operations review

Multimedia Services

- TM Net Sdn. Bhd.

tmnet

tmnet Netmyne

tmnet streamyx

tmnet BlueHyppo

tmnet global roaming

MANAGEMENT

TM Net Sdn. Bhd.
BAHARUM SALLEH
Chief Executive Officer

Performance

The performance of TM Net Sdn. Bhd. (TM Net) in 2002 is a testimony of its resilience and the dedication of its team in achieving consistent growth despite uncertainties in the economic climate.

July 2002 marked a significant change when the business of TM Multimedia (a division of Telekom Malaysia) was migrated to a newly incorporated company known as TM Net Sdn. Bhd., a wholly owned subsidiary of Telekom Malaysia. TM Net Sdn. Bhd. has adopted a new corporate logo reflecting its new culture and spirit. The new TM Net is more agile, market oriented and customer focused. With this transformation, customers can expect more accessible, affordable and reliable Internet related services.

In 2002, TM Net spearheaded the market's evolution towards broadband. It maintained its leadership position in the ISP market with a total subscriber base of 1.9 million. Revenue (combining that of TM Multimedia and TM Net Sdn. Bhd.) grew by 23.0% to RM370.0 million attributed to a large extent to the key drivers for growth, namely tmnet streamyx, tmnet direct and tmnet prepaid. Also contributing to the revenue were other access services, application services and content services.

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 (from July to December 2002). That is commendable achievement considering that the company was expected to be profitable only from the year 2003 onwards. TM Net's turnaround to profitability within a relatively short span of time marks a first for a subsidiary of Telekom Malaysia and bears testimony to the focused and concerted efforts of the Company.

In year 2002, tmnet streamyx recorded a 93.0% growth as compared to that of 2001, while tmnet direct and tmnet prepaid grew at 48.0% and 94.0% respectively. The main drivers for revenue growth were not only dependent on key products but also on effective partnerships and marketing strategies.

Given the concerted effort to improve revenue growth and profitability, total operating expenditure was reduced by 46.3% to RM81.2 million (combining that of TM Multimedia and TM Net Sdn. Bhd.) in 2002 compared to operating expenditure of TM Multimedia in 2001. A drop in bandwidth costs and prudent spending on overheads also contributed to huge improvements in the operating expenditure.

The Company also recorded a lower capital expenditure of RM167.0 million (combining that of TM Multimedia and TM Net Sdn. Bhd.) in 2002 compared to capital expenditure of TM Multimedia of RM180.0 million in 2001. A large portion of the capital expenditure was channeled to access services to expand and upgrade the system and network in order to improve service offerings. Of this, more than RM90.0 million was spent on point-of-presence (POP) expansion while content services, application services and systems support, accounted for the rest.

Operations

With 11% Internet subscriber penetration in this country, TM Net believes the time is right for migration to broadband. In 2002, tmnet streamyx was a top performer in the Malaysian broadband market and became the third largest revenue contributor to TM Net. In an effort to make broadband Internet access more accessible, attractive and affordable in the market, the Company has reduced the price of its new packages by almost 63%. In the coming year, TM Net will prioritise broadband service as a strategy to meet the demands of the market.

In the year under review, TM Net has achieved a subscriber base of 1.9 million, of which 1.5 million were from access services, 7,937 from application services, and 380,884 from content services.

Services from TM Net

Access Services

TM Net Sdn. Bhd. is the leading Internet Service Provider (ISP) in Malaysia, providing a wide range of access services using a multitude of technologies. While maintaining tmnet 1515 and tmnet 1525 services, the company introduced tmnet streamyx at end 2001. This new service is beginning to transform the way people live, work and do business. Broadband has enabled businesses and individuals to participate more effectively in the e-economy. It enhances the ability of Malaysian enterprises to compete in a modern global economy, further improving the functioning of the domestic market and empowering people with greater knowledge.

In addition, TM Net also introduced tmnet prepaid, Malaysia's first prepaid Internet access via a card and CD. Besides being the most convenient means for customers to get online, it provided a medium of payment for multimedia services such as games online. Both services showed tremendous market uptake that provide a positive improvement of the customer-based average revenue per user (ARPU).

While focusing on tmnet prepaid and tmnet streamyx as new revenue contributors, tmnet direct continued to be a key profit centre, charting stronger revenue growth as compared to 2001. The emphasis for this coming year will be to strengthen the focus on broadband, applications and contents for a total solutions offering.

Application Services

TM Net is spearheading broadband adoption by making its applications more accessible via Netmyne. Broadband enables new and improved services such as enhanced public services in addition to improving business productivity and competitiveness, and new forms of entertainment. Cashing in on this, TM Net has introduced five new broadband-based applications, namely e-Health, e-Conference, e-Bina, myBizPoint and communication services.

- e-Health is a new integrated Internet solution that improves healthcare benefits management systems through online applications
- e-Conference is an e-commerce solution that uses audio, video and web-conferencing tools to communicate multipoint-to-multipoint in real time over the Internet

Launching of TM Net's another broadband application service: Netmyne e-Conference.

- e-Bina is the first fully integrated national construction industry IT platform launched on 23 December 2002
- myBizPoint is an online business solution that provides comprehensive, economical and flexible packages to suit the Internet needs of small and medium businesses
- communication services consist of several applications that allow users to communicate and collaborate via the Internet

These services allow users to optimise broadband for improved productivity. In addition, TM Net continues to provide a comprehensive means for businesses to gain easy access to the Internet through other services like hosting, payment gateway and streaming.

Content Services

To complement its web-based applications, TM Net continued in its efforts to provide an aggregated content platform. In 2002, BlueHyppo was the single largest content aggregator in the country. In only its second year of operation, BlueHyppo was again voted as a Top 88 site in the country by The Edge.

In continuing as the single largest aggregated contents platform, www.bluehyppo.com has greatly contributed to extending both TM Net's and the Telekom Malaysia Group's sphere of influence in the online world. Offline, it has also brought TM Net and the Group closer to the people, as evidenced by the positive response to Bluehyppo.com's game tournaments and Anniversary celebrations in addition to continued high-traffic generation to the site.

The focus on building its content repository has resulted in a high number of page views throughout the year. As well as being the country's premier online content aggregator, TM Net also has its own internally generated content that has proven to be popular.

As TM Net continued to aggregate trilingual contents, it has also expanded to include aggregated broadband contents in tandem with TM Net's broadband expansion. The broadband content categories include entertainment and games in response to market demand. The broadband content was further enriched with the introduction of a new subchannel, e-l@ne. With such contents, Bluehyppo.com has to date registered 380,884 members, 65 million page views and 400 million hits.

Responding to Customers

TM Net has always been proactive and sensitive to its customers' needs. In the year 2002, tmnet streamyx received favourable response from the market, especially from the consumer segment. Improved quality of service (QoS) and specific promotional activities were among the major steps taken to build customer awareness and knowledge of tmnet streamyx. By complying with mandatory QoS standards, regulated by the Malaysian Communication and Multimedia Commission (MCMC), TM Net ensures that only the best service quality is delivered to its customers.

To facilitate subscription to an Internet account, TM Net has increased the number of resellers for its services, resulting in a larger distribution network. In addition, TM Net is opening additional Houses of Internet (HOI) in other major cities, namely Johor Bahru, Pulau Pinang, Kota Kinabalu and Kuching, based on the revamped image of the existing HOI in Kelana Jaya. To minimise the application processing time, for broadband services TM Net is developing an online registration system, which is expected to be available in the first quarter of 2003.

The Company is committed to delivering quality customer service, and has dedicated 1-300 lines available 24 hours of which 1-300-88-1515 is dedicated for the consumers and 1-300-88-9515 for business customers including all broadband customers. TM Net has also employed more staff to attend to customers' calls at the Customer Interaction Centre. The call centres have separate consumer and business divisions in order to speed up interaction time.

The billing system has also been improved to be more accurate and timely. For the convenience of customers, an online payment system has been made available through SelfCare via the website http://tmbil.tm.net.my which enables customers to view, print invoices and settle payments online or at a Kedai Telekom.

Partnerships

In order to grow its content and application services, TM Net has partnered with a variety of parties to offer application services to industries such as healthcare and construction. The success of its partnerships has resulted in the launch of e-Health, e-Bina, e-Conference and e-l@ne.

Going from strength to strength – Bluehyppo.com.

As part of its marketing strategy, TM Net has developed a network of distributors to sell its products and services, for whom it organises training programmes to increase efficiency. The Company will also be focusing on the business segment by moving towards a total solutions offering.

Another key partnership is with DRB-HICOM Information Technologies Sdn Bhd to launch the first national PC, KOMNAS Twenty20. Under this partnership, TM Net provides Internet access as well as attractive contents and solutions, with BlueHyppo as the default content/application page in KOMNAS Twenty20.

TM Net has also partnered with the Ministry of Energy, Communications and Multimedia and Pos Malaysia to introduce 14 Rural Internet Centres (RICs) all over the country. This is to assist in the Government's aim of narrowing the digital divide.

To enhance convenience, TM Net also unveiled the first tmnet amalgamated access, application and multimedia content in a single offering. The prepaid CD offers an alternative for speedy access to people who stay in places where broadband services are still unavailable. Called powerSurf, this value-added service provides an accelerated web browsing and content delivery of up to three times faster than dial up (56kbps) speed. The CD also offers an email virus shield application.

Prospects

In the coming year, TM Net anticipates growth in broadband and VoIP services. Therefore, the Company will be investing in QoS improvements that are expected to contribute positively to the demand for broadband services, broadband related content and broadband applications.

The company will also continue to build on the positive demand for broadband based communications applications and prepaid services established in 2002.

Whilst the broadband service saw a myriad of learning experiences, the coming year will see the quality of service being focused, in parallel with the expansion of the service.

The key drive in the coming year will see TM Net addressing its customers with a total solution approach for an enriching customers experience with Internet, the medium of the future.

e-**COMMUNITY**

The country's thrust into the information age began in earnest in the 1990s, when several initiatives were taken to drive information technology and its offshoot, the multimedia industry. All of these supported our Prime Minister Dato Seri Dr. Mahathir Mohamad's Vision 2020 of seeing Malaysia evolve into a developed nation.

In retrospect, what began as a relatively modest desire to be IT savvy has now evolved into a mission to turn Malaysia into a country that embraces information and communication technology so wholeheartedly that it changes even the way the country is governed. In the forseeable future, the public and private sectors as well as the community will contribute actively to a participatory form of governance.

For this to work, however, there has to be a change in the mindset of the populace. That is one of the reasons why it is important to create an e-community, namely a community that has the skills and resources to access information and the desire and knowledge to make good use of it.

When the National Information Technology Council (NITC) was set up in 1994, it was with the purpose of guiding the Government on matters related to IT such that this budding industry and its applications could be used as a tool to help the country prosper. Those days, the use of computers was still in its infancy and the Internet was virtually unheard of. In less than a decade, however, IT has become such an integral part of communication that it is very much integrated into our lifestyles. We no longer write letters, but send emails; we don't apply for fixed line phones, but opt for the more versatile mobile; we don't look up encyclopedias or dusty journals for information, but click on the mouse and surf the Net...

Life has changed significantly, thanks to advances in information and communication technology (ICT). Using the NITC's definition of an e-community as one in which networks of communities dynamically participate in the process of governance to enhance the quality of life of Malaysians, we may not as yet qualify fully for the title. But we are definitely on our way there, as we are already "connected" and use our connections to make everyday life easier, more efficient and enriched. When we say "we", however, we tend to mean urbanites with a certain level of income who have been exposed to the multifarious benefits and conveniences of ICT. And not everyone in the country enjoys the same privileges.

To illustrate the point, consider this: certain basic utilities such as electricity are needed to power the usage of ICT. However, while the whole of Peninsular Malaysia is supplied with electricity, some 20% of Sarawak and 25% of Sabah are still without this energy utility. There are also those below a certain income level who simply cannot afford to own a phone (either fixed line or mobile) let alone a computer. In addition, there are those in pockets of society who, for one reason or another, are marginalised in terms of access to ICT. These include non-working women, the disabled, the youth and the aged.

There exists, therefore, an unmistakable "digital divide", one that the Government is fully aware of. What's more, there are more people on the "have-not" side of the dividing line than there are across the fence. In schools, for example, where Internet access would be a good place for young ones to start acquiring important ICT skills, as many as 90% of primary schools and 75% of secondary schools are lacking in this simple facility (Ministry of Education, 2000). Another figure for concern: half of the total number of Internet subscribers in the country reside in the Klang Valley.

The existence of such lop-sided disparity in a country does not augur well for its progress, not only because the majority are not in a position to benefit from the inherent advantages of being "connected", but also because such polarity has the potential to cause friction among the have's and the have-not's. It is, therefore, in the interest of national unity as well as national prosperity to bridge the existing gaps and provide access to facilities and amenities to those who currently do not get to enjoy them.

There are, however, two parts to creating an e-community, as the NITC realises. In a paper on "Access and Equity: Benchmarking for Progress", published in 2000, NITC states that simply providing the infrastructure, or infostructure, will not do the job. It is equally important to make sure the communities involved are prepared to use the facilities provided, and have the required skills and knowledge to do so. In other words, an e-community requires a certain mindset. Sometimes, creating this is harder than providing the hardware.

Supported by the NITC, many projects are being undertaken, both to make ICT available to people and places lacking access to such technology, as well as to win over converts to its usage. The NITC Strategic Agenda, launched in 1998 was designed to plan a strategic path towards Malaysia's entry into an e-world. It has identified five areas that need to be looked into to make the vision a reality. The establishment of an e-community is one of them.

Box Article

e-**COMMUNITY**

The NITC is thus providing as much support as it can to efforts aimed at popularising ICT. For example, it has set up a grant to provide financial assistance to Malaysians of all strata to participate in and utilise ICT. In essence, the Demonstrator Application Grant Scheme (DAGS) helps fledging organisations and even non-profit making organisations make use of ICT to disseminate information, keep people connected, and also to support their businesses. There are at the moment more than 42 recipients of the grant, who use it for a wide range of projects, from biodiversity investment to nature watching, agriculture, forensic sciences and health.

One of these projects called e-Bario, has been successful and impressive that it has won international recognition and acclaim. e-Bario, is a special "Internet Access for Remote Communities" pilot project undertaken by Telekom Malaysia with the collaboration of Universiti Malaysia Sarawak (UNIMAS), the Canadian International Development Research Council (IDRC), NITC, MIMOS Bhd., the Sarawak Government and the Bario community itself.

The project has in effect connected Bario, an isolated village in the highlands of Sarawak, to the rest of the world and paved the way for the native Kelabit villagers to embark on a journey of discovery and development, which until recently has been denied them, simply because of their remote location. Already, certain foreign diplomats who have visited the area to inspect the project have shown interest in promoting it as a tourist destination among their nationals.

Bario, situated in a beautiful valley about 1,000 metres above sea level, has no road access. Surrounded by mountains, it can be reached only by a one-hour flight from Miri or Marudi in northern Sarawak. Mail takes something like two weeks to reach the highlands and there are certainly no newspapers, with the exception of a few copies occasionally sent up from Miri.

The village is inhabited by a small population of indigenous Kelabits, living in 12 long houses. Until a year ago, Bario did not even have telephones. Until today, in the absence of any power plant, the people use generators supplied by the Government to provide electricity to the lone school in the village, the police station and other public facilities, but only for a few hours a day, as diesel is expensive. Lack of public utilities that many of us take for granted, and especially that of communications, has been the biggest handicap to development in Bario.

The village, in many ways, was perfect for any initiative to provide connectivity to a remote location. Its isolation and the fact that the terrain presented many difficulties to the construction of infrastructure made it even more attractive as a challenge, especially to Telekom Malaysia.

Under the e-Bario project, Internet access is provided to generator-powered PCs via a Telekom Malaysia solar-powered VSAT satellite system specially installed for this purpose. To pull a cable to such a remote and difficult terrain would have been problematic, if not impossible, and would have taken a very long time and at exorbitant cost. Thus, the project team decided instead to provide telecommunications access via a satellite network and systems.

After several technical site visits, new generation VSAT equipment was chosen to provide connectivity of up to 2Mbps. With this high bandwidth connectivity, the Bario community has access to high-speed Internet and high-bandwidth applications. In addition, this new generation VSAT is run by a solar panel, providing 24-hour power supply that is not dependent on the village's restricted electricity supply.

The project started with a technical site visit to Bario to study whether VSAT would be a suitable solution, both for a quick fix and in the long term. The visit was also to investigate if there were any existing facilities that could support VSAT, to find the most suitable location to place the antenna and other VSAT equipment; and to determine any potential constraints or problems in installing the VSAT system.

After this technical reconnaissance, it was decided that VSAT would indeed be the most practical solution but while it was being set up, two sets of INMARSAT terminals would also be installed as an interim measure. These were configured and commissioned on 4 August 2000. One set is at the house of the penghulu, or village head, for use as a telephone, and the other is in the school principal's office, used as a telephone as well as to access the Internet and e-mail.

Today, the VSAT system is up and roaming, proving that ICT can be implemented in any location, anywhere in the world, even in the remotest areas lacking the most basic facilities. Life in Bario has improved because there is hope for development. Even in their day-to-day existence, there has been dramatic change brought about by the ability of simply being able to communicate with friends and family outside the village. Payphones that are connected to the TM VSAT System have been installed. These phones, the Internet and computing technology will continue to make a big difference in the way the villagers communicate with the outside world.

e-Bario is perhaps the only successful project of its kind in the world. Because of its highly innovative nature, e-Bario won a 2002 Industry Innovators Award.

For Telekom Malaysia, aside from the international recognition gained for its contribution to progress in the communications industry, the success of e-Bario is something the company is proud of for many reasons. Firstly, through the project, Telekom Malaysia has played its role as a caring corporate citizen in improving the lives of a small and hitherto neglected community. Secondly, e-Bario proves that the digital divide can be bridged. And, thirdly, given the dedication and perseverance of the villagers themselves in seeing the project through, it provides great hope in the country's ability to develop pockets of e-communities that might eventually merge into one all-encompassing e-nation.

Before e-Bario, there already existed a number of e-communities that unite groups of people either through common interests, common goals or even simply through living in common neighbourhoods. But with this special project, Telekom Malaysia has helped create the first e-community of indigenous people who can now embrace information and communication technology in their daily lives and interactions to improve their quality of life in very significant ways.

Expanding
Global Ventures

We are spanning continents
From Asia to Africa

We are enabling communications
Where there were none before

We are creating smart partnerships
And fostering strategic alliances

We are a citizen of the world
Inculcating peace, sharing prosperity

By expanding global ventures
Everyday, in so many ways
We're Opening Up Possibilities

International
Operations - TM International Sdn. Bhd.

MANAGEMENT

TM International Sdn. Bhd.
CHRISTIAN MANUEL DE FARIA
Chief Executive Officer

Performance

In line with Telekom Malaysia's vision of becoming a global communications player, TM International Sdn. Bhd. (TMI), a wholly owned subsidiary is the vehicle used to oversee and manage its foreign ventures. Initially, these international ventures were under the administration of International Venture Division (IVD) of Telekom Malaysia.

Telekom Malaysia's overseas investments contributed approximately 13% to the Group's profit after tax in the financial year ended 31 December 2002. Profit after tax contribution stood at RM137 million, as compared to RM79 million registered in the previous year. This represents an increase of approximately 73% in profit contribution to Telekom Malaysia from the previous financial year. As at end of 2002, TMI's foreign cellular subscriber base from its international investments in South Africa, Guinea, Malawi, Bangladesh, Sri Lanka and Cambodia has exceeded 7 million.

Operations

TMI enjoys strategic support from four divisions, namely the Human Resource Strategy and Management Division, the Technical Services Support Division, the Financial Control Division and the Strategic Business Management and Analysis Division. This support has enabled TMI to adopt a holistic approach in seeking viable international ventures, and subsequently managing them to create shareholders' value for Telekom Malaysia.

With the establishment of TMI, Telekom Malaysia is assured of effective management of its international investments, thus maintaining high standards of operations and management in the interest of value creation for the Group.

To date, Telekom Malaysia has investments in South Africa, Guinea and Malawi in the African continent. Nearer in the region are Bangladesh, Sri Lanka, Cambodia and Thailand. Having gained valuable experience in managing overseas operations, Telekom Malaysia will seek more feasible ventures on a selective basis to generate a higher level of business growth and profitability for the Group.

During the year 2002, the Company undertook a restructuring exercise to consolidate all the other international ventures under TMI. Upon completion of the exercise, the value of TMI's capital will be enhanced.

MTN NETWORKS (PRIVATE) LIMITED (MTN)

Telekom Malaysia's first international investment was in Sri Lanka in 1995, where a wholly-owned subsidiary MTN Networks (Pvt) Limited (MTN) was set up to provide GSM cellular services utilising the 900MHz frequency band. The licensing agreement was awarded by the Government of Sri Lanka for a period of 18 years until the year 2013. In year 2002, MTN obtained the international roaming license, which will enhance the revenue base of the Company. Despite intense competition in the Sri Lanka cellular market, MTN managed to emerge as the leading cellular company with a subscriber base of 485,006 at the end of year 2002. This represents a growth of 81% in terms of its cellular subscriber base as compared to the previous year.

Moving forward, MTN plans to increase its capital investments to expand and increase the existing network coverage and capacity. This will allow MTN to provide a higher level of call quality to its present and future customers. MTN will continue to enhance its products and services and adopt effective marketing strategies to grow its customer base in the future.

Forging closer global links.

operations review

Close business networking with our international partners.

TM INTERNATIONAL BANGLADESH LIMITED (TMIB)

TM International Bangladesh Limited (TMIB) was set up in 1997 as a joint venture company between AK Khan & Co. Ltd. (a leading Bangladesh Business Group) and Telekom Malaysia. TMIB was granted a 15-year licence, renewable annually thereafter, to develop and operate GSM cellular services in Bangladesh.

The year 2002 witnessed TMIB embarking on an aggressive network expansion programme to increase its network capacity to accommodate an ever growing customer base. The 100% increase in its cellular subscribers to 161,265 as at end of 2002, is the consequence of its network expansion and the continuing strong demand for cellular services in Bangladesh. Given the success of its expansion programme in the year 2002 and the large market potential, TMIB will continue to grow in terms of network capacity and subscriber base in the future in order to create value to the shareholders.

TELEKOM NETWORKS MALAWI LIMITED (TNM)

Telekom Malaysia formed a joint venture company with the Government-owned Malawi Telecommunications Ltd. (MTL) in 1996 to operate GSM cellular services until year 2016. Telekom Malaysia and MTL hold 60% and 40% stakes respectively in TNM.

TNM is yet another success story for Telekom Malaysia as the company is currently the leader in the cellular market in Malawi. TNM experienced a 61% increase in cellular subscriber base to 46,800 as at the end of 2002 thus maintaining its current position as the dominant cellular player. The volatility of the local currency, however, continue to impact the financial performance of the company. While the cellular market in Malawi is growing with the entry of new players, TNM is in a strong position to rise above the competition, and is expected to maintain its leadership position by adopting effective customer retention and better cost management strategies.

SOCIETE DES TELECOMMUNICATIONS DE GUINEE (SOTELGUI s.a.)

In West Africa, Telekom Malaysia has formed a strategic partnership with the Government of Guinea (GOS) to form Societe Des Telecommunications De Guinee (Sotelgui s.a.). Telekom Malaysia holds a 60% equity in Sotelgui s.a. while the GOG owns the remaining 40%. Currently, Sotelgui s.a. is the market leader, with a 60% share of the cellular market. By end of year 2002, the total subscriber base for cellular was 71,000 representing an increase of 103% compared to the previous year, while fixed subscribers stood at 22,550.

Sotelgui s.a. has implemented an improved credit management and collection system to strengthen its working capital management. The Company will continue to implement its network expansion plans that will result in an increase in network capacity and coverage to meet a growing market and enhance revenue generation.

CAMBODIA SAMART COMMUNICATIONS CO. LTD. (CASACOM)

Cambodia Samart Communications Co. Ltd. (Casacom) began its commercial operations in 1999, with Telekom Malaysia holding a 51% stake and the remaining 49% being held by Samart Corporation Public Company Ltd. ("SAMART"), a Thai communications company. Casacom was awarded a licence to provide and operate GSM NMT 900 cellular services for 35 years and is currently the second largest cellular operator in Cambodia.

In the year 2002, Casacom was granted an international roaming licence in addition to its domestic cellular services.

SAMART CORPORATION PUBLIC COMPANY LTD. (SAMART)

Telekom Malaysia has a 19.73% stake in the public-listed Samart Corporation Public Company Ltd. (SAMART), which provides a wide range of value-added telecommunication services. Including the manufacturing and distribution of telecommunications equipment such as TV antennas and satellite dishes in Thailand.

SAMART is undergoing a debt restructuring exercise to better manage its debt level. The management of SAMART is committed to this exercise and will adopt appropriate measures to improve the Company's performance and strengthen its balance sheet.

TELKOM SA LIMITED (TSA)

Telekom Malaysia's largest foreign investment is in South Africa, where it has a 12% effective holding in Telkom SA Limited (TSA) via Thintana, a partnership between Telekom Malaysia and South Western Bell Corp (SBC Communications Inc. of the United States). TSA also owns 50% of Vodacom Group Proprietary Ltd. ("Vodacom"), the dominant cellular operator in South Africa with approximately 6 million customers.

TSA was awarded a five-year exclusive licence to provide public switched telecommunication services (PSTS) in South Africa which lapsed in 2002. During the year 2002, TSA underwent an expansion exercise, which saw an improvement in the call quality of its cellular services. The Company has plans to increase its competitiveness and to increase and grow its current customer base of over 5 million. The Initial Public Offering (IPO) of TSA took place successfully on 4 March 2003.

Prospects

In line with TMI's endeavour to remain competitive in the international market, the Company will focus on various programmes to enhance management efficiency. In this context, TMI is embarking on a restructuring exercise to enhance capital and tax efficiency, improve management processes and introduce more efficient internal procedures and practices for better business control.

In the coming financial year, the Company will continue to focus on further strengthening the financial performance of the current international ventures and seek new investments on a selective basis with primary focus on creating shareholders' value. The latter will be in the form of viable international investments through partnerships, strategic alliances or joint ventures. Priority will be given to potential investments which have attractive business growth and economic fundamentals and proximity to Malaysia.

TMI will seek selective new markets abroad with teledensity below the average levels in the ASEAN and South Asian region. Potential new markets include those in Indonesia, Myanmar, Cambodia and Vietnam in South East Asia and India, Pakistan, Afghanistan, Iran, Bangladesh, Nepal and Sri Lanka in the South Asian region.

Our core focus in the international market would be on the provision of cellular and value-added services. In addition, TMI will also capitalise on the opportunities created by new business segments, such as data networks, internet and content-based services.

Economically feasible international investments will continue to be an integral business component for Telekom Malaysia, with the primary aim of increasing shareholder value. TMI is committed in ensuring the long-term sustainability of these investments. In the ensuing year, the company will give emphasis on risk management, economic expansion and process re-engineering to generate efficiency and higher financial performance. The development of strategic economic resources, especially human resources, will also be a key initiative. TMI anticipates that investment in strategic human resource development will provide enduring benefits to the international investments.

TMI is gearing up to capitalise on the growing global telecommunications market in the year 2003. With the completion of the restructuring of TMI, the company is poised to expand its foreign investments with greater confidence and contribute further to the financial performance of the Group.

Maintaining
Operational Efficiency

From the simple telephone

To state-of-the-art devices

Being functional is critical

For business or pleasure

Operational efficiency is imperative

For prosperity to prosper

By maintaining operational efficiency

Everyday, in so many ways

We're Opening Up Possibilities

TELEKOM

Facilities

Performance

TM Facilities Sdn. Bhd. was set up in January 2002 to manage Telekom Malaysia's five Strategic Business Units (SBUs) – Malaysian Logistics, Malaysian Security, Facilities Management & Infrastructure Development (FMID), Property Development, and Fleet Management – each of which has its niche area of expertise.

In the year 2002, TM Facilities managed revenue from internal and external sources totalling RM349.3 million. This is the first year the SBUs have been profitable. Notable achievement to the financial performance of the SBUs was the decrease in total costs by 17.1% over the previous year, a reduction of RM60.5 million.

TM Facilities Sdn. Bhd.

HAMZAH YACOB
Chief Executive Officer

Management -TM Facilities Sdn. Bhd.

Operations

MALAYSIAN LOGISTICS

Malaysian Logistics is involved principally in the provision of logistics and related support services to Telekom Malaysia. Its activities consist mainly of warehousing, distribution and transportation, freight forwarding management and scrap management. Currently, Malaysian Logistics has a network of 35 warehouses spanning East and West Malaysia – from Kangar, in Perlis, to Tawau, in Sabah.

Its freight forwarding services cover the Group's free-on-board (FOB) freight movements into and out of East Malaysia. Meanwhile, inland distribution within Peninsular Malaysia and Sabah and Sarawak is taken care of by a sizeable fleet of trucks which handle the needs of the entire Group.

Beyond providing in-house logistics services, Malaysian Logistics also extends its quality service to external parties to generate additional income. For example, over the past few years, Malaysian Logistics has assisted Shell Gas in managing its central LPG storage facilities in Prai, Malacca and Kuantan (Semambu). For the year under reporting Malaysian Logistics has completed the newest facility in Alor Setar meant for Shell Gas installation.

MALAYSIAN SECURITY

A competent and reliable security force is essential to any large organisation. In Telekom Malaysia, this function is taken care of by Malaysian Security, which safeguards the Group's assets, resources and personnel.

Its primary activities include the provision of armed and unarmed guards for high-risk areas such as business outlets, collection centres and government gazetted key installation points.

Malaysian Security also provides value-added services such as security for cash-in-transit, night vaulting, and patrolling of optical fiber routes, overhead and underground cables. Other specialised services offered include security audits, investigations into fraud or theft and the implementation of security awareness and preventive programmes.

In its endeavour to reduce overhead costs, especially in the area of outsourcing, efforts were made during the year to introduce remote surveillance systems which could be managed from a centralised control unit, hence reducing the need for security personnel on-site.

FACILITIES MANAGEMENT & INFRASTRUCTURE DEVELOPMENT (FMID)

FMID sees to the management of Telekom Malaysia's facilities and buildings. It provides electrical, mechanical, and civil engineering services as well as commercial building maintenance services to the Group.

During the year, various functions were outsourced to third party operators. Hence, there was a need to monitor these operators closely to ensure quality of service and cost efficiency. In 2002, the unit focused on reviewing non-profitable outsource arrangements and on providing relevant training to equip employees with the skills needed to do the job themselves.

PROPERTY DEVELOPMENT

The unit is responsible for the management of TM TelCo's infrastructure projects and the development of Telekom Malaysia's land bank. The unit is divided into two areas – the project management and consultancy unit handles infrastructure projects, while the commercial unit manages the Group's commercial developments.

State-of-the-art control centre at Menara Telekom.

Given the outlook for TM Telco, its main customer, the number of projects and developments in the near future is expected to decrease. On that note, the Property Development unit has to diversify its resources and the focus for the year ahead shall be to add value to the development of the Group's land bank.

Property Development's maiden project in 2002 was a land development project in Mukim Ijok and Jeram, both in Selangor. The project, undertaken with an established property developer, covers an area of 550 acres and is expected to complete in 2006.

The unit also acts as 'custodian' to all Telekom Malaysia's documents pertaining to its assets, which includes liaison with land and state authorities, collection of rental, and managing payments of leased rentals, quit rents and assessment fees.

FLEET MANAGEMENT

As its name implies, the Fleet Management unit looks after the Group's fleet of 7,000 vehicles. Principal activities include vehicle maintenance and repair, licensing and permits, insurance and claims as well as the purchase of new vehicles and sale of scrap vehicles.

In 2002, efforts were directed towards the improvement of vehicle maintenance and upgrading of the fleet. A sum of RM25 million had been spent for the purchase of new utility vehicles and saloon cars, with the emphasis on replacing vehicles exceeding seven years old.

Telekom Malaysia's modern fleet of vehicles.

During the year, Fleet Management successfully installed custom-designed vehicles for the optical fiber group, to facilitate the maintenance of fiber optic routes. The company also managed to secure revenue of RM3.4 million from the sale of scrap vehicles.

In 2002, Fleet Management, signed a contract worth RM52 million with Petronas, Shell and ExxonMobil on behalf of Telekom Malaysia, to supply petroleum and petroleum related products for Telekom Malaysia's vehicles. The contract is for a period of five years.

Prospects

With the activation of TM Facilities under the new management, the direction for the year ahead will be to identify opportunities and roll-out business models. These will serve to propel the five SBUs towards becoming full-fledged individual business entities with the view of further enhancing shareholder value.

Implementation of
ELECTRONIC GOVERNMENT
IN MALAYSIA (EG*NET)

In this age of connectivity, being open and connected applies not only to corporations and individuals but also governments. One of the best ways for government agencies and departments to be connected to each other as well as to the people is via multimedia.

Recognising this, the Malaysian government has embarked on a mission to create a leadership that applies multimedia technology to its benefit. The vision is that of a highly efficient Electronic Government that is able to provide information and services to those who need it in the most readily available and accessible manner. The Electronic Government is one of the seven flagship applications of the Multimedia Super Corridor (MSC).

The MSC was established in 1996 as the Government's gateway to the exciting information age by tapping into the full potential of information technology and multimedia. Its main objective was to spearhead economic development as the nation moves towards achieving Vision 2020. The Civil Service's active involvement in the planning and implementation of most of the MSC flagship applications, have not only spurred further development of the MSC, but have also contributed towards the growth of a new multimedia sector, which holds tremendous potential to enhance the country's competitive edge.

The Electronic Government is just one of the four MSC flagship applications being managed by the Civil Service. The others are: the Smart School, Multipurpose Card and Telehealth. In addition, there are three non-Civil Service-controlled flagship applications in the Multimedia Super Corridor, namely the R&D Cluster, Worldwide Manufacturing Web and Borderless Marketing.

WHAT IS THE ELECTRONIC GOVERNMENT?

The Electronic Government is a multimedia networked paperless administration linking government agencies within Putrajaya, the new administrative centre, with government centres around the country to facilitate a collaborative government and efficient service to the business community and the average citizen. The vision of an Electronic Government is one in which the Government, the corporate sector and the public could work together for the benefit of the nation. This vision calls for the application of information and multimedia technologies to improve productivity and increase the number of delivery channels of the Civil Service.

While the Electronic Government is itself an MSC application, its success will not only reinvent the management of the country by making it more efficient, but will also nudge all the other MSC projects forward.

It is envisaged that the Electronic Government will cover 24 Federal ministries, 126 Federal departments, 78 Federal statutory bodies, 245 state departments, 109 state statutory bodies, 144 local governments, 950,000 employees, 400,000 corporations, 1.6 million proprietors and 22 million citizens.

Part of the Electronic Government is the provision of e-services. The main objective is to make government services easier to access through multiple electronic delivery channels such as kiosks, Interactive Voice Response (IVR) systems, the Internet (via web TV and PCs) and one-stop service windows. In addition, e-services will mean faster services that are also more reliable, transparent and secure.

Among the services that will be offered electronically are the issuance and renewal of driving licences and road tax, vehicle registration, payment of Road Transport Department summonses, utility payments and access to on-line information from the Ministry of Health.

E-Services forms one of seven pilot projects under the Electronic Government banner, the others being: Electronic Procurement, Generic Office Environment, Human Resources Management Information System, Project Monitoring System, Electronic Labour Exchange and E-Syariah.

1.   **e-Services**
     e-Services will enable the public to conduct transactions more easily with the Government and utility companies. With the one-stop service window provided by the Electronic Government, it will be possible to go to a kiosk in a shopping mall or use the PC at home to renew your driving licence and pay your electricity bill.

2.   **e-Procurement (EP)**
     Electronic Procurement will automate, reengineer and transform the current procurement system to cut costs and create faster turnaround time, enabling the Government to become a "smart buyer". Suppliers, large and small, will also benefit from greater transparency in the new system by receiving faster and more accurate payments.

3.   **Generic Office Environment (GOE)**
     The Generic Office Environment (GOE) is a multimedia environment that provides the common components required to accommodate a variety of business functions. The GOE consists of a number of building blocks that can be combined in a variety of ways to meet different business needs, or to construct more sophisticated functional components. In the pilot application, the GOE will be customised to suit the specific business needs of the Prime Minister's Office. The GOE is capable of being customised to suit the business needs of other departments within the Government, as well as being capable of evolving to support future business needs.

4.   **Human Resources Management Information System (HRMIS)**
     The Human Resources Management Information System (HRMIS) will provide a single interface for Government employees to perform HRM functions effectively and efficiently in an integrated environment.

5.   **Project Monitoring System (PMS)**
     The Project Monitoring System (PMS) is designed to provide a mechanism for monitoring the implementation of Government projects. The service also provides a platform for exchanging ideas and demonstrating best practice models in information management and communication services. An initial set of priority pilots has been selected by the Electronic Government Steering Committee comprising Government officials led by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU), representatives from the Multimedia Development Corporation, leading private sector multimedia/IT companies and consultants from McKinsey & Company.

6.   **e-Syariah**
     The e-Syariah system has been built with the objective of improving the overall efficiency and decision-making process of the Malaysian Syariah Courts. At its core is the case management system that assures the timely and just disposition of cases. In addition, links to relevant agencies such as Jabatan Kemajuan Islam Malaysia (JAKIM), Polis DiRaja Malaysia (PDRM), Jabatan Imigresen Malaysia, Bahagian Hal Ehwal Undang-Undang (BHEUU) and Jabatan Pendaftaran Negara (JPN), the library system, lawyer registration and portal together with the office automation and networking efforts will all help create a cyber world for Syariah court officials. The e-Syariah system will benefit the court administrators, judges, lawyers and their clients in different ways.

     With a consolidated database of clients collected from district courts across the country, administrators are supplied with a rich source of data on people and cases, for timely decisions.

     Equipped with productivity tools like calendaring, scheduling and an inheritance (faraid) calculator, judges can now process their cases swiftly. They can also access on-line reference material like law databases, the Al Quran, Hadith, Fatwa, etc.

     The system integrates the processes seamlessly and delivers more efficient services to lawyers. Clients, meanwhile, will benefit as they will see shorter queues outside the courtrooms and at counters across the nation. In addition, they can conduct some of their court work on the Internet.

The concept of Electronic Government rests on putting in place an integrated communications network to facilitate the efficient flow of information among Government agencies, and between the Government and the people. This would benefit both the Government and the public by making its operations faster and smoother through quicker access to Government information and services.

Box Article 4

Implementation of
ELECTRONIC GOVERNMENT
IN MALAYSIA (EG*NET)

For it to work, it is imperative that the network used is both highly accessible and secure. The Government Integrated Telecommunications Network (GITN) was established with the primary aim of providing the most practical, effective and safe IT infrastructure for the delivery of multimedia information and services within the Government and to the public.
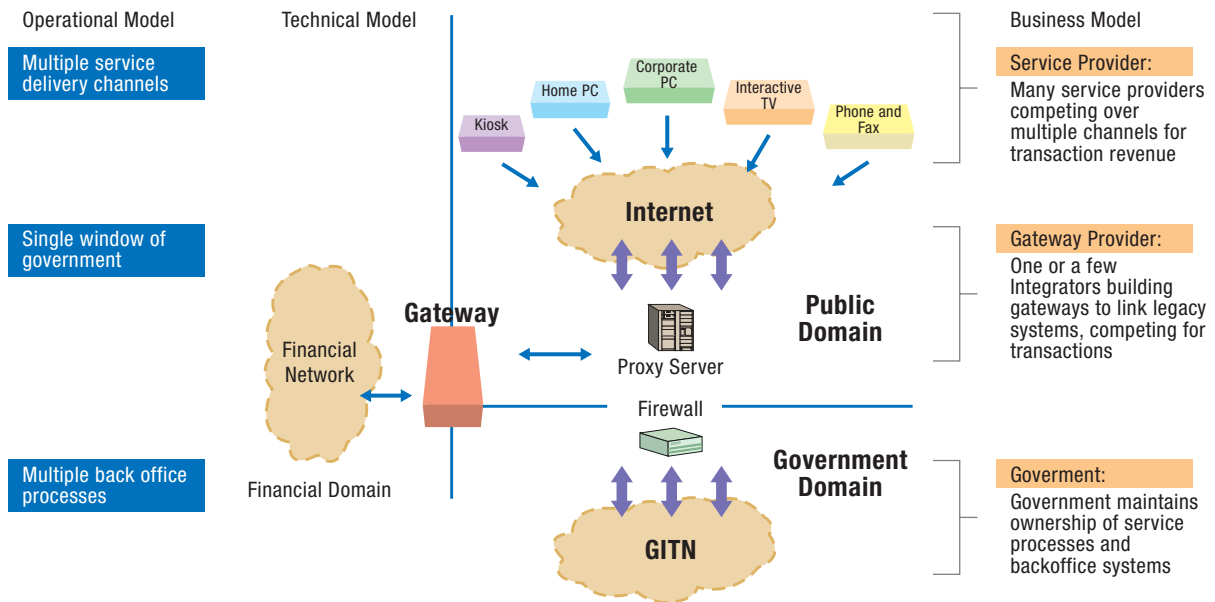
The idea of setting up GITN was first conceptualised in 1993 and approved by the Government in 1995. As seen in the model above, GITN plays a major role within the Electronic Government. Positioned in the Government domain, its role is to link government systems and processes into a common network, which becomes a "single window to the Government", linking all aspects of the Government into a single entity that can be accessed by businesses and citizens throughout Malaysia and the world.

The GITN infrastructure is implemented, managed and operated by GITN Sdn. Bhd. (GSB), which has been a wholly-owned subsidiary of Telekom Malaysia since February 2002. GSB has established an integrated communications and computing infrastructure consisting of a high-speed nationwide Frame Relay Network and the broadband IPVPN Network to form a secured Government Intranet. This is the foundation of EG*Net, a Wide Area Network dedicated to connecting the various Government agencies.

The objectives of EG*Net are:
• To provide an integrated network infrastructure and common platform supporting inter and intra agency communications
• To provide a standardised and secured Government platform for connectivity to ensure a reliable and integrated approach
• To provide all Gateway Providers/Procurement Service Providers access to Government systems and databases for the delivery of services to citizens and business organisations
• To provide a secured gateway for all government agencies to connect to the Internet
• To provide end-to-end managed services with a "Service Window" for enquiries and problems

EG*Net, with its wide area connectivity for inter and intra government communication, and capability to access the Internet, is critical in ensuring the success of the Electronic Government. EG*Net also supports citizen-to-Government and business-to-Government communication by providing managed connectivity to Gateway Providers and Procurement Service Providers respectively through a secure network gateway.

The network is proactively managed end-to-end, with central help desk facilities, on-line and on-site technical support. The security framework within EG*Net is based on protection needs in terms of integrity, confidentiality and availability of information. EG*Net firewalls located at strategic sites, are remotely managed by GSB.

HOW IT WORKS

In the technical model of GITN in the Electronic Government, the public domain refers to the front-end of the Electronic Government. The model has an open architecture based on the Internet, which allows Service Providers to develop a wide variety of delivery channels to provide Electronic Government services in the public domain, thereby increasing public access throughout the country.

The Government domain refers to the back-end of the technical model which houses the Government's or utility organisation's back office IT systems, database and network, containing citizen and business data. The financial domain refers to the financial institutions' back office IT systems, database and networks. Service Providers must establish communication routes between the public domain and the financial domain for online payments. Security mechanisms, such as firewall, must be in place to provide secured and authorised communication between the domains.

Asynchronous Transfer Mode (ATM) technology is being used for applications within Putrajaya, as these require a high bandwidth. Currently the Government rents 155 Mbps leased line connections from Telekom Malaysia for its 2.5 Gigabits Synchronised Digital Hierarchy Campus Network. The ATM switch nodes are linked to the nationwide GITN high-speed IPVPN Network.

This diagram illustrates EG*Net and its interconnection with Telekom Malaysia network at Putrajaya. The connectivity between Putrajaya Campus Network and EG*Net is established through the 2 Mbps
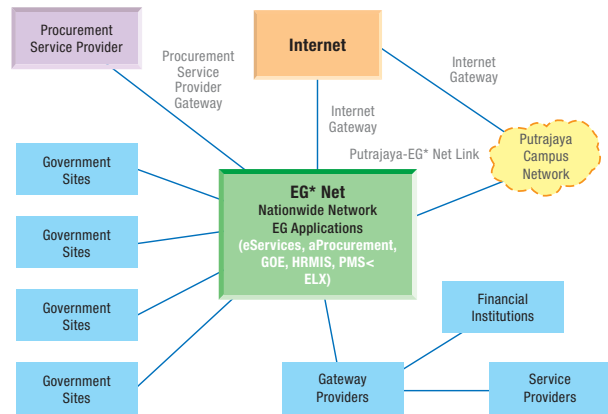
PUBLIC KEY INFRASTRUCTURE

The implementation of policies to secure all resources in the Electronic Government is managed by an overall security framework. This framework includes, but is not limited to, application level security measures as follows:

1. Authentication
2. Encryption
3. Digital Signatures

There are variations in implementing the above measures. However, there is a need to deploy security measures that are consistent and widely available while also being transparent and portable. With this in mind, the Electronic Government will use systems and methods that are public in nature vis-a-vis the Public Key Infrastructure (PKI) for the implementation of security in Authentication, Encryption and Digital Signatures. High-level security e-transcations within e-Perolehan, ESPKB and e-Syariah are secured through the electronic use of PKI-enabled digital cerificates.

GSB AS THE REGISTRATION AUTHORITY (RA) FOR THE GOVERNMENT

Digicert Sdn. Bhd. has been appointed as the first licensed Certification Authority (CA) for the Public Key Infrastructure (PKI) implementation in Malaysia. GSB, meanwhile, is one of Digicert's appointed Registration Authorities (RA). As a RA operating specifically within the public sector, GSB will function in the following areas:

• Authenticate at site all Government employees
• Register the employees' data into the Local Certificate Management
• Distribute Digital Certificates to Government employees
• Revoke these certificates as and when necessary

Enabling
Efficiency

Have meetings without meeting

Meet face-to-face

Without being face-to-face

Minimising travel, maximising time

Optimising returns, minimising expense

Enhancing corporate communications

With the latest in video-conferencing

By enabling efficiency

Everyday, in so many ways

We're Opening Up Possibilities

Other Subsidiaries

VADS BERHAD

VADS Berhad (VADS) is in the business of providing managed network services (MNS) and application solutions to Malaysia corporate. In line with growing customer demand, VADS has also begun providing managed e-services and e-solutions, which are complementary to its core business.

In the year under review, VADS registered a record turnover of RM148.9 million, which represents a growth of 20% as compared to the previous year's revenue of RM124.3 million. Profit after tax also registered a hefty increase of 41% to RM10.3 million for the year ended 31 December 2002.

Despite a tough market environment, VADS achieved various notable milestones on the back of continued business growth. The Company enjoys the distinction of being the first Telekom Malaysia subsidiary to be listed on the Kuala Lumpur Stock Exchange. In conjunction with the listing on 7 August 2002, there was a public issue of 40 million ordinary shares of RM1 each at an issue price of RM2.10 per share. The proceeds from the listing

were used primarily to upgrade VADS' current network infrastructure to support the Company's new product offering, VADS PREMIER – the next generation MNS business Internet Protocol (IP) services.

VADS PREMIER will provide a much more efficient means of transmitting voice and data applications. This innovative product will enable customers to prioritise different Internet Protocol applications such as operational systems, customer relationship management, supply chain management, voice, email and the Internet. VADS PREMIER is an innovation to ensure that VADS' customers are offered enhanced services to enable them to remain competitive in the marketplace.

To ensure the efficiency of its network and completeness of its solutions, VADS has also teamed up with recognised global organisations such as AT&T, Cisco Systems, IBM Corporation, Microsoft and Onyx Corporation in the provision of customised solutions for its customers. These strategic partnerships allow VADS to widen its range of solutions and competitiveness in the MNS market.

To wrap up the year, VADS also received the ISO 9001:9002 Quality Management Systems certification in December 2002. Being awarded the prestigious ISO certification demonstrates VADS' commitment to deliver continuing quality service to its customers and ensures the Company is well-positioned for the challenges in a more liberalised and competitive operating environment.

FIBERAIL SDN. BHD.

Fiberail Sdn. Bhd. (Fiberail) was formed in 1992 as a joint venture (JV) company between Telekom Malaysia and Keretapi Tanah Melayu Berhad (KTMB). The JV company was awarded the licence to provide telecommunication network related services utilising a fibre optic cable network along the railway corridor. The fibre optic cable network spans about 1,600 km connecting all the major towns in Peninsular Malaysia.

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

To meet the increasing demand of its existing customers, Fiberail embarked on implementing a second cable network that is able to provide diversity to the existing cable, increase service availability and reduce the restoration time for any network disruptions.

Fiberail is also the Project Consultant for the Electrified Double Track Project between Rawang and Ipoh, which involves the relocation of fibre optic cables from their existing location to a permanent location. The project is expected to complete by the end of year 2003.

Fiberail is proud to have received the ISO 9001:2000 Quality Management System certification, which is a testimony of its commitment to meeting strict quality requirements. The Company continues to upgrade the quality of service and to enhance its products and services to meet customer demands and expectations.

For the financial year under review, Fiberail achieved a profit before tax of RM21.14 million. This represents a decrease of 8.7% compared to RM23.16 million recorded in the previous financial

Fiberail – Malaysia's premier carrier-neutral wholesale network provider.

year. The reduction in pre-tax profit was primarily attributable to lower turnover outweighing lower operating expenses. After provision for taxation was made, the Company registered a profit after tax of RM15.71 million, a 4% decrease from the previous financial year.

Year 2003 will see Fiberail continuing in its efforts to realise its vision of becoming Malaysia's premier carrier-neutral wholesale network provider. Fiberail earns substantial revenue from its existing network, but is expected to further expand its portfolio of bandwidth services with the provision of advanced Internet services, data transport and advanced data services, and virtual private networks.

As more and more customers realise the cost-effectiveness of outsourcing end-to-end network solutions, there would be a wider market for value-added services such as co-location and managed hosting facilities. Fiberail will continue to look for strategic partnerships and alliances with other network providers to offer competitive broadband Internet and data services to new and existing markets.

operations review

MEGANET COMMUNICATIONS SDN. BHD.

Creating engineering and Information Technology solutions can be as simple or as complex as the business requires and this is precisely what Meganet Communications Sdn. Bhd. (Meganet) does.

Meganet is an Intelligent Building System (IBS) service provider. It was formed in July 1997, during the launch of Cyberjaya City, as a joint venture between Telekom Malaysia Berhad and Nippon Telegraph & Telephone Corporation of Japan, which holds a 70% and 30% stake in the company respectively.

Meganet's areas of expertise cover IBS Consultancy, IBS Engineering and IBS Operations & Maintenance Support. Among the intelligent components offered by the company are the Integrated Building Management System (IBMS), Building Automation System, Security Management System, Multimedia Audio Visual System, and IT Infrastructure (Networking & Structured Cabling System).

Meganet also provides value-added services such as Network Management Systems, Intelligent Building Electrical Systems (iBES), IT Migration, Application Development, Township Services, Wireless LAN Services and Car Parking Systems.

While growing from strength to strength, the fiscal year 2002 presented its fair share of challenges. During the first half, the global economy experienced a downturn, yet Meganet braved the storm, and in fact continued to grow by carrying on with projects outstanding from the year 2001, such as providing an Intelligent Building System (IBS) for Menara Telekom and the Telekom Malaysia National Operations Centre, with a total value of RM65 million. The second half of 2002, however, started out more positively than anticipated, with a few non-Telekom projects coming in to supplement Meganet's core repeat business. These were the Polytechnic Port Dickson, Polytechnic Sabak Bernam and UiTM Seberang Prai, Penang with a total value of over RM15 million.

As the intelligent building industry expands, Meganet strives to provide outstanding business opportunities and excellent intelligent building services for its clients and business partners. Since commencing operations in July 1997, Meganet has completed more than RM300 million of IBS-related projects including the Intelligent Building Package for Menara Telekom and Card Access & Close Circuit TV (CCTV) Packages for Telekom Cyberjaya Complex projects, which were completed in 2002. With a revenue growth of 33.4%, Meganet's professional involvement from start to finish has strengthened its ability to offer its customers wide-ranging benefits, including operations and maintenance of on-site building systems.

Having already established a firm footing in the IBS niche sector, Meganet aims to further strengthen its position with a special focus on providing IBS elements to bigger market segments in the country. Meganet's corporate culture, which encourages continuous improvement, promises a bright and prosperous future for the company.

TELEKOM SALES & SERVICES SDN. BHD.

Telekom Sales & Services Sdn. Bhd. (TSSSB) is a customer service organisation that focuses on the provision of one-stop solutions for Telekom Malaysia. With a total work force of 1,271 employees, TSSSB serves approximately 2.6 million customers and more than 200 corporate organisations.

Currently, TSSSB has 94 ISO-certified Kedai Telekom outlets nationwide, which serve as the primary channel that provide Telekom Malaysia's services such as service provisioning, bill collection and payment, enquiries and bureau services. These outlets also market a wide range of telecommunication products and a host of IT products and accessories. In an effort to provide better service, plans are underway to open up a few more new outlets in strategic locations.

Through its Corporate Sales division, TSSSB provides ICT sales and solutions to meet the needs of its high-end customers, namely, corporate, government, major businesses and small and medium enterprises. The Company also undertakes projects and provides end-to-end professional advice and consultancy services for its high-valued customers – i.e. from the feasibility study and proposal stage right up to actual procurement, delivery, installation

and commissioning of service. In addition, through its Technical division the Company also provides after sales and maintenance service contracts to some of its key clients.

In October 2002, TSSSB entered into an agreement with DRB-Hicom for the appointment of the former to market KOMNAS personal computers through its Kedai Telekom. This is a testament of TSSSB's extensive distribution network, which further spurs the company in successfully marketing its wide range of products and services.

For the year 2003, TSSSB is set to widen its revenue base particularly in the IT and Multimedia segment. There is an abundance of business opportunities in this growing segment, especially for products such as PCs, servers, printers, and data equipment. This will be achieved in part, by collaborating with strategic business partners in providing customised solutions and undertaking major IT projects.

TELEKOM APPLIED BUSINESS SDN. BHD.

Telekom Applied Business Sdn. Bhd. (TAB) made several significant achievements in the year 2002. The most noteworthy was the prestigious MSC-Asia Pacific ICT Award (MSC-APICTA) on 4 April 2002. TAB's innovative Virtual Communication Services (VCS) received the award for 'Best Value Added Communication Technology'. Developed in-house, the VCS converges the Public Switched Trunk Network (PSTN), mobile and Internet technologies to provide multi communication services that optimise resources.

On 23 August 2002, TAB formed a strategic alliance with Jurusan Suria Sdn. Bhd. (JSSB) for the development of a fixed line SMS (FSMS) solution for Telekom Malaysia. TAB will develop the back-end solution while JSSB develops the SMS-enabled fixed telephone terminal.

Other projects embarked upon during the year include the deployment of the EezePhone prepaid system, a mobile commerce platform for TMTOUCH; a network management system for fibre optics; a network inventory provisioning system; and a pilot trial for FSMS.

In 2002, TAB began to pursue a diversification strategy to reduce its dependence on Telekom Malaysia by widening its customer base, product line and revenue streams. TAB is currently targeting both the telco and non-telco segments domestically. Several new products were developed to meet the demands of non-telco organisations, such as messaging products based on SMS technology – XpressComm and Virtual SMS. Other applications include Campus SMS for use by educational institutions; Gateway services for SMS broadcasting by advertisers; and other premium infoservices e.g. MIDF IPO Query, KLIA Flight Info and SMS Summons Check Point.

Over the past few years, TAB has enhanced its ICT competency to develop innovative ICT solutions such as the Eezephone, Virtual Communication Services and a Payphone Management System. These solutions were deployed within the Group and can be leveraged under TAB's strategy to reposition itself as an ICT solution provider to a wider market.

TAB receiving an award for "Best Value Added Communication Technology" at the MSC-Asia Pacific ICT Award (MSC-APICTA) 2002 Award Night.

operations review

In its quest to be a global ICT player, TAB is targeting countries in which TM International has a strong foothold. Thus far, the Company has ventured into various markets in South East Asia and the Middle East. Marketing TAB's products abroad in fact answers the Malaysian Government's call for local ICT companies to export their homegrown technologies.

The year 2002 has been challenging but filled with opportunities. Confident in the marketability of its solutions, TAB looks forward to sustained growth in the coming year, both domestically and internationally.

TELEKOM PUBLICATIONS SDN. BHD.

Incorporated in August 1989, Telekom Publications Sdn. Bhd. (TPSB) is the official publisher of the Malaysia Telephone Directories (White Pages and Yellow pages) both in print and multimedia format, which have been used by more than 4.9 million users nationwide.

To undertake the multimedia business, TPSB set up Cybermall Sdn. Bhd. on 1 January 2002. This wholly-owned subsidiary of TPSB has been granted full MSC status and is responsible for intensification of multimedia businesses and accelerating Malaysian progress in the information age.

TPSB produces the most comprehensive industrial, commercial and government listing with over 300,000 companies and 18,000 brands listed. This listing has the most updated contact numbers obtained directly from Telekom Malaysia. Currently, TPSB produces more than 50 different directories, which are Yellow Pages, White Pages and Niche directories.

Malaysian Yellow Pages, TPSB's core product, is a directional media, which is based on classification of products and services of advertisers. Realising the need to have localised marketing by advertisers, Neighbourhood directory for three main areas was made. There are also Malaysian Chinese Yellow Pages, a directional media, which caters to the Mandarin-speaking community. Malaysian White Pages contain alphabetical listing of residential and business telephone lines. Both Yellow Pages and White Pages are segmented into 10 different regions covering Peninsular Malaysia, Sabah and Sarawak.

Niche directories are specialised in both content and target market. Currently there are 7 niche directories, namely, Malaysia Tourist Pages, Malaysia Oil & Gas Directory, Halal Pages, Corporate Agriculture Directory, Dining Out, Alumni Directory and Malaysia Information Industry Directory.

TPSB has extended the reach of the directory. Yellow pages can be accessed through the Internet at www.yellowpages.com.my and also through Short Messaging Systems (SMS). Malaysia Internet Yellow Pages (MIYP) was officially launched in October 2000 and allows search for information on companies, products

and services. It will be upgraded to allow search for locations and directions within major towns in Malaysia. TMTOUCH SMS Yellow Pages is a joint venture project with TM Cellular Sdn. Bhd. The product was launched in August 2002, which allows TMTOUCH subscribers to access directory information through SMS, with the short code 200200.

As a member of the Asian Directory Publishers Association Inc. (ADPAI), TPSB has embarked on cross-selling arrangements with all members of ADPAI. The company is actively involved in cross selling through the Yellow Pages of the Philippines, Indonesia, Brunei and Myanmar, and will continue to expand.

TELEKOM TECHNOLOGY SDN. BHD.

Telekom Technology Sdn. Bhd. (TTSB), a joint venture company between Telekom Malaysia and Prism Holdings Ltd. of South Africa, is a provider of transaction switching services for payment of bills and purchase of value-added services. The service is provided via several delivery channels, the first of which is the kiosk. Besides the kiosk, which is promoted under the "Eazyway" brandname, TTSB also offers payment convenience via the Internet and points-of-sale at selected retail outlets.

TTSB has installed and commissioned over 150 Eazyway kiosks in the Klang Valley and major towns throughout Peninsular Malaysia. The self-service kiosks enable users to conduct bill payment transactions and prepaid reloads using credit, debit or ATM cards. Corporate customers have the added advantage of being able to download their bills using the Electronic Bill Presentment (EBPP) module for bulk payment purposes.

Currently, Telekom Malaysia fixed line, TMTOUCH and TM Net bills as well as several municipalities (in Selangor and Negeri Sembilan) assessment bills can be paid via the Eazyway kiosk. TTSB is working on expanding its service to include other utility and municipality bills.

Transactions via Eazyway can be conducted using MEPS Debit e-pos, Debit Maestro, Visa Electron and credit cards (Visa and Mastercard). In the near future, the kiosks will be able to accept MEPS cash, EMV compliant credit and debit cards as well as MyKad.

During the year, TTSB rolled out several promotional activities using its Eazyway kiosks. The kiosks was a convenient channel for Disney fans to purchase tickets for the Disney on Ice skating show, which was held from 30 April to 4 May 2002.

TTSB also organised the 'Kijang Emas Gold Bullion Coins' contest in conjunction with the acceptance of Majlis Perbandaran Shah Alam's assessment bills via Eazyway. Launched in January 2002, the service benefits over 80,000 residents in Shah Alam. The winners of the contest were selected from each outlet based on the highest amount paid in a single payment transaction.

In an effort to become a one-stop payment center providing convenience to customers TTSB will continue to expand its offerings to provide a comprehensive array of services.

MENARA KUALA LUMPUR SDN. BHD.

As the world's fourth tallest telecommunications tower at 421 metres, Menara Kuala Lumpur has carved a name for itself as one of Malaysia's premier tourist attractions.

After six years of operations, in December 2002, Menara Kuala Lumpur registered its sixth millionth visitor. Of that number, international visitors from Asian countries, Europe and the Middle East made up approximately 64% of the total tourist arrivals at Menara Kuala Lumpur.

For the financial year ended December 2002, Menara Kuala Lumpur registered total operating revenue of RM85.5 million. The non-sublease revenue was recorded at RM12.9 million, an increase of approximately 16% from the previous year's revenue. Ticket sales were the major contributor to this segment at 66%. However, profit before tax decreased approximately 5% during the period under review to RM46.7 million due to an increase in operating and insurance costs.

As part of the Government's initiative to portray Malaysia's rich cultural heritage, Menara Kuala Lumpur organised various cultural performances and gave special offers on tickets during the recent Citrawarna celebrations, the Mega Sale Carnival and the Merdeka month celebration. In the year 2002, many other key events were held at Menara Kuala Lumpur. Among them were:

– **The Kuala Lumpur International Jump** held in February 2002, which witnessed 40 jumpers parachuting off Menara Kuala Lumpur's open deck at 300 metres above ground.

– **The Junior Towerthon of its annual Kuala Lumpur International Towerthon** held in July 2002, which saw the participation of over 1,000 school children between the ages of 13 and 17.

– A **Royal Visit** by Seri Paduka Baginda Yang di-Pertuan Agong Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail and Seri Paduka Baginda Raja Permaisuri Agong Tuanku Fauziah bt. Almarhum Tengku Abdul Rashidin in September 2002.

– In October 2002, the inaugural **World Championship Tower Run** saw participation from nine countries for its stair run competition. The event was endorsed by the World Federation of Great Towers.

Menara Kuala Lumpur was also selected as the venue for the "Welcome Reception" for the 40th Commonwealth Telecommunications Council Meeting and the Delegates Luncheon for the 44th Majlis Tilawah Al-Quran Peringkat Antarabangsa.

The Tower Souvenir Shoppe opened its doors to business in June 2002. Located on the Observation Deck, the outlet boasts a wide variety of Menara Kuala Lumpur merchandise. Sales of the merchandise were very encouraging, surpassing expectations and contributed positively towards the revenue growth of Menara Kuala Lumpur.

To further ensure quality and efficient processes, two initiatives were introduced during the year. The Quality Control Circle was introduced under the close supervision of the National Productivity Centre and it successfully identified and resolved various work-related issues that led to increased productivity. In addition, as part of Telekom Malaysia's Change Management programme, the "Transformational Change for Performance" was introduced to redefine staff's strategic role in achieving the company's vision of becoming the preferred tourist attraction both locally and internationally.

GITN SDN. BHD.

In October 1995, the Cabinet approved the implementation of a government integrated telecommunications network to provide network and common services to government agencies, on a privatised basis. GITN Sdn. Bhd. (GSB) was incorporated in March 1996 – a joint venture between Permodalan Nasional Berhad and Telekom Malaysia to manage the implementation of the government integration network GITN. On 8 February 2002, GSB became a wholly-owned subsidiary of Telekom Malaysia.

GSB's main function is to facilitate the flow of electronic information between government agencies, as well as between the government and the public. It links existing government systems and processes into a common network which can then be presented as a "single window of government" to the rest of the nation: the business community as well as common citizens. As with any electronic network, speed and reliability are essential. But, being concerned with government information, there is the added need for security within the system that does not allow access to those who are not privy to such information.

All this is provided for by GSB, with its high-speed network based on frame relay technology. This can be upgraded to asynchronous transfer mode (ATM) for higher bandwidth, thus enabling it to support greater multimedia applications on video, audio and data transfer.

This safe, reliable and efficient network provided to the Government is known as EG*Net, a major tool in propelling the nation towards its paperless, hyper-efficient and information-focused e-Government's vision. Already, seven e-Government applications are being deployed using EG*Net, namely: electronic procurement; electronic labour exchange; project monitoring system; electronic budgeting; electronic Syariah; generic office environment and human resources management information.

Among the other services provided by GSB to the government agencies are Public-Key Cryptography, Digital Signatures & Certificate, Public Key Infrastructure, Smart Card, Managed Security Services and Business Continuity Planning.

GSB's ultimate vision is to become a globally competitive and efficient e-Government information communication and technology solutions provider and be a major growth engine for Malaysia's K-economy.