

# Products and Services

At MAXIS, we are committed to providing our customers with the most innovative and extensive range of communications solutions.

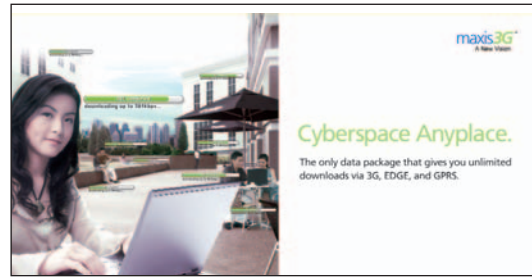
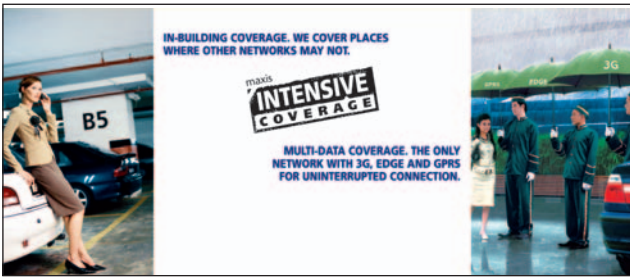
## Consumer Products

### Rate Plans

Package 75	Package 238	New Standard Plan
Package 138	Package 500	

### Services

value added services	Caller Line Identification Presentation (CLIP)	Caller Line Identification Restriction (CLIR)	Call Forwarding
	Call Waiting	Call Conferencing	Call Barring
	Voicemail	Missed Call Notification	Itemised Billing
roaming & international services	Voice & Video Call Roaming	SMS, MMS, GPRS & 3G data usage, roaming	Automatic International Roaming
	Roam *120* (value roaming)	International Direct Dial (IDD)	IDD 132 (value IDD)
other value added services	MultiLine 1 – SIM	MultiSIM 1 – Line	BlackBerry Internet Solutions™
	Maxis 3G Connect™	Push To Talk	



### Prepaid Rate Plans

Talk Plan

SMS Plan

### Services

Activ5

Prepaid 3G

Gift Caller  
Ringtones

Regional Prepaid  
Top-Up

Colour SMS

Caller Ringtones

1 sen SMS Plan

CampusZone

Voice SMS

IDD Promotion:  
50 sen to Singapore  
and Hong Kong

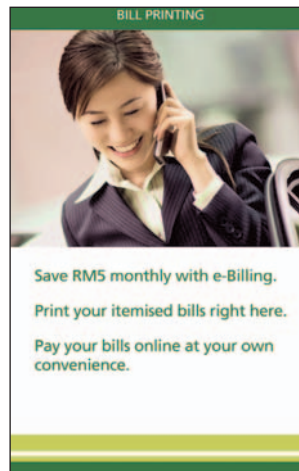
IDD132: 85 sen/min  
and RM1.28/min  
international calls to  
selected countries

IDD132: 20 sen/min  
to 20 countries

MMS: 25 sen on  
net; 50 sen off net;  
international RM1

1 Country 1 Rate:  
- Call @ 39 sen  
- SMS @ 1sen

International  
Roaming Missed  
Call Notification



### Prepaid Services

International Direct Dial (IDD)	Caller Line/ Number Identification Presentation (CLIP)	Top-Up Options
Call Waiting	Missed Call Notification	<ul style="list-style-type: none"> <li>• Top-Up Tickets</li> <li>• Easy-Top-Up</li> <li>• Share-a-Top-Up</li> </ul>
SMS Roaming	Prepaid Roaming	<ul style="list-style-type: none"> <li>• Top-Up via Maxis Postpaid Account</li> <li>• Top-Up via Credit Card</li> <li>• Top-Up via ATM</li> </ul>
Push To Talk Over Cellular	USSD and IVR Balance Retrieval	<ul style="list-style-type: none"> <li>• Top-Up via Bank Account</li> <li>• E-Reload</li> </ul>

### Mobile Data Services *(Available to Maxis and Hotlink customers)*

<i>sports – live results (latest clips like being there)</i>	SMS, MMS & Video EasyAlerts e.g. F1, football, Barclay's EPL, Tiger Wood mania	Sports Zone	Downloads
<i>news – being informed 24/7 with global &amp; local updates</i>	Video Live, e.g. CNN, CNBC, CNBC, BBC, Bloomberg	Video on demand, e.g. Astro news	SMS, MMS & Video EasyAlerts, e.g. The Star, AFP
<i>business – financial &amp; stock updates</i>	Stock Live	M – Quotes	EdgeCast Video



**Mobile Data Services** (Available to Maxis and Hotlink customers)

<i>community – share your life with video blogs</i>	MBlog	Malay, Chinese, Indian (Bollywood) & Islamic portals	
<i>music – over 10,000 tunes</i>	True Tune, Polyphonics, Full Song Downloads	Caller Ringtones	Music Zone
<i>games – over 500 action packed games</i>	Multiplayer Games	Games Zone	
<i>on the move</i>	Remote Surveillance	Traffic Check	Family & Friend Finder
<i>entertainment – watch live tv all the time</i>	Video Live – Cartoon Network, Hitz.TV, JiaYu	Video On Demand – Chef Diva, Muzik@Ria	Video Clips Downloads – Akademia Fantasia 1, 2 Video EasyAlerts – Master Q, Phua Chua Kang, MADFish

**Postpaid Loyalty Programme**

“Her Maxis”, WAP portal

**Prepaid Loyalty Programme**

Hotlink Club lifestyle privileges

Hotlink Rewards - points based reward scheme for redemption of airtime and vouchers.

Hotlink Surprises exclusive special discounts during promotion period

Kababayan SIM - discounted rates for calls and SMS to Globe Telecom subscribers.

## ENTERPRISE PRODUCTS

Our enterprise segment is aggressively moving forward to be the leading provider of converged communications and mobility solutions to the enterprise market of corporate and SME segments. Our key objective is to deliver convergent communications solutions and services for voice, video and data over multiple enabling networks with focus on driving greater mobility.

### BUSINESS SOLUTIONS

- Sales Force Automation
- Field Force Automation
- Mobile Banking
- Mobile Marketing
- Mobile Reservation
- Maxis 3G Connect
- BlackBerry Internet Solution
- BlackBerry Enterprise Solution
- Mobile Imaging Solution
- Enterprise SMS
  - Desktop SMS
  - SMS Campaign Manager
  - Enterprise Direct SMS

### VOICE SERVICES

- Mobile Voice Corporate Plans
- Corporate Prepaid Mobile Plans
- Business Telephone Services
  - Single-line
  - Multi-line
- Trunk Services
  - ISDN Primary Rate Interface (PRI) 30 Channels
  - Multi-Frequency-Codes-Register-2-Digital (MFCR2-D)
- ValueCall
- ValueCall Plus
- VoiceAway
- Value Added Services
  - Freefone 1800
  - Call Management Services
  - Caller Line Identification Presentation (CLIP)
  - Voice Mail
  - Call Waiting
  - Call Forwarding
  - 3-Way Calling
  - Call Barring
  - Maxis Bill Auditor

### DATA SERVICES

- Mobile Data Access
  - SMS
  - MMS
  - GPRS
  - 3G
- Domestic Private Leased Circuit
- International Private Leased Circuit
- VSAT Services
  - SkyStream
  - Skyline
  - Skyline Plus
  - SkyNet (TDM/TDMA)
  - SkyReach
  - Gyro-Stabilised VSAT
- Value Added Services
  - IPVPN (Internet Protocol Virtual Private Network)

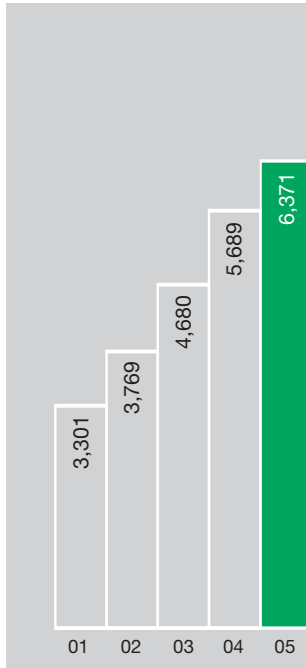
### BROADBAND INTERNET

- WLAN
- Asymmetric Digital Subscriber Line (ADSL)
  - iLink
- Internet Leased Line
  - Dedicated Internet Access

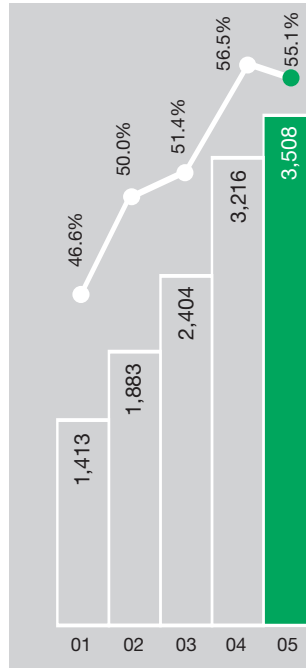
# Five-Year Group Financial Highlights

	2005 RM'm	2004 RM'm	2003 RM'm	2002 RM'm	2001 RM'm
<b>GROUP FINANCIAL INDICATORS</b>					
Revenue	<b>6,370.8</b>	5,689.0	4,680.1	3,768.7	3,031.3
Operating Profits	<b>2,450.0</b>	2,315.7	1,387.9	1,371.5	845.5
EBITDA <sup>(1)</sup>	<b>3,507.5</b>	3,215.6	2,404.4	1,882.9	1,412.7
EBITDA margin	<b>55.1 %</b>	56.5 %	51.4%	50.0 %	46.6%
Profit before taxation	<b>2,479.6</b>	2,337.8	1,274.5	1,280.8	777.6
Net Profit	<b>1,674.3</b>	1,597.5	1,841.4 <sup>(2)</sup>	949.7	600.9
Total shareholders' equity	<b>6,082.7</b>	5,371.3	4,550.9	3,047.6	1,410.3
Total assets	<b>10,119.7</b>	8,672.1	7,948.5	6,299.9	4,594.2
Total borrowings (interest bearing)	<b>896.6</b>	1,125.9	1,265.4	1,135.3	789.7
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>FINANCIAL RATIOS</b>					
Return on Average Equity (%) <sup>(3)</sup>	<b>29.2</b>	32.2	48.5	42.6	40.3
Return on Average Assets (%) <sup>(4)</sup>	<b>17.9</b>	19.8	26.4	18.6	15.4
Interest cover ratio <sup>(5)</sup>	<b>44.9</b>	37.2	23.2	15.1	12.5
Gearing ratio <sup>(6)</sup>	<b>0.1</b>	0.2	0.3	0.4	0.6
Dividend per share (gross) (RM)	<b>0.58</b>	0.46	0.24	0.19	5.36
Earnings per share (sen)					
– basic <sup>(7)</sup>	<b>67.33</b>	64.83	75.07	42.42	29.77
– fully diluted <sup>(7)</sup>	<b>66.82</b>	64.22	74.64	42.34	29.77
Net assets per share (RM) <sup>(8)</sup>					
– RM1.00 nominal value	<b>N/A</b>	N/A	N/A	N/A	8.93
– RM0.10 nominal value	<b>2.43</b>	2.17	1.85	1.24	N/A

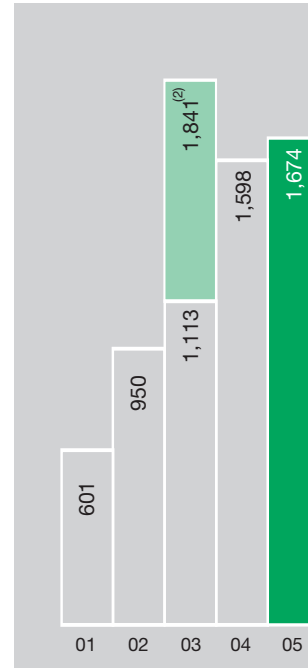
Group Revenue (RM'm)



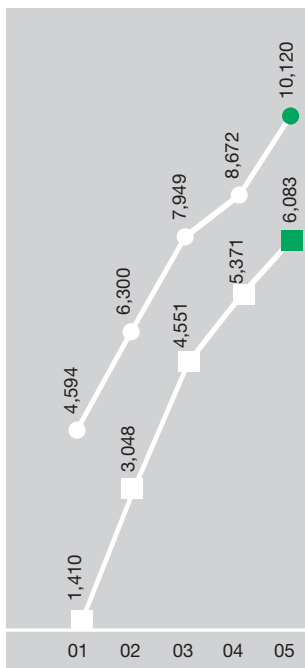
Group EBITDA (RM'm) and EBITDA margin (%)



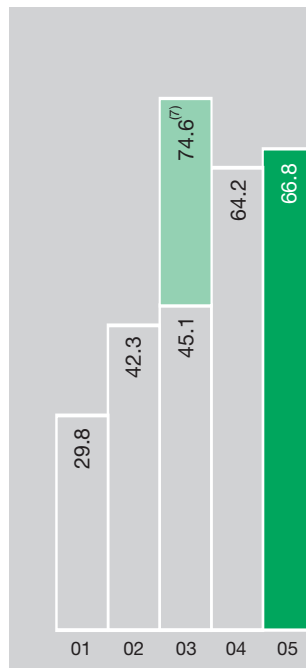
Group Net Profit (RM'm)



Group Total Assets and Shareholders' Equity (RM'm)



Fully Diluted Earnings Per Share (sen)



- Total Assets
- Total Shareholders' Equity

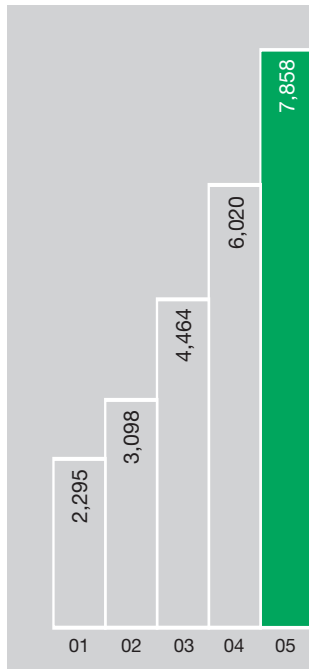
# Five-Year Operating Performance Indicators

	2005	2004	2003	2002	2001
<b>MALAYSIAN MOBILE OPERATIONAL PERFORMANCE INDICATORS</b>					
Net mobile subscribers ('000)					
– Postpaid	1,419	1,261	1,210	1,100	1,036
– Prepaid	6,439	4,759	3,254	1,998	1,259
Total	7,858	6,020	4,464	3,098	2,295
Monthly ARPU (RM)					
– Postpaid	143	161	167	165	165
– Prepaid	54	61	64	67	67
– Blended	71	85	96	104	114
Total average monthly MOU per subscriber (minutes)					
– Postpaid	459	446	436	405	439
– Prepaid	114	138	160	177	161
– Blended	180	210	245	264	294
Average monthly incoming MOU per subscriber (minutes)					
– Postpaid	185	184	180	161	209
– Prepaid	54	77	98	112	89
– Blended	79	102	123	131	146
Average monthly outgoing MOU per subscriber (minutes)					
– Postpaid	274	261	257	244	230
– Prepaid	60	61	62	65	72
– Blended	101	108	122	133	148
Average monthly churn rate (%)	3.3	2.2	2.1	1.6	1.6
<b>INDONESIAN MOBILE OPERATIONAL* PERFORMANCE INDICATORS</b>					
Net mobile subscribers ('000)					
– Postpaid	4	NA	NA	NA	NA
– Prepaid	13	NA	NA	NA	NA
– Total	17	NA	NA	NA	NA
Monthly ARPU (RM)					
– Postpaid	51	NA	NA	NA	NA
– Prepaid	11	NA	NA	NA	NA

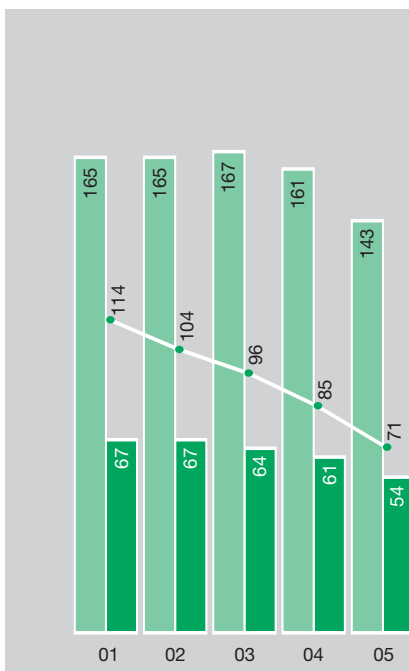
\*Represents Indonesian operation acquired effective 29 April 2005



Malaysian Mobile Operations  
Total Subscribers ('000)



Malaysian Mobile Operations  
Monthly Average Revenue  
Per User ("ARPU")(RM)



■ Postpaid ■ Prepaid ● Blended

Malaysian Mobile Operations  
Average Blended Monthly Minutes of Use  
("MOU") per subscriber (minutes)



■ Average incoming minutes ■ Average outgoing minutes ● Average total minutes

## five-year operating performance indicators (continued)

	2005	2004	2003	2002	2001
<b>GROUP CAPITAL EXPENDITURE</b>					
Total capital expenditure (RM'm)					
– Mobile	<b>1,058.9</b>	968.3	928.2 <sup>(9)</sup>	844.5	687.8
– Fixed	<b>84.1</b>	101.4	93.7	87.2	290.8
– International gateway	<b>8.1</b>	1.4	17.3	32.8	52.1
– Others	<b>1.7</b>	10.4	6.0	0.5	0.4
Total	<b>1,152.8</b>	1,081.5	1,045.2	965.0	1,031.1
<b>FIXED LINE OPERATIONAL PERFORMANCE INDICATORS</b>					
Average revenue per line (RM)					
– Business (POTS)	<b>142</b>	143	140	172	176
– Residential (POTS)	<b>75</b>	82	86	88	99
Number of POTS lines	<b>32,674</b>	34,778	35,433	35,165	34,851
Leased lines (64kps multiples) <sup>(10)</sup>	<b>9,078</b>	6,286	4,076	2,712	2,618
VSAT terminals	<b>1,044</b>	1,198	784	565	465
Lease lines access (64kps multiples)	<b>542</b>	528	358	462	401
<b>INTERNATIONAL GATEWAY OPERATIONAL PERFORMANCE INDICATORS</b>					
– Incoming minutes ('000)	<b>635,541</b>	509,303	368,159	254,388	167,943
– Outgoing minutes ('000) <sup>(11)</sup>	<b>397,744</b>	367,722	337,517	168,224	151,915
Total	<b>1,033,285</b>	877,025	705,676	422,612	319,858

### NOTE:

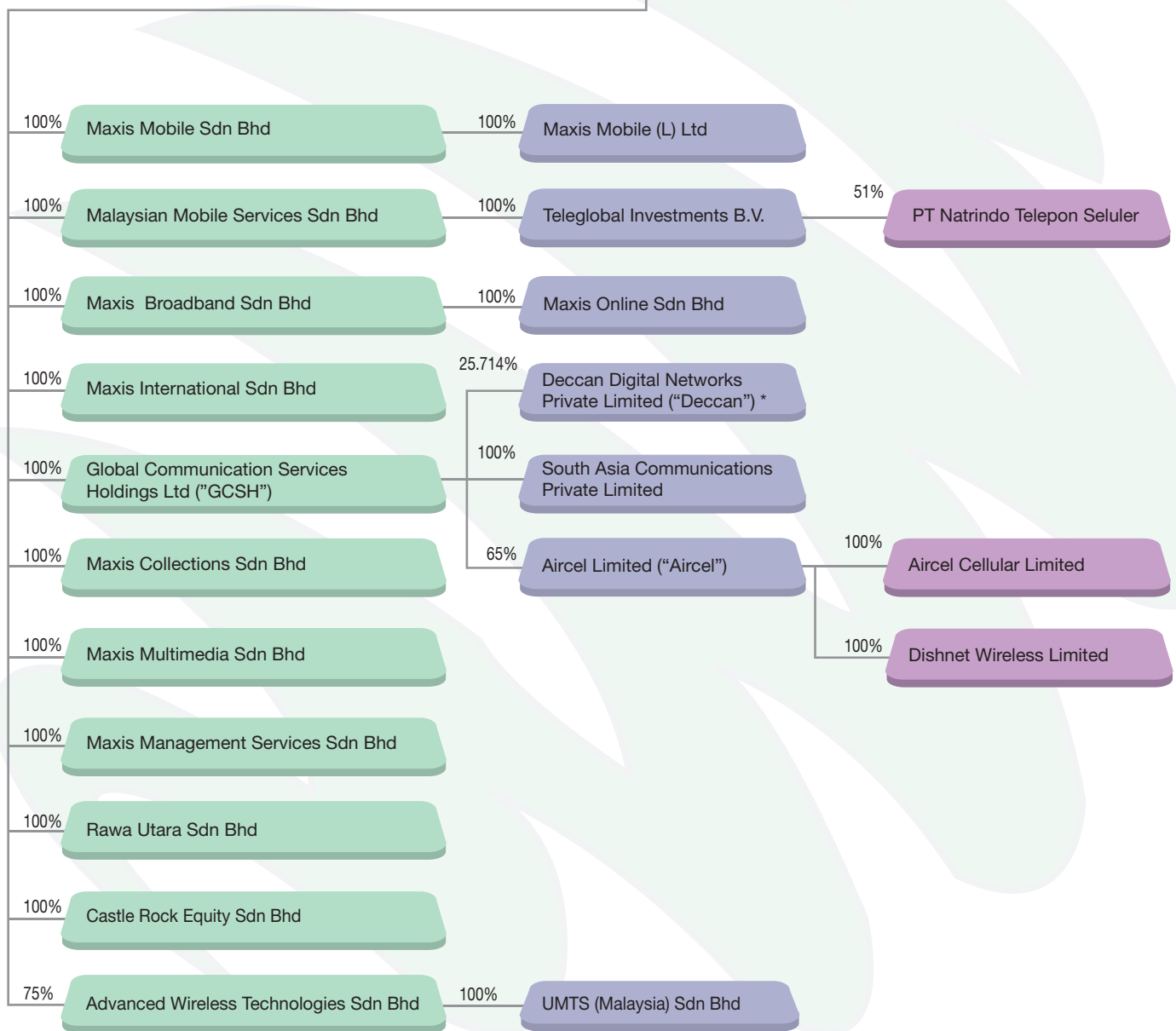
- (1) EBITDA is defined as profit before interest income, finance cost, taxation, depreciation, amortisation and impairment loss on property, plant and equipment.
- (2) Net profit for 2003 of RM1,841.4million includes the effects of the deferred tax assets and reversal of deferred tax liability amounting to RM960 million and a one-time cost relating to Malaysian Mobile's network assets write-off and costs relating to the integration of Malaysian Mobile of RM145 million and RM87 million respectively. Excluding these items, the adjusted profit is RM1,113 million
- (3) Return on average equity is defined as net profit divided by the average of the opening and closing equity for the period.
- (4) Return on average assets is defined as the net operating profit after tax divided by the average opening and closing total assets for the period.
- (5) Interest cover ratio is defined as profit from operations divided by finance cost.
- (6) Gearing ratio is defined as total long term and short term borrowings (interest bearing) divided by shareholders' equity.
- (7) The earnings per share for 2001 have been restated to a comparable basis with that of 2002 after taking into account the effects of the bonus issue and share split (splitting the RM1 nominal value share to RM0.10 nominal value share). In 2003, the earnings per share includes the effects that impacted net profit as stated in Note 2.
- (8) Net assets per share attributable to shareholders of the Company = shareholders' equity / Number of issued and paid up ordinary shares.
- (9) Mobile capital expenditure for 2003 excludes RM1,282.1 million of goodwill arising from the acquisition of Malaysian Mobile, RM95.0 million paid for the acquisition of spectrum rights and special discounts received from a supplier of telecommunications equipment.
- (10) Leased lines comprise domestic and international leased lines.
- (11) Wholesale services were launched in 2001. As such, the international outgoing minutes from 2001 to 2005 includes wholesale traffic.

# Group Corporate Structure

as at 14 April 2006



Maxis Communications Berhad



**Notes:**

\* Deccan has an equity interest of 35% in Aircel and as such, GCSH also has an indirect interest of 9% in Aircel.

Companies listed above are in respect of those in active and semi active operations as at 14 April 2006. The full list of companies under Maxis Group is available in Note 17 to the Financial Statements on pages 111 to 115 and Subsequent Events disclosures is available in Note 35 to the Financial Statements on pages 132 to 133.

# Corporate Social Responsibility



The then Minister of Information and Maxis Chairman at the Maxis-National Press Club Merdeka Rally for Humanity



Another initiative to bridge the digital divide: the outreach programme that promotes IT usage among young and old alike in rural areas



Maxis Bridging Communities core programme Cyberkids Camps targets rural schools to help bridge the national digital divide. In 2005, we conducted more than 20 IT training camps for more than 1,500 participants

Maxis continues to believe that its Corporate Social Responsibility (CSR) programme contributes to societal development as advances in technology can bring direct benefits to communities. Our focus continues to remain on youth, education and technology. Since its inception in 2002, our primary CSR initiative Maxis Bridging Communities (MBC) continues to forge ahead connecting rural communities and helping bridge the digital divide in Malaysia. We spent more than RM9 million for our MBC activities in 2005.

At the core of MBC is Cyberkids Camps, a smart partnership programme between Maxis and the government that was further enhanced in 2005 with the introduction of the national integration element drawing together 334 primary schools nationwide into the programme. We conducted 21 camps throughout the year, each with an average of 96 participants from 16 schools. The programme continues to target rural primary schools.

Its "Train the Trainer" concept consists of classroom and outdoor activities to enable participating teachers and students to effectively use the computer and internet subsequently become leaders and knowledge-sharing catalysts in their respective communities. Since its inception until December 2005, the programme has trained 1,343 teachers and 2,722 school children from 719 schools across Peninsular Malaysia, Sabah and Sarawak. The resounding success of Cyberkids Camps was also due to the smart partnership with the Ministry of Energy, Water and Communications and the full support given by the Ministry of Education and the various state Education Departments.

We also set up the Cyberkids Club to support the Cyberkids Camps so participants can remain abreast of and update the knowledge and skills gained during the camps. The club also promotes virtual integration across geographical boundaries and provides members with





Cyberkids Camps also help foster national integration by bringing together students from different states ...



... and different ethnic groups



The Maxis-National Press Club Merdeka Rally for Humanity saw staff and their families taking to the road for charity. Donations raised were distributed to five charity homes

useful tools and applications relating to technology, education and entertainment. Club membership is also open to all schools, with information shared among members via the online club in the Maxis community portal [www.maxis.communities.com.my](http://www.maxis.communities.com.my). Monthly newsletters are distributed online and hard copies sent to all participating schools.

Our community portal e-learning site Learn@Maxis provides school children from Standard 1 to Form 5 with free tutorials. Teachers are encouraged to contribute lesson plans and learning materials that can be shared among club members. We continue to host hundreds of school websites free-of-charge. These websites belong to those participating in Cyberkids Camps and the CyberlinQ Web Community Competition. We encourage and support these schools to build and update their websites. We will also continue increasing the content of this popular portal to meet the evolving needs of our communities.

Maxis conducted 28 workshops nationwide for CyberlinQ Web Community Competition participants in 2005. They were taught to build their school websites based on their proposed community projects. We short-listed 40 participants in each category and awarded them RM1,000 each to start their respective projects. The four grand prize winners received RM9,000 each.

As an extension to the Cyberkids Camps, we set up Maxis Cyberlabs in several towns and villages to provide easy ICT access to rural communities. Maxis Cyberlabs were set up in partnership with local authorities and NGOs. We have since established Cyberlabs in Kuala Pilah, Negeri Sembilan; Dungun, Trengganu; Kepala Batas, Penang; Tanah Merah, Kelantan; Serian, Sarawak; Keningau, Sabah and Pekan, Pahang. Each site has three local community trainers who receive continuous education and guidance from Maxis, to keep them abreast of the latest technology developments while simultaneously providing



corporate social responsibility (continued)



Maxis Volunteer Brigade at one of their tsunami relief efforts



The winner of the inaugural Maxis Developer Programme SIMagine™ MarkeTest held in 2005 was a finalist in the prestigious 3GSM Congress 2006 held in Barcelona



One of the winners of the ICT Excellence Award



Students at a Cyberkids Camp, a smart partnership between the company and the government. As at December 2005, the camps had provided IT training to more than 3,000 participants in the country

them with employment. Each lab is equipped with high-powered PCs with Internet access and applications. Cyberlabs organise free IT courses for the benefit of the community.

The Maxis Scholarship for Excellence was also set up with an annual allocation of RM2 million. Launched on 22 September 2005, the scholarship is awarded to deserving students pursuing post-graduate studies with a view to nurturing a forward-thinking and progressive new generation of Malaysians. Open to young and outstanding Malaysians who have gained admittance to top universities in the USA and the UK, it is awarded for courses in the life sciences and engineering, medicine, business and management studies, law and government studies, and the performing arts.

The Maxis Developer Programme is dedicated to supporting the growth of local mobile applications, services and content development through its skills

development programme and application development support. More than 20 applications have been successfully commercialised and are generating revenue for the developers.

Maxis encourages and supports volunteerism through its Maxis Volunteer Brigade (MVB). The brigade consists of staff from Maxis offices nation-wide who volunteer for charitable causes in their community. MVB has organised football clinics, festive celebrations and visits to charity homes. It ended 2005 with a visit to the children's ward in the cancer and surgical unit of University Malaya Hospital, Selangor. Through MVB we believe we have touched the hearts of many.

Our commitment to CSR, especially Maxis Bridging Communities programmes, will continue with enhancements from time to time to ensure we reach as many people as possible, and make life more meaningful and special to everyone whose lives we touch.

# 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 2005.

## MEMBERS AND MEETINGS

The members of the Committee during the financial year comprised the following members:

Name	Status	Independent
Dato’ Seri Syed Anwar Jamalullail <i>(Chairman of the Committee)</i>	Non-Executive Director	Yes
Lord Killlearn	Non-Executive Director	Yes
Augustus Ralph Marshall	Non-Executive Director	No

During the financial year, the Committee conducted four (4) meetings on 22 February 2005, 24 May 2005, 23 August 2005 and 22 November 2005, which were attended by all members. The Group’s internal and external auditors and certain members of senior management attended all the meetings during the financial year. The Committee either, individually or collectively as a group met with the internal and external auditors in separate private sessions on five (5) different occasions during the financial year. These separate private sessions were held without the presence of management.

Details of the Committee members’ profiles are contained in the “Directors’ Profile” set out on pages 4 to 7 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 the Enterprise Risk Management department;
- 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; and
- Evaluated the overall effectiveness of the system of internal controls through a review of the results of work performed by internal and external auditors and discussions with key senior management.

### Financial Results

- Reviewed with the appropriate officers of the Group the quarterly financial results and annual audited financial statements of the Group including the announcements pertaining thereto, before recommending to the Board for their approval and the release of the Group’s results to Bursa Securities 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 Securities;
  - Provisions of the Companies Act, 1965 and other legal requirements; and
  - MASB approved accounting standards.

## audit committee report (continued)

### External Audit

- Reviewed with the external auditors, their terms of engagement, proposed audit remuneration and audit plan for the financial year that ended on 31 December 2005 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 the resolution of issues highlighted in their report to the Committee;
- Reviewed their performance and independence before recommending to the Board their re-appointment and remuneration;
- Reviewed their compliance with the Maxis external audit independence policy;

### Internal Audit

- Reviewed with the internal auditors, their audit plan for the financial year that ended on 31 December 2005 ensuring that principal risk areas and key processes (identified by the Enterprise Risk Management department and Internal Audit department) are adequately identified and covered in the plan;
- Reviewed the recommendations by the Internal Audit department, 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 the Internal Audit department 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 the internal auditors' work and the results of their work;
- Reviewed the results of the external assessment performed on the Internal Audit department;
- Reviewed the adequacy of the terms of reference of the Internal Audit department;

### Related Party Transactions

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

### Employee Share Option Scheme

- Verified the allocation of options pursuant to the criteria disclosed to the employees of the Group and established pursuant to the Employee Share Option Scheme for the financial year which ended on 31 December 2005;

### Others

- Reviewed with the management's quarterly reports on new laws and regulations, material litigation, revenue assurance and Enterprise Risk Management;
- 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 its responsibilities.

## INTERNAL AUDIT FUNCTION

The Group has an independent internal audit function, whose primary responsibility is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that the 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 the Internal Audit department include among others, the review of the adequacy of risk management, system of internal controls for effectiveness and efficiency, compliance with established rules, guidelines, laws and regulations, reliability and integrity of information and means of safeguarding assets.

The Head of Internal Audit department 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 department reports directly to the Chairman of the Committee.

## TERMS OF REFERENCE OF THE COMMITTEE

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 overseeing 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 composition of the Committee, as well as 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 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
- Have a degree/ masters/ doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
- Have at least seven (7) years experience of being a chief financial officer of a corporation or have the function of being primarily responsible for the management of the financial affairs of a corporation.

Such member shall also fulfill any other additional requirements, which Bursa Securities may from time to time prescribe. 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 take action 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, internal or external auditors and consultants and if necessary, in separate private sessions. The Committee shall meet with the external and internal auditors in separate private sessions at least once in each financial year. The Chairman of the Committee shall provide to the Board a report of the Committee meetings.

### 4 Secretary of the Committee

The Company Secretary shall be the secretary of the Committee. The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues; record, prepare and circulate the minutes of the Committee meetings to all members of the Board; and ensure that the minutes are properly kept and produced for inspection if required.

### 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 internal and external auditors, if and when, deemed necessary.

### 6 Responsibilities and Duties of the Committee

The Committee shall undertake the following responsibilities and duties:

***Risk Management and Internal Control.*** Review with internal and external auditors, 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 the 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 disclosures, changes in accounting policies and practices and implementation of such changes, significant and unusual events, going concern assumption, compliance with applicable approved accounting standards and legal requirements and other matters as defined by the Board.

***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 and have been complied with.

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

***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 department; approve the terms of reference of the Internal Audit department; 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.

**External Audit.** Review and report to the Board its recommendation on the proposed appointment, terms of engagement and proposed audit remuneration of the external auditor, and any questions on 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 extent of 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 Securities 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 Securities.

**Other Responsibilities.** Review matters in relation to compliance with legal, regulatory and statutory requirements, conflicts of interest and unethical conduct; review with the external auditors the Group's Statement on Internal Control; examine such other matter, as the Committee considers appropriate or as defined by the Board; review and re-assess its terms of reference and conduct a self-assessment to monitor their overall effectiveness in meeting their responsibilities once a year; and prepare the annual Committee report to the Board.

# Statement On Corporate Governance

THE BOARD OF MAXIS REMAINS FULLY COMMITTED TO ACHIEVING AND MAINTAINING THE HIGH STANDARD OF CORPORATE GOVERNANCE AS ARTICULATED IN THE PRINCIPLES AND BEST PRACTICES SET OUT IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE (“THE CODE”) THROUGHOUT THE GROUP AS A FUNDAMENTAL PART OF ITS RESPONSIBILITIES IN MANAGING THE BUSINESSES AND AFFAIRS OF THE GROUP AND TO ENSURE INTEGRITY, TRANSPARENCY AND CORPORATE ACCOUNTABILITY.

THE BOARD IS PLEASED TO SET OUT BELOW HOW THE COMPANY HAS ADHERED TO THE PRINCIPLES OF THE CODE AND THE EXTENT TO WHICH THE COMPANY HAS COMPLIED IN ALL MATERIAL RESPECTS WITH THE BEST PRACTICES OF THE CODE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2005.

## (I) BOARD OF DIRECTORS

### 1. Board Composition and Balance

The current Board has seven members, comprising six Non-Executive Directors (including the Chairman) and one Executive Director. Of the six Non-Executive Directors, three are independent, hence fulfilling the prescribed requirements for one-third of the membership of the Board to be Independent Board Members.

The composition of the Board reflects a mix of members with diverse professional background, skills and extensive and international experience, and knowledge in the areas of finance, business, general management and strategy that has been vital to the successful direction of the Group. This balance has also enabled the Board to provide clear and effective leadership to the Group and to bring informed and independent judgements to many aspects of the Group’s strategy and performance so as to ensure that high standards of conduct and integrity were maintained by the Group. None of the Non-Executive Directors participate in the day-to-day management of the Group.

The presence of the Independent Non-Executive Directors is essential in providing unbiased and independent views, advice and judgements as well as safeguarding the interests, not only of the Group, but also of shareholders, employees, customers, suppliers and other communities in which the Group conducts its business.

A brief description of the background of each Director is contained in the “Directors’ Profile” section as set out on pages 5 to 7 of this Annual Report.

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

There is a distinct and 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 proper balance of power and authority. The Chairman is primarily responsible for the effective conduct of the Board and ensuring that all Directors have full and timely access to all relevant information necessary for informed decision-making. The Chairman encourages active participation by Board members and provides reasonable time for discussion of issues raised at meetings in order to reflect the consensus of the whole Board and not the views of any individual or group. The Group’s CEO has overall responsibilities over the operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions.

### 3. Board meetings

The Board meets at least four times a year, with additional meetings convened as and when necessary. Due notice is given of all scheduled meetings and additional meetings are convened on ad hoc basis for urgent and important matters.

During the financial year ended 31 December 2005, nine Board meetings were held and the details of the attendance of each Director are as follows:

Director	Designation	Number of Meetings attended during the year	Percentage
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd. Nor	Chairman, Independent Non-Executive Director	9 out of 9 meetings	100%
Dato' Seri Syed Anwar Jamalullail	Independent Non-Executive Director	9 out of 9 meetings	100%
Lord Killearn	Independent Non-Executive Director	8 out of 9 meetings	88.9%
Augustus Ralph Marshall	Non-Executive Director	9 out of 9 meetings	100%
Tan Poh Ching	Non-Executive Director	7 out of 9 meetings	77.8%
Chan Chee Beng	Non-Executive Director	9 out of 9 meetings	100%
Dato' Jamaludin bin Ibrahim	Chief Executive Officer	9 out of 9 meetings	100%

#### 4. Responsibilities of the Board

The Board has adopted the following six 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;
- 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 controls 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 assesses the suitability of proposed new Directors and recommends to the Board for appointment.

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.

## statement on corporate governance (continued)

The Articles also provide that all Directors (including a Managing Director and Executive Directors) shall retire from office once at least in each three 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 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") prescribed by Bursa Securities. Apart from attending various conferences and seminars organized by external organizers, the Board also benefited from internal technical briefings which were conducted in-house.

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. Directors' Assessment

During the year, the Board assessed the Board of Directors, Committees and individual Directors' effectiveness. The Directors have been receiving training identified for certain areas so as to facilitate the Directors in the discharge of their duties.

### 9. Supply of Information

All Directors are provided with an agenda and a set of Board papers prior to each Board meeting for consideration and where appropriate, for decision. The Board has full and timely access to all relevant information to discharge its duties effectively. 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 appraised on key business, financial, operational, corporate, legal, regulatory and industry matters, as and when the need arises.

The Directors also have direct access to the advice and services of the Head of Internal Audit and the Group Company Secretary. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. Where necessary, the Directors, whether collectively as a Board or in their individual capacity, may seek external and independent professional advice and assistance from experts in furtherance of their duties at the Group's expense.

### 10. 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 Securities 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.

### 11. Committees

The Board delegates certain responsibilities to the respective Committees of the Board which operate within clearly defined terms of reference. These committees have the authority to examine particular issues and report to the

Board with their proceedings and deliberations. Where committees have no authority to make decisions on matters reserved for the Board, recommendations would be highlighted to the Board for approval. The Chairmen of the various committees report the outcomes of their committee meetings to the Board, and any further deliberation is made at the Board level, if required. These reports and deliberations are incorporated into the minutes of the Board meetings.

The four principal Board Committees are:-

**(a) Audit Committee**

The composition, terms of reference and a summary of the activities of the Audit Committee are set out separately in the Audit Committee Report as laid out on pages 53 to 57 of this Annual Report.

**(b) Nomination Committee**

The Nomination Committee has been entrusted with 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 meeting during the financial year ended 31 December 2005 with full attendance.

**(c) Employee Share Option Scheme (“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 actions to give effect to the ESOS Bye-Laws and to ensure effective administration of the ESOS. The Committee appraises the Board on principal matters relating to the ESOS.

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).



## statement on corporate governance (continued)

The ESOS Committee meets as and when necessary and can also make decisions by way of circular resolutions.

### (d) Remuneration Committee

The Remuneration Committee is entrusted 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;
- 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 Director;
- designing an evaluation procedure for Non-Executive Directors;
- reviewing on a yearly basis, the individual remuneration packages of the Executive Director 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 three meetings during the financial year ended 31 December 2005, which were 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. In Maxis, the component parts of remuneration for the Executive Director are structured so as to link rewards to corporate and individual performance. 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 and the scope of the Group from time to time.

### 1. Remuneration procedures

The Remuneration Committee recommends the policy and framework of the Directors' remuneration and the remuneration package for the Executive Director to the Board and in recommending 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 individual performance, the consumer price index and information from independent sources on the rates of salary for similar positions in other comparable companies. The salary is reviewed annually.



**(b) Fees**

In 2003, the Company obtained a shareholders' approval via ordinary resolution for the payment of fees of the Directors for the year to end on 31 December 2003 and each subsequent year at RM1,800,000 per annum to be divided amongst them in such manner as the Directors may agree. Hence, payment of fees to the Directors do not need shareholders' approval provided that the amount does not exceed RM1,800,000 per annum.

**(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 are 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 to Directors as appropriate.

**(e) Pension arrangements**

The Executive Director contributes to the Employees Provident Fund, which is the national mandatory contribution plan.

**(f) Service contract**

The notice period for the termination of the Executive Director's service contract is six months on either side.

**(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 2005 is set out on page 102 of this Annual Report.

Details of the Directors' remuneration for the financial year ended 31 December 2005 are disclosed in the financial statements, as set out on pages 101 and 102 of this Annual Report.

### **(III) SHAREHOLDERS AND OTHER STAKEHOLDERS**

#### **1. Shareholders and Investor Relations**

The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors. Maxis communicates with its shareholders and stakeholders regularly through 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 Company has a dedicated investor relations team which deals with all queries from investors and facilitates responses.

The Group maintains a website at [www.maxis.com.my](http://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.

## statement on corporate governance (continued)

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

- i. Dato' Seri Syed Anwar Jamalullail, Senior Independent Director  
Telephone number : 603 2279 8995  
Facsimile number : 603 2274 6299
- 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' enquiries  
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 on the resolutions being proposed or about the Group's operations in general. 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 welcome 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.

A toll free line has been set-up to attend to all queries from shareholders pertaining to the Form of Proxy as set out at the end of this Annual Report and all other matters relating to the forthcoming AGM. The toll free number is 1800 828 001 and will be valid from 10 May 2006 to 7 June 2006.

## (IV) ACCOUNTABILITY AND AUDIT

### 1. Financial reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors take appropriate steps to present a clear, balanced and understandable assessment of the Group's financial position, performance and prospects. This also applies to other price-sensitive public reports and reports to regulators. The assessment is provided in this Annual Report through the Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 set out on page 134 of this Annual Report.

### 2. Internal Control

The Group's Statement on Internal Control is set out on pages 65 to 68 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 53 to 57 of this Annual Report.

# Statement On Internal Control

THE BOARD IN DISCHARGING ITS RESPONSIBILITIES, IS FULLY COMMITTED TO THE MAINTENANCE OF A SOUND INTERNAL CONTROL ENVIRONMENT TO SAFEGUARD SHAREHOLDERS' INVESTMENTS AND THE GROUP'S ASSETS.

## INTRODUCTION

The Board in discharging their stewardship responsibilities has established procedures of internal control that are in accordance with the guidelines for directors, the "Statement on Internal Control: Guidance for Directors of Public Listed Companies". These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing significant risks faced by the Group that may affect the achievement of its business objectives.

Set out below is the Board's Statement on Internal Control prepared in accordance with paragraph 15.27(b) of the Listing Requirements of Bursa Securities. The external auditors have reviewed this Statement on Internal Control as required by paragraph 15.24. Their review was performed in accordance with Recommended Practice Guide 5 ("RPG 5") issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the internal control of the Group. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

## BOARD RESPONSIBILITY

The Board has an overall responsibility for the Group's system of internal control and its effectiveness, as well as reviewing its adequacy and integrity. The system of internal control is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate these risks. Internal

control systems can only provide reasonable and not absolute assurance against material mis-statement or loss.

## RISK MANAGEMENT

The Board regards risk management as an integral part of the Group's business operations. There is an established process for identifying, analysing, measuring, monitoring and reporting on the significant risks that may affect the achievement of its business objectives.

Management is responsible for creating a risk-aware culture and for ensuring the necessary knowledge for risk management. The Enterprise Risk Management department in conjunction with the Group's operational managers continuously monitor and evaluate the progress of the identified risks and report the results to Senior Management. The Audit Committee is also provided with a quarterly report on the enterprise risk map and the status of progress toward mitigating the high risk areas.

Risk awareness sessions are also conducted at the operational level to help sustain a risk-aware culture and to understand the importance of risk management across the Group. In addition, existing key processes are reviewed and enhanced to embed a risk-based approach towards the Group's business activities.

## CONTROL ENVIRONMENT AND STRUCTURE

The Board and Management have established numerous processes for identifying, evaluating and managing the significant risks faced by the Group. These processes include updating the system of internal controls when there are changes to the business environment or regulatory guidelines. The key elements of the Group's control environment include:

## statement on internal control (continued)

### • Organisation structure

The Board is supported by a number of established Board committees in the execution of its responsibilities, namely Audit, Nomination, Remuneration and Employee Share Option Scheme (“ESOS”), the details of which are set out in the Statement on Corporate Governance. Each committee has clearly-defined terms of reference.

Responsibility for implementing the Group's strategies and day-to-day businesses are delegated to Management. The organisation structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship.

### • Audit Committee

The Audit Committee comprises non-executive members of the Board, the majority of whom are independent directors. The Audit Committee reviews internal control issues identified by internal auditors, external auditors and Management and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. Throughout the financial year, the Audit Committee members were briefed on corporate governance practices, updates of Malaysian Financial Reporting Standards, as well as legal and regulatory requirements. It also reviewed the effectiveness of the internal audit function with particular emphasis on the scope and quality of audits, and independence of the Internal Audit department.

The current composition of the Audit Committee consists of members who bring with them a wide variety of experience from different industries and backgrounds. They continue to meet regularly and have full and unimpeded access to the internal and external auditors and all employees of the Group. The Audit Committee also reviewed its terms of reference and the Internal Audit Charter during the financial year. Revisions were made to adopt best corporate governance practices.

Further activities of the Audit Committee are set out in the Audit Committee Report.

### • Internal Audit

The Internal Audit department continues to independently monitor compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings and corrective measures in respect of any non-compliance on a timely basis. Its work practices are governed by the Internal Audit Charter, which is subject to revision on an

annual basis. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually before the commencement of the following financial year and a quarterly update is given.

The Audit Committee oversees the Internal Audit department's independence, scope of work and resources. The Internal Audit function meets the requirements of the Guidelines on the Internal Audit Function issued by the Institute of Internal Auditors Malaysia in July 2002.

Further activities of the Internal Audit function are set out in the Audit Committee Report.

### • Code of Business Practice

The Group is committed to conducting business fairly, impartially and ethically and in full compliance with all laws and regulations. To this end there is a detailed Code of Business Practice (“the Code”), which stipulates how employees as well as external parties such as vendors, suppliers and contractors who do business with us should conduct themselves in all business matters.

All employees are required to sign an online declaration upon joining the Group and on an annual basis on compliance with the Code. External parties such as vendors, suppliers and contractors who do business with the Group are required to sign a declaration that they have read and will adhere to the contents of the Code.

To support the implementation and effectiveness of the Code there is an established Office of Business Practice to provide policy guidance and to facilitate compliance with the Code.

### • Revenue Assurance

The Revenue Assurance department is responsible for the continuous monitoring of potential revenue leakage that may arise from day-to-day operations. Processes and controls within the revenue cycle are reviewed on a rotational basis to ensure they function effectively and efficiently, which includes performance and examination of regular automated test calls. These findings are reported monthly to Management. Every quarter, key issues on identified revenue leakages and the corresponding action plans taken are reported to the Audit Committee. The Revenue Assurance Working Committee meets quarterly to address key revenue assurance issues and drive revenue assurance initiatives across the Group. An external review was

carried out during the financial year to provide an independent assessment of the controls over selected revenue streams. Recommendations arising from this review are currently being implemented by management and tracked by the Revenue Assurance Department.

- **Fraud Management**

The Fraud Management control function complements the Revenue Assurance department. 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 and appropriate actions are taken immediately for suspected call fraud. It uses an industry developed system to monitor call patterns on a 24/7 basis throughout the financial year. Fraud Management's findings are reported to Management to ensure remedial actions are taken.

- **Business Continuity Planning**

The Business Continuity Planning ("BCP") function is responsible for identifying activities and operations that are critical to sustaining business operations in the event of a disaster. These activities include facilitating the building of additional redundancies in network infrastructure and establishing alternate sites where key operational activities can be resumed. A risk based approach is 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. During the financial year, selected critical areas as identified by risk priority, were tested to assess the effectiveness of the implemented BCP initiatives. The progress of these initiatives was reported monthly to Management and presented quarterly to the BCP Steering Committee.

- **Regulatory**

The Regulatory function is responsible for ensuring compliance with the Communications and Multimedia Act 1998 ("CMA") and its subsidiary legislations, which regulate the Group's core business in the communications and multimedia sector in Malaysia. As a licensee under the CMA, the Group adheres to its licensing conditions as well as economic, technical, social and consumer protection regulations embedded in the CMA and its subsidiary legislations. The Group actively participates in new regulatory and industry development consultations initiated by the regulator, the Malaysian Communications and Multimedia Commission

("MCMC"). The regulatory function also frequently engages the MCMC and the Ministry of Energy, Water and Communications in discussions on pertinent industry issues. The Regulatory function reports to the Chief Executive Officer.

- **Legal**

The Legal department plays a pivotal role in ensuring that the interests of the Group are preserved and safeguarded from a legal perspective. It also plays 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.

- **Limits of Authority**

A Limits of Authority ("LOA") manual sets out the authorisation limits for various levels of Maxis' Management and staff and also those requiring Board approval to ensure accountability, segregation of duties and control over the Group's financial commitments. The LOA manual is reviewed and updated periodically to reflect business, operational and structural changes. All material changes to the LOA manual require approval of the Chief Executive Officer and Chief Financial Officer.

- **Policies and Procedures**

There are extensive documentation of policies, procedures, guidelines and service level agreements in manuals and on the Group's intranet site and these are reviewed and revised periodically to meet changing business, operational and statutory reporting needs.

- **Financial and Operational Information**

A detailed budgeting and reporting process is established. Comprehensive budgets are prepared by the operating units 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. Reporting systems which highlight significant variances against plan are in place to track and monitor performance. These variances in financial as well as operational performance indices are incorporated 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 and prior periods.

- **Indonesian Operations**

The Board oversees its Indonesian operations through the representation of its Directors and Management on

## statement on internal control (continued)

the Board of Commissioners and the Audit and Defalcation Committee in PT Natrindo Telepon Seluler (“NTS”). The Audit and Defalcation Committee is responsible for monitoring NTS’ control environment. NTS has also established its own tender governance structure, an Executive Committee of the Board of Commissioners and a LOA to rationalise and streamline its decision-making and approval processes and procedures. These processes and procedures are in conformity with the Group’s system of internal control to ensure a uniform governance environment. The Board receives timely communication from its representatives to ensure the integrity of these structures and processes.

### MONITORING AND REVIEW

The processes adopted to monitor and review the effectiveness of the system of internal control include:

- **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 Management on the control environment in their respective areas. Any exceptions identified are highlighted to the Board.
- **Internal Audit** in their quarterly report to the Audit Committee continues to highlight significant issues and

exceptions identified during the course of their review on processes and controls compliance. The Chairman of the Audit Committee provides the Board with a report of all meetings of the Audit Committee, of which there were four (4) in the financial year under review.

- **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 department and Management are channeled to this committee for deliberation. Appropriate actions are then taken based on the findings.
- **Risk Management Function** reports to the Board quarterly through the Audit Committee on the risk profile of the Group and the progress of action plans to manage and mitigate the risks.

### CONCLUSION

For the financial year under review and up to the date of issuance of the Annual Report and Financial Statements, the Board is satisfied with the adequacy and integrity of the Group’s system of risk management and internal control. 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 MASB 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 72 to 135 of this Annual Report, are the financial statements of the Company and the Group for the financial year ended 31 December 2005.

The Act places the responsibility on the Directors to ensure that the consolidated balance sheet provides a true and fair view of the state of affairs of the Group as at 31 December 2005 and the consolidated income statement provides a true and fair view of the results of the Group for the financial year ended 31 December 2005. The Directors are also required by law to ensure that such consolidated balance sheet and income statement have been prepared in accordance with MASB approved accounting standards and provisions stipulated by the Act.

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 are 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, and to prepare a 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.