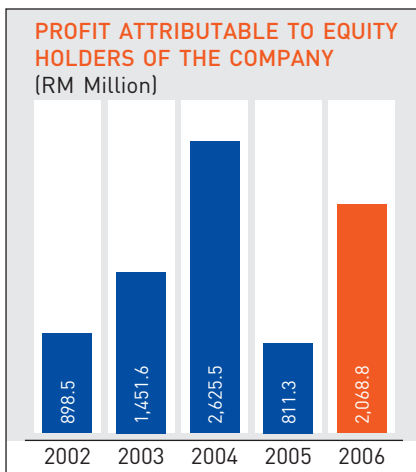
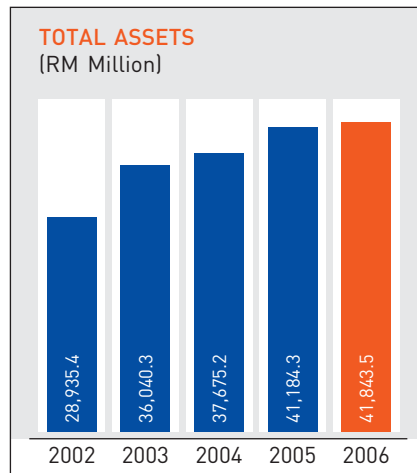
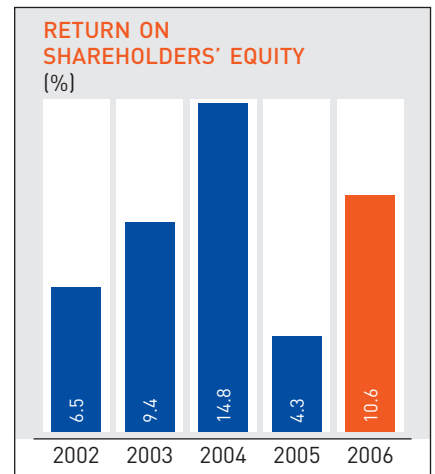
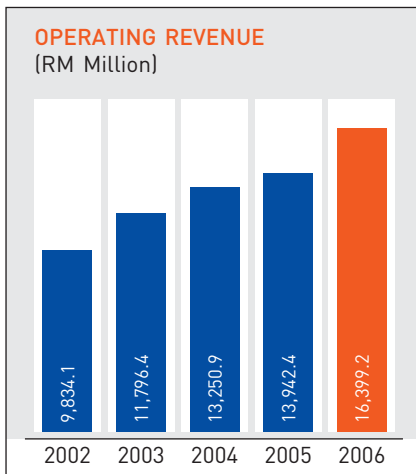
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Five-Year Group FINANCIAL HIGHLIGHTS

In RM Million	2002	2003	2004	2005	2006
1. Operating revenue	9,834.1	11,796.4	13,250.9	13,942.4	16,399.2
2. Profit before taxation ^ *	1,551.6	1,759.1	3,161.9	1,520.4	3,133.2
3. Profit for the year ^ *	924.9	1,505.4	2,688.5	855.5	2,302.3
4. Profit attributable to equity holders of the Company ^ *	898.5	1,451.6	2,625.5	811.3	2,068.8
5. Total shareholders' equity ^ *	14,513.6	16,437.6	19,120.5	18,987.4	19,911.1
6. Total assets ^	28,935.4	36,040.3	37,675.2	41,184.3	41,843.5
7. Total borrowings *	8,082.5	12,053.2	11,117.5	12,215.8	12,085.9
GROWTH RATES OVER PREVIOUS YEARS					
1. Operating revenue	1.7%	20.0%	12.3%	5.2%	17.6%
2. Profit before taxation ^ *	-33.5%	13.4%	79.7%	-51.9%	106.1%
3. Total shareholders' equity ^ *	8.8%	13.3%	16.3%	-0.7%	4.9%
4. Total assets ^	5.6%	24.6%	4.5%	9.3%	1.6%
5. Total borrowings *	7.2%	49.1%	-7.8%	9.9%	-1.1%
SHARE INFORMATION					
1. Per share					
Earnings (basic) ^ *	28.5 sen	45.5 sen	78.6 sen	23.9 sen	61.0 sen
Gross dividend	10.0 sen	20.0 sen	30.0 sen	35.0 sen	46.0 sen
Net assets ^ *	458.3 sen	505.7 sen	565.3 sen	559.9 sen	586.0 sen
2. Share price information					
High	RM10.20	RM9.20	RM12.10	RM12.00	RM10.40
Low	RM6.90	RM7.15	RM8.25	RM9.15	RM8.60
FINANCIAL RATIO					
1. Return on shareholders' equity ^ *	6.5%	9.4%	14.8%	4.3%	10.6%
2. Return on total assets ^ *	3.2%	4.2%	7.1%	2.1%	5.5%
3. Debt equity ratio ^ *	0.6	0.7	0.6	0.6	0.6
4. Dividend cover ^ *	2.8	2.2	2.6	0.7	1.3

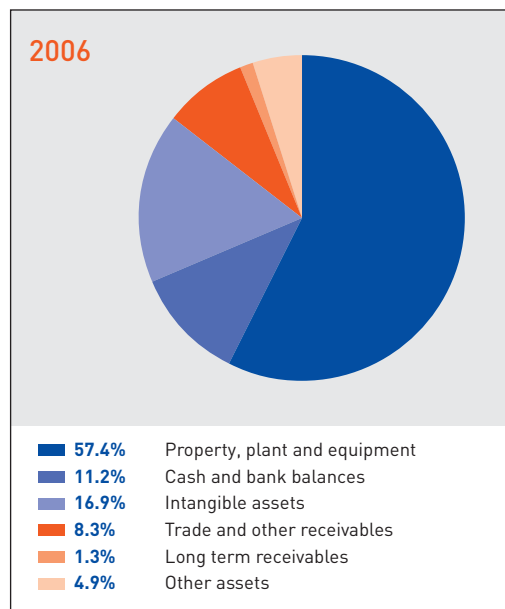
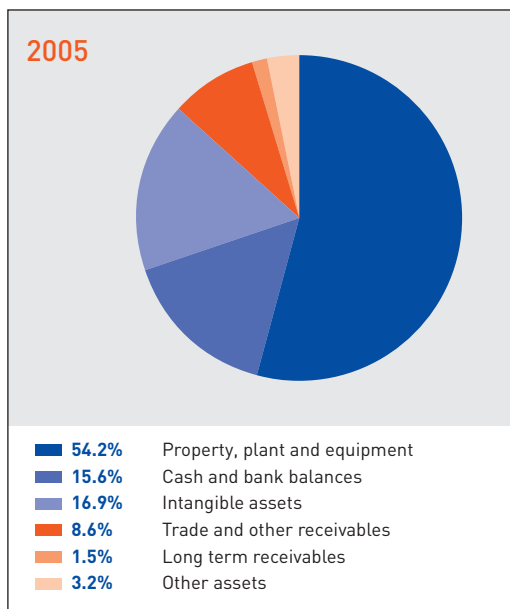
^ Comparative figures for 2002 are restated to conform with the change in accounting policy with respect to the recognition of deferred tax and goodwill and change in presentation as explained in the 2003 financial statements.

* Comparative figures for 2002 - 2005 are restated to conform with the change in accounting policy and presentation as explained in the 2006 financial statements.

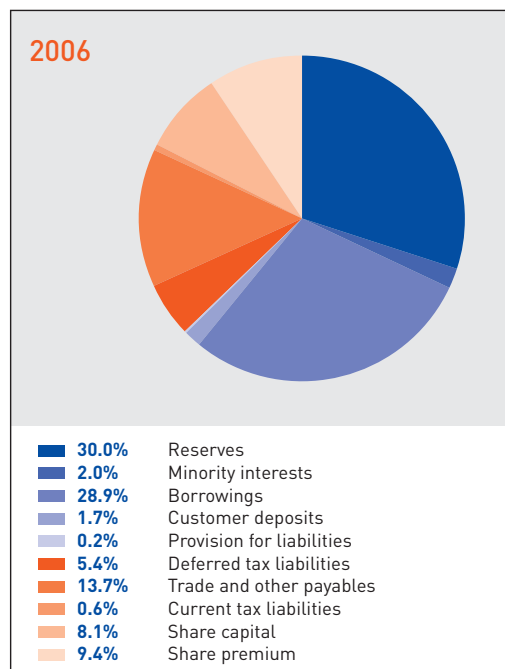
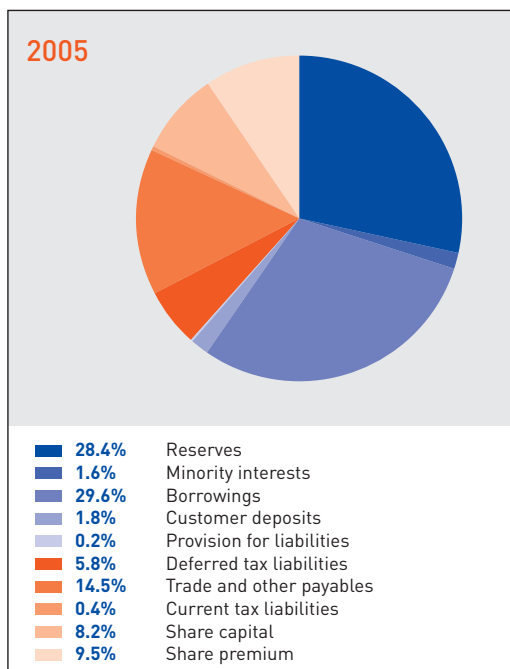


Simplified Group BALANCE SHEETS

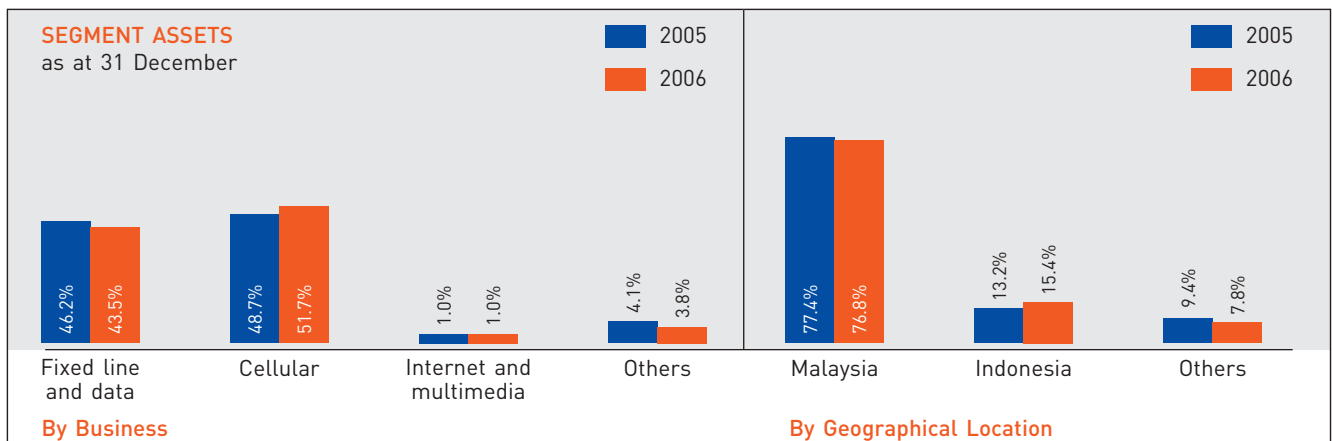
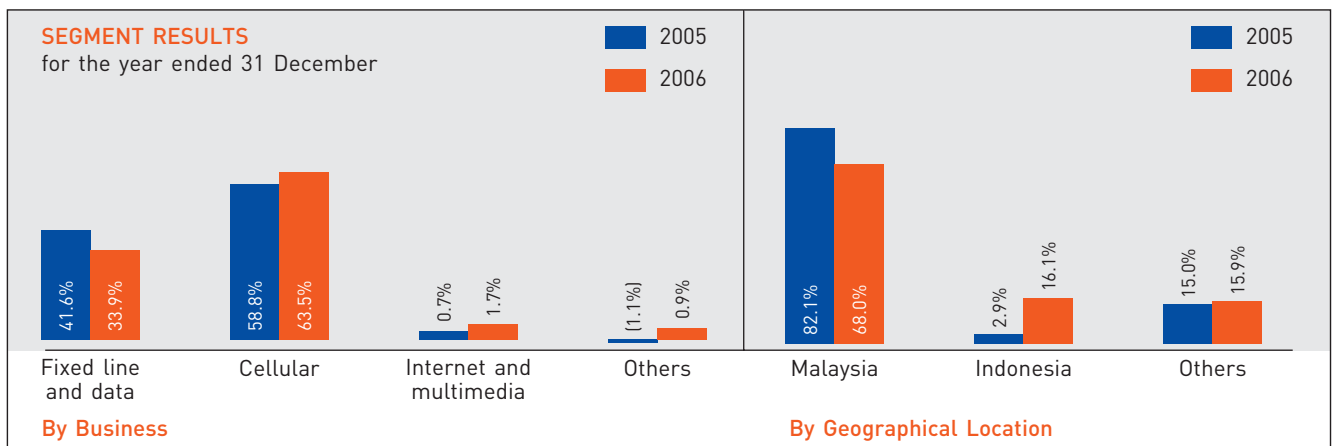
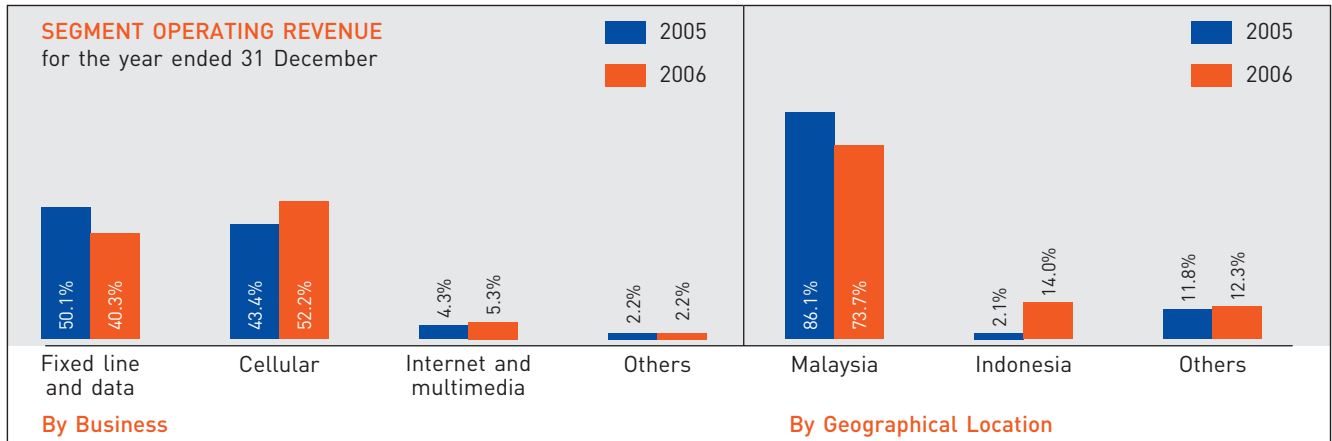
TOTAL ASSETS



TOTAL LIABILITIES & SHAREHOLDERS' EQUITY



Group SEGMENTAL ANALYSIS



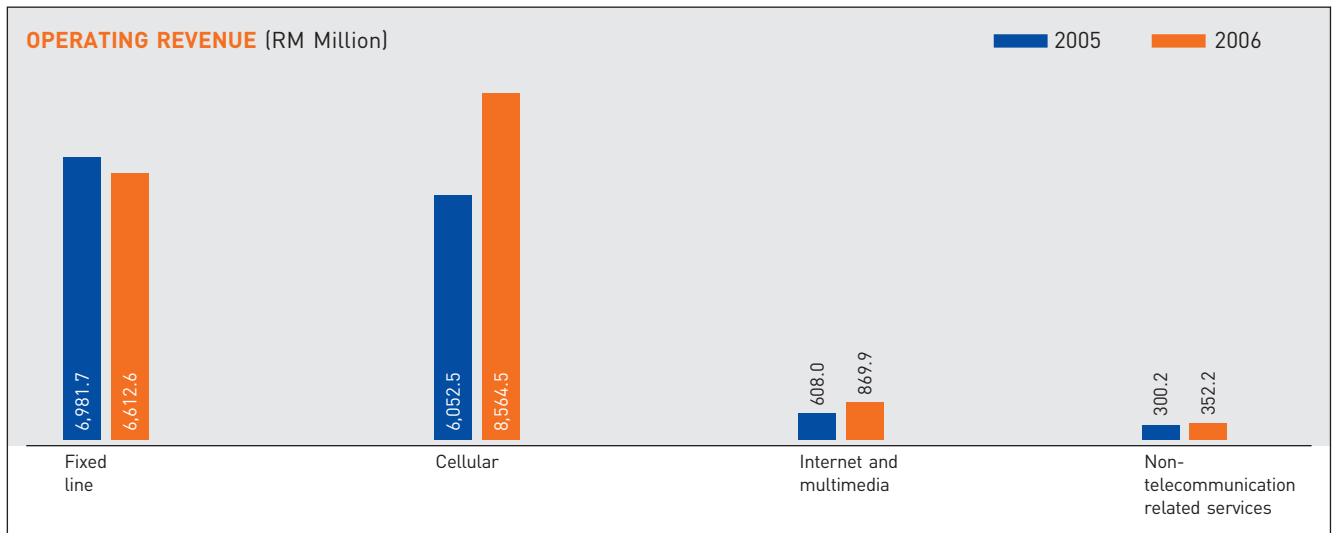
Group QUARTERLY PERFORMANCE

In RM Million	2006				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2006
FINANCIAL PERFORMANCE					
Operating revenue	3,787.6	3,976.3	4,227.5	4,407.8	16,399.2
Operating profit before finance cost	927.7	706.2	851.9	1,004.8	3,490.6
Profit before tax	815.3	671.9	733.7	912.3	3,133.2
Profit attributable to equity holders of the Company	518.9	436.1	482.2	631.6	2,068.8
Earnings per share (sen)	15.3	12.9	14.2	18.6	61.0
Dividends per share (sen)	—	16.0	—	30.0	46.0

In RM Million	2005				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2005
FINANCIAL PERFORMANCE					
Operating revenue	3,414.9	3,322.3	3,451.2	3,754.0	13,942.4
Operating profit/(loss) before finance cost *	634.4	548.7	873.0	(287.3)	1,768.8
Profit/(loss) before tax *	532.9	501.8	867.1	(381.4)	1,520.4
Profit/(loss) attributable to equity holders of the Company *	374.5	426.1	712.0	(701.3)	811.3
Earnings/(loss) per share (sen) *	11.1	12.6	20.9	(20.7)	23.9
Dividends per share (sen)	—	10.0	—	25.0	35.0

* Comparative figures for 2005 are restated to conform with the change in accounting policy and presentation as explained in the 2006 financial statements.

Group FINANCIAL REVIEW



OPERATING REVENUE

For the year ended 31 December 2006, the Group registered 17.6% (RM2,456.8 million) growth in operating revenue to RM16,399.2 million as compared to RM13,942.4 million recorded in 2005, mainly driven by the Group's cellular, data, Internet and multimedia services.

Revenue from the cellular services increased significantly to RM8,564.5 million and accounted for 52.2% (2005: 43.4%) of the Group's revenue, surpassing the contribution from fixed line services for the first time.

Revenue from fixed line services (including data services and other telecommunication services) of RM6,612.6 million accounted for 40.3% of the Group's revenue, decreasing from 50.1% in the preceding year. The reduced contribution was in tandem with global trends where customers are migrating from the traditional fixed line services to cellular and broadband services.

Internet and multimedia services registered strong year-on-year revenue growth of 43.1% and contributed 5.3% to the Group's operating revenue as compared to 4.3% in

2005. Revenue contribution from non-telecommunication related services was maintained at the same level with 2005 viz. i.e. 2.2% of the Group's operating revenue.

FIXED LINE SERVICES

Fixed line services comprise business telephony (which also includes ISDN, interconnect, international inpayment), residential telephony, public payphone services, data services and other telecommunication related services. Other telecommunication related services include primarily recoverable works order, maintenance, broadcasting, restoration of submarine cable, managed network services and enhanced value added telecommunication services.

Fixed line services contributed RM6,612.6 million to the Group's revenue in 2006, declining by 5.3% (RM369.1 million) from RM6,981.7 million recorded in 2005. This decline is consistent with international trends and as predicted in the previous year. Various initiatives rolled out under the performance improvement programme to retain and attract customers such as iTalk with Mobile (VOIP call card), Let's Talk campaign and bundling fixed line and broadband services mitigated the decline.

Group Financial Review

CELLULAR SERVICES

Revenue from cellular services comprised rental, call charges, short message services, roaming and interconnect charges terminating at mobile, registered a significant growth of 41.5% (RM2,512.0 million) from the RM6,052.5 million recorded in 2005 to RM8,564.5 million in 2006. Consolidation of full year results of a foreign subsidiary, PT Excelcomindo Pratama Tbk (XL) accounted for RM2,016.8 million of the above increase. XL became a subsidiary of the Group in October 2005 and hence only two months' results of XL were consolidated in the preceding year. Celcom (Malaysia) Berhad (Celcom), and overseas subsidiaries namely Dialog Telekom Limited (Dialog) and TM International (Bangladesh) Limited (TMIB) jointly contributed to the remaining increase.

Celcom's revenue grew by 0.7% to RM4,526.0 million despite a net decline of 1.3 million in customers resulting from the prepaid registration exercise.

Dialog continued to show steady revenue growth in the current year, registering Sri Lanka Rupee (SLR) 25,679.5 million (RM907.0 million) revenue, an increase of 42.4% as compared to SLR18,034.4 million (RM679.9 million) recorded in the preceding year. The commendable revenue growth was driven by a robust growth in the customer base which increased by 46.2% to 3.1 million as well as growth in coverage and increased international traffic. The revenue growth in Ringgit Malaysia (RM) was only 33.4% due to depreciation of SLR against RM.

TMIB also recorded robust revenue growth of 41.6% to Bangladesh Taka 13,139.6 million (RM704.3 million) driven by a corresponding growth in customers.

INTERNET AND MULTIMEDIA SERVICES

Internet and multimedia services continued to record improved performance in 2006, registering 43.1% growth in revenue to RM869.9 million as compared to RM608.0 million in 2005. The above strong performance was achieved following aggressive promotional activities undertaken by TM Net Sdn Bhd (TM Net), as evidenced by a 74.5% increase in customer base to 864,000 at the end of 2006 from 495,000 at the end of 2005.

NON-TELECOMMUNICATION RELATED SERVICES

Non-telecommunication related services comprise services from subsidiaries with core business in education, printing and publication of directories, property development, trading in consumer's premises equipment and etc. Revenue from these services grew by 17.3% (RM52.0 million) mainly due to higher contribution from TM Facilities Sdn Bhd arising from disposal of land held for sales.

OPERATING COSTS

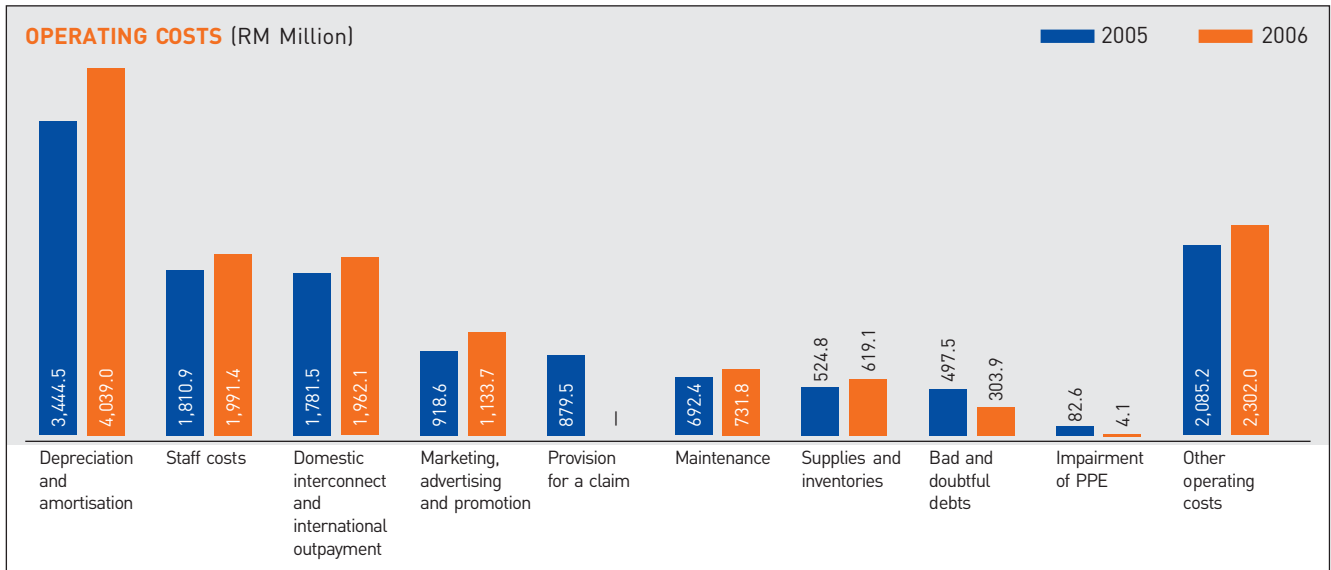
For the year ended 31 December 2006, the Group's operating costs rose by 2.9% (RM369.6 million) from RM12,717.5 million recorded in 2005 to RM13,087.1 million in 2006. The current year operating costs were however 10.6% (RM1,249.1 million) higher than the normalised operating costs of RM11,838.0 million in the preceding year (excluding the provision for a claim by DeTeAsia Holdings GmbH (DeTeAsia) amounting to RM879.5 million). Higher operating costs in 2006 were partly attributed to the consolidation of full year results of XL.

DEPRECIATION AND AMORTISATION CHARGES

The Group's depreciation and amortisation charges increased by 17.3% (RM594.5 million) to RM4,039.0 million as compared to RM3,444.5 million recorded in 2005 and accounted for 30.9% of total operating costs. Full year consolidation of XL's results in 2006 accounted for RM504.1 million of the increase. Dialog and TMIB also registered higher depreciation expenses by RM22.1 million and RM59.5 million respectively in 2006 in line with network expansion.

DOMESTIC INTERCONNECT AND INTERNATIONAL OUTPAYMENT

The Group's domestic interconnect and international outpayment increased by 10.1% (RM180.6 million) to RM1,962.1 million as compared to RM1,781.5 million recorded in 2005. The consolidation of XL's full year results contributed RM224.8 million to higher outpayment. Dialog and TMIB also registered higher cost which increased by RM24.2 million and RM20.5 million respectively in line with business expansion and increased revenue. The Company and Celcom jointly recorded net decreases in interconnect outpayment of RM119.2 million.



STAFF COST

The Group’s staff cost rose by 10.0% (RM180.5 million) from RM1,810.9 million registered in 2005 to RM1,991.4 million in 2006 and accounted for 15.2% of operating costs. XL accounted for RM151.9 million of the increase in staff cost consequent from full year consolidation. Increased headcount at subsidiaries such as Dialog, TMIB, VADS Berhad and Fiberail Sdn Bhd (Fiberail) and annual increment also contributed to higher staff cost for the year. Total staff force of the Group stood at 35,824 at the end of 2006 as compared to 34,552 a year ago.

The adoption of Financial Reporting Standard 2 (FRS 2) “Share-based Payment” has resulted in the Group recognising a charge of RM35.8 million to the income statement being the cost of share options granted to employees of the Group. The Group also incurred a cost of RM38.8 million for the voluntary separation scheme undertaken during the current year. In the preceding year, the Group incurred RM161.0 million for the voluntary separation scheme as part of the Group’s manpower rationalisation exercise.

MARKETING, ADVERTISING AND PROMOTIONS

XL mainly contributed to the significant increase in Group’s marketing, advertising and promotion costs that escalated by 23.4% (RM215.1 million) from RM918.6 million in 2005

to RM1,133.7 million in the current financial year. Though Celcom, TM Net, Dialog and TMIB also registered higher advertisement and promotion costs consequent from aggressive marketing activities to promote new products and services, these companies managed to reduce dealers’ commissions, hence mitigating the impact of higher advertisement and promotion costs.

SUPPLIES AND INVENTORIES

The Group’s supplies and inventories cost grew to RM619.1 million, an increase of 18.0% (RM94.3 million) over RM524.8 million recorded in 2005, out of which RM57.4 million was contributed by XL. The Company recorded higher cost of cables (RM41.2 million) resulting from replacement for cable theft cases. Fiberail also recorded a RM22.4 million increase in 2006 for one-off projects undertaken during the year. Reduction in renovation costs of RM27.2 million minimised the net impact of the above increase.

UNIVERSAL SERVICE PROVISION (USP)

The Group incurred higher USP cost of RM398.4 million in the current year, up from RM307.9 million a year ago. Celcom and TM Net jointly contributed RM82.9 million to the increase arising from change in basis of calculation and under accrual for prior years. The remaining balance of the increase in USP cost was contributed by XL.

Group Financial Review

FOREIGN EXCHANGE DIFFERENCES

In line with the appreciation of Ringgit Malaysia against the US Dollar, the Company recorded significant gains on foreign exchange largely arising from revaluation of US Dollar borrowings. XL also recorded substantial gains on translation of borrowings in US Dollar currency. As a result, the Group registered net gains on foreign exchange of RM361.0 million in the current year as compared to net losses of RM100.6 million in the preceding year. This gain on foreign exchange mitigated the impact of increased costs as explained earlier.

OTHER OPERATING INCOME

Other operating income declined significantly from RM543.9 million in 2005 to RM178.5 million in 2006 primarily due to the absence of one-off compensation for loss of exclusive rights amounting to RM137.0 million and gain on dilution/partial disposal of investment in Dialog amounting to RM259.0 million pursuant to its listing on the Colombo Stock Exchange in July 2005. The gain on disposal of equity interest in a former associate, Ghana Telecommunications Company Limited, in the current year amounting to RM77.4 million mitigated the reduction.

NET FINANCE COST

The Group's net finance cost increased by 10.7% from RM350.4 million in 2005 to RM387.9 million in 2006 primarily attributed to the full year consolidation of XL's results which accounted for RM191.7 million of higher net finance cost. The Company and Celcom registered lower net finance costs of RM66.2 million and RM26.0 million respectively in line with reduced borrowings. The amortisation of fair value adjustment of borrowings amounting to RM37.8 million also mitigated the impact of increased cost of XL.

CONTRIBUTION FROM JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

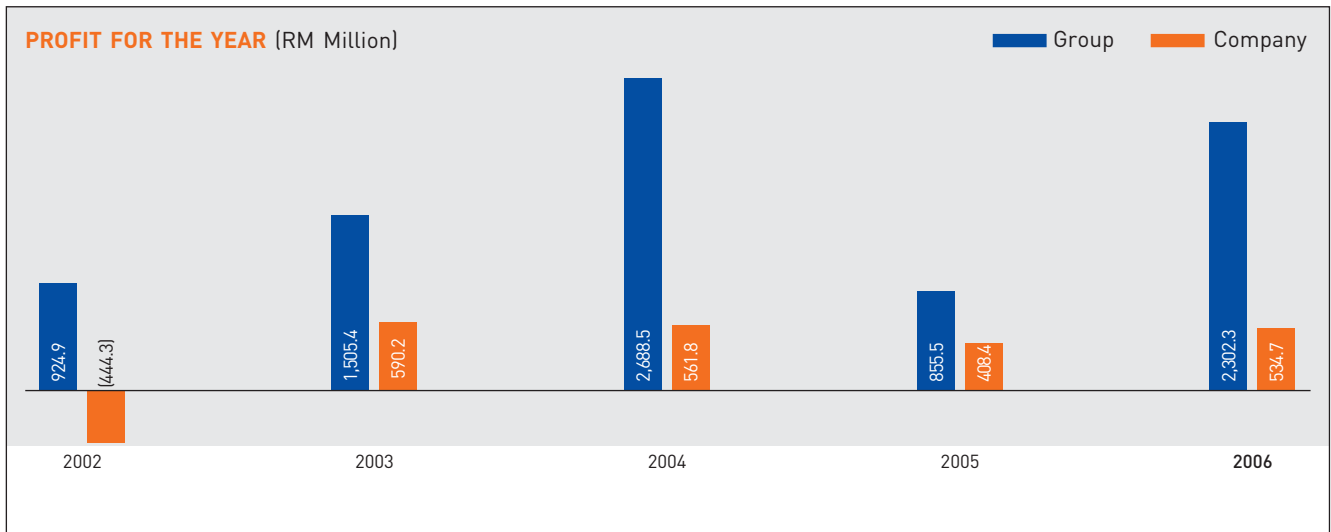
The share of results in jointly controlled entities in 2006 was RM10.6 million which consisted of share of profit in Sunshare Investments Ltd of RM38.0 million and share of losses of Spice Communications Limited of RM27.4 million.

Samart Corporation Public Company Limited and Samart I-Mobile Public Company Limited mainly contributed to the current year's share of results of associates whereas the corresponding period in 2005 included share of XL's losses when it was an associate.

The preceding year also recorded RM83.9 million gain on dilution of XL pursuant to its IPO exercise and gain on disposal of Celcom Timur Sarawak. No such gain was registered in the current financial year.

TAXATION EXPENSES

The Group's effective tax rate in 2006 was 26.5% as compared to 43.7% in 2005. The high effective tax rate in 2005 was mainly due to higher expenses not deductible for taxation purposes mainly provision for DeTeAsia claim, impairment of investments and also a one-off lump sum deferred tax adjustment of a foreign subsidiary in 2005. The current year's effective tax rate of the Group was lower than the statutory rate mainly attributed to higher foreign exchange gain which is not subjected to tax, profits registered by subsidiaries with low tax charge due to tax exemption status as well as reduction in deferred tax expense arising from the change in tax rate.



PROFITABILITY

Consequent from the higher operating revenue, foreign exchange gains and the absence of provision for DeTeAsia claim, the Group posted a higher profit for the year of RM2,302.3 million, which was 169.1% higher than the RM855.5 million recorded in the preceding year.

TOTAL ASSETS

Total assets of the Group grew marginally by 1.6% to RM41,843.5 million as compared to RM41,184.3 million in 2005 largely due to increases in property, plant and equipment (PPE) and jointly controlled entities after netting off against decrease in cash and bank balances.

PROPERTY, PLANT AND EQUIPMENT (PPE)

During the year, XL, Dialog, TMIB and Celcom embarked on aggressive network expansion programs. This resulted in an increase in PPE of RM1,291.1 million, RM218.8 million, RM470.9 million and RM170.5 million respectively. Fiberail also recorded higher PPE by RM86.6 million following acquisition of assets from Petrofibre Network (M) Sdn Bhd. The Company's PPE declined by RM599.0 million because the depreciation charge was greater than asset additions in the current year. Hence, the Group's PPE only increased by 7.6% (RM1,705.6 million) between 2005 and 2006.

INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

During the year, the Group acquired 49.0% equity interest in Spice Communications Limited, a jointly controlled entity. As a result, the Group's investments in jointly controlled entities increased significantly from RM137.5 million in 2005 to RM807.5 million in 2006.

INVESTMENTS IN ASSOCIATES

The Group's investments in associates rose by 114.8% between 2005 and 2006 to RM220.6 million following the acquisition of Samart I-Mobile Company Limited.

CASH AND BANK BALANCES

Cash and bank balances of the Group decreased by 27.0% (RM1,735.2 million) between the year under review to RM4,680.4 million mainly due to payments to DeTeAsia, payment of final dividend for the year 2005 and interim dividend for the year 2006, payment for purchases of assets, and acquisitions of new investments as mentioned above which were more than net cash inflow generated from operating activities and new borrowings.

TOTAL LIABILITIES

The Group's total liabilities stood at RM21,095.9 million at the end of 2006, declining by 2.1% (RM447.0 million) as compared to a year ago primarily attributed to reduced borrowings, deferred tax liabilities and payables.

Group Financial Review

BORROWINGS

XL, Dialog, TMIB and a few other subsidiaries obtained new borrowings amounting to RM2,344.9 million to finance their network and business expansion programs. Despite new borrowings being greater than repayments during the year, the Group's total borrowings as at 31 December 2006 of RM12,085.9 million were marginally lower than RM12,215.8 million at the end of the preceding year mainly attributed to significant gains on revaluation of foreign currency borrowings registered by the Company and XL as well as gains on translation of the borrowings of foreign subsidiaries.

DEFERRED TAX LIABILITIES

The Group's deferred tax liabilities decreased by RM106.8 million to RM2,261.9 million in 2006 primarily attributed to the effect of change in the corporate tax rate as explained earlier.

TRADE AND OTHER PAYABLES

Trade and other payables of the Group declined by 4.0% (RM240.0 million) between 2005 and 2006 mainly due to payment for a claim by DeTeAsia being greater than the increase in trade payables and deferred revenue.

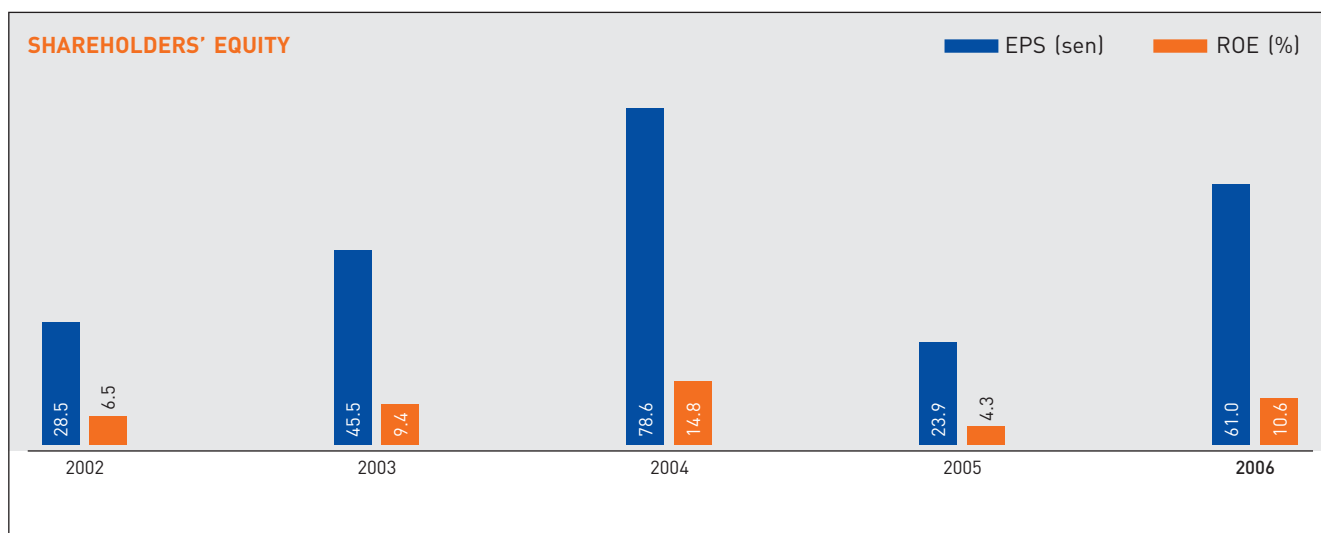
SHAREHOLDERS' EQUITY

The shareholders' equity of the Group remained strong at RM19,911.1 million, an increase of 4.9% from RM18,987.4 million as at 31 December 2005. The increment was

primarily due to the strong profits attributable to the equity holders of the Company of RM2,068.8 million which were higher than the total dividends paid out during the year of RM1,001.9 million. Increase in paid-up capital and share premium pursuant to employees exercising their share options under the Company's employees' share option scheme also contributed to higher shareholders' equity.

Consequent from higher profit for the year attributable to equity holders of the Company as mentioned above, basic earnings per share (EPS) increased from 23.9 sen in 2005 to 61.0 sen in 2006. Accordingly, return on shareholders' equity (ROE) also increased from 4.3% in 2005 to 10.6% in 2006.

For the current year ended 31 December 2006, an interim gross dividend of 16.0 sen per share less tax at 28% was paid on 18 September 2006 to shareholders whose names appear in the Register of Members and Record of Depositors on 23 August 2006. Together with the proposed final gross dividend of 30.0 sen per share less tax at 27% subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, the total dividend paid out based on issued paid-up capital as at 31 December 2006 would amount to approximately RM1,135.1 million, representing 54.9% of the profit attributable to equity holders of the Company in line with the Company's dividend policy of between 40% and 60% of the profit attributable to equity holders.



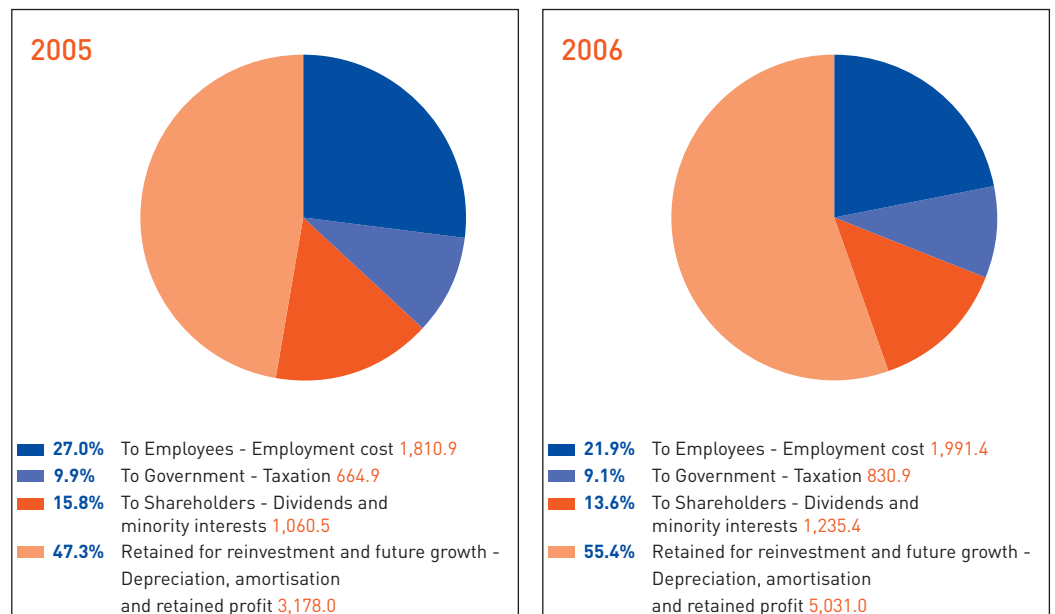
Statement of VALUE ADDED

Value added is a measure of wealth created. The following statement shows the Group's value added for 2005 and 2006 and its distribution by way of payments to employees, governments and shareholders, with the balance retained in the Group for reinvestment and future growth.

In RM Million	2005	2006
VALUE ADDED		
Revenue	13,942.4	16,399.2
Purchase of goods and services	(7,523.6)	(7,131.6)
Value added by the Group	6,418.8	9,267.6
Other operating income	543.9	178.5
Finance income	313.0	234.0
Finance cost	(663.4)	(621.9)
Share of results of jointly controlled entities/associates	10.5	30.5
Gain on dilution/disposal of investment in associates	91.5	—
Value added available for distribution	6,714.3	9,088.7
DISTRIBUTION		
To Employees		
Employment cost	1,810.9	1,991.4
To Government		
Taxation	664.9	830.9
To Shareholders		
Dividends	1,016.3	1,001.9
Minority interests	44.2	233.5
Retained for reinvestment and future growth		
Depreciation and amortisation	3,444.5	4,039.0
Retained profit	(266.5)	992.0
Total distributed	6,714.3	9,088.7

Distribution of VALUE ADDED

(RM Million)



BUSINESS & OTHER Statistics

Year ended 31 December	2002	2003	2004	2005	2006
MALAYSIA BUSINESS					
Customer Base					
1. Residential telephone	3,406,655	3,328,456	3,236,457	2,886,077	2,924,284
2. Business telephone	1,264,844	1,295,185	1,429,675	1,457,112	1,509,542
3. Public Payphones	79,479	79,613	73,498	70,063	64,567
4. Leased Circuits	—	—	54,733	48,437	46,409
5. ISDN	64,976	63,587	58,469	52,876	51,414
6. Other services	4,671	4,488	3,889	3,826	3,480
7. Toll Free (1-300 and 1-800)	1,703	2,195	3,156	3,425	3,857
8. Total access lines	4,593,300	4,623,641	4,416,135	4,343,189	4,433,826
9. Total access lines per 100 population	18.8	18.1	17.2	16.6	16.6
10. Access Services	1,480,327	1,741,108	2,178,406	2,564,407	3,189,517
11. Application Services	7,937	9,158	9,685	21,633	284,890*1
12. Content Services	380,884	480,290	636,491	796,489	1,023,409
Network Capacity ('000)					
13. Kilometers cable pair	30,850	31,040	31,644	32,110	32,559
14. Fibre kilometers	356	472	637	722	790
15. Exchange lines	8,656	8,679	8,684	8,684	8,684
16. International gateway exchange	40.3	45.7	45.7	45.7	43.14
Productivity					
17. Number of employees	—	—	17,846	16,097	15,228
18. Number of access lines per employee	—	—	257.5	269.8	291.2
Quality of Service					
19. Total faults report per line	0.4	0.3	0.28	0.15	0.137
20. Leased circuits fault restoration (within 24 hours - %)	96.7	97.5	93.7	99.7	99.31
21. Complaints of bills issued (%) - TM Net	—	0.09	0.07	0.02	0.02
22. Number of complaints per 1,000 customers - TM Net	—	46	28	22	12
CELCOM (MALAYSIA) BERHAD					
Customer Base					
1. Postpaid	—	1,176,860	1,104,419	1,118,138	1,230,517
2. Prepaid	—	3,160,065	4,230,998	5,740,078	4,848,753
Network Capacity ('000)					
1. No. of BTS ('000)	—	5,322	3,749	4,202	5,053
2. Network Switching System (NSS) capacity ('000)	—	5,046	5,680	6,155	8,830
3. Coverage populated area (%)	—	95	96	97	98
Productivity					
1. Number of employees	—	4,264	4,019	3,461	3,679
2. Revenue per employee (RM'000)	—	858	1,063	1,306	1,239
3. Customer per employee	—	1,017	1,328	1,982	1,652
Quality of Service					
1. 013/019 - Overall Network Availability (%)	—	—	99.37	99.41	99.42

*1 Value Added Services (VAS) are reflected in Application Services for 2006.

Year ended 31 December	2002	2003	2004	2005	2006
TM INTERNATIONAL SDN BHD					
Number of Customers					
1. PT Excelcomindo Pratama Tbk	1,679,148	2,943,972	3,791,049	6,978,519	9,527,970
2. TM International (Bangladesh) Limited	161,265	401,680	1,103,465	3,051,917	5,762,093
3. Dialog Telekom Limited	486,006	825,284	1,358,641	2,123,801	3,105,649
4. Telekom Malaysia International (Cambodia) Company Limited	54,095	84,221	103,147	154,504	228,969
5. Mobile Telecommunications Company of Esfahan	—	15,536	16,211	19,042	20,459
6. MobileOne Limited	1,049,000	1,068,000	1,162,000	1,246,000	1,337,000
Network Capacity (number of BTS)					
1. PT Excelcomindo Pratama Tbk	950	1,491	2,357	4,324	7,260*
2. TM International (Bangladesh) Limited	223	369	505	1,548	2,770
3. Dialog Telekom Limited	273	588	672	833	1,211
4. Telekom Malaysia International (Cambodia) Company Limited	66	96	136	170	202
5. Mobile Telecommunications Company of Esfahan	20	20	28	29	56
Number of Employees					
1. PT Excelcomindo Pratama Tbk	1,355	1,515	1,543	1,867	2,061
2. TM International (Bangladesh) Limited	310	378	652	1,087	1,541
3. Dialog Telekom Limited	703	926	1,215	1,711	2,290
4. Telekom Malaysia International (Cambodia) Company Limited	293	387	410	466	470
5. Mobile Telecommunications Company of Esfahan	26	28	36	46	47
6. MobileOne Limited	1,482	1,460	1,435	1,382	1,350

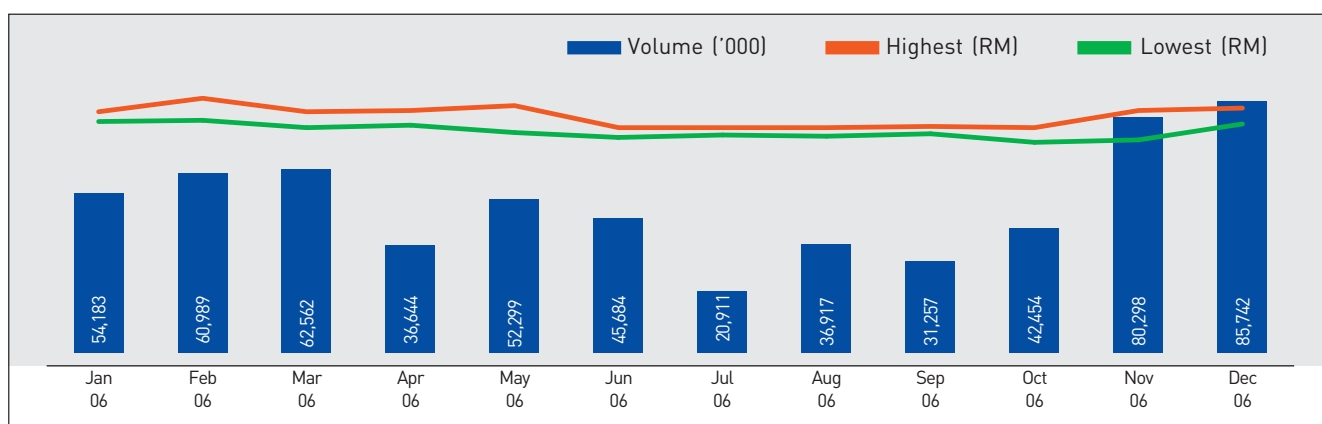
* Including 981 Node B.

Note: The figures reported above are for cellular operations of TM's investments overseas.

SHARE Price & VOLUME Traded

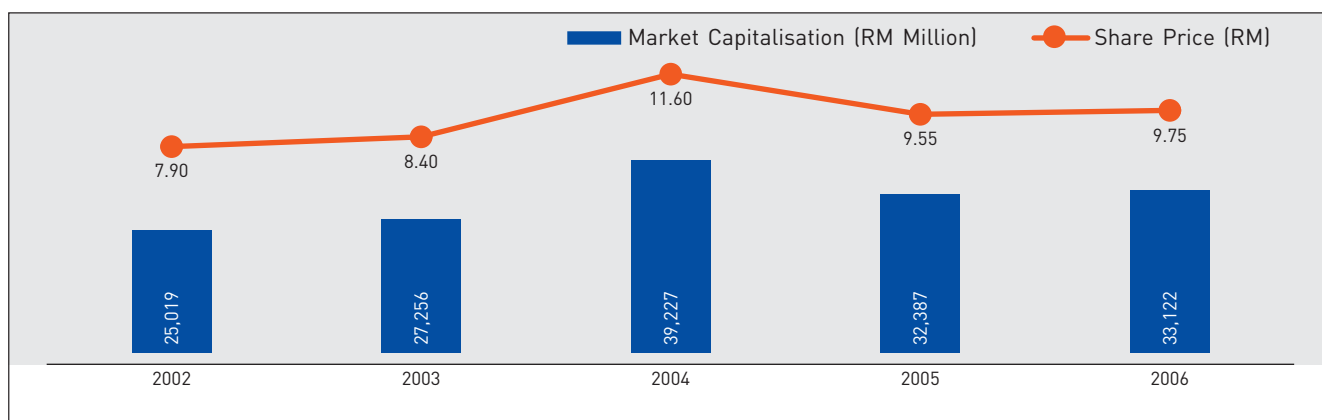
2006 MONTHLY TRADING VOLUME & HIGHEST-LOWEST SHARE PRICE

	2006											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	54,183	60,989	62,562	36,644	52,299	45,684	20,911	36,917	31,257	42,454	80,298	85,742
Highest (RM)	9.85	10.40	9.85	9.90	10.10	9.20	9.20	9.20	9.25	9.20	9.90	10.00
Lowest (RM)	9.45	9.50	9.20	9.30	9.00	8.80	8.90	8.85	8.95	8.60	8.70	9.35



Market CAPITALISATION

	2002	2003	2004	2005	2006
Market Capitalisation (RM Million)	25,019	27,256	39,227	32,387	33,122
Share Price (RM)	7.90	8.40	11.60	9.55	9.75



LEADERSHIP

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From Left to Right:

DYG SADIAH ABG BOHAN

(ALTERNATE DIRECTOR TO DATO' AHMAD HAJI HASHIM)
(NON-INDEPENDENT NON-EXECUTIVE DIRECTOR)

ROSLI MAN

(INDEPENDENT NON-EXECUTIVE DIRECTOR)

IR PRABAHAR NK SINGAM

(INDEPENDENT NON-EXECUTIVE DIRECTOR)

DATO' LIM KHENG GUAN

(SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR)

DATO' AZMAN MOKHTAR

(NON-INDEPENDENT NON-EXECUTIVE DIRECTOR)

TAN SRI DATO' IR MUHAMMAD RADZI HAJI MANSOR

(CHAIRMAN)
(NON-INDEPENDENT NON-EXECUTIVE DIRECTOR)

DATO' ABDUL WAHID OMAR

(GROUP CHIEF EXECUTIVE OFFICER)
(NON-INDEPENDENT EXECUTIVE DIRECTOR)

DATO' DR ABDUL RAHIM HAJI DAUD

(INDEPENDENT NON-EXECUTIVE DIRECTOR)

DATO' AHMAD HAJI HASHIM

(NON-INDEPENDENT NON-EXECUTIVE DIRECTOR)



**YB DATUK NUR JAZLAN TAN SRI
MOHAMED**
(INDEPENDENT NON-EXECUTIVE DIRECTOR)

WANG CHENG YONG
(COMPANY SECRETARY)

ZAITON AHMAD
(JOINT COMPANY SECRETARY)

Board of **DIRECTORS**

Profile of DIRECTORS



TAN SRI DATO' IR MUHAMMAD RADZI HAJI MANSOR

NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

65 years of age – Malaysian

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

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

He served in various engineering and management capacities in the former Jabatan Telekom Malaysia (JTM) over 22-year period, including a three-year secondment as Technical Adviser to the Ministry of Energy, Telecommunications and Post. Tan Sri Radzi retired as Director General of Telecommunications upon corporatisation of JTM on 1 January 1987 and was subsequently appointed as Director of Operations of TM. He served as Director of Marketing and Customer Services from 1989 to 1995 and later as Director of Regulatory Management and External Affairs before retiring in July 1996.

From 1997 to 1999, he was retained as a Consultant/Adviser on multimedia flagship application projects for the Multimedia Development Corporation Sdn Bhd (MDeC), a company established by the Malaysian Government to oversee the development and implementation of multimedia projects. He was appointed a Director of MDeC on 1 May 2005 in his capacity as Chairman of TM.

Apart from his directorship in several companies in TM Group, Tan Sri Radzi is currently the Chairman of Celcom (Malaysia) Berhad, Dialog Telekom Limited, Menara Kuala Lumpur Sdn Bhd and TM International Sdn Bhd and President Commissioner of PT Excelcomindo Pratama Tbk. He is co-chairman of the Malaysian Industry-Government Group for High Technology (MIGHT).

Tan Sri Radzi currently serves as Chairman of TM's Board Employees' Share Option Scheme Committee and Board Dispute Resolution Committee. He has attended all the thirteen (13) Board of Directors' Meetings of the Company held during the financial year. Tan Sri Radzi is a Non-Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of TM. He has never been charged for any offence. He has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



DATO' ABDUL WAHID OMAR

GROUP CHIEF EXECUTIVE OFFICER

NON-INDEPENDENT EXECUTIVE DIRECTOR

43 years of age – Malaysian

Dato' Abdul Wahid Omar was appointed Group Chief Executive Officer (Group CEO) of TM on 1 July 2004. He was formerly the Managing Director/Chief Executive Officer of United Engineers (Malaysia) Berhad and UEM World Berhad. He was also the Executive Vice Chairman of PLUS Expressways Berhad. Prior to his stint at UEM Group, Dato' Abdul Wahid served TM as the Chief Financial Officer in 2001.

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

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

Dato' Abdul Wahid was the recipient of the Malaysia's CEO of the Year Award 2006 from Business Times and Maybank/American Express.

As the Group CEO, Dato' Abdul Wahid sits on various Board committees including the Board Tender Committee, Board Employees' Share Option Scheme Committee and Board Dispute Resolution Committee. He is also the Deputy Chairman of Celcom (Malaysia) Berhad and Director of VADS Berhad and several other companies in the TM Group. He was appointed an Alternate Director to Tan Sri Dato' Ir Muhammad Radzi Haji Mansor on the Board of the Multimedia Development Corporation Sdn Bhd on 1 May 2005.

Dato' Abdul Wahid has attended all the thirteen (13) Board of Directors' Meetings of the Company held during the financial year. He is an Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of TM. He has never been charged for any offence. He has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

Profile of Directors

DATO' AHMAD HAJI HASHIM

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

55 years of age – Malaysian

Dato' Ahmad Haji Hashim was appointed Director of TM on 14 September 2005. He graduated from the University of Malaya with a Bachelor of Economics (Hons) in 1974 and obtained his Master in Business Administration from City University, Washington State, USA in 1983. He has also attended the Oxford Advanced Management Programme, University of Oxford, United Kingdom conducted in 2004.

Dato' Ahmad began his career in 1974, as an Assistant Secretary, Implementation and Coordination Unit, in the Prime Minister's Department and has served numerous Ministries including the Ministry of Finance between 1977 and 1984, holding various positions, before joining the Ministry of International Trade and Industry as the Principal Assistant Secretary in 1985. In 1992, he joined the Foreign Investment Committee, EPU, Prime Minister's Department as Principal Assistant Secretary. In 1996, Dato' Ahmad was appointed as Deputy Secretary, Economic and International Division, Treasury in the Ministry of Finance (MoF). He was later appointed as Secretary in the Loan Management and Financial Policy Division, Treasury, MoF in 2000. He served in the Ministry of Health as Deputy Secretary General (Finance) in 2003 until he assumed his present position as the Deputy Secretary General (Operation), Treasury, MoF in September 2005.

Dato' Ahmad has previously held directorships and memberships in several organisation between 1999 to 2004, such as Institut Jantung Negara, Islamic Development Bank in Jeddah, Bank Simpanan Nasional, Lembaga Tabung Haji, Perbadanan Labuan, Employees Provident Fund, Johor Corporation, Malaysian Timber Industry Board, Klang Port Management Sdn Bhd and Penang Regional Development Authority.

Throughout his illustrious career with the Malaysian civil service, he has also represented Malaysia in APEC Economic Committee, APEC Finance Ministers/Leaders meetings, Islamic Development Bank Board of Governors meetings, Commonwealth Finance Ministers meetings, Asia-Europe (ASEM) Leaders meeting, WTO meetings among others.

Dato' Ahmad is also a Director of Proton Holdings Berhad and Keretapi Tanah Melayu Berhad.

Dato' Ahmad serves as Chairman of TM's Board Tender Committee, a Member of the Board Audit Committee and Board Employees' Share Option Scheme Committee. He has attended nine (9) out of thirteen (13) Board of Directors' Meetings of the Company held during the financial year. Dato' Ahmad is a Non-Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of TM and has never been charged for any offence. He has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



DATO' AHMAD HAJI HASHIM **DATO' AZMAN MOKHTAR**

DATO' AZMAN MOKHTAR

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

46 years of age – Malaysian

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

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

Dato' Azman is a Director of United Engineers (Malaysia) Berhad, UEM World Berhad and Malaysian Agrifood Corporation Berhad (MAFC). He is also the Chairman of ValueCap Sdn Bhd and South Johor Investment Corporation Berhad (SJIC).

He also serves as Chairman of TM's Board Nomination and Remuneration Committee and has attended eleven (11) out of thirteen (13) Board of Directors' Meetings of the Company held during the financial year. Dato' Azman is a Non-Executive Director nominated by the Company's major Shareholder, Khazanah and has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

**DATO' DR ABDUL RAHIM
HAJI DAUD**INDEPENDENT NON-EXECUTIVE
DIRECTOR

58 years of age – Malaysian

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

He joined JTM as a Telecommunications Engineer in 1973. He has wide experience in managing business of Telecommunications and Information Technology. In 1988, he was appointed General Manager, Information Systems and became the Senior General Manager, National Network Operations in 1993. In July 1995, he was made Senior Vice President, Network Services before his appointment to head TM's telecommunications business group (TelCo) as its Chief Operating Officer in 1996. Upon his appointment as Executive Director of TM Group in July 1998, he remained as the Chief Operating Officer TelCo until 1 February 2001 when he assumed the position of Executive Director, Corporate Strategy and Development. He was then appointed as the Deputy Chief Executive/Executive Director of TM from 29 May 2001 until his retirement on 30 June 2004. He remained on the Board as a Non-Independent Non-Executive Director of TM for a period of two (2) years until 1 July 2006 when he attained his status as an Independent Non-Executive Director pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad.

He was the first Malaysian to be elected as Chairman of Commonwealth Telecommunications Organisation (CTO) comprising 35 countries for three terms from September 1999 to November 2002. He is a Member of the Board of Engineers, Malaysia and a Fellow of the Institution of Engineers, Malaysia.

Dato' Dr Abdul Rahim serves as a Member of the Board Audit Committee, Board Employees' Share Option Scheme Committee, Board Tender Committee and also as Chairman/Board Member of a number of subsidiaries of TM. He has attended all the thirteen (13) Board of Directors' Meetings of the Company held during the financial year. Dato' Dr Abdul Rahim has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

DATO' LIM KHENG GUANSENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

64 years of age – Malaysian

Dato' Lim Kheng Guan was appointed to the Board of TM on 23 June 2000. He is a Chartered Accountant by profession and an Associate Member of the Malaysian Institute of Accountants, Associate of the Malaysian Institute of Certified Public Accountants, Fellow of Australian Society of Certified Practising Accountants, Associate of the Australian Institute of Bankers and a Member of the Malaysian Institute of Management. He has also attended Advanced Management Programs at Manchester Business School, INSEAD and London Business School.

He has more than 40 years of experience in accounting, management consulting and senior managerial positions in local and multinational public listed companies. Currently, he is the Executive Director of Malaysian Management Consultants Sdn Bhd.

Dato' Lim Kheng Guan currently serves as a Member of the Nomination and Remuneration Committee, Board Audit Committee and Board Dispute Resolution Committee of TM. He is also a Board Member of a number of subsidiaries and associate companies of TM. He has attended all the thirteen (13) Board of Directors' Meetings of the Company held during the financial year. Dato' Lim Kheng Guan has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

**DATO' DR ABDUL RAHIM
HAJI DAUD****DATO' LIM KHENG GUAN**

Profile of Directors

YB DATUK NUR JAZLAN TAN SRI MOHAMED

INDEPENDENT NON-EXECUTIVE DIRECTOR

41 years of age – Malaysian

YB Datuk Nur Jazlan was appointed to the Board of TM on 1 June 2004. He is a Fellow of the Association of Chartered Certified Accountants (FCCA), United Kingdom. He was a Council Member and Chairman of Public Relations Committee of Malaysian Institute of Accountants as well as a Council Member of the Asean Federation of Accountants until September 2005.

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

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

YB Datuk Nur Jazlan is the Independent Non-Executive Chairman of TM's Board Audit Committee and a Member of Board Tender Committee. He is also a Member of Board of Commissioners of PT Excelcomindo Pratama Tbk, Indonesia and Chairman of Multinet Pakistan (Private) Limited, subsidiaries of TM. He has attended twelve (12) out of thirteen (13) Board of Directors' Meetings of the Company held during the financial year. He has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



YB DATUK NUR JAZLAN TAN SRI MOHAMED



IR PRABAHAR NK SINGAM

IR PRABAHAR NK SINGAM

INDEPENDENT NON-EXECUTIVE DIRECTOR

45 years of age – Malaysian

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

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

Ir Prabahar currently serves as a Member of the Board Nomination and Remuneration Committee and Board Tender Committee of TM. He is also a Board Member of a number of subsidiaries and associate companies of TM. He has attended all the thirteen (13) Board of Directors' Meetings of the Company held during the financial year. Ir Prabahar has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

**ROSLI MAN****ROSLI MAN**

INDEPENDENT NON-EXECUTIVE DIRECTOR

53 years of age – Malaysian

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

He joined JTM in 1976 as Assistant Controller where he gained wide exposure in telecommunication services including the task to implement the country's first mobile telecommunication service i.e. ATUR 450. In 1985, he made a career move to the private sector by joining the Fleet group as its Group Manager, Technical Services where he was part of the team responsible in overseeing the roll-out and operations of the nation's first privately operated terrestrial television station namely Sistem Televisyen Malaysia Berhad (TV3). From 1988 to 1996, he was instrumental in setting up the first privately owned telecommunications company in Malaysia i.e. Celcom [Malaysia] Sdn Bhd (CELCOM), catering for the cellular telecommunication business. He left CELCOM as its President in 1996 to join Prismanet Sdn Bhd as Managing Director and held the position until November 1998. In July 2000, he joined Natrindo Telpon Sellular (NTS), the GSM 1800 cellular operator in East Java, Indonesia. As the Chief Operating Officer, he was responsible for the planning, development, successful roll-out of the network and the day-to-day operations of the business. He was then appointed as Deputy Chief Operating Officer of Lippo Telecom to oversee NTS planning, roll-out and operation of NTS National Cellular Operation. He left NTS in January 2002.

Rosli currently serves as an Independent Non-Executive Member of the Board Audit Committee and Board Tender Committee of TM. He is also a Member of Board of Commissioners of PT Excelcomindo Pratama Tbk, Indonesia, a subsidiary of TM. He has attended all the thirteen (13) Board of Directors' Meetings of the Company held during the financial year. Rosli has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

**DYG SADIAH ABG BOHAN****DYG SADIAH ABG BOHAN**NON-INDEPENDENT NON-EXECUTIVE
ALTERNATE DIRECTOR

44 years of age – Malaysian

Dyg Sadiyah Abg Bohan was appointed as Alternate Director to Dato' Ahmad Haji Hashim on 8 February 2007. She graduated from the University of Malaya with a Bachelor of Science (Hons) in 1986 and holds a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1989. She obtained her Master in Business Administration from Universiti Kebangsaan Malaysia in 1998.

Dyg Sadiyah began her career in the Malaysian Civil Service in 1989 as an Assistant Secretary in the Ministry of Agriculture. Thereafter, she was assigned to INTAN and subsequently in 1999, was transferred to the Ministry of Finance. She is currently the Deputy Under Secretary of the Investment, MOF (Inc) and Privatisation Division.

Dyg Sadiyah is a Director of Penang Port Holdings Berhad and an alternate Director of Malaysia Airports Holdings Berhad.

She is also the Alternate Member to Dato' Ahmad Haji Hashim on TM's Board Employees' Share Option Scheme Committee and Board Tender Committee. She has never been charged for any offence and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

Group Senior MANAGEMENT

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01 DATO' ABDUL WAHID OMAR

GROUP CHIEF EXECUTIVE OFFICER

Dato' Abdul Wahid, 43, is a qualified accountant by training. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a member of the Malaysian Institute of Accountants. He has vast experience in the financial services sector and was the Managing Director/Chief Executive Officer of UEM Group, an infrastructure development conglomerate, prior to his appointment as Group Chief Executive Officer of TM on 1 July 2004. He is currently a Director of Bursa Malaysia Berhad, VADS Berhad and a member of the Financial Reporting Foundation of Malaysia and the Investment Panel of Lembaga Tabung Haji. Dato' Abdul Wahid was the recipient of the Malaysia's CEO of the Year Award 2006 from Business Times and Maybank/American Express.

TM CORPORATE CENTRE/GROUP COMPANIES

02 BAZLAN OSMAN

GROUP CHIEF FINANCIAL OFFICER

Bazlan, 43, is a Fellow of the Association of Chartered Certified Accountants (UK) and also a Chartered Accountant of the Malaysian Institute of Accountants. He began his career as an auditor with a public accounting firm from 1986 to 1989 and subsequently served the Sime Darby Group, holding various positions in its corporate office, Singapore and Melaka. He later had a brief stint in American Express in 1993 before joining Kumpulan FIMA Berhad in 1994 where he was subsequently appointed Senior Vice President, Finance/Company Secretary. He joined Celcom in 2001 and his last position there was that of Chief Financial Officer (CFO) prior to his appointment to TM Group CFO on 1 May 2005. He sits on the Board of Commissioners of PT Excelcomindo Pratama Tbk, a public listed company on the Jakarta Stock Exchange. He is also a member of the Issues Committee of the Malaysian Accounting Standards Board.

03 ZAMZAMZAIRANI MOHD ISA

CHIEF EXECUTIVE OFFICER, MALAYSIA BUSINESS

Zamzamzairani, 46, holds a Bachelor of Science Degree in Communication Engineering from Plymouth Polytechnic, United Kingdom and has attended the Kellogg School of Management's programme in 'Corporate Finance, Strategies for Creating Shareholder Value'. He was appointed CEO of Malaysia Business, overseeing TM Retail, TM Wholesale,

TM Net Sdn Bhd and several other related subsidiaries. Prior to the appointment, he was the Senior Vice President, Group Strategy and Technology of TM. He has over 22 years of telecommunications industry experience, starting his career with the then Jabatan Telekom Malaysia in 1984, progressing to General Manager, Global Business, prior to his move to a local mobile operator in 1997. There on, Zamzamzairani held senior positions in several multinational companies within the industry, such as CEO of Global One and Lucent Technologies (Malaysia). In addition to his executive responsibilities, Zamzamzairani also sits on the Board of TM Group subsidiaries, including VADS Berhad.

04 DATO' SRI MOHAMMED SHAZALLI RAMLYCHIEF EXECUTIVE OFFICER,
CELCOM (MALAYSIA) BERHAD

Dato' Sri Mohammed Shazalli, 45, holds a Bachelor of Science (Marketing) from Indiana University, Bloomington, Indiana and a Master of Business Administration from St. Louis University, Missouri, USA. He was appointed as Chief Executive Officer and Director of CELCOM (Malaysia) Berhad (CELCOM) on 1 September 2005. Prior to joining CELCOM, Dato' Sri Shazalli was CEO of ntv7, Malaysia's 7th terrestrial TV station, a position he held for 8 years since its launch in 1998. He also has vast experience in the Fast Moving Consumer Group Industry, working for the Lever Brothers from 1987 to 1993, followed by Malaysian Tobacco Company (MTC) and British American Tobacco (BAT) from 1993 until 1996 both in Malaysia and the United Kingdom.

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Group Senior Management

01 YUSOF ANNUAR YAACOB

CHIEF EXECUTIVE OFFICER,
TM INTERNATIONAL SDN BHD

Yusof Annuar, 41, is an Accountant by profession and a member of the Chartered Institute of Management Accountants and the Malaysian Institute of Accountants. Yusof has both investment banking and corporate management experience. His investment banking career included stints at S.G. Warburg & Co (now known as UBS Warburg), ING Barings Securities Singapore and the Merrill Lynch & Co affiliate in Malaysia. Prior to his appointment as Chief Executive Officer of TM International Sdn Bhd on 1 June 2005, he was an Executive Director at OCB Berhad and a Board member of a number of other public listed companies in Malaysia. Currently, he is also a Board member of several public listed and private companies, locally and internationally.

02 KHAIRUSSALEH RAMLI

CHIEF EXECUTIVE OFFICER, TM VENTURES

Khairussaleh, 39, was appointed CEO of TM Ventures in September 2006 to manage all the non-core businesses and activities of TM Group. He has more than 16 years' experience, primarily in financial services. He graduated from Washington University, St Louis, Missouri, in 1989 with a degree in Business Administration. He served the Public Bank Group for 7 years and gained experience in corporate banking, equity research and futures broking, where his last position was Executive Director of PB Futures. Prior to his current appointment in TM, he spent 8 years at Bursa Malaysia Berhad, his last position there being the Chief Financial Officer.

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03 DATO' ADNAN ROFIEE

CHIEF OPERATING OFFICER, TM RETAIL

Dato' Adnan Rofiee, 52 holds a Bachelor Degree in Electronic Engineering from Brighton Polytechnic, United Kingdom. He has almost 30 years experience in the telecommunications industry where he began his career with JTM in 1977 as a Planning Engineer, Customer Access Network for the Central Region. He was later appointed as the General Manager of the Sarawak Operations Area in 1994. He was the Managing Director of Ghana Telecommunications Co Ltd, an associate company of TM, in 2000 and subsequently appointed as the CEO of TM Cellular Sdn Bhd in February 2001. He was the Senior Vice President of Major Business & Government before assuming his current position as the Chief Operating Officer of TM Retail since 1 July 2004.

04 DATUK HAMZAH YACOBCHIEF OPERATING OFFICER,
TM FACILITIES SDN BHD

Datuk Hamzah, 52 holds a Bachelor of Electronics degree from University Technology Malaysia (UTM). He has almost 30 years of experience in the telecommunications industry and has served TM in various positions since 1978 including as the Head of Specialised Network Services, General Manager of TM Mobile Services, Customer

Network Operations and State General Manager of Johor. He was the CEO of Fiberail Sdn Bhd, a subsidiary of TM, in year 2000 and subsequently, the General Manager, Supply Services & Contract Management in 2001. He was appointed to his current position as Chief Executive Officer of TM Facilities Sdn Bhd on 1 April 2002. Datuk Hamzah is also the Commanding Officer of "Rejimen Semboyan DiRaja Pakar Telekom (AW)" that will take charge of TM's operations in the event of national Emergency declared by the Government.

05 DENNIS KOH SENG HUAT

CHIEF EXECUTIVE OFFICER, VADS BERHAD

Dennis Koh, 45 graduated with a Bachelor of Science (Engineering) degree in Computer Science from the Imperial College of Science & Technology, University of London, United Kingdom in 1984. He began his career in computer networking in 1985 with Malaysian Airlines Systems Berhad (MAS). In 1990, he moved to Paris to join Societe Internationale de Telecommunications Aeronautiques (SITA) as a Project Manager. After 2 years, he joined a new start-up company, VADS Berhad which was a joint-venture between IBM (Malaysia) Sdn Bhd and TM then. Over the following 13 years, he held various senior positions before assuming his current position as the Chief Executive Officer of VADS Berhad on 1 June 2005.

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Group Senior Management

01 DATO' ABDUL AZIZ ABU BAKAR

SENIOR VICE PRESIDENT,
GROUP HUMAN RESOURCE

Dato' Abdul Aziz, 53, holds a Bachelor of Economics (Hons) degree from the University of Malaya. He began his career in 1977 as a Fleet Planning Coordinator with Malaysian Airlines Systems Berhad. He subsequently joined Shell in 1979 where he spent the next 20 years holding several management positions in Internal Audit, Marketing Economics, Sales & Marketing, Supply/Distribution Logistics (joint-venture companies with Petronas) and Human Resource, where his last position was the General Manager for Human Resource and Transformation for ASEAN countries. He left for an international assignment in 1991-1994 with the Shell Group based in London, where he was the shareholders' representative, overseeing Shell's business interests in Hong Kong and China. He was the Executive Vice President, Human Resource of RHB Bank Berhad, responsible for setting the direction, formulating and overseeing the implementation of HR Strategies before joining TM in October 2004 as Senior Vice President, Group Human Resource.

02 DATO' RANBIR SINGH NANRA

SENIOR VICE PRESIDENT, GROUP MARKETING

Dato' Ranbir, 45, holds a Bachelor of Science degree from Australian National University, Canberra, a Diploma in Applied Finance and Investment from Securities Institute of Australia and a Master of Business Administration from Macquarie University, Sydney. He has extensive experience in telecommunications in the Asia-Pacific region, including sales and marketing, market/business development,

strategy and line of business management, in both the wireless and wire-line segments of the industry. He was appointed Senior Vice President, Group Marketing of TM on 1 February 2003.

03 ZAID HAMZAH

SENIOR VICE PRESIDENT, GROUP REGULATORY,
LEGAL & COMPLIANCE

Zaid, 47, a qualified lawyer with a Bachelor of Law from National University of Singapore, he completed his Masters from Fletcher School of Law & Diplomacy, Tufts University, USA on a Fulbright Scholarship. He was appointed as the Senior Vice President, Group Regulatory, Legal & Compliance TM effective 2 April 2007. He has over 21 years of professional work experience spanning government service, legal practice and in-house counsel work with a MNC. Prior to joining TM, Zaid was a consultant to Microsoft's Legal & Corporate Affairs, Asia Pacific, based in Singapore. A Law & Technology Strategist and author of five books on Law, Technology and Strategy, Zaid's specialises in strategic value creation and risk management in the technology sector. He started his career with a stint with the Singapore Ministry of Foreign Affairs, where he spent almost 10 years as the Senior Assistant Director. His career achievements include the development of a strategic intellectual property initiative for Microsoft, acting as a consultant to the Malaysian Government on the development of the Malaysian National Intellectual Property policy in 2003, advising the Malaysian National ICT Security & Emergency Response Centre (NISER) on the development of their E-Security Legal Risk Management Framework and MAMPU on the commercialisation of e-government applications.

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04 AHMAD AZHAR YAHYA

GROUP CHIEF INFORMATION OFFICER

Ahmad Azhar, 43, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University. He began his career as an engineer in Agilent Technologies (formerly known as Hewlett Packard) in 1987. He then joined Accenture in 1990 servicing clients in Malaysia, Asia and Middle East in various industries namely communications, high technology, oil and gas and government agencies. His industry experiences include strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004.

05 HASHIM MOHAMMED

GROUP CHIEF AUDITOR

Hashim, 48, has been the Group Chief Auditor since October 2002. He is also the secretary to the Board Audit Committee. He graduated with a Bachelor of Science degree from Queen Elizabeth College, University of London and holds a Masters in Business Administration (MBA) in International Management from RMIT University in Melbourne, Australia.

Hashim is the former Vice President and current Chartered Fellow of The Institute of Internal Auditors Malaysia, and a member of the Malaysian Institute of Management. He is a member of the Investigation Tribunal, Advocates and Solicitors Disciplinary Board, Bar Council Malaysia since 2004. He is a Chartered Chemist and member of the Royal Society of Chemistry, United Kingdom.

Hashim spent 21 years in Shell holding various management positions spanning marketing, sales, manufacturing, operations, logistics, information technology and internal audit. His responsibilities included managing internal audit services and teams across the Asia Pacific region.

06 GAZALI HARUN

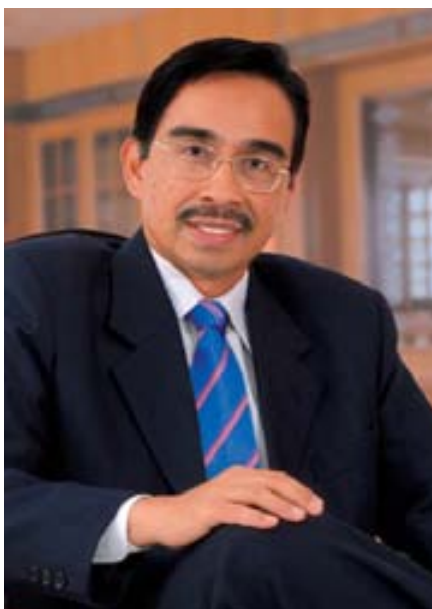
GROUP CHIEF PROCUREMENT OFFICER

Gazali, 49, holds a Bachelor of Science (Finance) degree from Northern Illinois University, and in 1982 obtained a Masters in Business Administration (MBA) from Governors State University. He gained vast experience in corporate banking and corporate finance while serving at a local merchant bank prior to joining TM in 1990. In TM, he was actively involved in treasury management, fund raising activities, mergers and acquisitions, investor relations and overseeing the Enterprise Risk Management Programme for the Group. Prior to his appointment as Group Chief Procurement Officer of TM on 1 June 2005, he was the Vice President, Finance of TM Wholesale.

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Group Senior Management

01 MOHD NOOR OMAR

VICE PRESIDENT,
GROUP PROGRAM MANAGEMENT OFFICE

Mohd Noor, 52, holds an MBA degree from the University of Wales, United Kingdom. He is also a chartered accountant and a member of the Malaysian Institute of Accountants. He was the General Manager of Strategy & Business Analysis of TM International Sdn Bhd (TM International) before assuming his current position as Vice President, Group Program Management Office of TM. Mohd Noor has contributed significantly to the development of TM International since 2004, particularly during the acquisitions in Pakistan, Indonesia, Singapore, India, Cambodia and Thailand. He started his career with PETRONAS where he spent a total of 18 years. Later, he joined Kumpulan Guthrie Berhad and was based in Indonesia. Prior to joining TM International, he was the CEO of an IT consultancy company in Singapore for 3 years.

02 MARIAM BEVI BATCHA

GENERAL MANAGER,
GROUP CORPORATE COMMUNICATIONS

Mariam, 43, holds a Bachelor of Business (Business Administration) with Distinction from RMIT University in Melbourne, Australia and a Diploma in Public Relations

from the Institute of Public Relations Malaysia (IPRM). She is a member of IPRM and is among the first batch of PR practitioners to be accredited by IPRM in 2005. Prior to joining TM in September 2004 as General Manager, Group Corporate Communications, she served as the Head of Group Corporate Communications in Amanah Capital Partners Berhad, and later as the General Manager of Group Corporate Communications in United Engineers (Malaysia) Berhad/UEM World Berhad.

03 WANG CHENG YONG

COMPANY SECRETARY

Yong, 52, has been the Company Secretary of TM since 1998. A qualified Company Secretary by training, she is an Associate member of the Institute of Chartered Secretaries and Administrators. She gained accounting and secretarial experience in Postel Investment Management Ltd in the United Kingdom in 1980 and subsequently, upon her return to Malaysia in 1984, as an Accountant/Company Secretary in a stock/share broking company and Corporate Secretary in the secretarial company, affiliated to the then Arthur Young International. She joined BHL Bank Berhad in 1988 and left as the Senior Secretarial Officer in 1991 to join TM's Company Secretarial Division.

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TM INTERNATIONAL SUBSIDIARIES/ASSOCIATED COMPANIES/AFFILIATES

01 HASNUL SUHAIMI

PRESIDENT DIRECTOR,
PT EXCELCOMINDO PRATAMA TBK, INDONESIA

Hasnul Suhaimi, 50, was appointed President Director of PT Excelcomindo Pratama Tbk (XL) in September 2006. Prior to that, he was a Business Advisor for TM International. He was formerly a director of PT Indosat Tbk from 2002 before assuming the post of President Director of XL in 2006. He has also previously held various senior positions in Indosat Multi Media Mobile (IM3), Telkomsel, and Indosel (a subsidiary of Indosat).

He graduated from the Bandung Institute of Technology, majoring in Electrical Engineering in 1981 and received his Masters of Business Administration degree from the University of Hawaii in 1992.

02 AHMAD ISMAIL

MANAGING DIRECTOR
TM INTERNATIONAL (BANGLADESH) LIMITED (TMIB),
BANGLADESH

Ahmad, 46, holds a degree in Electrical & Electronic Engineering from the University of Aston, United Kingdom and a Masters in Business Administration from Multimedia University, Malaysia.

He has been with TM for 22 years, starting his career in 1985 as an Assistant Controller. Since then, he has held numerous positions as Assistant Manager, State General Manager for SBA Pulau Pinang, and Chief Executive Officer at TSSSB. In 2002, he became Chief Strategy Officer at TM Telco, acquiring skills in regulatory management, competitor management and business development. He was appointed Managing Director of TMIB on 1 September 2005.

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Group Senior Management

01 **DR SHRIDHIR SARIPUTTA HANS WIJAYASURIYA**

CHIEF EXECUTIVE/EXECUTIVE DIRECTOR,
DIALOG TELEKOM LIMITED, SRI LANKA

Dr Hans Wijayasuriya, 38, was appointed to the Board of Dialog Telekom on 19 January 2001. He graduated from Cambridge University, United Kingdom, with a Masters in Electronic Engineering. He also holds a Doctorate in Digital Mobile Communications from Bristol University, United Kingdom. He is a fellow of the Institution of Electrical Engineers (IEE), United Kingdom, and a Chartered Engineer.

Dr Hans has over 13 years of experience in technology-related business management. He has been Chief Executive Officer of Dialog Telekom for 9 years. In addition, he has held the honorary position of Chairman of the Arthur C Clarke Institute, Sri Lanka and Directorships in the Sri Lanka Institute of Information Technology and the Information and Communication Technology Agency of Sri Lanka.

02 **PRAKASH NANANI**

CHIEF EXECUTIVE OFFICER,
SPICE COMMUNICATIONS LIMITED, INDIA

Prakash Nanani, an engineering graduate from the Birla Institute of Technological Sciences in Pilani, has 34 years of experience in various senior positions in Indian multi-national companies. Prior to his appointment as Chief Executive Officer of Spice Communications Limited, Prakash held the post of Chief Operating Officer for Jumbo

Group, India where he was responsible for the management of their global operations.

Before joining Jumbo Group, he was attached to Xerox, India, where by the end of his tenure with the Company in 1998, he held the position as Group Managing Director. He has also been credited with establishing the 'Xerox' brand and building up its market leadership in the country.

03 **NEIL MONTEFIORE**

CHIEF EXECUTIVE OFFICER,
MOBILEONE LIMITED (M1), SINGAPORE

Neil, 54, has been Chief Executive Officer of M1 since April 1996. He was appointed to M1's Board of Directors on 8 November 2002. He is a Fellow of the Institute of Electrical Engineers and a Fellow of the Chartered Institute of Marketing.

Neil was formerly Director of Mobile Services at Hong Kong Telecom CSL Ltd, the largest cellular operator in Hong Kong, before assuming the position of Managing Director in several telecommunication companies in Hong Kong and in the United Kingdom, including Paknet Ltd which launched the world's first public packet radio data network. His earlier years at various units in the Cable and Wireless Group saw him managing and specialising in telecommunication products, projects and services in Hong Kong and the Far East, as well as in Bahrain, Saudi Arabia and the United Kingdom.

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04 MUHAMMED YUSOFF MOHD ZAMRI

CHIEF EXECUTIVE OFFICER,
TELEKOM MALAYSIA INTERNATIONAL (CAMBODIA)
COMPANY LIMITED (TMIC), CAMBODIA

Muhammed Yusoff Mohd Zamri, 42, was appointed Chief Executive Officer of TMIC in February 2007. Prior to this, he was the Business Development Head of Bridge Wireless (M) Sdn Bhd for two years. Before joining Bridge Wireless, Yusoff was attached to various international companies such as Atos Origin, SchlumbergerSema, Lucent Technologies, American Express and Celcom.

From 1996 to 2000, Yusoff was based in Tasket, Uzbekistan as Director of Marketing and Business Development with Uzmacom. He received his Engineering degree from Monash University, Australia. He is a Member of the Institute of Engineers, Australia and the Association of Professional Engineers, Australia.

05 ADNAN ASDAR

CHIEF EXECUTIVE OFFICER,
MULTINET PAKISTAN (PRIVATE) LIMITED, PAKISTAN

One of the pioneers of Multinet, Adnan, has a Bachelor in Science (Civil Engineering) degree from Wisconsin, USA and a Masters degree in Science (Civil Engineering) from Minnesota, USA. He has over 15 years of experience in structural and forensic engineering, construction management, quality control and project management.

Adnan has conducted a series of seminars on Entrepreneurship and Marketing at the Institute of Business Administration in Karachi, as well as Project Management and Leadership seminars at NED University in Karachi. He also plays advisory roles in several non-profit organizations which are primarily focused on Education and Health and is on the Executive Council Board Member of the Indus Valley School of Art and Architecture.

06 SEYED AHMAD SADJJADI

MANAGING DIRECTOR,
MOBILE TELECOMMUNICATIONS COMPANY OF
ESFAHAN (MTCE), IRAN

Seyed Ahmad Sadjjadi, 52, has been the Managing Director and Chairman of the Board of MTCE since 1989.

He was formerly the Chairman of the Board of Directors in Kerman Industrial Communications and a Member of the Board of Directors at Industrial University of Khajed Nasir Toosi from 1981 to 1989.

He graduated from the Khaheh Nasir Toosi University with a Bachelors in Telecommunications and received his Masters in System Management from the Governmental Management Education Centre in Tehran.

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Group Senior Management

01 **WATCHAI VILAILUCK**

CHIEF EXECUTIVE OFFICER,
SAMART I-MOBILE PUBLIC COMPANY LIMITED,
THAILAND

Watchai Vilailuck, 45, heads Samart I-Mobile as Chief Executive Officer since 2003. He was previously the Executive Director in Samart E-Trading Co. Ltd from 1995 to 2003 and still holds senior positions in other Samart subsidiaries. An Accounting graduate from Thammasat University, he also holds a Director Certification Programme from the Thai Institute of Directors Association.

02 **CHAROENRATH VILAILUCK**

EXECUTIVE CHAIRMAN/CHIEF EXECUTIVE OFFICER,
SAMART CORPORATION PUBLIC COMPANY LIMITED
(SAMART), THAILAND

Charoenrath, 47, has been at the helm of the Samart Group as the Executive Chairman and Chief Executive Officer since 1995, after holding various positions in the Group. The Group, which was founded by his family more than 50 years ago, started out as a small outlet selling and repairing electric appliances.

He is also the Chairman of Samart I-Mobile Public Company Limited and Executive Director of Samart Telcoms Public Company Limited, including other subsidiaries and affiliates under the Samart Group. He is an Electrical Engineering graduate from the University of Newcastle, Australia and holds a Director Certification Programme from the Thai Institute of Directors Association.

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02



ACCOUNTABILITY

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Statement on CORPORATE GOVERNANCE

“TO ENSURE AN EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK, IT IS NECESSARY THAT AN APPROPRIATE AND EFFECTIVE LEGAL, REGULATORY AND INSTITUTIONAL FOUNDATION IS ESTABLISHED UPON WHICH ALL MARKET PARTICIPANTS CAN BUILD THEIR PRIVATE CONTRACTUAL RELATIONS. THIS CORPORATE GOVERNANCE FRAMEWORK TYPICALLY COMPRISES ELEMENTS OF LEGISLATION, REGULATION, SELF-REGULATORY ARRANGEMENTS, VOLUNTARY COMMITMENTS AND BUSINESS PRACTICES THAT ARE THE RESULT OF A COUNTRY’S SPECIFIC CIRCUMSTANCES, HISTORY AND TRADITION”

– Organisation for Economic Cooperation and Development (OECD) Principles of Corporate Governance, 2004.

As a major Government-linked Company (GLC) in Malaysia, TM has, apart from abiding to the principles and best practices as set out in the Malaysian Code on Corporate Governance (the Code), also fully adhered to the principles introduced by the Putrajaya Committee on GLC High Performance (PCG) in the Guidelines to Enhance Board Effectiveness. These Guidelines, codified in the ‘Green Book’ launched on 26 April 2006, reinforce the recommendations contained in the Code.

The PCG recommends changes and improvements to the governance of GLCs based on the following objectives:

- Refocus the role and mandate of GLC Boards;
- Strengthen GLC Board composition;
- Intensify GLC Board performance management; and
- Upgrade Board structure and processes.

The Board recognises that corporate governance is about commitment to values and ethical conduct and that stakeholder expectations must be assessed and managed, and not assumed. The Board also recognises that a successful GLC is an organisation that is comparable to a non-GLC in terms of profit and efficiency, is a good employer, and at the same time, exhibits a sense of social responsibility. This can be achieved by adopting sound corporate governance practices aimed at increased efficiency, transparency and accountability.

2006 – AN AWARD WINNING YEAR

TM’s commitment to realise investor and shareholder value is evidenced by the following awards received in 2006:

- National Annual Corporate Report Award (NACRA) 2006
 - Overall Excellence Award
 - Third place for Best Annual Report in Bahasa Malaysia
 - Second place for the Best Designed Annual Report
 - Industry Excellence Award for the Trading and Services category
- CEO of the Year Award 2006 which was accorded to our Group Chief Executive Officer, Dato’ Abdul Wahid Omar.

- Corporate Governance
 - Second place for Best Corporate Governance 2006 by Malaysian Business
 - Third place in the Corporate Governance Survey 2006 by Minority Shareholders Watchdog Group (MSWG)
- TM's subsidiary in Indonesia, PT Excelcomindo Pratama Tbk, was voted "Best Managed Company in Asia" by Finance Asia Magazine and won the Indonesia Cellular Award 2006" for the "Best GSM Operator", organised by the Indonesian Association of Cellular Telecommunications.
- TM's subsidiary in Sri Lanka, Dialog Telekom Ltd (Dialog), won the "Service Organisations Sector Awards for Excellence in Annual Reports" from the Institute of Chartered Accountants of Sri Lanka. Dialog was also the 2nd Runner up for "Corporate Social Responsibility Reporting."

In winning these Awards, TM has gained recognition for its excellence in areas such as development, promotion of leadership and professionalism as well as its significant roles in corporate governance, corporate social responsibility and other local and international stakeholder engagement.



COMPLIANCE STATEMENT

The Board will continue to enhance its role in improving governance practices effectively to safeguard the interests of shareholders and other stakeholders. The Company has fully complied with the principles and best practices of the Code. This Statement, together with the Statement on Internal Control and on Risk Management, sets out the manner in which the Company has applied the principles and best practices of the Code.

Best practices over and above the recommendations contained in the Code adopted by the TM Group are those recommended by PCG and other global standards which the Board has considered to be suitable for the Group.

BUILDING A STRONG BOARD

BOARD COMPOSITION AND BALANCE

In 2006, the Board consisted of 9 members, comprising a Non-Executive Chairman, an Executive Director designated as the Group Chief Executive Officer (Group CEO), 2 Non-Independent Non-Executive Directors and an Alternate and 5 Independent Non-Executive Directors. The Board believes that its current size, which is in line with GLC guidelines, is appropriate for its purpose.

Statement on Corporate Governance

Dato' Lim Kheng Guan is the Senior Independent Non-Executive Director, to whom concerns pertaining to the Group may be conveyed by shareholders and the public. He also represents and acts as spokesperson for the Independent Directors as a group. Directors' biographies appearing on pages 56 to 61 inclusive, illustrate an impressive spectrum of experiences vital to the direction and management of the Group.

ROLES AND RESPONSIBILITIES OF THE BOARD

TM Group is led and controlled by an active and experienced Board consisting of members with a wide range of business, financial, technical and public service backgrounds. Their experiences bring depth and diversity in expertise to the leadership of a highly regulated communications business. The Board has assumed the following six specific responsibilities in discharging its stewardship:

- Review and adopt strategic plans
- Oversee and evaluate the conduct of the Company's business
- Identify and manage principal risks
- Succession planning
- Develop and implement an investor relations programme
- Review adequacy and integrity of the Company's internal controls

Apart from the above specific responsibilities, the Board also takes full independent responsibility and accountability for the smooth functioning of core processes involving board governance, business value and ethics. To facilitate effective discharge of responsibilities, dedicated board committees were established guided by clear terms of references with Directors who have committed time and effort as members. The board committees are chaired by Non-Executive Directors who exercise skillful leadership with in-depth knowledge of the relevant industry.

In addition to 9 regular scheduled meetings during the year to decide on core issues, 4 interim or special meetings were held as warranted by specific circumstances. The attendance of individual Directors at the total of 13 Board Meetings held in 2006 is recorded within the Directors' biographies appearing on pages 56 to 61 inclusive. Apart from the Board Meetings, urgent issues were considered via a total of 13 Directors' Circular Resolutions during the year.

ROLES OF THE CHAIRMAN, GROUP CEO AND NON-EXECUTIVE DIRECTORS

The roles of the Non-Executive Chairman, Tan Sri Dato' Ir Muhammad Radzi Haji Mansor and the Group CEO, Dato' Abdul Wahid Omar, are separate with clear distinction of responsibilities between them.

The Board's principal focus is the overall strategic direction, development and control of the Group. In support of this focus, the Board approves the Group's strategic plan and its annual budget. Throughout the year, the Board reviews the performance of operating subsidiaries against their budgets and targets. The Group CEO is responsible for the implementation of broad policies approved by the Board and he is obliged to report and discuss at Board Meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments.

The Chairman is responsible for ensuring the integrity and effectiveness of the relationship between the Non-Executive and Executive Directors. His interactions with global leaders of the industry and various institutions, such as his active participation as a member of the Board of Engineers, help to bring about benefits of the engineering profession to the Group and society.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies. The Independent Non-Executive Directors are independent of management and free from any business or other relationships, which could materially interfere with the exercise of their independent judgement as defined under paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities). They provide unbiased and independent views in ensuring that the strategies proposed by the management are fully deliberated and examined, in the interest of shareholders, employees, customers, and the many communities in which the Group conducts its business. The Independence of the Non-Executive Directors is under constant review against best practices and regulatory provisions.

BOARD APPOINTMENT PROCESS

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

BOARD EFFECTIVENESS EVALUATION

The formal Performance Evaluation Framework adopted in 2004 comprises a Board Effectiveness Assessment and a Board of Directors' Self/Peer Assessment. The Framework is designed to maintain cohesiveness of the Board and, at the same time, serves to improve the Board's effectiveness.

The broad performance indicators, on which the Board Effectiveness are evaluated, include board composition, board administration, board accountability and responsibility and board conduct. Performance indicators for individual directors include their interactive contributions, understanding of their roles and quality of input.

In order to ensure integrity and independence of the appraisal process, an independent Adviser has been engaged to tabulate and report to the Chairman, the results of the evaluation process. Every board member is provided with the results of the self-evaluation marked against the peer evaluation to allow for comparison.

TM's Board Effectiveness Evaluation has successfully facilitated focus of the Board's attention in areas to be addressed. During the year, similar Board Effectiveness Evaluations were also implemented by major subsidiaries within the Group.

RE-ELECTION OF DIRECTORS

In accordance with the Listing Requirements of Bursa Securities and the Company's Articles of Association, all Directors are subject to re-election by rotation once at least every 3 years and a re-election of Directors shall take place at each Annual General Meeting. Executive Directors also rank for re-election by rotation. The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board. Particulars of Directors submitted to shareholders for re-election are enumerated in the Statement accompanying the Notice of Annual General Meeting (AGM).

DIRECTORS' REMUNERATION

The framework for the remuneration of the Executive and Non-Executive Directors is reviewed regularly against market practices. As an Executive Director, the Group CEO is paid a salary, allowances, bonuses and other customary benefits as appropriate to a senior management member. Salary reviews take into account market rates and the performance of the individual and the Group. Remuneration of Non-Executive Directors is based on a standard fixed fee. Additional allowances are also paid in accordance with the number of meetings attended during the year for Non-Executive Directors.

Statement on Corporate Governance

Details of the remuneration of each Director of the Company, categorised into appropriate components for the financial period ended 31 December 2006, are as follows:

Name of Directors	Salary (RM)	Fees & Allowances (RM)	Bonus (RM)	Benefit In Kind (RM)	Total Amount (RM)
EXECUTIVE DIRECTOR					
Dato' Abdul Wahid Omar	893,850.00 ¹	65,824.99 ²	135,000 ³	13,280.54 ⁴	1,107,955.53
NON-EXECUTIVE DIRECTORS					
Tan Sri Dato' Ir Muhammad Radzi Haji Mansor	—	297,471.10	—	19,759.97	317,231.07
Dato' Ahmad Haji Hashim	—	60,100.00	—	1,821.95	61,921.95
Dato' Azman Mokhtar	—	48,000.00 ⁵	—	1,821.95	49,821.95
Dato' Dr Abdul Rahim Haji Daud	—	183,089.00	—	14,529.95	197,618.95
Dato' Lim Kheng Guan	—	192,508.81	—	34,395.77	226,904.58
YB Datuk Nur Jazlan Tan Sri Mohamed	—	104,124.00	—	1,821.95	105,945.95
Ir Prabahar NK Singam	—	240,648.03	—	34,065.31	274,713.34
Rosli Man	—	109,974.00	—	1,821.95	111,795.95
ALTERNATE DIRECTORS					
Leonard Wilfred Yussin [Ceased as Alternate Director to Dato' Ahmad Haji Hashim on 8/2/2007]	—	3,000.00	—	1,821.95	4,821.95
Dyg Sadiyah Abg Bohan [Appointed as Alternate Director to Dato' Ahmad Haji Hashim on 8.2.2007]	—	—	—	—	—
TOTAL	893,850.00	1,304,739.93	135,000.00	125,141.29	2,458,731.22

NOTES:

¹ Inclusive of Company's contribution to provident fund (RM173,850).

² Car allowances (RM60,000) in lieu of provision of company car, expenses and allowances chargeable to income tax (RM5,824.99).

³ Bonus for financial year ended 2005, paid in 2006.

⁴ Apart from the above benefits-in-kind, Dato' Abdul Wahid Omar is entitled to Performance Link ESOS which resulted in a total cost of RM257,684 to the Company pursuant to FRS 2 Share-based Payment.

⁵ Paid directly to Khazanah Nasional Berhad.

BOARD COMMITTEES

In accordance with TM's Articles of Association, the Board delegates certain responsibilities to Board Committees, namely, the Audit Committee, Nomination and Remuneration Committee, Tender Committee, Employee Share Option Scheme Committee and Commercial Dispute Resolution Committee. All committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations. Where Committees have no authority to make decisions on matters reserved for the Board, recommendations would be highlighted in their respective reports for the Board of Directors' endorsement. The Chairmen of the various committees report the outcome of the committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board of Directors' meetings. The details and activities of Board Committees during the year are as follows:

AUDIT COMMITTEE

A full Audit Committee report enumerating its membership, its role and its activities during the year is set out in pages 96 to 102 inclusive.

NOMINATION AND REMUNERATION COMMITTEE

MEMBERSHIP

Tan Sri Dato' Ir Muhammad Radzi Haji Mansor
(Non-Executive Chairman – ceased as Chairman on 31 July 2006)

Dato' Azman Mokhtar
(Non-Executive – appointed as Chairman on 31 July 2006)

Ir Prabahar NK Singam
(Independent Non-Executive)

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

The main objectives and principal duties and responsibilities of the Nomination and Remuneration Committee (NRC) are as follows:

NOMINATION FUNCTION

Main Objectives

- To ensure that the Directors of the Board bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience.
- To assist the Board to review on an annual basis the appropriate balance and size of Non-Executive participation and to establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.

Principal Duties and Responsibilities

- Recommend to the Board, candidates for directorship on the Board of the Company and its Group as well as membership of all other Board Committees.

- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness and review its required mix of skills and experience and other qualities.
- Recommend suitable orientation, educational and training programmes to continuously train and equip existing and new Directors.

REMUNERATION FUNCTION

Main Objectives

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

Principal Duties and Responsibilities

- Set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of the Executive Director(s) having regard to the overall Group policy guidelines and framework.
- Advise the Board on the performance of the Executive Director(s) and an assessment of their entitlement to performance related pay and advise the Executive Director(s) on the remuneration terms and conditions of senior management.

Statement on Corporate Governance

- Establish and recommend a formal and transparent procedure for developing a policy on the remuneration of the Non-Executive Chairman, Non-Executive Directors and Board Committees, which recommendation shall be decided by the Board of Directors as a whole.

AUTHORITY

- The NRC has the authority to examine a particular issue and report back to the Board with recommendations. The determination of remuneration packages of Directors is a matter for the Board as a whole and individuals are required to abstain from discussion on their own remuneration.

MAIN ACTIVITIES IN 2006

The following were some of the key NRC activities during the year:

- Facilitated the administration and conduct of the Board appraisal/evaluation process and ensuring the integrity and independence of the process.
- Monitored the roll-out of the Board evaluation process by major subsidiaries.
- Enhanced the Board Training Programme (BTP) Guidelines to bring more focus on industry training. Also monitored closely the status of Directors' training.
- Endorsed appointments of key management positions pursuant to TM Group – wide reorganised structure, effective from 1 August 2006.
- Identified pivotal management positions and put in place succession planning for key positions.
- Considered long-term incentive scheme for Executive Director/Group CEO.
- Committee membership was reviewed to be in line with recommendations of the Green Book.
- Dato' Azman Mokhtar was appointed Chairman in place of Tan Sri Ir Muhammad Radzi bin Haji Mansor with effect from 31 July 2006 in line with the Green Book's recommendation for a GLC Investment Company (GLIC) to chair Nomination and Remuneration Committees.

MEETING ATTENDANCE

The Nomination and Remuneration Committee met 4 times in 2006, duly attended by all Members. A total of 2 resolutions in writing were passed by the Committee during the year.

TENDER COMMITTEE

MEMBERSHIP

Dato' Ahmad Haji Hashim
(Chairman – Non-Executive)

Dato' Abdul Wahid Omar
(Group CEO – Executive)

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

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

Rosli Man
(Independent Non-Executive)

Ir Prabahar NK Singam
(Independent Non-Executive)

Leonard Wilfred Yussin
*(Alternate to Dato' Ahmad Haji Hashim
– ceased wef 8/2/07)*

Dyg Sadiyah Abg Bohan
*(Alternate to Dato' Ahmad Haji Hashim
– appointed wef 8/2/07)*

Objectives, principal duties and responsibilities

- To ensure that the procurement process complies with the relevant policies and requirements.
- To consider, evaluate and approve or recommend awards which are beneficial to the Company, taking into consideration various factors such as price, usage of product and services, its quantity, duration of service and other relevant factors.

Meeting Attendance

The Tender Committee met 9 times during the year, duly attended by all Members save for Dato' Abdul Wahid Omar who attended 7 meetings and Ir Prabahar NK Singam and YB Datuk Nur Jazlan who attended 8 meetings, during the year.

EMPLOYEE SHARE OPTION SCHEME (ESOS) COMMITTEE

MEMBERSHIP

Tan Sri Dato' Ir Muhammad Radzi Haji Mansor

(Chairman – Non-Executive)

Dato' Abdul Wahid Omar

(Group CEO – Executive)

Dato' Ahmad Haji Hashim

(Non-Executive)

Dato' Dr Abdul Rahim Haji Daud

(Independent Non-Executive)

Leonard Wilfred Yussin

(Alternate to Dato' Ahmad Haji Hashim – ceased wef 8/2/07)

Dyg Sadiyah Abg Bohan

(Alternate to Dato' Ahmad Haji Hashim – appointed wef 8/2/07)

Principal duties and responsibilities

To construe and interpret the ESOS and options granted under it, to define the terms therein and to recommend to the Board to establish, amend and resolve rules and regulations relating to the scheme and its administration. Authority was given to any 2 Committee members to approve allotment of shares pursuant to exercise of ESOS by employees.

The ESOS Committee meets on a need basis and there were no issues, which warrant an ESOS Committee Meeting during the year. However, there was a total of 51 Circular Resolutions, passed by the ESOS Committee on share allotments in 2006.

AD-HOC BOARD COMMITTEES

Apart from the above, specific and ad-hoc or special purpose Board Committees, such as the Commercial Dispute Resolution Committee (CDRC), were established on a need basis to deliberate and expedite decision-making processes on specific aspects of the business. Such short term Committees were established with terms of reference duly approved by the Board.

BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

The Board embarked on a BPIP in March 2006 facilitated by McKinsey & Co with a view to improving the Board's functions and structure and the alignment between Board's priorities and the Group CEO's mandate. Various initiatives were introduced as deliverables for BPIP to enhance Board effectiveness.

BOARD TRAINING AND INJECTION OF KNOWLEDGE**Bursa Securities Listing Requirements**

All the Directors have successfully completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities during the year 2006. Induction briefings, which include information on the corporate profile and activities of the Group, as well as business plan targets and group performance are organised for newly appointed Directors.

Following the repeal of Practice Note No. 15 on Continuing Education Programme (CEP) prescribed by Bursa Securities, the Board of Directors of each listed issuer has a duty to evaluate and determine the training needs of its Directors on a continuous basis. The training must be one that aids the Director in the discharge of his duties as a Director.

Board Training Programme (BTP) and Enhancement

The Board of Directors has duly adopted a set of BTP Guidelines, effective from 1 January 2005, to address the training needs of Directors in the absence of the Bursa Securities' CEP requirements. The BTP Guidelines impose a minimum of 24 training hours to be accomplished by the Directors within a calendar year, equivalent to the minimum number of training hours under the CEP.

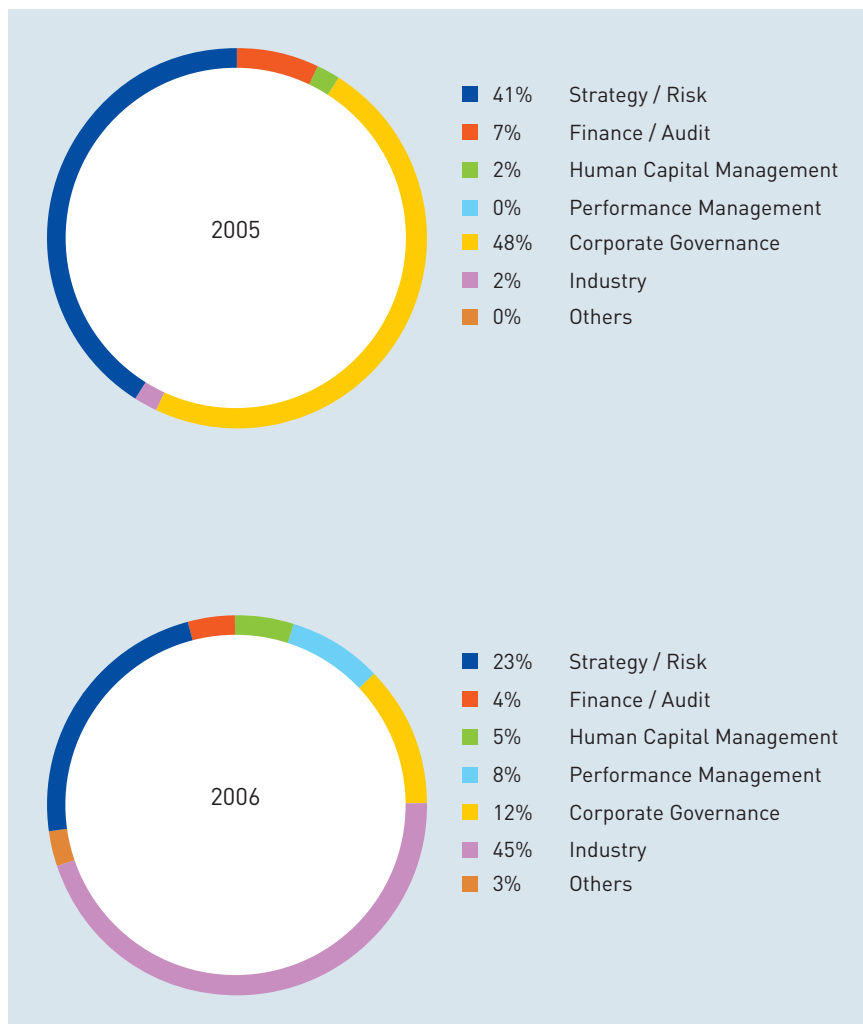
The BTP Guidelines allow for speaking roles at conferences to be allocated training hours. During the year, all the Directors have achieved over and above the minimum of 24 training hours by attending various seminars and international conventions to gain insight into the state of the economy as well as the latest regulatory and technological developments in relation to the Group's business. Directors have also actively participated as speakers at local and international conventions on relevant topics.

Statement on Corporate Governance

During the year the BTP Guidelines were enhanced to bring more focus on training in critical areas, such as industry, performance management and human capital management per the BPIP diagnostic. The minimum BTP training hours was increased from 24 hours to 36 hours, effective from 1 January 2007, whilst the total number of training hours allowed to be brought forward to the following year is maintained at 12 hours.

As a result of the enhanced BTP guidelines, the structure of Directors' training in 2006 has improved compared to 2005 as follows:

DIRECTORS' TRAINING STRUCTURE IN 2006 COMPARED TO 2005



Whilst the above training structure reflects an ideal structure for 2006, continuous efforts are being made to ensure that an appropriate training structure is in place for the Board according to business needs.

INDUSTRY WORKSHOPS AND QUARTERLY INDUSTRY INFORMATION PACKS

The Board is invited to Industry Workshops organised by management at quarterly intervals. Quarterly industry information packs are compiled and issued to the Board and senior management members.

ENSURING EFFECTIVE BOARD OPERATIONS AND INTERACTIONS

The effectiveness of the Board is, to a large extent, determined by the quality of its procedures, processes and operations. The Board processes have been strengthened and enhanced during the year as follows:

BOARD MEETINGS SCHEDULE AND PREDETERMINED AGENDAS

A Board and Board Committee meetings calendar and draft agendas have been established 12 months in advance and synchronised with management's planning cycle. The meeting agenda is communicated to management in advance and the Programme Management Office (PMO) facilitates to ensure board papers and presentations are in line with Board expectations.

The Meeting Agenda is structured to address priority strategic issues aligned with the company's aspirations, consistent with the mandate that the Board provides to the Group CEO. The said mandate, which has been provided by the Board, specifies what the CEO needs to accomplish within clear parameters.

AVAILABILITY OF INFORMATION TO THE BOARD

It is essential that relevant information required to make informed decisions by the Board is provided in a timely manner. The Board and its Committees are supplied with an agenda and relevant up-to-date information 5 days prior to each meeting to enable them to make informed decisions. Board papers are also disseminated via a securely encrypted electronic Board Document Management System, which acts as an efficient archival system for all Board papers and minutes of meetings.

The Board welcomes the presence of managers who can provide additional insights into items being discussed. The information regularly supplied to the Board includes inter alia:

- Annual business plans and budget
- Monthly and Quarterly financial and operating results
- Reports from meetings of major operating companies and strategic business units
- Reports from meetings of board committees
- Material litigations
- Regulatory matters with substantial impact on the business

- Details of proposed corporate exercises, acquisitions or collaboration agreements
- Transactions of material nature, not in the ordinary course of business
- Significant human resource issues
- General notices of interest

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

PROMPT COMMUNICATION OF BOARD DECISIONS

All Board decisions are clearly recorded in the minutes, including the rationale for each decision, clear actions to be taken and individuals responsible for implementation. Relevant Board decisions are communicated verbally to the management within 1 working day of the Board meeting and relevant extracts of the minutes are distributed within 3 – 5 working days depending on the urgency of agenda items.

BOARD AND MANAGEMENT INTERACTIONS

The Board and management acknowledge the importance of positive interaction dynamics and open communication to build trust in order to deliver significant and positive performance and shareholder value.

The Board has adopted a rating process for papers and presentations by management at each Board meeting with constructive feedback on the quality of information and analysis received. This process has enabled management to ensure that papers are of high quality and standard. Similarly, management is given the opportunity to also rate the Board at semi annual intervals, in terms of whether Board deliberations have been focused, constructive, supportive, and whether clear decisions have been arrived at based on relevant facts available.

INDEPENDENT DIRECTORS' DISCUSSION

In order to ensure an adequate degree of independence, the Board has agreed on a process whereby Non-Executive Directors would meet and actively exchange views on a regular basis in the absence of management. With this practice, the Board is able to fulfil one of its principal responsibilities to effectively assess the direction of the company and the performance of the management. This practice is in line with Chapter 4 of the Code regarding Relationship of the Board and the Management.

BOARD CONDUCT

CODE OF BUSINESS ETHICS

TM's Code of Business Ethics, which was launched in February 2004, supports the Company's vision and core values in instilling, internalising and upholding the value of "uncompromising integrity" among the behaviour and conduct of the Board of Directors, Management, Employees and all stakeholders of the Company. The Group CEO, Management and all employees are required to declare their assets and interest according to the Code of Business Ethics. Updated declarations are required to be submitted each year. TM's Code of Business Ethics covers the following areas:

- Responsibilities of the Directors, the management and employees
- Our dealings with shareholders, customers, employees, suppliers, business partners and the communities at large
- Our dealings with the Government
- Our dealings with competition laws/regulations
- Our dealings with company assets
- Trading on Insider information; and
- Conflict of interest

CONFLICT OF INTEREST

The Directors have a continuing responsibility to determine whether they have a potential or actual conflict of interest in relation to any matter, which comes before the Board. The

Company and the Group have adopted a process whereby each Director is required to make written declarations whether they have any interest in transactions tabled at regular board meetings of the Group. The Directors are also informed at each board meeting on their statutory duties and responsibilities as Directors.

RELATED PARTY TRANSACTIONS

Directors recognise that they must declare their respective interest in a transaction and abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board or any general meetings convened to consider the matter.

TRADING ON INSIDER INFORMATION

TM's Directors and employees are not allowed to trade in securities or any other kind of property based on price sensitive information and knowledge which have not been publicly announced. TM's Code of Business Ethics expressly states that insider trading is an offence under the Securities Industry Act 1983 (Act 280).

Quarterly reminders are disseminated to Directors and Senior Management on restrictions in trading in the Company's securities within 'closed periods' as stipulated by Bursa Securities Listing Requirements.

DIRECTORS' INDEMNITY

The Company has in place a Liabilities Insurance Policy for Directors and Officers in respect of liabilities arising from holding office as Directors and management of the Company. The Insurance does not provide coverage in the event a Director or management member is proven to have acted negligently, fraudulently or dishonestly. The Directors contribute annually towards the payment of premium for this policy.

WHISTLE BLOWER POLICY

The Securities Industries Act, 1983, was amended to make it mandatory for auditors and key officers of companies to report corporate misdeeds to the authorities, i.e. to allow for whistle blowing. Whistle blowing has gained prominence following the passing of the Sarbanes Oxley Act, 2002, in the US and earlier on in the Public Interest Disclosure Act, 1999, in UK.

With the introduction of TM's Code of Business Ethics, employees are more aware of what is acceptable and unacceptable business conduct as well as the channel through which reports of violation of the Code of Business Ethics could be made. Adequate protection is provided for whistle blowers against reprisals.

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

SHAREHOLDERS/INVESTORS

The Company communicates regularly and proactively with investors and shareholders. Care is taken to ensure reporting to shareholders is balanced and sufficiently comprehensive and objective to allow performance to be measured. The Board also maintains lines of communications with major shareholders to take heed of their concerns over matters on corporate governance and Group performance.

ANNUAL REPORT AND ANNUAL GENERAL MEETINGS

In addition to quarterly financial reports, the Company communicates with shareholders and investors through its annual report, with comprehensive and sufficient details on financial results and activities of the Group. In its effort to be cost-efficient and encourage shareholders to enhance their ICT knowledge, TM has started to despatch annual reports to shareholders in electronic format (CD-ROM) together with a summarised version of the financial statements in a readable booklet incorporating the notice of AGM and related proxy form. Shareholders are also given the option to request for hard copies of the annual report in either the English or Bahasa Malaysia versions, if required.

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

RISK MANAGEMENT

TM has an integrated approach in managing risks inherent in various aspects of its business. A detailed Risk Management Report is provided in pages 88 to 91 inclusive.



INVESTOR RELATIONS

TM values the importance of communication with and accountability to its shareholders, and actively conducts Investor Relations activities with the aim of improving the level of disclosure and transparency to the investing community.

As TM continues to evolve into a true regional communications company, it has become increasingly important to ensure that the disclosures are reflective of the multi-faceted business and diverse geographical locations in which the Group operates. TM, through its Investor Relations Unit, proactively disseminates relevant and timely information to the investment community to keep investors abreast of the Group's strategies, performance updates, and key business activities happening at home and across the region.

TM is committed to provide comprehensive and continuous disclosure in compliance with the listing rules of Bursa Securities. Contact with institutional shareholders (and with financial analysts, brokers and the media) is governed by the Investor Relations Policy and Guidelines to ensure equitable disclosure and the protection of any price-sensitive

Statement on Corporate Governance

information. The dissemination of material non-public information would be made firstly through an announcement to Bursa Securities, before being made available on the Company's website and distributed to the media. As outlined by the policy, only the identified spokesperson(s) are able to issue statements regarding the company.

QUARTERLY FINANCIAL RESULTS ANNOUNCEMENT AND BRIEFING

Subsequent to the release of TM's quarterly earnings disclosure to Bursa Securities, an analysts' and fund managers' briefing session is organised via teleconference. These sessions are chaired by the Group CEO and attended by senior management members of TM's key operations. The briefing session is organised to explain the results to the analysts and provide an avenue for the analysts to have a better understanding of the announced results.

FINANCIAL RESULTS PRESENTATION SLIDES

Presentation slides of the announced results are prepared in an investor friendly manner to aid understanding of the Group's results and performance. They are made available promptly on the company's website following the earnings release to Bursa Securities. A copy of the presentation slides is also distributed by e-mail to analysts and investors who are on the Investor Relations' database of contacts. The presentation slides highlight the Group's financial and operating performances, as well as the performance of key domestic and international operations.

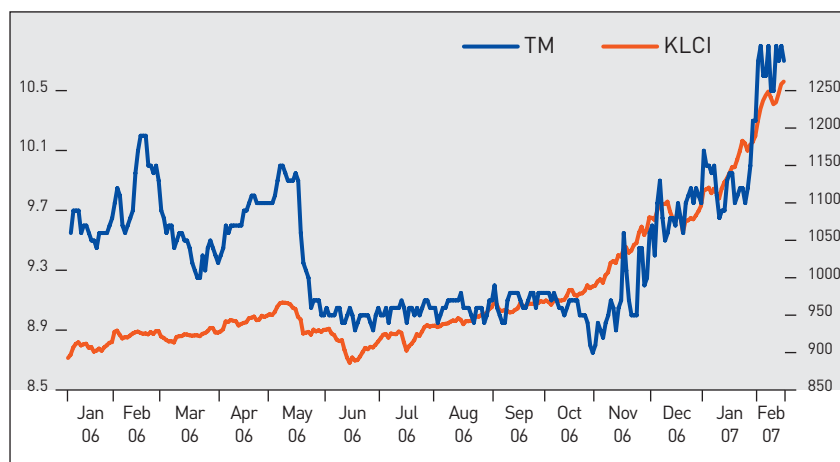
ANNUAL ANALYSTS' DAY

TM's Analysts' Day is held annually subsequent to the Group's full-year results announcement, and is a much anticipated event where analysts and fund managers from both local and foreign institutions are invited to meet and interact with TM's senior management members, including some of the CEOs of TM's domestic and international operations. This initiative was first started during the announcement of TM's financial year 2005 results in February 2006, with the participation of around 60 local and international analysts and fund managers. The event was hosted by the Group CEO, and attended by key senior management personnel, including several CEOs of TM's international operations, such as Excelcomindo, Dialog, TM International (Bangladesh) Ltd and MobileOne. The event has received positive feedback from participants, and is a boost for TM in terms of improving its disclosure and transparency whilst enhancing the understanding of the analysts

providing coverage on the TM Group. TM believes that such efforts will encourage a more reflective and better valuation of the Company. TM is proud to highlight that it is one of the very few Malaysian companies to organise an Analysts Day, in efforts to improve Investor Relations in a public listed entity.

ONE-ON-ONE MEETINGS, CONFERENCE CALLS AND INVESTOR CONFERENCES

The Group CEO, Group Chief Financial Officer and Investor Relations team are actively involved in Investor Relations activities through regular meetings and conference calls with institutional investors. TM has participated in organised investor conferences held in Malaysia and outside Malaysia. A significant amount of the Group Chief Financial Officer's time is spent on Investor Relations where throughout 2006, more than 200 meetings and conference calls with investors and analysts were held.



TM performance against KLCI

WEBSITE

The TM website, www.tm.com.my is continuously updated, and provides an excellent medium of communication and source of information to shareholders, and the general public. The information that is updated on the website includes among others, the Group's annual reports, financial results, investor presentations, capital structure information, press releases, and information on TM's international operations.

TM looks at the improvement of its disclosure and communication to investors as an ongoing process. We continuously listen to the investing community to enhance our Investor Relations, moving forward.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

The Financial Reporting Standards (FRS) adopted by the Malaysian Accounting Standard Board took effect from 1 January 2006. However, TM had commenced preparation on the adoption of the FRS in October 2005. Relevant committees were set up to initiate and monitor adoption of various FRS affecting the Group's financial reporting, with the assistance of PricewaterhouseCoopers.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year.

The Statement of Responsibility by Directors is as enumerated on page 217 of this annual report.

INTERNAL CONTROLS

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and Group's assets. The Statement on Internal Control is set out on pages 103 to 106 inclusive of the annual report providing an overview of the state of internal controls within the Group.

RELATIONSHIP WITH AUDITORS

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

The role of the Audit Committee in relation to the Auditors is set out in the Terms of Reference on page 100 to 102 inclusive.

AUDIT COMMITTEE

The Audit Committee also conducts reviews of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter. Furthermore, it ensures the independence of the internal auditors and unrestricted access to information and people in the Group. Highlights of activities conducted by the Committee are detailed in the Audit Committee Report on page 96 to 99 inclusive.

Signed on behalf of the Board of Directors



Tan Sri Dato' Ir Muhammad Radzi Haji Mansor
Chairman

23 February 2007

Achieving Business Objectives by LEVERAGING ENTERPRISE RISK MANAGEMENT (ERM) EFFECTIVENESS

INTRODUCTION

The Board of Directors and senior management remain committed to drive and implement Enterprise Risk Management (ERM) within the Group throughout the 2006 financial year. Whilst the Group Executive Committee establishes the strategic objectives, Key Performance Indicators (KPI) and initiatives, ERM plays its role in the identification of strategic business risk that may impede the achievement of the established objectives. ERM is not an end in itself, but rather an important means. It cannot and does not operate in isolation in TM Group, but rather is an enabler of the internal management process. The linkage between ERM and Balanced Scorecard (BSC) is aimed at generating value to the management as evidenced by the involvement of ERM in TM from being merely compliance driven to enhancing the decision making tools. This has led to an excellent business strategy and performance management process being established.

The approach wherein the risks were identified in accordance with the strategic objective, aligns the risk profile of the respective Corporate Centre, Malaysia Business, Celcom, TM Ventures and TM International with the Group strategic objectives. Value is maximised when management sets strategy and objectives to strike an optimal balance between growth, return on goals and related risks, while efficiently and effectively deploying resources in pursuit of the Group's objectives. The achievement of these objectives are subjected to the capability of business units to recognise the root

causes of the events or uncertainties as well as putting in place the appropriate initiatives and resources as mitigating factors to get to the bottom of the root causes.

The effectiveness of ERM to the business units requires dynamic involvement of activities to support its implementation. The activities begin within the ERM communication plan, on through the training, consultation and workshops and to the development of ERM tools and the web portal to meet the conditions for successful implementation of ERM.

TM GROUP ERM FRAMEWORK



ERM EVOLVEMENT IN TM

IN DEPTH ERM IMPLEMENTATION THROUGHOUT TM GROUP

ERM Workshops remain the preferred methodology to keep risk owners abreast of new risks while at the same time reviewing the active risk profiles in the Corporate Risk Register. Continuity of risk identification and review is part of the process required under the TM ERM Framework. Throughout the financial year 2006, twenty-seven (27) ERM workshops have been completed at local and international subsidiaries.

ERM REGIONAL AWARENESS PROGRAMME

ERM road shows have been continuously conducted throughout the regions aimed at inculcating risk awareness among TM staff across the organisation, and not just at Head Office level only. As risk causation cuts across all functions, the awareness at regional level will assist TM to speed up the institutionalisation of the ERM framework and methodology. Hence, throughout financial year 2006, twelve (12) ERM awareness programmes were completed covering all operating regions – Central, Northern, Southern, Eastern, Sabah and Sarawak. A total of 345 executives attended the multiple sessions.

COLLABORATION OF ERM KNOWLEDGE ENHANCEMENT PROGRAMME WITH MULTIMEDIA COLLEGE

In addition to the regional awareness programme and to improve the understanding of the risk management application, ERM also collaborated with the Multimedia College (MMC) to conduct a risk management training module known as TC 3101 – Understanding Risk Management in TM for those who wished to understand the practice of ERM and Insurance Management within TM Group. An enhancement of the training module will be done in 2007, forming part of the Smart Orange Training Module within TM Group.

SYSTEM TO SUPPORT THE IMPLEMENTATION

Robust ERM implementation throughout the TM Group and the optimisation of the system can be achieved with accessibility not limited to the ERM team per se but by all ERM Resource Teams throughout the Group. This feature has been incorporated into the ERM back-end system allowing accessibility by international subsidiaries, thus improving ERM implementation throughout the Group. More enhancements to the system will be carried out in the near future to reap values by maximising the usage of the system.

ACQUISITION DUE DILIGENCE

ERM implementation and adoption within TM Group is not only limited to current operations but extended to include future undertakings in terms of mergers, acquisitions or other investments. For financial year 2006, the ERM methodology has been embedded in the acquisition due diligence process for overseas investments in India (SPICE Telecom), Cambodia (CASACOM), and Thailand (I-Samart Corporation).

RISK COMMUNICATION

As part of ensuring effective ERM implementation within the TM Group, ERM E-Poll & E-Forum was introduced using the existing risk management portal (www3.intra.tm/risk/) to provide a seamless and paperless ERM communication platform within TM Group. This electronic communication tool improves internal risk communication and inculcates a risk culture within the Group.

BUSINESS RISKS

Common in all businesses, TM Group is affected by a number of factors, not all of which are totally within the Group's control. The externally-driven challenges coupled with internal operational risk exposures are constantly reviewed as part of the enterprise risk management programme for the Group.

Achieving Business Objectives by Leveraging Enterprise Risk Management (ERM) Effectiveness

This section highlights some of the material risk exposures that may adversely affect our business, turnover, profit, assets, liquidity and capital resources. However, this section is not intended to provide an exhaustive analysis of the factors affecting the Group's business where some risks may be unknown to us. There is also an uncertainty that risks that we consider currently immaterial could turn out to be material due to changes in some of the external and internal risk factors.

- **Changes in Government Policy**

As part of nation building, the Government will continue to scrutinise and review current policy to be in line with Vision 2020. The country is developing into a high-value added and knowledge-based economy, hence the government policy direction for the year 2006-2010 will be centered around developing the core communications sector.

Any changes in government policy may either create new opportunities to TM or negatively impact its business performance. Considering the limited control over this risk exposure, TM Group will continue to monitor the changes in the political environment and will try to influence the review of policy where permitted, considering that the TM Group is a key Government-Linked Company (GLC).

- **Competition in the Industry**

The Malaysian regulatory regime related to the telecommunications industry has been regarded as pro-competition and technologically neutral. The National Telecommunication Policy's main approach is to encourage a healthy and orderly competition in order to achieve efficiency and to provide excellent and quality services. While creating competition will benefit the consumer either in the form of cheaper products, advanced technology or improved quality of services, it may erode the TM Group's profitability margin and market share. The strong competition in the cellular and data business sectors may continue to erode TM's market share that may eventually lead to a decline in revenue generation and profitability. The intended data growth in Internet business via broadband services too has competitive risk. In addition, the government is very much encouraging more competition in the market which may have an impact on the price of services, hence causing uncertainty to Group future revenue generation.

- **Rapid Technological Change**

The telecommunications industry is changing rapidly with the introduction of new technologies that will redefine markets, products and services required by customers. The challenge ahead to TM will be in its ability to compete and integrate new technologies in a timely and cost effective manner.

Advancements in technology have seen the emergence of potentially disruptive technologies. TM needs to continually monitor the development of these potentially disruptive technologies and study their prospects to identify avenues where they could be exploited as supportive and complementary technologies. TM needs to be in a position to implement and adopt new technologies to ensure a high degree of competitiveness rather than being a late-comer. However, TM cannot predict with certainty that these new technologies, if implemented, may boost Group revenues and profitability.

- **Service Quality, Delivery & Restoration**

As technical infrastructure is vulnerable to the occurrence of natural disasters or other unanticipated operational problems, any damage to or failure of networks and delay in the restoration processes may result in service interruption. The high frequency in service disruption does not only increase risk to reputation but also increases the level of customer dissatisfaction. This may cause customers to migrate to competitors, hence adversely impacting revenues and profitability of the Group.

- **Staff Competency and Succession**

Staff competency has to be in line with the rapid changes in technology and the competitive telecommunications industry. The staff have to be equipped with the appropriate skills to be able to support any changes in the technology through training or transfer of knowledge.

An equal amount of emphasis must be placed upon the positive development of behavioural skills especially in the areas of integrity, honesty and ethics. The Code of Business Ethics established and embraced within the Group has minimised the integrity risks. In addition, TM is continuously working to attract and retain qualified personnel as the loss of the services of key personnel or the inability to attract new qualified personnel or to retain existing personnel could have adverse impact on the sustainability of TM Group.

- **Business Transformation**

In responding to the need to be more competitive, TM Group has gone through phases of business transformation that may result in changes in its products, services, market and culture. As part of the transformation strategy, TM Group has targeted significant growth in new business areas such as data, broadband and cellular. In view of the likely level of competition in these areas and uncertainties regarding the level of economic activity, there can be no certainty that the transformation strategy will assist TM Group to meet its growth targets in these focused areas. These uncertainties may have adverse impact on the future Group's revenue stream and profitability.

- **Business Continuity Plan**

Disruption to business operation can occur with or without warning due to adverse events such as natural disasters, technological failures or human error. In view of the uncertainty and in ensuring minimal disruption to services, effective Business Continuity Plan (BCP) is an essential operational tool to be implemented across the Group. However, the dynamism of the business direction and its risk factors may cause the existing BCP to be obsolete should there be delays to regularly review and update the preventive and recovery plan. This uncertainty may have adverse impact on customer's satisfaction and retention programme of the Group.

CONCLUSION

TM will continue to improve any weaknesses in our journey to embrace a holistic and enterprise approach in managing business risks. In common with all business initiatives, we cannot run away from challenges and obstacles during our ERM implementation programme but what is sure is that the learning curves from these challenges will make us more mature and vigilant in the implementation and improvement process. The continued support from the Board of Directors and senior management gives us the confidence to move forward in our journey to success.

Code of BUSINESS ETHICS

TM prides itself on maintaining high ethical standards. In 2006, it continued to infuse good values and ethics into the Group's basic business conduct by promoting an organisational culture that encourages ethical behaviour and a firm commitment to compliance with the law. Since the Code of Business Ethics (CBE) was launched in 2004, it has progressed from the traditional compliance with "what you cannot do" to embracing "what you should do". This is done through continuous engagement with the relevant parties and a communication strategy which ensures that:

- Every employee receives a hard copy of, or ready access to, the CBE.
- Every employee understands his/her personal responsibility to abide by the provisions and standards laid out in the CBE.
- The organisation's commitment to the CBE is unambiguous and clear to every employee.
- Employees are exposed to an abundant of examples of the Code utility, and how common questions about its intent and application are resolved.

Training was conducted to raise awareness of ethical issues, respond to questions and concerns from employees, and to reinforce the commitment to behave in accordance with the company core values. To date 90% of TM non-executive staff and senior leadership nationwide have undergone such trainings.

Moving forward, the CBE will evolve to adapt and meet changing needs of the organisation globally. Flowing from the Group's core values of respect and care, total commitment to customers and uncompromising integrity, the CBE seeks to articulate the best of the Company's culture. These values also provide a strong base for application of the organisational ethics programme in a global context.

In order to ensure that anonymous reports of misconduct is reported and concerns about ethical issues including those resounding violations of compliance standards can be raised anonymously, TM has set up an Ethics Hotline (1-800-882377) as well as complaint lines (03-22402377 or 03-22401267). Operating 24 hours a day, seven days a week and staffed by the Special Affairs Unit, the hotlines offer a platform for employees to turn to for advice on ethical issues or concerns. The Unit reports to the Board Audit Committee every quarter.

The Group recognises an obligation to protect whistleblowers from being subjected to pressure or retaliation, or fear of such consequences, as a result of raising workplace concerns in good faith. As such, CBE Clause No. 13 stipulates that, "Any attempt to retaliate, victimise or intimidate against anyone (whistleblower) reporting in good faith is a serious violation of the CBE and shall be dealt with serious disciplinary action and procedures". This clause prohibits retaliation against any person who, in good faith, provides information about suspected integrity issues.

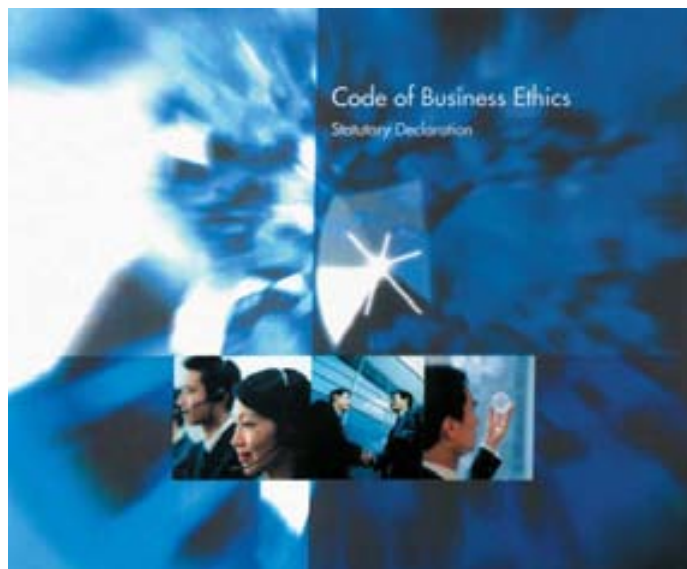
In addition, the Special Affairs Unit acts as an investigative unit of TM Group, responsible for detecting and investigating matters raised in relation to any part of the Group. It investigates allegations against TM employees, ranging from alleged malpractices to violations of TM Group policies and procedures. Headed by a general manager and backed by three managers and two assistant managers working on integrity issues and investigations, the Unit comprises former personnel of the Anti-Corruption Agency and the Police, all of whom possess vast experience in criminal investigations on fraud, including prosecution, and forensics in accounting and ICT. The Unit has two investigation teams, each headed by a manager and a group specialising in intelligence, research and forensic services. To ensure effectiveness in meeting its objective, the Unit develops and maintains a good working relationship with the relevant enforcement agencies.

Although ethical issues raised and investigated were only indicative of a few "bad apples", the Group does not rule them out and is committed to upholding ethical behaviour within the organisation. This is evident in the number of domestic inquiries conducted and proven cases of misconduct and unethical behaviour, where each of which were appropriately dealt with under the established disciplinary procedures. Through the creation of a robust ethical culture made possible through a reinforcement of the importance of ethics, TM is able to prevent malpractices and corporate crime.

On 29 June 2006, the Procurement Ethics programme was launched to further enforce the provisions of the CBE, focusing on applying the provisions to individuals who are responsible for the management

of procurement activities. The Procurement Ethics specifies the right conduct and decision making processes an individual should apply when confronted with ethical challenges, such as what to do when faced with ethical uncertainties, when observing ethical misconduct and when pressures are being applied to the individual or others. To ensure the success of the programme, a number of training sessions were conducted with employees involved in handling procurement decisions.

TM will continue with its commitment to promote an ethical business environment within the Group while meeting its responsibilities towards all stakeholders.



Additional COMPLIANCE INFORMATION

in accordance with Appendix 9C of the Bursa Securities Listing Requirements

The following information is provided in compliance with the Bursa Securities Listing Requirements:-

1. Share Buy-back

The Company did not make any proposal for share buy-back during the financial year.

2. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

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

3. Imposition of Sanctions/Penalties

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

4. Non-audit Fees

The amount of non-audit fees incurred for services rendered to the Group by the external auditors and their affiliated companies for the financial year ended 31 December 2006 are as follows:-

	RM
a) PricewaterhouseCoopers, Malaysia	758,000
b) PricewaterhouseCoopers Taxation Services Sdn Bhd	1,363,100
Total	2,121,100

5. Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2006 other than the granting of options under the Employees' Share Option Scheme 3 (ESOS 3) as disclosed in Note 13 to the Financial Statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings pursuant to Section 169(11) of the Companies Act, 1965, except for information of employees who were granted options of above 100,000 shares each.

None of the employees of the Company and Group were granted options representing 100,000 ordinary shares and above during the financial year ended 31 December 2006.

6. Utilisation of Proceeds from Corporate Proposals

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2006.

7. Variation in Results

There were no profit estimations, forecasts or projections made or released by the Company during the financial year.

However, the Company had on 22 March 2006 announced its Headline Key Performance Indicators (KPIs) for the financial year ended 31 December 2006 to enhance greater transparency to the public, as part of the broader performance management framework that TM has in place, and as prescribed under the Government Linked Company (GLC) Transformation Programme.

These Headline KPIs are targets or aspirations set by the Company and shall not be construed as either forecasts, projections or estimates of the Company or representation of any future performance.

8. Profit Guarantee

During the financial year, the Company did not give any profit guarantee.

9. Material Contracts involving Directors' and Major Shareholders' Interests

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interests either subsisting as at 31 December 2006 or entered into since the end of the previous financial year ended 31 December 2005, except for the following subsisting contracts/agreements in respect of the joint venture between TM International Sdn Bhd (TM International) and our major shareholder, Khazanah Nasional Berhad (Khazanah) for the acquisition of shares in MobileOne Ltd (M1):-

- a) Joint Venture and Shareholders' Agreement dated 17 August 2005 between Khazanah and TM International to form SunShare Investments Ltd (SunShare), a joint venture company for the acquisition of shares in M1;
- b) Sale and Purchase Agreement dated 17 August 2005 between SunShare and Great Eastern Telecommunications Ltd (GET) on the acquisition of 118,526,670 fully paid up ordinary shares of Singapore Dollar (SGD) 0.20 each in M1, representing approximately 12.1% of the issued and paid-up share capital of M1 by SunShare from GET for a consideration of SGD260.8 million;

- c) Restated Joint Venture and Shareholders' Agreement dated 23 September 2005 entered into by Khazanah, TM International and TM, which amended and replaced the previous Joint Venture and Shareholders' Agreement dated 17 August 2005 to regulate the affairs of SunShare as a special purpose vehicle for the acquisition of shares in M1; and
- d) Subscription Agreement dated 23 September 2005 between SunShare, Khazanah and TM for the subscription of redeemable convertible preference shares of USD0.01 each in SunShare at the issue price of USD1.00 each by Khazanah and TM for a consideration of USD35,965,998 and USD37,433,992 respectively.

10. Revaluation Policy on Landed Properties

The Company has not adopted any revaluation policy or carry out any revaluation exercise on its landed properties during the financial year.

11. Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)

The Company did not obtain any mandate from its shareholders to enter into RRPT, which are necessary for its day-to-day operations on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders for the financial year ended 31 December 2006.

The Company proposes to obtain Shareholders' Mandate for RRPT at the forthcoming Extraordinary General Meeting to be held on 8 May 2007, upon conclusion of the 22nd Annual General Meeting of the Company. The details of the RRPT are set out in Appendix 1 of the Circular to Shareholders dated 16 April 2007.

Audit COMMITTEE REPORT

MEMBERSHIP

The Audit Committee comprises four Independent Non-Executive Directors and one Non-Independent Non-Executive Director of the Board as follows:-

- 01 YB Datuk Nur Jazlan Tan Sri Mohamed**
(Chairman)
Independent Non-Executive Director
- 02 Dato' Lim Kheng Guan**
Senior Independent Non-Executive Director
- 03 Dato' Dr Abdul Rahim Haji Daud**
Independent Non-Executive Director
- 04 Dato' Ahmad Haji Hashim**
Non-Independent Non-Executive Director
- 05 Rosli Man**
Independent Non-Executive Director
- 06 Hashim Mohammed**
Group Chief Auditor/
Secretary to the Audit Committee

Members of the Audit Committee shall not engage in relationships, which in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee.

Members of the Audit Committee shall possess wisdom, sound judgement, objectivity, independent attitude, management experience and knowledge of the industry.

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

MEETINGS

The Audit Committee had eight (8) meetings in the financial year 2006. The meeting attendance of the Committee members was as follows:

	Attendance
YB Datuk Nur Jazlan Tan Sri Mohamed	8/8
Dato' Lim Kheng Guan	6/8
Dato' Dr Abdul Rahim Haji Daud	6/8
Dato' Ahmad Haji Hashim	6/8
Rosli Man	8/8

The Group Chief Financial Officer, other Senior Management members and the External Auditors attended these meetings upon invitation to brief the Committee on specific issues. A key feature prior to each Audit Committee Meeting is a private session between the Chairman and the Group Chief Auditor and the External Auditors (separately) without Management presence.

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

SUMMARY OF ACTIVITIES IN THIS FINANCIAL YEAR

The Audit Committee carried out its duties as set out in the terms of reference as in page 100 to 102.

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

- (a) The Task Force for Best Practices (TFBP) which was established by the Audit Committee in year 2001 mainly to support them on the following:-
- New updates and developments of best business practices and exposure drafts, principally on Corporate Governance, statutory and regulatory requirements, compliance to accounting standards and other business guidelines. The TFBP consistently submitted their reports at every Audit Committee Meeting.
 - The planning, implementation and progress report of enterprise-wide risk management programmes that were identified and implemented at various major divisions and subsidiaries of the Group to institute risk management, control and governance practices by the Management to achieve business excellence and support of overall Group objectives.



- Receive and review report on the adequacy, effectiveness and reliability of the system of internal controls based on control self assessment performed annually by the CEO/COO of Operating Companies/Subsidiaries through the Annual Internal Control Assurance Letter reporting and Internal Control Incidents submitted to the Group Chief Executive Officer and the Group Chief Auditor.
- Receive and review reports on the status of financial controls based on self-assessments conducted quarterly by CEO/CFO of Operating Companies/Subsidiaries through the Financial Controls Compliance and Assurance Letter submitted to Group CFO.
- Review and deliberate on new policy updates, revisions or enhancements of the Business Process Manual and Subsidiaries Policy as recommended by Management to ascertain that the improvements made are aligned to business best practices and effective internal control processes.

Audit Committee Report

- Monitoring and coordinating reviews on the effectiveness of the Group's system of internal controls, through reports furnished by the Group Internal Audit, the External Auditors and Management.
 - The implementation of the Enhanced Telekom Operation Maps (eTOM) as the telecommunications industry business framework and best practices to be used for reference by Management and internal auditors to benchmark against industry standards.
- (b) The Management Audit Issues Action Committee which was established by the Audit Committee in year 2002 to update the Audit Committee on progress of:
- Management actions to resolve significant internal controls and accounting issues as highlighted by the Internal and External Auditors.
 - Any other recommendations made by the Audit Committee for Management action.
- (c) The Internal Control Incident Committee which was established in year 2003, deliberates alleged major control incidents or failures based on reports submitted from Management or special investigation/ audits conducted as well as propose the next course of action. The reports are summarised by the Group Chief Auditor and updated to the Audit Committee on a quarterly basis describing the following:-
- The nature and root causes of control failures which have financial impact and/or affect the image and reputation of the Group.
 - Lateral learnings to prevent recurrence of similar incidents within the Group.
 - Status of actions taken by Management to remedy the control weaknesses and appropriate disciplinary actions.
- (d) Reviewed and monitored the reports from Management on the following:
- The extent of non-audit work performed by the External Auditors to ensure that the provision of non-audit services does not impair their independence or objectivity.
 - The implementation preparation and progress of the major projects that have been developed in 2006 such as Group Wide Enterprise Management System (GEMS) and Customer Relationship Management (CRM).

- Strategic direction and initiatives by key divisions in the Group such as Group Human Resource, Group Procurement and Technical Project team (inclusive of NGN project).

- (e) The adoption of COSO (The Committee of Sponsoring Organisations of the Treadway Commission) as the generally accepted integrated framework for internal controls which is widely recognised as the definitive standard against which the Group measures the effectiveness of their systems of internal control.

During the year, the Board reviewed the Governance of the Audit Committee and subsequently approved the centralisation of Group Internal Audit. The Audit Committee Terms of Reference was reviewed and approved by the Board.

GROUP INTERNAL AUDIT

Group Internal Audit has emerged as an independent, objective assurance and consulting activity designed to add value and improve the Group's operational activities. The purpose, authority and responsibility of Group Internal Audit as well as the nature of assurance and consulting activities provided to the Group is clearly articulated in the Internal Audit Charter that has been approved by the Audit Committee. Group Internal Audit reports directly to the Audit Committee. The Group Chief Auditor periodically reports the activities and key strategic and controls issues noted by Group Internal Audit to the Audit Committee.

In 2006, Internal Audit activities and risk focus have been aligned to the COSO Internal Controls – Integrated Framework objectives in order to provide reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance. The COSO objectives, which have been supported by respective audit programmes, are:

1. Effectiveness and efficiency of operations
 - Information Technology and Systems Reviews
 - SAP Implementation Review
 - Business process (i.e. end-to-end process) and process improvement initiatives
 - Post Implementation Reviews of risk assessment activities (Control Self Assessment and Enterprise Risk Management)
 - Revenue Assurance Audit

2. Reliability of financial reporting
 - Financial Reporting Review
 - Interim Financial Review
3. Compliance with applicable laws and regulations
 - Regulatory Audit review
 - Employee Share Options Scheme review

Recognising the speed in which major risks could evolve and the impact it can create if left unattended, Group Internal Audit maintains a flexible audit approach and a dynamic audit plan that addresses the emerging risks of the day as well as potential future risks. This has enhanced the ability of Group Internal Audit to effect and facilitate the changes and foster continuous improvements within the Group. The end-to-end process audit has positioned Group Internal Audit at the forefront of positive change by recommending and facilitating the process of aligning people, processes and technology to achieve improved and sustainable Group performance.

In 2006, Group Internal Audit (inclusive of subsidiaries' Internal Audit departments) executed a comprehensive range of audit assignments covering locations at Corporate Headquarters and local and overseas operating subsidiaries focusing on strategies, business processes, human resource, and systems. Group Internal Audit also coordinates the follow-up reviews on the resolutions of both internal audit control issues and reports the status to the Audit Committee accordingly.

The Audit Committee reviews and approves the Group Internal Audit's annual budget and Human Resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. As at 31 December 2006, Group Internal Audit has 81 auditors with a various mix of expertise and experiences as tabulated below:

a) Expertise and skills

	GROUP INTERNAL AUDIT (GIA)						%
	TM	CELCOM	TMIB	DIALOG	XL	TOTAL	
Finance	14	5	1	5	5	30	37%
IT/MIS	8	3	—	4	2	17	21%
Network/Engineering	8	2	2	2	3	17	21%
Marketing	8	2	1	—	1	12	15%
General	1	2	1	—	1	5	6%
Total	39	14	5	11	12	81	100%

b) Professional qualifications (inclusive postgraduate qualifications)

	GROUP INTERNAL AUDIT					
	TM	CELCOM	TMIB	DIALOG	XL	TOTAL
MBA/Masters	15	4	3	1	3	26
CPA/ACA/ACCA/CIMA	6	1	1	3	2	13
CIA	4	1	—	—	1	6
CISA	2	—	—	2	—	4

In line with The Institute of Internal Auditors (IIA) Standards, Group Internal Audit carries out periodic and ongoing assessments on the entire spectrum of audit work performed by the internal auditors via annual internal Quality Assurance Review (QAR) processes and an external quality assessment by a qualified independent reviewer every five years. The assessment of quality assurance and improvements include the evaluation of areas such as compliance to the IIA standards and Group Internal Audit Manuals, contribution to the governance, risk assessment and control processes and performance management. Group Internal Audit generally conforms to the International Standards for the Professional Practice of Internal Auditing.

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. COMPOSITION

The Audit Committee (AC) Members shall be appointed by the Board of Directors ("Board") from amongst their members. No alternate director shall be appointed as a member of the Audit Committee.

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

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

2. MEETINGS

The AC shall meet at least four times a year and such additional meetings as the Chairman shall decide. In order to form a quorum, majority of the members must be present and the majority of those present must be Independent Non-Executive Directors. The Notice and agenda for the meeting shall be sent in advance to all members of the AC. The Chairman of the AC shall provide to the Board a report of the AC Meetings.

3. AUTHORITY

In carrying out its duties and responsibilities, the AC shall have the following rights, in accordance with the procedures to be determined by the Board of Directors and at the cost to the Company:

- a. Have explicit authority to investigate any matter within its terms of reference;

- b. Have the resources which are required to perform its duties;
- c. Have full, free and unrestricted access to any information, records, properties and personnel of TM and of any other companies within the TM Group;
- d. Access to the minutes, reports and information of all subsidiary AC;
- e. Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
- f. Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the AC's meetings (if required) and to brief the AC thereof;
- g. The attendance at any particular AC meeting by other Directors and employees of TM at the AC's invitation and discretion and must be specific to the relevant meeting;
- h. Be able to convene meetings with External Auditors, excluding the attendance of the executive members of the AC, whenever deemed necessary;
- i. Have immediate access to reports on findings and recommendations from Group Internal Audit in respect of any fraud or irregularities discovered and referred to Group Internal Audit by the Management;
- j. Be able to seek clarification from the subsidiary Board or CEO;
- k. Have step-in rights in the situation where there is possible fraud, illegal acts or code of conduct violation is suspected involving senior management or members of the Board;
- l. Be able to direct the centralisation of the Group Internal Audit (GIA) and that GIA provides representation at the subsidiary AC;
- m. Have authority and ability for placement of internal audit resources TM Group wide;
- n. Require the Head of Internal Audit at subsidiary and the Group Chief Auditor to escalate and inform the AC immediately on urgent matters.

4. DUTIES AND RESPONSIBILITIES

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

4.1 Risk Management and Internal Control

- Review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines.
- Propose an adequate system of risk management for Management to safeguard the Group's assets.
- Review the risk profile of the Group and major initiatives having significant impact on the business.

4.2 Financial Reporting Review

- Review the quarterly interim results, half-yearly results and annual financial statements review of the Company and the Group, focusing particularly on:
 - a) Any changes in accounting policies and practices;
 - b) Significant or material adjustments with financial impact arising from the audit;
 - c) Significant unusual events or exceptional activities;
 - d) Financial decision making with the presumptions of significant judgments;
 - e) The going concern assumptions; and
 - f) Compliance with approved accounting standards, stock exchange and other regulatory requirements.
- Review with the External Auditors the financial statements for the purpose of approval before the audited financial statements are presented to the Board for adoption including:
 - a) Whether the auditors' report contained any qualifications which must be properly discussed and acted upon for purposes of resolving the contentious point of disputes in the current audits and to remove the cause of the auditors' concern in the conduct of future audits;

- b) Significant changes and adjustments in the presentation of financial statements;
- c) Compliance with laws and local and international accounting standards;
- d) Material fluctuations in balances in the financial statements;
- e) Significant variations in audit scope and approach; and
- f) Significant commitments or contingent liabilities.

- Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of Management where necessary;
- Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines.
- Review the follow-up actions by Management on the weaknesses of internal accounting procedures and controls as highlighted by the External and Internal Auditors as per management letters.
- Where there is an audit assignment initiated by the GIA central office that have bearing upon all subsidiaries or that the subsidiaries results would affect the audit opinion of the Group, the respective subsidiaries' internal audit office must adhere to the request and include in its audit plan.

4.3 External Audit

- Consider the appointment of a suitable accounting firm to act as External Auditors and amongst the factors to be considered for the appointment are the adequacy of the experience and resources of the firm and the persons assigned to the audit, to consider any question of resignation (including any letter of resignation) or removal and whether there is a reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment and to recommend the audit fee payable thereof.

Audit Committee Report

- Discuss with the External Auditors before the audit commences, the audit plan, nature, approach and scope of the audit and ensure co-ordination where more than one audit firm is involved.
- Monitor the extent of non-audit work to be performed by the external auditors to ensure that the provision of non-audit services does not impair their independence or objectivity.

4.4 Group Internal Audit (GIA)

- To approve the Internal Audit Charter, which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and Group.
- Review the Internal Audit Plan and results of the internal audit process and where necessary to ensure:
 - a) That appropriate action is taken on the recommendations of the internal audit function;
 - b) That Group Internal Audit has adequate and competent resources and that it has the necessary authority to carry out its work; and
 - c) That the goals and objectives of Group Internal Audit are commensurate with corporate goals.
- Review and appraise the performance and remuneration of the Group Chief Auditor and senior staff members of Group Internal Audit, approve the appointment or termination of the Group Chief Auditor and senior staff members of Group Internal Audit and inform itself of resignations of the Group Chief Auditor and senior staff members of the Group Internal Audit and provide the resigning staff member an opportunity to submit his reasons for resigning.
- Be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceedings/investigations, including the nature and reasons for the said disciplinary proceedings/investigations, as well as the subsequent findings and proposed disciplinary actions against the Group Chief Auditor and senior staff members of Group Internal Audit. As employees of TM, the Group Chief Auditor and senior staff members of

Group Internal Audit are subject to TM's human resource policies and guidelines, including disciplinary proceedings/investigations and actions.

- The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Board or the AC should determine the remit of the internal audit function.

4.5 Related Party Transactions

- Consider and review any significant transactions, which are not within the normal course of business and any related party transactions and conflict of interest situations that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

4.6 Employee Share Option Scheme (ESOS)

- Verify the allocation of share options to the Group's eligible employees in accordance to the Bursa Securities Listing Requirements at the end of each financial year.

4.7 Other Matters

- Establish a process for dealing with complaints received by the Company and the Group regarding accounting issues, internal control matters or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- To report to Bursa Securities, if the AC views that a matter resulting in a breach of the Bursa Securities Listing Requirements reported by the AC to the Board has not been satisfactorily resolved by the Board.
- Such matters as the AC considers appropriate or as defined by the Board.



YB Datuk Nur Jazlan Tan Sri Mohamed
Chairman

Statement on INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors ("Board") is committed to its responsibility in maintaining a sound system of internal control which covers governance, risk management, financial, organisational, operational and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets. The Board recognises and affirms its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and

framework as well as reviewing its effectiveness, adequacy and integrity. However, the Board recognises that this system is designed to manage, rather than eliminate the risk of non-achievement of the Group's objectives. It therefore provides reasonable and not absolute assurance, against the occurrence of any material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the

achievement of its business objectives throughout the period. This process is regularly reviewed by the Board to take into consideration changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal controls.

The Board is assisted by the Management in the implementation of the approved policies and procedures on risks and controls whereby Management identifies and assesses the risks faced and then designs, implements and monitors appropriate internal controls to mitigate and control these risks.

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

INTERNAL CONTROL FRAMEWORK

The Board's evaluation of the internal controls is based from criteria developed under COSO (Committee of the Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework. It is a generally accepted framework for internal control and is widely recognised as the standard against which the Group measures the effectiveness of its system of internal controls. The internal control system is intertwined with the Group's operating activities and exists for fundamental business reasons.

Under the COSO model, internal controls are segregated into five interrelated components that are designed to provide reasonable assurance on the achievement of the Group's objectives.

A. CONTROL ENVIRONMENT

This sets the tone of the Group, influencing the control consciousness of its employees and key activities related to the area as follows:

TM CORE VALUES AND CODE OF BUSINESS ETHICS

- Internalisation of TM Group's Core Values of "Total Commitment to Customers", "Uncompromising Integrity" and "Respect and Care" sets the guiding principles of the Group's culture.
- All employees are required to sign and adhere to the Group's Code of Business Ethics, which outlines the minimum standard of behaviour and ethical conducts expected of employees in business matters.

COMMITMENT TO COMPETENCE

- TM Competency – Based Development Framework, which includes the analysis of current Human Capital Development, needs and challenges and the competencies required in today's environment, and grouped to specific job challenges.

Statement on Internal Control

- Training and development is emphasised and supported in the Group to enhance the quality, ability and competencies of the employees in the achievement of the Group's objectives.

BOARD AND AUDIT COMMITTEES

- The various Board Committees, namely the Audit Committee, the Nomination and Remuneration Committee, the Tender Committee, Employee Share Option Scheme (ESOS) Committee and other ad-hoc Committees that are all governed by clearly defined terms of reference.
- The Audit Committee, comprising a majority of independent non-executive directors, brings with them a wide ranging in-depth experience, knowledge and expertise. They continue to meet and have full and unimpeded access to both the internal and external auditors during the financial year.

ORGANISATION STRUCTURE

- An organisation structure, with clearly defined lines of responsibility and accountability aligned to business and operations requirements.
- The Management's tools for enhancing self-assurance include providers such as the Risk Management Unit, Compliance Unit, Revenue Assurance Unit, Project Management Office (PMO), Fraud Management Division and Corporate Regulatory Unit.

ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY

- Clear definition of limits of authority and responsibilities through the Group's Business Process Manual

and Subsidiaries Policy that has been approved by the Board and subject to regular reviews and enhancements.

HUMAN RESOURCE POLICIES AND PROCEDURES

- Comprehensive Human Resource (HR) policies and procedures, which is available in TM HR portal. Great effort has been made by the Group to realign its existing HR policies and procedures towards the initiatives developed by the Government under the GLC transformation programme.
- Formal appraisals guided by Key Performance Indicators (KPIs) and driven by the Balanced Scorecard System (BSC). The BSC provides a framework to translate strategy into operational terms and is being used as a performance measurement tool.



B. RISK ASSESSMENT

Risk assessment is the identification and analysis of relevant risks to achieve the Group objectives, forming a basis for determining how the risks should be managed. Key activities involved within this area are:

ENTERPRISE RISK MANAGEMENT (ERM)

- Risk management is firmly embedded in the Group's system of internal control as it is regarded by the Board to be an integral part of the operations. Managing risk is identified as a shared responsibility and therefore the management of risks are integrated within the Group. Employee's appreciation and commitment to ERM is continually emphasised and enforced.
- Group Internal Audit complements the role of Risk Management Unit by performing post implementation reviews of these workshops to independently review the risk profiles, risk management strategies and adequacy and effectiveness of the controls identified and implemented in response to the identified risks.

CONTROL SELF ASSESSMENT (CSA)

- Control Self-Assessment (CSA) is a process that allows employees in the Group to identify the risks within their business environment and examine the controls in place dealing with those risks and evaluate or assess their



adequacy. The CSA's result will be used as one of the key information tools in identifying high-risk areas within the Group.

- Employees are then encouraged to take on full ownership and accountability of the individual control mechanisms within their respective areas of work.
- Post implementation reviews of the CSAs are conducted by Group Internal Audit at the minimum 6 months after the CSA workshops to ensure agreed upon action plans are satisfactorily executed.

ANNUAL SELF-ASSESSMENT

- Disclosures are made by the Group's Operating Companies' Chief Executive Officers (CEO)/ Chief Operating Officers (COO) and Chief Financial Officers (CFO) on the overall effectiveness, reliability and adequacy of their respective

companies' system of internal controls and financial controls respectively. TM has adopted the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework for this evaluation process.

C. CONTROL ACTIVITIES

Control activities are the policies and procedures that help ensure the management directives are carried out. Relevant activities are:

POLICIES AND PROCEDURES

- Procedures with embedded internal controls documented in a series of policies, procedures and guidelines including those relating to Financial Controls, Procurement, Network Operations, Management Information Systems, Information Technology, Marketing, Human Resources, Occupational, Health and Safety, etc.
- Information Technology Governance Policy (inclusive of IT Security policy, IT Network policy, IT Application policy) that is established based on the current IT issues identified by both internal and external auditors.

INSURANCE AND PHYSICAL SAFEGUARD

- Adequate insurance and physical safeguard on major assets in place to ensure that the assets of the Group are sufficiently covered against any mishap that will result in material losses to the Group.

D. INFORMATION AND COMMUNICATION

Information and Communication ensures that pertinent information is identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Relevant activities are as follows:

INTERNAL CONTROL INCIDENT (ICI REPORTING)

- ICI Reporting procedure with clear reporting guidelines. Lateral learnings from reported ICI are captured and disseminated to CEO/COO of operating companies to prevent potential recurrence in these companies.

TASK FORCE BEST PRACTICE

- Task Force for Best Practices is a Management Committee that reports to the Audit Committee. It provides updates and developments of best practices and exposure drafts on corporate governance, statutory and regulatory requirements set by all statutory bodies/relevant authorities, compliance to accounting standards and other business guidelines and issues. All requisite reminders and updates are raised through its secretariat, the Compliance Unit.

Statement on Internal Control

E. MONITORING

Monitoring is a process that assesses the quality of the internal control system's performance via on-going activities and separate evaluations. Relevant key activities are as follows:

MANAGEMENT COMMITTEES

- Management Executive Meetings are held on a regular basis to identify, discuss and resolve strategic, operational, financial and key management issues.
- Management Audit Issues Action Committee, comprising members of Senior Management and CEO/COOs of major Operating Companies regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.
- Structured review of all material capital and investment acquisitions by Management Executive Committees and respective Boards of major operating companies prior to approval by the Board.
- The Group Risk Management Committee (GRMC) established in 2004 is responsible for steering the Enterprise Risk Management (ERM) implementation, identification and communication to the Board, the Group's present and potential critical risks, changes in the risk profile and the Management action plans to manage the risks.

STRATEGIC BUSINESS PLANNING, BUDGETING AND REPORTING

- Integrated business planning and budgeting processes driven by commercial objectives vetted and approved by the Board and cascaded throughout the organisation to ensure effective execution and follow through. Periodic reviews performed on achievement of business objectives/targets and financial performance.

GROUP INTERNAL AUDIT

- Group Internal Audit carries out continuing assessments of the quality of risk management and existing internal controls. It also assists in promoting effective risk management in the lines of business operations.
- Group Internal Audit continues to independently and objectively monitor the compliance with policies and procedures and the effectiveness of the internal control systems. Significant findings and recommendations for improvements are highlighted to Senior Management and the Audit Committee, with periodic follow up review of actions plans. Group Internal Audit's practices and conduct are governed by the Internal Audit Charter.

SPECIAL AFFAIRS UNIT

- Special Affairs Unit is responsible for reviewing and monitoring the ethical conducts and practices of all employees including Senior Management. Investigations of Internal Control Incident (ICI) cases are also undertaken by the Unit (where applicable) and tabled to the ICI Committee and to the Board vide the Audit Committee. Appropriate actions are then taken based on the strengths and merits of the findings.

REVIEW OF THE STATEMENT BY THE BOARD OF DIRECTORS

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

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

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