Chief Executive Officer's
Review of Operations

2002, a year of continued progress and healthy performance.

I am pleased to present the Chief Executive Officer's Review of Operations for the financial year ended 31 December 2002.

DATO' JAMALUDIN BIN IBRAHIM

In just seven years, Maxis has become a household name in Malaysia.

Last year was a year of continued progress and healthy performance for Maxis Communications Berhad ("the Company" or "Maxis") and its subsidiaries ("the Group"). This was the direct result of our consistent and uncompromising focus on achieving profitable growth through a value proposition of premium and quality in terms of our brand, network, customer services, products and services, distribution, financial management and workforce.

The key performance highlights of 2002 included:

- Solid financial performance despite a very competitive operating environment. Our fundamentals remained strong with a high quality customer base, as demonstrated by a sustained high ARPU, low customer churn and decreasing bad debt. The key underlying strengths were benchmarked as amongst the best in the region.
- The strength of the premium *maxis* brand was reinforced through further enhancements in our customer service and network quality, the loyalty and support of our distributors, and the introduction of innovative products and services.
- The contribution of our mobile data services to revenue increased significantly, reflecting our investment in building future sources of revenue.
- The quality of our employees was demonstrated by the business performance and the increase in productivity, despite the additional workload in coping with the demands of preparing for the Initial Public Offering and the acquisition of TIMECel Sdn. Bhd. ("TIMECel").
- Prudent financial management and the highest standards of corporate governance were maintained whilst we aggressively grew the business.

With the progress we have made so far, we have achieved part of our vision of being the most preferred and successful communications group, as viewed by our shareholders, customers, employees and partners. We are on track to deliver our next goal to become a regional benchmark, again measured by a balanced scorecard as viewed by all our stakeholders.

Mobile Services

As at year end 2002, the Group led the Malaysian mobile market in terms of market share, and more importantly, in terms of revenue and profitability.

The Group's mobile segment revenue for the year increased from RM2,804 million in 2001 to RM3,530 million in 2002, up by 26% or RM726 million. The mobile segment contributed significantly to the overall Group performance, accounting for 93% of Group revenues. Mobile segment results amounted to a profit of RM1,173 million, an increase of RM260 million or 28% compared to a profit of RM913 million in 2001.

As at year end 2002, based on the Malaysian Communications and Multimedia Commission ("MCMC")'s estimate of total mobile market subscribers of 9.1 million, our 3.1 million subscribers represented a market share of 34%, an increase of three percentage points over the previous year. The Group was also the market leader in both postpaid and prepaid services with a market share of 38% and 32% respectively. We continued to experience strong positive growth with over 800,000 subscribers added during the year, representing 45% of net subscriber additions to the market. Despite a significant slow down in the postpaid sector, in which some operators experienced a net loss in subscribers, we added 64,000 subscribers. Our prepaid business experienced strong growth with a net increase of over 738,000 subscribers, this being a testament of our premium branding and quality service.

We have successfully built a premium and high quality subscriber base with the highest ARPU, lowest churn, and one of the lowest bad debt levels among the mobile operators in Malaysia. This is demonstrated by the following:

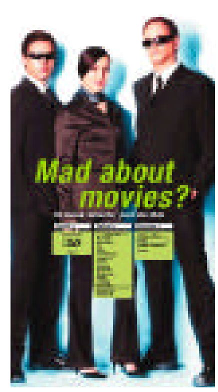
- ARPU for both postpaid and prepaid remained steady during the year, at RM165 and RM67 respectively. Contributing factors included the relatively high ARPU of new subscribers and the exponential growth in SMS, where the billable SMS traffic increased by more than three-fold to over 1.4 billion messages in 2002.
- Churn for postpaid and prepaid customers remained stable at 26% and 14% respectively, due to our quality service and effective loyalty programmes, that focused on attracting and retaining premium customers.
- Bad debts were reduced to a level below 2% of postpaid revenue, due to the effectiveness and successful implementation of our prudent credit and collection policies.

A major highlight of the year was the growth of our mobile data services, which contributed 7% to the mobile segment revenue, an increase from 3% in 2001. While the data revenue was contributed primarily by SMS, in 2002 we introduced many new and innovative data services to enhance our ARPU. These included EasyAccess, our menu-driven interactive service, Maxis SMS SpeedMaster Challenge and other exciting applications and content. In addition, we also introduced new mobility enterprise solutions based on GPRS and SMS, such as sales force automation, mobile payment services, mobile stock broking and telemetry applications.

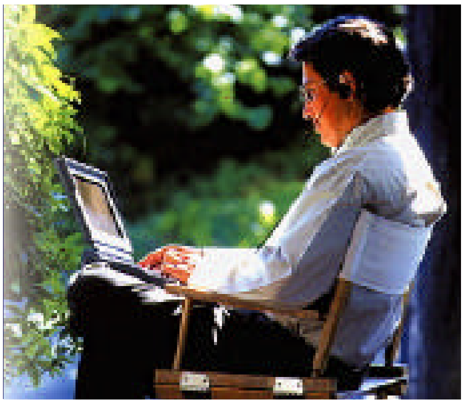
Fixed Line and Internet Services

The Group's fixed line strategy focuses primarily on maximising value from our existing assets by providing comprehensive solutions to the corporate and enterprise sector, as well as supporting the requirements of the mobile business. In addition to this strategy, we continued our efforts in exiting and winding down all unprofitable products and services.

Our fixed line network assets include a nationwide trunk backbone and a comprehensive metropolitan area network, with access into almost 200 buildings in Klang Valley and other major cities throughout the country. The same backbone network is also the core of our mobile nationwide trunk network. The Group's fixed line network also provides connectivity and bandwidth for mobile in-building coverage to commercial high-rise buildings. Based on the same access infrastructure and with little incremental investment, the Group cross-sells other services to the tenants within the buildings. These services include our ISDN services, leased line and i-Link ADSL broadband services. In 2002, we saw an



We provide mobile solutions to make life special, better and easier.



We offer business solutions that enable people to communicate and interact while on the move.

encouraging growth of 485% in the i-Link service take-up rate within the Klang Valley. The majority of these customers subscribed to two or more different types of services.

Our VSAT solutions continued to grow profitably in the oil and gas and timber industries, and the public sector, connecting more than 700 sites in urban and remote areas of Malaysia. In 2002, we continued to grow the VSAT business and increased the number of customer sites by 22%.

As a result of primarily focusing on customers and products that leverage on existing assets, and exiting and winding down of unprofitable products, our fixed line and internet segment results improved from a loss of RM182 million in 2001 to a profit of RM144 million in 2002.

International Gateway Services

Our international gateway services provide connectivity to our mobile and fixed line users, as well as to other domestic service providers and international carriers. The total international minutes of traffic grew by 32% from the year before; however, revenue decreased due to lower settlement rates. The international gateway segment results declined from a profit of RM114 million in 2001 to a profit of RM31 million this year.

Network

Our capital expenditure investment of nearly RM1 billion during the year added over 500 base stations. In line with our strategy to provide the best quality network for our subscribers, we allocated a substantial portion of our annual capital expenditure towards improving capacity and quality where our existing subscribers are located, as opposed to purely extending coverage. This was our top priority and we have seen encouraging results in key performance indicators, including lower dropped calls, network outages and cell blockages.

At the end of 2002, the Group's mobile network consisted of over 2,400 base stations, 26 switches and 8 Telecommunications Operations Centres across Malaysia. We also have a specialised team of engineers, whose sole focus is to remotely monitor and manage network performance 24 hours a day, 7 days a week, through Malaysia's first ever centralised and ISO9002-certified telecommunications Network Management Centre.

Customer Service

The Group continues to provide innovative and differentiated services. Our customers are able to contact Maxis directly through our 24-hour contact centre, our 25 Maxis and i-Centres, for all types of services including inquiry, registration, problem resolutions and bill payment. On top of this, our customers may also access our services through the Internet and 55 Maxis Authorised Service Agent ("MASA") outlets across Malaysia.

We have also introduced several new enhancements in the way we serve our customers. These include:

- Simplifying the automated voice process to enable customer queries to be directed to the customer care consultant best skilled to address the query.
- Introducing new payment channels through partnerships with major financial institutions and retailers in Malaysia.
- Launching the Express Payment Kiosk to enable our customers to pay their Maxis bills 24 hours a day, 7 days a week by cash, cheque or credit card.

charge of Technology and Development and Organisation and Resources Development, reporting directly to the Chief Executive Officer. While the Technology and Development team ensures that Maxis continues to be at the forefront of technology, the Organisation and Resources Development team is responsible for ensuring that Maxis has sufficient levels of skills and management talent.

In addition, we implemented organisational changes across the Group to focus more effectively on our customer segments rather than just product lines. In line with our future growth area, we have also established a mobile data product team to spearhead our advance into new data products, the result of which is already evident from the significant growth in mobile data last year.

Maxis Network Management Centre was the first in Malaysia to be certified ISO9002 in 1996.

Organisational Development and Human Resource

One of the key drivers of our future success is our ability to respond to and manage change in order to enhance our competitiveness. In view of this, we have further strengthened our management team with more emphasis on the long term growth of the Group. In 2002, we appointed two executives for new senior positions in

Throughout the year, we adopted many best practices and made improvements to a number of our business processes. We also carried out a comprehensive risk assessment of the Group and this is now an integral part of every project that the Group undertakes.

Our approach to customer service is based on a very simple promise to serve them faster and better.

Our human resource strategy is to attract and retain a blend of top talent, expertise and experience which we get from a cross section of industries. The development of our human capital is high on our agenda, positioning our employees for promotion and greater responsibilities within the organisation. To date, we have invested over RM8 million on employee development and training. A large section of our employees trained in our Maxis Academy through our internally and externally led programmes. As at the end of 2002, we had over 2,500 employees.

Corporate and Social Responsibility ("CSR")

As part of our commitment and contribution to the society, we are very involved in community and social programmes. Our three key CSR areas are youth, education and technology, reflecting our goals of investing in the future of our country. In 2002, some of the programmes were conducted in partnership with the regulator, ministries, vendors and other corporate entities.

Acquisition of TIMECel

In 2002, Maxis entered into a conditional Sale and Purchase agreement for the acquisition of the entire equity in TIMECel. The benefits of the TIMECel acquisition include the additional GSM1800 2 x 25 MHz spectrum (versus the Group's current spectrum of only GSM900 2 x 10 MHz), reuse of network equipment, a one-time boost to subscriber growth, economies of scale and existing physical network sites. It is also in line with the government's aspiration to see consolidation in the industry, which will ensure less duplication of resources and a healthier industry in the long run.

TIMECel's spectrum is the single largest benefit for us, in terms of both future revenues and costs. The additional spectrum will help to reduce our overall capital expenditure due to the need for a lower number of micro cells and physical sites. It will also help to relieve network congestions, and improve network quality given the spectrum constraints that we are facing in many high traffic areas. The resulting lower cost per subscriber, both for voice and data services, will allow us to grow our subscriber base and introduce new data services much more aggressively.

We have already commenced the detailed planning of the integration process with a dedicated integration team to manage the smooth transfer of people, subscribers and network. Our goal is to make this as seamless as possible to our subscribers while optimising the full benefits of the acquisition. We anticipate little or no disruption to our services during the process.

3G

Our next major technological evolution will be the move to adopting 3G technology. Our strategy will be service-led rather than technology-led. We intend to focus on introducing new mobile data services, evolving from simple text-based messaging to a wider variety of richer graphics-based and to video-based messaging, contents and applications. To support these new services, there will be a natural need to evolve our network and technology from 2G to 2.5G, where we are now, to 3G and other related technologies.

In the 3G environment, network quality and coverage will no longer be the main differentiators as in the 2G environment. We believe that product and services such as content and applications, along with other differentiators including brand, customer service and partnerships, will be relatively more important. Hence, our 3G network strategy will involve working with the other 3G operator for coordinated network roll-out and working with Mobile Virtual Network Operator(s) ("MVNO"). By doing so, we will be able to increase our capital expenditure efficiency, whilst also competing effectively.

Our current roll-out commitment is to commence 3G network trials by the first quarter of 2004 and to commercially launch the service by the fourth quarter of 2004. We estimate that a total investment of RM3.5 billion would be required over the next ten years.

Key Challenges and Future Direction

We expect 2003 to be a challenging year for the Group. Among others, our two major challenges are to continue to grow in a market with higher mobile penetration rate, and to maintain our ARPU level as we increase our number of subscribers. Nevertheless, we expect market growth to remain healthy, and mobile data to grow rapidly. We also expect to fully exploit the full market potential as we enter 2003 from a position of strength.

In 2003, we will pursue our growth in these key areas:

- We will continue to increase our revenue by introducing new innovative mobile data and enhanced voice services. The mobile data services include enhanced messaging, entertainment and information services that have been growing rapidly.
- Through a more granular market segmentation and better understanding of customer needs, we will be more targeted and will enhance our marketing programmes, products and services, packaging, and loyalty programmes to increase ARPU and maintain customer loyalty.

As we move into the future, we are extending our reach and presence to our fellow Malaysians by providing a wide range of innovative services.

- We will maximise the benefits of the TIMECel acquisition to improve our performance and competitiveness, some of which will be realised in 2003.
- We will be actively looking at new market segments, such as the youth market and in selected geographical segments outside the Klang Valley, which are expected to grow faster than the Klang Valley within the next 2 years.
- While we cautiously explore regional acquisition opportunities, we will exploit new and existing non-equity strategic partnerships with other regional and international operators in the areas of international traffic, product development, procurement, benchmarking and best practices.

Another major challenge for the Group is to compete effectively in a changing competitive landscape. We remain committed to strengthening our competitive advantages in terms of our brand, network, customer services, distribution, people and processes, which have been built and improved upon over many years.

We will continue to invest in new and better technologies, to further improve the quality and coverage of our network, and to enhance our service offerings, in order to secure a major share of incremental premium subscribers, and to leverage on partnerships and alliances in order to achieve synergies for the benefit of the Group.

We will also continue to ensure both integrity and transparency are upheld in our conduct of business, financial management and reporting to our shareholders.

Our commitment to our CSR programmes will be significantly increased in terms of effort, funding and management attention.

Our workforce that represents, a balance of experience, expertise and skills has been instrumental to our success.

In summary, there will be a balanced focus in achieving our 2003 goals with specific, clear and consistent strategies. At the same time, we will build our long term future by developing new sources of growth, enhancing corporate governance whilst remaining a responsible corporate citizen.

Last but not least, I would like to take this opportunity to thank our Board of Directors, government authorities, shareholders, customers, employees, distributors, dealers and partners for your support and contribution to our success in 2002. It has been my privilege and honour to work with you and I look forward to the year ahead.

Dato' Jamaludin Bin Ibrahim
Chief Executive Officer

9 May 2003

Audit Committee Report

The Board of Directors ("the Board") of Maxis Communications Berhad ("the Company" or "Maxis") is pleased to present the Report on the Audit Committee ("the Committee") for the period from 18 May 2002 to 31 December 2002 ("the said period").

The composition of the Committee was revised on 18 May 2002 to conform to Paragraph 15.10 of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE").

MEMBERS AND MEETINGS

The members of the Committee during the said period comprised the members listed below:

No.	Name	Status of Directorship	Independent	Attendance of Meetings
1.	Timothy Hugh Ling (Chairman of the Committee)	Non-Executive Director	Yes	3 out of 3
2.	Dato' Seri Syed Anwar Jamalullail	Non-Executive Director	Yes	3 out of 3
3.	Augustus Ralph Marshall	Non-Executive Director	No	3 out of 3

During the said period, the Committee met on 22 August 2002, 10 September 2002 and 25 November 2002, respectively, a total of three (3) meetings.

Details of the Committee members' profiles are contained in the "Profile of Directors" set out on pages 18 to 21 of this Annual Report.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee carried out the following activities in discharging their duties and responsibilities:

Risks and Controls

- Reviewed the progress of the risk management function in its on-going identification and monitoring of key organisational risks, and the controls implemented by the respective departments in managing those risks;
- Evaluated the overall effectiveness of the system of internal controls through the review of the results of work performed by internal and external auditors and discussions with key senior management;

Financial Results

- Reviewed the quarterly results and the audited financial statements of Maxis and its subsidiaries ("the Group") and the Company with the Chief Financial Officer and the external auditors before recommending to the Board for their approval and release of the Group's results to the KLSE focusing on the following areas, where relevant:
  - Listing Requirements of the KLSE;
  - Provisions of the Companies Act, 1965;
  - Applicable approved accounting standards;

External Audit

- Reviewed with the external auditors, their audit plan for the financial year ended 31 December 2002 to ensure that their scope of work adequately covers the activities of the Group;
- Reviewed the results and issues arising from their audit of the year end financial statements and their resolution of such issues highlighted in their report to the Committee;
- Reviewed their performance and independence before recommending to the Board their re-appointment and remuneration;

Internal Audit

- Reviewed with the internal auditors, their audit plan for the financial year ended 31 December 2002 ensuring that principal risk areas (identified by the Enterprise Risk Management framework) are adequately identified and covered in the plan;
- Reviewed the recommendations by internal audit and representations made by management in addressing the issues raised;
- Reviewed the results of ad-hoc investigations performed by internal audit and the action taken relating to those investigations;
- Reviewed the adequacy of resources and the competencies of staff within the internal audit function to execute the plan, as well as the audit programmes used in the execution of the internal auditors' work and the results of their work;
- Reviewed the necessary corrective action taken by management in addressing and resolving issues as well as ensuring that all issues are adequately addressed on a timely basis;
- Reviewed the adequacy of the terms of reference of the Committee and internal audit; and

Related Party Transactions

- Reviewed related party transactions for compliance with the Listing Requirements of the KLSE and the appropriateness of such transactions before recommending to the Board for its approval.

INTERNAL AUDIT FUNCTION

The Group has an internal audit function whose primary responsibility is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group. The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of the Group to ensure that relevant controls addressing those risks are reviewed on a rotational basis.

The activities carried out by internal audit include amongst others, the review of the adequacy of risk management, system of internal controls for effectiveness and efficiency, compliance with established rules, guidelines, laws and regulations, reliability and integrity of information and means of safeguarding assets.

The Head of Internal Audit is responsible for enhancing the quality assurance and improvement programme of the internal audit function. In order to achieve this, the monitoring of its effectiveness is done through internal self-assessment tools and independent external assessment. The results are then communicated to the Committee. The Head of Internal Audit reports directly to the Chairman of the Committee.

Audit Committee Report (continued)

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Composition of the Committee

The Committee shall consist of at least three (3) Board members, a majority of whom shall be independent non-executive Directors. Alternate Directors should not be appointed to the Committee. A quorum of the Committee shall be two (2) members, a majority of whom must be independent Directors. The Chairman shall be an independent non-executive Director elected by the members of the Committee. The Board must review the term of office and performance of the members of the Committee at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

At least one (1) member of the Committee must fulfill any one of the following qualifications:

- Must be a member of the Malaysian Institute of Accountants; or
- If he is not a member of the Malaysian Institute of Accountants, he must have, at least three (3) years working experience and:-
  (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st schedule of the Accountants Act, 1967; or
- Have a degree/masters/doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
- Have at least seven (7) years experience of being a Chief Financial Officer of a corporation or have the function of being primarily responsible for the management of the financial affairs of a corporation.

2. Meetings of the Committee

The Committee shall meet at least four (4) times during each financial year and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. In addition to its four (4) meetings in each financial year, the Committee may take action by way of circular resolutions. Due notice of the issues to be discussed are given to the Committee and the conclusions of such discussions are recorded.

The Committee may request to meet other Board members, any officer or employee of the Group, external legal counsel, external auditor and consultants and if necessary, in separate private discussions. The Committee shall meet with the external auditors and internal auditors in separate private sessions at least twice (2) in each financial year.

The Secretary of the Committee shall circulate the minutes of the Committee meetings to all members of the Board.

3. Authority of the Committee

The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Group, to:

- Investigate any matter within its terms of reference;
- Ensure adequate resources to perform its duties;
- Ensure full and unrestricted access to the Group's information;
- Obtain external independent and professional advice;
- Ensure direct communication channels with external and internal auditors and all employees of the Group; and
- Convene meetings with the external auditors (excluding the executive member(s) of the Committee), if necessary.

4. Responsibilities and Duties of the Committee

The Committee shall undertake the following responsibilities and duties:

Risk Management and Internal Control. Review with external auditors, senior internal audit executive, general counsel, appropriate members of the staff, the adequacy of the Group's processes to identify, monitor and manage key organisational risks and internal controls with respect to business practices.

Financial Statements. Review with and without the presence of appropriate officers of the Group and the external auditors, the annual financial statements and quarterly announcements of financial results of the Group prior to Board approval, focusing on quality and financial disclosure, changes in accounting policies and practices, and implementation of such changes, significant and unusual events, going concern assumption and compliance with accounting standards and legal requirements.

Related Party Transactions. Review any related party transactions entered into by the Group to ensure they are undertaken on normal commercial terms and the internal control procedures with regards to these transactions are sufficient.

Internal Audit. Review with the internal audit function their plans, scope (authority, independence and adequacy of resources to carry out its function), results of the internal audit work and the appropriate actions taken on their recommendations. Review the performance of the internal auditors, approve the appointment or termination of the Head of Internal Audit and query staff resignations of the internal audit function and provide the resigning staff an opportunity to submit his/her reason for resigning.

External Audit. Review and report to the Board its recommendation on the proposed appointment of the external auditor, the proposed audit fees and any questions of resignation or dismissal; and their plans, scope of their annual audit and other examinations, results of the external audit work including adjustments, if any, and the accompanying management letters and responses.

Reporting Responsibilities. Report its activities to the Board in such manner and at such times, as it deems appropriate; and report to the KLSE where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the KLSE.

Other Responsibilities. Review matters in relation to compliance with legal, regulatory and statutory requirements, conflict of interest and ethical conduct; examine such other matter, as the Committee considers appropriate or as defined by the Board; review and reassess its terms of reference at least once a year; and conduct a self-assessment to monitor their overall effectiveness in meeting their responsibilities at least once (1) a year.

Statement on Corporate Governance

In March 2000, the Finance Committee on Corporate Governance issued the Malaysian Code of Corporate Governance ("the Code"). The Code sets out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework. The Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE") require a listed issuer to (i) narrate in its annual report how the listed issuer has applied the principles set out in Part 1 of the Code to their particular circumstances and (ii) include a statement to expressly describe the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the Code which statement shall specifically identify and give reasons for any areas of non-compliance and provide alternative measures in areas where they deviate from the best practices contained in the Code.

The Board of Directors ("the Board") of Maxis Communications Berhad ("the Company" or "Maxis") is fully committed to ensuring that the principles and best practices in corporate governance, set out in the Code, are applied throughout Maxis and its subsidiaries ("the Group"). The Board is fully committed because it believes that good corporate governance is essential to attain the Group’s business and social objectives.

Compliance with the Code

The Board is pleased to disclose the Company’s application of the principles and the extent to which the Company has complied with the Best Practices of the Code during the financial year ended 31 December 2002. The Board is of the opinion that it has, in all material respects, complied with the principles and best practices outlined in the Code.

BOARD OF DIRECTORS

The Board

The Board has adopted the following six (6) specific responsibilities, for effective discharge of its functions:

- reviewing and adopting a strategic business plan for the Group;
- overseeing the conduct of the Group’s business to evaluate whether the business is properly managed;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- reviewing the adequacy and the integrity of the Group’s system of internal controls and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

Specifically and within the limits set by the Company’s Articles of Association ("Articles"), the Board is charged with the development of corporate objectives and the review and approval of corporate plans, annual budgets, acquisitions and disposals of undertakings and properties of substantial value, major investments and financial decisions and changes to the management and control structure within the Group including key risk management, treasury, financial and operational policies and delegated authority limits.

Composition of the Board and Board balance

The present Articles of the Company provide for a Board composed of a maximum of fifteen (15) Directors. The current Board has nine (9) members, comprising eight (8) non-executive Directors (including the Chairman) and one (1) executive Director. Three (3) of the eight (8) non-executive Directors are independent. The non-executive Directors do not participate in the day-to-day management of the Group. The composition of the Board reflects a mix of members with diverse backgrounds, skills and experiences in the areas of legal, finance, business and strategy. A brief description of the background of each Director is contained in the "Profile of Directors" section as set out on pages 18 to 21 of this annual report. Based on the Board's assessment during the financial year ended 31 December 2002, the number and the mix of skills the Directors bring to the Board and the necessary range of experiences and expertise, enabled the Board to effectively discharge its responsibilities and perform its functions with due regard to the shareholders' interests. There is also a balance in the Board with the presence of non-executive Directors of the necessary calibre to carry sufficient weight in Board decisions. Although all Directors have an equal responsibility for the Group's operations, the role of these non-executive Directors, especially the independent non-executive Directors, is important as they provide unbiased and independent views, advice and judgement in ensuring that the strategies proposed by management are fully discussed and examined, and take into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts its business.

There is a clear division of the roles and responsibilities between the Chairman of the Board and the Group's Chief Executive Officer ("CEO") to ensure that there is a balance of power and authority. The Chairman of the Board is responsible for ensuring the Board's effectiveness and conduct as described below whilst the Group's CEO has overall responsibility over the business units, organisational effectiveness and implementation of Board policies, strategies and decisions.

In respect of running the Board, the Chairman is responsible for the following:

- the working of the Board;
- the balance of membership, subject to Board and shareholders' approval;
- ensuring that all relevant issues are on the agenda;
- ensuring that all Directors, executive and non-executive alike are enabled and encouraged to play their full part in the Board's activities. This includes making certain Directors, especially the non-executive Directors receive timely, relevant information tailored to their needs and they are properly briefed on issues arising at Board meetings; and
- ensuring that the Executive Director looks beyond his executive function and accepts his full share of responsibilities of governance.

Statement on Corporate Governance (continued)

Board meetings

The Board intends to meet at least four (4) times a year, with additional meetings convened as and when necessary.

During the financial year ended 31 December 2002, thirteen (13) Board meetings were held and details of the attendance of the Directors are as follows:

Director	Designation	Number of meetings attended during the financial year	Percentage
Tun Haji Mohammed Hanif bin Omar	Chairman, Non-Executive Director	13 out of 13 meetings	100%
Dato' Seri Syed Anwar Jamalullail (appointed to the Board on 18 May 2002)	Independent Non-Executive Director	7 out of 7 meetings since the date of appointment	100%
Lord Killearn (appointed to the Board on 18 May 2002)	Independent Non-Executive Director	4 out of 7 meetings since the date of appointment	57%
Timothy Hugh Ling (appointed to the Board on 18 May 2002)	Independent Non-Executive Director	6 out of 7 meetings since the date of appointment	86%
Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin	Non-Executive Director	11 out 13 of meetings	85%
Khoo Teng Bin	Non-Executive Director	13 out 13 of meetings	100%
Augustus Ralph Marshall	Non-Executive Director	13 out 13 of meetings	100%
Tan Poh Ching	Non-Executive Director	13 out 13 of meetings	100%
Dato' Jamaludin bin Ibrahim (appointed to the Board on 23 April 2002)	Executive Director and Chief Executive Officer	11 out of 11 meetings since the date of appointment	100%

The Board meetings were all held at the Boardroom, Level 23, Menara Maxis, Kuala Lumpur City Centre, off Jalan Ampang, 50088 Kuala Lumpur, Malaysia.

Committees

The Board has delegated specific responsibilities to four (4) committees (Audit, Nomination, Remuneration and Employees Share Option Scheme ("ESOS")), details of which are set out below. In addition, the Board from time to time delegates operational and management matters to committees of the Board. These committees facilitate the Board in the execution of its responsibilities and apart from the ESOS Committee, do not have executive powers and hence have to report back to the Board with their recommendations. The terms of reference of each of the committees have been approved by the Board and where applicable comply with the recommendations of the Code.

(a) Audit Committee

The composition of the Audit Committee was revised on 18 May 2002 to conform to Paragraph 15.10 of the Listing Requirements of the KLSE and the Code. The Audit Committee is responsible for reviewing issues of accounting policies and presentation for external financial reporting, monitoring the work of the internal audit function, reviewing the independence of the Group's external auditors and ensuring that an objective and professional relationship is maintained with the external auditors. The Audit Committee also reviews any related party transaction and conflict of interest situation that may arise in the Group.

The Audit Committee composition comprise the following non-executive Directors, majority of whom are independent:

- Timothy Hugh Ling (Independent Non-Executive Director and Chairman of the Audit Committee);
- Dato' Seri Syed Anwar Jamalullail (Independent Non-Executive Director); and
- Augustus Ralph Marshall (Non-Executive Director).

The report on the Audit Committee by the Board (the "Audit Committee Report") for the period from 18 May 2002 to 31 December 2002 is set out on pages 42 to 45 of this annual report.

(b) Nomination Committee

The Nomination Committee in complying with the Code has the responsibility for proposing new nominees for the Board and for assessing Directors on an on-going basis.

The Board established a Nomination Committee on 18 May 2002 and the composition comprise the following non-executive Directors, majority of whom are independent:

- Lord Killearn (Independent Non-Executive Director and Chairman of the Nomination Committee);
- Dato' Seri Syed Anwar Jamalullail (Independent Non-Executive Director); and
- Augustus Ralph Marshall (Non-Executive Director).

The functions of the Nomination Committee include reviewing and recommending to the Board:

- the optimum size of the Board; and
- the required mix of skills, experience and other qualities, including core competencies of non-executive Directors.

In addition, the Nomination Committee also has the function of assessing annually:

- the transparency of procedures for proposing new nominees to the Board and committees of the Board;
- the effectiveness of the Board as a whole and the contribution made by each individual Director and Board Committee member;
- the investments of the minority shareholders are fairly reflected on the Board; and
- the assistance provided to the Board in nominating memberships of Board members in other committees.

During the period of 18 May 2002 to 31 December 2002, the Nomination Committee did not meet as the Board performed the above functions.

Statement on Corporate Governance (continued)

Committees (continued)

(c) Remuneration Committee

The Remuneration Committee was established on 18 May 2002.

The composition of the Remuneration Committee comprise the following non-executive Directors, majority of whom are independent:

- Dato' Seri Syed Anwar Jamalullail (Independent Non-Executive Director and Chairman of the Remuneration Committee);
- Lord Killearn (Independent Non-Executive Director); and
- Tan Poh Ching (Non-Executive Director).

The Remuneration Committee held two (2) meetings for the period from 18 May 2002 to 31 December 2002, which were fully attended by all members. The matters discussed before the Remuneration Committee included a review of the Executive Director's remuneration which was benchmarked against market practice.

The Remuneration Committee is charged with the following responsibilities:

- recommending to the Board, the policy and framework for Directors' remuneration as well as the remuneration and terms of service of executive Directors;
- evaluating the performance and reward of executive Directors, ensuring performance targets are set to achieve consistency with the interests of shareholders of the Company, with an appropriate balance between long and short term goals;
- designing and implementing an evaluation procedure for executive Directors;
- designing an evaluation procedure for non-executive Directors; and
- reviewing on a yearly basis, the individual remuneration packages of executive Directors and to make appropriate recommendations to the Board.

(d) ESOS Committee

The ESOS Committee was established on 10 May 2002 to administer the ESOS of the Group in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations (based on the performance, seniority and number of years of service as well as the employees actual or potential contribution to the Group) and to attend to such other matters as may be required.

The composition of the ESOS Committee comprise the following Directors:

- Tan Poh Ching (Non-Executive Director and Chairman of the ESOS Committee);
- Augustus Ralph Marshall (Non-Executive Director); and
- Dato' Jamaludin bin Ibrahim (Executive Director).

The ESOS Committee meets when necessary. From 10 May 2002 to 31 December 2002, the ESOS Committee met twice (2). Each meeting was fully attended by its members.

Appointments to the Board

During the financial year ended 31 December 2002, the Board ensured that Directors appointed during the financial year underwent an orientation and familiarisation programme, including carrying out site visits of the Group's business operations and meeting senior management where appropriate to facilitate their understanding of the Group's businesses.

Directors' training

All members of the Board have attended the Mandatory Accreditation Programme ("MAP") as required under the Listing Requirements of the KLSE with the exception of Timothy Hugh Ling and Lord Killearn who attended the MAP training in April 2003. Directors also receive further updates and briefings from time to time, particularly on regulatory and legal developments, including information on significant changes in business risks and procedures instituted to mitigate such risks.

Re-election of Directors

In accordance with the Company's Articles, Directors who are appointed by the Board are subject to election by shareholders at the first Annual General Meeting ("AGM") after their appointment. The Articles also provide that:

- one third of the remaining Directors are subject to re-election by rotation at every AGM; and
- where a Director is above 70 years of age, he retires at every AGM and offers himself for re-election annually, pursuant to Section 129(2) of the Companies Act, 1965.

Supply of information

All Directors are provided with a comprehensive set of Board papers prior to each Board meeting. These, together with the agenda of the Board meeting, are usually provided in sufficient time prior to the meeting to enable Directors to obtain further information, where necessary, in order to be properly briefed before the meeting. The Board papers include, among others, the following documents or information:

- reports of meetings of all committees of the Board;
- monthly performance reports of the Group, which include information on financial and strategic business issues;
- major operational, financial, technical and regulatory issues;
- customer satisfaction;
- reports on risk management; and
- board papers on other matters for discussion/approval.

In addition, ad-hoc reports and information papers are provided to all Directors to ensure they are appraised on key business, operational, legal, regulatory and corporate matters.

In the furtherance of their duties and at the Company's expense, all Directors, whether in their individual capacity or as a group, as and when required, may seek additional information or clarification on any matter and, where necessary, take independent professional advice and assistance.

All Directors have direct access to the advice and services of the Head of Internal Audit and Company Secretary in carrying out their duties.

Statement on Corporate Governance (continued)

Company Secretary

The Company Secretary's services include ensuring that all appointments are properly made, that all necessary information is obtained from Directors, both for the records of the Group and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements of the KLSE or other regulatory requirements. The removal and replacement of the Company Secretary is a matter for the Board as a whole.

DIRECTORS' REMUNERATION

The Code recommends the setting up of a Remuneration Committee, consisting wholly or mainly of non-executive Directors. The main function of the Remuneration Committee is to recommend to the Board, appropriate levels of remuneration for executive Directors. The Code allows for external advice to be sought, if necessary.

The objectives of the Group's policy on Directors' remuneration are to attract and retain Directors of the calibre needed to manage the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of executive Directors. In the case of non-executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular non-executive Director concerned.

Remuneration procedures

The Remuneration Committee recommends to the Board, the framework of the executive Directors' remuneration and the remuneration package for each executive Director and in framing the Group's remuneration policy, the Remuneration Committee receives advice from external consultants. It is nevertheless, the ultimate responsibility of the Board to approve the remuneration of these Directors.

Save that the fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provide) be divisible among the Directors as they may agree, or, failing agreement, equally, the determination of the remuneration packages of non-executive Directors (whether in addition to or in lieu of their fees as Directors), is a matter for the Board as a whole. Individual Directors do not participate in decisions regarding their own remuneration package.

Directors' remuneration package

The remuneration package of the Directors is as follows:

(a) Basic salary

The basic salary (inclusive of statutory employer contributions to the Employee Provident Fund) for the Executive Director is recommended by the Remuneration Committee, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in a selected group of comparable companies. The salary is reviewed annually.

Directors' remuneration package (continued)

(b) Fees
The Board, based on the fixed sum as authorised by the Group's shareholders, determines fees payable to non-executive Directors after considering comparable industry rates and the level of responsibilities undertaken by non-executive Directors.

(c) Bonus scheme
The Group operates a bonus scheme for all employees, including the Executive Director. The criteria for the scheme is dependent on the level of profit achieved from certain aspects of the Group's business activities as measured against targets, together with an assessment of each individual's performance during the period. Bonuses payable to the Executive Director is reviewed by the Remuneration Committee and approved by the Board.

(d) Benefits-in-kind
Other customary benefits (such as private medical cover, car, etc) are made available as appropriate.

(e) Pension arrangements
The Executive Director contributes to the Employees Provident Fund, which is the national mandatory contribution plan.

(f) Service contract
The notice period for the termination of the Executive Director's service contract is 6 months on either side. The Executive Director shall retire from office at least once in three (3) years but shall be eligible for re-election.

(g) Director's share options
The movement in the Executive Director's share options during the financial year ended 31 December 2002 is set out on page 66.

(h) Directors' remuneration

Details of the Directors' remuneration for the financial year ended 31 December 2002 are as follows:

i) Aggregate Remuneration

Remuneration	Executive Director (RM)	Non-Executive Directors (RM)
Fees	–	312,000
Directors' salary, other remuneration and emoluments	1,000,000	–
Fees charged by a third party for services rendered by a Director to the Group	–	360,000
Benefits-in-kind (based on an estimated monetary value)	50,847	13,482

Statement on Corporate Governance (continued)

Directors' remuneration package (continued)

(h) Directors' remuneration (continued)

Details of the Directors' remuneration for the financial year ended 31 December 2002 are as follows (continued):

ii) Analysis of Remuneration

	No. of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
<RM50,000	–	4
RM50,001 – RM100,000	–	3
RM100,001 – RM350,000	–	–
RM350,001 – RM400,000	–	1
RM400,001 – RM1,050,000	–	–
RM1,050,001 – RM1,100,000	1	–

SHAREHOLDERS AND OTHER STAKEHOLDERS

Shareholders and investors relations

The Board recognises the importance of transparency and accountability to its shareholders. Maxis communicates with its shareholders and stakeholders regularly through timely release of financial results on a quarterly basis, press releases, announcements and press conferences which provide shareholders with an overview of the Group's performance and operations. In addition the Company maintains dialogue with its shareholders as and when required.

The Group maintains a website at www.maxis.com.my, which can be conveniently accessed by the shareholders and the general public. The Group's website is updated from time to time to provide the latest and comprehensive information about the Group, including press releases and quarterly announcements of the Group's results.

Any queries or concerns regarding the Group may be conveyed to the following persons:

i. Dato' Seri Syed Anwar Jamalullail, Senior Independent Director
Telephone number : (603)-7726 6333
Facsimile number : (603)-7726 1333

ii. Dato' Amdan Mat Din, Head of Corporate Affairs
Telephone number : (603)-2330 7000
Facsimile number : (603)-2330 0586

SHAREHOLDERS AND OTHER STAKEHOLDERS (continued)

Shareholders and investor relations (continued)

iii. Chua Tze Meng, Head of Corporate Finance
Telephone number : (603)-2330 7000
Facsimile number : (603)-2330 6078

iv. Dipak Kaur, Company Secretary
Telephone number : (603)-2330 7000
Facsimile number : (603)-2330 0590

The Annual General Meeting

Maxis, listed on 8 July 2002 on the Main Board of the KLSE, will be convening its first public AGM on 19 June 2003. The Board would encourage shareholders to participate in the Question and Answer session. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. The Executive Director and, where appropriate, the Chairmen of the Audit, Nomination and Remuneration Committees shall be available to respond to shareholders' questions during the AGM. Where appropriate, the Chairman of the Board will endeavour to provide the shareholders with written answers to any significant questions that cannot be readily answered during the AGM. Shareholders are welcome to raise queries by contacting the Group at any time throughout the year and not just at the AGM.

Each item of special business included in the notice of the AGM will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the AGM.

ACCOUNTABILITY AND AUDIT

Financial reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's financial position, performance and prospects. This also applies to other price-sensitive public reports and reports to regulators. The assessment is provided in this annual report through the Statement by Directors pursuant to Section 169 of the Companies Act, 1965 set out on page 120.

Internal control

The Group's Statement on Internal Control is set out on page 56 to 58 of this annual report.

Relationship with auditors

The role of the Audit Committee in relation to both the internal and external auditors is described in the Audit Committee Report set out on pages 42 to 45 of this annual report.

Statement on Internal Control

INTRODUCTION

In order to implement the recommendations made under the Kuala Lumpur Stock Exchange ("KLSE")'s *Statement on Internal Control: Guidance for Directors of Public Listed Companies* ("the Guidance"), Maxis Communications Berhad and its subsidiaries ("the Group") undertook a series of activities to establish a formal framework and a structured process for identifying, evaluating, monitoring and managing the key controls and risks.

RESPONSIBILITY

The Board of Directors ("the Board") recognises the importance of a sound system of internal controls which covers risk management, financial, organisational, operational, and compliance controls. The Board acknowledges its overall responsibility for the Group's system of internal controls (including system for compliance with applicable laws, regulations, rules, directives and guidelines), and for reviewing the effectiveness, adequacy and integrity of this system. Such system is designed to safeguard shareholders' investments and the Group's assets. It should be noted, however, that such system is designed to manage rather than eliminate the risk of failure to meet the Group's business objectives. In pursuing those objectives, this system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board recognises that the management of principal risks play an important and integral part of the Group's daily operations and that the identification and the management of such risks will affect the achievement of the Group's business objectives. As a result, with the assistance of external consultants, an Enterprise Risk Management framework was formally established during the financial year under review, which provides a structured process for identifying, measuring, monitoring and managing principal business risks. This risk management process is an on-going process with regular reviews by the Board through the Audit Committee on its effectiveness.

A series of workshops were held during the financial year under review with key senior members of management to enhance their knowledge and understanding of risk management and how each identified risk could potentially affect the Group's business objectives. Following these workshops, the principal risks were identified and their impact and likelihood of occurrence were mapped onto a risk matrix. The risk profile of the Group was then presented to the Board through the Audit Committee on 10 September 2002, after it was endorsed by senior management led by the Chief Executive Officer.

Following that, and to further inculcate the risk management culture, a series of briefings were conducted, targeting various levels of staff across all departments and discipline within the organisation.

CONTROL STRUCTURE AND ENVIRONMENT

The Board is fully committed to ensuring that a proper control environment is maintained within the organisation to govern the manner in which the Group and its employees conduct themselves. The key elements of controls are:

Independence of the Audit Committee

The Audit Committee comprises non-executive Directors a majority of whom are independent and all of whom bring with them a wide variety of experience. The Audit Committee has full and unimpeded access to both the internal as well as external auditors and meets the external auditors without any management presence at least twice (2) a year.

Internal and External Audit

The Group has an internal audit function whose primary responsibility is to independently assure the Board, through the Audit Committee, that the system of internal controls function as intended. In providing this assurance, the Audit Committee formulates with the Group's internal auditor an audit plan which indicates in order of priority, high risk areas (taking into account the risks identified by the Enterprise Risk Management framework) and provides for audits to attain the assurance that procedures put in place to mitigate these risks have been adhered to.

In addition, the activities of the Audit Committee in reviewing the results of the internal auditor, work and the findings arising from the external auditors' audit of the statutory financial statements, assist them in their evaluation of the control environment of the Group.

CONTROL STRUCTURE AND ENVIRONMENT (continued)

Corporate values
A well-documented set of core corporate values which emphasises ethical behaviour is set out in the Group's Code of Business Practice which serves as a documentation of the Group's commitment to do business in a manner that is efficient, effective and fair and which will be continuously updated to suit business requirements. All employees must comply and are required to sign a letter of undertaking annually to abide by the Group's Code of Business Practice. Vendors, suppliers and contractors are also expected to conform to these principles, failing which, other parties who can meet these standards will be chosen to provide the goods and services which the Group requires.

Organisation structure with defined roles and responsibilities
The Board has clearly defined delegation of responsibilities to committees of the Board and to management, which is delegated as and when the Board deems fit to do so.

Structured delegation of approving authority
The assignment of accountability to appropriate staff to ensure control over the Group's capital and operational expenditure is clearly defined and set out in the Group's Manual on Limits of Authority, which is approved by the Board and is reviewed and updated as and when necessary.

Documented policies and procedures
Internal policies and procedures which are set out in a series of clearly documented standard practice manuals covering a majority of areas within the Group are maintained and subjected to review as and when necessary. All such standards, policies and guidelines are then posted on the Group's intranet for all employees' easy access and reference.

Financial and operational information
A detailed budgeting process takes place annually, where each business unit will prepare its budget for the next financial year. The Chief Executive Officer and the Chief Financial Officer together with the respective business unit review the budget in detail before it is tabled to the Board for their review, consideration and approval. Once approved all significant changes to the budget will have to be re-approved by the Board.

In addition to the above, detailed monthly management reports containing key financial results and operational performance indicators are prepared and compared with the approved operating plan and explanations for any variances are reviewed by the Chief Financial Officer before they are circulated to the Board. At each Board meeting, the Board is furnished with timely and detailed Board papers, endorsed by the Chief Executive Officer and the Board is further briefed on all significant matters for their consideration and deliberation.

Continuous employee education
All employees are encouraged to improve themselves through adequate training and continuous education. To facilitate this, Maxis Academy, a dedicated centre of education was established. The academy provides a comprehensive training and development programme in various disciplines, which are both structured internally or externally by consultants. The Group also encourages employees to seek training and development through programmes offered by third parties, to ensure that employees driving key operations are sufficiently skilled.

Business continuity planning
The Group has a business continuity plan that was developed by identifying the operation critical systems, single point failures as well as the impact on the business of the Group. The plan has been presented to the Board and is in the process of being implemented.

Statement on Internal Control (continued)

CONTROL STRUCTURE AND ENVIRONMENT (continued)

Revenue assurance function
The revenue assurance function is responsible for monitoring potential revenue leakage that may arise from day-to-day operations of the business. This function looks at controls within the revenue cycle to ensure that they are performing effectively and efficiently. Monthly reports on its activities are submitted to the Chief Executive Officer, Chief Financial Officer and members of management of the respective business units.

Regulatory function
Regulatory compliance is an important aspect of the telecommunications industry. The regulatory function within the organisation plays an important liaison role between the Company and the Group and the Malaysian Communications and Multimedia Commission as well as the Ministry of Energy, Telecommunications and Multimedia. The regulatory function reports regularly to the Board on significant issues that affect the industry.

MONITORING AND REVIEW

The processes by which the effectiveness of the control environment is monitored, reviewed and reported are:

Management representation to the Board
All members of senior management confirm directly to the Chief Executive Officer and Chief Financial Officer on an annual basis, the effectiveness of the control environment in each of their respective areas highlighting, if any, weaknesses during the financial year as they in turn report to the Board.

Monitoring controls
The Group uses monitoring controls such as reconciliations, monitoring of actual performance against budgets and reviews of key performance indicators to ensure the effective and efficient application of controls are adopted.

Reporting of changes in risk profile
The risk profile of the Group is monitored by the Enterprise Risk Management function and quarterly briefings on significant changes to the Group's risk profile are made to the Board through the Audit Committee.

Examination of processes and controls by the internal audit function
The periodic reviews carried out by the internal audit function on processes and state of internal controls as part of its internal audit plan are reported to the Board regularly through the Audit Committee. They provide an independent evaluation, enabling continual improving processes and controls.

The system of internal controls described in this statement is considered by the Board to be adequate and the risks are considered by the Board to be at an acceptable level within the context of the business environment throughout the Group's businesses. However, such system does not eliminate the possibility of human error, collusion or deliberate circumvention of control procedures by employees and others, nor the occurrence of unforeseeable circumstances due to poor judgement. Nevertheless, the system of internal controls that exist throughout the financial year under review provides a level of confidence on which the Board relied for assurance. This complies with the provisions recommended in the Guidance.

In the financial year under review, after due and careful inquiry based on the information and assurances provided to it, the Board is satisfied with the adequacy and integrity of the Group's system of internal controls which has not resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the Group's Annual Report.

Statement on Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to lay before the Company ("Maxis Communications Berhad") at its Annual General Meeting, financial statements (which include the consolidated balance sheet and the consolidated income statement of Maxis Communications Berhad and its subsidiaries ("the Group")) for each financial year, made out in accordance with the applicable approved accounting standards and the provisions of the Act.

The financial statements of the Company and the Group for the financial year ended 31 December 2002 are set out on pages 61 to 119 of this annual report.

It is the responsibility of the Directors to take reasonable steps to ensure that the consolidated balance sheet gives a true and fair view of the state of affairs of the Group at the end of the financial year to which it relates and the consolidated income statement gives a true and fair view of the results of the Group for the financial year to which it relates and to ensure that the financial statements are made out in accordance with applicable approved accounting standards and the provisions of the Act.

The Directors have relied on the Group's system of internal controls to provide them with reasonable grounds to believe that the Group's accounting and other records maintained by the Group sufficiently explain the transactions and financial position of the Group and enable a true and fair consolidated balance sheet and a true and fair consolidated income statement for the Group and documents required by the Act to be attached thereto to be prepared for the financial year to which these financial statements relate.

The Directors are required under the Act to cause the Company to keep such accounting and other records as will sufficiently explain the transactions and financial position of the Company and enable true and fair income statement and balance sheet and any documents required to be attached thereto to be prepared from time to time, and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.