

DATUK MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

Chairman / Independent Non-Executive Director

Y. Bhg. Datuk Megat Zaharuddin, aged 55, a Malaysian, holds a B.Sc (Honours) in Mining Engineering from The Royal School of Mines, Imperial College of Science and Technology, London University, U.K. (1972), and he is also an Associate of the Royal School of Mines. He has 31 years' experience in the international oil, gas and chemicals business. He has been a senior executive of the Shell Group of Companies as Chairman both in Malaysia and overseas. In January 2004, he retired as the Regional Chief Executive Officer and Managing Director of Shell Exploration and Production International B.V., based in The Hague, Netherlands, which was a position he held since 1999.

From 1995 to 1999, Datuk Megat Zaharuddin held the position of Chairman and Chief Executive of Shell Companies in Malaysia, based in Kuala Lumpur. During this period, he also sat on the Boards of Directors of MIMOS, National Information Technology Council, University Malaysia Sarawak, Danaharta, as well as being the Chairman of the National Science Centre.

From 1973 to 1995, Datuk Megat Zaharuddin held various positions in Shell and was based in various locations such as Istanbul, Turkey; The Hague, Netherlands; Kuala Lumpur, Malaysia; Miri, Malaysia and Aberdeen, Scotland.

He was appointed Chairman and Director of Maxis on 1 January 2004.

DATO' JAMALUDIN BIN IBRAHIM

Chief Executive Officer / Executive Director

Y. Bhg. Dato' Jamaludin, aged 45, a Malaysian, was appointed a Director of Maxis on 23 April 2002. He is also the Chief Executive Officer ("CEO") of Maxis. He has served with Maxis for about 7 years having joined in early 1997 as Director of Corporate Strategies and Development and was later promoted to Chief Operating Officer in September of the same year. In October 1998, he was appointed CEO of Maxis.

He has over 17 years of experience in the Information Technology industry prior to his appointment in Maxis. He was the Managing Director and CEO of Digital Equipment (M) Sdn. Bhd. (subsequently acquired by Compaq Computers Malaysia Sdn. Bhd. and later Hewlett-Packard Sales (Malaysia) Sdn. Bhd.) from 1993 to 1997. He spent 12 years at IBM Malaysia, from 1981 to 1993, initially as a systems engineer and moving on to positions in sales, marketing and management. He was a lecturer at California State University in the United States in 1981.

He attended Maktab Sultan Abu Bakar before graduating from California State University in the United States with a Bachelor of Science, Business Administration, and a minor in Mathematics in 1978. He obtained his Masters in Business Administration from Portland State University, Oregon in 1980.

He was named Malaysia's CEO of the Year 2001. The award was jointly presented by American

DATUK MEGAT ZAHARUDDIN
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DATO' JAMALUDIN BIN IBRAHIM
Chief Executive Officer / Executive Director



DATO' SERI SYED ANWAR JAMALULLAIL
Independent Non-Executive Director



LORD KILLEARN
Independent Non-Executive Director



Express Corporate Services and the Business Times. He was also named Business Person of the Year 2001 by the Asian Academy of Management.

He is a Board member of Malaysia Venture Capital Management Berhad, HeiTech Padu Berhad and the World's GSM Association, an international wireless trade association body.

He is a member of the Employee Share Option Scheme ("ESOS") Committee.

He has attended all six (6) Board meetings held in the financial year ended 31 December 2003.

DATO' SERI SYED ANWAR JAMALULLAIL Independent Non-Executive Director

Y.A.M. Dato' Seri Syed Anwar Jamalullail, aged 52, a Malaysian, is a Chartered Accountant and Certified Practising Accountant, Australia. He holds a Bachelor of Arts (Accounting) degree from Macquarie University, Sydney, Australia.

He is the Chairman of Media Prima Berhad and Malaysian Resources Corporation Berhad. He started his career as a financial accountant with Malaysia Airlines System Berhad in 1975. He joined Price Waterhouse (Australia) as Senior Auditor in 1979 and 3 years later he joined D & C Nomura Merchant Bank Berhad as Manager, Investment. In 1985, he joined Amanah Merchant Bank Berhad as Manager, Corporate Finance. He pursued his own business from 1989 until October 1998 when he joined Amanah Capital Partners Berhad as Group Managing Director. He resigned from Amanah Capital Partners Berhad on 1 March 2002.

He also sits on the Boards of Sistem Televisyen Malaysia Berhad, Nestle (M) Berhad, Amanah SSCM Asset Management Berhad, Bangkok Bank Berhad and various private companies. In September 2001, he was appointed Chairman of the Investment Panel of Lembaga Tabung Haji.

He was appointed a Director of Maxis on 18 May 2002. He sits as Chairman of the Audit and Remuneration Committees and is a member of the Nomination Committee.

He has attended all six (6) Board meetings held in the financial year ended 31 December 2003.

LORD KILLEARN (PREVIOUSLY THE HON. VICTOR LAMPSON) Independent Non-Executive Director

Lord Killearn, aged 62, a British citizen, was educated at Eton College. After 6 years in the Scots Guards, he spent a year with Chase Manhattan Bank in London before joining Cazenove in 1968.

He was responsible for establishing the Cazenove & Co. office in Hong Kong in 1974 and worked in Hong Kong for Cazenove & Co. for 4 years. He became a partner of Cazenove & Co. on 1 May 1979 with responsibility for Asia until his retirement on 30 April 2002. He is the Non-Executive Chairman of Henderson Global Investors and a Non-Executive Director of Shanghai Real Estate Limited.

He was appointed a Director of Maxis on 18 May 2002.

KHOO TENG BIN
Non-Executive Director



AUGUSTUS RALPH MARSHALL
Non-Executive Director



TAN POH CHING
Non-Executive Director



LORD KILLEARN (Continued)

He also sits as a member of the Audit and Remuneration Committees and is the Chairman of the Nomination Committee.

He has attended all six (6) Board meetings held in the financial year ended 31 December 2003.

KHOO TENG BIN Non-Executive Director

Encik Khoo Teng Bin, aged 69, a Malaysian, was appointed a Director of Maxis on 20 December 1986. Between 1963 and 1975, he worked as an external telecommunications executive in the General Post Office, in the United Kingdom and was involved in computerised switching, delivery and billing for international telegraph and telex systems. In 1976, he was appointed Managing Director of Dataprep (Malaysia) Sdn. Bhd. and was a Board member of Dataprep Holdings Ltd, Hong Kong.

From 1979 to 1982, he was a shareholder and Managing Director of a joint venture company with Honeywell Information Systems. In 1988, he founded Perkhidmatan Usaha Tegas Sdn. Bhd., a company involved with the live telecast of horse racing and other sports. He was involved in conceptualising and implementing communications and on-line transaction-oriented operations for Pan Malaysian Pools Sdn. Bhd., a wholly-owned subsidiary of Tanjong Public Limited Company, a company listed on Bursa Malaysia and the London Stock Exchange, which is principally involved in

leisure and entertainment and power generation. Currently, he acts as an adviser and is a Board member of, among others, Usaha Tegas Sdn. Bhd., Binariang Satellite Systems Sdn. Bhd., which is involved in the operation of a regional satellite network, and Communications & Satellite Services Sdn. Bhd., which provides communications and satellite services.

He has attended five (5) out of six (6) Board meetings held in the financial year ended 31 December 2003.

AUGUSTUS RALPH MARSHALL Non-Executive Director

Encik Augustus Ralph Marshall, aged 52, a Malaysian, is an Associate of the Institute of Chartered Accountants in England and Wales, and a Member of the Malaysian Institute of Certified Public Accountants, has more than 26 years' experience in financial and general management.

He is currently the Deputy Chairman and Group Chief Executive Officer of ASTRO ALL ASIA NETWORKS plc (listed on Bursa Malaysia) which is a leading, integrated cross-media company in Malaysia. He is also an Executive Director of Tanjong Public Limited Company (listed on Bursa Malaysia and the London Stock Exchange plc) which is involved in leisure and entertainment and power generation and Usaha Tegas Sdn. Bhd., which has significant interests in the aforesaid companies.

His other directorships include MEASAT Global Berhad (*formerly known as Malaysian Tobacco Company Berhad*) (listed on Bursa Malaysia) which is the operator of the Malaysia East Asia Satellite System satellites, KLCC (Holdings) Berhad, the developer and manager of the Kuala Lumpur City Centre development and Arnhold Holdings Limited (listed on The Stock Exchange of Hong Kong Limited) which is involved in contracting for the building and construction industry.

He was appointed a Director of Maxis on 30 June 1993. He sits as a member of the Audit, Nomination and ESOS Committees.

He has attended all six (6) Board meetings held in the financial year ended 31 December 2003.

TAN POH CHING

Non-Executive Director

Encik Tan Poh Ching, aged 57, a Malaysian, holds a first class honours degree in mechanical engineering from the University of Strathclyde, Scotland. He also attended the Advanced Management Programme at the Harvard Business School.

Between 1973 and 1990, he held various technical and commercial management positions in the Shell Group of Companies in Malaysia, before joining Tanjong Public Limited Company. He was the Chief Executive Officer of Tanjong Public Limited Company for 12 years until his retirement on 1 May 2003. He continues to be a Director of Tanjong Public Limited Company;

Pan Malaysian Pools Sdn. Bhd. and Powertek Berhad. He also holds directorships in AAAN (Bermuda) Limited (*formerly known as ASTRO ALL ASIA NETWORKS Limited*) (incorporated in Bermuda), ASTRO ALL ASIA NETWORKS plc (incorporated in England & Wales) Usaha Tegas Sdn. Bhd. and the Malaysian Community & Education Foundation.

He was appointed a Director of Maxis on 10 May 1994. He sits as a member of the Remuneration Committee and is the Chairman of the ESOS Committee.

He has attended all six (6) Board meetings held in the financial year ended 31 December 2003.

GENERAL INFORMATION IN RELATION TO THE BOARD OF DIRECTORS

1. None of the Directors have any family relationship with any directors and / or substantial shareholders of the Company.
2. None of the Directors have any conflict of interest with the Company.
3. None of the Directors have had any convictions for offences within the past 10 years.
4. None of the Directors have had any sanction and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2003.

profile of senior management team



1. Dato' Jamaludin bin Ibrahim
2. Edward Ying Siew Heng
3. Rossana Annizah bt Mohd Rashidi

DATO' JAMALUDIN BIN IBRAHIM

Chief Executive Officer/Executive Director

Dato' Jamaludin's detailed profile is contained in the "Profile of Directors" section as set out on pages 16 to 17 of this Annual Report.

EDWARD YING SIEW HENG

Chief Operating Officer and Director of subsidiaries

Edward was appointed Maxis' Chief Operating Officer in May 2003. He is responsible for managing all aspects of the day-to-day operations of the Company including both marketing, sales, customer service, product development and the engineering functions within Maxis' overall business strategies.

Prior to joining Maxis, Edward was the Chief Operating Adviser of Globe Telecom, a Singapore Telecom International (STI)'s investment. Initially taking care of fixed and international operations, he later took on the role of running Globe Telecom's mobile business operations.

Prior to Globe Telecom, Edward's previous posts included being the Managing Director of Cambridge Cable Group (UK), STI's UK joint venture telephone and cable television services and the Managing Director of MTV Channel Ltd / MBC Networks Ltd, STI's joint venture in Sri Lanka which operates a television and two commercial radio stations. Edward has over 22 years of management experience in the telecommunications and media industry.

ROSSANA ANNIZAH BT MOHD RASHIDI

Chief Financial Officer, Head of Finance Services and Director of subsidiaries

Rossana was appointed the Chief Financial Officer with effect from 1 January 2004. She joined Maxis in May 2003 as Deputy Chief Financial Officer. Rossana brings with her more than 15 years of working experience in the financial services sector. Prior to this, she was with RHB Bank where her last held position was Head of Enterprise Banking. In this capacity, she was responsible for managing the bank's corporate and commercial banking portfolios, debt capital market activities, trade financing and Islamic banking products. Rossana was also a member of the bank's management committee and the Information Technology steering committee. In addition, she was a director of RHB (Labuan) and Chairperson for a number of Corporate Debt Restructuring Committee debt restructuring initiatives.

Rossana was previously with Citibank, Kuala Lumpur where she rose to the rank of Assistant Vice President before she left to join RHB in 1994.

Rossana holds a Bachelor of Arts degree in banking and finance from Canberra University, Australia.



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4. Gregory John Drayton

5. Meha Sivamohan

6. Darke Mohamed Sani

GREGORY JOHN DRAYTON

Executive Vice President, Technology Group

Greg was appointed Executive Vice President, Head of Technology and Development in May 2002 and was later appointed Head of the new Technology Group (covering all engineering and Information Technology functions) in March 2003. He joined Maxis after having spent 30 years with Telstra, in Australia. Prior to joining Maxis, he held the position as General Manager, Mobile Network Engineering responsible for all mobile network development and strategic mobile technology planning in Telstra. He has a Master of Science degree from the University of Melbourne and a Bachelor of Engineering (Honours) degree in Electrical Engineering from Monash University.

MEHA SIVAMOHAN

General Counsel and Senior General Manager, Head of Legal and Regulatory Division and Director of subsidiaries

Meha was appointed General Counsel in January 2001 and heads the Legal and Regulatory Division. She has been with Maxis for 12 years. Prior to that, she was with Messrs. Shearn Delamore & Co. as a Legal Assistant for 3 years and at Universiti Pertanian Malaysia and University of Malaya as a lecturer / tutor for a total of 7 years. She earned a Bachelor of Science (Agribusiness) from Universiti Pertanian Malaysia, a Master of Science (Accounting and Finance) from the London School of Economics and a Bachelor of Laws (Honours) from the University of London, both from the United Kingdom and a Certificate of Legal Practice from the Legal Profession Qualifying Board. She was admitted to the High Court of Malaya as an Advocate and Solicitor in 1989.

DARKE MOHAMED SANI

Senior General Manager, Managing Director of the Enterprise Business Division

Darke was appointed Head of the Enterprise Business Division in December 2001. He was previously Apple Computer South Asia's Managing Director for the ASEAN region for 3 years. He spent 12 years with Digital Equipment Corporation in a variety of management positions in sales and marketing, as Director of Operations for the ASEAN region and as Managing Director for Singapore for the last 3 years. He has a Bachelor of Engineering (Civil) degree from the University of Singapore.



7. Lee Chin Yik

8. Kiang Chew Peng

9. Dato' Amdan bin Mat Din

LEE CHIN YIK

Chief Information Officer and Senior General Manager, Head of Information Services

Chin Yik was appointed Chief Information Officer in August 1998. He has 29 years experience in the Information Technology industry. Prior to joining Maxis, he held the position as Large Accounts Support Manager with Digital Equipment Corporation for 3 years. Before that, he spent 18 years with IBM in local and regional headquarters at various management levels, where his last position held was the Business Development Manager. He earned a Bachelor of Science in Physics from the University of Malaya.

KIANG CHEW PENG

Senior General Manager, Consumer Marketing

Chew Peng joined the Consumer Marketing team in February 2004 after 6 years as Head of Customer Services. She now oversees *maxis mobile* Postpaid Marketing and Customer Relationship Management / Marketing Services. She was appointed Head of Customer Services in January 1998 and has been with Maxis for 9 years. Prior to joining Maxis in 1994, she spent 4 years at Public Bank Berhad (Sales and Marketing Manager) and Citibank Berhad (Marketing Manager / Assistant Vice President). She has 13 years experience in advertising (Lintas and Ogilvy & Mather). She earned a Bachelor of Arts (majoring in Mass Communications) from Universiti Sains Malaysia.

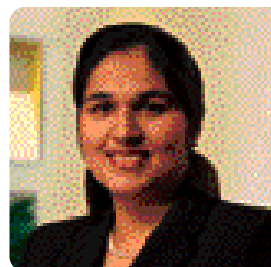
DATO' AMDAN BIN MAT DIN

Senior General Manager, Head of Corporate Affairs

Dato' Amdan was appointed Head of Corporate Affairs in January 2001 and has been with Maxis for 10 years. Prior to joining Maxis, he served the government in various capacities in the Judicial and Legal Service for 13 years, as Sessions Court Judge (1989-1990, 1993), Senior Federal Counsel (1990-1993) and Deputy Public Prosecutor, Wilayah Persekutuan (1993). He earned his Bachelor of Laws (Honours) from the University of Malaya, and was admitted to the High Court of Malaya as an Advocate and Solicitor in 1993.



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10. Azmi bin Ujang

11. Chow Chee Yan

12. Dipak Kaur

AZMI BIN UJANG

Senior General Manager, Head of Human Resources

Azmi was appointed Head of Human Resources in October 1999 and has been with Maxis for 11 years. Prior to joining Maxis, he was a Dealer Representative at Seagrott & Campbell, a stock broking firm for a year and spent 7 years at Standard Chartered Bank Berhad as a Covenanted Officer/National Officer in banking operations and human resources. He earned a Bachelor of Science (Finance) and a Masters of Business Administration from Indiana State University in the United States.

CHOW CHEE YAN

Senior General Manager, Head of Internal Audit

Chee Yan was appointed Head of Internal Audit in June 2002. Prior to joining Maxis, he was Director of Risk Management of MEASAT Broadcast Network Systems Sdn. Bhd. responsible for internal audit and change management. He has 13 years' experience with the Schlumberger Group as an International Financial Controller in Singapore, Indonesia and the United States. Prior to this, he was with Ernst & Whinney, Singapore (from 1981 to 1982) and Turquands Barton Mayhew, Manchester (from 1977 to 1981). He is a Chartered Accountant (England & Wales) and holds a Master of Business Administration from Cranfield Institute of Science and Technology in the United Kingdom.

DIPAK KAUR

Company Secretary

Dipak was appointed Company Secretary in September 2001. Prior to joining Maxis, she spent 6 years at DMIB Berhad as Company Secretary/Legal Advisor and 2 years at Arab Malaysian Corporation Berhad. She earned a Bachelor of Laws from University of Leicester, United Kingdom and a Masters in Law from University of Malaya. She also obtained a Certificate of Legal Practice from the Legal Profession Qualifying Board and a Certified Diploma in Accounting and Finance from the Association of Chartered Certified Accountants. She was admitted to the High Court of Malaya as an Advocate and Solicitor in 1993.



On behalf of the Board of Directors of Maxis, I am pleased to present the Annual Report incorporating the Financial Statements of the Group and Company for the year ended 31 December 2003 - my first report since my appointment as Chairman on 1 January 2004.

HIGHLIGHTS

A stable political environment and the continuing focus on investment and trade led to a strong Malaysian economic performance in 2003 with a 5.3% Gross Domestic Product growth. This provided the foundation for your Company's encouraging performance.

2003 was an excellent year for the Group. We achieved better than expected financial performance and operational growth. These results reflected the synergies gained from the acquisition and integration of Malaysian Mobile into the Group, and cost reduction achieved from the internal corporate reorganisation. Our mobile network also increased in both capacity and efficiency. I am pleased to report that the integration of Malaysian Mobile, was achieved ahead of schedule and at lower than expected cost.



Mobile office solutions



VSAT services enable telephony and Internet connections to rural areas



Delivering new and exciting mobile content

We regained our position as the number one mobile service provider in terms of subscribers and market share.

Mobile segment revenue grew by 25% to end the year at RM4,416 million. The 44% growth in subscriber base far exceeded the industry growth of 23%. This is testimony to our continuing efforts in the development of innovative products, services, systems and skills of our people.

Revenue from the fixed line and Internet services segment ended the year at RM502 million, up 23% from the previous year. Whilst a large part of this was due to higher capacity and leased line requirements by the mobile segment, the focus towards controlling cost and re-aligning our strategy to support the mobile segment, has resulted in increased profitability. Profit from operations grew by 76% from RM144 million reported in 2002.

The market environment for our international gateway segment was increasingly competitive in 2003. Large international carriers operating in this same business segment lowered international tariffs to gain a larger market share of the international business and as such, margins within this business segment were squeezed. While volume of minutes traded increased substantially during the year, revenue growth on the other hand only increased 15% as compared to 2002. Profit from operations declined 16% from RM31 million in the previous year, mainly due to lower margins earned.

FINANCIAL POSITION

Whilst Group revenue rose 24% to RM4,680

million, EBITDA increased 28% to RM2,404 million, with EBITDA margin improving by 1% to 51%.

Group profit after tax at RM1,841 million included the effects of the deferred tax assets and reversal of deferred tax liability amounting to RM960 million and the one-time cost relating to Malaysian Mobile's network assets write-off and integration costs of RM145 million and RM87 million respectively. Excluding these items, the adjusted profit after tax stood at RM1,113 million. This was the first time the profit after tax of Maxis exceeded RM1 billion.

Earnings per share for the year was 75.07 sen and based on the adjusted profit after tax of RM1,113 million, the adjusted earnings per share would be 45.37 sen.

Group shareholders' funds stood at RM4,551 million at year-end, with a cash position of RM1,067 million and debts of RM1,038 million.

DIVIDENDS

Maxis made an interim, tax-exempt, dividend payment of 10.00 sen per share on 14 April 2004. The Board also recommended a final net dividend payment of 10.00 sen per share, which will be paid on 21 July 2004, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Collectively, this represents a dividend of RM492 million, or a payout ratio of approximately 44%, for the financial year ended 31 December 2003. This is consistent with Maxis' objectives of preserving cash for future growth and providing shareholders with a balance of income and capital gains.



Maxis customers enjoy roaming in 132 destinations worldwide

The Group has continued to implement best practices in wider aspects of its business conduct as part of its commitment to good corporate governance

CORPORATE DEVELOPMENTS

Shareholders had previously approved the proposed grant of an option by Advanced Wireless Technologies Sdn. Bhd. (a wholly owned subsidiary of the Company), to MEASAT Broadcast Network Systems Sdn. Bhd. for the latter to subscribe up to 25% of its equity interest. The terms of the arrangement are being finalised.

Following the assignment of the spectrum by the Malaysian Communications and Multimedia Commission for the provision of 3G services, the 3G pilot trials commenced in March 2004 with the target for commercial launch by the end of this year.

CORPORATE GOVERNANCE

The Group has continued to implement best practices in wider aspects of its business conduct as part of its commitment to good corporate governance. Within the organisation, management continues its efforts to ensure that all employees are fully conversant and in compliance with various procedures and operating manuals.

PROSPECTS AND FUTURE DIRECTIONS

Mobile user penetration rate is expected to reach 60% - 70% by the end of the decade. Your Company intends to maintain its leading market share position and pursue future revenue growth through the greater use of mobile data, m-commerce, mobile wholesale and location-based services and innovations, such as WiFi and 3G product offerings.

We will continue to enhance organisation capability in key areas. Concerted efforts are ongoing in leadership developments to keep pace with the ever-changing environment. Performance improvement areas tackled include process efficiencies and cost take-out. Maxis will also work with business partners to ensure that economies of scale, synergies, technology and best practice sharing, and other benefits are obtained to create greater value for the Group.

We will build on these foundations over time, whilst we look at new inorganic growth opportunities commensurate with our growing capabilities.

COMMUNITY COMMITMENT

Maxis exercises its social role as a responsible corporate citizen through involvement in various community development activities.

Key programmes are initiated under the theme "Maxis Bridging Communities". Our focus is to empower and connect communities, primarily youth, through education in communications technology.

During the year, Maxis widened support for education of deserving students, with a pledge of RM10 million to education funds, out of which RM3.5 million has been donated to Universiti Tunku Abdul Rahman and RM1.5 million to the Malaysian Community & Education Foundation.

Maxis remains conscious of its duty to assist the government to rollout telecommunications services into underserved areas allowing their participation in the country's growing economic



Maxis Authorised Service Agents partner with us for efficient customer service



The Maxis Volunteer Brigade in action

Maxis remains conscious of its duty to assist the government to rollout telecommunications services into underserved areas allowing their participation in the country's growing economic and social development

and social development. The government enables this through the setting up of the Universal Service Provision Fund with contribution by the various telecommunications companies. In 2003, Maxis committed RM109 million to this fund and the Company is taking part in the implementation of selected projects.

CHANGES TO THE BOARD

On behalf of my colleagues on the Board, I would like to express our appreciation to my predecessor, Yang Amat Berbahagia Tun Haji Mohammed Hanif bin Omar for his distinguished services to Maxis. His leadership, commitment and diligent contributions to Maxis over the past decade are reflected in the success of Maxis. I am looking forward to carrying on this tradition of excellence as we work together to steer Maxis to greater heights.

We are all deeply saddened by the sudden demise of Mr. Timothy Hugh Ling, aged 46, who was our Independent Non-Executive Director for 2 years. His brilliant insights and profound views will be deeply missed. Our thoughts remain with his family.

Encik Khoo Teng Bin, our Director since 1986 has expressed his intention not to seek re-election at the forthcoming Annual General Meeting. Encik Khoo played a key role in establishing Maxis as a telecommunications operator and has been instrumental in the growth of the Group. We would like to extend our gratitude to him for his invaluable services and his distinguished contributions to the Board.

IN GRATITUDE

On behalf of the Board, I would like to extend our appreciation to the many people who have supported and contributed towards Maxis' performance in 2003 – the government and regulatory authorities who have established a conducive environment and framework for our business, our shareholders, customers, business partners, and not least, our employees – Thank you.

DATUK MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

CHAIRMAN

28 April 2004

chief executive officer's review of operations



2003 was another year of strong financial and operational performance. I am especially pleased with the strong growth in profits and market share.

Key performance highlights of 2003:

- Revenue increased 24% to RM4,680 million, EBITDA margin improved to 51% and adjusted profit after tax amounted to RM1,113 million, a healthy 17% increase from 2002. This was attributed to our increasing mobile customer base and higher contributions from mobile data.
- Strong fundamentals with a high quality customer base, demonstrated by high prepaid and postpaid ARPUs, low customer churn and decreasing bad debt, comparing very well to the region's best operators.
- Highest share of mobile revenue and profit in the industry. In terms of subscribers, we regained the lead in market share within months despite the merger of the Company's two largest competitors.
- Continued rapid increase in mobile data services revenue, with an acceleration in advanced data services revenue, in addition to simple SMS.
- The smooth integration of Malaysian Mobile, which was achieved well within budget and ahead of the planned timeframe. We have since enjoyed the benefits of additional spectrum.



Maxis leads in the Malaysian mobile market



Building customer loyalty through the Maxis One Club



No.1 mobile coverage along the North-South Highway

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- An organisation strengthened with new senior appointments.
- Cost reduction exercises resulting in, among other things, lower general and administration costs, lower distribution costs and a new network equipment supply contract.
- The successful award of the 3G spectrum to our subsidiary UMTS (Malaysia).

With the progress we have made so far, we are on track to achieve our vision of being the most preferred and successful communications group, as viewed by our shareholders, customers, employees and partners, and as benchmarked against the region's best operators.

ACQUISITION AND INTEGRATION OF MALAYSIAN MOBILE

On 7 May 2003, the Company announced the completion of the acquisition of the entire equity in Malaysian Mobile. This acquisition and the integration of the two businesses were our most significant activities in 2003, delivering a range of short and long-term benefits:

- **Spectrum.** Our ability to grow our customer base by 1,366,000 net subscribers in 2003 at a much lower cost to serve per subscriber was mainly due to the additional 25MHz of spectrum acquired. As such, total

mobile capital expenditure ("capex") per incremental subscriber was reduced by over 30% in the fourth quarter of 2003 compared to 2002.

- **Coverage.** The integration of over 300 or about a third of Malaysian Mobile's sites into our network helped reduce our rollout costs. It also provided us with key strategic benefits, for example, to achieve more than 99% coverage of the North-South Highway, which was previously not possible.
- **Customers.** We acquired over 350,000 revenue-generating Malaysian Mobile customers.

Since the fourth quarter of 2003, Malaysian Mobile has been integrated with the rest of the Group in terms of processes, organisation, network, and services. The integration exercise was completed earlier than planned while integration capex and integration operating expenditure ("opex") were lower than originally expected (capex at RM122 million versus RM250 million, and opex at RM87 million versus RM120 million). Our 012 and 017 customers have been receiving service from a single customer service organisation and an integrated network, and 017 prefixed products are now marketed as Maxis products.

A highlight of the year was the growth of our mobile data services, which contributed 12% to the mobile segment revenue, as compared to 7% in 2002. Mobile data revenue grew by 120% to RM539 million in 2003 from RM245 million in 2002. We are further encouraged by the growth of mobile data services beyond simple SMS.

MOBILE SERVICES

The Group's mobile revenue for the year increased 25% or RM886 million from RM3,530 million in 2002 to RM4,416 million in 2003, accounting for 94% of Group revenue.

A highlight of the year was the growth of our mobile data services, which contributed 12% to the mobile segment revenue compared to 7% in 2002. Mobile data revenue grew by 120% to RM539 million in 2003 from RM245 million in 2002. We are further encouraged by the growth of mobile data services beyond simple SMS. Our customers increased their use of GPRS and SMS-based ringtones, downloads, information services, games and other advanced data services in 2003. This accounted for 17% of mobile data revenue, a more than five-fold increase from RM16 million in 2002 to RM91 million in 2003.

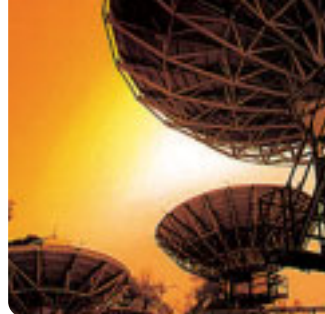
During 2003, our subscribers grew by 44% to 4,464,000 customers. This represented a market share of about 40%, an increase of 6% over the previous year. We also experienced the strongest positive growth to date, with 1,366,000 net subscribers added during the year, representing over 60% of net subscriber additions to the market. Despite the industry experiencing negative growth in the postpaid sector, we added 110,000 net subscribers. Our prepaid business delivered an increase of 1,256,000 net subscribers, as a result of more focused marketing programmes and premium yet competitively priced prepaid starter packs.

- ARPU for both postpaid and prepaid remained high during the year at RM167 and RM64 respectively, driven by the continued high quality of new subscribers and the increasing contribution to ARPU by SMS and other data services, especially among new customers. Billable SMS traffic increased to 2.7 billion messages in 2003 compared to 1.4 billion messages in 2002.
- Churn was at 25%. Excluding the Malaysian Mobile churn, Maxis recorded an overall low churn rate of 19%, of which prepaid and postpaid contributed 18% and 21% respectively.
- Mobile subscriber bad debts were reduced to 1.8% of postpaid subscriber revenue.

To secure future revenue growth, we made capex investments for GSM amounting to RM928 million and have begun preparing the ground for a 3G network to further grow data services revenue.

FIXED LINE SERVICES

Our fixed line services continued to focus on maximising value from existing assets, providing solutions to the corporate and enterprise sectors, and supporting the mobile segment. With this strategy, our fixed line segment results improved by 76% from an operating profit of RM144 million in 2002 to RM253 million in 2003, on revenue of RM408 million and RM502 million in 2002 and 2003 respectively. We invested



VSAT services continue to grow and gain acceptance in the corporate and government sectors



Providing mobile enterprise solutions to increase productivity and efficiency



Our prepaid business experiences the strongest subscriber growth

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RM94 million in capex to provide services to our corporate customers, which have grown to approximately 10,000 accounts.

Our VSAT services strengthened their position in corporate and government sectors with, among others, a government contract to deploy broadband VSAT connectivity for voice and data to 224 libraries and clinics. We continued to review and exit from unprofitable products, including the withdrawal from the Internet dial-up business in 2003.

INTERNATIONAL GATEWAY SERVICES

Our international gateway operated in a highly challenging environment, with intense competition from both domestic and international operators. Its primary role is to support our mobile, fixed and wholesale services in delivering high quality IDD calls to Maxis customers. With rapid reductions in settlement rates in global markets, the international gateway segment recorded a 16% decline in operating profit from RM31 million in 2002 to RM26 million in 2003. Total IDD profits for the Group were, however, positive. In terms of overall traffic carried by our international gateway, Maxis recorded a 67% increase year-on-year mainly from its wholesale operations, thus exploiting its existing investments in submarine cable systems.

As competition in the global international gateway business intensified, we have maintained low capex investments of RM17

million during the year, primarily to secure a second international gateway to support growth and provide resilience as part of our business continuity plan.

CUSTOMER SERVICE

Maxis' Customer Service and our people were recognised with awards from the Call Centre Association (Malaysia) in June 2003 and the then Ministry of Energy, Communications and Multimedia in January 2004.

Our customers contacted Maxis directly through our 24-hour contact centre and our 25 Maxis Centres and i-Centres, for all types of services including enquiries, registrations, problem resolutions and bill payments. In addition, our customers accessed our services through the Internet and the 55 Maxis Authorised Service Agent outlets across Malaysia. In 2003, we enhanced our customer service through the following initiatives:

- Express Payment Kiosks in 11 locations to enable our customers to pay their Maxis bills 24 hours a day, 7 days a week by cash, cheque or credit card.
- The use of SMS as a service channel, including the ordering of value-added services via SMS.
- The extension of e-payment to RHB Bank Berhad and Hong Leong Bank Berhad savings and current accounts to allow



Our Express Payment Kiosk offers 24 hours a day, 7 days a week payment convenience

Our mobile network expanded in 2003 by over 600 base stations to 3,188 base stations... The availability of additional 1800MHz spectrum from Malaysian Mobile in 2003 allowed for more efficient radio planning, resulting in further cost and quality benefits.

CUSTOMER SERVICE (Continued)

customers to pay their Maxis bills via the Internet. This is in addition to our e-payment facilities already in place with Malayan Banking Berhad, Bumiputra Commerce Bank Berhad, and others.

NETWORK

Our mobile network expanded in 2003 by over 600 base stations to 3,188 base stations, covering an estimated 80% of Malaysia's overall population and 90% of Peninsular Malaysia's population.

We saw continued improvements in key performance indicators, including lower rates of dropped calls, and fewer network outages and cell blockages.

The availability of additional 1800MHz spectrum from Malaysian Mobile in 2003 allowed for more efficient radio planning, resulting in further cost and quality benefits.

To secure better efficiencies and improve flexibility in network equipment supply, we adopted a dual-vendor strategy to provide 2G and 3G network equipment. The benefits of the new terms resulting from this strategy will be apparent from 2004 onwards, with an anticipated RM200 million to RM300 million cost savings in the next three years.

3G

Our subsidiary UMTS (Malaysia) was assigned spectrum for 3G mobile services in April 2003. As part of our commitment to the spectrum assignment, we commenced 3G trials in March 2004 using 20 sites in selected areas of Kuala Lumpur.

We are targeting a commercial launch of 3G services by the fourth quarter of 2004 and estimate that a total capital commitment of RM200 million will be required in 2004 to establish the initial launch capability, including approximately 300 sites in the Klang Valley.

3G represents a major opportunity for service revenue growth in the future. We also recognise the challenges to a commercially successful 3G launch: for example, user-readiness, the availability of handsets, as well as applications and services. We are thus mitigating the risks through careful and cautious implementation, including monitoring and learning from commercial launches worldwide, as well as, favourable commercial arrangements with our 3G vendors.

ORGANISATIONAL DEVELOPMENT AND HUMAN RESOURCE

In 2003, we invested about RM10 million to develop our employees' functional skills in areas such as customer service, new technology and project management.



Our Network Management Centre monitors network performance around the clock



We are committed to the community and social development

To develop future Maxis leaders to meet our long-term needs, we launched a leadership programme to identify, assess and develop a pool of potential talent. Our senior leadership team has been strengthened with the new appointments of a Chief Operating Officer and a Chief Financial Officer.

MULTIMEDIA SUPER CORRIDOR

Maxis continued its commitment to the Multimedia Super Corridor initiative and confirmed its position as a major provider of broadband services in Cyberjaya. Maxis Multimedia Sdn. Bhd., our *MSC-Status* wholly-owned subsidiary, leverages on Maxis' leadership in mobile content and applications to jointly develop innovative applications and services with technology partners through the Maxis Developer Programme. The programme is an industry development initiative through which we have committed RM30 million over the next five years to work with new content developers for the benefit of Maxis and the industry as a whole in the long term.

CHALLENGES AND FUTURE DIRECTION FOR THE YEAR 2004

Among the challenges we expect to face in the coming year are delivering even further improvements in network quality and coverage, and gearing up to stronger competitors in the consolidated mobile market.

Four key strategies will allow us to grow, stay competitive and be profitable:

1) *Protecting existing subscribers*

We have over four million valued customers. Our continued improvements in network quality and coverage are key to maintaining these customers. While we work on more ways to package innovative value-added services to increase customer loyalty, we will enhance our existing loyalty programmes and introduce new prepaid loyalty schemes.

2) *Growing revenue through new subscribers*

- We will compete aggressively in segments where we have grown most rapidly over the past year by continuing to offer the best quality network and customer service.
- We will increasingly use our value-added services to attract customers from other networks.
- We will actively target new markets in more rural and semi-urban areas, and meet the needs of youth segments.

To support these plans we are developing a more detailed understanding of our customers through data mining and a regional team approach.

Moving forward with
3G services



Maxis was the first to
launch MMS in Malaysia



3) *Growing revenue through new products and services*

- We will continue to grow SMS revenues, building on the momentum of our successful marketing programmes including SMS-based games, contests and TV-polling.
- We will aggregate and market an increasing range of new mobile content such as ringtones, graphics, games and information. These will be developed in collaboration with third-party developers.
- New applications and services are starting to make an impact, including MMS, other GPRS services, and enterprise solutions, although their revenue contributions are not expected to be significant in the short term.

4) *Managing cost structure*

We will continue to be cost conscious, and pursue more efficient ways of doing business, building on the cost reductions we achieved in 2003.

LONGER TERM

The industry and technology landscape in the next few years will be markedly different from today. Consequently, our long-term strategies will have to be different from the past. These

strategies will centre around five core areas, which are growth, competition, financial management, new technologies and human capital.

1) *Growth*

Given the industry's maturing subscriber growth in the next few years, our future revenue growth has to be more dependent on products and services.

We are exploring new organic growth opportunities by enhancing our mobile data products and contents, beyond simple SMS. Our focus will be on information and entertainment services. We are also working on new advanced applications such as m-commerce, telemetry and enterprise solutions beyond traditional mobile services. Wireless-based broadband services are also being explored. Many of these initiatives may initially be small but are expected to grow significantly in the next three to five years.

We are also identifying further inorganic growth opportunities for the longer term in related markets and sectors, and are cautiously monitoring countries where operational synergies may exist, and where we can enhance shareholders' value.

Our future revenue growth has to be more dependent on products and services... Our ability to stay agile, proactive and vigorous in our pursuit of innovation in branding, services, products and distribution, while delivering cost efficiencies, are key to our continued success.



Enhancing your lifestyle through new and exciting mobile services

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2) *Competition and partnerships*

We may face new entrants offering limited mobility services or competing through new technologies. There may also be competition from global or regional players working independently or with existing competitors.

We will continue to be vigilant. Our ability to stay agile, proactive and vigorous in our pursuit of innovation in branding, services, products and distribution, while delivering cost efficiencies, are key to our continued success. We are also working with other regional and global players to derive synergies through alliances such as the Asia Mobility Initiative and Wireless Broadband Alliance.

3) *Sound financial management*

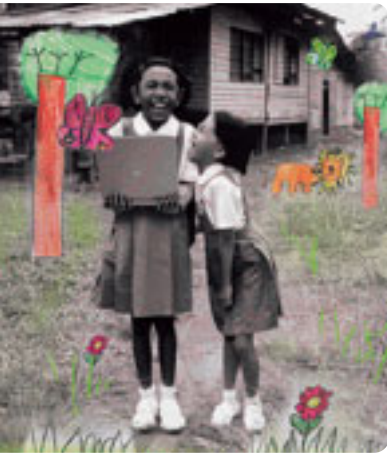
To ensure our long-term profit growth remains higher than our revenue growth, we need not only reduce line-item costs but also to review the cost structure itself by introducing new and different ways to conduct our business, including outsourcing, partnerships and process improvements. We will continue to ensure that both integrity and transparency are upheld in our business conduct, financial management and shareholder reporting.

4) *New technologies*

In the past, we have focused primarily on 2G and 2.5G mobile technologies. However, significant changes are expected. Many devices are becoming wireless, and wireless technologies are evolving to meet increased expectations for higher bandwidth, functionality and mobility. GSM itself is on a migration path towards 3G, which is still in its infancy. As our business becomes more data-oriented, our network and systems are being redesigned around Internet Protocol services, and Information Technology-based platforms.

Apart from 3G, we are studying other wireless-based technologies, including WiFi, Wi-Max, Fixed Wireless Access, TDD, HSDPA and PTT.

We are already conducting research and development in many of these technologies, and will deploy them where appropriate – either to complement and enhance our existing network, or to generate new growth opportunities beyond our existing market segments. An example is our controlled roll-out of WiFi in designated hotspots.



Creating social
development programmes
for rural communities
nationwide

Our approach is aggressive and relentless in pursuit of growth yet balanced for the future - focusing on the development of human capital; ensuring strong corporate governance; while reinforcing our commitment to nation-building through our corporate social responsibility programmes.

5) *Human capital*

To support the changing business landscape, especially in areas beyond traditional voice, we have to aggressively upgrade our employees' competencies and bring in new talents. We are embarking on a range of additional Human Resource programmes as part of our continuing initiatives to develop our potential leaders.

Our success in the past has been built on a set of strategies that we have consistently followed from year to year. However, we recognise that our world is constantly changing, and we must reinvent ourselves to meet new challenges. Our approach is aggressive and relentless in pursuit of growth yet balanced for the future – focusing on the development of human capital; ensuring strong corporate governance; while reinforcing our commitment to nation-building through our corporate social responsibility programmes.

CONCLUSION

2003 was an excellent year. We entered 2004 from a position of strength and with strong momentum built over the years. We are now proactively reinventing ourselves to craft a new future, creating a bigger competitive edge for Maxis.

I would like to take this opportunity to extend my gratitude to our previous Chairman, Yang Amat Berbahagia Tun Haji Mohammed Hanif bin Omar for his leadership throughout his tenure on the Board. It has been a privilege for us to work under his guidance.

Finally, I wish to also thank our Board of Directors, government authorities, shareholders, customers, employees, distributors, dealers and partners for your support and contribution to our success in 2003. I look forward to working with you in an exciting year ahead.

DATO' JAMALUDIN BIN IBRAHIM

CHIEF EXECUTIVE OFFICER

28 April 2004

corporate social responsibility

Bridging Malaysian
communities



Extending computer education to
rural school children



**Maxis
Bridging
Communities**

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Bridging Communities for a Brighter Future

At Maxis, we believe in striking a balance between profitability and our contributions to the communities. Even as we continue to stride ahead, we are mindful that we are in the business of creating value and opportunity for all. We are driven by the belief that technology must serve everyone, not just the privileged. Hence, we are committed to building bridges of education and technology to reach every community in need. It is when people are empowered that they are able to improve the quality of their lives and embrace the challenges of this new world.

Launched in December 2001 as part of our Corporate and Social Responsibility programme, Maxis Bridging Communities aims to empower and connect communities, primarily the youth, through education in communications technology. With a commitment of RM20 million annually, we hope to link communities to a brighter, more rewarding future for all.

Our key programmes include:

The CyberKids Camp, which targets rural school children. They are taught how to use the computer and the Internet. At the same time, they are also exposed to leadership and



Reaching out to our
communities



Championing the spirit of
volunteerism among Maxis staff



Guiding our future
generation through
education and technology

team building skills. More than 300 rural schools in East Malaysia and Perlis thus far, have benefited from these training camps.

www.maxis.comunities.com.my, our community portal, contains an e-learning site [Learn@Maxis](#), which provides school children from Standard 1 to Form 5 with free tutorials. Through our encouragement for schools to build their own websites, the portal now hosts several hundred sites nation-wide. It also allows job search access by riding on the JobStreet platform, as well as, provides job interview tips and guides. We will continue to increase the content of this popular website to meet the evolving needs of our communities.

Excellence in Education Funds, which contributes to local institutions of higher education to enable less privileged students to continue their education. We have, thus far, contributed RM3.5 million to Universiti Tunku Abdul Rahman and RM1.5 million to the Malaysian Community & Education Foundation.

Maxis Volunteer Brigade, our Maxis employee-inspired volunteer programme. We believe that charity should begin at home, and through this programme, we encourage and support all our employees to embrace the spirit of volunteerism. Maxis Volunteer Brigade has since grown ten-fold to more than 500 staff nation-wide, actively participating in monthly charity activities in their communities. In 2004, we are proud to include Maxis dealers who will join us in our efforts to make a difference in the lives of the less fortunate.

Maxis Developer Programme, the Company's industry development programme dedicated to supporting the growth of local mobile content development by providing equipment, training, testing facilities, marketing and funding. With the strong response of over 350 local developers registered with Maxis, we are committed to investing and driving innovation for 2004 and beyond.

audit committee report

The Board of Maxis is pleased to present the Report on the Audit Committee (the “Committee”) for the financial year ended 31 December 2003.

MEMBERS AND MEETINGS

The members of the Committee during the financial year comprised the members listed below:

No.	Name	Status of Directorship	Independent
1.	Timothy Hugh Ling (Chairman of the Committee) (Deceased on 28 January 2004)	Non-Executive Director	Yes
2.	Dato' Seri Syed Anwar Jamalullail	Non-Executive Director	Yes
3.	Augustus Ralph Marshall	Non-Executive Director	No

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During the financial year, the Committee conducted five (5) meetings on 26 February 2003, 28 April 2003, 26 May 2003, 26 August 2003 and 15 November 2003, which had 100% participation by all members.

Following the demise of the Chairman of the Committee, Timothy Hugh Ling on 28 January 2004, Dato' Seri Syed Anwar Jamalullail, an existing member of the Committee and Lord Killearn were appointed as Chairman and additional member of the Committee respectively on 25 February 2004.

The Group's internal and external auditors and certain members of senior management attended all the meetings during the financial year. The Committee met with the internal and external auditors in separate private sessions three (3) times during the financial year.

Details of the Committee members' profiles are contained in the “Profile of Directors” as set out on pages 16 to 19 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 risk profile of the Group prepared by Enterprise Risk Management;
- Reviewed the progress of the risk management function in its on-going identification and monitoring of key risks, and the controls implemented by the respective departments in managing these 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 with appropriate officers of the Group and external auditors the quarterly financial results and annual audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia focusing on the matters set out in Section 6 of the Terms of Reference, "Responsibilities and Duties of the Committee" under the heading "Financial Reporting" and the following areas, where relevant:
 - Listing Requirements of Bursa Malaysia;
 - Provisions of the Companies Act, 1965 and other legal requirements;
 - Applicable approved accounting standards.

External Audit

- Reviewed with the external auditor, their audit plan for the financial year ended 31 December 2003 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 financial year end 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 auditor, their audit plan for the financial year ended 31 December 2003 ensuring that principal risk areas (identified by Enterprise Risk Management) are adequately identified and covered in the plan;
- Reviewed the recommendations by internal audit, representations made and corrective actions taken by management in addressing and resolving issues as well as ensuring that all issues are adequately addressed on a timely basis;
- Reviewed the results of ad-hoc investigations performed by internal audit and the actions taken relating to those investigations;
- Reviewed the adequacy of resources and the competencies of staff within the internal audit department to execute the plan, as well as the audit programmes used in the execution of internal auditors' work and the results of their work;
- Reviewed the adequacy of the terms of reference of internal audit;

Related Party Transactions

- Reviewed related party transactions for compliance with the Listing Requirements of Bursa Malaysia and the appropriateness of such transactions before recommending to the Board for its approval;
- Reviewed the procedures for securing the shareholders' mandate for Recurrent Related Party Transactions;

Others

- Reviewed the adequacy of the terms of reference of the Committee; and
- Conducted a self-assessment to monitor the Committee's overall effectiveness in meeting their responsibilities.

SIGNIFICANT ACTIVITY UNDERTAKEN SUBSEQUENT TO THE FINANCIAL YEAR

Employee Share Option Scheme

- In compliance with the Listing Requirements of Bursa Malaysia, Appendix 9C, Paragraph 25 in furtherance of the Committee's obligations under Paragraph 8.21A, which came into effect on 10 February 2004, the Committee verified the allocation of the options pursuant to the criteria set out in the Employee Share Option Scheme for the financial year ended 31 December 2003.

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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 control 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 control 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 will then be communicated to the Committee. The Head of Internal Audit reports directly to the Chairman of the Committee.

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Function of the Committee

The Committee is a committee of the Board with the function of assisting the Board in fulfilling its oversight responsibilities. The Committee will review the Group's financial reporting process, the system of internal control and management of enterprise risk, the audit process and the Group's process for monitoring compliance with laws and regulations and its own code of business conduct, as well as such other matters, which may be specifically delegated to the Committee by the Board.

2. 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 will 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 Chairman will, in consultation with the other members of the Committee, the Group's external auditors and the appropriate officers of the Group, be responsible for calling meetings of the Committee, establishing agenda and supervising the conduct thereof. The Board will 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 member of the Committee shall fulfill any one of the following qualifications:

- Be a member of the Malaysian Institute of Accountants; or
- Have at least three (3) years working experience and:
 - (i) have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (ii) 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 having the function of being primarily responsible for the management of the financial affairs of a corporation.

In the event of any vacancy in the Committee resulting in non-compliance to Committee composition, the Company must fill the vacancy within three (3) months.

3. 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 each financial year, the Committee may make decisions by way of circular resolutions. Due notice of the issues to be discussed must be given to the Committee and the conclusions of such discussions must be 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 sessions. The Committee shall meet with the external auditors and internal auditors in separate private sessions at least once (1) in each financial year.

The Chairman of the Committee provides the Board a report of the Committee meetings.

4. Secretary of the Committee

The Company Secretary shall be the secretary of the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Board.

5. 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 Company, to:

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

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6. 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 executives, general counsel, appropriate members of the staff, the adequacy of the Group's processes to identify, monitor and manage key risks and internal controls with respect to business practices.

Financial Reporting. Review with or without the presence of appropriate officers of the Group and external auditors, the annual and quarterly financial statements of the Group including the announcements pertaining thereto, prior to Board approval, focusing on, inter alia; 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 applicable approved accounting standards and legal requirements.

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

Internal Audit. Review with the internal audit department 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; any appraisal or assessment of the performance of the internal auditors; approve the appointment or termination of the Head of Internal Audit; and inform itself of staff resignations of the internal audit department and provide the resigning staff an opportunity to submit his/her reason for resigning.

6. Responsibilities and Duties of the Committee (continued)

External Audit. Review and report to the Board its recommendation on the proposed appointment of the external auditors, the proposed audit fees and any questions of resignation or dismissal; their plans, scope of their annual audit and other examinations, results of the external audit work including adjustments to the financial statements of the Group, if any, the accompanying management letters and responses; any factors related to the independence of the external auditors and assistance given by the Group and the Group's employees.

Reporting Responsibilities. Report its activities to the Board in such manner and at such times, as it deems appropriate; and report to Bursa Malaysia 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 Bursa Malaysia.

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

The Board of Maxis recognises the importance of good corporate governance in directing the businesses of the Group. The Board is fully committed to ensure that the highest standard of corporate governance as articulated in the Principles and Best Practices set out in the Malaysian Code of Corporate Governance (“the Code”) is practised throughout the Group as the underlying principle in discharging its responsibilities and to ensure transparency and corporate accountability.

Compliance with the Code

The Board is pleased to state how the Company has applied 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 2003. The Board is of the opinion that it has, in all material respects, complied with the Principles and Best Practices outlined in the Code.

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(I) BOARD OF DIRECTORS

1. Composition of the Board and Board Balance

i. Current Board

The current Board has seven (7) members, comprising six (6) Non-Executive Directors (including the Chairman) and one (1) Executive Director.

Y. A. Bhg. Tun Mohammed Hanif bin Omar resigned as Chairman and Director on 1 January 2004, and Y. Bhg. Datuk Megat Zaharuddin bin Megat Mohd Nor was appointed as the Chairman and Director of Maxis, on the same day.

Mr. Timothy Hugh Ling, who was an Independent Director for 2 years, passed away on 28 January 2004.

ii. Composition of the Board

Three (3) of the six (6) Non-Executive Directors are independent, in keeping with the Best Practices set out in the Code that independent non-executive directors need to make up at least one third of the membership of the Board.

iii. Balance of the Board

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 finance, technical, business, general management and strategy that has been vital to the successful direction of the Group.

A brief description of the background of each Director is contained in the “Profile of Directors” section as set out on pages 16 to 19 of this Annual Report.

The number and the mix of skills of the Directors bring to the Board the necessary range of experiences and expertise along with the core competencies, to enable 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

iii. Balance of the Board (continued)

presence of Non-Executive Directors of the necessary calibre to carry sufficient weight in the Board's decisions. Although all Directors have responsibility for the Group, the roles of these Non-Executive Directors, especially Independent Non-Executive Directors, are important as they provide unbiased and independent views, advice, direction and judgements 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 Group and the shareholders, but also of employees, customers, suppliers and other communities in which the Group conducts its business.

2. Division of roles and responsibilities between the Chairman and the Chief Executive Officer

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 operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies, mandates and decisions.

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

- i. the working of the Board;
- ii. the balance of membership, subject to Board and shareholders' approval;
- iii. ensuring that all relevant issues are on the agenda;
- v. 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 that Directors, especially the Non-Executive Directors receive timely, relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings; and
- v. ensuring that the Executive Director looks beyond his executive function and accepts his full share of responsibilities of governance.

3. Board meetings

The Board intends to meet at least four (4) times a year, with additional meetings convened as and when necessary. Due notice is given for all scheduled meetings and additional meetings are convened for urgent and important matters, as and when the need arises.

During the financial year ended 31 December 2003, six (6) Board meetings were held and the details of the attendance of the Directors were as follows:

3. Board meetings (continued)

Director	Designation	Number of Meetings attended during the year	Percentage
Tun Haji Mohammed Hanif bin Omar (resigned w.e.f. 1 January 2004)	Chairman, Non-Executive Director	6 out of 6 meetings	100%
Dato' Seri Syed Anwar Jamalullail	Independent Non-Executive Director	6 out of 6 meetings	100%
Lord Killearn	Independent Non-Executive Director	6 out of 6 meetings	100%
Timothy Hugh Ling (deceased on 28 January 2004)	Independent Non-Executive Director	5 out of 6 meetings	83%
Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin (retired from office on 19 June 2003)	Non-Executive Director	3 out of 3 meetings	100%
Khoo Teng Bin	Non-Executive Director	5 out of 6 meetings	83%
Augustus Ralph Marshall	Non-Executive Director	6 out of 6 meetings	100%
Tan Poh Ching	Non-Executive Director	6 out of 6 meetings	100%
Dato' Jamaludin bin Ibrahim	Executive Director and Chief Executive Officer	6 out of 6 meetings	100%

4. Specific Responsibilities of 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 being properly managed;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

4. Specific Responsibilities of the Board (continued)

- succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- developing and implementing an investor relations programme or shareholders' communications policy for the Group; and
- reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Specifically and within the limits set by the Company's Articles of Association ("the 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.

5. Appointments to the Board

The Nomination Committee recommends the appointment of new Directors to the Board.

New appointees to the Board are put on an orientation and familiarisation programme, which includes visits to the Group's business operations and meetings with senior management where appropriate, to facilitate their understanding of the Group's operations and businesses.

6. Retirement and Re-election of Directors

In accordance with the Company's Articles, all Directors who are appointed by the Board may only hold office until the first Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM.

- The Articles also provide that all directors (including a Managing Director and Executive Directors) shall retire from office once at least in each three (3) years and one-third of the Directors are subject to retirement by rotation at every AGM but are eligible for re-election.
- Pursuant to Section 129(2) of the Companies Act, 1965, the office of a director of or over the age of seventy (70) years becomes vacant at every AGM unless he is reappointed by a resolution passed in such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three fourths of all members present and voting at such AGM.

7. Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme ("MAP") as required under the Listing Requirements of Bursa Malaysia. Directors are also required to attend training courses and seminars under the Continuing Education Programme ("CEP"). Throughout the year, Directors also received updates and briefings from time to time, particularly on regulatory, industry, technology and legal developments, including information

on significant changes in business risks and procedures instituted to mitigate such risks. All Directors are also encouraged to attend programmes and seminars to keep abreast with the developments in the industry and market place.

8. Supply of information

All Directors are provided with a 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 the 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, industry and strategic business issues;
- major operational, financial, technical, legal and regulatory issues;
- technological developments and updates;
- customer satisfaction reports;
- reports on risk management; and
- Board papers on other matters of discussion/approval.

In addition, ad hoc reports and information papers are provided to all Directors to ensure that they are apprised on key business, operational, corporate, legal, regulatory and industry matters, as and when the need arises.

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

The Directors may contact the Head of Internal Audit or the Group Company Secretary to facilitate the provision of additional information or clarification so required, or may obtain independent professional advice in the furtherance of their duties, at the Company's expense.

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

9. Group Company Secretary

The Group 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 ensuring that obligations arising from the Listing Requirements of Bursa Malaysia or other regulatory requirements are met. The Group Company Secretary also facilitates the provision of information as may be requested by the Directors from time to time. The Board may remove the Group Company Secretary.

10. Committees

Four (4) committees [namely Audit, Nomination, Remuneration and Employee Share Option Scheme ("ESOS")] have been established to assist the Board in the execution of its responsibilities, the details of which are set out below. In addition, the Board delegates operational and management matters to other committees of the Board from time to time. Apart from the ESOS Committee, the other committees do not have executive powers but only the power to make recommendations to the Board. The terms of reference of each of the committees have been approved by the Board and those of the Audit, Nomination and Remuneration Committees reflect the Principles and Best Practices of the Code, as applicable.

i. Audit Committee

In February 2004, Y.A.M Dato' Seri Syed Anwar Jamalullail was appointed the new Chairman of Audit Committee to replace the former Chairman, Mr. Timothy Hugh Ling who passed away. Pursuant to Bursa Malaysia's Listing Requirements, The Lord Killearn was appointed a member of the Audit Committee to maintain the majority composition of independent directors.

The Audit Committee is responsible for reviewing issues of accounting policies and presentation for external financial reporting, monitoring the work of the internal audit department, 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 transactions and conflict of interest situation that may arise in the Group and verifies the allocation of options pursuant to the criteria set out in the Employee Share Option Scheme.

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

- Dato' Seri Syed Anwar Jamalullail (Independent Non-Executive Director and Chairman of the Audit Committee);
- Lord Killearn (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 financial year ended 31 December 2003 is set out on pages 39 to 44 of this Annual Report.

ii. Nomination Committee

The Nomination Committee, has the responsibility for proposing and recommending new nominees to the Board and for assessing Directors on an on-going basis.

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

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

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

- 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 of each individual Director and Board Committee member; and
- whether the investments of the minority shareholders are fairly reflected on the Board.

The Nomination Committee consists of the following Non-Executive Directors, the 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 Nomination Committee meets as and when necessary and can also make decisions by way of circular resolutions. The Nomination Committee held one (1) meeting during the financial year ended 31 December 2003. The meeting was fully attended by all members.

iii. ESOS Committee

The ESOS Committee was established with delegated authority by the Board to administer the ESOS of the Group in accordance with the Bye-Laws thereof and to exercise any discretion under the Bye-Laws with regard to the eligibility of employees to participate in the ESOS, option offers and option allocations (after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group) and also to take all necessary action to give effect to the ESOS Bye-Laws and to ensure effective administration of the Scheme. The Committee appraises the Board on principal matters relating to the Scheme.

The ESOS Committee consists of 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 as and when necessary and can also make decisions by way of circular resolutions. During the financial year ended 31 December 2003, the ESOS Committee met once. The meeting was fully attended by all its members.

iv. Remuneration Committee

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 the Executive Director;

iv. Remuneration Committee (continued)

- evaluating the performance and reward of the Executive Director, including ensuring performance targets are established 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 the Executive Directors;
- designing an evaluation procedure for Non-Executive Directors; and
- reviewing on a yearly basis, the individual remuneration packages of the Executive Directors and to make appropriate recommendations to the Board.

The Remuneration Committee consists of the following Non-Executive Directors, the 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 meets as and when necessary and can also make decisions by way of circular resolutions. The Remuneration Committee held two (2) meetings during the financial year ended 31 December 2003, which were fully attended by all members.

(II) DIRECTORS' REMUNERATION

The objectives of the Group's policy on Directors' remuneration are to attract and retain Directors of the calibre needed to run 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.

1. 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 packages.

2. Directors' Remuneration Package

The remuneration package of the Directors is as follows:

(a) Basic salary

The basic salary 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.

(b) Fees

The Board, based on the fixed sum as authorised by the Company's shareholders, determines fees payable to Non-Executive Directors after considering comparable industry rates and the experience, expertise and the level of responsibilities undertaken by the 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 profits 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 to all Directors.

(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 six (6) months on either side. The Executive Director shall retire from office at least once every three (3) years but shall be eligible for re-election.

(g) Director's share options

The options over ordinary shares of RM0.10 each in Maxis are pursuant to the ESOS, which the Executive Director is eligible to participate in. The movement in the Executive Director's share options during the financial year ended 31 December 2003 is set out on page 98 of this Annual Report.

Details of the Directors' remuneration and share options for the financial year ended 31 December 2003 are disclosed in the financial statements, as set out on pages 97 to 98 of this Annual Report.

(III) SHAREHOLDERS AND OTHER STAKEHOLDERS

1. Shareholders and Investor 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 dialogues 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. Y.A.M Dato' Seri Syed Anwar Jamalullail, Senior Independent Director

Telephone number	:	(603) - 7726 6333
Facsimile number	:	(603) - 7726 1333
- ii. Rossana Annizah bt Mohd Rashidi, Chief Financial Officer, for financial related matters

Telephone number	:	(603) - 2330 7000
Facsimile number	:	(603) - 2330 0555
- iii. Chua Tze Meng, Head of Corporate Finance, for investor relations matters

Telephone number	:	(603) - 2330 7000
Facsimile number	:	(603) - 2330 6078
- iv. Dipak Kaur, Group Company Secretary, for shareholders' inquiries

Telephone number	:	(603) - 2330 7000
Facsimile number	:	(603) - 2330 0590

2. Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with all shareholders who are encouraged and are given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are provided with an opportunity to participate in the Question and Answer session. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Articles to attend and vote on their behalf. The Chairman and the Board members are in attendance to provide clarification on shareholders' queries. 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 welcomed to raise queries by contacting Maxis at any time throughout the year and not just at the AGM.

Each notice of a general meeting which includes any item of special business will be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. Separate resolutions are proposed for substantially separate issues at the AGM.

(IV) ACCOUNTABILITY AND AUDIT

1. Financial Reporting

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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 made pursuant to Section 169(15) of the Companies Act, 1965 as set out on page 128 of this Annual Report.

2. Internal Control

The Group's Statement on Internal Control is set out on pages 56 to 60 of this Annual Report.

3. 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 as set out on pages 39 to 44 of this Annual Report.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility in maintaining a sound system of internal control (including systems for compliance with applicable laws, regulations, rules, directives and guidelines) to safeguard shareholders' investment and the Group's assets and for reviewing the effectiveness, adequacy and integrity of those systems.

The Board also recognises that a sound system of internal control can only reduce but not eliminate the possibility of poor judgement in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. It therefore provides reasonable assurance but not absolute assurance that the Group will not be hindered in achieving its business objectives.

This statement on internal control has been prepared in compliance to Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia.

RISK MANAGEMENT FRAMEWORK AND CULTURE



In dealing with the Board's stewardship responsibilities, the Board recognises that the ability to identify the continuous evolving risks affecting the day to day operations of the business is critical. With the Enterprise Risk Management ("ERM") framework now in place, the Group embarked on formalising a process to identify, measure, monitor and manage business risks during the financial year. The adopted structure has four phases namely:

1. Process and risk identification;
2. Assessment and risk mitigation;
3. Review and monitoring; and
4. Reporting.

To facilitate the process and risk identification phase, an assessment checklist was developed and staff were required to identify controls which could mitigate such risks and make appropriate assessments of any impact such risks may have. The ERM function would then collate, review and analyse the returns made before updating the risk matrix. This process is repeated regularly so that the risk matrix is constantly updated and reported back to the Chief Executive Officer and senior members of management for their concurrence. The Audit Committee is then briefed periodically on the Group's risk matrix as well as progress made in mitigating the identified high risk areas.

In addition to the above, the ERM function continues to carry out briefings for members of staff to further inculcate a risk based culture within the Group. Further progress has been

made in embedding a risk based approach in the daily operations as this has since been extended to the procurement process, product development cycle and key business decisions.

CONTROL ENVIRONMENT AND STRUCTURE

The Board recognises that in order to achieve a sound system of internal control, a conducive control environment and framework must be established. The Board is fully committed to the maintenance of such a control environment within the Group and in discharging their responsibilities, enhanced the following key system of internal control within the Group to govern the manner in which the Group and its employees conduct themselves. The key elements of internal controls comprise the following:

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- **Project management and monitoring** of the corporate acquisition of Malaysian Mobile and internal reorganisation was a key control feature during the financial year. As this was the first corporate acquisition exercise undertaken by the Group since listing, proper control over managing and monitoring of the completion and integration of the acquisition and internal reorganisation would determine our success or failure. A rigorous analysis of financial and operational implications was performed to determine potential benefits from the acquisition. A risk analysis was also carried out based on the ERM framework to determine key associated risks. To facilitate this, a dedicated project management team was set up to coordinate and manage the completion and integration process and the internal reorganisation. A Project Steering Committee was set up and they were briefed regularly on the progress highlighting key issues and action plans. A balanced scorecard on the benefits from the acquisition was developed and tracked.
- **Audit Committee composition** comprising a majority of independent non-executive directors was maintained throughout the financial year. Audit Committee members were briefed on updates on matters of corporate governance practices and legal and regulatory matters. The current composition of members brings with them a wide variety of experience from different industries and background. They continue to meet and have full and unimpeded access to both the internal as well as external auditors during the financial year. They also met with the external auditors without any management presence regularly.
- **Internal Audit** continues to independently assure the Board, through the Audit Committee, that the internal control systems function as intended. The internal audit function is divided into three main groups focusing on information technology, finance and operations and investigations. Information technology audits focus on technology systems as a substantial portion of the Group's operations are systems dependent whilst the finance and operations team reviews compliance with manual processes and controls and conducts efficiency audits. The investigation unit specialises in areas pertaining to fraud and unethical practices. Their work practices are governed by their Charter and their audit plan is derived on a risk based approach. A peer review was conducted on the internal audit function during the year. Their practices were benchmarked against best practices and the findings were highlighted to the Audit Committee. Their Charter and annual audit plan were presented and approved by the Audit Committee annually before the commencement of the following financial year and an update is given as and when there are any changes.

CONTROL ENVIRONMENT AND STRUCTURE (Continued)

- **Revenue Assurance** continues to monitor potential revenue leakage that may arise from day to day operations of the Group's business. It looks at processes within the revenue cycle to ensure they function effectively and efficiently. During the financial year, test call machines were installed throughout the country to automate the generation of test calls. A revenue assurance system was also installed to assist in the detection of potential revenue leakage on a trial basis. Unlike internal audit, the revenue assurance function submits their report and findings to the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and members of management of the respective business units each month on operational issues relating to the revenue cycle. Though they do not report independently to the Audit Committee, key issues, and action plans to address revenue leakage identified are reported to the Audit Committee each quarter.
- **Fraud Management** complements the revenue assurance function. Whilst the revenue assurance function looks at controls within the revenue cycle as indicated above, the fraud management function monitors daily subscriber call patterns based on set parameters between Maxis' subscribers with other domestic and international operators on a real time basis. It currently uses an industry developed system to monitor such call patterns on a daily basis and this process is carried out on a 24 hour basis throughout the financial year. All findings are reported to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and members of management of the respective business unit each month.
- **Control self assessment** was implemented during the financial year in two areas of operations, namely inventory management and claims. The objective is to inculcate a culture of self improvement by encouraging employees to take full ownership and accountability of the individual control mechanisms within their area of work. It is intended that the control self assessment initiative will then be extended to other areas when a full assessment of its success is evaluated in the later part of the current financial year.
- **Operational performance improvements** to enhance the effectiveness and efficiency of existing business processes and practices, to meet the rapid changes in the market place and the need to drive "speed to market" initiatives, have been a key focus of management. Selected individuals from cross functional disciplines were identified and trained during the financial year to form a Performance Improvement Team to review and drive such changes within the Group. They have been tasked to review and develop methods and ways to improve existing business processes and practices and report their findings on a regular basis to a committee chaired by the Chief Operating Officer with members of management of the respective business units.
- **Business continuity planning** is presently in the process of implementing an approved business continuity plan covering a wide spectrum of activities from building additional redundancies in network infrastructure to establishing alternate sites where key operational activities can be resumed in case of a disaster. A risk based approach was applied in identifying the key initiatives and their levels of importance by reviewing critical systems, single point failures as well as their impact on the business of the Group as a whole. The

progress of the implementation of the business continuity plan is presented each month to the Chief Operating Officer and Chief Financial Officer.

- **Regulatory function** provides a bridge between the regulator and the Group. Licenses to operate in the telecommunications industry are only granted to corporate organisations in which the regulator has total confidence in. As a result, strict compliance with guidelines and conditions attached to each license issued is an important aspect of the industry. The regulatory function met regularly with the regulator during the course of the financial year to discuss industry issues.
- **Legal function** plays a pivotal role in ensuring that the interests of the Group is preserved and safeguarded from a legal perspective. They also play a key role in advising the Board and management on legal matters. The Board is briefed as and when there are any changes in applicable provisions of the law.
- **The code of business practice** documents formally the manner in which the Group and employees should conduct themselves in all business matters. All employees are reminded of the code of business practice when they log onto the Group's intranet website and as a matter of discipline are required to read and agree with the ethical code each day. This ethical code has also been extended to suppliers of goods and services during the financial year who are required to sign the ethical code. By doing so, the Group will be able to monitor and assess suppliers against the undertakings they have made.
- **The Limits of Authority** determines the respective levels of authority which are delegated to staff of the respective levels to enable control of the Group's commitment of both capital and operational expenditure. The Limits of Authority was updated during the course of the financial year in line with changes to the Group structure which were approved by the Chief Executive Officer and Chief Financial Officer.
- **Policies and procedures** continue to be updated and deposited in the Group's intranet during the financial year to enable all employees to gain easy access for their reference.
- **Financial and operational information** continue to be prepared and presented to the Board. A detailed budget is prepared and presented to the Board before the commencement of a new financial year. Upon approval of the budget, the Group's performance is then tracked and measured against the approved budget on a monthly basis. Variances in financial as well as operational performance indices are explained in detail in the monthly management reports. On a quarterly basis, the results are reviewed by the Board to enable them to gauge the Group's overall performance compared to the approved budgets.

MONITORING AND REVIEW

A robust risk management infrastructure and system of internal control must be complemented by a structured framework of monitoring and review. The Board needs to be kept abreast of significant compliance issues and effectiveness of the control environment. To facilitate this, the following processes have been established:

- **Management representation to the Board** by the Chief Executive Officer on the control environment of the Group continues to be made during the financial year. His representation to the Board is based on representations made to him by all members of management on the control environment in their respective areas. Any exceptions identified will be highlighted to the Board.
- **Internal audit** in their quarterly report to the Audit Committee continue to highlight significant issues and exceptions identified during the course of their review on processes and controls compliance.
- **Defalcation Committee** meets and deals regularly on matters pertaining to fraud and unethical practices. All issues arising from work carried out by the investigation team within the internal audit function is channelled to this committee for deliberation. Appropriate actions are then taken based on the strengths and merits of the findings.
- **Risk management** reports to the Board through the Audit Committee on the risk profile of the Group.

The system of internal control described in this statement are 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 business. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and thus they can only provide reasonable assurance and not absolute assurance against material misstatement or loss. Nevertheless, the system of internal control that exists throughout the financial year under review provide a level of confidence on which the Board relies for assurance. This complies with the provisions recommended in the Bursa Malaysia's Statement on Internal Control : Guidance for Directors of Public Listed Companies.

For the financial year under review, after due and careful inquiry and based on the information and assurances provided, the Board is satisfied with the adequacy and integrity of the Group's system of internal control and that no material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

statement on directors' responsibility

The Companies Act, 1965 ("the Act") requires the financial statements (which include the consolidated balance sheet and the consolidated income statement) of the Group for each financial year, which have been prepared in accordance with the applicable approved accounting standards and the provisions of the Act, to be laid by the Directors before the Company at its Annual General Meeting.

Incorporated on pages 64 to 127 of this Annual Report, are the financial statements of the Company and the Group for the financial year ended 31 December 2003.

The Act places responsibility on the Directors to ensure that the consolidated balance sheet provide a true and fair view of the state of affairs of the Group as at 31 December 2003 and the consolidated income statement provide a true and fair view of the results of the Group for the financial year ended 31 December 2003. The Directors are also required by law to ensure that such consolidated balance sheet and income statement have been prepared in accordance with applicable approved accounting standards and provisions stipulated by the Act.

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In undertaking the responsibility placed upon them by law, the Directors have relied upon the Group's system of internal control to provide them with reasonable grounds to believe that the Group's accounting records, as well as other relevant records, have been maintained by the Group in a manner that enables them to sufficiently explain the transactions and financial position of the Group. This also enables the Directors to ensure that a true and fair consolidated balance sheet and income statement and documents required by the Act to be attached thereto to be prepared for the financial year to which these financial statements relate.

The Act also requires the Directors to cause the Company to keep such accounting and other records in such manner that enables the Directors to sufficiently explain the transactions and financial position of the Company and the Group, preparation of true and fair income statement and balance sheet and any documents required to be attached thereto, as well as to enable such accounting records to be audited conveniently and properly.

