

**TELEKOM MALAYSIA BERHAD**

(128740-P)



# *Opening Up Possibilities*

*From wireline to wireless  
Mankind we serve*

*From one 'Hello' to another  
Our lives connect*

*From 'Apa Khabar?' to 'What's Up?'  
Communication evolves*

*From one simple greeting  
Time and space dissolve*

*From one connection to another  
Races and cultures unify*

*From land, sea or air  
Oceans bridged, continents linked*

*From the power of connections  
Businesses flourish, relationships blossom*

*From one single touch  
Immense possibilities unfold*

*From one single company  
Everyday, in so many ways  
We're 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 solution
- Build enduring relationships based on trust with our customers and partners
- Generate shareholder value by seizing opportunities in Asia Pacific and other selected regional markets
- Be the employer of choice that inspires performance excellence

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NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at 10:00 a.m., on Tuesday, 20 May 2003 at the Legend Grand Ballroom, 9th Floor, The Legend Hotel, 100 Jalan Putra, 50350 Kuala Lumpur, for the following purposes:-

## notice of annual general meeting

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1. To receive, consider and adopt the audited Accounts for the year ended 31 December 2002 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**
  2. To approve the declaration of a final dividend of 10 sen per share (less 28% Malaysian Income Tax) in respect of the year ended 31 December 2002. **(Ordinary Resolution 2)**
  3. To re-elect the following Directors retiring pursuant to Article 103:-
    - (i) Dato' Dr. Abdul Rahim bin Haji Daud **(Ordinary Resolution 3)**
    - (ii) Dato' Dr. Md Khir bin Abdul Rahman **(Ordinary Resolution 4)**
  4. To approve the Directors' fees and remuneration. **(Ordinary Resolution 5)**
  5. To appoint the retiring Auditors and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**
  6. **As SPECIAL BUSINESS**  
To consider and if thought fit to pass the following Ordinary Resolution:- **(Ordinary Resolution 7)**  
**Authority to Allot and Issue Shares**  
"THAT subject to the Companies Act 1965 ("the Act"), the Articles of Association of the Company, approval from the Kuala Lumpur Stock Exchange ("KLSE") and other Government or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Act, to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided always that the aggregate number of shares to be issued, shall not exceed 10% of the issued share capital of the Company."
  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 9 May 2003 (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 9 May 2003 in respect of Ordinary Transfer;
  - (c) Shares bought on the KLSE on cum entitlement basis according to the Rules of the KLSE.



## notice of annual general meeting

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 Malaysian Central Depository Sdn. Bhd. ("MCD") by 12:30 p.m. on 1 December 1998 and not exempted from Mandatory Deposit, have been transferred to the Minister of Finance (MOF). Accordingly, the eligibility to attend this Meeting for such undeposited shares will be the MOF.

### NOTICE OF BOOK CLOSURE FOR PAYMENT OF DIVIDENDS

NOTICE IS ALSO HEREBY GIVEN THAT the Register of Members will be closed from 29 May 2003 to 30 May 2003 (both dates inclusive) to determine the Shareholders' entitlement to the dividend payment. The dividend, if approved by the shareholders at the Company's Eighteenth Annual General Meeting, will be paid on 23 June 2003 to shareholders whose names appear in the Register of Depositors on 28 May 2003.

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

- (a) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 26 May 2003 (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 28 May 2003 in respect of Ordinary Transfer;
- (c) Shares bought on the KLSE on a cum entitlement basis according to the Rules of the KLSE.

Shareholders are reminded that pursuant to SICDA, all shares not deposited with MCD 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

28 April 2003

**Notes:**

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

## financial calendar

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**21 May 2002**

17th Annual General Meeting and Extraordinary General Meeting.

**24 May 2002**

Announcement of the unaudited consolidated 1st quarter results for the three months ended 31 March 2002.

**29-31 May 2002**

Book Closure for determining the entitlement of the dividends.

**24 June 2002**

Date of payment of the final dividend of 10 sen per share (less 28% Malaysian Income Tax) and special dividend of 5 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 31 December 2001.

**26 August 2002**

Announcement of the unaudited consolidated 2nd quarter results for the six months ended 30 June 2002.

**29 November 2002**

Announcement of the unaudited consolidated 3rd quarter results for the nine months ended 30 September 2002.

**27 February 2003**

Announcement of the audited consolidated results and the proposed final dividend for the financial year ended 31 December 2002.

**28 April 2003**

Issuance of Notice of the 18th AGM, Notice of Dividend Payment and Book Closure, and Annual Report for the financial year ended 31 December 2002.

**20 May 2003**

18th Annual General Meeting of the Company.

**29-30 May 2003**

Book Closure for determining the entitlement for the dividend.

**23 June 2003**

Date of payment of the final dividend of 10 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 31 December 2002.

# statement accompanying the notice of annual general meeting

## ATTENDANCE OF DIRECTORS AT THE BOARD OF DIRECTORS' MEETINGS

1. The Board met fourteen (14) times during the financial year ended 31 December 2002. Details of their attendance are as follows:-

NAME	ATTENDANCE
Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor	14/14
Dato' Dr. Md Khir bin Abdul Rahman	14/14
Dato' Dr. Abdul Rahim bin Haji Daud	13/14
Dato' Abdul Majid bin Haji Hussein	9/14
Datuk Dr. Halim bin Shafie	8/14
Y.B. Joseph Salang Gandum	12/14
Dato' Dr. Mohd Munir bin Abdul Majid	11/14
Y.B. Dato' Ir. Haji Mohd Zin bin Mohamed	11/14
Dato' Lim Kheng Guan	14/14
Ir. Prabahar N.K. Singam	13/14
Rosli bin Man	12/14
Tan Poh Keat	14/14
Mohammad Zanudin bin Ahmad Rasidi (Alternate Director to Dato' Abdul Majid bin Haji Hussein)	5/14
Suriah binti Abdul Rahman (Alternate Director to Datuk Dr. Halim bin Shafie)	5/14

## LIST OF GENERAL MEETINGS during the financial year ended 31 December 2002

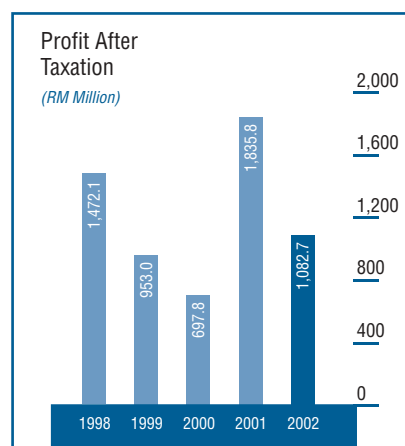
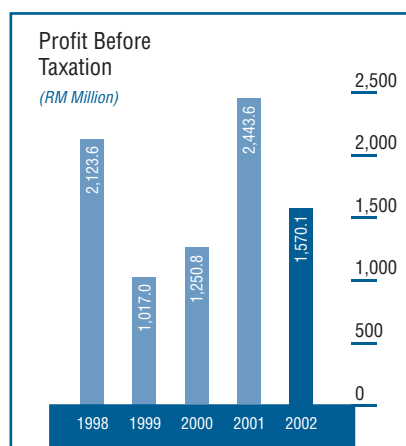
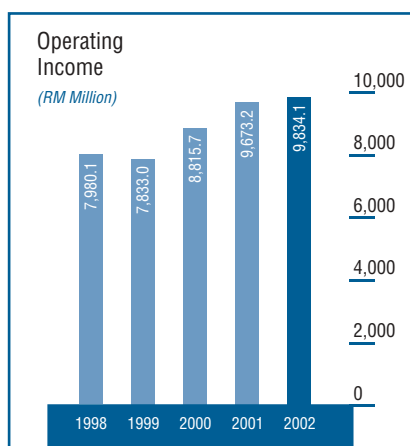
TYPE OF MEETING	DATE	TIME	VENUE
17 <sup>th</sup> Annual General Meeting	21 May 2002	10.00 a.m.	Legend Grand Ballroom 9 <sup>th</sup> Floor, The Legend Hotel 100 Jalan Putra 50350 Kuala Lumpur
Extraordinary General Meeting	21 May 2002	12.30 p.m.	Legend Grand Ballroom 9 <sup>th</sup> Floor, The Legend Hotel 100 Jalan Putra 50350 Kuala Lumpur

## 2. Further details of Directors seeking re-election at the Annual General Meeting

NAME	DATO' DR. MD KHIR BIN ABDUL RAHMAN	DATO' DR. ABDUL RAHIM BIN HAJI DAUD
Age	55	54
Nationality	Malaysian	Malaysian
Qualification	<ul style="list-style-type: none"> <li>• Bachelor of Science Degree in Mathematics from University Malaya.</li> <li>• Masters in Agricultural Development from the State University of Ghent, Belgium.</li> <li>• Doctorate of Science in Computing Statistics, from the State University of Ghent, Belgium.</li> </ul>	<ul style="list-style-type: none"> <li>• Bachelor of Engineering (Honours) in Electronics from University of Liverpool, United Kingdom.</li> <li>• Masters in Science (Telecommunications Engineering) from University of Birmingham, United Kingdom.</li> <li>• Doctorate in Engineering (Telecommunications) from the University of Bath, United Kingdom.</li> <li>• Masters in Business Administration from the University of Ohio, United States.</li> </ul>
Designation/Position on the Board	Chief Executive (Non-Independent Executive Director)	Deputy Chief Executive/Executive Director (Non-Independent Executive Director)
Date first appointed on the Board	1 May 2000	7 July 1998
Working Experience and Occupation	As enumerated in profile on page 23	As enumerated in profile on page 24
Directorships in other public listed companies	VADS Berhad	None
Securities holdings in the Company and its subsidiaries	None	<b>Telekom Malaysia Berhad</b> 10,500 shares (direct interest) 86,500 shares (indirect interest) <b>VADS Berhad</b> 10,000 shares (direct interest)
Family relationship with any Director and/or major shareholder of the Company	None	None
Conflict of interest with the Company	None	None
List of convictions for offences within the past 10 years other than traffic offences	None	None
Number of the Company's Board Meetings attended in the financial year	14/14 (100%)	13/14 (92.86%)



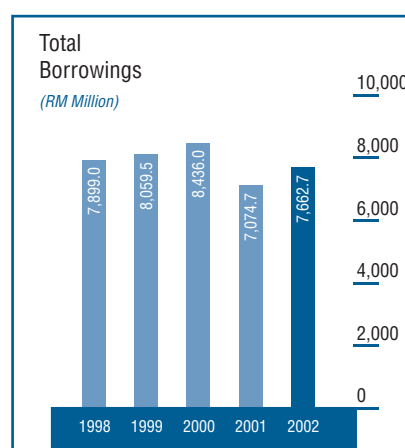
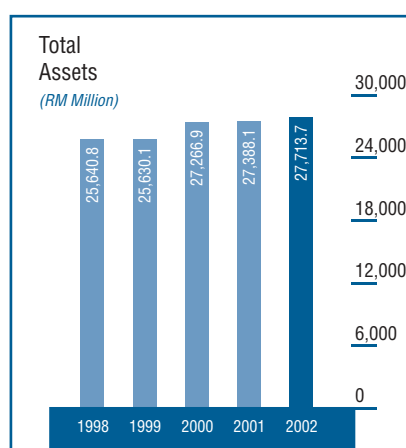
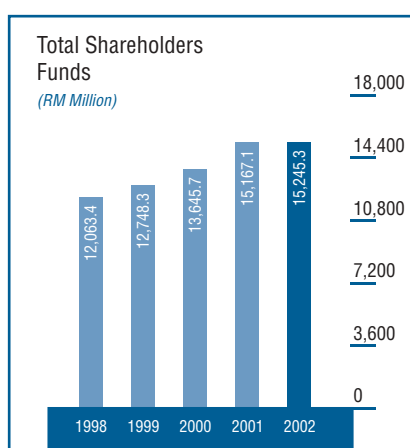
## five-year group financial highlights

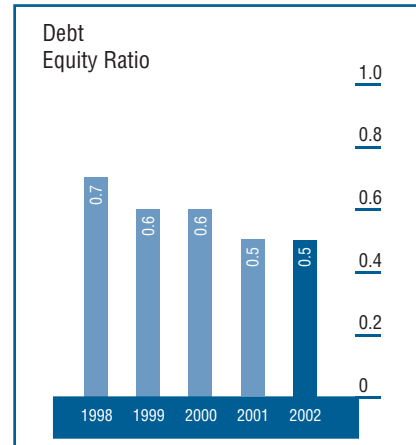
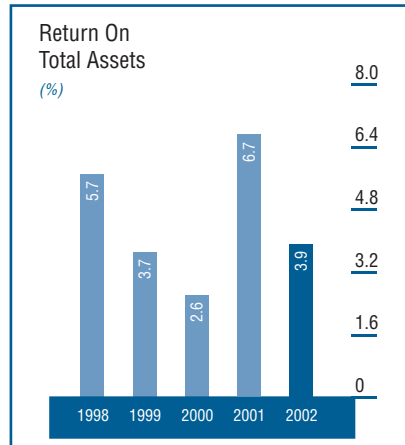
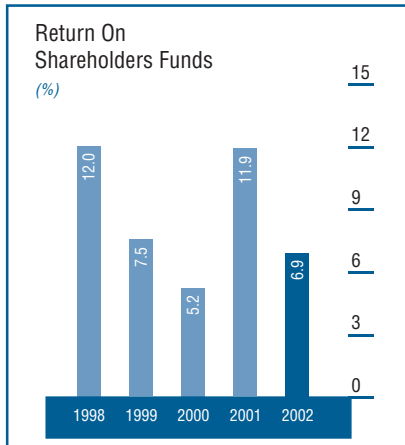


In RM Million	1998	1999	2000	2001	2002
1. Operating income	7,980.1	7,833.0	8,815.7	9,673.2	9,834.1
2. Profit before taxation#	2,123.6	1,017.0	1,250.8	2,443.6	1,570.1
3. Profit after taxation#	1,472.1	953.0	697.8	1,835.8	1,082.7
4. Profit after taxation and minority interest#	1,445.8	951.9	705.2	1,811.9	1,056.3
5. Total shareholders funds#*	12,063.4	12,748.3	13,645.7	15,167.1	15,245.3
6. Total assets#	25,640.8	25,630.1	27,266.9	27,388.1	27,713.7
7. Total borrowings	7,899.0	8,059.5	8,436.0	7,074.7	7,662.7

### GROWTH RATES OVER PREVIOUS YEARS

1. Operating income	11.4%	-1.8%	12.5%	9.7%	1.7%
2. Profit before taxation#	202.4%	-52.1%	23.0%	95.4%	-35.7%
3. Total shareholders funds#*	4.8%	5.7%	7.0%	11.1%	0.5%
4. Total assets#	6.4%	0.0%	6.4%	0.4%	1.2%
5. Total borrowings	1.0%	2.0%	4.7%	-16.1%	8.3%





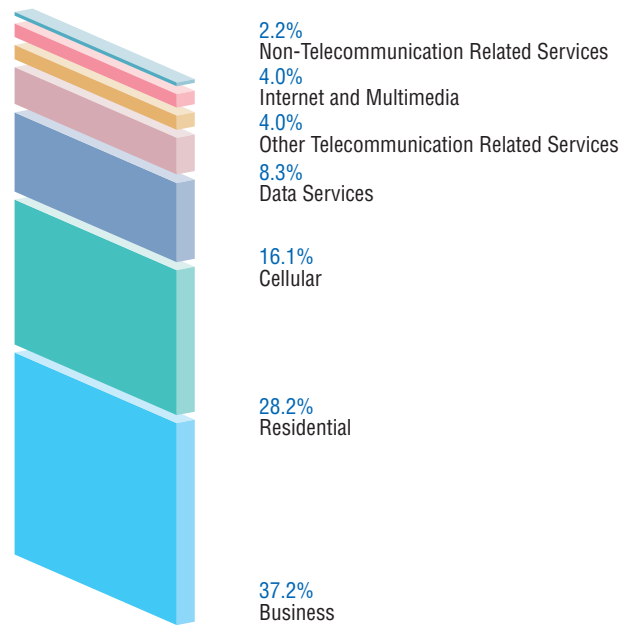
	1998	1999	2000	2001	2002
<b>RATIO</b>					
1. Return on shareholders funds#*	12.0%	7.5%	5.2%	11.9%	6.9%
2. Return on total assets#	5.7%	3.7%	2.6%	6.7%	3.9%
3. Debt equity ratio	0.7	0.6	0.6	0.5	0.5
4. Dividend rate	10.0%	10.0%	10.0%	15.0%	10.0%
5. Dividend cover#	4.8	3.2	2.3	3.9	3.3
6. Earnings per share#					
– Basic	48.2 sen	31.6 sen	22.9 sen	58.6 sen	33.5 sen
7. Net tangible assets per share#*	402.2 sen	421.0 sen	442.0 sen	488.7 sen	481.4 sen
8. Share price information					
High	RM13.10	RM14.70	RM17.70	RM12.60	RM10.20
Low	RM4.34	RM7.55	RM9.65	RM7.50	RM6.90

# Comparative figures for 1998 – 1999 are restated to conform with the changed accounting policy in year 2000 on the treatment of foreign exchange differences as well as the prior year adjustment on Group's share of post acquisition profits less losses of associated companies.

\* Comparative figures for 1998 – 2001 are restated to conform with the change in accounting policy in year 2002 on the recognition of liabilities with respect to dividend proposed.

## group financial performance 2002

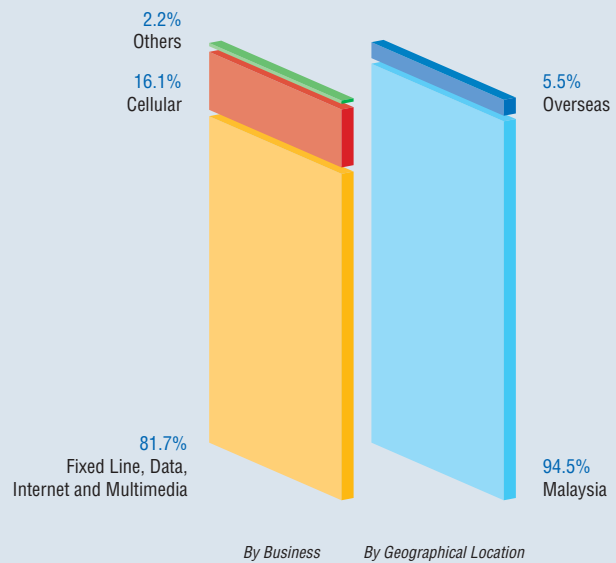
### OPERATING INCOME

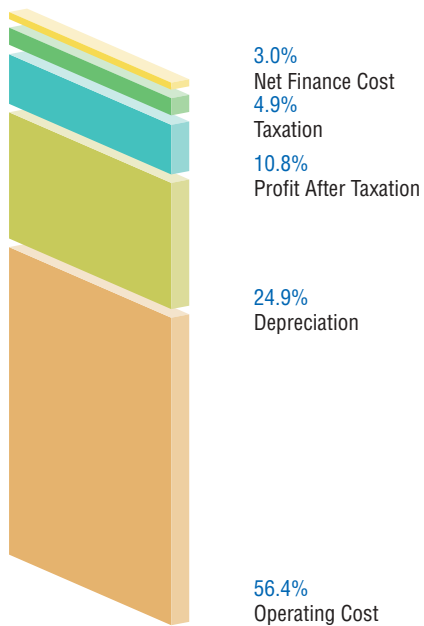


## group segmental analysis

### SEGMENT OPERATING INCOME

for the year ended 31 December 2002

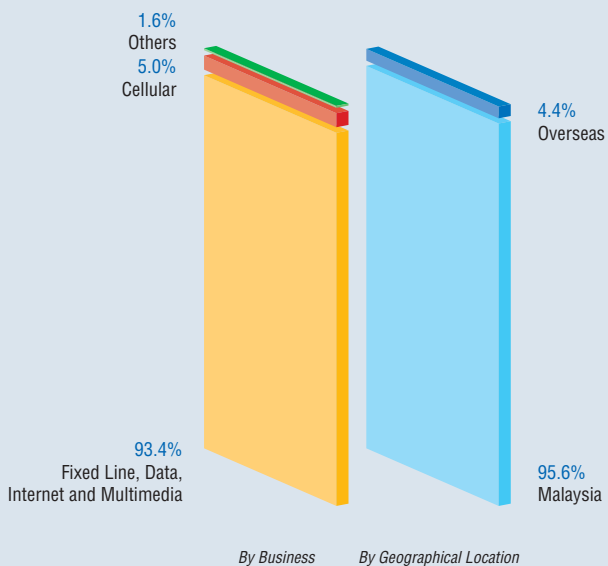




## DISTRIBUTION OF **INCOME**

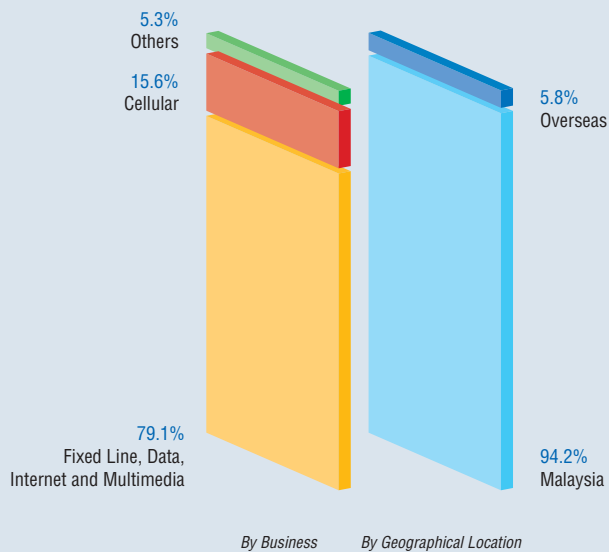
### SEGMENT RESULT

for the year ended 31 December 2002



### SEGMENT ASSETS

as at 31 December 2002



## business & other statistics

Year ended 31 December	1998	1999	2000	2001	2002
<b>CUSTOMER BASE</b>					
<b>TM TelCo</b>					
1. Residential telephone	3,226,879	3,258,044	3,405,744	3,406,655	3,328,456
2. Business telephone	1,157,269	1,172,755	1,228,601	1,252,352	1,264,844
3. Public telephone	188,839	162,276	156,600	120,528	79,479
4. Leased circuits	50,636	61,280	63,527	62,134	54,169
5. Other services	7,148	6,031	5,592	5,022	4,671
6. Toll Free (1-300 and 1-800)	1,102	1,295	1,573	1,658	1,703
7. ISDN	8,866	18,089	34,512	52,202	64,976
8. Total access lines	4,384,148	4,430,799	4,634,345	4,659,007	4,593,300
9. Total access lines per 100 population	20.4	20.1	20.9	20.0	18.8
<b>TM Cellular Sdn. Bhd.</b>					
1. Postpaid	209,210	196,765	496,526	859,428	554,418
2. Prepaid	6,889	97,610	280,825	393,587	1,024,537
<b>TM Net Sdn. Bhd.</b>					
1. Access Services*	270,000	405,330	855,495	1,271,038	1,480,327
2. Application Services	—	—	1,610	**621	7,937
3. Content Services	—	—	—	253,413	380,884
<b>INFRASTRUCTURE</b>					
<b>TM TelCo ('000)</b>					
1. Kilometers cable pair	29,878	30,069	30,404	30,724	30,850
2. Fibre kilometers	120	172	245	295	326
3. Exchange lines	7,190	7,337	7,970	8,528	8,656
4. International exchange lines	32.90	33.00	34.50	40.3	45.7
<b>TM Cellular Sdn. Bhd.</b>					
1. No. of BTS sites (cumulative)	736	898	1,245	1,655	2,133
2. Network Switching System (NSS) capacity ('000)	375	350	670	1,705	2,995
3. Coverage populated area (%)	21	30	54	57	62



Year ended 31 December	1998	1999	2000	2001	2002
<b>PRODUCTIVITY</b>					
<b>TM TelCo</b>					
1. Number of employees	27,089	25,442	24,789	21,237	20,708
2. Number of access lines per employee	162	174	187	217	222
<b>TM Cellular Sdn. Bhd.</b>					
1. Number of employees	817	833	1,672	1,966	2,010
2. Revenue per employee (RM'000)	237	286	305	551	579
3. Customer per employee	265	353	465	637	785
<b>TM Net Sdn. Bhd.</b>					
1. Number of employee	304	332	***254	365	424
2. Revenue per employee (RM'000)	253	438	829	828	873
<b>QUALITY OF SERVICE</b>					
<b>TM TelCo</b>					
1. Total faults report per line	0.4	0.5	0.4	0.4	0.4
2. Total complaints per 1,000 lines	13.2	10.2	8.3	5.6	5.2
3. Leased circuits fault restoration within 24 hours (%)	98.0	97.3	100.0	85.1	96.7
<b>TM Cellular Sdn. Bhd.</b>					
1. Overall Network Availability (%)	99.61	99.81	99.61	99.95	99.91
2. Accessibility (%)	99.06	98.13	89.27	95.67	96.78
3. Retainability (%)	N/A	97.37	96.50	97.27	95.11
<b>TM Net Sdn. Bhd.</b>					
1. % Complaints of bills issued	—	—	—	—	0.54%
2. Number of complaints per 1,000 customers	—	—	—	—	14

\* TM Net Sdn. Bhd. only started operation in July 2002. The 4 year statistics (1998-2001) refer to TM Multimedia.

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

\*\*\* The significant drop in the number of employees in the year was a result of a significant number of Internet Data Centre staff being transferred to TM TelCo.

## OPERATING INCOME

For the financial year ended 31 December 2002, the Group's operating income increased by 1.7% (RM160.9 million) from RM9,673.2 million recorded in 2001 to RM9,834.1 million in 2002. The growth was mainly attributed to the 32.9% and 29.7% growth in internet and multimedia and other telecommunication services respectively.

Fixed line services, comprise business (which also includes ISDN, payphone, interconnect, international inpayment) and residential telephony recorded a slight decrease of 1.1% (RM71.6 million) to RM6,428.8 million, compared to RM6,500.4 million recorded in 2001. Lower performance from fixed lines was mainly attributed to the decrease in call revenues resulting from the tariff rebalancing exercise in March 2002. Although the tariff rebalancing exercise contributed to higher rental revenue, the reduction in long distance and international tariff without sufficient increase in traffic volumes has reduced the long distance and international call revenue. Further reduction in international rates in June 2002 also contributed to lower call revenue.

Revenue from Cellular, which comprised rental, call charges and interconnect charges, registered moderate growth of 6.3% (RM94.3 million). The growth was jointly contributed by TM Cellular Sdn. Bhd. (TM Cellular), MTN Networks (Private) Limited and TM International (Bangladesh) Limited. This growth was in line with the growth in the number of subscribers of the respective companies.

Income from data services, which include leased services, COINS and frame relay and packet services increased marginally by 0.4%. Income from leased services declined by 5.1% due to the migration to higher end services such as COINS and adjustment of revenue from house cleaning exercise. COINS recorded significant growth of 52.5% due to the migration from leased services as mentioned above as well as increase in new customers. Frame relay and packet services recorded 12.9% reduction compared to 2001 mainly due to adjustment for house cleaning exercise.

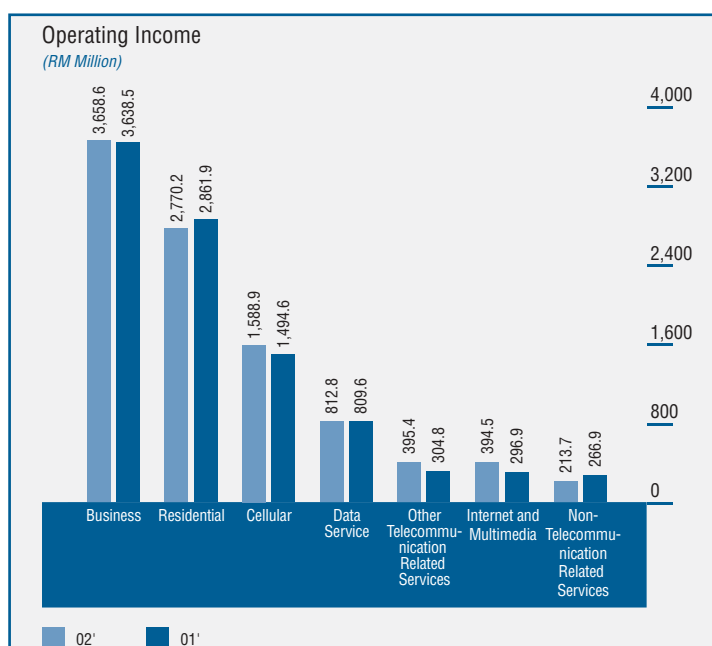
Income from internet and multimedia services comprise mainly revenue from ISP and other multimedia services, development of education system and software and advertisement charges. Income from this business segment grew by 32.9% compared to 2001 mainly due to 23.7% growth in ISP revenue resulted from the increase in number of subscriber and the introduction of new multimedia services as well as higher progress billing from development of education system and software. During the year, revenue from development of education system and software, advertisement and publication and electronic data information services were

reclassified from non-telecommunication services to internet and multimedia services to be consistent with segmental reporting. The comparative figures for 2001 were reclassified accordingly.

Other telecommunication related services comprise mainly recoverable works order, maintenance, international services, broadcasting, restoration of submarine cable and etc registered an encouraging growth of 29.7% (RM90.6 million). Telekom Malaysia Berhad (TM), VADS Berhad (VADS) and a new subsidiary company, GITN Sdn. Bhd. (GITN) jointly contributed to the increase.

Non-telecommunication related services comprise mainly services from subsidiary companies with core business in consultancy, property management, education, trading in consumers premises equipment and etc. Operating income from this segment decreased by 19.9% (RM53.2 million) mainly due to lower consultancy revenue recorded by TM International Sdn. Bhd. and Telekom Management Services Sdn. Bhd.

There was no major change in the operating income mix for the Group. Telephony services being the core business of the Group contributed 81.5% (2001: 82.7%) of the Group's operating income with the fixed line services contributed 65.4% (2001: 67.2%) and the remaining 16.1% (2001: 15.5%) was from the cellular division. The contribution from data services, internet and multimedia services and other telecommunication related services were 8.3% (2001: 8.4%), 4.0% (2001: 3.1%) and 4.0% (2001: 3.1%) respectively. Income from non-telecommunication related services contributed 2.2% (2001: 2.7%) to the Group's operating income.



## OPERATING COSTS

The Group's operating costs increased by 3.5% (RM275.8 million) from RM7,839.3 million recorded in 2001 to RM8,115.1 million in 2002. The main contributors were universal service provision (USP) cost, international outpayment, manpower and foreign exchange losses.

As required under paragraph 16 of Determination No. 2 of 2001 issued by the Malaysian Communication and Multimedia Commission (the Commission), a licensee shall annually contribute 6% of its weighted revenue to the USP fund unless the Commission by written notification, decides to reduce the contribution. The total USP expense accrued for 2002 in accordance with the above regulatory requirement was RM230.5 million. There was no such expense for year 2001.

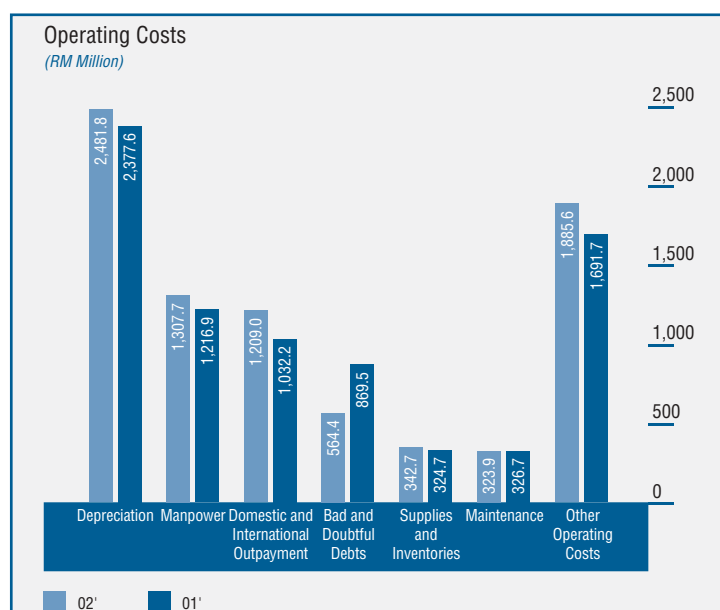
Higher international outpayment recorded mainly at TM level resulted from adjustments for outgoing traffic under declared for special transits and under accrued of outpayment due to adjustment in accounting rates.

Manpower cost (excluding retirement benefits) grew by 7.5% (RM90.8 million) to RM1,307.7 million mainly due to yearly increment and higher cost incurred for Voluntary Separation Scheme (VSS). Total VSS expense incurred in 2002 was RM147.0 million compared to only RM28.3 million in 2001. Increase in the number of employees of several subsidiary companies due to business expansion also contributed to the higher manpower cost. However, reversal of bonus expense and retirement benefit over accrued in prior year helped to mitigate the impact of the significant increase in VSS expense to the Group's bottom line.

The Group recorded net foreign exchange losses of RM96.7 million in 2002, compared to a net gain of RM77.6 million recorded in 2001, largely due to revaluation losses of Japanese Yen borrowings.

Bad and doubtful debts expense declined significantly by 35.1% (RM305.1 million) mainly due to lower provision at TM and TM Cellular. The lower provision at TM Cellular which represented 16.0% (2001: 24.3%) of its operating income was achieved through improved credit management in fourth quarter 2002. This has resulted in positive collection trend as compared to a massive house cleaning exercise in the third quarter of 2001. Provision at TM level, mainly for fixed line telephony, domestic and international private leased services decreased by 23.8% as compared to corresponding year and remained at a manageable level of 4.0% (2001: 5.4%) of total operating income.

Depreciation charge increased marginally by 4.4% (RM104.2 million) to RM2,481.8 million mainly due to higher assets additions at TM Cellular and a few overseas subsidiary companies as a result of network expansion. Depreciation expense remained the biggest cost component and constituted 30.6% of Group's operating costs followed by manpower cost (16.1%), domestic and international out payments (14.9%), bad and doubtful debt expense (6.9%), supplies and inventories (4.2%), maintenance (4.0%) and etc.



## NET FINANCE COST

The current year net finance cost of RM303.9 million was 23.8% lower than RM398.9 million recorded in 2001 largely due to lower interest expense. Reduction in interest expense was achieved through full year savings arising from prepayment of borrowings bearing high interest rate by Telekom Malaysia and several subsidiary companies throughout year 2001. This was evident from the reduction in Group borrowings from RM8,436.0 million as at 31 December 2000 to RM7,662.7 million as at 31 December 2002. In addition, lower interest rate during the year for the floating rate borrowings also contributed to the decrease in net finance cost.

## PROFIT BEFORE TAXATION

Despite significant improvement in TM Cellular, which has recorded profit before tax of RM10.4 million (excluding waiver of shareholder loan) compared to RM118.0 million loss in 2001, the Group's profit before taxation declined significantly by 35.7% (RM873.5 million) from RM2,443.6 million recorded in 2001 to RM1,570.1 million in 2002 mainly due to the inclusion of an exceptional gain on disposal of an associated company, Digital Phone Company Limited (DPC) amounting to RM827.8 million in 2001.

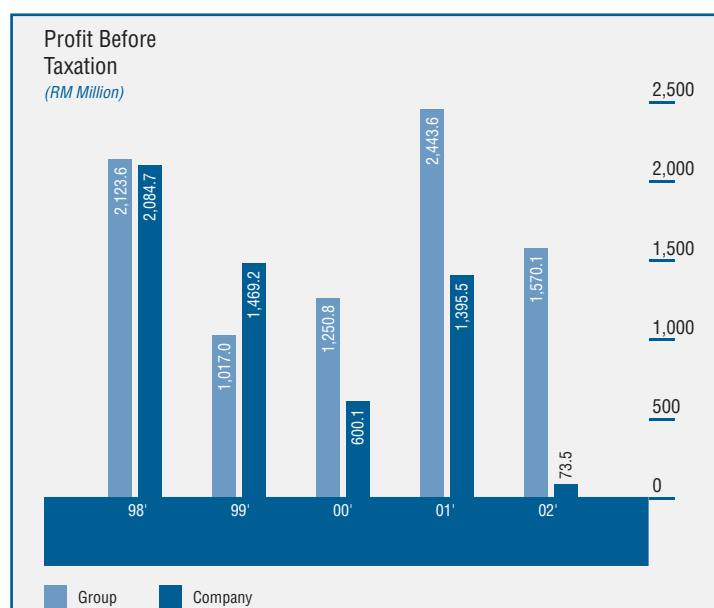
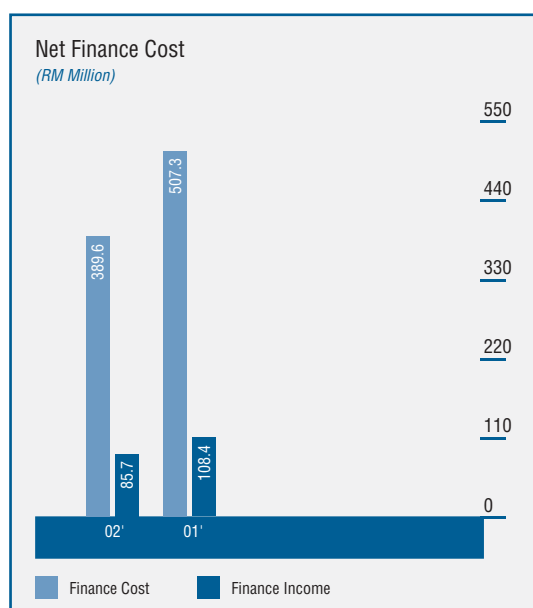
Excluding the above exceptional gain, the current year profit before tax was only 2.8% (RM45.7 million) lower than 2001.

The Group's share of profit less losses of associated companies for 2002 of RM42.5 million was marginally lower than RM43.8 million (excluding exceptional gain) recorded in 2001 mainly due to lower profit contribution from Telkom SA Limited (Telkom SA) and Ghana Telecommunications Company Limited (GT). Telkom SA and GT jointly contributed RM56.9 million to the Group's profit

before taxation as compared to RM80.6 million in 2001. Significant adjustment for staff benefits, fixed assets and provision for contingent liabilities affected Telkom SA's current year performance. The lower contribution from GT was due to TM ceased applying the equity accounting method on GT's results since 3rd quarter 2002 due to loss of management control over the company. Share of losses of a new associated company, Celcom (Malaysia) Berhad also contributed to the lower profit.

Nevertheless, saving from non-sharing of losses of DPC, which was disposed off in 2001 helped to reduce the impact of the above lower performance to the Group's bottom line. Share of losses of DPC in 2001 amounted to RM40.1 million.

Consequent from 35.7% decline in profit before tax, the profit attributable to shareholders decreased by 41.7% (RM755.6 million) from RM1,811.9 million to RM1,056.3 million.



## ASSETS

Total assets for the Group increased from RM27,388.1 million in 2001 to RM27,713.7 million in 2002 mainly due to increase in property, plant and equipment, investment in associated companies after netting off reduction in trade and other receivables and cash and cash equivalent.

Increased capital spending by TM Cellular and other subsidiary companies to expand and improve their network coverage and quality was the main contributing factor to higher property, plant and equipment which had increased by RM639.8 million. Higher

investment in associated companies was mainly due to acquisition of Celcom. Trade and other receivables reduced by RM143.6 million as compared to 2001 mainly due to improved credit management at TM and TM Cellular whereas reduction in cash and cash equivalent of RM699.1 million was largely due to utilisation of funds in acquiring Celcom.

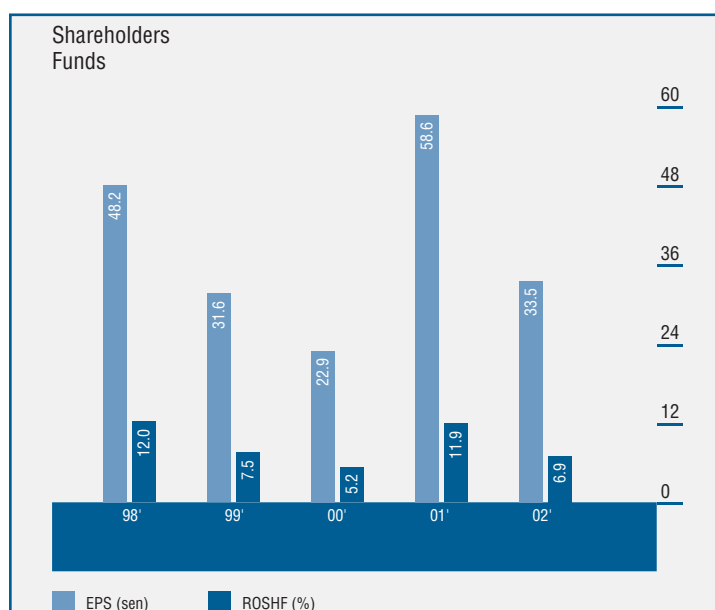
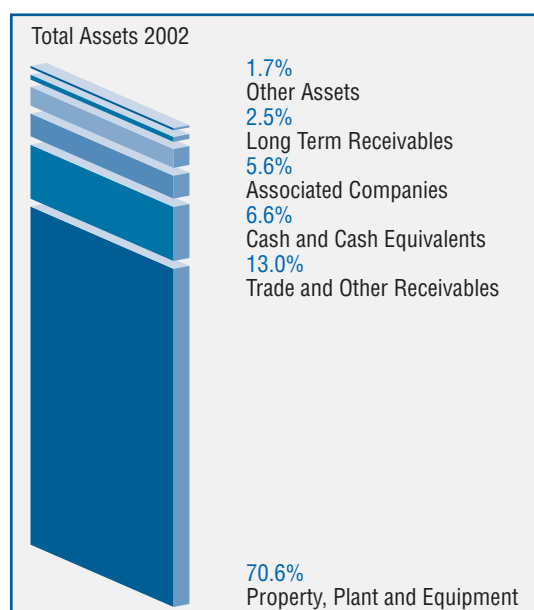
Resulting from lower profit after taxation and increased total assets, the return on total assets has decreased significantly from 6.7% in 2001 to 3.9% in 2002.

## SHAREHOLDERS FUND

The Group shareholders fund increased slightly from RM15,167.2 million recorded in 2001 to RM15,245.3 million in 2002. The increase was mainly attributed by the issuance of new shares under the Employees' Share Option Scheme (ESOS).

Due to significantly lower profit attributable to shareholders as mentioned earlier, return on shareholders fund declined significantly from 11.9% in 2001 to 6.9% in 2002. Likewise, earnings per share (EPS) also declined from 58.6 sen in 2001 to 33.5 sen in 2002.

In line with lower performance in 2002, the proposed gross final dividend for financial year 2002 was 10.0 sen less 28% taxation as compared to 15.0 sen less 28% taxation in 2001 which comprised a final gross dividend of 10.0 sen and a special gross dividend of 5.0 sen. As a result of lower earnings per share, dividend cover decreased from 3.9 in 2001 to 3.3 in 2002.





## group structure as at 31 March 2003

### Corporate Centre

- ▶ 100% UNIVERSITI TELEKOM SDN. BHD.
  - ▶ 100% UNITELE MULTIMEDIA SDN. BHD.
- ▶ 100% TELEKOM RESEARCH & DEVELOPMENT SDN. BHD.
- ▶ 100% TELEKOM ENTERPRISE SDN. BHD.
  - ▶ 55% MOBITEL SDN. BHD.
- ▶ 100% MEDIATEL (MALAYSIA) SDN. BHD.
- ▶ 100% TM INTERNATIONAL (L) LIMITED
  - ▶ 100% TESS INTERNATIONAL LTD.
- ▶ 100% TM INTERNATIONAL (CAYMAN) LTD.
- ▶ 100% TM INTERNATIONAL LEASING INCORPORATED
- ▶ 100% TM GLOBAL INCORPORATED
- ▶ 40% SISTEM IRIDIUM MALAYSIA SDN. BHD.

### Facilities Management

- ▶ 100% TM FACILITIES SDN. BHD.
- ▶ 100% MENARA KUALA LUMPUR SDN. BHD.
- ▶ 100% PARKSIDE PROPERTIES SDN. BHD.
- ▶ 100% TELESAFE SDN. BHD.



- ▶ 100% TM INTERNATIONAL SDN. BHD.
  - ▶ 100% MTN NETWORKS (PRIVATE) LIMITED
  - ▶ 100% TM INTERNATIONAL LANKA (PRIVATE) LIMITED
  - ▶ 100% TMI MAURITIUS LIMITED
  - ▶ 85% G-COM LTD.
  - ▶ 51% CAMBODIA SMART COMMUNICATION CO. LTD.
  - ▶ 42% CAMBODIA NATIONAL COMMUNICATION INC.
  - ▶ 19.73% SMART CORPORATION PUBLIC COMPANY LIMITED
- ▶ 100% TELEKOM MANAGEMENT SERVICES SDN. BHD.
- ▶ 70% TM INTERNATIONAL (BANGLADESH) LIMITED
- ▶ 60% SOTELGUI S.A. (Societe Des Telecommunications De Guinee)
- ▶ 60% TELEKOM NETWORKS MALAWI LIMITED
- ▶ 100% TELEKOM MALAYSIA - AFRICA SDN. BHD.
  - ▶ 40% THINTANA COMMUNICATIONS LLC
    - ▶ 30% TELKOM SA LIMITED

### International Operations

## Cellular

- ▶ 100% TM CELLULAR SDN. BHD.
- ▶ 100% MOBIKOM SDN. BHD.
- ▶ 31.25% CELCOM (MALAYSIA) BERHAD\*

\* Collective interest with 2.09% interest held by Telekom Malaysia and 29.16% by Telekom Enterprise Sdn. Bhd.

- ▶ 100% TM NET SDN. BHD.
- ▶ 100% TELEKOM MULTI-MEDIA SDN. BHD.
  - ▶ 100% TM ORION SDN. BHD.
  - ▶ 51% TELEKOM SMART SCHOOL SDN. BHD.
  - ▶ 49% MAHIRNET SDN. BHD.
  - ▶ 30% MUTIARA.COM SDN. BHD.
- ▶ 100% TELEKOM PUBLICATIONS SDN. BHD.
  - ▶ 100% CYBERMALL SDN. BHD.
- ▶ 100% TELEKOM INFOTECH SDN. BHD.
- ▶ 70% TELEKOM APPLIED BUSINESS SDN. BHD.
- ▶ 70% TELEKOM TECHNOLOGY SDN. BHD.

## Multimedia

## Fixed Line Services

### Telekom Malaysia Berhad

#### Data

- ▶ 69.52% VADS BERHAD
  - ▶ 100% VADS e-SERVICES SDN. BHD.
  - ▶ 100% VADS SOLUTIONS SDN. BHD.
- ▶ 100% INTELSEC SDN. BHD.
- ▶ 100% GITN SDN. BHD.
- ▶ 70% MEGANET COMMUNICATIONS SDN. BHD.
- ▶ 60% FIBERAIL SDN. BHD.
- ▶ 10.10% 5 by 5 NETWORKS INC.
- ▶ 16.22% MYSPEED.COM SDN. BHD.

#### Voice

- ▶ 100% TELEKOM PAYPHONE SDN. BHD.
- ▶ 100% CITIFON SDN. BHD.
- ▶ 100% TELEKOM SALES & SERVICES SDN. BHD.
- ▶ 100% TM (HONG KONG) LIMITED
- ▶ 100% TELEKOM MALAYSIA (UK) LIMITED
- ▶ 100% TM (USA) INC.
- ▶ 51% TELEKOM CONSULTANCY SDN. BHD.
- ▶ 100% TM (SINGAPORE) PTE. LTD.

# corporate information

## BOARD OF DIRECTORS

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

Dato' Dr. Md Khir bin Abdul Rahman  
Chief Executive  
(Non-Independent Executive Director)

Dato' Dr. Abdul Rahim bin Haji Daud  
Deputy Chief Executive/Executive Director  
(Non-Independent Executive Director)

Dato' Abdul Majid bin Haji Hussein  
(Non-Independent Non-Executive Director)

Datuk Dr. Halim bin Shafie  
(Non-Independent Non-Executive Director)

Y.B. Joseph Salang Gandum  
(Non-Independent Non-Executive Director)

Dato' Dr. Mohd Munir bin Abdul Majid  
(Senior Independent Non-Executive Director)

Y.B. Dato' Ir. Haji Mohd Zin bin Mohamed  
(Independent Non-Executive Director)

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

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

Rosli bin Man  
(Non-Independent Non-Executive Director)

Tan Poh Keat  
(Non-Independent Non-Executive Director)

Mohammad Zanudin bin Ahmad Rasidi  
(Alternate Director to Dato' Abdul Majid bin Haji Hussein)  
(Non-Independent Non-Executive Director)

Suriah binti Abd Rahman  
(Alternate Director to Datuk Dr. Halim bin Shafie)  
(Non-Independent Non-Executive Director)



## SECRETARIES

Wang Cheng Yong (MAICSA 0777702)

Zaiton Ahmad (MAICSA 7011681)

## REGISTERED OFFICE

Level 51, North Wing

Menara Telekom

Off Jalan Pantai Baharu

50672 Kuala Lumpur

Tel No. : 03-2240 1211/1221/1225

Fax No. : 03-2283 2415/2284 8039

## REGISTRAR

Tenaga Koperat Sdn. Bhd.

20th Floor, Plaza Permata

(formerly known as IGB Plaza)

Jalan Kampar

Off Jalan Tun Razak

50400 Kuala Lumpur

Tel No. : 03-4041 6522

Fax No. : 03-4042 6352

## AUDITORS

PricewaterhouseCoopers

(Chartered Accountants)

Tingkat 11, Wisma Sime Darby

Jalan Raja Laut

50706 Kuala Lumpur

Tel No. : 03-2693 1077

Fax No. : 03-2693 0997

## PRINCIPAL BANKERS

Bumiputra-Commerce Bank Berhad

Malayan Banking Berhad

Affin Bank Berhad

## PRINCIPAL SOLICITORS

Zul Rafique & Partners

Zain & Co.

Nik Saghir & Ismail

## STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange

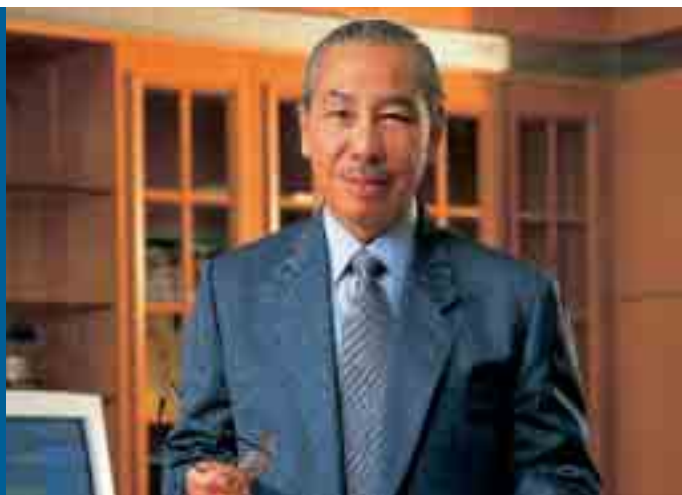
picture from left to right:

- Zaiton Ahmad • Mohammad Zanudin Ahmad Rasidi • Dato' Abdul Majid Haji Hussein • Y.B. Joseph Salang Gandum
- Rosli Man • Tan Poh Keat • Dato' Dr. Md Khir Abdul Rahman • Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor
- Dato' Dr. Abdul Rahim Haji Daud • Dato' Dr. Mohd Munir Abdul Majid • Y.B. Dato' Ir. Haji Mohd Zin Mohamed
- Datuk Dr. Halim Shafie • Ir. Prabahar N.K. Singam • Dato' Lim Kheng Guan • Suriah Abd Rahman • Wang Cheng Yong



# profile of the board of directors

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## **TAN SRI DATO' IR. MUHAMMAD RADZI BIN HAJI MANSOR**

(61 years of age – Malaysian)

Chairman

Non-Independent Non-Executive Director

Tan Sri Dato' Ir. Muhammad Radzi was appointed Chairman and Director of Telekom Malaysia 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 The Council of Engineering Institutions, United Kingdom; he is a corporate member of the Institution of Engineers, Malaysia, the Institution of Electrical Engineers, United Kingdom and the Institute of Management, United Kingdom. He has been appointed as a Committee Member of Board of Engineers, Malaysia effective from 23 August 2002 for a period of one year.

He served in various engineering and management capacities in the former Jabatan Telekom [Telecommunications Department] over a twenty-two year period, including a three-year secondment as Technical Advisor to the Ministry of Energy, Telecommunications and Posts.

Tan Sri Dato' Ir. Muhammad Radzi retired as Director General of Telecommunications upon corporatisation of the Telecommunications Department on 1 January 1987 and was subsequently appointed as Director of Operations of Telekom Malaysia. He served as Director of Marketing and Customer Services from 1989 to 1995. He was then appointed as Director of Regulatory Management and External Affairs, and retired in July 1996.

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

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





**DATO' DR. MD KHIR BIN ABDUL RAHMAN**

(55 years of age – Malaysian)

Chief Executive

Non-Independent Executive Director

Dato' Dr. Md Khir was appointed Chief Executive and a Board Member on 1 May 2000. Prior to this, he was the Deputy Chief Executive/General Manager of Malaysian Electronics Payment System (MEPs).

He holds a Bachelor of Science Degree in Mathematics from University Malaya, Masters in Agricultural Development and Doctorate of Science in Computing Statistics, from the State University of Ghent, Belgium.

Dato' Dr. Md Khir started his career in Malaysian Agricultural Research and Development Institute (MARDI) in 1972, before joining Bank Negara Malaysia in 1983. He served the Central Bank in various senior positions before joining the telecommunications sector in 1996 as the Managing Director of Mejati Technologies Group.

He has depth of experience in information and communication technology, banking and payment system as well as in development of e-commerce applications. He is also a Director of VADS Berhad ("VADS"), Multimedia Development Corporation Sdn. Bhd. ("MDC") and Malaysian Industry-Government Group for High Technology ("MIGHT").

Dato' Dr. Md Khir is currently a Member of the Board Employees' Share Option Scheme Committee, Board Tender Committee (TelCo) and also a Board Member of a number of subsidiary and associate companies of Telekom Malaysia. He is an Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of Telekom Malaysia and has never been charged for any offence. He has no family relationship with any Director of the Company nor any conflict of interest with the Company.

## profile of the board of directors



### **DATO' DR. ABDUL RAHIM BIN HAJI DAUD**

(54 years of age – Malaysian)

Deputy Chief Executive/Executive Director

Non-Independent Executive Director

He was appointed as Deputy Chief Executive of the Company effective from 29 May 2001 and has held the position of Executive Director since 7 July 1998. He obtained a Bachelor of Engineering (Hons) in Electronics, from the University of Liverpool, 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 the University of Ohio, United States. He has attended the Harvard Business School's Advanced Management Program (AMP) and also the Senior Executive Development Program at the Wharton School of Business, University of Pennsylvania, United States. He is a member of the Board of Engineers, Malaysia and also a fellow of the Institution of Engineers, Malaysia.

He joined Jabatan Telekom Malaysia (JTM) as a Telecommunications Engineer in 1973. He has wide experience in managing 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 Telekom Malaysia's TelCo as its Chief Operating Officer in 1996. Upon his appointment as Executive Director in July 1998, he remained as the Chief Operating Officer TelCo until 1 February 2001 when he assumed the position of Executive Director, Corporate Strategy and Development. He was the first Malaysian to be elected as Chairman of the Commonwealth Telecommunications Organisation ("CTO") comprising 35 countries for three terms from September 1999 to November 2002.

Dato' Dr. Abdul Rahim serves as a Member of Board Employees' Share Option Scheme Committee, Board Tender Committee (TelCo) and also a Board Member of a number of subsidiaries and associate companies of Telekom Malaysia. He is an Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of Telekom Malaysia and has never been charged for any offence. He has no family relationship with any Director of the Company nor any conflict of interest with the Company.



**DATO' ABDUL MAJID BIN HAJI HUSSEIN**

(54 years of age – Malaysian)

Non-Independent Non-Executive Director

Dato' Abdul Majid was appointed Director of Telekom Malaysia on 5 December 2000. He obtained his Masters in Business Management from Asian Institute of Management, Manila and has attended the Advanced Management Program at the Harvard Business School, USA, in 2000.

Upon graduating with a Bachelor of Economics majoring in Accountancy, he served the Accountant General's Office for two years and later the National Institute of Public Administration (INTAN) for six years as a lecturer and program coordinator. In 1993 he was seconded to the Federal Agricultural Marketing Authority (FAMA) as the Director of Planning and later served as the Deputy Director General in charge of Administration. From 1990 to 1993, he served as the Senior Assistant Director in the Budget Division of the Ministry of Finance. He continued his public service as the State Financial Officer of Negeri Sembilan, Director of Service in the Public Services Department and the State Secretary of Perak prior to being appointed to his present position as Deputy Secretary General Treasury (Operations) in the Ministry of Finance.

Dato' Abdul Majid currently serves as a Non-Executive Chairman of the Board Tender Committee (TelCo), a Member of the Board Employees' Share Option Scheme Committee and Board Audit Committee. He is also a Director of Perusahaan Otomobil Nasional Berhad ("PROTON") and Keretapi Tanah Melayu Berhad ("KTMB"). He is a Non-Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of Telekom Malaysia and has never been charged for any offence. He has no family relationship with any Director of the Company nor any conflict of interest with the Company.

**DATUK DR. HALIM BIN SHAFIE**

(53 years of age – Malaysian)

Non-Independent Non-Executive Director

Datuk Dr. Halim was first appointed to the Board on 24 November 2000. He obtained a Bachelor of Economic (Hons.) from the University of Malaya (1972), Masters in Public and International Affairs from the University of Pittsburgh, USA (1980) and a Doctorate in Information Transfer from Syracuse University, USA (1988). He also attended the Advanced Management Program at the Harvard Business School, USA, in 2000.

He has held several positions in the Government sector, including Assistant Secretary at the Ministry of Education. He served as Program Co-ordinator for the National Computer Training Center at INTAN, and as Director of the Information Technology Division of the Malaysian Administration Modernisation and Management Planning Unit ("MAMPU") in the Prime Minister's Department. He served as the Director of INTAN before becoming Deputy Secretary-General, Communications and Multimedia, Ministry of Energy, Communications and Multimedia in 1999. He was appointed as Secretary General of the Ministry from November 2000.

Datuk Dr. Halim is currently a member of the Board Employees' Share Option Scheme Committee and also a Board Member of a number of subsidiaries of Telekom Malaysia. He is also a Director of Tenaga Nasional Berhad ("TNB") and Pos Malaysia Berhad ("POS MALAYSIA"). He is a Non-Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of Telekom Malaysia and has never been charged for any offence. He has no family relationship with any Director of the Company nor any conflict of interest with the Company.

## profile of the board of directors



### **Y.B. JOSEPH SALANG GANDUM**

(53 years of age – Malaysian)

Independent Non-Executive Director

Y.B. Joseph Salang Gandum was first appointed to the Board on 6 January 1987. He graduated with a Bachelor of Arts (Econs.) in 1974 from Western Maryland College, Maryland, USA and a Masters degree in Business Administration from Iran Center for Management Studies in 1975.

He formerly served as Regional Manager (East Malaysia) with Bank Pembangunan Malaysia Berhad (East Malaysia), Trade Manager of MISC Coastal Services Sdn. Bhd., Corporate Manager and Manager of Location (Kuching) of Standard Chartered Bank Malaysia Berhad.

Y.B. Joseph is now a businessman and Member of Parliament for Julau Constituency, Sarawak. He is also a Director of Tabak Holdings Berhad and Borneo Securities Holdings Berhad.

He currently serves as a Non-Independent Non-Executive Member of the Board Audit Committee and Board Tender Committee (TelCo). He is also a Board Member of a number of subsidiaries of Telekom Malaysia. Y.B. Joseph has never been charged for any offence and has no family relationship with any Director of the Company nor any conflict of interest with the Company.

### **DATO' DR. MOHD MUNIR BIN ABDUL MAJID**

(54 years of age – Malaysian)

Senior Independent Non-Executive Director

Dato' Dr. Mohd Munir was appointed to the Board on 22 May 2000. He graduated with a Bachelor of Science (Economics) and a Ph.D. in International Relations from the London School of Economics and Political Science (LSE), UK.

He was the First Executive Chairman of the Securities Commission (SC), a position he held for two terms from March 1993 until February 1999. Upon his return from abroad, where he worked at the LSE and for Daiwa Europe N.V. in London, he served from 1979-1986 in various positions in the editorial department of The New Straits Times Press Berhad ("NSTP") ending up as Group Editor (English) in NSTP. He was the Chief Executive of Commerce International Merchant Bankers Berhad ("CIMB") from 1986, and was its Executive Chairman before resigning to become Executive Chairman of the SC.

He has also served as Director and Chairman of several other companies and council member of government agencies during his career. Some of the prominent ones include the Association of Merchant Banks, KLOFFE Sdn. Bhd., the Kuala Lumpur Stock Exchange (KLSE), the Council of Malaysian Industrial Development Authority (MIDA) and the Foreign Investment Committee (FIC) of the Prime Minister's Department. He is the Chairman of Celcom (Malaysia) Berhad and also a Director of Technology Resources Industries Berhad and Saujana Resorts (Malaysia) Berhad.

Dato' Dr. Mohd Munir currently serves as the Independent Non-Executive Chairman of the Board Audit Committee and a Member of Board Nominating and Remuneration Committee. He is also a Board Member of a number of subsidiaries of Telekom Malaysia. He has never been charged for any offence. He has no family relationship with any Director of the Company nor any conflict of interest with the Company.



**Y.B. DATO' IR. HAJI MOHD ZIN BIN MOHAMED**

(48 years of age – Malaysian)

Independent Non-Executive Director

Y.B. Dato' Ir. Haji Mohd Zin was appointed to the Board on 22 May 2000. He is a civil engineer by profession, having obtained his Bachelor and Masters degrees from Bradley University, United States of America.

As a professional, he owns a consultancy firm in Civil and Engineering Works. He has served various government bodies and is currently appointed on the Boards of University Technology Mara (UiTM) and Universiti Telekom Sdn. Bhd. (Multimedia University). He is also a director of Brisdale Holdings Berhad, a member of the Malaysian Institute of Engineers (MIEM) and the Board of Engineers of Malaysia.

He is also an experienced politician having been involved in Malaysian politics for almost 20 years. Y.B. Dato' Ir. Haji Mohd Zin currently is a Member of Parliament for Shah Alam Constituency, Deputy Head of the UMNO Shah Alam Division, Deputy Chairman of Selangor's Council of Culture & Tourism, a Board Member of Federal Agricultural Marketing Authority (FAMA), a Board Member of Yayasan Selangor, a Counselor with the Municipal Council of Shah Alam, Selangor State Assemblyman and currently the President of Malaysian Parliament Government Backbencher Club (BBC).

Y.B. Dato' Ir. Haji Mohd Zin currently serves as a member of Board Tender Committee (TelCo) and is also a Board Member of a number of subsidiaries of Telekom Malaysia. He has never been charged for any offence and has no family relationship with any Director of the Company nor any conflict of interest with the Company.



## profile of the board of directors



### **DATO' LIM KHENG GUAN**

(60 years of age – Malaysian)

Independent Non-Executive Director

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

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

He has more than 30 years of experience in accounting, management consulting and senior managerial positions in local and multinational public listed companies. Currently he is the Executive Director of Malaysian Management Consultants Sdn Bhd and also a director of Pacific & Oriental Berhad, Technology Resources Industries Berhad and Celcom (Malaysia) Berhad.

Dato' Lim Kheng Guan currently serves as an Independent Non-Executive Member of the Nominating and Remuneration Committee, Board Audit Committee and also a Board Member of a number of subsidiaries of Telekom Malaysia. He has never been charged for any offence and has no family relationship with any Director of the Company nor any conflict of interest with the Company.

### **IR. PRABAHAR N.K. SINGAM**

(41 years of age – Malaysian)

Independent Non-Executive Director

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

A member of the Board of Engineers Malaysia, Institute of Engineers Malaysia and Environment and Research Association, Malaysia ("ENSEARCH"). He is a professional engineer who has wide experience in the civil engineering sector, especially in the areas of consultancy, contracting, project management and project financing.

Ir. Prabahar currently serves as an Independent Non-Executive Member of the Board Audit Committee and Board Nominating and Remuneration Committee. He is also a Board Member of a number of subsidiaries of Telekom Malaysia. He has never been charged for any offence and has no family relationship with any Director of the Company nor any conflict of interest with the Company.



#### **ROSLI BIN MAN**

(49 years of age – Malaysian)

Non-Independent Non-Executive Director

Rosli bin Man was appointed to the Board on 15 July 2000. He has more than 25 years of experience in the telecommunications industry. Rosli holds a Bachelor in Science in Electrical and Electronic Engineering (specialising in Electrical Design and Instrumentation) from University of Glasgow, United Kingdom and a Diploma in Electrical and Electronic Engineering (specialising in Communications) from Technical College, Kuala Lumpur.

He joined Jabatan Telekom Malaysia (JTM) in 1976 as Assistant Controller where he gained wide exposure in telecommunication services including the task to implement the country's first mobile telecommunications 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 (M) Sdn. Bhd. ("Celcom"), catering for the cellular mobile 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 Executive 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 Executive Officer of Lippo Telecom to oversee NTS planning, roll-out and operation of NTS National Cellular Operation. He left NTS in January 2002.

Rosli is also a Director of Technology Resources Industries Berhad and Celcom (Malaysia) Berhad and he currently serves as member of a number of subsidiaries of Telekom Malaysia. He is a Non-Executive Director nominated by the Company's Substantial Shareholder, Khazanah Nasional Berhad and has never been charged for any offence. He has no family relationship with any Director of the Company nor any conflict of interest with the Company.

## profile of the board of directors



### **TAN POH KEAT**

(67 years of age – Malaysian)

Non-Independent Non-Executive Director

Tan Poh Keat was appointed Director of Telekom Malaysia on 29 August 2000. He graduated with a Bachelor of Engineering (Electrical) degree and Master of Engineering degree from Auckland University, respectively, under the Colombo Plan Scholarship.

He joined Jabatan Telekom Malaysia (JTM) in 1962 as an engineer and has served in various appointments, the last being Deputy Director General. Subsequently he joined Telekom Malaysia as Director, Networks Service and retired at the end of 1991. Currently, he is an independent consultant to a number of local and international companies.

Tan Poh Keat is also a Director of Technology Resources Industries Berhad, Celcom (Malaysia) Berhad and VADS Berhad. He currently serves as a Member of the Board Tender Committee (TelCo) and a Board Member of a number of subsidiaries of Telekom Malaysia. He is a Non-Executive Director nominated by the Minister of Finance (Inc), the Special Shareholder of Telekom Malaysia and has never been charged for any offence. He has no family relationship with any Director of the Company nor any conflict of interest with the Company.

### **MOHAMMAD ZANUDIN BIN AHMAD RASIDI**

(49 years of age – Malaysian)

Alternate Director to Dato' Abdul Majid bin Haji Hussein  
Non-Independent Non-Executive Director

Mohammad Zanudin was appointed as Alternate Director to Dato' Abdul Majid bin Haji Hussein on 12 December 2000. He has a Bachelor of Economics from Universiti Kebangsaan Malaysia and a Master Degree in Public Management from Carnegie-Mellon University, United States. He has also completed the Harvard International Tax Program at the Harvard University in 1992.

He began his career with the Treasury in 1984 as an Assistant Secretary in the Economic and International Division. After four years, he was assigned to the Tax Analysis Division where he was directly involved in formulating policies and strategies for budget proposals. He was then promoted to be Principal Assistant Secretary in 1998. Subsequently, he was transferred to the Public Enterprises, Privatisation and Minister of Finance Incorporated Coordination Division as Principal Assistant Secretary in November 2000, a position he holds until today.

Mohammad Zanudin is also the Alternate Member/Director to Dato' Abdul Majid on the Board Employees' Share Option Scheme Committee and the Board Tender Committee (TelCo). He has never been charged for any offence and has no family relationship with any Director of the Company nor any conflict of interest with the Company.



**SURIAH BINTI ABDUL RAHMAN**

(53 years of age – Malaysian)

Alternate Director to Datuk Dr. Halim bin Shafie

Non-Independent Non-Executive Director

Suriah was appointed to the Board on 24 November 2000 as Alternate Director to Datuk Dr. Halim bin Shafie. She holds a Bachelor of Arts (Hons) from University of Malaya and a Master of Arts from the University of Leeds, United Kingdom. She began her career in the public service as an Assistant Secretary in Treasury and rose to the position of Principal Assistant Secretary in the Government Procurement Management Division.

She then served various Ministries and Government Agencies including the Social Economic Research Unit, Prime Minister's Department, Ministry of Housing and Local Government, Malaysian Institute of Maritime Affairs, Public Service Department and Implementation Coordination Unit of the Prime Minister's Department before assuming her current position as Deputy Secretary General 1, Ministry of Energy, Communications and Multimedia on 1 November 2000.

Suriah is also the Alternate Member/Director to Datuk Dr. Halim on the Board Employees' Share Option Scheme Committee and all the subsidiaries of TM, where Datuk Dr. Halim has been appointed as a Director. She has never been charged for any offence and has no family relationship with any Director of the Company nor any conflict of interest with the Company.



## group business committee

**sitting from left to right:**

Christian de Faria  
Chief Executive Officer, TM International Sdn. Bhd.  
(since February 2003)

Baharum Salleh  
Chief Executive Officer, TM Net Sdn. Bhd.

Dato' Dr. Ir. Haji Mohd Khir Harun  
Chief Executive Officer, TM Cellular Sdn. Bhd.

Dato' Dr. Md Khir Abdul Rahman  
Chief Executive, Telekom Malaysia Berhad

Dato' Dr. Abdul Rahim Haji Daud  
Deputy Chief Executive/Executive Director,  
Telekom Malaysia Berhad

Dr. Idris Ibrahim  
Chief Operating Officer, TM TelCo

Hamzah Yacob  
Chief Executive Officer, TM Facilities Sdn. Bhd.

Adnan Rofiee  
Senior Vice President, Major Business &  
Government, Telekom Malaysia Berhad





**standing from left to right:**

Gazali Harun  
Acting Chief Financial Officer,  
Telekom Malaysia Berhad

Dato' Abdul Malek Mohamad  
Head, Consumer and Business,  
Telekom Malaysia Berhad

Haji Romli Hussin  
Vice President, Customer Network Operations,  
Telekom Malaysia Berhad

Haji Hamis Hasan  
Chief Financial Officer, TM Telco

Haji Mohd Yahaya Mohd Shariff  
Senior Vice President, Network Services, Telekom Malaysia Berhad

Md Fauzi Said  
Senior Vice President, Group Human Resource Management,  
Telekom Malaysia Berhad  
(since June 2002)

Ranbir Singh Nanra  
Senior Vice President, Group Marketing, Telekom Malaysia Berhad  
(since February 2003)

Abdul Majid Abdullah  
Vice President, Corporate Strategy & Planning, Telekom Malaysia Berhad

Kairul Annuar Mohamed Zamzam  
General Manager, Corporate Affairs, Telekom Malaysia Berhad

“managing with integrity, transparency and accountability – intrinsic components in the preservation of shareholder value”

## corporate governance statement

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The Board of Directors has continued its commitment in maintaining high standards of corporate governance and the effective application of the principles and best practices as set out in the Malaysian Code on Corporate Governance (“the Code”) throughout the Group.

Following the adoption of an Enterprise Risk Management Programme in 2002, the Board considers that the Company has fully complied with Part I of the Code. The manner in which the Company has applied the principles and best practices of the Code is set out in this statement.

### **BOARD OF DIRECTORS**

An experienced Board consisting of members with a wide range of business, financial, technical and public service background leads and controls the Group. This brings depth and diversity in expertise and perspectives to the leadership of a highly regulated telecommunication business. Directors’ biographies, appearing on pages 22 and 31 illustrates an impressive spectrum of experiences vital to the direction and management of a telecommunication company.

During the year, fourteen (14) board Meetings were held and the attendance of individual Directors is recorded in the Statement accompanying the Notice of Annual General Meeting.

#### **Board Composition and Balance**

The total of twelve (12) Directors of the Board comprise two (2) Executive Directors designated as the Chief Executive and Deputy Chief Executive/Executive Director, six (6) Non-Executive Directors and four (4) Independent Non-Executive Directors representing one third of the Board.

The functions of the Non-Executive Chairman and the Chief Executive are distinct and separately defined. Y.Bhg. Dato’ Dr. Mohd Munir Abdul Majid is the Senior Independent Non-Executive Director, to whom concerns pertaining to the Group may be conveyed by shareholders and the public.

The Board sets general policies and monitors the implementation of those policies by the Executive Directors. The Executive Directors are obliged to report and discuss at board meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments. The Chairman is responsible in liaising between the Board and the Management, thus ensuring the integrity and effectiveness of the relationship between the Non-Executive and Executive Directors.

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 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.

#### **Board Appointment Process**

The Board has put in place formal and transparent procedures for the appointment of new Directors. These procedures cater for the appointment of nominees by major shareholders and the appointment of Non-Executive Directors arising from casual vacancies. According to the procedures, the Nominating and Remuneration Committee will consider all nominees to the Board after taking into account the required mix of skills and experience and other qualities, before making a recommendation to the Board and major shareholders.

#### **Re-Election**

In accordance with the Company's Articles of Association all Directors are subject to re-election by rotation once at least every three (3) years and a re-election of Directors shall take place at each Annual General Meeting. Following an amendment to the Articles of Association, Executive Directors also rank for re-election by rotation as provided for in the Kuala Lumpur Stock Exchange (KLSE) Listing Requirements.

The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board. Names of Directors submitted to shareholders for election are enumerated in the Statement accompanying the Notice of Annual General Meeting.

#### **Directors' Training**

An induction programme is provided for newly appointed Directors. All the Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia. During the year, the Directors have also attended various seminars and international conventions to keep abreast of developments, particularly in the telecommunications industry.

#### **Directors' Remuneration**

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

The Executive Directors' remuneration comprises a salary, allowances, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Group.



## corporate governance statement

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.

Fees payable to the Directors are subject to annual approval by shareholders at the Annual General Meeting (AGM). Details of the nature and amount of major elements in the remuneration of each Director of the Company are as follows:

Directors	Salary RM	Fees & Allowances RM	Bonuses RM	Benefits-in kind RM	Total RM
<i>Executive</i>					
Dato' Dr. Md Khir bin Abdul Rahman	264,000.00	62,450.00	33,000*	8,900.00	368,350.00
Dato' Dr. Abdul Rahim bin Haji Daud	252,000.00	37,590.00	30,000*	8,900.00	328,490.00
<i>Non-Executive</i>					
Tan Sri Dato' Ir. Muhammad Radzi bin Hj Mansor	—	158,740.00	—	10,200.00	168,940.00
Datuk Dr. Halim bin Shafie	—	35,100.00	—	1,500.00	36,600.00
Dato' Abdul Majid bin Haji Hussein	—	36,100.00	—	1,500.00	37,600.00
Y.B. Joseph Salang Gandum	—	141,500.00	—	33,990.00	175,490.00
Y.B. Dato' Ir. Haji Mohd Zin bin Mohamed	—	124,160.00	—	33,990.00	158,150.00
Dato' Dr. Mohd Munir bin Abdul Majid	—	46,100.00	—	1,500.00	47,600.00
Ir. Prabahar N.K. Singam	—	70,480.00	—	1,500.00	71,980.00
Dato' Lim Kheng Guan	—	87,110.00	—	1,500.00	88,610.00
Rosli bin Man	—	104,400.00	—	1,500.00	105,900.00
Tan Poh Keat	—	62,150.00	—	1,500.00	63,650.00
<i>Alternate Directors</i>					
Mohammad Zanudin bin Ahmad Rasidi (Alternate to Dato' Abdul Majid bin Haji Hussein)	—	9,600.00	—	1,500.00	11,100.00
Suriah bt Abdul Rahman (Alternate to Datuk Dr. Halim bin Shafie)	—	8,900.00	—	1,500.00	10,400.00
<b>TOTAL</b>	<b>516,000.00</b>	<b>984,380.00</b>	<b>63,000.00</b>	<b>109,480.00</b>	<b>1,672,860.00</b>

Notes: \* Bonus for financial year ended 31 December 2001 paid in 2002

### SUPPLY OF INFORMATION TO THE BOARD

Directors are sent an agenda and a full set of board papers for each agenda item to be discussed, well in advance of board meetings. The process of Board papers approval, compilation and dissemination is expedited via an efficient and secure electronic Board Document Management System. This facilitates an informed decision-making process within the Group.

The Board reviews quarterly management performance reports which include comprehensive reviews and analysis of major business and financial issues, customer satisfaction indices, market share, key business indicators, and the quality of products and services. The Board also considers and endorses recommendations of its Board Committees, major operating units and subsidiaries of the Company.

All the Directors have direct access to the advice and services of the Company Secretary. The Board is advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities as well as appropriate procedures for management of meetings.

Procedures are in place for Directors, in furtherance of their duties, to seek independent professional advice where necessary at the Company's expense in order to fulfil their duties and specific responsibilities.

## **BOARD COMMITTEES**

The Board delegates certain responsibilities to Board Committees, namely, the Audit Committee, Nominating and Remuneration Committee, Tender Board Committee (TelCo) and Employee Share Option Scheme (ESOS) Committee. All committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations. The Chairmen of the various committees report the outcome of the committee meetings to the Board and these are incorporated in the minutes of the full Board meeting.

### **Audit Committee**

A full Audit Committee report enumerating its membership, its role and its activities during the year is set out in pages 44 to 47.

### **Nominating and Remuneration Committee**

Membership:-

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

Dato' Dr. Mohd Munir Abdul Majid (*Independent Non-Executive*)

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

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

Objectives:-

The main objectives of the Nominating and Remuneration Committee are:-

- to ensure that the Directors of the Board bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience.
- to set the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Executive Directors and other top selected management positions with the aim to attract, retain and motivate individuals of the highest quality.

Principal Duties and Responsibilities:-

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

## corporate governance statement

- Advise the Board on the performance of the Executive Directors and an assessment of their entitlement to performance related pay and advise the Executive Directors on the remuneration terms and conditions of senior management;
- Establish and recommend a formal and transparent procedure for developing 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.

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

### **Tender Board Committee (TelCo)**

Membership:-

Dato' Abdul Majid Haji Hussein (*Chairman – Non-Independent Non-Executive*)

Dato' Dr. Md Khir Abdul Rahman (*Non-Independent Executive*)

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

Y.B. Joseph Salang Gandum (*Non-Independent Non-Executive*)

Y.B. Dato' Ir. Haji Mohd Zin Mohamed (*Independent Non-Executive*)

Tan Poh Keat (*Non-Independent Non-Executive*)

Mohammad Zanudin Ahmad Rasidi (*Alternate to Dato' Abdul Majid Haji Hussein – Non-Independent Non-Executive*)

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

### **ESOS Committee**

Membership:-

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

Dato' Dr. Md Khir Abdul Rahman (*Non-Independent Executive*)

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

Dato' Abdul Majid Haji Hussein (*Non-Independent Non-Executive*)

Datuk Dr. Halim Shafie (*Non-Independent Non-Executive*)

Mohammad Zanudin Ahmad Rasidi (*Alternate to Dato' Abdul Majid Haji Hussein – Non-Independent Non-Executive*)

Suriah Abdul Rahman (*Alternate to Datuk Dr. Halim Shafie – Non-Independent Non-Executive*)

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

Apart from the above, specific and ad-hoc Board Committees have been established during the year on need basis to deliberate and expedite decision-making processes on specific aspects of the business and corporate exercises.

## **RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS/INVESTORS**

The Board acknowledges its role in representing and promoting the interests of shareholders and that it is accountable to the shareholders for the performance and activities of the Group. Formal channels of communication are used to give an account to shareholders on the performance of the Group.

One of the most important means of communication with shareholders and investors is through the annual report, which is comprehensive with sufficient details about financial results and activities of the Group. The annual report published in Bahasa Malaysia and English, is despatched to shareholders. At the same time, quarterly financial results are announced to the KLSE in a timely manner. Established procedures are in place to ensure the timely public release of share price sensitive information.

The AGM provides an open forum at which shareholders and investors are informed of current developments where questions can be directed to Board members and Committees Chairmen. A press conference is held immediately after the AGM where the media is advised on the status of resolutions that were considered. The Chairman, Executive Directors and Chief Financial Officer are present at the press conference to clarify and explain issues raised by the media.

Where Extraordinary General Meetings are held to obtain shareholders' approval on business or corporate proposals, comprehensive circulars to shareholders are sent within prescribed deadlines in accordance with regulatory and statutory provisions.

To ensure easy and convenient access to the Group's financial information by shareholders and investors, press releases, annual reports and other corporate information, a web site is maintained at <http://www.telekom.com.my>.

The KLSE also provides for the Company to electronically publish all its announcements including its quarterly results and Annual Report through KLSE internet web site at <http://www.announcements.klse.com.my>.

## **INVESTOR RELATIONS**

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

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

Regular contacts to provide accurate and timely information are established through roadshows, company visits, one on one meetings, teleconferences and e-mails. Telekom Malaysia participated actively in more than 10 local and overseas investor conferences in New York, London, Beijing, Hong Kong and Singapore, in the year 2002 including the KLSE Investor Week 2002.

Telekom Malaysia is one of the few corporations in Malaysia that conducts teleconferences every quarter to brief analysts on its quarterly results. At these sessions, analysts are not only given a comprehensive review of the Group's financial performance but are also given the opportunity to clarify whatever queries they may have in question and answer sessions.

The senior management of the Group, the Chief Executive, Deputy Chief Executive/Executive Director, Chief Financial Officer, Vice Presidents and heads of the operating companies are actively involved in IR activities, meeting fund managers and analysts regularly.

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

# corporate governance statement

## 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.

### 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 Group and the Company as at the end of the financial year and of the results and cash flow of the Group and the Company for the financial year. The Directors consider that in presenting these financial statements, the Group and the Company has used appropriate accounting policies, consistently applied and supported by reasonable assumptions and estimates.

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

### Internal controls

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and Group's assets. The Statement of Internal Control is set out on pages 48 to 49 of the annual report providing an overview of the state of internal controls within the Group.

### Relationship with Auditors

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

The role of the Audit Committee in relation to the Auditors is set out in the Terms of Reference on page 47.

### Audit Committee

The Audit Committee also conducts review of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter. Furthermore it ensures the independence of the internal auditors and unrestricted access to information and people in the Group. Highlights of activities conducted by the Committee are detailed in the Audit Committee Report on page 45.

Signed on behalf of the Board of Directors in accordance with the resolution passed on 27 February 2003.

**TAN SRI DATO' IR. MUHAMMAD RADZI HAJI MANSOR**

*Chairman*

# additional compliance information

The following information is provided in compliance with the Kuala Lumpur Stock Exchange Listing Requirements:-

## 1. NON-AUDIT FEES

The amount of non-audit fees paid and payable to the external auditors and their affiliated companies by the Group for the financial year ended 31 December 2002 is as follows:-

a)	PricewaterhouseCoopers, Malaysia	<b>RM</b>
	• due diligence review for acquisition of investments	1,719,000
	• reviews of financial information and attestation work including reporting accountants services for the listing of a subsidiary company	620,000
b)	PricewaterhouseCoopers Taxation Services Sdn. Bhd.	
	• due diligence review for acquisition of investments	131,000
	• tax advisory services	377,020
		<b>2,847,020</b>

## 2. 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 2002 or entered into since the end of the previous financial year ended 31 December 2001 except for those disclosed as recurrent related party transactions of revenue or trading nature or related party transactions.

## 3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The aggregate value of RRPT entered into by the Company and/or its subsidiaries during the financial year are as follows:-

Related Parties	Type of transactions	Transacted value during the financial year ended 31 December 2002 (RM)
Dato' Dr. Abdul Rahim Haji Daud, a director of both Telekom Malaysia and Meganet Communications Sdn. Bhd. ("MCSB") and hold shares in Telekom Malaysia	Transactions between Telekom Malaysia (purchaser) and MCSB (supplier) for the following:-	
	• Intelligent Building System package for Menara Telekom	4,869,561
	• Design, supply, deliver, testing and commissioning of security management systems	12,805,977
	• Rental of vehicle	130,873
	• Telekom Malaysia Headquarters Information Technology ("IT") Migration projects	2,541,928
	• National Network Operation Centre, Cyberjaya	0
	• Information Technology infrastructure	3,495,798
	• IT Consultancy & Migration projects for Putrajaya & Wisma Putra	153,720
	• Security Manhole System for Putrajaya	0
	• Car parking system	2,559,000

## additional compliance information

Related Parties	Type of transactions	Transacted value during the financial year ended 31 December 2002 (RM)
Sapura Telecommunications Berhad (“STB”), major shareholder of Telekom Smart School Sdn. Bhd. (“TSS”)	Transaction between TSS (purchaser) and STB (supplier) <ul style="list-style-type: none"> <li>• Design, supply, delivery, installation, testing, and commissioning of a customised computer system for Smart Schools in Putrajaya</li> </ul>	3,965,589
Dato’ Dr. Md Khir Abdul Rahman and Tan Poh Keat, are directors of Telekom Malaysia and Telekom Technology Sdn. Bhd. (“TTSB”) and hold shares in Telekom Malaysia	Transaction between TTSB (purchaser) and Telekom Malaysia (supplier) <ul style="list-style-type: none"> <li>• Office space rental from Telekom Malaysia</li> <li>• Lease of vehicle from Telekom Malaysia</li> </ul>	286,891  59,760
Dato’ Dr. Md Khir Abdul Rahman, a director for both Telekom Malaysia and Telekom Applied Business Sdn. Bhd. (“TAB”) and hold shares in Telekom Malaysia	Transaction between Telekom Malaysia and TAB <ul style="list-style-type: none"> <li>• Office space rental at Telekom Malaysia IT Complex Cyberjaya, Selangor</li> <li>• Intelligent Office Automation System for new Headquarters</li> <li>• Network Integrated Planning &amp; Provisioning System</li> <li>• Fraud Prevention and Management System</li> <li>• Integrated Messaging Exchange System</li> <li>• Amper Payphone Management System</li> </ul>	233,268  0  1,716,955  2,250,300  931,044  480,000
Tan Poh Keat, a director of both Telekom Malaysia and TTSB and hold shares in Telekom Malaysia  Dato’ Dr. Md Khir Abdul Rahman, a director of Telekom Malaysia, TTSB and TAB, and hold shares in Telekom Malaysia	Transaction between TTSB (purchaser) and TAB (supplier) <ul style="list-style-type: none"> <li>• Develop, install and commission of 320 transaction kiosks</li> <li>• Install and commission payment switch</li> </ul>	2,386,870  4,717,702
Prism Holdings Limited (“PHL”), a major shareholder of Prism Transactive (M) Sdn. Bhd. (“PTSB”), and has 30% interests in TAB, a subsidiary of Telekom Malaysia	Transaction between TAB (purchaser) and PTSB (supplier) <ul style="list-style-type: none"> <li>• Purchase of crypto server and purchase of transaction kiosk</li> </ul>	0

Related Parties	Type of transactions	Transacted value during the financial year ended 31 December 2002 (RM)
<p>Tan Sri Dato' Ir Muhammad Radzi Haji Mansor and Dato' Dr. Abdul Rahim Haji Daud are both directors of TM Cellular Sdn. Bhd. ("TM Cellular") and hold shares in Telekom Malaysia</p> <p>Dato' Dr. Md Khir Abdul Rahman, a director for Telekom Malaysia, TM Cellular and TAB, and hold shares in Telekom Malaysia</p>	<p>Transaction between TM Cellular and TAB</p> <ul style="list-style-type: none"> <li>Develop, install and commission Call Detail Record Auto Back Up System</li> </ul>	<p>171,000</p>
<p>Tan Sri Dato' Ir. Muhammad Radzi Haji Mansor and Dato' Dr. Abdul Rahim Haji Daud are both directors of Fiberail Sdn. Bhd. ("FSB") and Telekom Malaysia and hold shares in Telekom Malaysia</p>	<p>Transactions between Telekom Malaysia and FSB</p> <ul style="list-style-type: none"> <li>Office space rental from Telekom Malaysia</li> <li>Rental of vehicles from Telekom Malaysia</li> </ul>	<p>445,320</p> <p>468,448</p>
<p>Khazanah Nasional Berhad, common major shareholder of Telekom Malaysia and Perusahaan Otomobil Nasional Berhad ("PROTON")</p>	<p>Transaction between Telekom Malaysia (purchaser) and PROTON (supplier)</p> <ul style="list-style-type: none"> <li>Purchase of motor vehicles</li> </ul>	<p>908,668</p>

#### 4. IMPOSITION OF SANCTIONS/PENALTIES

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



# audit committee report

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**sitting from left to right:**

Dato' Dr. Mohd Munir bin Abdul Majid  
Chairman  
Independent Non-Executive Director

Y.B. Joseph Salang Gandum  
Non-Independent Non-Executive Director

**standing from left to right:**

Dato' Abdul Majid bin Haji Hussein  
Non-Independent Non-Executive Director

Dato' Lim Kheng Guan  
Independent Non-Executive Director

Hashim bin Mohammed  
Group Chief Auditor/  
Secretary to Audit Committee

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



## 1. MEMBERSHIP

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

**Dato' Dr. Mohd Munir bin Abdul Majid** – *Chairman, Independent Non-Executive Director*

**Dato' Abdul Majid bin Haji Hussein** – *Non-Independent Non-Executive Director*

**Y.B. Joseph Salang Gandum** – *Non-Independent Non-Executive Director*

**Dato' Lim Kheng Guan** – *Independent Non-Executive Director*

**Ir. Prabahar N.K. Singam** – *Independent Non-Executive Director*

**Hashim bin Mohammed** – *Group Chief Auditor/Secretary to Audit Committee*

Members of the Audit Committee shall not have a relationship which in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee. Members of the Audit Committee shall possess sound judgement, objectivity, independent attitude, management experience and knowledge of the industry. Dato' Lim Kheng Guan who is an independent non-executive director is a member of Malaysian Institute of Accountants (MIA).

## 2. MEETINGS

The committee had four (4) meetings in the financial year 2002. Y.Bhg. Dato' Dr. Mohd Munir bin Abdul Majid, Y.B. Tuan Joseph Salang Gandum and Ir. Prabahar N.K. Singam attended all four (4) meetings, whilst Y.Bhg. Dato' Abdul Majid bin Hj. Hussein and Dato' Lim Kheng Guan attended three (3) out of the four (4) meetings.

The Group's Deputy Chief Executive, Acting Group Chief Financial Officer and General Manager, Group Finance representing management attended all of the four (4) meetings upon invitation by the Chairman of the Committee. The Group Internal Auditors attended all these meetings whilst the External Auditor, PricewaterhouseCoopers (PwC) attended the meetings upon invitation by the Chairman of the Committee. PwC auditors met with the Chairman of the Audit Committee prior to the meetings without the management.

## 3. SUMMARY OF ACTIVITIES

The Audit Committee carried out its duties as set out in the terms of reference as in page 47.

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

The Task Force for Best Practices (TFBP) which was established by the Audit Committee in the year 2001 mainly to support them on:

- 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 in every Audit Committee Meetings.
- Coordinating and tracking the implementation of an enterprise risk management programme to institute risk culture, practices and governance by management to achieve business excellence and support overall group objectives.
- Reviewing and recommending the Risk and Internal Control Policy for the Audit Committee's approval.
- Monitoring and coordinating reviews on the effectiveness of the Group's system of internal controls, through reports furnished by the Internal Audit Division, the External Auditor and the management.

## audit committee report

The Management Audit Issues Action Committee which was established by the Audit Committee in year 2002 to update the Audit Committee on the progress of:

- Management actions to resolve significant control and accounting issues as highlighted by the Internal and External auditors.
- Any other recommendations made by the Audit Committee for management action.

### 4. INTERNAL AUDIT FUNCTION

The Group has a well established Internal Audit Division which reports to the Audit Committee on its activities based on the annual Internal Audit Plans. A new Group Chief Auditor was appointed on 1 October 2002.

The Audit Committee approves the risk-based Internal Audit Plans. The scope of Internal Audit covers the audits of all financial, operational and compliance matters including those of local and overseas subsidiaries. The main activities include auditing of:

- Revenue assurance;
- Financial management and operations;
- Marketing and sales activities;
- Security, controls, operations and development information system;
- Network availability, serviceability and quality;
- Human resource operations;
- Support service operations; and
- Local subsidiaries and international ventures.

The Audit Committee receives regular reports from the Group Chief Auditor of the Internal Audit Division on audit works and activities prior to the Committee meetings. The Internal Audit reports are submitted to the Audit Committee based on quarterly audit plan as well as additional reports based on special requests by the management. In 2002, a total of 90 audits, reviews and investigations were carried out spanning the Group operations.

Additionally, the Internal Audit Division works closely with the external auditors to resolve accounting and control issues to ensure that significant issues are effectively addressed by the management.

# TERMS OF REFERENCE OF AUDIT COMMITTEE

## 1. COMPOSITION OF THE AUDIT COMMITTEE

The Committee and the Chairman shall be appointed by the Board of Directors and shall consist of at least three (3) Non-Executive Directors, the majority of whom are independent.

The Audit Committee shall be appointed by the Directors from amongst their members and the members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director. All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board of Directors must review the terms of office and performance of the Audit Committee and each of its members at least once every three years to determine whether the Audit Committee has carried out their duties in accordance with its terms of reference.

## 2. MEETINGS

The Committee shall meet not less than four (4) times a year and reports to the Board of Directors. The quorum of the Committee meetings, shall consist of at least two third of the members, with Independent Non-Executive Directors forming the majority.

## 3. AUTHORITY

The Audit Committee has unrestricted access to information, records, properties and personnel of the Group. It also has direct communication channels with the external and internal auditors. The Committee is also authorised by the Board to obtain external independent professional advice as necessary.

## 4. DUTIES AND RESPONSIBILITIES

The following are the main collective duties and responsibilities of the Committee:

- i. 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;
- ii. Consider the appointment of a suitable accounting firm to act as external auditor 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 or dismissal and to recommend the audit fee payable thereof;
- iii. Discuss with the external auditor before the audit commences, the nature, approach and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- iv. Review the quarterly interim financial results, half-year and annual financial statements of the Board;
- v. 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;
- vi. Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the management where necessary;
- vii. Review the follow-up actions by management on the weaknesses of internal accounting procedures and controls as highlighted by the external and internal auditors per management letters;
- viii. Review the assistance and co-operation given by the Company and its officers to the external and internal auditors;
- ix. Review the Internal Audit Plans and results of the internal audit process; to ensure appropriate actions are taken on the recommendations made by the Internal Audit function;
- x. Review and appraise the performance and remuneration of the Group Chief Auditor and be consulted on his appointment and removal;
- xi. 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;
- xii. 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, Malaysia Accounting Standard Board (MASB) and other applicable laws, rules, directives and guidelines;
- xiii. Propose, monitor and ensure an adequate system of risk management for management to safeguard the Group's assets;
- xiv. Consider and review any significant transactions which are not within the normal course of business and any related party transactions (RPT) that may arise within the Company and the Group; and
- xv. Consider other topics as defined by the Board.

# statement on internal control

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## INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets. Set out below is the Board's Statement on Internal Control in compliance with the KLSE's Listing Requirements and the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

## RESPONSIBILITY

The Board places importance on the need to maintain a sound internal controls system and effective risk management practices in the Group to ensure good corporate governance. The Board affirms its responsibility for reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines, and risk management. The Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking. The system of internal controls includes financial controls, operational efficiency and effectiveness, compliance monitoring, systems and process improvements, self-assessment and risk management. This system can only provide reasonable but not absolute assurance against material misstatement or loss.

## RISK MANAGEMENT

The Board has approved a Risk and Internal Control Policy and an Enterprise Risk Management Framework for the Group in 2002. The Board has initiated an ongoing process to identify, evaluate and manage significant risks that affect the achievement of the Group business objectives. During the year under review, the Board had engaged external consultant to perform gap analysis by inventorying the significant risks, and the adequacy of the present systems of internal controls in the Group's significant operations. The principal risks identified are those relating to Business Strategy, Operations, Finance, Systems and Compliance. The Board acknowledges that considerable effort and commitment is required to implement Enterprise Risk Management within the Group and has allocated appropriate resources in the Risk Management Unit. The Task Force for Best Practices (TFBP) continues to coordinate the implementation of ERM, and will report to the Board Audit Committee an aggregated view of principal risks inherent in all operating units and companies within the Group and their respective risk response plans to manage these risks.

## CONTROL SELF ASSESSMENT (CSA)

The Board recognises that Control Self-Assessment process is a key aspect of the risk management system, hence supported its implementation by the Group Internal Audit. CSA is a process where business units at operational levels are required to identify risks that prevent the achievement of their business objectives. It also includes the assessment on the effectiveness and adequacy of the current internal controls, hence culminating in the improvement of the overall business processes. A seminar on Corporate Governance, Internal Control and Risk Management for the Group top management was also held. Throughout 2002, a total of 16 CSAs involving more than 300 employees were carried out in various operating units within the Group. These have resulted in better awareness of risks and controls and improved understanding on the linkage between risks and business objectives.

## OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements of the Group's internal control systems are as follows:

1. Board has reviewed and approved Business Plans within which the business's objectives, strategies and targets are articulated. These business plans are communicated throughout the organisation to ensure effective implementation.
2. Clearly defined delegation of responsibilities to committees of the Board, Management at Corporate Centre and companies, including financial authority limits set in the Business Process Manual as well as the Subsidiary Policy and Guidelines.
3. Structured review of all proposals for material capital and investment acquisitions by the business segments within the Group, namely TelCo Executive Committee and respective boards of major operating companies before approval by TM Board.
4. Self-assessment and provision by the Group's five major operations, of the Internal Controls Assurance Letter on an annual basis affirming the effectiveness, reliability and adequacy of systems of internal controls.
5. Clearly documented policies and procedures in respect of Financial Controls, Procurement, Network Operations, Information Technology, Marketing, Human Resources and Health and Safety.
6. Detailed budgeting process, which is in place, is reviewed at the operating company levels and approved by the Board.
7. Performance reports on financial performance and business objectives are regularly provided to operating company's management and boards, to enable them to review the Group progress against its goals.
8. Monitoring of regulatory and statutory compliance through the TFBP to support the Board on proper management of effective corporate governance practices and requirements. The Board has also approved the setting up of a Technical Compliance Division to report and update the TFBP and the Group on proper practices and compliance to these requirements.
9. Monitoring of external and internal audit control issues to ensure completion through the Management Audit Issues Action Committee to ensure actions are taken by management to resolve the issues effectively.

The statement does not include the state of internal controls in material joint ventures and associated companies, which have not been dealt with as part of the Group.

There was no material loss incurred as a result of internal control weaknesses.



# *Securing Business Connections*

*In bits and bytes we deliver  
Over networks built for tomorrow*

*Where security is paramount  
And integrity protected*

*With encryption and firewalls  
Never will your data be compromised*

*By securing business connections  
Everyday, in so many ways  
We're Opening Up Possibilities*

login: YZE1F11648  
password: \*\*\*\*\*

CONNECT

OPTION

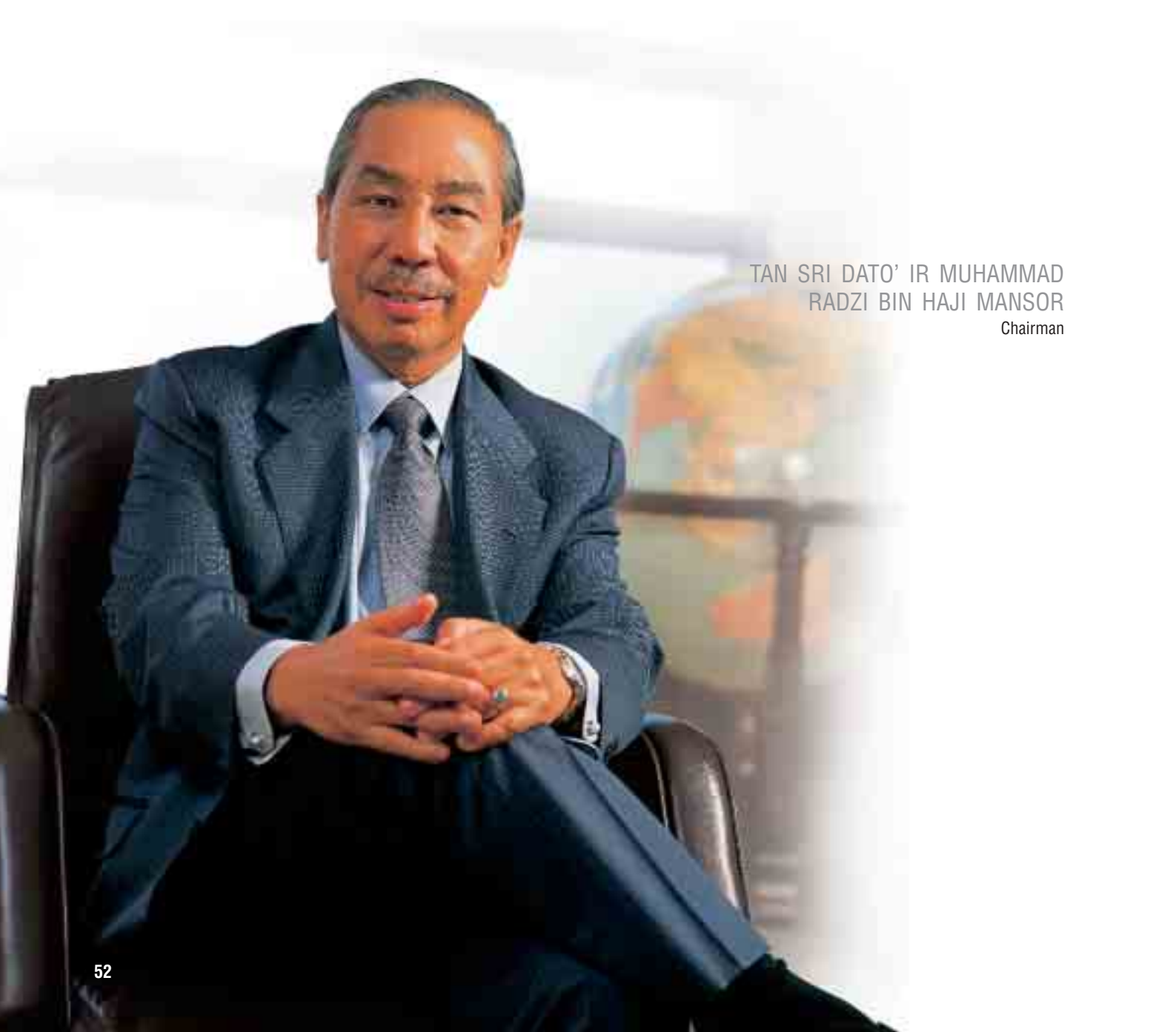




# chairman's statement

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“2002 was another extraordinary year. It saw three major milestones in the company's history. Having been associated with Telekom Malaysia for fifteen years, I can say these were truly historic events in the evolution of the company.”



TAN SRI DATO' IR MUHAMMAD  
RADZI BIN HAJI MANSOR  
Chairman



The first was the move into our new building Menara Telekom. The second is the merger between our cellular subsidiary, TM Cellular Sdn. Bhd. and Celcom (Malaysia) Berhad [Celcom], which was formerly a subsidiary of Telekom Malaysia. For me both represent a sentimental “home-coming”. In

Menara Telekom we have come to our new home, and in Celcom’s case it is a warm welcome back to the fold and we are now reunited. The third is the Initial Public Offering (IPO) of another subsidiary, VADS Berhad on KLSE Second Board and early this year, the listing of Telkom South Africa, our associate company, on Johannesburg and New York Stock Exchanges. These are symbols of rebirth and renewal ushering a new era for Telekom Malaysia. They signify a renewed confidence in our future, appropriate to the theme of this year’s Report – “Opening Up Possibilities” the whole new range of opportunities before us.

## chairman's statement

Writing this piece from the 55th floor of our new intelligent and elegant building, officially opened by our beloved Prime Minister, YAB Dato Seri Dr. Mahathir bin Mohamad on 10 February 2003, it gives me a view over the horizon, stretching into the future. Its design represents the rebung or bamboo shoot, which symbolises not only growth but flexibility and resilience. The bamboo bends to the winds of change yet able to withstand its force. Telekom Malaysia recognizes now more than ever the need to be responsive to the turns of fortune dictated by the dynamic and uncertain world we presently inhabit and the changing needs of our customers.

The uncertainty prevailing in the world has weakened economies. The financial effects of the dotcom crash, the slowdown in the telecommunications industry and accounting scandals have shaken confidence to the core. Even against this backdrop, there are global concerted efforts towards recovery and growth.

The telecommunications industry, as part of the larger ICT landscape is strategic in sustaining long-term economic growth. It is widely accepted that the next economic revolution is in terms of knowledge which can grow via increased communications, by way of facilitating the speed, transfer and sharing of knowledge between people, businesses and nations. Building a knowledge economy is critical for socio-economic development, not just for financial gain but by education and increasing awareness; forging greater understanding between us as a people and a race. Perhaps, this is where hope for long-lasting peace and prosperity truly lies.

The telecommunications industry itself has undergone phenomenal change over the last decade, and technology is improving at a tremendous rate with great impact on usage patterns and the way we communicate and conduct business. Of particular significance has been the explosion of the Internet and cellular technologies. Innovations in product and service development have seen immense growth in data and content, which underscores the current demand trends in mobile, broadband and multimedia. Voice remains a key product but is migrating from public switch to packet switch (Internet Protocol – IP) and cellular networks. These trends necessitate the experimentation with new business models, which industry players have yet to find a proven formula for.

Despite this, there remains a real genuine need for basic telecommunications services and infrastructure development. There is a delicate balancing act which Telekom Malaysia is committed to; not only must we be responsible to our customers and shareholders but, we must be responsible to our nation.

Against this backdrop, Telekom Malaysia's performance has been satisfactory. Despite the adversities, which we had expected to materialize in negative growth, we are pleased to announce a marginal growth of 1.7% in top-line revenues and 7% in our net earnings, stripping out the exceptional item included in 2001. We are particularly encouraged by the positive developments in our cellular and broadband initiatives, which we have targeted as future engines of growth for Telekom.

The merger of TM cellular and Celcom is on track and should be completed by middle of next year. With it, we enter an entirely new dimension and acquire a new and enhanced corporate identity. Together with our new building we are seeing the new-look Telekom. The merger provides a new capability to help realize our vision to attain at least 30% revenue contribution from the cellular business. We have become well placed to realize this, even exceed it.

We are now positioned as the country's leading totally integrated service provider with a boost in market share in the cellular segment, from 17% to an estimated 40%. But while the merger bestows a commanding scale and capability it means, correspondingly, we are expected to demonstrate leadership and fulfill an enhanced national responsibility. With the combined synergies it will bring, it will spearhead the continuing expansion of both coverage and services, nation wide, whilst rationalizing the network infrastructure.

Telekom Malaysia is also fortunate in being allocated the spectrum to operate third generation (3G) services recently and I thank our Government for this. I also congratulate those who put together our bid, for a successful outcome in a very demanding exercise. The onus is now on us to justify the faith shown in our ability, which means taking a leap into the new technology involved. 3G elsewhere has not exactly had a problem free debut. We intend to follow a judicious path in implementing it but welcome the chance to elevate our services – and our technical profile in the process. Whilst we welcome the new broadband capability, however, we should not forget that this is just a facilitator and that what matters is the content.

All these developments were not without cost. The new headquarters, our acquisition of Celcom, our installation of 3G represent a huge investment. Part of the rationale is that in line with current national policy we are focusing on and developing the domestic market. And as with all investment it proclaims a confidence in the future. We have already begun to open up exciting new possibilities.

*Menara Telekom, the nation's  
latest landmark.*



We have built a global presence which today reaches more than 7 million cellular customers in 7 international ventures. But we feel now is the time to rationalize our overseas investment, to concentrate on the domestic sector first, and refocusing on the Asia Pacific region where the greatest growth in telecommunications will take place. We ourselves have identified the cellular market, data, Internet and Multimedia as the keys to our future success.

We cannot allow our progress to be deterred by the shadows of world conflict. But we recognize that uppermost in people's minds is a heightened awareness of risk. Security has long been on our list of priorities. We already have an established unit to deal with Risk Management. Risk today goes beyond the obvious commercial exposure to operational and technical, as well as financial concerns. In the present context in which Telekom Malaysia finds itself in an invidious position, there are serious security problems. As we are providing a strategic service, management is always aware of its responsibility to protect the safety of both equipment and personnel, but now with increased vigilance. We have identified the principal risks in our operations and preemptive security measures are being taken. Risk management is a test of preparedness, requiring us to be in a state of constant readiness. May I reassure shareholders that today's trials are a wakeup call and serve to strengthen our resolve to fulfill our crucial role in the economy and in national life. We face the future with a positive mind set.

Domestically we need to work smarter. We not only have to be alert to new possibilities but ready to exploit them. In this year's Report you will notice that profitability is not proportional to revenue, which may be attributed to higher operating costs. Cost cutting has already begun.

Employee welfare is an ongoing concern as witnessed through our Voluntary Separation Scheme (VSS) last year which met with a good response whereby some 1,763 employees at all levels accepted the offer. We in a small way have begun internationalizing our work force, our strength, relevant to the international dimension to our operations, and reflects the incipient response we see elsewhere in this country to the reality of a globalising world. It has been a trying year. The management and staff have performed well under challenging business conditions and deserve to be congratulated. In view of the continuing uncertainties we now call on them to redouble their efforts with the emphasis on customer service and satisfaction – that vital link between us and our customers which builds loyalty and attachment.

Social responsibility still remains an integral part of our business philosophy. Telekom Malaysia is attuned to the new era of corporate governance and greater transparency, which resonates with the values we hold dear and have always practised. We continue to support major community and national projects notably the Langkawi International Dialogue and Telekom Malaysia Le Tour de Langkawi. It is our hope that the Universal Service Provision (USP) Fund will provide stimulus for pushing further connectivity to those in our community who are still waiting for progress in communications to reach their doorstep.

May I thank my fellow Board members for their active participation and contribution at all Board and Committee meetings and to the Chief Executive, the management and staff for their sterling efforts over the past year and their steadfastness and resilience in facing the new challenges. We thank the Government for their support in these troubled times. To our valued shareholders, we wish to put on record our utmost gratitude for their undeviating loyalty and support particularly in our efforts to bring the Company and the Group to greater heights.

Please be assured that what will sustain us is our undiminished confidence in the long term future of Telekom Malaysia and our resolve to keep faith with our vision. That vision is defined as to become a leading integrated and total communications company of choice. That is the ultimate possibility that is realistically open to us in our present strengthened position. We remain secure in the knowledge - a very Malaysian knowledge that Vision combined with strategic intent, ultimately triumphs over adversity.

TAN SRI DATO' IR MUHAMMAD RADZI BIN HAJI MANSOR  
Chairman



# chief executive's statement

DATO' DR. MD KHIR BIN ABDUL RAHMAN  
Chief Executive



## OPENING REMARKS

2002 has been a year of uncertainty; amidst a world struggling to overcome perhaps the greatest set of challenges we will have to face in this new millennium. The aftermath of September 11 and the ensuing global tensions are negatively affecting vulnerable economies still recovering from the dotcom crash and the telecommunications industry slowdown. Asia, fresh from the wounds of the Asian Crisis is dealt a new deck of trials. In these uncertain times, these words ring true:

**“Conflict creates tension. Tension creates resolution. Resolution creates change....”**

(Albert Emerson Unaterra – writer)

Thus, resolution is key – so long as we resolve to overcome uncertainty, there is always opportunity for change and growth.

Telekom Malaysia holds firm to our resolve. We remain steadfast in our vision to become the communications company of choice and maintain a long-term view in all our endeavours to date. We set out with the clear intention to grow our cellular, data and internet multimedia businesses and we continue to make encouraging headway in these arenas.

We must be resolute because we are committed to the growth of this company, to ensure its strength commercially and to deliver value to our customers and shareholders; but more than this, we are also committed to supporting the growth of this nation. This balancing act is unique to us, and we accept its challenges in earnest.

The theme for this year's Annual Report is “Opening Up Possibilities”. This couldn't be more apt – this vast communications infrastructure we are building is more than just about the network, it is about what is built upon it – businesses, relationships, knowledge, the economy. By bringing people and information together, we hope to create a new world of possibilities.

In pursuing this vision, I am heartened by the enthusiasm and dedication of the citizens of Telekom Malaysia in giving full support to the achievement of our goal.

With that, I am pleased to announce the results of the Group's performance in 2002.

# chief executive's statement

## 2002 GROUP PERFORMANCE

### Environment

#### *Global and Regional*

The external environment has suffered many setbacks of late – fear of terrorism, the dotcom bubble burst, accounting scandals, and telecommunications sector slowdown – have all hit the world economy adversely. Yet, growth albeit slowly will prevail once more on a more prudent basis, i.e. the world economy is re-setting itself back into a more realistic era of growth.

In helping to sustain long-term economic growth, ICT services especially telecommunications remain at the forefront in driving global efforts towards a knowledge economy and increasing connectivity; never more evident than the explosive growth of revenues in the Asia-Pacific region. It is here that opportunities lie and provide the foundation for the next burst of medium-term growth.

The future of the global telecommunication industry has been influenced by the following trends, which could very well alter the future of voice and data markets, affecting carriers like us. These trends provide valuable insights as to what strategy telcos should pursue;

- Voice will continue to be a key revenue generator for incumbents for the next few years as the playing field shifts from 'traditional' voice to VoIP and cellular
- The migration towards cellular and wireless networks is creating new demand for mobile services
- The explosion of Internet usage
- The widespread availability of affordable and efficient broadband access and services
- The acceleration of demand for data services from multinational corporations and organisations to become more dynamic operating in a borderless world
- The importance of value added services as a source of revenue generation
- New and innovative business models emerging from fierce competition and dramatic changes in the industry value chain, which places greater emphasis on content, aggregation and applications providers than network and services providers

Essentially however, telecommunications companies the world over will be concentrating on two things: primarily how to generate growth and earnings recovery.

In the current environment whilst USA and Europe grapple with its financial problems, the greatest telecom growth will be in Asia-Pacific, which is less encumbered by debt. With relatively strong macroeconomic fundamentals and policies, coupled with strengthened financial and corporate sectors, the Asia Pacific region is expected to record high growth and emerge as a dynamic region with vast trade and investment potential. China's strong growth performance is expected to be the catalyst for the growth in this region where intra-regional trade is becoming increasingly important.

By 2005, the Asia/Pacific region will contribute almost 30% of the world's telecommunications services revenue. Demand is high for the deployment of infrastructure to universalise service; new networks tending to leapfrog to the highest level of technology – again especially in cellular with the migration to 2G+ and 3G networks. Wireless penetration will continue to increase around the world. Wireless networks, less expensive to install than wireline; therefore, will greatly influence infrastructure build-up in regions with low fixed line penetration, such as Malaysia. Handheld devices will soon become the predominant means of access to the Internet.



### *Malaysia*

Regardless of the global environment, there is a clear need for the continuing development of telecommunication services and of the sector here in Malaysia. Telekom Malaysia recognises this fact and hence is focussing its efforts at home and in the region.

Accommodative monetary conditions and our government's stimulative fiscal policy will continue to drive stronger economic growth in Malaysia. The economy grew 4.2% in 2002 and is expected to maintain its growth momentum in 2003, led by further improvements in both domestic and external demand, although these will be subject to some downside risk from global events. Structurally, the Malaysian economy is strong in the services and manufacturing sector and is fairly dependent on private consumption, which has been steady over the last few years. We gauge the need for telecommunication services by these key indicators.

Usage patterns are in line with our predictions; fixed line revenues continue to fall in face of mobile substitution in voice, as well as competitive pricing in international rates and the effect of VOIP. Mobile revenues still show encouraging growth although increases in subscriber base are tapering off indicating the need to raise ARPU via value-added services. The government is keen to see 3G networks and services introduced and the industry consolidation is partly in preparation for this. The data segment also registers growth although it is a migration phase, as companies evaluate their business needs and budgets for low or higher capacity leased lines and networks. Internet usage is moving beyond dial-up to broadband access. Malaysians grow more sophisticated in their requirements and the future engines of growth are wireless and broadband. Thus, new and attractive content is increasingly needed. The industry has been very good at providing carriage and connectivity, but for content, even globally, telcos have yet to successfully generate content business models. This is key going forward.

Against this backdrop, Telekom Malaysia has a national agenda to support. In order to help drive the nation towards long-term sustainable growth and progress, we need to address two main issues; increasing Malaysian competitiveness and productivity and increasing rural telecommunications' penetration rates. In terms of competitiveness, working together with the Malaysian Communication and Multimedia Commission (MCMC), we have a new tariff structure now in place for our fixed line services. We are also mindful of providing value-added data solutions to our customers so as to encourage businesses. In terms of access,

although a new mechanism of Universal Service Provision (USP) is also in place, we carry responsibility in helping to see this initiative through. With use of wireless technologies, such as Code Division Multiple Access (CDMA) and Wireless in Local Loop (WiLL), we have successfully introduced basic services in certain rural areas and even cleared waiters in congested urban centres.

There is still much work to be done and in 2002, Telekom Malaysia put its mind to the task.

### **Performance Review**

For the current financial year to date under review, the Group's revenue increased by 1.7% from RM9,673.2 million recorded in the corresponding period in 2001 to RM9,834.1 million mainly due to higher revenue from telephony, data, internet and multimedia as well as other telecommunication services. However, the Group's profit before taxation has decreased by 35.7% from RM2,443.6 million recorded in the preceding year corresponding period to RM1,570.1 million attributed to the inclusion of an exceptional gain of RM827.8 million from disposal of an associated company in 2001. Stripping out this exceptional item, net earnings actually rose by 7.3% to RM1,056.3 million as compared to RM984.1 million in the previous year. Our overseas investments, are now profitable with total combined profit before tax of RM176.9 million in 2002 as compared to RM131.7 million in the previous year.



*Driving the knowledge economy.*

## chief executive's statement

In terms of revenue, cellular contribution grew by 6.3%, data services by 0.4%, and internet and multimedia by 32.9%. Leased services declined by 5.1% due to migrations to higher end services such as Corporate Information Superhighway (COINS), which grew encouragingly by 52.5%. Telephony revenue decreased only marginally by 1.1% as expected due to lower tariffs and cellular substitution. Still, revenue from fixed line services accounted for 65.4% of total revenue, although down from 67.2% in 2001.

In terms of customer base, we grew our mobile business organically by 20% and with the proposed Celcom/TMTOUCH merger, this would bring our total market share to about 40%. It is also a significant year as this is the first year TM Cellular has shown positive profits with total profit contribution of RM10.4 million (excluding waiver of shareholder loan) as compared to RM118.0 million loss in the previous year. Mobikom's loss was reduced to about RM46.5 million as compared to RM256.0 million last year. Celcom, which is now an associated company of Telekom Malaysia contributed a loss of RM15.6 million to the Group's results for the year.

Internet subscribers grew by 11.8% to 1.4 million dial-up customers and we successfully launched our broadband access service, Streamyx in 2002, which currently has 45,000 customers and is fast growing. We are also proud to introduce 43 Streamyx hotspot sites which allow broadband internet access while on the move, with the aim of increasing this to 200 sites in 2003.

Although we are facing a slight negative growth of 2.2% in fixed line customers due to a decrease in residential lines, business lines have increased by 2.2% and we also see growth to 42,000 fixed CDMA service lines. This is a key growth initiative within Telekom Malaysia, that of offering fixed services via wireless access; it is a strategic and cost effective move in providing access to rural areas and indeed waiters across the nation. At full scale, cost per line is expected to range from RM2,000 to RM2,500 compared to RM7,000 to RM10,000 for normal copper rural line. CDMA technology is also a means by which to provide internet services where needed and where fixed line dial-up may not be available.

In terms of operating costs – a testament to continued efforts, we managed to achieve a significant reduction in bad debt allowance, which stood at RM564.4 million (5.7% of total revenue) as compared to RM869.5 million (8.9% of total revenue) in the previous year. The lower allowance were mainly due to writebacks during 2002 as well as lower allowance in TM Cellular. Depreciation expense rose by only 4.4% while net finance cost fell by some 23.8%. Telekom's net debts as at 31 December 2002 stood at

RM5,841.7 million while our net gearing was at 38.3%. All in all, we present a healthy balance sheet, which is commendable in these trying times.

As a result of the above, basic EPS grew by 5.7% to 33.5 sen from 31.7 sen in 2001 excluding the exceptional gain in 2001. The Board recommends a final dividend of 10.0 sen per share less tax at 28% (2001: 10.0 sen per share less tax at 28% and a special dividend of 5.0 sen per share less tax at 28%) for the shareholders' approval at the forthcoming Annual General Meeting of the Company on 20 May 2003.

### Key Initiatives

We have identified the future engines of growth for the company as wireless, broadband, data and multimedia. Here we are pleased to share some of the developments in these areas in 2002.

Our cellular business has always been a priority but it was in 2002, with the Celcom/TMTOUCH merger that we feel that we truly stand in good stead. Together, Celcom and TMTOUCH form a formidable GSM force towards the provisioning of 3G services. Forging ahead, we will seek to improve further profitability and realise true synergy with our new sister company.

In making sure that 3G is a sound business, Telekom Malaysia has planned for a trial that is to commence in Q2, 2003, which in turn would become the yardstick in determining the way to move forward. However, in migrating from 2G to 3G networks, we maintain that it is not so much the platform that matters but rather the services that are delivered on them. Thus in the medium term, Telekom Malaysia should endeavour to deliver innovative and value-add services on current platforms in order to increase returns on existing investments, especially in view of our ongoing merger. Nonetheless, we are committed to bring Malaysians closer to embrace this new emerging technology.

TM Net Sdn. Bhd. (TM Net) was incorporated in 2002, a mark of strategic independence and business focus, adopting a new corporate logo to reflect a new culture and spirit. In 2002, it spearheaded the market's evolution towards broadband connectivity. It maintained leadership in the ISP market with a total subscriber base of 1.9 million. For the financial year under review, TM Net attained a profit before tax of RM5.3 million on the back of RM161.8 million in revenue, which is an achievement as the company was expected to be profitable only from the year 2003 onwards.

TM Telco is building a network for tomorrow. Hence, network migration to an IP based New Generation Network (NGN), and the provision of comprehensive broadband access is an ongoing project and currently being actively pursued to provide higher capacity, bandwidth and capability to meet the customers' requirement. The move towards a wholesale business model will allow TM TelCo to focus on revenue growth, cost containment and asset utilisation.

TM International Sdn. Bhd. (TMI) was set up as a wholly-owned subsidiary of Telekom Malaysia to oversee and manage its foreign ventures. As at end 2002, TMI's foreign cellular subscriber base stood at over 7 million people from seven countries around the world – South Africa, Guinea, Malawi, Bangladesh, Sri Lanka, Cambodia and Thailand. International investments will continue to form an important operational aspect for Telekom Malaysia, with the aim of increasing shareholder value.

TM Facilities Sdn. Bhd. (TM Facilities) principal responsibility is to provide cost-efficient and quality services to the Group. With the view of embracing a market-driven pricing structure, in the year under review, TM Facilities implemented the new Activity Based Costing (ABC) costing structure, which was rolled out to the customers of Malaysian Logistics and Property Operations.

At Group level, amongst other critical strategic areas, we are focussing on our one-stop CRM programme and preparing for wholesale and 3G services. The transformation programme to create a new performance culture, and put in place the systems and processes necessary for success, is well underway.

Staff and skills development continues to be a priority; we need to create a more agile multi-skilled workforce able to deliver against the challenges of today's and future businesses. This is another delicate balancing act, as we are also aware of the need to create better value from our Human Capital, by reducing the cost of employment and by increasing productivity. The changing operational environment has also meant the need for the right mix of talent and competencies.



*ICT facilitating a multiskilled workforce.*

## chief executive's statement

The Voluntary Separation Scheme (VSS), offered in 2002 was positively received and it affected 1,763 employees. At year-end, the total Group strength is 29,800 – the reduction in headcount will reduce cost of employment and improve productivity measures; whilst we strive to attract new recruits with the relevant skills to suit TM's future needs. We have also reviewed critical Human Resource processes such as compensation, talent and career management in order serve our employees better. In terms of training support, our Telekom Training College is now offering a wider range of specialised ICT courses to help prepare our people to face the challenges ahead. The courses are also offered to interested external students.

These initiatives will map out a new identity for Telekom Malaysia, moving away from the incumbent image to a full-integrated communications provider.

### **GROWING THE NATION: TELEKOM MALAYSIA'S CONTRIBUTION**

The telecommunications industry has always been a strategic sector for economic growth and progress, both in terms of infrastructure and in the provision of services. Beyond this, which form our core business activities, Telekom Malaysia has and is always active in promoting good corporate citizenship as evidenced by our strong support through our various contributions and organisation of numerous national, educational, social, community and environmental projects. We believe these initiatives help empower the nation towards becoming a knowledge-based society.

Our special contribution is in helping to achieve the government's aim of bridging digital divide via our endeavours in Universal Service and particularly our Smart School programme. In 2002, we have increased penetration rates and cleared waiters utilising wireless technologies in rural and congested urban areas. We continued to be involved in community development projects by using various alternative technologies and in so doing, strengthened the collaborative working model that exists between the government and private corporations in delivering basic services where they are most needed.

We have taken that model and replicated it again in our Smart School programme, which is a collaboration with seven local firms and three multinationals with the intent of incorporating advanced technology-based teaching and processes into the existing national education system. The Malaysian Smart School Pilot Project now encompasses 87 schools and we hope to extend its reach throughout and beyond Malaysia.

We take education very seriously; we have also built the nation's first private university, the Multimedia University (MMU) with its 23 Centres of Excellence in various disciplines to cater for the need for ICT expertise in Malaysia. MMU also collaborates with transnational organisations of global expertise such as Microsoft, Intel, and Nokia to extend the breadth of knowledge. Similarly Telekom Malaysia's incorporation of its Research and Development arm shows our commitment to both commercial, industry and national progress in R&D; with emphasis on delivering innovative and quality products that can be commercialised and rolled out as services to the public.

Telekom Malaysia is also proud of our Scholarship Foundation which has funded RM45.5 million in scholarships and loans to bright young Malaysians who continue to bring new talent back to the Company and the country. Out of 2,789 students, we have recruited 841 sponsored students. We offer our promising people and high calibre researchers the opportunity to pursue postgraduate studies while completing research projects for both personal development and for the benefit of the organisation.

Our sense of corporate citizenship extends beyond education and socio-infra development work. In the field of tourism, our Menara Kuala Lumpur, the world's fourth tallest telecommunications tower as well as the Menara Alor Setar have become premier tourist attractions and draw in tourists from all over the world. Continuing with our practise of supporting events of national importance, we sponsor the Le Tour de Langkawi, Langkawi International Dialogue, and most recently the NAM Summit. These efforts help position Malaysia on the global map of international events.

### **PROSPECTS**

The physical move into Menara Telekom late 2002 and its officiating ceremony by our Honourable Prime Minister, YAB Dato Seri Dr Mahathir Mohamed recently is a symbolic gesture of rebirth for Telekom Malaysia. Riding on this new-found momentum, the Group will step up efforts to tap the potential market in the high growth segments of cellular, multimedia, internet and data businesses.

Entering into this new age of interconnectivity enabled by broadband and wireless, the Group will focus on pushing top line revenue through provision of high end data services, expand broadband and cellular access coverage and add new applications, contents and services. In the fixed voice business, we will continue to defend our dominant market share. Meanwhile, we will intensify efforts to achieve operational and cost efficiency.

The ongoing Celcom and TMTouch merger is a positive move for Telekom Malaysia. It is expected to strengthen the group's mobile platform and leapfrog the merged entity to become the largest mobile operator in the country. For 2003, our cellular operation will benefit from the combined market share, operational synergies and cost savings, for example through network sharing, which in turn reduces capital expenditure. The customers will be the ultimate beneficiaries of the improvement in services of the new entity.

Telekom Malaysia will continuously strive to increase its profitability and market share for both local and global businesses. For that purpose, Telekom Malaysia has been realigned accordingly to establish a new strategic focus that will provide the strength to compete in the existing and new businesses such as broadband services and 3G. TM Net, TM Facilities and TMI have been set up to give more focus in delivering their respective businesses.

With these strategic initiatives being actively addressed, we are confident that we will be able to maintain a strong position in the ever-growing competitive environment.

## **CLOSING REMARKS**

In these uncertain times, we need to create new possibilities for ourselves. There is no waiting for the right set of world, economic, or market conditions. Even in this environment, there are opportunities and still much that can be achieved. An organisation that can steer itself through uncertain times will be the stronger for it in better times. Thus we must resolve to change, to overcome the challenges put before us and to remove the barriers between us. We must change mindsets, shift paradigms and continuously innovate. With change and strong collective will, we will progress.

Let me end by thanking the Board of Directors, management and our people who have brought Telekom Malaysia to what it is today, for their contribution and hard work but mostly for their unwavering faith and dedication.

**“The best way to predict the future is to invent it.”** (Alan Kay, inventor)



DATO' DR. MD KHIR BIN ABDUL RAHMAN  
Chief Executive