

1. CORPORATE DIRECTORY**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Citizenship</u>	<u>Occupation</u>
Tun Haji Mohammed Hanif bin Omar (Chairman/Non-executive director)	No. 74, Jalan USJ 12/3B, 47630 Subang Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Dato' Seri Syed Anwar Jamalullail ⁽¹⁾ (Independent non-executive director)	Lot 75, Sri Cemerlang Jalan 16/9 46350 Petaling Jaya Selangor Darul Ehsan	Malaysian	Chartered Accountant/ Company Director
The Lord Killearn ⁽²⁾ (Independent non-executive director)	Little Sodbury Manor Chipping Sodbury South Gloucestershire BS37 6QA United Kingdom	British	Company Director
Timothy Hugh Ling (Independent non-executive director)	2411, Pesquera Drive Los Angeles CA 90049 United States of America	United States of America	President/ Chief Operating Officer
Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin (Non-executive director)	No. 3, Lorong Damai Sembilan, 55000 Kuala Lumpur Malaysia	Malaysian	Company Director
Khoo Teng Bin (Non-executive director)	Lot 490, No 2A Pinggir Pelangi Pagi Country Heights 43000 Sungai Ramal Kajang Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Augustus Ralph Marshall (Non-executive director)	No. 2, Lorong Lembah Tunku Bukit Tunku 50480 Kuala Lumpur Malaysia	Malaysian	Executive Director
Tan Poh Ching (Non-executive director)	No. 99, Jalan Limau Purut Taman Bandaraya Bangsar 59000 Kuala Lumpur Malaysia	Malaysian	Chief Executive Officer
Dato' Jamaludin bin Ibrahim (Executive director/Chief Executive Officer)	247, Jalan Bungor Rosa Sierramas 47000 Sungai Buloh Selangor Darul Ehsan Malaysia	Malaysian	Company Director/ Chief Executive Officer

Notes:

(1) Dato' Seri Syed Anwar Jamalullail's name as per his Identity Card is Syed Zainol Anwar

(2) Previously The Hon. Victor Lampson

1. CORPORATE DIRECTORY (Cont'd)**AUDIT COMMITTEE**

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Timothy Hugh Ling	Chairman	Independent non-executive director
Dato' Seri Syed Anwar Jamalullail ⁽¹⁾	Member	Independent non-executive director
Augustus Ralph Marshall	Member	Non-executive director

REMUNERATION COMMITTEE

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Dato' Seri Syed Anwar Jamalullail ⁽¹⁾	Chairman	Independent non-executive director
The Lord Killearn ⁽²⁾	Member	Independent non-executive director
Tan Poh Ching	Member	Non-executive director

NOMINATION COMMITTEE

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
The Lord Killearn ⁽²⁾	Chairman	Independent non-executive director
Dato' Seri Syed Anwar Jamalullail ⁽¹⁾	Member	Independent non-executive director
Augustus Ralph Marshall	Member	Non-executive director

Notes:

(1) Dato' Seri Syed Anwar Jamalullail's name as per his Identity Card is Syed Zainol Anwar

(2) Previously The Hon. Victor Lampson

(The remaining page is intentionally left blank)

1. CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARY** – Dipak Kaur a/p Sangat Singh
Licence No. LS 5204
No. 67, BU 11/6
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- PRINCIPAL BANKERS** – Bank Utama (Malaysia) Bhd.
Ground Floor
President House
54, Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
- Bumiputra-Commerce Bank Berhad
Menara Olympia
Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
- HSBC Bank Malaysia Bhd.
2, Leboh Ampang
50100 Kuala Lumpur
Malaysia
- RHB Bank Berhad
Level 8, Tower Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
- ABN AMRO Bank Berhad
Level 27, MNI Twins, Tower 2
50450 Kuala Lumpur
11 Jalan Pinang
Malaysia
- EON Bank Berhad
23rd Floor, Corporate Banking 1
Wisma Cyclecarri
288, Jalan Raja Laut
50350 Kuala Lumpur
- THE ISSUER** – Maxis Communications Berhad
Level 18, Menara Maxis
Kuala Lumpur City Centre
off Jalan Ampang
50088 Kuala Lumpur
Malaysia
Tel: +603 380 7000
Fax: +603 380 7476
Email: contactus@maxis.com.my
Website: www.maxis.com.my

1. CORPORATE DIRECTORY (Cont'd)

- REGISTERED/HEAD OFFICE** - Level 18, Menara Maxis
Kuala Lumpur City Centre
off Jalan Ampang
50088 Kuala Lumpur
Malaysia
Tel: +603 380 7000
Fax: +603 380 7476
- LEGAL ADVISERS** - *To the Company as to
United States and English Law*
Clifford Chance (Singapore) LLP
16, Collyer Quay
#10-00 Hitachi Tower
Singapore 049318
- To the Company and the Selling
Shareholder as to Malaysian Law and
for the Initial Public Offering*
Cheong Kee Fong & Co.
Suite 6.03A-6.08,
6th Floor, Heritage House
33 Jalan Yap Ah Shak
50300 Kuala Lumpur
Malaysia
- To the Global Co-ordinator and the Joint
Bookrunners as to United States and English Law*
Herbert Smith
30, Raffles Place
#09-02 Caltex House
Singapore 048622
- To the Underwriters as to Malaysian Law*
Zul Rafique & Partners
Suite 17.01, 17th Floor
Menara PanGlobal
8, Lorong P. Ramlee
50250 Kuala Lumpur
Malaysia
- AUDITORS AND REPORTING
ACCOUNTANTS** - PricewaterhouseCoopers
11th Floor, Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia
- ADVISERS** - *Financial Adviser to the Company and
Adviser for the Initial Public Offering*
RHB Sakura Merchant Bankers Berhad
Level 8, Tower Three, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
- Global Co-ordinator*
ABN AMRO Rothschild
40/F, Cheung Kong Center
2, Queen's Road, Central
Hong Kong

1. CORPORATE DIRECTORY (Cont'd)

- Adviser for the Initial Public Offering*
 Commerce International Merchant Bankers Berhad
 8th Floor, Bangunan CIMB
 Jalan Semantan
 Damansara Heights
 50490 Kuala Lumpur
 Malaysia
- International Adviser for the Institutional Offering*
 ING Bank N.V.
 39th Floor, One International Finance Centre
 1 Harbour View Street
 Central
 Hong Kong
- JOINT LEAD MANAGERS AND JOINT LEAD UNDERWRITERS FOR THE INITIAL PUBLIC OFFERING** – RHB Sakura Merchant Bankers Berhad
 Level 8, Tower Three, RHB Centre
 Jalan Tun Razak
 50400 Kuala Lumpur
 Malaysia
- Commerce International Merchant Bankers Berhad
 8th Floor, Bangunan CIMB
 Jalan Semantan
 Damansara Heights
 50490 Kuala Lumpur
 Malaysia
- OTHER RETAIL UNDERWRITERS** – Affin Merchant Bank Berhad
 27th Floor, Menara Boustead
 69, Jalan Raja Chulan
 P.O. Box 11424
 50200 Kuala Lumpur
- Affin-UOB Securities Sdn. Bhd.
 Level 3, Menara Keck Seng
 203, Jalan Bukit Bintang
 55100 Kuala Lumpur
- Alliance Merchant Bank Berhad
 Level 19, Menara Multi-Purpose
 Capital Square
 8, Jalan Munshi Abdullah
 50100 Kuala Lumpur
- Arab-Malaysian Merchant Bank Berhad
 22nd Floor, Bangunan Arab-Malaysian
 55, Jalan Raja Chulan
 50200 Kuala Lumpur
- Aseambankers Malaysia Berhad
 31st Floor, Menara Maybank
 100, Jalan Tun Perak
 50050 Kuala Lumpur
- Hwang-DBS Securities Berhad
 2nd Floor, Bangunan AHP,
 No. 2, Jalan Tun Mohd Fuad 3
 Taman Tun Dr. Ismail
 60000 Kuala Lumpur

1. CORPORATE DIRECTORY (Cont'd)

		Malaysian International Merchant Bankers Berhad 12th Floor, Wisma Cyclecarri, 288, Jalan Raja Laut, 50350 Kuala Lumpur
		Mayban Securities Sendirian Berhad 5th-13th, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur
		Public Merchant Bank Berhad 25th Floor Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur
		Southern Investment Bank Berhad 16th Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur
JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS FOR THE INSTITUTIONAL OFFERING	-	ABN AMRO Rothschild 40/F, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong
		Goldman Sachs (Singapore) Pte. 1, Raffles Link #07-01, South Lobby Singapore 039393
		ING Bank N.V. 39th Floor, One International Finance Centre 1, Harbour View Street Central Hong Kong
SHARE REGISTRAR	-	Signet Share Registration Services Sdn. Bhd. 11th Floor, Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia
ISSUING HOUSE	-	Malaysian Issuing House Sdn. Bhd. 27th Floor, Menara Multi-Purpose Capital Square No. 8 Jalan Munshi Abdullah 50100 Kuala Lumpur Malaysia
LISTING SOUGHT	-	Main Board of the KLSE

2. INTRODUCTION

This Prospectus is dated 3 June 2002.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Kuala Lumpur Stock Exchange (“KLSE”) has prescribed the ordinary shares of the Company as securities which are required to be deposited into the Central Depository System (“CDS”). In consequence thereof, the Shares offered through this Prospectus will be deposited directly with the Malaysian Central Depository Sdn. Bhd. (“MCD”) and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of the MCD.

Approval was obtained on 3 April 2002 from the SC in respect of the listing of the ordinary shares of the Company on the Main Board of the KLSE and such approval shall not be taken to indicate that the Securities Commission (“SC”) recommends the listing of such ordinary shares on the Main Board of the KLSE.

An application will be made to the KLSE within three Market Days from the date of this Prospectus for admission to the Official List of the Main Board of the KLSE (“Official List”) and for dealing in and quotation for all of the issued and outstanding ordinary shares of the Company, including the Shares which are the subject of this Prospectus, on the Main Board of the KLSE failing which any allotment of Shares made on an application to subscribe for such Shares pursuant to this Prospectus shall be void and the Company shall repay without interest all monies received from the applicant. In that event, the Selling Shareholder shall also repay without interest all monies received from applicants for the Offer Shares. The ordinary shares of the Company will be admitted to the Official List and official quotation of such ordinary shares will commence upon receipt of confirmation from the MCD that all CDS accounts (“CDS Accounts”) of the successful applicants have been duly credited and notices of allotment have been despatched to successful applicants.

Acceptance of the applications will be conditional upon permission being granted to deal in and quotation for all of the issued and outstanding ordinary shares of the Company within six weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of the KLSE within the six weeks or such longer period as may be specified by the SC. Monies paid in respect of any application accepted will be returned without interest if the said permission is not granted or is revoked.

In addition, in the event that the ordinary shares of the Company are not admitted to the Official List by 8 August 2002 then the Company will withdraw its application for admission and monies paid in respect of any application for Shares will be returned to applicants without interest.

The completion of the Retail Offering and the Institutional Offering are interconditional and are subject to occurrence of both of the following events:

- (a) all Shares under the Retail Offering having been fully subscribed for; and
- (b) at least 277,000,000 Shares under the Institutional Offering having been subscribed for.

If the Retail Offering and the Institutional Offering are not completed, monies paid in respect of any application for Shares will be returned to applicants without interest.

For applications using Application Forms (refer to Section 30 of this Prospectus), an applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred Authorised Depository Agent (“ADA”) Code. Where an applicant already has a CDS Account, he should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account number to the Participating Financial Institution by way of keying in his CDS Account number if the instructions on the ATM screen at which he enters his Electronic Share

2. INTRODUCTION (Cont'd)

Application require him to do so. A corporation or institution cannot apply for Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained in this Prospectus, in relation to the Initial Public Offering and if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Promoter or the Selling Shareholder. Neither the delivery of this Prospectus nor any offering of Shares made in relation to this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company or the Group since the date of this Prospectus.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser.

(The remaining page is intentionally left blank)

3. INFORMATION CONCERNING THE PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “Maxis Communications” and the “Company” in this Prospectus are to Maxis Communications Berhad, all references to “Maxis” and the “Group” herein are to the Company and its consolidated subsidiaries, and all references to “Maxis Holdings” and the “Selling Shareholder” are to Maxis Holdings Sdn. Bhd., unless the context otherwise requires. All references to “Usaha Tegas” are to Usaha Tegas Sdn. Bhd. and all references to the “UT Group” are to Usaha Tegas and its subsidiaries. Unless the context otherwise requires, references to “Management” are to the directors and senior management team of Maxis as at the date of this Prospectus, and statements in this Prospectus as to beliefs, expectations, estimates and opinions of Maxis are those of Maxis’ Management.

In this Prospectus, references to the “Government” are to the Government of Malaysia; references to “Ringgit”, “Ringgit Malaysia”, “RM” and “sen” are to the lawful currency of Malaysia; references to “dollars”, “U.S. Dollars” and “U.S.\$” are to the lawful currency of the United States of America; and references to “Euros” are to the lawful currency of the member states of the European Union that adopted the single currency. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding. Certain acronyms and technical terms used herein are defined in the Glossary of Technical Terms in this Prospectus. Other abbreviations used herein are defined in the Glossary of Abbreviations and Defined Terms in this Prospectus. Words denoting the singular only shall include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine gender and *vice versa*. Reference to persons shall include corporations.

The information on Maxis’ websites, any website of the UT Group or any website directly or indirectly linked to such websites is not incorporated by reference into this Prospectus and should not be relied on.

Solely for the convenience of the reader, this Prospectus contains translations of certain Ringgit amounts into U.S. Dollars and *vice versa* at the prevailing fixed rate of exchange of RM3.80 = U.S.\$1.00, the reference rate set by Bank Negara Malaysia in September 1998. No representation is made that the Ringgit or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Ringgit, as the case may be, at any particular rate or at all.

The Group’s financial statements are prepared in accordance with applicable approved accounting standards in Malaysia (“MAAS”).

This Prospectus includes statistical data provided by Maxis and various third parties and cites third-party projections regarding growth and performance of the industries in which Maxis operates. This data is taken or derived from information published by industry sources and from Maxis’ internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from Maxis. Maxis believes that the statistical data and projections cited in this Prospectus are useful in helping prospective investors understand the major trends in the industries in which Maxis operates. However, none of Maxis, the Underwriters, the Selling Shareholder or the Promoter has independently verified these figures. Moreover, the rapidly evolving nature of the telecommunications industry makes it difficult to obtain precise and accurate statistics. None of Maxis, the Underwriters, the Selling Shareholder or the Promoter makes any representation as to the correctness, accuracy or completeness of such data and accordingly prospective investors should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and prospective investors should not place undue reliance on the third-party projections cited in this Prospectus.

4. SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY MORE DETAILED INFORMATION AND THE FINANCIAL INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. THE FOLLOWING IS ONLY A SUMMARY OF SALIENT INFORMATION ABOUT MAXIS AND OTHER INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS, INCLUDING THE RISKS DESCRIBED IN SECTION 5 ON PAGE 29 OF THIS PROSPECTUS, BEFORE DECIDING WHETHER TO INVEST IN THE SHARES OFFERED HEREBY.

4.1 History and Business

Maxis is the leading^(a) mobile communications provider in Malaysia with approximately 2.3 million mobile net subscribers, representing approximately 31 per cent.^(b) of the estimated 7.5 million mobile net subscribers in Malaysia as at 31 December 2001, and revenues of RM3,031.3 million for the year ended 31 December 2001, making Maxis the country's second largest telecommunications group in terms of revenues^(c). Since starting commercial operations in August 1995, Maxis has been the fastest growing mobile communications provider in Malaysia with its mobile net subscribers increasing at a compound annual growth rate of 107 per cent. between 31 December 1995 and 2001, in excess of the compound annual industry growth rate within Malaysia of 43 per cent.^(d) for such period. In addition, Maxis had the highest monthly average revenue per user ("ARPU") among mobile operators in Malaysia as at 31 December 2001^(e).

Maxis focuses on the provision of mobile services within Malaysia and has achieved its leading position through a clear strategy of developing *maxis* as a premium brand, providing high quality network and customer service, introducing innovative products and services, maintaining a conservative financial structure and building strong partnerships with distributors and dealers.

Maxis' strategic focus is to consolidate and develop further its market-leading position as a premium provider of mobile services in Malaysia. In achieving this objective, Maxis seeks to remain a market innovator through the deployment of additional value-added services to enhance and diversify its revenue streams as technology develops.

Maxis' mobile services are offered on a postpaid basis under the *maxis* brand to approximately 1.0 million net subscribers, representing approximately 33 per cent.^(b) of the estimated 3.1 million postpaid net subscribers in Malaysia, and on a prepaid basis under the *Hotlink* brand to approximately 1.3 million net subscribers, representing approximately 29 per cent.^(b) of the estimated 4.4 million prepaid net subscribers in Malaysia, in each case as at 31 December 2001. The use of two distinct brands and marketing foci has enabled Maxis to develop its prepaid business successfully while maintaining growth in its postpaid business. As at 31 December 2001, Maxis' GSM900 megahertz ("MHz") digital mobile network covered approximately 80 per cent. of the population in Peninsular Malaysia and approximately 70 per cent. of the population of Malaysia.

In addition to basic voice services, Maxis offers and intends to enhance a variety of value-added voice and data services, including short message service ("SMS"), wireless application protocol ("WAP"), mobile portal services and international data roaming. Maxis has pioneered and led the market in the

(a) Source: December 2001 subscribers by operator, Global Mobile newsletter (Volume 9, Number 4, 27 February 2002)

(b) Market share based on Maxis reported subscriber numbers and the Commission's estimate of Malaysian mobile subscribers as at 31 December 2001 (published in March 2002)

(c) Based on management compilation from 2001 publicly available information on revenue for telecommunications companies in Malaysia

(d) Source: Industry growth rates based on the Commission's statistics as at 31 December 2001 (published in March 2002)

(e) Based on management compilation from 2001 publicly available information on ARPU for mobile operators in Malaysia

4. SUMMARY (Cont'd)

provision of certain mobile services in Malaysia such as international roaming, WAP and Islamic data services. Maxis believes that it is able to charge premium prices for a number of the services it offers as a result of its leading brand position.

In support of its mobile business, Maxis also operates an international gateway as well as a domestic fixed line network which offers voice and data services over broadband infrastructure, using fibre optic, microwave and satellite technology.

Maxis' network supports a general packet radio service ("GPRS" or "2.5G") and Maxis intends to launch such services once GPRS-enabled handsets become widely available and tests of higher speed applications over the network are successful. In relation to 3G, the Commission released the Applicant Information Package on 28 February 2002 and has determined that it will assign up to three blocks of 3G spectrum on the basis of a "beauty contest". Applications must be submitted by 29 May 2002 and the Commission has indicated that the results will be announced on or before 30 July 2002. Maxis intends to apply for a block of 3G spectrum and is evaluating the deployment of 3G networks and services.

Maxis recorded revenues of RM2,205.8 million, RM3,031.3 million and RM863.6 million, EBITDA of RM842.6 million, RM1,412.7 million and RM486.6 million, and profit after tax of RM357.5 million, RM600.9 million and RM301.4 million for the two years ended 31 December 2001 and the three months ended 31 March 2002, respectively. For the two years ended 31 December 2001 and for the three months ended 31 March 2002, Maxis' mobile services accounted for 88.6 per cent., 91.7 per cent., and 92.5 per cent. respectively, of total revenues.

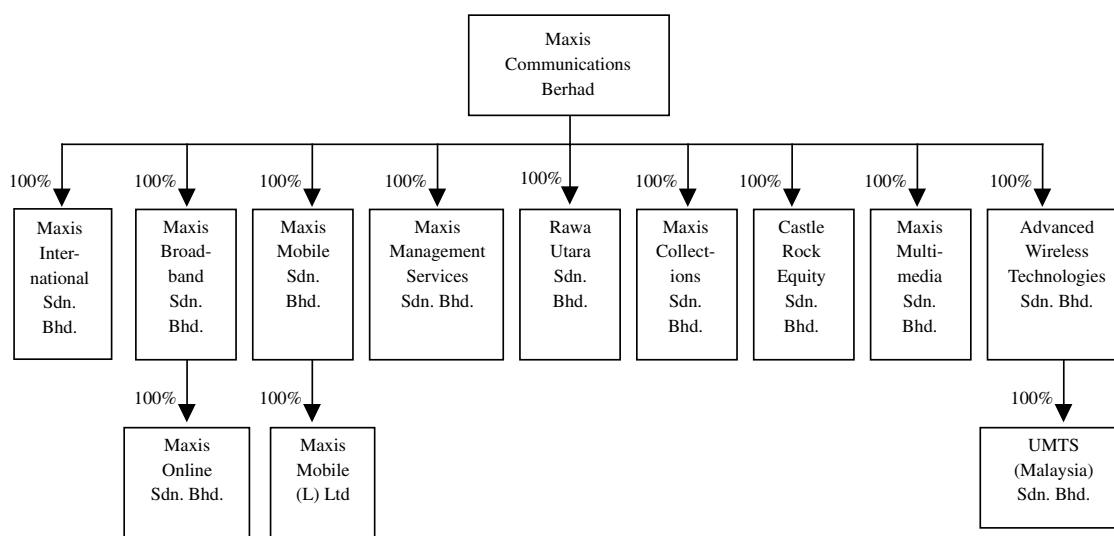
The Company was incorporated as a private limited company in Malaysia under the name Binariang Sdn. Bhd. on 19 December 1986 under the Companies Act, 1965. On 5 September 1997, the Company was converted to a public limited company and changed its name to Binariang Berhad. The Company assumed its present name, Maxis Communications Berhad, on 12 July 1999.

The principal activities of Maxis Communications are those of investment holding and the provision of services to its subsidiaries. Maxis Communications' subsidiaries' principal activities comprise the operations of mobile telephony, national public switched telephony and international switched telephony networks. In addition, the subsidiaries of Maxis Communications engage in the provision of multimedia related services, property investment, investment holding and management services, collection of telecommunications revenue for companies within the Group and wireless multimedia services. The Company's principal office is located at Levels 9-23, Menara Maxis, Kuala Lumpur City Centre, off Jalan Ampang, 50088 Kuala Lumpur, Malaysia. Its corporate email address is contactus@maxis.com.my and its main website address is www.maxis.com.my.

(The remaining page is intentionally left blank)

4. SUMMARY (Cont'd)

The following is a diagram of Maxis' corporate structure:



For further information on history and business, refer to Sections 7.1 and 7.2 on pages 50 and 51 of this Prospectus.

4.2 Competitive Strengths

Maxis believes that its market-leading position for mobile telecommunications in Malaysia is primarily attributable to the following competitive strengths:

- Effective premium branding;
- Overall superior network quality and customer service;
- Strong and effective distribution network;
- Strong management team;
- Ability to grow both postpaid and prepaid subscriber bases together; and
- Disciplined financial management.

For further information on competitive strengths, refer to Section 7.3 on page 52 of this Prospectus.

4.3 Business Strategy and Future Plans

Given Malaysia's relatively high GDP and relatively low penetration rate compared to other Asian markets, Maxis believes that Malaysia will continue to experience growth in mobile services. Maxis intends to consolidate further its market-leading position in the Malaysian mobile sector and continue to grow its business profitably. Maxis' key strategies to attain these objectives involve building on its competitive strengths and identifying new opportunities. To achieve this, Maxis has developed a three pronged strategy:

1. Continue to pursue profitable market share growth while defending its existing customer base through building on existing strengths, focusing on targeting specific market segments and extending its loyalty programs. Initiatives include:
 - Continuing to invest in and enhance Maxis' premium brand image to attract new and retain current subscribers while maintaining premium pricing; and

4. SUMMARY (Cont'd)

- Maintaining high standards of network quality and service to preserve and improve customer satisfaction levels and to continue to reduce churn.
- 2. Increase ARPU through developing new services and product offerings, and expanding mobile data services. Initiatives include:
 - Continuing to develop new services and innovative product offerings to differentiate and extend product leadership; and
 - Focusing on data services, including building strategic partnerships to support growth in data services.
- 3. Further improve Maxis' operational capabilities and efficiency through initiatives aimed at enhancing human capital investments and cost management. Initiatives include:
 - Leveraging operational efficiency through cost management, e-processes and human capital investments to improve productivity; and
 - Retaining and attracting a quality workforce.

In addition, Maxis intends to continue to explore domestic and regional expansion opportunities as they arise.

For further information on business strategy and future plans, refer to Section 7.4 on page 53 of this Prospectus.

4.4 Risk Factors

Prior to making an investment in the Shares, prospective investors should carefully consider the following risks, described in Section 5 on page 29 of this Prospectus:

(a) Risks relating to Maxis:

- the telecommunications industry is subject to rapid technological change;
- Maxis' success depends on the reliability of its network infrastructure;
- Maxis is exposed to increasing competition;
- Maxis may not be able to successfully extend and/or launch existing or new products and services into new markets;
- Maxis is exposed to risks relating to the expansion of its network;
- Maxis' success depends on its ability to efficiently utilise its current spectrum as well as its ability to acquire additional spectrum;
- Maxis' businesses depend on interconnection with other operators' networks and disruption in interconnections with those networks could jeopardise its operations;
- adverse changes in the terms for current interconnection agreements or failure to enter into or renew commercially acceptable interconnection agreements in the future could result in higher interconnection or other operating expenses and hinder the planned expansion of Maxis' businesses;
- mobile operators might become required to provide their customers with number portability;

4. SUMMARY (Cont'd)

- Maxis' existing operations and planned investments require significant capital investment and existing borrowings and covenants may limit its operating performance and financing facilities;
 - Maxis' business is subject to extensive regulation;
 - Maxis relies on sophisticated billing and credit control systems to offer and obtain payment for its services;
 - Maxis relies on its principal suppliers;
 - control by principal shareholders;
 - Maxis' ability to compete effectively will depend on the availability of a skilled workforce;
 - concerns about alleged mobile communications health risk;
 - the leases for certain of Maxis' premises have not been registered;
 - there may be conflicts of interest between Maxis and its related parties;
 - further depreciation of the Ringgit may increase Maxis' operating and financing costs;
 - Maxis may not be able to continue to enjoy import duty and sales tax exemptions;
 - the ownership rights of Maxis in respect of the ducts and cables that it lays and installs on public roads and highways are uncertain;
 - non-compliance with Government policy on non-Malaysian beneficial ownership could result in unknown penalties;
 - the Company is not in compliance with certain conditions imposed by the state authority on land which the Company owns;
 - Maxis may be unable to adequately protect its intellectual property or may face intellectual property claims that may be costly to resolve or may limit its ability to use its intellectual property in the future;
- (b) Risks relating to the Shares:
- there has been no prior market for the Shares;
 - there will be a delay between settlement and trading of the Shares;
 - like other companies in the telecommunications industry, the Company's share price may be volatile;
 - the Company may not be able to realise dividends from its subsidiaries;
 - investors in this Initial Public Offering will suffer immediate dilution;
 - the sale or the possible sale of a substantial number of the Company's ordinary shares in the public market following this Initial Public Offering could adversely affect the price of the Shares;

4. SUMMARY (Cont'd)

(c) Risks relating to future information:

- forward-looking statements;
- Maxis' actual results may vary significantly from the profit forecast set forth herein.

4.5 Ownership and Management

The tables below set forth the shareholdings of the persons and entities indicated immediately after giving effect to the issue of 410,875,000 Issue Shares (being the maximum number of Issue Shares that may be issued pursuant to the Initial Public Offering) and the sale of 241,460,000 Offer Shares (being the maximum number of Offer Shares that may be sold pursuant to the Initial Public Offering)^(a).

4.5.1 Shareholdings of the Promoter and Major Shareholders

The final direct and indirect shareholdings of the Promoter and major shareholders in Maxis Communications after the completion of the Initial Public Offering will be as follows:

<u>Major Shareholder</u>	After the Initial Public Offering No. of Shares of RM0.10 each over which substantial interest subsists			
	<u>Direct</u>	<u>%</u>	<u>Indirect</u>	<u>%</u>
Maxis Holdings Sdn. Bhd.	397,849,171	16.23	–	–
Mujur Anggun Sdn. Bhd.	50,214,543	2.05	61,665,722 ⁽¹⁾	2.52
Tenaga Tegap Sdn. Bhd.	–	–	111,880,265 ⁽²⁾	4.56
Desa Bidara Sdn. Bhd.	–	–	111,880,265 ⁽³⁾	4.56
Angsana Kukuh Sdn. Bhd.	–	–	111,880,265 ⁽⁴⁾	4.56
Beduk Selatan Sdn. Bhd.	–	–	111,880,265 ⁽⁵⁾	4.56
Indomurni Sdn. Bhd.	–	–	111,880,265 ⁽⁶⁾	4.56
Badai Jaya Sdn. Bhd.	–	–	111,880,265 ⁽⁷⁾	4.56
Badai Maju Sdn. Bhd.	–	–	111,880,265 ⁽⁸⁾	4.56
Bagan Budiman Sdn. Bhd.	–	–	167,378,718 ⁽⁹⁾	6.83
Usaha Kenanga Sdn. Bhd.	200,853,534	8.20	35,148,789 ⁽¹⁰⁾	1.43
Nusantara Tegas Sdn. Bhd.	–	–	236,002,323 ⁽¹¹⁾	9.63
Harapan Nusantara Sdn. Bhd.	–	–	598,950,665 ⁽¹²⁾	24.44
Tun Haji Mohammed Hanif bin Omar	3,000,000	0.1224	598,950,665 ⁽¹³⁾	24.44
Dato' Haji Badri bin Haji Masri	–	–	598,950,665 ⁽¹³⁾	24.44
Hj. Affendi bin Tun Hj. Mohd Fuad Stephens	–	–	598,950,665 ⁽¹³⁾	24.44
Mohamad Shahrin bin Merican	–	–	598,950,665 ⁽¹³⁾	24.44
Pacific Fortune Sdn. Bhd.	–	–	167,378,718 ⁽¹⁴⁾	6.83
MAI Holdings Sdn. Bhd.	–	–	167,378,718 ⁽¹⁵⁾	6.83
Ananda Krishnan Tatparanandam	–	–	801,740,164 ^{(16)&(17)}	32.71
Wilayah Resources Sdn. Bhd.	133,901,584	5.46	–	–
Tegas Puri Sdn. Bhd.	167,378,718	6.83	–	–
Besitang Barat Sdn. Bhd.	133,901,583	5.46	–	–
Besitang Selatan Sdn. Bhd.	117,164,175	4.78	–	–

(a) The figures in Section 4.5.2 of this Prospectus include 18,000,000 Shares which is the maximum number of Shares that may be preferentially issued to and subscribed for by Maxis directors and employees, including the senior management team, in the Initial Public Offering

4. SUMMARY (Cont'd)

Major Shareholder	After the Initial Public Offering			
	No. of Shares of RM0.10 each over which substantial interest subsists			
	Direct	%	Indirect	%
Wilayah Bintang Sdn. Bhd.	–	–	133,901,584 ⁽¹⁸⁾	5.46
Tegas Mahsuri Sdn. Bhd.	–	–	167,378,718 ⁽¹⁹⁾	6.83
Besitang (M) Sdn. Bhd.	–	–	133,901,583 ⁽²⁰⁾	5.46
Besitang Utara Sdn. Bhd.	–	–	117,164,175 ⁽²¹⁾	4.78
Usaha Tegas Equity Sdn. Bhd.	–	–	552,346,060 ⁽²²⁾	22.54
Usaha Tegas Sdn. Bhd.	–	–	552,346,060 ⁽²³⁾	22.54
Pacific States Investment Limited	–	–	552,346,060 ⁽²⁴⁾	22.54
Excorp Holdings N.V.	–	–	552,346,060 ⁽¹⁷⁾	22.54
PanOcean Management Limited	–	–	552,346,060 ⁽¹⁷⁾	22.54
East Asia Telecommunications Ltd	–	–	397,849,171 ⁽²⁵⁾	16.23
Global Multimedia Technologies (BVI) Ltd.	–	–	397,849,171 ⁽²⁵⁾	16.23
Worldwide Communications Technologies Ltd.	–	–	397,849,171 ⁽²⁵⁾	16.23
First East Asia Investments N.V.	–	–	397,849,171 ⁽²⁶⁾	16.23

Notes:

- (1) Deemed interest by virtue of its interest in Cabaran Mujur
- (2) Deemed interest by virtue of its interest in Mujur Anggun, the immediate holding company of Cabaran Mujur
- (3) Deemed interest by virtue of its interest in Tenaga Tegas which in turn has a direct interest in Mujur Anggun. See Note (2) above
- (4) Deemed interest by virtue of its interest in Desa Bidara which in turn has a direct interest in Tenaga Tegas. See Note (3) above
- (5) Deemed interest by virtue of its interest in Tenaga Tegas which in turn has a direct interest in Mujur Anggun. See Note (2) above
- (6) Deemed interest by virtue of its interest in Beduk Selatan which in turn has a direct interest in Tenaga Tegas. See Note (5) above
- (7) Deemed interest by virtue of its interest in Tenaga Tegas which in turn has a direct interest in Mujur Anggun. See Note (2) above
- (8) Deemed interest by virtue of its interest in Badai Jaya which in turn has a direct interest in Tenaga Tegas. See Note (7) above
- (9) Deemed interest by virtue of its interests in Samudra Capital Sdn. Bhd. and Alam Nahkoda Sdn. Bhd. which are the immediate holding companies of Anak Samudra Sdn. Bhd. (“ASSB”) and Dumai Maju Sdn. Bhd. (“DMSB”) respectively. ASSB and DMSB collectively hold more than 5 per cent. direct equity interest in Maxis Communications
- (10) Deemed interest by virtue of its interest in Citra Cekal Sdn. Bhd. (“CCSB”), the immediate holding company of Tegas Sari Sdn. Bhd. (“TSSB”)
- (11) Deemed interest by virtue of its interest in Usaha Kenanga, which holds more than 5 per cent. direct equity interest in Maxis Communications
- (12) Harapan Nusantara is deemed to have an interest in all of the shares of Maxis Communications in which Mujur Anggun, Cabaran Mujur, Anak Samudra Sdn. Bhd., Dumai Maju Sdn. Bhd., Nusantara Makmur Sdn. Bhd., Usaha Kenanga and Tegas Sari Sdn. Bhd. (the “Harapan Nusantara Subsidiaries”) have an interest, by virtue of Harapan Nusantara being entitled to control the exercise of not less than 15 per cent. of the equity interest in the Harapan Nusantara Subsidiaries. Mujur Anggun, ASSB, DMSB, NMSB and UKSB hold their respective interests in Maxis Communications as trustees under discretionary trusts for Bumiputera objects. As such, Harapan Nusantara does not have any economic interest in these shares
- (13) Deemed to have an interest in the shares of Maxis Communications in which Harapan Nusantara has an interest, by virtue of his interest in Harapan Nusantara. See Note (12) above. However, he does not have any economic interest in these shares
- (14) Pacific Fortune Sdn. Bhd. (“PFSB”)’s deemed interest arises by virtue of its interests in Ria Utama and Tetap Emas respectively (collectively, “PFSB Subsidiaries”). The PFSB Subsidiaries hold in aggregate more than 5 per cent. direct equity interest in Maxis Communications
PFSB is deemed to have an interest in all of the shares in Maxis Communications in which the PFSB Subsidiaries have an interest, by virtue of PFSB’s direct interests in the PFSB Subsidiaries
- (15) MAI Holdings Sdn. Bhd. (“MAIH”) is deemed to have an interest in all of the shares in Maxis Communications in which PFSB has an interest, by virtue of MAIH’s direct interest in PFSB. See Note (14) above

4. SUMMARY (Cont'd)

- (16) Deemed interest by virtue of his interest in:-
- MAI Sdn. Berhad, the immediate holding company of Terang Equity Sdn. Bhd. which in turn has a direct interest in Wangi Terang Sdn. Bhd. (“WTSB”); and
 - MAIH, the immediate holding company of PFSB which in turn has a direct interest in Ria Utama and Tetap Emas respectively. See Note (15) above
- (17) The shares in Pacific States are held by Excorp which is in turn held by PanOcean. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam and foundations including those for charitable purposes. Although PanOcean and Ananda Krishnan Tatparanandam are deemed to have an interest in the shares of Maxis Communications by virtue of the trust and related arrangements, they do not have any economic or beneficial interest in the shares
- (18) Deemed interest by virtue of its direct interest in Wilayah Resources
- (19) Deemed interest by virtue of its direct interest in Tegas Puri
- (20) Deemed interest by virtue of its direct interest in Besitang Barat
- (21) Deemed interest by virtue of its direct interest in Besitang Selatan
- (22) Usaha Tegas Equity Sdn. Bhd.’s deemed interest arises by virtue of its interests in Wilayah Bintang Sdn. Bhd., Tegas Mahsuri Sdn. Bhd., Besitang (M) and Besitang Utara which are the holding companies of Wilayah Resources, Tegas Puri, Besitang Barat and Besitang Selatan (collectively, “UT Subsidiaries”). The UT Subsidiaries hold in aggregate 22.54 per cent. equity interest in Maxis Communications. See Notes (18) to (21) above
- UTES is deemed to have an interest in all of the shares in Maxis Communications in which the UT Subsidiaries have an interest, by virtue of UTES being entitled to control the exercise of not less than 15 per cent. of the equity interest in the UT Subsidiaries
- (23) Usaha Tegas is deemed to have an interest in all of the shares in Maxis Communications in which UTES has an interest, by virtue of Usaha Tegas being entitled to control the exercise of not less than 15 per cent. of the equity interest in UTES. See Note (22) above
- (24) Pacific States is deemed to have an interest in all of the shares in Maxis Communications in which Usaha Tegas has an interest, by virtue of Pacific States being entitled to control the exercise of not less than 15 per cent. of the equity interest in Usaha Tegas. See Note (23) above
- (25) Deemed interest by virtue of its direct interest in Maxis Holdings
- (26) First East Asia Investments N.V. (“FEAI”) is deemed to have an interest by virtue of its aggregated equity interests in Global Multimedia Technologies (BVI) Ltd, East Asia Telecommunications Ltd and WCT respectively. The shares of FEAI are bearer shares

4.5.2 Shareholdings of Directors and Senior Management of Maxis Communications

The final direct and indirect shareholdings of the directors and senior management in Maxis Communications after the completion of the Initial Public Offering will be as follows:

<u>Name</u>	<u>Designation(s)</u>	<u>Number of ordinary shares held directly</u>	<u>% of issued and outstanding ordinary shares</u>	<u>Number of ordinary shares held indirectly</u>	<u>% of issued and outstanding ordinary shares</u>
Tun Haji Mohammed Hanif bin Omar . . .	Chairman, non-executive director	3,000,000	0.1224	598,950,665 ⁽¹⁾	24.44
Dato’ Seri Syed Anwar Jamalullail ⁽²⁾ . . .	Independent non-executive director	250,000	0.0102	–	–
The Lord Killearn ⁽³⁾	Independent non-executive director	250,000	0.0102	–	–
Timothy Hugh Ling	Independent non-executive director	250,000	0.0102	–	–
Tunku Dato’ Seri Mahmud bin Tunku Besar Burhanuddin	Non-executive director	500,000	0.0204	–	–
Khoo Teng Bin	Non-executive director	500,000	0.0204	–	–
Augustus Ralph Marshall	Non-executive director	500,000	0.0204	–	–
Tan Poh Ching	Non-executive director	500,000	0.0204	–	–

4. SUMMARY (Cont'd)

<u>Name</u>	<u>Designation(s)</u>	<u>Number of ordinary shares held directly</u>	<u>% of issued and outstanding ordinary shares</u>	<u>Number of ordinary shares held indirectly</u>	<u>% of issued and outstanding ordinary shares</u>
Dato' Jamaludin bin Ibrahim	Executive director/ Chief Executive Officer	400,000	0.0163	–	–
James Edward Alexander Brodie	Chief Financial Officer	80,000	0.0032	–	–
Ross Chia ⁽⁴⁾	Head of Consumer Business	200,000	0.0082	–	–
Jeremy John Saville	Head of Organisational Resource Development	25,000	0.0010	–	–
Gregory John Drayton	Head of Technology Development	25,000	0.0010	–	–
Richard Casimir Zawila	Chief Technical Officer	46,000	0.0019	–	–
Lee Chin Yik	Chief Information Officer	64,000	0.0026	–	–
Meha Sivamohan ⁽⁵⁾	General Counsel	80,000	0.0032	–	–
Amdan bin Mat Din	Head of Corporate Affairs	80,000	0.0032	–	–
Kiang Chew Peng	Head of Customer Services	80,000	0.0032	–	–
Azmi bin Ujang	Head of Human Resources	80,000	0.0032	–	–
Darke bin Mohamed Sani	Head of Enterprise Business	20,000	0.0008	–	–
Chow Chee Yan	Head of Internal Audit	20,000	0.0008	–	–
Dipak Kaur a/p Sangat Singh	Company Secretary	5,000	0.0002	–	–

Notes:

- (1) Deemed to have an interest in the shares of Maxis Communications in which Harapan Nusantara has an interest, by virtue of his interest in Harapan Nusantara. Harapan Nusantara is deemed to have an interest in all of the shares of Maxis Communications in which Mujur Anggun, Cabaran Mujur, Anak Samudra Sdn. Bhd., Dumai Maju Sdn. Bhd., Nusantara Makmur Sdn. Bhd., Usaha Kenanga and Tegas Sari Sdn. Bhd. (the "Harapan Nusantara Subsidiaries") have an interest, by virtue of Harapan Nusantara being entitled to control the exercise of not less than 15 per cent. of the equity interest in the Harapan Nusantara Subsidiaries. However, he does not have any economic interest in these shares
- (2) Dato' Seri Syed Anwar Jamalullail's name as per his Identity Card is Syed Zainol Anwar
- (3) Previously The Hon. Victor Lampson
- (4) Ross Chia's name as per his Identity Card is Chia Boon Khim
- (5) Meha Sivamohan's name as per her Identity Card is Meharani a/p Ramasamy

Other than as set forth above, there are no promoters, directors or senior management of Maxis who own any ordinary shares of the Company and there are no shareholders who own five per cent. or more of the Company's issued and outstanding ordinary shares or who are entitled to exercise or control the exercise of not less than 15 per cent. of the votes attached to the voting shares of major shareholders of the Company who directly hold shares therein.

Maxis is managed on a day-to-day basis by a senior management team headed by executive director and Chief Executive Officer, Dato' Jamaludin bin Ibrahim. Further details on the ownership and management of Maxis are set out in Sections 8 and 9 on pages 77 and 92 of this Prospectus.

4. SUMMARY (Cont'd)

4.6 The Initial Public Offering

Offering of up to 652,335,000 ordinary shares of RM0.10 each (the “Shares”) of the Company, comprising the Retail Offering to be initially offered at RM4.80 each and the Institutional Offering (the “Initial Public Offering”), where the Institutional Price and the Final Retail Price shall be determined in accordance with the mechanism as set out in Section 6.10 of this Prospectus. The Shares upon issue will rank *pari passu* in all respects with the other existing issued and outstanding ordinary shares of the Company which are fully paid-up including as to voting rights and rights to all dividends and distributions that may be declared subsequent to the date of their issuance. There are no special rights attached to the ordinary shares of the Company. Completion of the Institutional Offering and the Retail Offering are inter-conditional. Of the up to 652,335,000 Shares being offered in the Initial Public Offering, up to 410,875,000 Shares are being issued and offered by the Company (the “Issue Shares”) and up to 241,460,000 Shares are being offered by the Selling Shareholder (the “Offer Shares”). As at the date of this Prospectus, the authorised share capital of the Company consists of 20,000,000,000 ordinary shares of RM0.10 each and the issued and paid-up share capital of the Company consists of 2,040,000,000 ordinary shares of RM0.10 each. Upon completion of the Initial Public Offering, the total issued and paid-up share capital of the Company will consist of 2,450,875,000 ordinary shares of RM0.10 each. There is currently and, upon completion of the Initial Public Offering, will only be one class of shares in the Company. Refer to Section 6 on page 42 of this Prospectus.

4.7 Estimated Expenses of the Initial Public Offering

The expenses of this Initial Public Offering are estimated to be RM73.4 million, of which RM50.3 million are estimated brokerage, underwriting and selling commissions payable to the Underwriters, RM7.6 million are estimated professional fees and RM15.5 million are other fees and expenses to be incurred in connection with this Initial Public Offering. Refer to Section 6.12 on page 47 of this Prospectus.

4.8 Salient Terms of the Licences

The following licences have been issued to Maxis pursuant to the CMA:

<u>Entity</u>	<u>Date of Grant/ Renewal</u>	<u>Licences</u>	<u>Expiry Date</u>
Maxis Mobile	8 May 2001	Individual Licences: • Network facilities provider individual licence for the provision of fixed links/cables, radio communications transmitters/links, satellite hubs, towers, poles, ducts and pits	31 December 2012
	8 May 2001	• Network services provider individual licence for the provision of communications services over the network facilities	31 December 2012
	8 May 2001	• Applications services provider individual licence for the provision of applications services by means of network services	31 December 2012
	26 February 2002	Class Licence: • Applications services provider class licence for the provision of audio text hosting services provided on an opt-in basis, directory services, internet access services, messaging services	Renewable annually
Maxis Broadband	8 May 2001	Individual Licences: • Network facilities provider individual licence for the provision of earth stations, fixed links/cables, radio communications transmitters/links, satellite hubs, towers, poles, ducts and pits	28 February 2013
	8 May 2001	• Network services provider individual licence for the provision of communications services over the network facilities	28 February 2013

4. SUMMARY (Cont'd)

<u>Entity</u>	<u>Date of Grant/ Renewal</u>	<u>Licences</u>	<u>Expiry Date</u>
	8 May 2001	<ul style="list-style-type: none"> Applications services provider individual licence for the provision of applications services by means of network services 	28 February 2013
	26 February 2002	<p>Class Licence:</p> <ul style="list-style-type: none"> Applications services provider class licence for the provision of audio text hosting services provided on an opt-in basis, directory services, internet access services, messaging services 	Renewable annually
Maxis International	8 May 2001	<p>Individual Licences:</p> <ul style="list-style-type: none"> Network facilities provider individual licence for the provision of earth stations, fixed links/cables, satellite hubs, towers, poles, ducts and pits 	28 February 2013
	8 May 2001	<ul style="list-style-type: none"> Network services provider individual licence for the provision of communications services over the network facilities 	28 February 2013
	8 May 2001	<ul style="list-style-type: none"> Applications services provider individual licence for the provision of applications services by means of network services 	28 February 2013

For individual licences, the annual licence fee is the greater of (i) 0.5 per cent. of the preceding financial year's gross turnover less applicable rebates for that year; (ii) 0.15 per cent. of the preceding financial year's gross turnover; or (iii) RM50,000.00. For class licences, the annual renewal/registration fees is RM2,500.00.

For further information concerning the licensing regime and Maxis' licences, refer to Sections 16.5 and 16.8 on pages 165 and 168 of this Prospectus.

4.9 Intellectual Property

Maxis relies on a combination of trade mark, service mark and domain name registrations, common law copyright protection and contractual restrictions to establish and protect its brand names and logos, marketing designs and internet domain names. These are described in Section 7.12 on page 71 of this Prospectus.

4.10 Technology

The types of technologies employed by Maxis include the GSM standard for its mobile network, operating in the 900MHz frequency band. Maxis' mobile and fixed networks use a mix of Synchronous Digital Hierarchy ("SDH") and Plesiochronous Digital Hierarchy ("PDH") microwave links and also SDH fibre for most of its transmission systems.

For its core data network, Maxis deploys Internet Protocol ("IP") based technology and "Packet over SDH" ("POS") technology in conjunction with the use of DSL technology for the fixed local loop access and Asynchronous Transfer Mode technology as an aggregator for its backbone traffic. Maxis is also testing the use of WLAN 802.11b standard technology for commercial deployment.

In addition, Maxis also employs the use of Very Small Aperture Terminal ("VSAT") which uses Time Division Multiplex/Time Division Multiple Access ("TDM/TDMA") technology for "packetised" point-of-sale services and Single Channel per Carrier ("SCPC") technology for providing dedicated leased circuits.

For further details on technology refer to Section 17 on page 177 of this Prospectus.

4.11 Summary Selected Financial and Operating Data

The following summary selected historical financial information as at or for the years ended 31 December 1997, 1998, 1999, 2000 and 2001, and as at or for the three months ended 31 March

4. SUMMARY (Cont'd)

2002, has been derived from the audited consolidated financial statements of Maxis. Certain comparative figures have been extended to comply with the additional disclosure requirements of the new standards issued by the Malaysian Accounting Standards Board. The following summary selected unaudited operating data has been derived from Company information. The summary selected historical financial information is qualified in its entirety by reference to, and should be read in conjunction with, Section 27 on page 226 of this Prospectus, including Maxis' audited consolidated financial statements and related notes. The following summary selected historical financial information includes the results of Binariang Satellite Systems Sdn. Bhd. ("Binariang Satellite Systems"), accounted for as a wholly-owned subsidiary of Maxis Communications up to 30 September 1998, and which Maxis Communications disposed of pursuant to an agreement dated 7 October 1998. Refer to Section 11 on page 115 of this Prospectus for unaudited selected proforma financial data that excludes Binariang Satellite Systems. The historical financial statements as at and for the years ended 31 December 1997, 1998, 1999, 2000 and 2001, and as at or for the three months ended 31 March 2002, of Maxis have been prepared and presented on a consolidated basis and in accordance with MAAS. Refer to Section 3 on page 9 of this Prospectus.

	As at or for the year ended 31 December					As at or for the three months ended
	1997 ⁽¹⁾	1998 ⁽¹⁾	1999 ⁽¹⁾	2000 ⁽²⁾	2001 ⁽²⁾	31 March 2002 ⁽²⁾
	RM	RM	RM	RM	RM	RM
	(in millions)					
Income Statement Data:						
Revenue	734.5	1,225.9	1,448.8	2,205.8	3,031.3	863.6
Interconnect expenses and direct cost of sales	(217.8)	(315.6)	(369.0)	(600.4)	(805.1)	(208.1)
Gross profit	516.7	910.3	1,079.8	1,605.4	2,226.2	655.5
Other income	9.2	25.3	41.2	28.3	24.6	6.2
Administrative expenses	(460.3)	(581.9)	(545.1)	(631.5)	(772.2)	(172.8)
Network operation costs	(395.7)	(351.0)	(310.2)	(511.4)	(596.4)	(96.0)
Other operating expenses	(627.4)	(7.6)	(16.4)	(29.3)	(36.7)	(1.1)
Profit/(loss) from operations	(957.5)	(4.9)	249.3	461.5	845.5	391.8
Finance costs	(138.0)	(311.2)	(115.7)	(92.3)	(67.9)	(12.0)
Profit/(loss) before taxation	(1,095.5)	(316.1)	133.6	369.2	777.6	379.8
Taxation	(0.1)	(6.3)	(2.6)	(11.7)	(176.7)	(78.4)
Profit/(loss) after taxation	(1,095.6)	(322.4)	131.0	357.5	600.9	301.4
Dividend	—	—	—	—	(760.0)	—
Retained profit/(accumulated losses) for the year	(1,095.6)	(322.4)	131.0	357.5	(159.1)	301.4
Profit/(loss) from operations includes:						
Depreciation of telecommunications assets ⁽³⁾	193.2	255.2	250.7	362.5	344.8	87.2
Depreciation of non-telecommunications assets ⁽⁴⁾	43.7	39.9	40.6	53.6	54.9	13.7
Total depreciation	236.9	295.1	291.3	416.1	399.7	100.9
Amortisation ⁽⁵⁾	30.8	—	—	—	—	—
Allowance for write down of identified network costs ⁽³⁾	50.0	88.0	—	(15.3)	189.9	—

4. SUMMARY (Cont'd)

	As at or for the year ended 31 December					As at or for the three months ended 31 March
	1997 ⁽¹⁾	1998 ⁽¹⁾	1999 ⁽¹⁾	2000 ⁽²⁾	2001 ⁽²⁾	2002 ⁽²⁾
	RM	RM	RM	RM	RM	RM
	(in millions)					
Balance Sheet Data:						
Property, plant and equipment	2,729.3	2,031.1	2,270.0	2,780.6	3,216.3	3,301.4
Other investments	0.1	0.1	0.1	0.2	–	–
Long-term assets	<u>2,729.4</u>	<u>2,031.2</u>	<u>2,270.1</u>	<u>2,780.8</u>	<u>3,216.3</u>	<u>3,301.4</u>
Current assets	551.2	1,367.0	1,055.7	1,083.2	1,377.9	1,597.2
Current liabilities	<u>(2,991.8)</u>	<u>(2,133.1)</u>	<u>(1,280.8)</u>	<u>(1,619.0)</u>	<u>(2,566.6)</u>	<u>(2,510.7)</u>
Net current liabilities	<u>(2,440.6)</u>	<u>(766.1)</u>	<u>(225.1)</u>	<u>(535.8)</u>	<u>(1,188.7)</u>	<u>(913.5)</u>
Long-term borrowings	(628.2)	(360.8)	(827.9)	(627.2)	(339.4)	(337.6)
Creditors	–	–	–	(40.6)	(199.2)	(228.2)
Deferred taxation	–	(3.0)	(5.2)	(7.8)	(78.7)	(110.3)
Net assets/ (liabilities)	<u>(339.4)</u>	<u>901.3</u>	<u>1,211.9</u>	<u>1,569.4</u>	<u>1,410.3</u>	<u>1,711.8</u>
Share capital	105.3	157.9	157.9	157.9	157.9	157.9
Share premium	974.6	2,485.1	2,664.7	2,664.7	2,664.7	2,664.7
Accumulated losses	<u>(1,419.3)</u>	<u>(1,741.7)</u>	<u>(1,610.7)</u>	<u>(1,253.2)</u>	<u>(1,412.3)</u>	<u>(1,110.8)</u>
Shareholders' funds/ (deficit)	<u>(339.4)</u>	<u>901.3</u>	<u>1,211.9</u>	<u>1,569.4</u>	<u>1,410.3</u>	<u>1,711.8</u>

Notes:

- (1) Derived from audited consolidated financial statements of Maxis and have been extended to comply with the additional disclosure requirements of the new standards issued by the Malaysian Accounting Standards Board
- (2) Audited
- (3) Included in network operation costs
- (4) Included in administrative expenses
- (5) Included in other operating expenses

	As at or for the year ended 31 December					As at or for the three months ended 31 March
	1997	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM	RM
	(in millions, except per share data)					
Other Selected Financial Data:						
EBITDA ⁽¹⁾	(649.1)	352.9	508.5	842.6	1,412.7	486.6
Cash flow data						
Cash flow from operating activities	258.9 ⁽¹⁾	538.4 ⁽¹⁾	703.7 ⁽¹⁾	1,040.7 ⁽²⁾	1,654.2 ⁽²⁾	415.0 ⁽²⁾
Cash flow from investing activities	(1,307.8) ⁽¹⁾	(293.3) ⁽¹⁾	(535.6) ⁽¹⁾	(888.5) ⁽²⁾	(1,025.3) ⁽²⁾	(186.0) ⁽²⁾
Cash flow from financing activities	1,065.4 ⁽¹⁾	364.9 ⁽¹⁾	(212.9) ⁽¹⁾	(197.1) ⁽²⁾	(408.5) ⁽²⁾	(14.5) ⁽²⁾
Net tangible assets/ (liabilities) per ordinary share (RM) ⁽¹⁾	(3.22)	5.71	7.68	9.94	8.93	10.84
Earnings/ (loss) per ordinary share (sen) ⁽¹⁾	(1,076.7)	(272.3)	83.0	226.4	380.6	190.9

Notes:

- (1) Components of financial data derived from audited consolidated financial statements
- (2) Audited

4. SUMMARY (Cont'd)

	As at or for the year ended 31 December					Compound Annual Growth Rate for the years 1997-2001
	1997	1998	1999	2000	2001	
Selected Unaudited Operating Data (Mobile Services):						
Number of mobile net subscribers (in thousands)						
Postpaid	344	527	623	790	1,036	31.7%
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	87	656	1,259	279.8% ⁽²⁾
ARPU (RM)						
Postpaid	190	195	187	182	165	(3.4%)
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	49	73	67	17.2% ⁽²⁾
Monthly MOU per subscriber (minutes)						
Postpaid	380	371	384	411	439	3.6%
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	106	186	161	22.9% ⁽²⁾
Average monthly churn rate (%)	2.2%	2.3%	3.3%	2.2%	1.6%	-
Average acquisition cost per gross subscriber additions (RM)	323	312	116	79	78	-

Notes:

(1) Not applicable since this revenue stream commenced only in 1999 when the *Hotlink* prepaid service was launched

(2) Compound annual growth rate for the years 1999-2001

	For the year ended 31 December					For the three months ended 31 March 2002
	1997	1998	1999	2000	2001	
	RM	RM	RM	RM	RM	RM
EBITDA⁽¹⁾						
Profit/(loss) after taxation	(1,095.6)	(322.4)	131.0	357.5	600.9	301.4
Taxation	<u>0.1</u>	<u>6.3</u>	<u>2.6</u>	<u>11.7</u>	<u>176.7</u>	<u>78.4</u>
Profit/(loss) before taxation	(1,095.5)	(316.1)	133.6	369.2	777.6	379.8
Interest income	(9.3)	(25.3)	(32.1)	(19.7)	(22.4)	(6.1)
Finance cost	138.0	311.2	115.7	92.3	67.9	12.0
Depreciation	236.9	295.1	291.3	416.1	399.7	100.9
Amortisation	30.8	-	-	-	-	-
Allowance for write down of identified network costs	<u>50.0</u>	<u>88.0</u>	<u>-</u>	<u>(15.3)</u>	<u>189.9</u>	<u>-</u>
EBITDA	<u>(649.1)</u>	<u>352.9</u>	<u>508.5</u>	<u>842.6</u>	<u>1,412.7</u>	<u>486.6</u>

Notes:

(1) EBITDA is unaudited and is shown for illustrative purposes only

The audited consolidated financial statements of Maxis were not subject to any audit qualification for the years ended 31 December 1997, 1998, 1999, 2000 and 2001, or for the three months ended 31 March 2002, and there were no exceptional items or extraordinary items, as defined by MAAS, recorded for such periods.

4.12 Proforma Consolidated Balance Sheets and Capitalisation**4.12.1 Proforma Consolidated Balance Sheets**

The summarised Proforma Consolidated Balance Sheets of Maxis set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated balance sheet as at

4. SUMMARY (Cont'd)

31 March 2002, on the assumption that certain events set forth in the notes below had been effected on that date and should be read in conjunction with the notes and assumptions to the Proforma Consolidated Balance Sheets as set out in Section 28 on page 292 of this Prospectus:

	Audited 31 March 2002	Proforma I ⁽¹⁾ After dividend payment, financing, issuance and redemption of RPS	Proforma II ⁽²⁾ After bonus issue & share split	Proforma III ⁽³⁾ After completion of Initial Public Offering
	RM	RM	RM	RM
	(in millions)			
Property, plant & equipment	3,301.4	3,301.4	3,301.4	3,301.4
Current assets	1,597.2	778.9	778.9	1,687.2
Current liabilities	<u>(2,510.7)</u>	<u>(1,772.3)</u>	<u>(1,772.3)</u>	<u>(1,317.3)</u>
Net current (liabilities)/assets	(913.5)	(993.4)	(993.4)	369.9
Non-current liabilities	<u>(676.1)</u>	<u>(1,736.1)</u>	<u>(1,736.1)</u>	<u>(1,087.1)</u>
	<u>1,711.8</u>	<u>571.9</u>	<u>571.9</u>	<u>2,584.2</u>
Share capital	157.9	179.8	204.0	245.1
Share premium	2,664.7	1,502.9	1,478.7	3,449.9
Accumulated losses	<u>(1,110.8)</u>	<u>(1,110.8)</u>	<u>(1,110.8)</u>	<u>(1,110.8)</u>
	<u>1,711.8</u>	<u>571.9</u>	<u>571.9</u>	<u>2,584.2</u>
Net tangible assets	1,711.8	571.9	571.9	2,584.2
Net tangible assets per ordinary share (RM)				
– RM1.00 nominal value	<u>10.84</u>	<u>3.18</u>		
– RM0.10 nominal value			<u>0.28</u>	<u>1.05</u>
Number of ordinary shares ('000)				
– RM1.00 nominal value	<u>157,895</u>	<u>179,755</u>		
– RM0.10 nominal value			<u>2,040,000</u>	<u>2,450,875</u>

Notes:

- (1) The Proforma I Consolidated Balance Sheet has been presented to include the effects of the following:
 - Payment of the final dividend for the financial year ended 31 December 2001 of RM738.4 million on 22 April 2002;
 - Issuance of 203,300 RPS of RM1.00 each at a premium of RM9,999 each by application of the share premium account on 6 May 2002;
 - Draw down of RM1,060 million being part of the syndicated multi-tranche term loan facility comprising a facility of U.S.\$200 million and term loan of RM640 million on 16 May 2002;
 - Redemption of 114,000 RPS of RM1.00 each at a premium of RM9,999 each. The nominal value of the RPS of RM1.00 each is redeemed by the proceeds from the issuance of 2,790 new ordinary shares of RM1.00 each at a premium of approximately RM39.86 each and the premium of RM9,999 each on the RPS redeemed by the application of the share premium account for the RPS on 16 May 2002; and
 - Redemption of 89,300 RPS of RM1.00 each at a premium of RM9,999 each by the proceeds from the issuance of 21,857,463 new ordinary shares of RM1.00 each at a premium of approximately RM39.86 each, where the premium of RM9,999 each on the RPS is redeemed by the application of the share premium account for the RPS on 17 May 2002
- (2) The Proforma II Consolidated Balance Sheet has been presented to include the effects of Proforma I and the following:
 - Bonus issue of 24,245,008 new ordinary shares of RM1.00 each on the basis of approximately 135 new ordinary shares for every 1,000 ordinary shares held subsequent to the redemption of the RPS, by application of the share premium account on 17 May 2002; and
 - Share split to convert the nominal value of the ordinary shares of Maxis Communications from RM1.00 per ordinary share to RM0.10 per ordinary share on 18 May 2002
- (3) The Proforma III Consolidated Balance Sheet has been presented to include the effects of Proforma I, II and the following:
 - Proposed issuance of 410,875,000 new ordinary shares of RM0.10 each at an issue price of RM4.80 per ordinary share for the Retail Offering and an illustrative price of RM5.33 per ordinary share for the Institutional Offering, the estimated expenses of the Initial Public Offering payable by the Company and the application of the net proceeds

4. SUMMARY (Cont'd)

4.12.2 Capitalisation

Except as described below, there has been no material change in the consolidated capitalisation and indebtedness of Maxis since 31 March 2002. The proforma financial information set forth below does not represent Maxis' actual capitalisation and indebtedness and is provided for information purposes only.

	Audited 31 March 2002 RM	Proforma I ⁽³⁾ RM (in millions)	Proforma II ⁽⁴⁾ RM	Proforma III ⁽⁵⁾ RM
Deposits with licensed banks, cash and bank balances	1,020.0	201.7	201.7	1,110.0
Short-term debt				
Total short-term debt (including current portion of long-term debt, equipment and service suppliers under deferred payment scheme and RPS) ⁽¹⁾	226.1	226.1	226.1	171.1
Long-term debt				
Total long-term debt ⁽²⁾	<u>565.8</u>	<u>1,625.8</u>	<u>1,625.8</u>	<u>976.8</u>
Total debt	<u>791.9</u>	<u>1,851.9</u>	<u>1,851.9</u>	<u>1,147.9</u>
Shareholders' equity				
Share capital	157.9	179.8	204.0	245.1
Share premium account	2,664.7	1,502.9	1,478.7	3,449.9
Accumulated losses	<u>(1,110.8)</u>	<u>(1,110.8)</u>	<u>(1,110.8)</u>	<u>(1,110.8)</u>
Total shareholders' equity	<u>1,711.8</u>	<u>571.9</u>	<u>571.9</u>	<u>2,584.2</u>
Total capitalisation ⁽⁶⁾	<u>1,483.7</u>	<u>2,222.1</u>	<u>2,222.1</u>	<u>2,622.1</u>

Notes:

- (1) Includes RM10.8 million non-interest bearing negative bank balances due to timing differences between processing and clearance of payments and receipts. The remainder is interest-bearing debt
- (2) Interest bearing debt and excludes the effects of the U.S.\$235 million term loan facility with a syndicate of banks. Refer to Section 19.2 of this Prospectus
- (3) See Note(1) in Section 4.12.1 above
- (4) See Note(2) in Section 4.12.1 above
- (5) See Note(3) in Section 4.12.1 above
- (6) Total capitalisation represents total debt and total shareholders' equity less deposits with licensed banks, cash and bank balances

As at the date of this Prospectus, the authorised share capital is RM2,000,000,000 comprising 20,000,000,000 ordinary shares of nominal value RM0.10 per ordinary share.

4.13 Legal Proceedings

The following legal proceedings, if determined against Maxis, would individually or in the aggregate materially affect the business or financial position of Maxis:

- Dato' Shahrudin bin Ismail has filed a claim against Maxis Mobile for the re-activation of his line and for damages in the amount of RM20.0 million plus interest and costs. Maxis Mobile has filed a counterclaim in the amount of RM14,127 for service charges due.
- A number of housing developers have made separate claims against Maxis Broadband for various forms of relief including specific performance, indemnities and/or damages totalling approximately RM28.5 million, general damages, interest and costs for alleged failures by Maxis Broadband in the provision of certain services relating to the supply of

4. SUMMARY (Cont'd)

telecommunications infrastructure to their housing development projects. Adequate provision has been made in Maxis' financial statements in respect of these claims.

Maxis is also aware of the following issues which, if not resolved in Maxis' favour, could materially affect its business or financial position:

- Maxis Mobile is claiming that one of its principal equipment suppliers, Motorola, has failed to meet certain agreed equipment and software delivery milestones and performance standards for the supply of base stations and network switching systems. There are also issues between Maxis Mobile and Motorola regarding the price payable for certain goods and services. The parties are currently in discussion on these issues. In the meantime, equipment and services are being provided by Motorola and both parties have taken steps to address Maxis' network quality concerns.

Refer to Section 22.6 on page 207 of this Prospectus.

4.14 Capital Commitments

The table below sets forth the capital commitments of Maxis as at 30 April 2002 (being the latest practicable date at which such amounts could be determined prior to the registration of this Prospectus):

	<u>As at 30 April 2002</u> (Unaudited) (RM in millions)
Commitments approved and contracted for	2,144.1
Commitments approved and not contracted for	<u>112.5</u>
Total capital commitments	<u><u>2,256.6</u></u>

Refer to Section 12.12.4 on page 148 of this Prospectus.

4.15 Contingent Liabilities

As at 30 April 2002 (being the latest practicable date at which such amounts could be determined prior to the registration of this Prospectus), Maxis had contingent liabilities for which no provision has been made in its financial statements totalling RM473.5 million. This amount included guarantees and indemnities granted by Maxis Communications to financial institutions and others in respect of obligations of subsidiary companies in the aggregate amount of RM452.0 million. In addition, there were proceedings or claims against Maxis in the aggregate amount of RM21.5 million as described in Sections 12.12.3 and 22.6 on pages 148 and 207 of this Prospectus.

4.16 Use of Proceeds

The net proceeds to the Company of the issue of 410,875,000 Issue Shares (being the maximum number of Issue Shares that may be issued pursuant to the Initial Public Offering) and at the Retail Price and the illustrative Institutional Price of RM4.80 and RM5.33 per Issue Share, respectively, as applicable, expected to amount to approximately RM2,012.3 million, after deducting estimated expenses of RM73.4 million including the underwriting and selling commissions payable in relation to the issue and sale of the Issue Shares, will be used, during the period of 24 months after the date of this Prospectus, as set forth below:

	<u>(RM in millions)</u>
Repayment of loan from BBMB ⁽¹⁾	384.0
Partial repayment of Maxis Mobile Loans ⁽²⁾	320.0
Payments related to prior purchases and/or installation of telecommunications equipment and materials ⁽³⁾	400.0
Working capital	<u>908.3</u>
Total	<u><u>2,012.3</u></u>

4. SUMMARY (Cont'd)

Notes:

- (1) Refer to Section 19.1 of this Prospectus
- (2) Subject to Bank Negara approval, if required. Refer to Section 19.2 of this Prospectus
- (3) These payments are for purchases made and/or installations done prior to the Initial Public Offering

Such net proceeds will be placed in fixed deposits prior to application and the Company will seek the approval of the SC should the Company wish to place the proceeds in other interest bearing marketable securities. The Company will not receive any proceeds from the offer and placement of the Offer Shares by the Selling Shareholder. The Selling Shareholder will use the net proceeds from the offer and placement of the Offer Shares to satisfy certain loan obligations of the Selling Shareholder. Refer to Section 6.11 on page 46 of this Prospectus.

In the event of the Final Retail Price and Institutional Price or the number of Issue Shares being different from the above assumptions, the actual net proceeds to the Company from the issue of the Issue Shares may be higher or lower than the expected net proceeds of RM2,012.3 million set forth above. Any increase or decrease in the net proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to Maxis' provision for working capital requirements. Maxis' provision for working capital requirements will also be amended to reflect any difference between Maxis' actual listing expenses and the estimated expenses of RM73.4 million set forth above.

4.17 Consolidated Profit Forecast for the Financial Year Ending 31 December 2002

Set out below is a summary of the consolidated profit forecast of Maxis Communications for the financial year ending 31 December 2002.

	<u>(RM in millions)</u>
Revenue	<u>3,625.9</u>
Consolidated profit before taxation	1,089.0
Less: Taxation	<u>(264.0)</u>
Consolidated profit after taxation	<u>825.0</u>
Basic earnings per ordinary share ⁽¹⁾	RM0.37
Net earnings per ordinary share on enlarged share capital ⁽²⁾	RM0.34
Prospective price-earnings multiple on weighted average basis	
– based on Retail Price of RM4.80 (times)	12.97
– based on illustrative Institutional Price of RM5.33 (times)	14.41

Notes:

- (1) Based on the weighted average number of 2,237,239,905 ordinary shares of RM0.10 each in issue on the assumption that the Initial Public Offering will be completed by 30 June 2002
- (2) Based on the enlarged share capital of 2,450,875,000 of RM0.10 each, assuming all ordinary shares were in issue as at 1 January 2002

Further details of the consolidated profit forecast and the Reporting Accountants' letter thereon are set out in Section 13 on page 149 of this Prospectus.

4.18 Dividend Forecast

The declaration of interim dividends and the recommendation of final dividend is subject to the discretion of the Board of Directors and any final dividend for the year is subject to shareholders' approval. It is the Company's intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including the Company's earnings, capital requirements, general financial condition and any other factors considered relevant by the Board of Directors. In addition, as a holding company, its income, and therefore its ability to pay dividends is

4. SUMMARY (Cont'd)

dependent upon the dividends it receives from its subsidiaries and other factors deemed relevant by the Board of Directors of the Company.

The Board of Directors of Maxis Communications has not forecast any dividends to be declared for the financial year ending 31 December 2002.

(The remaining page is intentionally left blank)

5. RISK FACTORS

Before investing in the Shares, prospective purchasers should pay particular attention to the fact that Maxis, and to a large extent its activities, are governed by the legal, regulatory and business environment in Malaysia which may in some respects differ from that which prevails in other countries. The business of Maxis is subject to a number of factors, many of which are outside the control of Maxis. Maxis monitors, and attempts to respond to, certain factors affecting Maxis and its business, in the manner and to the extent described in Section 7 of this Prospectus. For additional information, refer to Section 16 of this Prospectus. Prior to making an investment decision, prospective investors should carefully consider along with the other matters set forth in this Prospectus the risks and investment considerations set forth below.

5.1 Risks Relating to Maxis**5.1.1 The telecommunications industry is subject to rapid technological change**

The telecommunications industry is subject to rapid, ongoing technological changes. Wireless technology, satellite-based personal communications services, private and shared radio networks, internet telephony and other communications services which have the technical capability to handle telephone calls compete with Maxis' businesses. Emerging and future technological changes may adversely affect the viability or competitiveness of Maxis' businesses. There can be no assurance that Maxis will be successful in responding in a timely and cost-effective way to these developments. Furthermore, changing market demand may require Maxis to adopt new technologies that could render many of the technologies that it is currently implementing less competitive or obsolete. In addition, Maxis may need to incur substantial capital expenditure to implement technological advances and emerging industry standards (such as 3G) and may require access to related or enabling technologies in order to integrate the new technology with existing technology. Maxis may not be awarded any licences that may be required to make use of such technologies and may not be able to obtain financing that may be required to implement such new technologies on terms that are favourable to Maxis or at all. Further, Maxis may choose new technologies that may prove to be unprofitable, inadequate or incompatible with the technologies of its customers or other carriers. In addition, competitors may implement new technologies before Maxis, allowing these competitors to provide lower priced, enhanced or better quality services than those which Maxis provides, which could have a material adverse effect on Maxis' ability to compete effectively. Maxis continuously evaluates technologies that may be suitable for its businesses. However, Maxis may not be successful in modifying its network infrastructure in a timely and cost-effective manner to facilitate integration, which could have a material adverse effect on Maxis' quality of services, business, prospects, results of operations and financial condition.

5.1.2 Maxis' success depends on the reliability of its network infrastructure

Maxis provides mobile, fixed line and other services over networks that rely to varying degrees on a common core network. The provision of services by Maxis depends on the reliability of this integrated network. Any failure of this integrated network that results in a major interruption in operations or provision of any service over prolonged periods could diminish the value of Maxis' brand, reduce its ability to attract and retain customers and could have a material adverse effect on its results of operations and financial condition. Maxis has built in some degree of diversity and resiliency into the network through decentralisation, duplication of critical components and the use of a "ring" configuration to provide diversity of the transmission trunk network at the outset. Notwithstanding these measures, Maxis' network is potentially vulnerable to damage or interruptions in operation due to natural disasters, fire, power loss, telecommunications failures, network software flaws, transmission cable cuts, breaches of security and similar events.

5.1.3 Maxis is exposed to increasing competition

The market for telecommunications services in Malaysia is highly competitive. Increasing competition in the Malaysian telecommunications industry has had, and is expected to continue to have, a significant impact on Maxis' financial condition and results of operations. Mobile service providers compete for subscribers in a number of different areas including the services and features offered, the technical quality of the wireless system, network coverage and capacity, customer service and price. In addition, the wireless telecommunications industry in Malaysia is experiencing

5. RISK FACTORS (Cont'd)

technological changes, evolving industry standards, liberalisation and changes in subscribers' preferences. Competition in the wireless telecommunications industry in Malaysia may increase as a result of industry consolidation, the entry of new competitors and foreign investment in existing competitors, and the development of new technologies, products and services. In particular, Telekom Malaysia, the leading fixed-line operator in Malaysia, has recently acquired a substantial minority interest in Technology Resources Industries Berhad ("TRI"), the parent company of Celcom, Malaysia's second largest mobile operator. Telekom Malaysia has formally requested TRI to convene an extraordinary general meeting to remove certain of TRI's directors, and to appoint four directors nominated by Telekom Malaysia. TRI's board of directors has indicated that it intends to convene such a meeting. Telekom Malaysia has announced that it may consider exploring with TRI the feasibility of merging its mobile operation with those of Celcom or cooperating in some other manner, and this could potentially create a stronger competitor for Maxis.

Increased competition from existing and new operators has resulted in, and is expected to continue to result in, greater price competition in the mobile market, with operators lowering monthly access fees and tariffs, providing substantial handset subsidies and offering more attractive product and service packages, resulting in a higher churn rate, lower ARPU, slower growth in total subscribers and increased subscriber acquisition cost. As Maxis has historically not competed primarily on price and has priced its services at levels that are generally higher than its competitors, Maxis' direct participation in any such price competition could have a material adverse effect on Maxis' financial position and results of operations. In order to minimise the impact of increased competition on Maxis' financial position and results of operations, Maxis' key strategies have been, and will continue to be, the management of mobile subscriber churn and the maintenance of a low cost structure, as well as the continued focus on high-usage mobile subscribers through Maxis' branding and marketing strategies, and the maintenance of a loyal customer base through superior customer service, loyalty programmes and high quality mobile service and coverage. There can be no assurance however that these or other strategies will prove effective in avoiding any material adverse effects on Maxis' future growth and profitability, and there can be no assurance that the level of existing and future competition will not adversely affect the results of operations and financial condition of Maxis.

5.1.4. Maxis may not be able to successfully extend and/or launch existing or new products and services into new markets

Maxis expects to extend further its mobile network geographically within Malaysia as expected demand requires over the next three to five years. In addition, Maxis intends to continue to develop and offer new products and services, specifically in the area of mobile data and intelligent network based services such as virtual private networks ("VPNs"). Although Maxis has, in the past, pioneered and led the market in the provision of certain mobile services as set out in Section 7.1 of this Prospectus, there is no assurance that Maxis will be able to successfully extend and/or launch existing or new products and services into new markets.

5.1.5 Maxis is exposed to risks relating to the expansion of its network

Maxis anticipates installing additional equipment to expand the capacity and improve the quality of its 900 MHz digital mobile network. Maxis' ability to continue to maintain or increase its subscriber base is dependent in part on its ability to expand and upgrade its network on a timely basis. The continued expansion and upgrading of its network are subject to risks and uncertainties, including the ability to procure a sufficient number of suitably located base station sites on commercially acceptable terms.

Maxis has experienced local opposition to the building of certain base stations because of concerns about alleged health risks. As a result of such opposition, Maxis has in some instances been required by the local authorities to remove and relocate certain base stations.

Further, given the rapid deployment of base station sites required to support network growth, Maxis has a significant number of base stations which have been installed while pending submission to or approval from the local authorities. This is in line with common practice among mobile operators in Malaysia given the long lead time generally required for the approvals. The lack of approvals has in

5. RISK FACTORS (Cont'd)

certain cases resulted in the local authorities issuing notices and/or dismantling the base station sites which were then relocated. In April 2002, the Government announced new guidelines for the approval of base station installations. Maxis expects that these new guidelines will provide consistency and clarity in the approval process in the various states throughout Malaysia. There can be no assurance that actions by the local authorities in issuing notices and/or dismantling the base station sites will not delay or disrupt the operation and installation of base stations, which could have an adverse effect on Maxis' business and operations.

5.1.6 Maxis' success depends on its ability to efficiently utilise its current spectrum as well as its ability to acquire additional spectrum

One of the measures of a mobile system's capacity is the amount of radio frequency spectrum available for use by the system. The Malaysian Communications and Multimedia Commission (the "Commission") is responsible for the overall allocation of spectrum in Malaysia. Refer to Section 16 of this Prospectus. Maxis' mobile network operates using its allocated 2 x 10 MHz spectrum in the 900 MHz band (905 to 915 MHz downlink and 950 to 960 MHz uplink).

Some of Maxis' competitors have greater spectrum allocations than Maxis and if Maxis is not able to continue to utilise its spectrum capacity successfully or in a timely manner, or if it cannot finance the requisite incremental capital expenditure to utilise such spectrum capacity successfully as and when needed, or obtain additional spectrum from the Commission, it may experience difficulty in attracting and retaining subscribers, which could have a material adverse effect on Maxis' results of operations and financial condition.

The rapid growth of Maxis' mobile subscriber base has led to high traffic usage in dense urban areas. As a result, radio frequency engineering techniques which include a combination of macro, micro and in-building cellular designs coupled with frequency hopping and re-use methods, need to be employed to increase the "erlang per square kilometre" density ratio while maintaining network quality in view of radio frequency interference and tighter frequency re-use patterns. Such radio frequency techniques have already been employed in dense urban environments such as Hong Kong, and Maxis intends to replicate them on its mobile network when the erlang per square kilometre threshold approaches such a usage profile. Maxis also intends to pursue further new technical innovations and improvements in its network to attempt to optimise its existing frequency spectrum. However, if Maxis' mobile subscriber base should grow significantly larger in high density areas, there can be no assurance that these efforts will continue to be sufficient to maintain and improve service quality, or that Maxis will not be required to make greater capital expenditures in order to maintain and improve service quality based on its current spectrum capacity.

5.1.7 Maxis' businesses depend on interconnection with other operators' networks and disruption in interconnections with those networks could jeopardise its operations

Telekom Malaysia is the incumbent fixed line operator in Malaysia. Maxis' telephony services, like those of other operators, depend to a large extent on interconnection with Telekom Malaysia's public switched telecommunications network ("PSTN") and the networks of other operators. In particular, calls to and from mobile telephone users to fixed line users will in most cases require interconnection with Telekom Malaysia's PSTN. To date, Maxis has not experienced any material disruption under such interconnection arrangements. However, any disruption under such interconnection arrangements in the future as a result of natural events, accidents, failure by other operators to perform their contractual obligations or regulatory, technological, competitive or other reasons could cause service disruptions, which could have a material adverse effect on Maxis' business and operations.

5.1.8 Adverse changes in the terms for current interconnection agreements or failure to enter into or renew commercially acceptable interconnection agreements in the future could result in higher interconnection or other operating expenses and hinder the planned expansion of Maxis' businesses

Adverse changes in the terms of Maxis' interconnection agreements with Telekom Malaysia or failure to reach or renew agreements on commercially acceptable terms with other operators could result in

5. RISK FACTORS (Cont'd)

higher interconnection or other operating expenses. In addition, the terms of future interconnection agreements may not be commercially acceptable to Maxis.

In certain cases, Maxis does not have direct connectivity to its customers' premises and will need to obtain access to its customer premises through telephone and cable lines (which in some instances belong to local fixed-line telephony companies). Maxis has, in the past, secured commercially acceptable terms in its existing interconnection agreements and will continue to seek to renew such agreements. However, if Maxis is unable to reach or renew agreements on commercially acceptable terms with those owners, the planned expansion of its businesses will be hindered and it may not be able to compete successfully in its businesses.

5.1.9 Mobile operators might be required to provide their customers with number portability

Under the current telecommunications laws in Malaysia, mobile operators are not obliged to provide their customers with number portability, which allows subscribers of mobile services to retain their existing number when changing from one operator to the other. The introduction of number portability will decrease the hurdle for mobile subscribers to switch to another operator and may lead to increased churn rates, increased customer acquisition costs and loss of customers but may also provide the opportunity for operators, including Maxis, to attract customers to switch over from another operator. However, the introduction of number portability in Malaysia could have a material adverse effect on Maxis' results of operations and financial condition.

5.1.10 Maxis' existing operations and planned investments require significant capital investment and existing borrowings and covenants may limit its operating performance and financing facilities

Maxis' telecommunications operations are capital intensive in nature. In order to continue to be competitive and provide service and technology compatible with the other telecommunications providers, Maxis must continue to expand and improve its network, which involves significant ongoing capital investment. Maxis expects to require substantial financing to broaden the existing range of telecommunications services and to develop new services and upgrade its network using new technologies. Maxis has invested approximately RM4,066.4 million over the five year period ended 31 December 2001 to expand and improve its network and supporting systems infrastructure. Maxis has funded such capital investments primarily from equipment and service suppliers under deferred payment schemes, debt and equity financing and cash flows from operations.

Maxis' capital commitments as at 30 April 2002 (being the latest practicable date at which such amounts could be determined prior to the registration of this Prospectus) were RM2,256.6 million. Maxis intends to fund its future planned capital investments primarily through using its cash deposits, cash flows from operations, debt and deferred payment schemes. However, adequate financing for the expansion and improvement of its network and for planned telecommunications-related investments may not be available to Maxis on commercially acceptable terms, or at all. If adequate financing is not available, Maxis' business prospects will be adversely affected.

As at 31 March 2002, Maxis had borrowings of RM791.9 million and after adjusting for the events detailed in Section 4.12.1 Notes (1), (2) and (3) of this Prospectus, Maxis' borrowings would increase on a proforma basis to RM1,147.9 million. Any deterioration in Maxis' financial performance may increase the future cost of borrowings for Maxis and the burden on Maxis with respect to interest and the repayment of existing or future borrowings. There can be no assurance that the performance of Maxis will not be adversely affected in the event of such adverse changes.

In addition, certain of Maxis' credit facilities, as described in Section 19 of this Prospectus, contain covenants which may limit Maxis' operating and financing activities. Events of default under the credit facilities referred to in Section 19.2 of this Prospectus would give rise to a right by the lender to terminate the relevant facility and/or enforce any security granted in relation to that credit facility, including enforcing the pledge of all of Maxis Mobile's outstanding shares beneficially owned by Maxis Communications and may cause a cross default on other credit facilities, which would have a material adverse effect on Maxis.

5. RISK FACTORS (Cont'd)

5.1.11 Maxis' business is subject to extensive regulation

The ownership, construction, operation and provision of telecommunications systems and services and the allocation of frequency spectrum in Malaysia are subject to extensive regulation and supervision by the Commission and the Minister of Energy, Communications and Multimedia (the "Minister"). Maxis operates its businesses pursuant to licences and approvals that have been granted by the Minister having due regard to the recommendations of the Commission. Maxis' licences, issued under the Malaysian Communications and Multimedia Act, 1998 (the "CMA"), permit Maxis to provide telecommunication services through its own network. Maxis' licences for its mobile telecommunications business will expire in December 2012 while its licences for its broadband and international businesses will expire in February 2013. The CMA provides that such licences will be renewed upon expiration on the standard terms and conditions then provided by the CMA, subject to continued compliance with the terms of such licences, the CMA and any instruments thereunder. These licences, and Maxis' other licences and approvals, are subject to suspension or revocation by the Minister, acting on the recommendations of the Commission under certain circumstances, including the failure to comply with their terms or violation of telecommunications laws and regulations. Maxis believes that its licences and approvals are in good standing and expects to be able to continue to fulfil its licence and approval terms to the satisfaction of the Commission.

Under the new regulatory regime introduced by the CMA, the use of frequency spectrum is allocated by the Commission through spectrum assignments. Maxis' rights to use its spectrum was granted under the previous regulatory regime. None of the mobile operators in Malaysia have been granted spectrum assignments, pending the development of a national spectrum plan by the Commission. In a letter to Maxis dated 16 July 2001, the Commission has confirmed that Maxis' spectrum will continue to be made available to it. Under the CMA, the Minister has the power to compulsorily acquire spectrum for reallocation.

On 8 February 2002, the Minister stated that the Government would assign up to three blocks of 3G spectrum. The three successful applicants would be selected through a "beauty contest" in accordance with evaluation criteria as set out in the Applicant Information Package issued on 28 February 2002. The successful applicants will be granted a paired 2 x 15 MHz and an unpaired 1 x 5 MHz block of spectrum for a period of 15 years. Each block of 3G spectrum will be priced at RM50 million and may be paid in instalments and in addition successful applicants would be required to pay an annual spectrum maintenance fee. Applications must be submitted by 29 May 2002 and the Government has indicated that results will be announced on or before 30 July 2002. There can be no assurance that Maxis will be successful in its application for assignment of a block of 3G spectrum.

Changes in laws, regulations or Commission policy affecting Maxis' business activities and those of its competitors could adversely affect Maxis' financial condition or results of operations. In particular, decisions by the Commission in the areas of the grant, amendment or renewal of licences or the assignment of spectrum, including those for 3G mobile systems, to Maxis or third parties, if unfavourable to Maxis, could adversely affect Maxis' financial condition and results of operations. There can be no assurance that the Minister will not issue new or additional telecommunications licences or that the Commission will not assign new or additional spectrum to new or existing mobile operators whose services will compete with those offered by Maxis.

5.1.12 Maxis relies on sophisticated billing and credit control systems to offer and obtain payment for its services

Sophisticated billing and credit control systems are critical to Maxis' ability to increase revenue streams, avoid revenue loss, monitor costs and potential credit problems, and bill customers properly and in a timely manner. Maxis runs two data centres for its information systems providing its billing system with the ability to be back in full operation with no loss of data within 24 hours in the event of a catastrophic failure in the primary data centre. If adequate billing and credit control systems and software programmes are unavailable or if upgrades are delayed or not introduced in a timely manner or if Maxis is unable to integrate such systems and software programmes into its existing billing and credit systems, Maxis may be unable to offer certain services to its customers. In addition, Maxis may

5. RISK FACTORS (Cont'd)

experience delayed billing or delayed delivery of bills due to postal or network disruptions which may negatively affect its cashflow, level of bad debts and other aspects of its operations.

5.1.13 Maxis relies on its principal suppliers

Generally, the telecommunications industry in Malaysia is dependent on imports for the majority of its network components as most of the network equipment cannot be sourced locally. Maxis relies on a limited number of leading international mobile equipment manufacturers, primarily Siemens and Motorola and their respective Malaysian affiliates, to provide network equipment and facilities. The network equipment and facilities are for the provision and support of mobile switching centres, base station controllers (“BSCs”) and base transceiver stations (“BTSs”).

For the year ended 31 December 2001, the vendors that accounted for more than 10 per cent. of Maxis’ purchases of network equipment and services were Motorola, Trisilco Folec and Leighton Contractors. Currently, Motorola is Maxis’ sole supplier of its base station system and its network switching system is provided by Siemens as a sub-contractor of Motorola. For the two years ended 31 December 2001, Maxis’ capital expenditure for base stations and network switching systems accounted for 63 per cent. and 65 per cent. of its total capital expenditure, respectively. Based on its operating plan for 2002, Maxis’ capital expenditure for base stations and network switching systems will account for a majority of its total capital expenditure.

A number of leading international mobile equipment manufacturers, some of which are suppliers to Maxis, are experiencing financial difficulties which have led in some instances to their restructuring. As a consequence, Maxis may experience delays and other problems in acquiring the necessary support and spare parts. The number of suppliers from which Maxis can source its equipment needs may also be reduced as a result.

In December 2001, Maxis experienced delays in the supply of certain equipment from Motorola, which Motorola attributed to a worldwide shortage in supply. These delays caused a temporary disruption to a certain number of Maxis’ systems. Refer to Sections 7.10.2 and 22.6 of this Prospectus.

Maxis believes that comparable equipment and support may be available from other established suppliers. Nevertheless, Maxis’ operations could be adversely affected if it were unable to obtain an adequate supply of equipment or services in a timely manner, or on commercial terms acceptable to Maxis, or if there were significant increases in the costs of such supplies.

5.1.14 Control by principal shareholders

Upon the completion of the Initial Public Offering, companies controlled by Usaha Tegas along with companies controlled by Ananda Krishnan Tatparanandam will in aggregate own 801,740,164 ordinary shares of the Company representing approximately 32.7 per cent. of the issued and outstanding ordinary shares of the Company and the Selling Shareholder will own 397,849,171 ordinary shares of the Company, representing approximately 16.2 per cent. of the issued and outstanding ordinary shares of the Company. In relation to the ordinary shares held by the Selling Shareholder, Usaha Tegas and the Selling Shareholder have agreed to consult each other prior to the exercise of the voting rights attached to such shares. The Selling Shareholder has indicated to Usaha Tegas that, in the event the Selling Shareholder decides to sell its shares in Maxis Communications at any time after the expiry of the lock-up period imposed pursuant to the lock-up agreement and after repayment by the Selling Shareholder of its debt obligations, it intends to offer such shares for purchase by Usaha Tegas, subject to mutual agreement on price. Usaha Tegas is ultimately controlled by the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam and foundations including those for charitable purposes. For further information on Usaha Tegas, refer to Section 8.4 of this Prospectus. By virtue of their respective deemed major shareholdings in the Company, Usaha Tegas and Ananda Krishnan Tatparanandam therefore will have the ability to indirectly exercise control over the Company and its affairs and business, including the election of directors and the approval of most actions requiring the approval of its shareholders. Maxis complies with the KLSE requirement and the Malaysian Code on Corporate

5. RISK FACTORS (Cont'd)

Governance for independent directors in the Board of Directors and the Audit, Remuneration and Nomination Committees. However, the interests of Usaha Tegas and Ananda Krishnan Tatparanandam may differ from or conflict with the interests of other shareholders of the Company.

5.1.15 Maxis' ability to compete effectively will depend on the availability of a skilled workforce

As telecommunications industries become increasingly competitive and liberalised, both in Malaysia and elsewhere, Maxis' success will depend to a significant extent upon, among other factors, its ability to continue to attract and retain qualified personnel. Maxis has been successful to date in attracting qualified and experienced personnel. Almost 40 per cent. of Maxis' present employees are graduates and professionals with a broad base of experience ranging from manufacturing and IT to the banking, oil and gas sectors. However, the competition for qualified employees is significant and the loss of the services of key personnel or the inability to attract new qualified personnel or to retain existing personnel could have a material adverse effect on the businesses, prospects, financial condition and results of operations of Maxis.

5.1.16 Concerns about alleged mobile telecommunications health risk

Certain reports have suggested that radio emission from mobile handsets and other mobile equipment (including base stations and towers) might have an adverse effect on the health of mobile telephone users and others. Such concerns have adversely affected share prices of certain mobile telecommunications companies in the United States in the past. Although the findings in such reports are disputed, the issuances of such reports in the future could adversely affect the market price of the shares of mobile operators, including Maxis, and the actual or perceived risk of wireless telecommunications devices could adversely affect mobile operators such as Maxis through reduced subscriber growth, reduction in subscribers, reduced usage per subscriber or increased costs arising from the location or relocation of base stations.

5.1.17 The leases for certain of Maxis' premises have not been registered

There is uncertainty concerning Maxis' legal rights with respect to certain of its principal leases. Maxis has accepted an offer dated 26 April 1999 to sub-lease from Tanjong City Centre Property Management Sdn. Bhd. ("Tanjong Property"), a related party, Maxis' principal office at Menara Maxis in Kuala Lumpur. However, the principal lease between Tanjong Property and the registered owner of the land has yet to be executed and as a result, Maxis' sub-lease with Tanjong Property cannot be registered. In the event that the registered owner refuses to enter into the principal lease with Tanjong Property, or if the principal lease is entered into on terms adversely affecting Maxis, Maxis may not be able to continue to occupy these premises. Additionally, if a third party registers a claim in relation to the land subsequent to Maxis' sub-lease agreement, Maxis would not be able to rely on the sub-lease agreement as against the third party's claim unless the third party had notice of the sub-lease. If Maxis is forced to relocate its principal office as a result of a third party obtaining a prevailing right to occupy, Maxis' business and operations may be adversely affected during the relocation process.

Similarly, one of Maxis' technical operations centres is built on land at Technology Park Malaysia in Bukit Jalil which Maxis currently occupies with the consent of MEASAT Digicast Sdn. Bhd. ("MEASAT Digicast"), a related party. Maxis Broadband and MEASAT Digicast have agreed to enter into a sub-lease upon MEASAT Digicast executing a sub-lease with Technology Park Malaysia Corporation Sdn. Bhd. ("Technology Park"). The sub-lease with Technology Park has not been executed as Technology Park must first execute a lease with the registered owner of the land, the Malaysian Federal Lands Commissioner. In the event that the sub-lease between MEASAT Digicast and Technology Park or the lease between Technology Park and the Malaysian Federal Lands Commissioner is not entered into, or is entered into on such terms that would adversely affect the operations at the technical operations centre, Maxis may have to relocate the technical operations centre, which would have an adverse effect on Maxis' business and operations. The fact that Maxis has not registered any sub-lease also means that if a third party registers a claim in relation to the land subsequent to Maxis' agreement with MEASAT Digicast, Maxis would not be able to rely on the agreement as against the third party's claim unless the third party had notice of Maxis' sub-lease.

5. RISK FACTORS (Cont'd)

5.1.18 There may be conflicts of interest between Maxis and its related parties

Maxis has entered into various transactions with companies directly or indirectly controlled by or associated with Usaha Tegas, as well as companies or entities directly or indirectly controlled by or associated with Ananda Krishnan Tatparanandam or in which he is deemed to have an interest, both of whom are deemed major shareholders of Maxis Communications. These transactions include those described in Section 21 of this Prospectus and the notes to the financial statements of Maxis appearing elsewhere in this Prospectus. In addition, Maxis expects that it will in the future enter into other transactions with related parties. These transactions may involve conflicts of interest which may be detrimental to Maxis.

Some of the Company's directors are also officers, directors and/or shareholders of related parties and, with respect to the related party transactions, may, individually or in the aggregate, have conflicts of interest. Refer to Section 8 of this Prospectus.

The Company believes that the services offered by the UT Group and the associated companies of Usaha Tegas (other than Maxis) and the services offered by Maxis are not in competition with each other. Maxis complies with the KLSE requirement and the Malaysian Code on Corporate Governance for independent directors in the Board of Directors and the Audit, Remuneration and Nomination Committees. However, there can be no assurance that competition between the businesses of the UT Group and the associated companies of Usaha Tegas and those of Maxis will not arise or that there will not be any other direct or indirect competition and conflicts of interests between Maxis and the UT Group, as well as companies associated with the UT Group. Also, there can be no assurance that direct or indirect competition will not arise in the future amongst Maxis, the UT Group and other companies associated with the UT Group in any other areas of business.

5.1.19 Further depreciation of the Ringgit may increase Maxis' operating and financing costs

Between mid-1997 and mid-1998, the Ringgit depreciated substantially in relation to the U.S. Dollar. On 2 September 1998, the Government introduced a fixed exchange rate of RM3.80 to U.S.\$1.00, which represented a significant depreciation from the Ringgit's value relative to the U.S. Dollar at the end of June 1997. Since substantially all of Maxis' revenues are denominated in Ringgit and certain significant equipment purchases and other costs and liabilities are denominated in, or linked to, U.S. Dollars and other foreign currencies, the removal of the fixed exchange rate and any subsequent depreciation of the Ringgit may increase Maxis' operating costs, such as the prices at which it purchases equipment from overseas or its financing costs, such as payments on any foreign currency loans.

5.1.20 Maxis may not be able to continue to enjoy import duty and sales tax exemptions

Since December 1994, Maxis has been granted an import duty and sales tax exemption on imported equipment and a sales tax exemption on local materials. The current exemption periods, applied for on a yearly basis, will expire for Maxis Broadband and Maxis International on 31 December 2002 and for Maxis Mobile on 29 June 2002. Maxis will continue to apply for these exemptions following the expiry of the current exemption periods. However, while exemptions were guaranteed during the Maxis ASP tax exemption periods (which have since expired), there is no certainty that Maxis will be able to continue to benefit from such exemptions in the future. The loss by Maxis of these exemptions would, individually or in the aggregate, have a material adverse effect on Maxis. The current import duty ranges from zero per cent. to 30 per cent., and the sales tax is 10 per cent.

5.1.21 The ownership rights of Maxis in respect of the ducts and cables that it lays and installs on public roads and highways are uncertain

In the course of building its network, Maxis has laid ducts, fibre and other equipment throughout Malaysia pursuant to approvals obtained from local authorities. Maxis believes that there is a strong legal case that it also has ownership rights in respect of the ducts and fibre that it lays and installs on public roads and highways. However, legal uncertainty arises because the issue of ownership of

5. RISK FACTORS (Cont'd)

the ducts and trunk fibre laid on or under the land is not specifically addressed in the Telecommunications Act (now repealed) nor in the current CMA and the issue has not been specifically raised or addressed in the Malaysian courts. There can be no assurance that the question of the ownership of such ducts, fibre and other equipment, if submitted to the courts, would not be decided against Maxis.

5.1.22 Non-compliance with Government policy on non-Malaysian beneficial ownership could result in unknown penalties

The Government has announced a policy of allowing up to a 61 per cent. ultimate non-Malaysian beneficial ownership of a company engaged in telecommunications services business, provided that such foreign ownership must be reduced to 49 per cent. within five years from achieving such 61 per cent. shareholding.

The Company is subject to the above policy, but recognises that once its ordinary shares are listed, it would not be possible to restrict any transfer of its ordinary shares to ensure compliance with such policy. It is not known what penalties or requirements (if any) the Government would impose to sanction or remedy non-compliance with such policy. In addition, this limitation on non-Malaysian beneficial ownership of the Company may adversely affect the Company's ability to raise additional non-Malaysian equity or convertible debt financing in the future.

The level of foreign ownership in Maxis Communications immediately before completion of the Initial Public Offering is approximately 31.34 per cent. Immediately after completion of the Initial Public Offering, the level of foreign ownership in Maxis Communications is expected to represent approximately 28.64 per cent. of Maxis Communications' share capital, excluding the effects of any clawback and reallocation of Shares.

5.1.23 The Company is not in compliance with certain conditions imposed by the state authority on land which the Company owns

One of the properties owned by the Company in Johor is subject to a condition that 30 per cent. of the ordinary shares in the Company be owned by Malays or other Bumiputera. The Company is not in compliance with this condition. If the Company fails to comply with any compliance notice from the state authority, the state authority may proceed to take steps which might ultimately result in the land being forfeited to the state authority. The Company has not received any such notice as at the date of this Prospectus. As one of Maxis' telecommunications operation centres is built on this land, such forfeiture could have an adverse effect on Maxis' business and operations.

5.1.24 Maxis may be unable to adequately protect its intellectual property or may face intellectual property claims that may be costly to resolve or may limit its ability to use its intellectual property in the future

The popularity of Maxis' products and services is dependent on the goodwill associated with the *maxis* and *Hotlink* brand names and logos. Maxis relies on a combination of trademark, servicemark and domain name registrations, common law copyright protection and contractual restrictions to establish and protect its brand names and logos, marketing designs and internet domain names. There can be no assurance that the steps taken by Maxis in this regard will adequately protect its intellectual property.

Third parties or persons may challenge Maxis' exclusive right to use its brand names and logos and Maxis could incur substantial costs in defending any claims relating to its intellectual property rights. Issues relating to intellectual property rights can be complicated and there is no assurance that disputes will not arise or that any disputes in relation to Maxis' intellectual property will be resolved in Maxis' favour.

5. RISK FACTORS (Cont'd)

5.2 Risks Relating to the Shares**5.2.1 There has been no prior market for the Shares**

The Shares comprise a new issue and offer of securities for which there is currently no public market. There can be no assurance as to the liquidity of any market that may develop for the Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares. Application will be made to list the ordinary shares of the Company (including the Shares) on the Main Board of the KLSE. There can be no assurance that the ordinary shares of the Company will be accepted for trading on the Official List. In the event that the ordinary shares of the Company are not admitted to the Official List by 8 August 2002, then the Company will withdraw its application for listing and monies paid in respect of any applications for Shares will be returned to applicants without interest.

The Shares could trade at prices that may be lower than the Final Retail Price depending on many factors, including prevailing economic and financial conditions in Malaysia, Maxis' operating results and the markets for similar securities. Maxis Communications and the Underwriters have no obligation to make a market in the Shares or to maintain the listing of the Shares on the Main Board of the KLSE. In addition, the market for securities in emerging markets has been subject to disruptions that have caused intense volatility in the prices of securities similar to the Shares. There can be no assurance that the market for the Shares, if any, will not be subject to similar disruptions. Any disruptions in such market may have a material adverse effect on the holders of the Shares.

5.2.2 There will be a delay between settlement and trading of the Shares

After the Shares have been allocated to investors' CDS Accounts in the MCD, which would occur at least three clear market days prior to the anticipated date for admission, it may not be possible to recover monies paid in respect of these Shares from the Company or the Selling Shareholder in the event that admission and the commencement of trading on the Main Board of the KLSE do not occur. Delays in the admission and the commencement of trading in shares on the KLSE have occurred previously. It is expected that there will be an approximate 23 day gap between pricing and trading of the Shares. In order for the Company to return monies to investors in respect of Issue Shares following their allocation in the MCD, a reduction of the Company's capital would be necessary. This would require a special resolution of the Company and the approval of courts in Malaysia. There can be no assurance that monies can be recovered within a short period of time or at all. If the KLSE does not admit the Shares onto the KLSE, the market for the Shares will be illiquid and it may not be possible to trade the Shares. This may also have a material adverse effect to the value of the Shares.

5.2.3 Like other companies in the telecommunications industry, the Company's share price may be volatile

The price of the Company's ordinary shares may fluctuate as a result of variations in its operating results. If the trading volume of the Company's ordinary shares is low, the price fluctuations may be exacerbated, particularly as no stabilising transactions can or will be undertaken in respect of the Company's shares in connection with this Initial Public Offering or thereafter. Since Maxis' prospects are intricately linked with technology and Maxis and its businesses are to a great extent driven by technology, the price of the Company's ordinary shares may rise and fall in tandem with announcements of technological or competitive developments, acquisitions or strategic alliances by Maxis or its competitors. The price of the Company's ordinary shares, as are typical of those of companies in telecommunications sectors, are also prone to news regarding the gain or loss of significant customers or key personnel, as well as changes in securities analysts' estimates of its financial results or recommendations.

5.2.4 The Company may not be able to realise dividends from its subsidiaries

The Company conducts all of its operations through its subsidiaries. Accordingly, an important source of the Company's income, and consequently an important factor in the Company's ability to pay dividends on the Shares, is dividends and other distributions received from its subsidiaries. The

5. RISK FACTORS (Cont'd)

Company's subsidiaries' ability to pay dividends or make other distributions to it are subject to restrictions contained in their loan agreements and to their having sufficient funds which are not needed to fund their operations, other obligations or business plans. As the Company is a shareholder of its subsidiaries, its claims as such will generally rank junior to all other creditors and claimants against its subsidiaries. In the event of a subsidiary's liquidation, there may not be sufficient assets for the Company to recoup its investment.

For a description of the Company's dividend policy, refer to Section 14 of this Prospectus.

5.2.5 Investors in this Initial Public Offering will suffer immediate dilution

The initial public offering price per Share is higher than the net tangible assets per ordinary share of the Company. Investors subscribing for Shares in this Initial Public Offering will therefore incur immediate dilution. The issuance of further ordinary shares at prices lower than the then existing net tangible assets per ordinary share would result in further dilution. Refer to Section 6.13 of this Prospectus.

5.2.6 The sale or the possible sale of a substantial number of the Company's ordinary shares in the public market following this Initial Public Offering could adversely affect the price of the Shares

Following the issue of 410,875,000 Issue Shares (being the maximum number of Issue Shares that may be issued pursuant to the Initial Public Offering) and the sale of 241,460,000 Offer Shares (being the maximum number of Offer Shares which may be sold pursuant to the Initial Public Offering), the Company will have 2,450,875,000 ordinary shares outstanding, of which 652,335,000 ordinary shares, or approximately 26.62 per cent., will be publicly held by investors participating in this Initial Public Offering, and 1,798,540,000 ordinary shares, or approximately 73.38 per cent., will be held by the Company's existing shareholders. The Shares sold in this Initial Public Offering will be tradable on the Main Board of the KLSE without restriction following listing. The ordinary shares may also be sold in the United States, subject to the restrictions of Rule 144A under the Securities Act, or outside the United States subject to the restrictions of Regulation S under the Securities Act. If the Company or its existing shareholders sell or are perceived as intending to sell a substantial amount of ordinary shares, the market price for the Company's ordinary shares would be adversely affected.

To defer this risk, as detailed in Section 23 of this Prospectus, certain existing shareholders in the Company will enter into a lock-up agreement under which they will undertake not to transfer or dispose of, directly or indirectly, any ordinary shares for a period commencing from the date of the lock-up agreement until 180 days from the listing date and the Company will agree not to issue any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares, from the date of the lock-up agreement until 180 days have elapsed following the date of commencement of trading on the KLSE, subject to certain exceptions. However, certain significant shareholders of the Company, who will collectively own 5.86 per cent. of the outstanding ordinary shares following the Initial Public Offering, will not be subject to any lock-up arrangements. For a description of the lock-up arrangements to be entered into by the Company and certain significant shareholders with the Underwriters, refer to Section 23 of this Prospectus.

5.3 Risks Relating to Future Information**5.3.1 Forward-looking statements**

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding Maxis' financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Maxis, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Maxis' present and future business

5. RISK FACTORS (Cont'd)

strategies and the environment in which Maxis will operate in the future. Among the important factors that could cause Maxis' actual results, performance or achievements to differ materially from those in the forward-looking statements include the state of the Malaysian telecommunications industry, the state of competition and liberalisation of the Malaysian telecommunications industry, the reliability of Maxis' network infrastructure, the ability of Maxis to respond quickly to technological changes, the ability of Maxis to obtain adequate financing and the state of the Malaysian economy. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed elsewhere in Section 5 of this Prospectus. These forward-looking statements are made only as at the date of this Prospectus. Maxis expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Maxis' expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Various forward-looking statements included in this Prospectus can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "forecast", "estimate", "plan", "continue", "believe" or other similar words. Maxis may make forward-looking statements with respect to the following, among others:

- goals and strategies;
- expansion strategies;
- pace of change in the telecommunications market and technology;
- financial matters;
- use of proceeds; and
- demand for telecommunications services.

These statements are forward-looking and reflect Maxis' current expectations. These statements are subject to a number of risks and uncertainties, including, but not limited to, changes in the economic and political environment in Malaysia and Asia, changes in technology and changes in the telecommunications, internet and wireless industries. Maxis can give no assurance that the forward-looking statements made in this Prospectus will be realised.

5.3.2 Maxis' actual results may vary significantly from the profit forecast set forth herein

In accordance with the requirements of the SC, in Malaysian public offerings, a profit forecast, summary of assumptions and sensitivity analysis as at the date of this Prospectus has been prepared for inclusion in this Prospectus. Such forecast of Maxis' consolidated profit after tax and before minority interests for the year ending 31 December 2002 is set out in Section 13 of this Prospectus. The profit forecast is based on the assumptions made by the directors and management of Maxis Communications and is presented on a basis consistent with the accounting policies adopted by Maxis. Furthermore, it reflects the current judgement of the Company's directors and management regarding expected conditions and the Company's expected course of action, which is subject to change.

The profit forecast was not prepared with a view to complying with the published guidelines of the United States Securities and Exchange Commission or the American Institute of Certified Public Accountants ("AICPA") regarding projections or estimates or U.S. GAAP and has not been examined or otherwise reported upon by Maxis' independent auditors under AICPA guidelines regarding estimates or projections. The profit forecast is based on a number of assumptions and accordingly is inherently subject to significant uncertainty due to factors including but not limited to those identified in Section 5.3.1 of this Prospectus, many of which are not within Maxis' control and due to assumptions with respect to future business decisions and strategies that are subject to change. Maxis' actual results will differ from such forecast and such differences may be material and may affect the market price of the Shares. In addition, the Final Retail Price and the Institutional Price

5. RISK FACTORS (Cont'd)

may differ from that assumed in the profit forecast. Under no circumstances should the inclusion of the profit forecast be regarded as a representation, warranty or prediction with respect to its accuracy or the accuracy of the underlying assumptions or reliance placed upon those statements. There can be no assurance that Maxis' actual results will not vary significantly from the profit forecast set forth herein.

Maxis does not intend to furnish any updated or otherwise revised profit forecast.

The profit forecast should be reviewed in conjunction with the description of the business, the historical financial information and the other material contained in the Prospectus, including the information set forth in Section 5 of this Prospectus.

(The remaining page is intentionally left blank)

6. DETAILS OF THE INITIAL PUBLIC OFFERING

6.1 Opening and Closing of Application Lists

The Application Lists for the Retail Offering will open at 10:00 a.m. on 12 June 2002 and will remain open until 8:00 p.m. on the same day or for such further period or periods as the directors of the Company in their absolute discretion may decide.

6.2 Important Tentative Dates

The following events are intended to take place on the following tentative dates:

<u>Event</u>	<u>Tentative Dates</u>
Opening of the Institutional Offering	27 May 2002/28 May 2002 ⁽¹⁾
Opening of the Retail Offering	10.00 a.m. 3 June 2002
Closing of the Retail Offering	8.00 p.m. 12 June 2002
Closing of the Institutional Offering	14 June 2002
Price Determination Date	15 June 2002
Balloting of applications for the Shares under the Retail Offering	17 June 2002
Allotment of Shares to successful applicants of the Shares	2 July 2002
Listing	8 July 2002

Notes:

(1) As 27 May 2002 is a public holiday in Malaysia, the Institutional Offering will open on 28 May 2002 in Malaysia

The Institutional Offering will open and close at the dates stated above or such other date or dates as the directors of the Company and the Selling Shareholder in their absolute discretion may decide. Applications for the Shares pursuant to the Retail Offering will open at the time and date as stated above or such other date or dates as the directors of the Company and the Selling Shareholder in their absolute discretion may decide.

6.3 Particulars of the Initial Public Offering

The Initial Public Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the Shares are expected to be allocated in the manner described below subject to clawback and reallocation provisions as set out in Section 6.8 of this Prospectus:

- *Retail Offering at the Retail Price of RM4.80 per Share, payable in full upon application and subject to refund in the event that the Final Retail Price is less than RM4.80 per Share.*
 - (a) 105,556,000 Shares representing approximately 4.31 per cent. of the enlarged issued share capital of the Company are to be placed out to the Bumiputera institutions and/or individual investors nominated by the Company for MITI's approval;
 - (b) 31,667,000 Shares representing approximately 1.29 per cent. of the enlarged issued share capital of the Company have been reserved for Bumiputera investors approved by the MITI;
 - (c) 91,112,000 Shares representing approximately 3.72 per cent. of the enlarged issued share capital of the Company have been reserved for and/or are available for application by eligible directors and employees of Maxis, eligible Elite Maxis One Club members, Eligible Pioneer Subscribers, eligible Select or Classic Maxis One Club members, eligible dealers and distributors of Maxis, Malaysian citizens, companies, co-operatives, societies and institutions, which will be allocated in the following manner:
 - (i) 18,000,000 Shares representing approximately 0.73 per cent. of the enlarged issued share capital of the Company have been reserved for eligible directors and employees of Maxis;

6. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

- (ii) 5,500,000 Shares representing approximately 0.22 per cent. of the enlarged issued share capital of the Company have been reserved for eligible Elite Maxis One Club members and Eligible Pioneer Subscribers;
 - (iii) 32,800,000 Shares representing approximately 1.34 per cent. of the enlarged issued share capital of the Company have been reserved for eligible Select or Classic Maxis One Club members;
 - (iv) 9,400,000 Shares representing approximately 0.38 per cent. of the enlarged issued share capital of the Company have been reserved for eligible dealers and distributors of Maxis; and
 - (v) 25,412,000 Shares representing approximately 1.04 per cent. of the enlarged issued share capital of the Company available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30 per cent. is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.
- (d) 4,000,000 Shares representing approximately 0.16 per cent. of the enlarged issued share capital of the Company have been reserved for eligible directors and employees of the UT Group.

Any Shares not subscribed for under paragraphs (c) (i), (ii), (iii) and (iv), and (d) above will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30 per cent. is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.

- *Institutional Offering at an Institutional Price payable in full upon allocation and determined by way of bookbuilding.*

420,000,000 Shares representing approximately 17.14 per cent. of the enlarged issued share capital of the Company are available for application by the foreign and Malaysian institutional and selected investors.

The completion of the Retail Offering and the Institutional Offering are interconditional and are subject to occurrence of both of the following events:

- (a) all Shares under the Retail Offering having been fully subscribed for; and
- (b) at least 277,000,000 Shares under the Institutional Offering having been subscribed for.

If the Retail Offering and the Institutional Offering are not completed, monies paid in respect of any application for Shares will be returned to applicants without interest.

The minimum subscription amount to be raised from the Initial Public Offering is estimated at RM2,591.6 million, calculated based on all 232,335,000 Shares from the Retail Offering at RM4.80 per Share and 277,000,000 Shares from the Institutional Offering at the illustrative Institutional Price of RM5.33 per Share. The said minimum subscription amount has been determined based on the number of ordinary shares required to meet the SC's public shareholding spread requirement.

As at the date of this Prospectus, there is only one class of shares in the Company namely ordinary shares of RM0.10 each.

Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S).

6. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

Shares are being offered (i) to QIBs in the United States in reliance on Rule 144A under the Securities Act; and (ii) to non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the Securities Act, including to foreign and Malaysian institutional and selected investors.

6.4 Details of allocation to the eligible directors and employees of Maxis

The eligible directors and employees of Maxis are allocated an aggregate of 18,000,000 Shares. The criteria of allocation of the Issue Shares reserved for 2,774 eligible directors and employees of Maxis is based on job position and length of service.

For further details of the procedure for application, refer to Section 30.3.1 of this Prospectus.

6.5 Details of allocation to the eligible dealers and distributors of Maxis

The eligible dealers and distributors of Maxis are allocated an aggregate 9,400,000 Issue Shares. The criteria of allocation of the Issue Shares reserved for up to 2,100 eligible dealers and distributors of Maxis is based on the sales performance for the last 24 months preceding 1 May 2002.

For further details of the procedure for application, refer to Section 30.3.2 of this Prospectus.

6.6 Eligible Elite Maxis One Club Members, Eligible Pioneer Subscribers and eligible Select or Classic Maxis One Club Members

The eligible Elite Maxis One Club members and Eligible Pioneer Subscribers are allocated 1,000 Shares each, amounting to an aggregate of 5,500,000 Shares.

An aggregate of 32,800,000 Shares made available for applications by the eligible Select or Classic Maxis One Club members will be allocated via preferential ballot. The successful Select or Classic Maxis One Club members shall be allocated 1000 Shares each.

Eligible Pioneer Subscribers who are also Select or Classic Maxis One Club members may not apply for the share allocation reserved for eligible Select or Classic Maxis One Club members to be allocated via preferential ballot.

Directors and employees of Maxis and UT Group who are eligible for preferential allocations may not also apply for Issue Shares reserved for eligible Maxis One Club members and Eligible Pioneer Subscribers.

Only current active Maxis subscribers whose accounts are not overdue are eligible for the above applications.

For further details of the procedure for application, refer to Sections 30.3.3 and 30.3.4 of this Prospectus.

6.7 Brokerage and Underwriting

Brokerage is payable by the Company and the Selling Shareholder, in respect of the sale of the Issue Shares and Offer Shares (if applicable) respectively sold to the Malaysian public at the rate of 1.0 per cent. of the Final Retail Price in respect of successful applications which bear the stamp of RHB Sakura and CIMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia and/or MIH.

The Company and the Selling Shareholder will pay to the Retail Underwriters an underwriting commission at the rate of 1.75 per cent. of the Retail Price for the Issue Shares and the Offer Shares respectively sold in the Retail Offering, save for the 137,223,000 Shares reserved for application by the Bumiputera investors approved by the MITI which are not required to be and will not be underwritten.

6. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

The Company and the Selling Shareholder will pay to the Institutional Underwriters an underwriting and selling commission at the rate of up to 2.75 per cent. of the Institutional Price for the Issue Shares and the Offer Shares sold in the Institutional Offering.

6.8 Clawback and Reallocation

The allocation of Shares between the Retail Offering and the Institutional Offering is subject to adjustment. In the event of over-application in the Retail Offering, and a corresponding under-application in the Institutional Offering, Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering. If there is an under-application in the Retail Offering and there is a corresponding over-application in the Institutional Offering, Shares may be clawed back from the Retail Offering and reallocated to the Institutional Offering. The clawback and reallocation as set out in this section shall not apply in the event of over-application in both the Retail Offering and the Institutional Offering.

6.9 Purpose of the Initial Public Offering

The purposes of the Initial Public Offering are as follows:

- to obtain a listing of and quotation for the 2,450,875,000 ordinary shares of the Company on the Main Board of the KLSE;
- to provide the Company with access to the capital markets and access to retail investors and institutional investors to raise funds for future expansion and growth of the Company;
- to provide an opportunity for the employees and directors, members of the Malaysian public and institutions to participate in the continuing growth of the Company by way of equity participation;
- to enhance the stature of the Company to market its services, maintain its existing market position and attract new skilled labour; and
- to allow the Selling Shareholder to reduce its debt obligations through the sale of part of its shareholding in the Company.

6.10 Basis of Arriving at the Retail Price and Final Retail Price

Upon application, the retail applicants will pay the Retail Price of RM4.80 per Share, which equals 90 per cent. of the illustrative Institutional Price of RM5.33 per Share. The Company has determined the illustrative Institutional Price on the recommendation of the Institutional Underwriters.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, which is expected to be on or about 15 June 2002. The Final Retail Price will be the lower of:

- (i) the Retail Price of RM4.80 per Share; or
- (ii) 90 per cent. of the Institutional Price.

The Institutional Price will be determined by the Company in consultation with the Institutional Underwriters on the Price Determination Date. The Institutional Price will be determined using a process known as “book-building” in which prospective institutional investors specify the number of Shares they would be prepared to acquire at different prices. This “book-building” process is expected to continue up to and to cease on or about 14 June 2002.

Prospective retail investors should be aware that the Final Retail Price will not in any event be greater than the Retail Price of RM4.80 per Share. In the event that the Final Retail Price is lower than the Retail Price, a refund of the difference will be made without any interest thereon. The refund in the

6. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

form of a cheque will be despatched by registered mail to the addresses stated in the Application Form of the successful applicants within 21 days from the final ballot of the Application Lists at the successful applicants' own risk.

The Final Retail Price and Institutional Price will be announced in distributed Bahasa Malaysia and English daily newspapers circulating generally throughout Malaysia within two days after the closing of the Institutional Offering. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price in the notices of allotment.

Applicants should also note that the market price of the Shares upon Listing on the KLSE is subject to the vagaries of market forces and other uncertainties which may affect the price of the Shares.

6.11 Use of Proceeds

The net proceeds to the Company of the issue of 410,875,000 Issue Shares (being the maximum number of Issue Shares which may be issued pursuant to the Initial Public Offering) at the Retail Price and the illustrative Institutional Price of RM4.80 and RM5.33 per Issue Share, respectively as applicable, expected to amount to RM2,012.3 million, after deducting estimated expenses of RM73.4 million including the underwriting and selling commissions payable in relation to the issue and sale of the Issue Shares, will be used, during the period of 24 months after the date of this Prospectus, as set forth below:

	<u>(RM in millions)</u>
Repayment of loan from BBMB ⁽¹⁾	384.0
Partial repayment of Maxis Mobile Loans ⁽²⁾	320.0
Payments related to prior purchases and/or installation of telecommunications equipment and materials ⁽³⁾	400.0
Working capital	<u>908.3</u>
Total	<u><u>2,012.3</u></u>

Notes:

(1) Refer to Section 19.1 of this Prospectus

(2) Subject to Bank Negara approval, if required. Refer to Section 19.2 of this Prospectus

(3) These payments are for purchases made and/or installations done prior to the Initial Public Offering

Such net proceeds will be placed in fixed deposits prior to application and the Company will seek the approval of the SC should the Company wish to place the proceeds in other interest bearing marketable securities.

The Company will not receive any proceeds from the offer and placement of the Offer Shares by the Selling Shareholder. The Selling Shareholder will use the net proceeds from the offer and placement of the Offer Shares to pay the expenses of the Initial Public Offering for which it is responsible as described below, and to satisfy certain loan obligations of the Selling Shareholder.

The Company shall be responsible and shall pay for all expenses of this Initial Public Offering and for the selling and underwriting commissions, brokerage, registration fees and other expenses and fees incidental to the issue and sale of the Issue Shares. The Selling Shareholder shall be responsible for and shall pay the selling and underwriting commissions, brokerage, stamp duty and share transfer fees payable in relation to the offer and sale of the Offer Shares.

In the event of the Final Retail Price and Institutional Price or the number of Issue Shares being different from the above assumptions, the actual net proceeds to the Company from the issue of the Issue Shares may be higher or lower than the expected net proceeds of RM2,012.3 million set forth above. Any increase or decrease in the net proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to Maxis' provision for working capital requirements. Maxis' provision for working capital requirements will also be amended to reflect any

6. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

difference between Maxis' actual listing expenses and the estimated expenses of RM73.4 million set forth above.

Out of the RM73.4 million estimated expenses of the Initial Public Offering, approximately RM7.6 million is provided for fees for professional services rendered by advisers and experts. Refer to Section 6.12 of this Prospectus.

The financial impact of the above use of proceeds on Maxis for the financial year ending 31 December 2002 is as follows:

	<u>With proceeds from the Issue Shares arising from the Initial Public Offering⁽¹⁾</u> (RM in millions)	<u>Incremental effect</u> (RM in millions)
Consolidated Profit After Taxation	825.0	35.1

Notes:

(1) Refer to Section 13 of this Prospectus

6.12 Estimated Expenses of the Initial Public Offering

The expenses of this Initial Public Offering are estimated to be RM73.4 million, of which RM50.3 million are estimated brokerage, underwriting and selling commissions payable to the Underwriters, RM7.6 million are estimated professional fees and RM15.5 million are other fees and expenses such as printing, advertising and travelling expenses to be incurred in connection with this Initial Public Offering.

6.13 Dilution

Maxis' proforma net tangible assets as at 31 March 2002 on the assumptions that certain events set forth in Notes (1) and (2) of Section 4.12.1 of this Prospectus have been effected, was RM571.9 million or RM0.28 per ordinary share of nominal value of RM0.10 each. Net tangible assets per ordinary share represents total tangible assets less total liabilities, divided by the total number of issued and outstanding ordinary shares as at 31 March 2002. Dilution per share represents the amount per Share paid by investors in this Initial Public Offering less the net tangible assets per ordinary share after giving effect to the Initial Public Offering.

After giving effect to the issuance and sale of 410,875,000 Issue Shares of nominal value of RM0.10 each (being the maximum number of Issue Shares that may be issued pursuant to the Initial Public Offering) at the Retail Price and the illustrative Institutional Price of RM4.80 and RM5.33 per Issue Share, respectively, Maxis' net tangible assets would have been RM2,584.2 million in the aggregate, or RM1.05 per ordinary share. This is after deducting estimated selling and underwriting commissions relating to the issue and sale of 410,875,000 Issue Shares (being the maximum number of Issue Shares that may be issued pursuant to the Initial Public Offering) and estimated expenses of the Initial Public Offering (other than such selling and underwriting commissions relating to the offer and sale of the Offer Shares for which the Selling Shareholder is responsible as described in Section 6.11 of this Prospectus). This represents an immediate increase in net tangible value of RM0.77 per ordinary share to existing shareholders and an immediate dilution in net tangible assets of RM3.75 and RM4.28 per ordinary share to new investors under the Retail Offering and Institutional Offering, respectively, subscribing for Issue Shares and purchasing Offer Shares in the Initial Public Offering. If the Final Retail Price or the Institutional Price is higher or lower, the dilution to such new investors will increase or decrease accordingly.

6. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

The following table illustrates this per share dilution:

Retail Price per Issue Share ⁽¹⁾	RM4.80
Illustrative Institutional Price per Issue Share ⁽¹⁾	RM5.33
Net tangible assets per ordinary share before the Initial Public Offering ⁽²⁾	RM0.28
Increase in net tangible assets per ordinary share attributable to 410,875,000 Issue Shares	RM0.77
Net tangible assets per ordinary share after the issue of 410,875,000 Issue Shares	RM1.05
Dilution in net tangible assets per ordinary share to new investors under the Retail Offering	RM3.75
Dilution in net tangible assets per ordinary share to new investors under the Institutional Offering	RM4.28

Notes:

- (1) Before deduction of selling and underwriting commissions relating to the issue and sale of the Issue Shares and estimated expenses of the Initial Public Offering (other than such selling and underwriting commissions relating to the offer and sale of the Offer Shares for which the Selling Shareholder is responsible as described in Section 6.11 of this Prospectus)
- (2) Assuming that certain events set out in Notes (1) and (2) of Section 4.12.1 of this Prospectus had been effected

6.14 An Approximate 23-day Gap Between Pricing and Trading of Shares

The Shares offered in this Initial Public Offering will not commence trading on the KLSE until approximately 23 days after the date of pricing of the Shares. Investors of the Shares will not be able to sell or otherwise deal in the Shares (except by way of book entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on the KLSE.

6.15 Restrictions on Future Sale of Shares

The Selling Shareholder, Mujur Anggun, Anak Samudra Sdn. Bhd., Dumai Maju Sdn. Bhd., Nusantara Makmur Sdn. Bhd., Usaha Kenanga, Tegas Sari Sdn. Bhd., Cabaran Mujur, Wilayah Resources, Tegas Puri, Besitang Barat, Besitang Selatan, Wangi Terang Sdn. Bhd. (“Wangi Terang”), Ria Utama and Tetap Emas (together the “Substantial Shareholders”) will own in aggregate 1,798,540,000 ordinary shares of the Company or approximately 73.38 per cent. of the issued share capital of the Company after the Initial Public Offering.

Except as mentioned below, the Substantial Shareholders (other than Cabaran Mujur and Wangi Terang) will undertake not to transfer or dispose of, directly or indirectly, any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares of the Company or any part of their interest in the ordinary shares of the Company for a period commencing from the date of the lock-up agreement until 180 days from the listing date. Transfers or disposals can be made sooner with the prior written consent of the Global Co-ordinator.

Cabaran Mujur and Wangi Terang will own 61,665,722 and 82,015,386 ordinary shares of the Company respectively or approximately 2.52 per cent. and 3.35 per cent. respectively of the share capital of the Company after the Initial Public Offering.

Cabaran Mujur and Wangi Terang will not be restricted from transferring or disposing of any interests in the issued share capital of the Company. Cabaran Mujur has granted a call option dated 10 November 2001 to Permodalan Nasional Berhad (“PNB”) to purchase 5,263,158 ordinary shares of RM1.00 each in Maxis Communications based on the share capital of the Company prior to the corporate restructuring exercise of May 2002, (together with any additional shares of Maxis Communications derived therefrom after 12 November 2001 by way of a bonus issue or the exercise of any share splits by Maxis Communications). For further details refer to Section 22.1.3 of this Prospectus.

Sales of substantial amounts of the Company’s ordinary shares in the public market or the perception that such sales may occur, could adversely affect the market price of the Company’s ordinary shares.

6. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

The Company, the Promoter and the Selling Shareholder will be entering into a lock-up agreement under which the Company will agree not to issue, save for the Initial Grant, and the Selling Shareholder will agree not to transfer or dispose of, directly or indirectly, any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares, from the date of the lock-up agreement until 180 days from commencement of trading on the KLSE. Transfers or dispositions can be made sooner with the prior written consent of the Global Co-ordinator. If the Company's shareholders sell substantial amounts of ordinary shares in the public market following the 180-day period, the market price of the Shares could fall.

(The remaining page is intentionally left blank)

7. BUSINESS

7.1 Introduction

Maxis is the leading^(a) mobile communications provider in Malaysia with approximately 2.3 million mobile net subscribers, representing approximately 31 per cent.^(b) of the estimated 7.5 million mobile net subscribers in Malaysia as at 31 December 2001, and revenues of RM3,031.3 million for the year ended 31 December 2001, making Maxis the country's second largest telecommunications group in terms of revenues^(c). Since starting commercial operations in August 1995, Maxis has been the fastest growing mobile communications provider in Malaysia with its mobile net subscribers increasing at a compound annual growth rate of 107 per cent. between 31 December 1995 and 2001, in excess of the compound annual industry growth rate within Malaysia of 43 per cent.^(d) for such period. In addition, Maxis had the highest monthly average revenue per user ("ARPU") among mobile operators in Malaysia as at 31 December 2001.^(e)

Maxis focuses on the provision of mobile services within Malaysia and has achieved its leading position through a clear strategy of developing *maxis* as a premium brand, providing high quality network and customer service, introducing innovative products and services, maintaining a conservative financial structure and building strong partnerships with distributors and dealers.

Maxis' strategic focus is to consolidate and develop further its market-leading position as a premium provider of mobile services in Malaysia. In achieving this objective, Maxis seeks to remain a market innovator through the deployment of additional value-added services to enhance and diversify its revenue streams as technology develops.

Maxis' mobile services are offered on a postpaid basis under the *maxis* brand to approximately 1.0 million net subscribers, representing approximately 33 per cent.^(b) of the estimated 3.1 million postpaid net subscribers in Malaysia, and on a prepaid basis under the *Hotlink* brand to approximately 1.3 million net subscribers, representing approximately 29 per cent.^(b) of the estimated 4.4 million prepaid net subscribers in Malaysia, in each case as at 31 December 2001. The use of two distinct brands and marketing foci has enabled Maxis to develop its prepaid business successfully while maintaining growth in its postpaid business. As at 31 December 2001, Maxis' GSM900 MHz digital mobile network covered approximately 80 per cent. of the population in Peninsular Malaysia and approximately 70 per cent. of the population of Malaysia.

In addition to basic voice services, Maxis offers and intends to enhance a variety of value-added voice and data services, including short message service ("SMS"), wireless application protocol ("WAP"), mobile portal services and international data roaming. Maxis has pioneered and led the market in the provision of certain mobile services in Malaysia such as international roaming, WAP and Islamic data services. Maxis believes that it is able to charge premium prices for a number of the services it offers as a result of its leading brand position.

In support of its mobile business, Maxis also operates an international gateway as well as a domestic fixed line network which offers voice and data services over broadband infrastructure, using fibre optic, microwave and satellite technology.

Maxis' network also supports a general packet radio service ("GPRS") (or "2.5G") and Maxis intends to launch such services once GPRS-enabled handsets become widely available and tests of

(a) Source: December 2001 subscribers by operator, Global Mobile newsletter (Volume 9, Number 4, 27 February 2002)

(b) Market share based on Maxis reported subscriber numbers and the Commission's estimate of Malaysian mobile subscribers as at 31 December 2001 (published in March 2002)

(c) Based on management compilation from 2001 publicly available information on revenue for telecommunications companies in Malaysia

(d) Source: Industry growth rates based on the Commission's statistics as at 31 December 2001 (published in March 2002)

(e) Based on management compilation from 2001 publicly available information on ARPU for mobile operators in Malaysia

7. BUSINESS (Cont'd)

higher speed applications over the network are successful. In relation to 3G, the Commission released the Applicant Information Package on 28 February 2002 and has determined that it will assign up to three blocks of 3G spectrum on the basis of a "beauty contest". Applications must be submitted by 29 May 2002 and the Commission has indicated that the results will be announced on or before 30 July 2002. Maxis intends to apply for a block of 3G spectrum and is evaluating the deployment of 3G networks and services.

Maxis recorded revenues of RM2,205.8 million, RM3,031.3 million and RM863.6 million, EBITDA of RM842.6 million, RM1,412.7 million and RM486.6 million, and profit after tax of RM357.5 million, RM600.9 million and RM301.4 million for the two years ended 31 December 2001 and the three months ended 31 March 2002, respectively. For the two years ended 31 December 2001 and the three months ended 31 March 2002, Maxis' mobile services accounted for 88.6 per cent., 91.7 per cent. and 92.5 per cent. respectively, of total revenues.

7.2 Background

The Company was incorporated as a private limited company in Malaysia under the name Binariang Sdn. Bhd. on 19 December 1986 under the Companies Act, 1965. On 5 September 1997, the Company was converted to a public limited company and changed its name to Binariang Berhad. The Company assumed its present name, Maxis Communications Berhad, on 12 July 1999.

Maxis was granted its telecommunications licences to operate a nationwide mobile network, a domestic fixed network and an international gateway in 1993, and commenced mobile telecommunications operations in August 1995 and fixed line and international operations in early 1996. The licences were replaced by those granted to Maxis under the CMA, for further details, refer to Section 16.8 of this Prospectus.

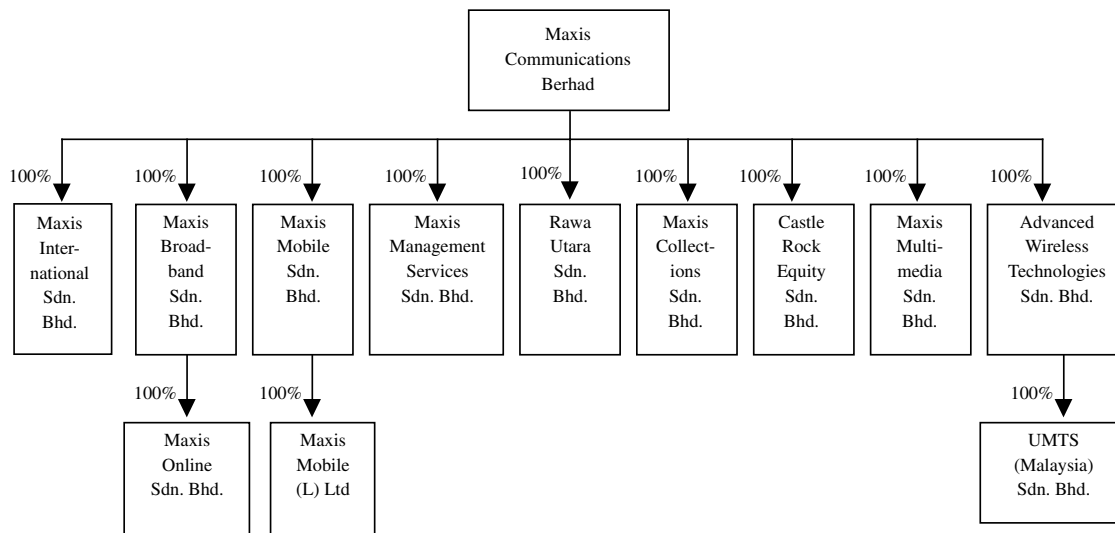
British Telecommunications and MediaOne (originally a unit of US West and subsequently acquired by AT&T) were shareholders of Maxis. However, pursuant to changes in their respective parent companies' investment strategies, both completed the disposal of their entire shareholdings in the Company to entities nominated by Usaha Tegas in November 2001. Maxis believes that it has the requisite level of management and technical expertise required to grow its business independently of British Telecommunications and MediaOne.

Maxis and Usaha Tegas have received indications of interest from certain international telecommunications companies with respect to a possible strategic investment in Maxis Communications. Maxis and Usaha Tegas intend to consider such proposals, including any other proposals which they may receive in the future, with a view to creating synergies for Maxis' existing and planned businesses. This may result in a strategic investor acquiring an interest in Maxis in the future.

(The remaining page is intentionally left blank)

7. BUSINESS (Cont'd)

The following is a diagram of Maxis' corporate structure:



7.3 Competitive Strengths

Maxis believes that its market-leading position for mobile telecommunications in Malaysia is primarily attributable to the following competitive strengths:

- *Effective premium branding.* The *maxis* brand has been recognised as one of the leading brands in Malaysia and the leading mobile brand. The *maxis* brand was built through consistently managed advertising, promotions and other image programmes built around Maxis' commitment to providing high quality and innovative communications services and on anticipating and meeting customer needs.
- *Overall superior network quality and customer service.* Maxis has sought to optimise its network capacity, quality and performance in those areas where its target customers are located and where there is heavy subscriber usage such as high population density areas and principal traffic routes. Maxis' customer-focused culture is geared on performance-based, time-critical and responsive customer care and service. This focus has contributed to Maxis' recognition as an industry leader in Malaysia with respect to service quality, customer care and overall customer satisfaction.
- *Strong and effective distribution network.* Maxis' extensive dealer and distribution network in Malaysia has been one of the major contributors to Maxis' growth. Maxis regards its dealers and distributors as close business partners, and supports these partnerships with reliable technical support, effective dealer and staff training programmes and competitive payment terms which includes paying them promptly.
- *Strong management team.* Maxis believes its senior management team possesses the mix of skills and multinational experience necessary to grow a mobile operator in a highly competitive environment, particularly in the areas of marketing, branding, technology and finance. Many of Maxis' senior management team has been with Maxis for the greater part of its active life and has implemented many initiatives which have allowed Maxis to adapt to changing market dynamics and attain its current market-leading position.
- *Ability to grow both postpaid and prepaid subscriber bases together.* Maxis has been able to develop both postpaid and prepaid services successfully in parallel. Maxis believes that its ability to grow its prepaid business rapidly, with minimal adverse effect on its postpaid business, is attributable to distinctive pricing and branding strategies aimed at developing distinct market segments and customer bases. Maxis' ability to position itself as a premium provider of mobile

7. BUSINESS (Cont'd)

services has attracted high-end users and a corresponding significant market share in postpaid subscribers.

- *Disciplined financial management.* Maxis achieved positive EBITDA in 1998 and achieved a net profit in 1999, after approximately three years and four years of operation, respectively. Since then, Maxis has continued to improve its financial performance. This has been achieved largely through disciplined cost and expansion management across the Group. In addition, Maxis has maintained an acceptable level of gearing consistent with its cashflows.

7.4 Business Strategy and Future Plans

Given Malaysia's relatively high GDP and relatively low penetration rate compared to other Asian markets, Maxis believes that Malaysia will continue to experience growth in mobile services. Maxis intends to consolidate further its market-leading position in the Malaysian mobile sector and continue to grow its business profitably. Maxis' key strategies to attain these objectives involve building on its competitive strengths and identifying new opportunities. To achieve this, Maxis has developed a three pronged strategy:

1. Continue to pursue profitable market share growth while defending its existing customer base through building on existing strengths, focusing on targeting specific market segments and extending its loyalty programs. Initiatives include:
 - *Continuing to invest in and enhance Maxis' premium brand image to attract new and retain current subscribers while maintaining premium pricing.* Maxis has made substantial investment in the development of its brand in order to achieve brand awareness and preference on the basis of network quality and customer service. Maxis intends to launch additional targeted advertising and image-building campaigns to achieve improved brand presence and preference. Maxis intends to continue to refine its branding strategy to capture additional customers within target market segments.
 - *Maintaining high standards of network quality and service to preserve and improve customer satisfaction levels and to continue to reduce churn.* Maxis intends to continue to focus the greater part of its network investment towards improving its network quality and capacity. Maxis intends to improve its customer management system, expand its payment channels and increase customer convenience through its dealer network and use of IT and the internet. Maxis believes that attaining these objectives will serve to improve customer satisfaction and reduce churn.
2. Increase ARPU through developing new services and product offerings and expanding mobile data services. Initiatives include:
 - *Continuing to develop new services and innovative product offerings to differentiate and extend product leadership.* Maxis believes that its brand and market leadership has been supported by a consistent focus on product innovation including WAP, SMS and mobile content. Maxis intends to continue to develop and offer innovative new products and services, specifically in the area of mobile data and intelligent network-based services such as virtual private networks ("VPNs"), which Maxis believes will help improve its operating margins.
 - *Focusing on data services, including building strategic partnerships to support growth in data services.* Maxis intends to focus on expanding mobile data services, which it sees as a high growth area with the potential for additional ARPU contribution and as supporting brand development. While initial emphasis will be on SMS and its mobile portal, Maxis intends to continue to explore additional sources of data revenue as the market and technology develop. To support the mobile data initiatives, Maxis intends to develop additional distribution channels and build relationships with selected content and solution partners who can add value to current and future data initiatives.

7. BUSINESS (Cont'd)

3. Further improve Maxis' operational capabilities and efficiency through initiatives aimed at enhancing human capital investments and cost management. Initiatives include:
- *Leveraging operational efficiency through cost management, e-processes and human capital investments to improve productivity.* Maxis believes that it has the highest revenue and EBITDA per employee among mobile telecommunications operators in Malaysia as at 31 December 2001. Maxis intends to improve its productivity levels by improving its processes, and through increased outsourcing, automation and benchmarking.
 - *Retaining and attracting a quality workforce.* Maxis recognises the importance of developing an effective human resource strategy to support and sustain its growth. Maxis intends to continue to offer wide-ranging training programmes through the Maxis Academy, competitive employee remuneration and a high quality working environment, and to foster a multicultural workplace.

In addition, Maxis intends to continue to explore domestic and regional expansion opportunities. Maxis intends to explore opportunities to expand domestically and regionally through joint ventures, acquisitions, strategic investments or partnerships, and may seek to undertake such arrangements for domestic or regional expansion to the extent they are consistent with Maxis' financial and strategic objectives.

7.5 Mobile Operations**7.5.1 Overview**

Maxis operates a nationwide GSM900 MHz digital mobile network in Malaysia under licences which will expire on 31 December 2012. Maxis' licences do not impose on Maxis any rollout or minimum geographic or population coverage obligations.

Maxis' postpaid mobile service was launched in August 1995 under the *maxis* brand and had attained approximately 1.0 million net subscribers as at 31 December 2001. Maxis introduced its prepaid mobile service in October 1999 under the *Hotlink* brand and had attained approximately 1.3 million net subscribers as at 31 December 2001. Maxis' prepaid mobile service was extended to East Malaysia (Sabah and Sarawak) on 15 November 2001. Maxis has been able to develop its prepaid business successfully while maintaining growth in its postpaid business.

Maxis has been allocated a total of 2x10 MHz of spectrum in the 900 MHz frequency band. Maxis' mobile network is interconnected to all other fixed and mobile operators in the country so as to allow calls to and from any fixed line or mobile telephone in Malaysia, as well as making and receiving international calls.

As at 31 December 2001, the Maxis mobile network covered approximately 80 per cent. of the population of Peninsular Malaysia and approximately 70 per cent. of the population of Malaysia as a whole. It covers all major towns, cities and principal traffic routes throughout Peninsular and East Malaysia, including the North-South Expressway which is the principal highway in Malaysia. Maxis expects to extend further its mobile network geographically within Malaysia as expected demand requires over the next three to five years.

7. BUSINESS (Cont'd)

The following table sets forth selected financial and operating information about Maxis' mobile business for the periods indicated.

	For the year ended 31 December				
	1997	1998	1999	2000	2001
	RM	RM	RM	RM	RM
Financial Information					
Revenue (in millions)	571.0	960.6	1,292.8	1,954.8	2,780.3
Postpaid	571.0	960.6	1,278.4	1,555.6	1,896.7
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	14.4	399.2	883.6
	As at or for the year ended 31 December				
	1997	1998	1999	2000	2001
Operational Information					
Total population of Malaysia ⁽²⁾ (in thousands)	21,666	22,180	22,712	23,270	23,800
Malaysian mobile net subscribers ⁽³⁾ (in thousands)	2,461	2,150	2,717	5,122	7,477
Malaysian mobile penetration rate (%)	11.4%	9.7%	12.0%	22.0%	31.4%
Maxis net subscribers (in thousands)	344	527	710	1,446	2,295
Postpaid	344	527	623	790	1,036
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	87	656	1,259
Maxis market share of total net subscribers (%)	14.0%	24.5%	26.1%	28.2%	30.7%
Maxis annual mobile net subscriber growth rate (%)	118.4%	53.1%	34.7%	103.6%	58.7%
ARPU (RM)					
Postpaid	190	195	187	182	165
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	49	73	67
Blended	190	195	184	149	114
Average monthly churn rate (%)	2.2%	2.3%	3.3%	2.2%	1.6%
Average monthly outgoing MOU per subscriber (minutes)	226	217	216	170	148
Postpaid	226	217	218	219	230
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	63	76	72
Average monthly incoming MOU per subscriber (minutes)	154	154	164	165	146
Postpaid	154	154	166	192	209
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	43	110	89
Total average monthly MOU per subscriber (minutes)	380	371	380	335	294
Postpaid	380	371	384	411	439
Prepaid	N/A ⁽¹⁾	N/A ⁽¹⁾	106	186	161
Average acquisition cost per gross subscriber additions (RM)	323	312	116	79	78
Total monthly SMS messages (in thousands) for month of December....	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	10,384	82,249
SMS messages per subscriber for the month of December	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	8	37

Notes:

- (1) Not applicable since this revenue stream commenced in 1999 when the *Hotlink* prepaid service was launched
- (2) Source: Department of Statistics and Quarterly Forecast Report 2001 published by Business Monitor International
- (3) Source: Commission's statistics for 1997-2001. Data as provided by service providers and churn rates may not have been factored in

7.5.2 Subscribers

Maxis has experienced rapid mobile subscriber growth since the launch of its mobile services. With approximately 2.3 million mobile net subscribers as at 31 December 2001, Maxis' share of the

7. BUSINESS (Cont'd)

Malaysian mobile market, estimated at 7.5 million net subscribers, is approximately 31 per cent.^(a), making it the leading mobile operator^(b) in Malaysia.

Maxis believes that a relatively large proportion of Maxis' postpaid subscriber base consists of business executives, self-employed businessmen, small businesses and large corporations. The remainder of Maxis' mobile subscribers are individuals who subscribe to services principally for personal use. *Hotlink* subscribers are primarily urban youth between the ages of 15 to 24 years. The majority of Maxis subscribers are in the more affluent regions of Peninsular Malaysia, including the Klang Valley (which includes Kuala Lumpur), Selangor, Penang and Johor Bahru.

Maxis intends to continue to concentrate on retaining and attracting higher usage business customers, where it expects ARPU levels to remain higher. Maxis also plans to grow its mobile business in the following areas:

- East Malaysia, where it launched its postpaid mobile services in May 2001 and its prepaid mobile services in November 2001;
- the youth segment (below the age of 20), which accounted for over 40 per cent. of the Malaysian population as at 30 June 2000, based on Government statistics, and which Maxis believes will be early adopters of technology and data usage; and
- the growing number of overseas users roaming on the Maxis network.

7.5.3 System Usage

Maxis' total system usage has increased primarily as a result of rapid growth in the number of subscribers. Minutes of usage (incoming and outgoing) for the months of December 2000 and December 2001 were approximately 434 million and 606 million minutes, respectively, compared to 122 million minutes of usage for the month of December 1997. Maxis has experienced a compound annual growth rate of 52 per cent. in total outgoing MOU and 67 per cent. in total incoming MOU from 1997 to 2001.

Maxis has also experienced rapid growth in SMS usage, with approximately 10.4 million and 82.2 million messages in the months of December 2000 and December 2001, respectively. Approximately 36 per cent. of Maxis mobile active subscribers as at 31 December 2000 were SMS users, and 62 per cent. as at 31 December 2001. The average number of SMS messages per mobile active subscriber was eight in the month of December 2000 and 37 in the month of December 2001.

7.5.4 Revenues and Tariffs

Maxis' mobile revenues are generated primarily from usage for outgoing local, long distance and international calls, recurring fees such as monthly subscription charges and access fees, interconnection charges, value-added and other chargeable services and connection fees. Maxis sets its own tariffs and is not subject to any regulatory price controls.

Although system traffic (in terms of total MOU) has increased over the past several years, Maxis' average monthly MOU per subscriber and ARPU levels have gradually declined, in line with global industry trends. Maxis believes that the gradual decline in its ARPU and MOU levels has resulted primarily from Maxis' expansion of its subscriber base (including into the prepaid segment), the reduction of monthly access fees and rebates under loyalty programmes and most recently the downturn in the Malaysian economy.

(a) Market share based on Maxis reported subscriber numbers and the Commission's estimate of Malaysian mobile subscribers as at 31 December 2001 (published in March 2002)

(b) Source: December 2001 subscribers by operator, Global Mobile newsletter (Volume 9, Number 4, 27 February 2002)

7. BUSINESS (Cont'd)

The size and composition of Maxis' subscriber base and usage patterns have changed over the last few years. As tariffs and handset prices have decreased and quality of services have improved over time, mobile telecommunications have become increasingly popular with a broader group of people. The early users of Maxis services tended to be business users, such as self-employed businessmen, small businesses or large corporations, with higher usage patterns. With increasing penetration, more recent subscribers generally have tended to have lower usage patterns, subscribe for packages with lower monthly fees and make less use of value-added services.

7.5.5 Customer Churn

Churn can either be voluntary (by choice of the subscribers) or involuntary (as a result of non-payment or fraud). Maxis closely monitors churn and seeks to reduce voluntary churn levels by continuously improving network quality and service and through loyalty programmes.

Maxis continuously monitors postpaid subscriber spending and payment information to minimise fraud and bad debts. Each subscriber is given a credit limit initially based on his credit-worthiness and the rate plan subscribed for, and thereafter the limit is dependent on spending and payment history. Particular attention is given to first payment defaulters. A process of reminders through notices and voice mail or SMS is triggered when a subscriber is about to exceed the credit limit or when payment is due. If a subscriber fails to make payment when due, Maxis will suspend his ability to make outgoing calls after 15 days from the date payment is due but will still allow incoming calls to be received. The subscriber is then contacted periodically by way of SMS reminders, postal reminders by Maxis Collections or through a collection agency until settlement. A postpaid subscriber is disconnected if his bill remains unpaid for 150 days after payment is due. Upon disconnection for any reason, Maxis applies the postpaid subscriber's deposit to any outstanding balance and a reconnection fee and new deposit, where applicable, are charged to restore service. A process for immediate reinstatement of service is put in place upon receipt of payment. Prepaid customers are unable to make calls once they have completely utilised their airtime. Their service is suspended if they do not top-up within 60 days from their last top-up and they are disconnected permanently if they have not topped-up for 150 days. Maxis retains the flexibility to modify its suspension and disconnection policies to adapt to market and customer changes in order to minimise churn as well as credit exposure.

Prior to registration, new postpaid subscribers are verified for credit quality against Maxis' internal database. Maxis also conducts a check against a customer credit database operated by a number of Malaysian operators and to which Maxis contributes. In addition, Maxis staff randomly call a new subscriber's fixed line number to validate their identity.

7.5.6 Postpaid Mobile

Maxis' postpaid service is sold under the *maxis* brand. Maxis' postpaid revenues are dependent on the customer's particular rate plan and usage. On subscription, Maxis' new customers are charged a connection fee and a refundable deposit, following which customers pay a monthly access fee for the service but which does not provide for any free airtime. Maxis operates under calling party pays ("CPP") whereby customers are only charged for calls made, except when roaming internationally when they are charged for incoming calls. In addition, Maxis charges additional monthly fees for certain value-added services to which the customer may subscribe. Subscribers are not bound to any minimum subscription period unless as part of Maxis' promotional marketing programme which may include reduced usage or access fees for an initial period to new subscribers.

Maxis does not directly provide or sell handsets to its subscribers, or typically provide subsidies to subscribers in relation to the purchase of handsets. Handsets are available to customers through Maxis' dealers and distributors. Maxis' average acquisition cost per new postpaid subscriber constitutes a small proportion of total operating costs at approximately RM192 for the year ended 31 December 2001, which includes dealer incentives, promotional programmes and handset subsidies (if any), but excludes retention programmes and advertising.

7. BUSINESS (Cont'd)

Approximately 92 per cent. of Maxis' postpaid subscribers as at 31 December 2001 subscribed to one of Maxis' individual plans. The remainder subscribed to one of Maxis' corporate plans. The following table sets forth Maxis' individual tariff plans:

<u>Rate Plan</u>	<u>Deposit</u>	<u>Connection Fee</u>	<u>Monthly Access Fee</u>	<u>Usage Discount</u>	<u>Other Benefits</u>
Standard Plan	RM300 for Malaysians RM1,300 for non-Malaysians	RM50	RM60	None	Advantage Savings Programme
Pro-Talk	No deposit RM150 advance payment, to be credited into customers' first month bill	RM50	RM60	None	Advantage Savings Programme
m-style ³	No deposit (excluding international roaming) RM150 advance payment, to be credited into customers' first month bill, or Deposit RM300 (including international roaming)	-	RM138 (Subscription fee)	RM138	Inclusive of all data and value-added services package, maximum RM414 can be carried forward. (as above) except RM714 can be carried forward
			RM238 (Subscription fee)	RM238	
Supplementary Line ⁽¹⁾	As per principal line	RM50	RM30	20% discount on calls among principal and supplementary lines within the same account	Advantage Savings Programme (Call and Pay elements only)

Notes:

(1) This package is open to all subscribers on Standard Plan, Pro-Talk, m-style³ and Corporate Employee Plan, who can sign up for a maximum of three supplementary lines for their friends and family

The tariffs set forth below apply to calls under all Maxis current plans⁽¹⁾:

<u>Type of Call</u>	<u>Peak Rate</u>	<u>Off-Peak Rate</u>
	<u>7a.m. – 7p.m. Every Day</u>	<u>7p.m. – 7a.m. Every Day</u>
Local Area ⁽²⁾	10 sen/20 sec	10 sen/40 sec. ⁽⁵⁾
Adjacent Regional ⁽³⁾	10 sen/7.5 sec	10 sen/15 sec.
Non-Adjacent Regional ⁽⁴⁾	10 sen/4 sec	10 sen/8 sec.
East Malaysia to Singapore	10 sen/2 sec	10 sen/4 sec.

Notes:

(1) A 5 per cent. service tax applies to access fees, local calls, trunk calls (STD) and IDD calls and monthly fees for value-added services, except mobile internet (except for Langkawi, Labuan and other designated free zones)

(2) Local Area calls are those made within a charge area

(3) Adjacent Regional calls are those made between charge areas next to each other

(4) Non-Adjacent Regional calls are those made between charge areas not immediately next to each other

(5) m-style³ (RM138): 10 sen/20 sec.

In November 2000, Maxis introduced its Advantage Savings Programme to foster higher subscriber usage and improved loyalty. Rebates to subscribers under the Advantage Savings Programme range

7. BUSINESS (Cont'd)

from RM5 to RM50 per month and are deducted from the subscriber's monthly bill. These rebates are deducted directly from Maxis' gross revenue. The plan rewards Maxis customers in a number of ways, specifically:

- **"Stay"**: Rewards customers with up to a maximum of RM30 monthly rebates, depending on their length of stay or subscription tenure. Customers become entitled to the rebate after their first anniversary with Maxis and the rebate quantum is adjusted automatically until they qualify for the maximum savings of RM30 per month. The rebate is applicable to lines registered under certain plans only;
- **"Call"**: A monthly rebate of RM10 is given for every account with monthly charges and usage of RM150 and above. The rebate is applicable to lines registered under certain plans only; and
- **"Pay"**: A monthly rebate of RM10⁽¹⁾ is given for payment through direct debit or of RM5 for payment made within 14 days from bill statement date. The rebate is applicable to all individual and corporate subscriber plans.

Note:

(1) Direct debit rebate will revert to RM5 after 30 June 2003

In addition to standard telephony services, a basic postpaid subscription includes the following services and benefits for which there is no registration or monthly fee:

<u>Service</u>	<u>Description</u>	<u>Usage Fee</u>	<u>Remarks</u>
SMS	Text messages of up to 160 characters can be sent from the subscriber's handset to another handset with SMS capability	15 sen per message	Inter-Operator SMS introduced in 2001
Voicemail	A personal answering service which stores up to 10 messages for up to 7 days	Local call charges when retrieving messages	
International Roaming	Allows subscribers to make and receive calls while travelling outside Malaysia	Depends on country	
International Direct Dialling (IDD)	Allows the subscriber to make international calls via Maxis' international gateway	Depends on country	
IDD Plus	Allows customer to make voice or data calls to specific countries such as India, Bangladesh, Pakistan and Sri Lanka	Depends on country	Requires RM500 deposit and a minimum 6-month subscription and payment history

(The remaining page is intentionally left blank)

7. BUSINESS (Cont'd)

In addition to these basic services, postpaid subscribers can subscribe to various value-added features, including:

<u>Service</u>	<u>Description</u>	<u>Registration Fee</u>	<u>Monthly Fee</u>	<u>Usage Fee</u>	<u>Remarks</u>
CLIP	Identifies incoming calls by telephone number, or if programmed in memory, by name	None	RM5	N/A	
CLIR	Prevents caller's telephone number being shown to person called	RM10	RM5	N/A	
Call Forwarding	Calls made to a subscriber's mobile telephone can be forwarded to a pre-registered mobile or fixed line number within Malaysia or voicemail	None	RM3	Standard call charge	
Call Waiting/Call Hold	Alerts subscriber to a second call	None	RM3	Standard call charge	
Call Conferencing	Allows five-party conference call	None	RM5	Standard call charge	Requires RM500 deposit, a minimum 6-month subscription and payment history. Call Waiting/Call Hold is a prerequisite
Voicemail Plus	Stores 20 messages for up to 14 days	RM10	RM5	Local call charge for retrieval	
Talkmail	Stores 20 messages for up to 14 days Has Voice CLIP Allows subscriber to reply to caller with a recorded message Allows subscribers to create Personal Group Distribution List	RM5	RM5	Local call charge for retrieval	Voicemail Plus is a prerequisite
Mobile Fax	Allows subscriber to send and receive faxes via their handset.	RM15	RM10	Standard call charge	
Mobile Data	Enables subscriber to send and receive emails, charts, diagrams, reports and surf the Internet via the Maxis portals.	RM10	RM5	Standard call charge	
MIS	Up-to-the-minute information such as the KLSE stock prices, foreign exchange rates, movies, news and sports delivered on the subscriber's handset.	RM10	RM5	15 sen per message	
Mobile Internet	Allows access to text-based information services from a subscriber's WAP-enabled handset	RM10	RM5	Peak 30 sen/min Off-Peak 15 sen/min Super Off-Peak 2.5 sen/min	

7. BUSINESS (Cont'd)

<u>Service</u>	<u>Description</u>	<u>Registration Fee</u>	<u>Monthly Fee</u>	<u>Usage Fee</u>	<u>Remarks</u>
Call Barring	Provides options to bar all outgoing calls, all outgoing international calls, outgoing international calls except those directed to the home country, all incoming calls or incoming calls when outside the home country	None	RM5	N/A	Currently available for corporate subscribers only
Itemised Billing	Monthly bill showing a detailed listing of call charges	None	RM3	N/A	

Maxis also plans to introduce a number of new services in the year 2002 including intelligent network-based services (such as "Friends and Family"), location-based services (such as maps), an enhanced mobile portal, mobile billing and payment services such as mobile banking, mobile electronic payment, mobile commerce, and subject to the availability of GPRS-ready handsets and market demand, GPRS services.

7.5.7 Prepaid Mobile

Maxis' prepaid service was launched in October 1999 in Peninsular Malaysia and in November 2001 in East Malaysia. The service is sold under the *Hotlink* brand and is a ready-to-go service with no subscriber registration requirements. Prepaid starter packs include a SmartCard with RM50 pre-loaded airtime which customers can top-up by purchasing top-up vouchers, available in denominations of RM60 and RM100 at convenience stores, music stores, supermarkets, newsstands, petrol stations, pharmacies and other outlets. There are no monthly charges payable. Prepaid services have the following standard features upon activation:

<u>Service</u>	<u>Call Charges</u>
Voicemail	30 sen (20 sen during Sunday and midnight special rates)
SMS	15 sen per message
SMS to email	15 sen per message
IDD	Standard IDD plus six sen per 12 second block surcharge
CLIP	No charge

Calls for the Maxis prepaid plans are charged on the basis set forth below⁽¹⁾:

<u>Type of Call</u>	<u>Rate</u>
Local Area ⁽²⁾	12 sen/12 sec.
Adjacent Regional ⁽³⁾	28 sen/12 sec.
Non-Adjacent Regional ⁽⁴⁾	52 sen/12 sec.
East Malaysia to Singapore	84 sen/12 sec.

Notes:

- (1) The airtime charges are inclusive of a 5 per cent. service tax
- (2) Local Area calls are those made within a charge area
- (3) Adjacent Regional calls are those made between charge areas immediately next to each other
- (4) Non-Adjacent Regional calls are those made between charge areas not immediately next to each other

As prepaid customers do not need to register, it is more difficult for Maxis to target these subscribers in its marketing of value-added and other services. However, Maxis obtains useful demographic information from subscriber information cards returned by new subscribers.

7. BUSINESS (Cont'd)

A website for prepaid users (www.activateyourlife.com.my) with entertainment and lifestyle news and games is used to announce service enhancements and promotions. It also provides a forum for users to comment on offerings so that programmes can be developed to meet customer needs.

7.5.8 International Roaming

Maxis has international roaming with operators in other countries under which the other operators allow Maxis postpaid mobile customers to use their respective foreign networks while in the relevant country in return for reciprocal use of Maxis' network in Malaysia. Maxis was the first Malaysian mobile operator to offer a wide range of international roaming destinations and currently has international roaming for voice and data services with approximately 194 networks in 122 destinations and territories. Prepaid subscribers do not have international roaming capability. Revenues from international roaming (net of charges by hosting operators) were RM62 million, RM103 million and RM111 million for the years ended 31 December 1999, 2000 and 2001 respectively, representing five per cent., seven per cent. and six per cent. of postpaid revenues for such periods, respectively.

As at 31 December 2001, approximately 20 per cent. of Maxis postpaid mobile customers had activated their international roaming capability. Call charges while roaming internationally are those imposed by the operator in the country the subscriber is calling from, plus an international roaming surcharge. Callers to the roaming subscriber pay the local, national or IDD rate for making calls from the caller's location. International roaming subscribers are charged for the routing of a call from Malaysia to the country where they are receiving the call.

7.5.9 Mobile Data

As part of its strategy to diversify its revenue base, Maxis plans to increasingly focus on providing mobile data applications and content in line with market demand and current technology to differentiated customer segments. To support this strategy, Maxis intends to build strategic partnerships with selected content, solution and technology partners who can add value to current and future data initiatives and to develop additional distribution channels.

Maxis' existing initiatives in mobile data are focused on providing selected information and services over Maxis' existing mobile network, including WAP and SMS services and internet services platforms. The launch of the GPRS network is expected to increase the speed of delivery of these services to customers.

Maxis sources mobile data content from a number of providers consisting of original content sources and content aggregators. The content available includes ringtones, graphics, chat, stock prices, games, horoscopes, jokes, daily almanacs, personality tests, compatibility tests, local and international news, traffic information, sports news and city guides.

7.5.10 3G Services

The Commission has issued the Applicant Information Package setting out the criteria for the allocation of 3G spectrum. It has determined that up to three blocks of 3G spectrum will be assigned on the basis of a "beauty contest". Applications must be submitted by 29 May 2002 and the results will be announced on or before 30 July 2002.

Maxis believes that opportunities exist for it in the provision of 3G services in Malaysia and intends to apply for a block of 3G spectrum. However, there is currently no expectation of 3G services providing any significant contribution to Maxis' revenue in the foreseeable future. The Commission has indicated that service roll out and coverage, infrastructure sharing, roaming and financial considerations would be important factors in their evaluation. In this connection, the Company has entered into non-binding Memoranda of Understanding with Telekom Malaysia, DiGi and TIME separately in relation to 3G network rollout and provision of services, including *inter alia* sharing of 3G infrastructure, in the event that any party is assigned 3G spectrum.

7. BUSINESS (Cont'd)

In addition, the Company has entered into a non-binding Memorandum of Understanding with MBNS in respect of equity participation by MBNS in AWT, a wholly owned subsidiary of the Company and the holding company of UMTS, which was established for the purpose of applying for 3G spectrum. Maxis understands that, subject to being successful in its application for a block of 3G spectrum, its existing licences will allow it to build and operate the required 3G network and offer 3G services. Refer to Section 16.21 of this Prospectus.

7.6 Fixed Line Operations

Maxis operates a fixed telecommunications network in Malaysia under licences which will expire in February 2013. Maxis' fixed line local and national long distance services were launched in January 1996.

In conjunction with Maxis' increased focus on mobile services, Maxis' fixed line operations have evolved from providing a full suite of voice, data and CATV services targeted at the consumer and business markets to the provision of business services targeted at selected Klang Valley business areas and to the provision of long distance and access infrastructure for the Maxis mobile business.

Maxis' fixed line operations include a Peninsular-wide synchronous digital hierarchy microwave and approximately 2,000 kilometres of fibre trunk network, a tandem and local PSTN switch network in seven major switching centres, a comprehensive fibre MAN (Metropolitan Area Network) in the Klang Valley together with an associated last mile access network, a VSAT network and for the provisioning of voice, broadband, internet and data services over this network.

The following table sets forth selected financial and operating information about Maxis' fixed line operations for the periods indicated.

<u>Financial information</u>	As at or for the year ended 31 December				
	1997	1998	1999	2000	2001
Revenue (RM in millions) (Fixed Line Services)	21.8	54.4	101.5	150.0	141.4
Revenue (RM in millions) (Internet Services)	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	10.1	9.6
Operational information					
Average revenue per line					
Business (POTS) (RM)	N/A ⁽¹⁾	N/A ⁽¹⁾	208	166	176
Residential (POTS) (RM)	N/A ⁽¹⁾	N/A ⁽¹⁾	110	101	99
POTS	12,224	19,680	28,967	32,033	34,851
Leased lines (64 kbps multiples)	N/A ⁽²⁾	376	756	1,934	2,618
ADSL lines ⁽³⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	55
VSAT terminals	2	3	16	404	465
ISP Subscribers					
'Free surf' dial-up registrations ⁽⁴⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	5,091	297,257	11,310
Leased line access (64 kbps multiples)	N/A ⁽¹⁾	N/A ⁽¹⁾	10	351	401

Notes:

(1) Not applicable since internet service only commenced in 1999 and ADSL only commenced in 2001

(2) Information not available in 64 kbps multiples

(3) Business commenced July 2001 — comprises various packages

(4) Effective October 2001, Maxis terminated its consumer "free surf" programme and started charging for internet access

Maxis' fixed line and internet businesses have historically not been profitable and there can be no assurance that they will be profitable in the future.

7. BUSINESS (Cont'd)

7.6.1 Voice services

Maxis offers local, domestic long distance and international long distance ISDN and single PSTN line voice services to business and residential customers. Revenues generated from voice telephony include fixed line connection fees, monthly line rentals, interconnection and call charges based on usage.

7.6.2 Broadband Services

Maxis offers selected broadband services, including dedicated domestic and international leased line and xDSL services, to large corporate and multinational customers. These services are offered together with mobile and internet services to provide customers with a broad range of communications solutions. As at 31 December 2001, Maxis served 103 buildings in the Klang Valley.

7.6.3 Internet Services

Maxis offers basic internet access services as well as value-added services and applications to consumers and businesses through *Maxis Net*. The service offers internet access through multiple up-link carriers and Maxis' own network infrastructure. Maxis has transformed its internet business from a consumer "free" to a "pay" model and has been charging subscribers for internet access since October 2001. As expected, Maxis has seen a significant reduction in the number of registered users which it had as a free service provider and an increase in monthly revenue from the consumer access services.

7.6.4 VSAT Services

Maxis offers satellite-based voice and data transmission services over the MEASAT 1 and 2 satellites. Maxis believes that it is one of the leaders in VSAT services in Malaysia by number of installations, with 465 stations installed nationwide as at 31 December 2001. The service is targeted primarily at retail distribution outlets and to the forestry, oil and gas industries.

7.7 International Gateway Operations

Maxis offers international communications services under licences which will expire in February 2013. It offers these services mainly to international telecommunications carriers for termination of traffic into Malaysia, and for sending Maxis' own international traffic abroad. In addition, Maxis also carries international traffic from domestic wholesale companies. All international traffic from Maxis' mobile and fixed line operations passes through Maxis' international gateway. As at 31 December 2001, Maxis has bilateral connections with 23 carriers in 15 countries and has invested in a number of submarine cable systems to carry its international traffic.

The following table sets forth selected financial and operating information for Maxis' international gateway operations for the periods indicated.

<u>Financial information (RM in millions)</u>	<u>For the year ended 31 December</u>				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenue	19.1	45.5	54.5	90.9	100.0
Operational information (in thousands)					
Incoming minutes	N/A ⁽¹⁾	N/A ⁽¹⁾	85,707	145,396	144,408
Outgoing minutes	N/A ⁽¹⁾	N/A ⁽¹⁾	92,200	125,823	139,567
Total minutes	N/A ⁽¹⁾	N/A ⁽¹⁾	177,907	271,219	283,975

Notes:

(1) Information not available

7. BUSINESS (Cont'd)

7.7.1 International Tariffs

Maxis derives revenues from outgoing international calls made by Maxis customers in Malaysia and from settlements from overseas telecommunications operators for incoming calls which use Maxis' facilities. Maxis, in turn, makes payments to overseas telecommunications operators for the use of their facilities when outgoing calls are made from Malaysia. Accounting rates and settlement procedures are agreed bilaterally between international telecommunications operators. Settlements from overseas telecommunication operators for incoming traffic into Malaysia (and other countries) have been falling as operators globally reduce their international tariffs charged to customers because of advances in technology, increased competition and lower bandwidth cost.

7.8 Operations, Sales and Marketing

Maxis markets its mobile services through a wide distribution network in Malaysia. Maxis' sales and marketing objectives involve retaining Maxis' existing customer base, acquiring new high usage customers and increasing ARPU and usage.

7.8.1 Distribution

As at 31 December 2001, Maxis' distribution network comprised approximately 4,500 retail outlets complemented by 25 Maxis Centres and 36 MASAs. *Hotlink* prepaid products (including prepaid starter packs and top-up tickets) are distributed through four distributors/resellers to retail outlets, and are also sold at Maxis Centres, MASAs and selected ATMs. EAC Holdings Malaysia Sdn. Bhd. and Dancom Telecommunications (M) Sdn. Bhd., two of Maxis' distributors/resellers since October 1999, accounted for four per cent. and six per cent., respectively, of *Hotlink* prepaid product revenues for the year ended 31 December 2001 and for one per cent. and two per cent., respectively, of Maxis' total revenues for such period. No single distributor or dealer accounted for more than 10 per cent. of Maxis' total revenues for the year ended 31 December 2001.

Maxis' appointed dealers include approximately 2,500 traditional phone dealers and approximately 2,000 fast-moving consumer goods retailers, convenience stores and petrol kiosks. For the year ended 31 December 2001, approximately 90 per cent. of Maxis' new subscriptions for postpaid service originated from these 2,500 traditional phone dealers. Dealers receive commissions on subscriptions sold which are in line with industry practice.

Maxis pays its dealers promptly and rewards its dealers with bonuses and awards during consumer promotions and campaigns. Maxis' policy is to be transparent and consistent in its treatment and communications with them. Technical and customer care training are also offered to dealers and their staff to improve service and productivity.

Maxis' distribution strategy to the business market includes in-house direct sales teams as well as third party channels such as selected sales and systems integrators and solution partners. Direct sales teams with dedicated account managers who cross-sell all products are deployed for selected large corporations. For other selected business segments, Maxis works with solutions and fulfilment partners to support Maxis' services.

7.8.2 Advertising and Promotion

Maxis actively advertises on television and the radio, outdoor billboards and in selected magazines and newspapers. Maxis' strategy is to focus on quality rather than quantity advertising by selecting appropriate media and ensuring that the content of the message is effective and consistent with the *maxis* premium brand image.

7.8.3 Retention Programme

The Maxis One Club is a tiered loyalty programme concept designed to provide member customers with a sense of privilege in being with Maxis. Maxis One Club membership is by invitation only and is

7. BUSINESS (Cont'd)

based on the customers' spending level. The Maxis One Club offers Maxis subscribers various services such as concierge and priority services.

Separately, Maxis subscribers can become members of BonusLink, a cost-effective point collection and redemption programme targeted at mass market customers. Rewards are designed to encourage longer subscription tenure by its members. BonusLink is one of the largest multi-party consumer rewards programmes in Asia.

Maxis also offers loyalty-based promotional programmes for its postpaid customers, such as the Maxis Advantage Savings Programme, which rewards customers based on their tenure with Maxis, usage level and prompt bill payment.

7.8.4 Website

Maxis launched its corporate website (www.maxis.com.my) in August 1999. The website is used to communicate with customers and support the image of the *maxis* brand.

7.9 Customer Service

Maxis believes that customer service, from sign-up through after-sale service, is critical to subscriber retention and premium brand maintenance. Maxis' customer focus is on providing better customer management, easier access to Maxis support and services, expanding payment channels and differentiating Maxis from its competitors. Maxis' principal customer service channels and initiatives are:

- *Maxis Centres:* Maxis' 25 Maxis Centres (including three Maxis i-centres) are found at convenient locations across Malaysia and offer a complete range of standard customer services and are equipped with on-line payment and registration facilities.
- *MASAs:* Maxis currently has 36 selected dealers appointed as authorised service agents to complement Maxis Centres and provide customer services such as basic registration and payment facilities.
- *Maxis i-centres:* Maxis' three i-centres are the largest of the Maxis Centres and are located in Kuala Lumpur, Johor Bahru and Penang. They are equipped with internet kiosks for customer access to Maxis internet services and display the latest mobile equipment.
- *Maxis Contact Centres:* Maxis operates two contact centres 24 hours a day, 365 days a year which provide basic service and tariff information as well as emergency support and assistance with Maxis services.
- *Maxis e-customer services:* Maxis subscribers can use e-customer services 24 hours a day, 365 days a year by accessing Maxis' website with which they can check their account, update their billing and personal information and subscribe to new services under their existing account. Maxis' internet e-billing services enable Maxis customers to pay their bills using their credit card.

Maxis facilitates bill payment by accepting payment through post offices, selected bank branches and ATMs, selected banks' internet payment portals, telephone, direct debit, internet payment kiosks and other facilities that complement Maxis' own payment network.

Maxis' customer management service system consolidates customer information and captures all communications with customers. This integrated information system centralises information on subscribers and makes such information available to Maxis customer service agents nationwide, which provides them with a valuable tool for improved responsiveness to subscriber needs.

Key corporate customers are serviced directly by the account managers and account servicing executives within the business market team. Other business customers have access to customer

7. BUSINESS (Cont'd)

service resources through hotline and web enabled facilities. The account management team deploys an account management methodology which includes account profiling and pipeline management. The account management team conducts regular field visits to perform opportunity identification and qualification, co-ordinate solution development activities, relationship management, negotiation and closing of sales. In its role as the customer's advocate or representative, the account team performs internal co-ordination activities. The team works with the business solution team and external solution partners to facilitate delivery of the services to customers. In addition, account managers work with the business alliance team to identify and develop alliance marketing and cross-selling opportunities that enhance the business relationship between Maxis and the customer.

Maxis operates on a number of key performance indicators ("KPIs") such as overall service level, processing time, problem solution time and payment convenience, which are tracked systematically. Maxis also provides mandatory customer care classes and attachment in customer-facing operations for all its employees. Maxis believes that these training initiatives further promote Maxis' customer-oriented culture.

Maxis is constantly reviewing its IT and control systems through a Business Continuity Program to review the risks associated with system failure and to determine appropriate measures to minimise these risks. Maxis has also recently launched an Enterprise Risk Management program to look at all facets of risk associated with its operations. Maxis runs two data centres for its information systems providing its billing system with the ability to be back in full operations with no loss of data within 24 hours in the event of a catastrophic failure in the primary data centre.

7.10 Network Infrastructure**7.10.1 Background**

Maxis' network infrastructure comprises the mobile network and the fixed network which in turn comprises the transmission network and the metropolitan area network, and the international network which in turn comprises the international gateway and submarine cable infrastructure and the internet protocol ("IP") network. Consistent with Maxis' strategic direction, the network infrastructure over the next few years is geared primarily to support the mobile business.

7.10.2 Mobile Network

Maxis' initial network rollout in August 1995 covered the densely populated Klang Valley, Penang, Ipoh and Johor Bahru regions, which represented a coverage of approximately 38 per cent. of the population of Malaysia. By the end of 1997, Maxis had expanded its mobile network coverage area to approximately 58 per cent. of the Malaysian population. Coverage of certain key areas of Sabah and Sarawak in East Malaysia was achieved in May 2001 for postpaid customers and in November 2001 for prepaid customers.

As at 31 December 2001, the GSM network comprised approximately 2,066 base stations covering both Peninsular Malaysia and East Malaysia, and 26 mobile switching centres.

Given the rapid deployment of base station sites required to support network growth, Maxis has a significant number of base stations which have been installed while pending submission to or approval from the local authorities. This is in line with common practice among mobile operators in Malaysia given the long lead time generally required for the approvals. The lack of approvals has in certain cases resulted in the local authorities issuing notices and/or dismantling the base station sites which were then relocated. In April 2002, the Government announced new guidelines for the approval of base stations. Maxis expects that these new guidelines will provide consistency and clarity in the approval process in the various states throughout Malaysia.

The base stations are interconnected to the regional mobile switching centres via microwave, fibre optic and VSAT links. The mobile switching centres in Peninsular Malaysia are distributed among Maxis' six telecommunications operation centres which are in turn interconnected to its NOFN.

7. BUSINESS (Cont'd)

One of Maxis' telecommunications operation centres is built on a property owned by the Company in Johor which is subject to a condition that 30 per cent. of the ordinary shares in the Company be owned by Malays or other Bumiputeras. The Company is not in compliance with this condition. However, it is expected that upon compliance by the Company with the Bumiputera equity participation requirement in connection with the Initial Public Offering, the Company will at such time be in compliance with the equity conditions imposed by the state authority. However, once its ordinary shares are listed, it will not be possible for the Company to restrict any transfer of its ordinary shares to ensure continued compliance with the state authority's condition.

The entire mobile network is also fully configured to deploy GPRS services. Maxis made its first GPRS call in Malaysia in August 2000.

The majority of Maxis' base stations are located on buildings or vacant lots for which tenancies have been individually negotiated for terms from one year to three years. Most of the tenancies are for three-year terms renewable at Maxis' option for further three-year terms up to a total of 15 years. The majority of mobile switching centres are located on Maxis property.

The following table sets forth the number of mobile switching centres and base stations operated by Maxis as at the dates indicated:

	As at 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Mobile switching centres	11	12	13	17	26
Base stations	642	801	1,166	1,546	2,066

Maxis measures the technical performance of its service against internal and external benchmarks. Internal benchmarks include the number of (i) calls made, (ii) calls that are involuntarily terminated, (iii) calls that are not completed because access to the network is unavailable, and (iv) completed calls, as well as signal strength and network performance in processing and transmitting text messages between Maxis subscribers. External benchmarks include testing and surveys performed by the Commission, Maxis' own tests against its competitors' networks and customer surveys. Maxis monitors network quality and performance on a daily basis to enhance the effectiveness of network operations and quickly identify impending network problems. Maxis regularly compares its call quality to the call quality of other digital networks in Malaysia along major routes and high traffic areas. Maxis seeks to improve its network performance in these areas and believes that its network expansion plan, which in 2001 included deploying 520 base stations, will further improve the coverage and capacity of the network.

Partly due to a short term delay in equipment supply in the fourth quarter of 2001, Maxis faced some problems with network performance in December 2001. Maxis has now received the equipment and together with its suppliers has implemented measures that have resulted in an improvement in its network performance. Maxis' own weekly measurements showed that, for the three months ended 31 March 2001, the total blocking rate was 0.61 per cent. and the total dropped call rate was 1.41 per cent.

7.10.3 Fixed Line Network

Maxis' fixed line network supports the provision of integrated broadband services including the transmission of voice, data and video. Maxis' fixed line network comprises both the transmission network (including its long distance NOFN) and a local access and metropolitan area network (concentrated in the Klang Valley) to support the mobile, fixed and international operations. The fixed line network also serves to interconnect all telecommunications operation centres in Peninsular Malaysia.

Maxis' local access network in the Klang Valley uses a combination of optic fibre and copper networks to provide voice and broadband services.

7. BUSINESS (Cont'd)

The transmission network is the backbone of the Maxis network and comprises a combination of fibre, satellite and microwave infrastructure, connecting the mobile, local access, international and IP networks. The transmission network is configured as a fully redundant loop at speeds of up to 2.4 Gbps. The fibre component of the transmission network is predominantly Maxis-owned, with some leased capacity. In more remote areas within Peninsular Malaysia and in East Malaysia, Maxis uses VSAT infrastructure, which utilises the MEASAT 1 and 2 satellites and four earth stations as part of the transmission network.

Maxis uses digital microwave transmission to link the various geographically separated components of the system. As capacity requirements increased, microwave links have been supplemented and/or replaced by leased circuits and Maxis' NOFN.

The NOFN was constructed in 2000 and 2001 to further complement the existing transmission network and also to provide increased resiliency, reliability and transmission quality to the network, in particular for the inter-office connections. The NOFN is fully redundant and spans along the west coast of Peninsular Malaysia from the north in Arau, Perlis to Johor Bahru in the south (connecting to Singapore) and back north to Kuantan along the east coast before cutting across from Kuantan to Kuala Lumpur. All primary routes for the NOFN are owned and operated by Maxis except for the diverse routes from Kuala Lumpur to Penang (running along a separate route along the west coast), the "return" section from Kuantan to Kuala Lumpur and the Kuantan to Cherating section of the network, which are leased.

In conjunction with the NOFN, Maxis also has an extensive fibre optic network in the Klang Valley which provides interconnecting routes for the telecommunications operation centres in the central region of Peninsular Malaysia and also fibre optic links to 103 commercial buildings as at 31 December 2001.

Maxis' mobile and fixed line businesses operate on the basis of integrated infrastructure, including microwave and fibre links. For example, when property developments are connected to the Maxis broadband network, GSM microcells within a building can also be connected directly to the fibre network thereby reducing deployment costs. Maxis has also reduced deployment costs through integration of its businesses.

7.10.4 International Gateway Network

The international gateway network comprises the international gateway switches and the submarine cable infrastructure and is connected to the rest of the Maxis network and other operators.

The international gateway network is connected to three submarine cable landing stations owned and managed by Telekom Malaysia. Submarine cable circuits are routed by Telekom Malaysia to individual licensed operators. Maxis' submarine cable infrastructure comprises investment in the SEA-ME-WE-3 (Southeast Asia, Middle East and Western Europe Cable 3), APCN (Asia Pacific Cable Network), APCN-2 (Asia Pacific Cable Network 2), Japan-U.S. (Japan-United States) and TPC-5 (Trans Pacific Cable 5) submarine cable systems. Maxis also has submarine cable capacity for FLAG (Fibre Optic Link Around The Globe) submarine cable system and the right to use capacity in APC (Asia Pacific Cable) and TPC-4 (Trans Pacific Cable 4) submarine cable systems.

7.10.5 IP Network

The IP network primarily comprises points-of-presence ("POPs"), the core backbone network and the border gateway network for international peering. The IP network is to support Maxis broadband and internet services in addition to GPRS and potential 3G services.

Currently, Maxis has internet peering services with other service providers such as MIMOS Berhad, TIME dotNET Berhad and NTT MSC Sdn. Bhd. and transit services with Singapore Telecom Internet Exchange (STIX) and Teleglobe International Corporation.

7. BUSINESS (Cont'd)

7.10.6 Network Management Centre

A key component of Maxis' network service support is Maxis' centralised network management centre which was established in mid-1995 and operates 24 hours a day, seven days a week. The network management centre manages the entire Maxis network.

The operations of the network management centre are modelled on the global standards stipulated by the International Telecommunication Union-T and has received ISO 9002 accreditation.

7.10.7 Interconnection

To enable users to call and receive calls from outside the Maxis network, Maxis interconnects with all other operators in Malaysia and with international operators through its international gateway.

Prior to 1999, payments between Malaysian operators were determined according to commercially negotiated revenue sharing arrangements which were changed to a cost-based calculation in January 1999, whereby the cost-based rates were determined by the regulator. In December 1998, Maxis entered into a commercially negotiated interconnection agreement (for both fixed and mobile) under the cost based interconnection regime with Telekom Malaysia, the incumbent fixed line operator. Maxis was the first operator to execute an interconnection agreement with TM Cellular Sdn. Bhd. (a subsidiary of Telekom Malaysia) for SMS. Maxis has since entered into interconnection agreements with other Malaysian operators.

The Commission has set benchmark prices for interconnection involving the use of "bottleneck facilities". Almost all interconnection services provided to and by Maxis are routed through bottleneck facilities and are charged at these benchmark prices. For details on the benchmark prices and bottleneck facilities, refer to Section 16 of this Prospectus.

In Peninsular Malaysia, Maxis employs "far-end handover" for its interconnection. This means that Maxis will carry traffic originating from its customers as far as possible to its destination using its NOFN, before handing over the traffic to the other operator for termination. This minimises the interconnection payments to other operators for long distance traffic. Maxis uses "near-end handover" for its interconnection in East Malaysia, which makes interconnection payments more expensive in East Malaysia.

7.11 Information Technology Infrastructure

Maxis' IT infrastructure comprises computerised inter-related information systems to support key functions, including network operations management, billing, customer services, financial services, procurement, sales, marketing and distribution. All group functions are interconnected via the local area network ("LAN") with connection to the intranet and the internet.

7.11.1 Key Systems

Maxis' Business Support and Control System ("BSCS") manages data and information for Maxis mobile subscribers and other services. It also provides Maxis customer service personnel with online access to billing data to address customer inquiries effectively. The system has been in operation since Maxis launched its service in 1995 and Maxis believes that it has an effective revenue control system which enhances the efficiency of Maxis operations by simplifying the process of customer information and telephone number registration, enabling access to automatic credit reference checks, preventing duplication of registration information and reducing the number of managing agents required to assist in subscriber registration and other functions.

Maxis also uses the Kenan/Arbor billing application for its IP based products and services, and for certain functions of its fixed line business. Maxis believes that BSCS and the Kenan/Arbor system will together have the features and flexibility required to allow for the introduction of both new mobile and new Maxis IP products and services, with few complementary modifications and add-ons. These systems together provide key customer and usage data to other business operations systems for fraud

7. BUSINESS (Cont'd)

management, customer relations management, business intelligence and reporting and management support.

Bills are sent monthly with multiple bill-cycles in a month. The printing of bills is outsourced by Maxis to a number of printers and delivery to customers is principally through Pos Malaysia, Malaysia's public postal service. Maxis complements postal delivery through other channels such as online bills, email, mobile, and in the case of corporate and high-usage customers, courier. Maxis also provides presentment of summarised bills via SMS.

Maxis has undertaken certain initiatives to encourage customers to pay their bills through automatic payments or direct debit from banks and financial institutions, and to pay their bills on time. As at 31 December 2001, Maxis' collection rate on its outstanding bills within 30 days from the statement date was 33 per cent. and within 60 days from the statement date, 80 per cent.

Maxis uses a Customer Management Services System ("CMSS") for customer relations management to enhance the quality of customer services and interaction. Maxis also has a point-of-sale system and authorised dealers can access a Maxis support website for the latest information on products and services and for an update on the status of their business with Maxis. In addition, Maxis has a system for data warehousing and data mining to analyse information and trends to support sales and marketing initiatives.

7.11.2 Maxis e-business and internet-based applications

Maxis e-business initiatives are aimed at encouraging the use of the internet to improve internal business processes and external dealings with Maxis' customers and partners. These include:

- *Maxis "Squiggle" intranet applications (for employees).* Provides information, applications and key processes and acts as one of the primary communications channels for Maxis employees. These applications include human resources, product information and directory services.
- *Maxis extranet applications (for business partners).* The "DealerNet" application enables Maxis dealers to access Maxis product information and conduct business transactions with Maxis on the internet, such as number reservation, customer credit verification and promotional updates. As at 31 December 2001, approximately 1,250 Maxis dealers were using the DealerNet application. Additional applications are under development.
- *Internet applications (for customers).* Maxis has a suite of applications which enable Maxis customers to access Maxis services directly over the internet. Maxis' e-billing services enable Maxis customers to pay their bills on the internet using their credit card. Through e-customer service, Maxis customers can verify and update their account information and subscribe to new services.

7.12 Licences and Intellectual Property**7.12.1 Licences**

Under the CMA, the ownership or provision of any network facilities, the provision of any network services, the provision of any application services, or the provision of any content applications services requires a licence. For purposes of its business, Maxis holds licences granted under the CMA, the salient terms of which are set out in Section 16.8 of this Prospectus.

7. BUSINESS (Cont'd)

7.12.2 Intellectual Property

Maxis relies on a combination of trademark, servicemark and domain name registrations, copyright protection and contractual restrictions to establish and protect its brand names and logos, marketing designs and internet domain names. The *maxis* and *Hotlink* logos are set out below.



- *Trademarks and Servicemarks.* *maxis* with device and *maxis* with other word(s) with or without device have been registered in Malaysia as trademarks mainly for goods classified under Class 9 (products related to telecommunications, telephones, answering machines, pagers) and Class 16 (papers, letter pads, envelopes, writing papers, labels, handbooks, manuals, notebooks, pictures, printed matters and announcement cards). *Hotlink* has been registered as a trademark for goods classified under Class 9 in Malaysia. Applications to register *maxis*, *maxis* with device and *maxis* with other word(s) with or without device and *Hotlink* as servicemarks have been made in respect of services classified under Class 38 (telecommunications) and under various other classes of servicemarks in Malaysia. These applications are at various stages of consideration for registration as servicemarks in Malaysia. In Singapore, *maxis* with device and *maxis* with other word(s) with device have been registered as trademarks for goods classified under Class 9 and as servicemarks in respect of services classified under Class 38, and there are applications to register *maxis* with other words with device under other classes of servicemarks.
- *Copyrights.* Maxis' copyrights relate principally to certain designs used in marketing and advertising its mobile communications and enhanced services in Malaysia.
- *Domain Names.* Maxis owns a number of internet domain names, the most significant of which are "maxis.com.my", "maxis.net.my" and "activateyourlife.com.my".

7.13 Suppliers

7.13.1 Operating Expenditure

None of Maxis' suppliers has contributed more than 10 per cent. of the total operating expenses for the financial year ended 31 December 2001.

7.13.2 Capital Expenditure

Generally, the telecommunications industry in Malaysia is dependent on imports for the majority of its network components as most of the network equipment cannot be sourced locally. Maxis' networks utilise standard equipment which is available from a limited number of suppliers. Most of the GSM equipment for Maxis' mobile network operations is purchased from Motorola, Siemens and Trisilco Folec, and Maxis maintains close working relationships with its key network equipment suppliers. Maxis has been purchasing from these suppliers for approximately six years. Maxis also purchases certain network components from various other key suppliers, including Nortel and Cisco. Maxis has been purchasing from these suppliers for six and two years, respectively. Maxis has been dealing with substantially the same group of suppliers since commencement of operations in 1995. For the year ended 31 December 2001, the vendors that accounted for more than 10 per cent. of Maxis' purchases of network equipment and services were Motorola, Trisilco Folec and Leighton Contractors. Siemens is now a sub-contractor to Motorola for network switching systems. Maxis believes that comparable equipment and support is available from other established suppliers.

7. BUSINESS (Cont'd)

7.14 Competition**7.14.1 Mobile Services**

The market for mobile services in Malaysia is highly competitive. To date, the Government has awarded eight mobile licences to five operators in Malaysia. Maxis' competitors in this segment are Celcom, Telekom Malaysia (through its TMTOUCH, Mobifon 018 and ATUR011 brands), DiGi and TIME. Maxis believes that the main competitive factors in the mobile services market are network coverage, service quality, pricing and brand. The two largest participants in Malaysia's mobile market, Maxis and Celcom, are considered by many customers to offer more extensive network coverage and higher service quality.

On 29 April 2002, Telekom Malaysia announced that its wholly-owned subsidiary, Telekom Enterprise Sdn. Bhd., acquired 260,870,500 ordinary shares representing approximately 13.2 per cent. in TRI from Pengurusan Danaharta Nasional Berhad. Celcom is a wholly-owned subsidiary of TRI. Together with further acquisitions from the market and existing TRI shares held by Telekom Malaysia and/or its subsidiaries, Telekom Malaysia was reported to have direct and indirect interests of approximately 31.25 per cent. in TRI as at 7 May 2002. Telekom Malaysia has formally requested TRI to convene an extraordinary general meeting to remove certain of TRI's directors, and to appoint four directors nominated by Telekom Malaysia. TRI's board of directors has indicated that it intends to convene such a meeting. Telekom Malaysia has said it may consider exploring with TRI the feasibility of merging its mobile operations with that of Celcom or cooperating in some other manner, and this could potentially create a stronger competitor for Maxis.

Refer to Section 15 of this Prospectus for details on the telecommunications industry in Malaysia.

7.14.2 Fixed Line Services

Prior to the liberalisation of the telecommunications industry in Malaysia, Telekom Malaysia had a virtual monopoly on telecommunications services in Malaysia. In recent years, the Government has taken steps to introduce managed competition in the industry by awarding various telecommunications licences. In addition, the introduction of equal access (allowing a fixed line user to access an alternative long distance operator via a short-code) and the licensing of by-pass operators has further increased competition in the Malaysian telecommunications industry.

Maxis' competitors in the fixed line segment are Telekom Malaysia, Celcom, DiGi, TIME and Prismanet (M) Sdn. Bhd. Due to the established networks of its competitors, principally Telekom Malaysia and TIME, as well as the capital intensive nature of the fixed line segment, Maxis does not intend to compete widely in the fixed line business. Instead, Maxis has narrowed its focus in the fixed line business to high density commercial buildings in Klang Valley, where Maxis believes it can compete more effectively with its larger competitors and where the synergies with its mobile business will be greatest. Refer to Section 15 of this Prospectus for details on the telecommunications industry in Malaysia.

7.15 Property

Maxis leases space for its 25 Maxis Centres (including three Maxis i-centres) and its two Maxis Contact Centres. As at 31 December 2001, Maxis leased approximately 99 per cent. of its cell sites in its mobile network.

Maxis Communications has entered into a letter agreement dated 26 April 1999 with Tanjong Property, a related party, for a sub-lease for its corporate headquarters which are located at Menara Maxis, Kuala Lumpur City Centre, Kuala Lumpur. The sub-lease cannot be registered because the lease in favour of Tanjong Property has not been registered. The sub-lease is for a period of 15 years commencing on 1 June 1998.

Maxis leases additional office space in Menara Sunway. Maxis owns a warehouse in the Klang Valley and leases another warehouse in Subang Jaya. Maxis also owns nine telecommunications operation

7. BUSINESS (Cont'd)

centres in Malaysia, including two in East Malaysia and one in Technology Park Malaysia (of which the building is owned by Maxis, although the land is sub-leased from MEASAT Digicast, a related party), and leases another telecommunications operation centre facility in Kuala Lumpur City Centre. These centres primarily house a combination of Maxis' switching systems for both the mobile and fixed line operations.

Maxis Broadband has entered into a letter agreement dated 9 August 1999 and accepted on 5 January 2000 for the sub-lease of land for the telecommunications operation centre at Technology Park Malaysia with MEASAT Digicast, a related party. As the head lease is not yet finalised with the present registered proprietor of the land, the Federal Lands Commissioner, the sub-lease cannot be registered for the time being. The term of the sub-lease will be the same as the term of the head lease, namely 30 years from 28 July 1995 or until the earlier termination of the head lease.

Leases and sub-leases in West Malaysia are required to be registered under the National Land Code, 1965. The interest of a sub-lessee vests in the sub-lessee on registration of the sub-lease. On registration, a sub-lessee acquires an interest which is enforceable against any assignee of the lessor's reversion or the sub-lessor's reversion. However, where a claim subsequent to the unregistered sub-lease is registered, the claimant will not be adversely affected nor bound by the sub-lease agreement unless the claimant has notice of the sub-lease.

Annex A to this Prospectus sets forth information on the lands and buildings owned by Maxis as at 31 December 2001.

7.16 Risk Management

Maxis maintains insurance policies with registered insurance companies in Malaysia, which cover material damage to property, business interruption, public liability, employer's liability, directors' and officers' liability, internet liability, construction and installation liability, money-in-transit and premises, fidelity guarantees, marine-related liabilities, goods-in-transit, group accident and term life. Notwithstanding Maxis' insurance coverage, damage to Maxis' facilities, equipment, machinery, buildings or other properties as a result of occurrences such as fire, explosion, power loss, telecommunications failure, intentional unlawful act, human error or natural disaster could nevertheless have a material adverse effect on Maxis' financial condition and results of operations to the extent such occurrences disrupt the normal operation of Maxis' business.

In order to complement its insurance programme, Maxis has launched a programme to promote its business continuity plan for dealing with any unexpected and unknown risks through planning, training and testing for the recovery of critical business processes and information technology systems and networks in a cost-effective and timely manner, with a view to minimising the impact of any disruption to its business and its customers.

The plan is designed to minimise risks and to develop and maintain the ability to respond to any interruption in services and promptly restore its critical business functions when an interruption occurs. The plan comprises a series of steps that have to be taken to ensure the continuation of Maxis' business during a crisis or disaster. These steps involve the identification and protection of the critical business processes and functions required to maintain an acceptable level of operations, in the event of a sudden and unexpected interruption in these processes and functions and their supporting resources.

Redundancy processes and procedures are available for all critical systems. In addition to on-site redundancies, Maxis also operates two information systems data centres to provide off-site recovery capabilities, and has implemented load distribution capabilities into its network to mitigate the failure of any network centre.

There has been no material interruption in Maxis' business and operations in the 12 months preceding the date of this Prospectus.

7. BUSINESS (Cont'd)

7.17 Research and Development

Maxis maintains close working relationships with its key network equipment suppliers and participates in their technology trials so as to improve equipment performance. Maxis does not currently undertake proprietary basic research and development.

Maxis Multimedia is a registered “Multimedia Super Corridor” status company, which enjoys certain tax and other privileges and may undertake research and development activities for the Group in the future.

7.18 Corporate Awards

Maxis has been recognised as one of the leading corporate and mobile service operators in the Asian region. Awards received by Maxis include:

- December 2001: The Far Eastern Economic Review named Maxis as the “6th Best Company in Malaysia” in its “Review 200 of Asia’s Leading Companies”. In particular Maxis was awarded 1st place for “High Quality Services/Products” and also 1st place for being “Innovative in Responding to Customers Needs”;
- November 2001: Maxis’ Chief Executive Officer, Dato’ Jamaludin bin Ibrahim, was named “Malaysian CEO of the Year 2000” in Malaysia’s annual CEO of the Year Award hosted jointly by Malaysia’s Business Times newspaper and by American Express;
- July 2000: Telecom Asia named Maxis as one of the top five best GSM operators in Asia; and
- October 2000: HSBC named Maxis as one of Asia’s 100 Best Corporates.

7.19 Related Party Transactions

The Company and its subsidiaries have in the past, and will in the future, perform transactions and enter into contracts with related companies, subsidiaries and associates. It is the policy of companies within the Group not to enter into transactions with related parties unless these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm’s length with Maxis and are not to the detriment of the Company’s minority shareholders. Accordingly, Maxis believes that these transactions are undertaken on terms and conditions similar to those with unrelated companies, except for those agreements and transactions which are on a cost basis, more particularly described in Section 21 of this Prospectus.

The Company’s Audit Committee reviews any related party transaction and conflict of interest that may arise within Maxis. The procedures set by the Company to monitor and review related party transactions are also periodically reviewed by the Audit Committee. All reviews by the Audit Committee are reported to the Board of the Company for the Board’s further action. Refer to Sections 8.1.5, 21.3.1 and 21.3.2 of this Prospectus.

7.20 Environmental Matters

Maxis believes that it is in compliance in all material respects with applicable environmental regulations in Malaysia. Maxis is not aware of any environmental proceedings or investigations to which it is or, except as disclosed in Section 5.1.16 of this Prospectus, might become a party.

7.21 Employees

As at 31 December 2001, Maxis had 2,462 employees (including permanent employees and contract staff who have been employed by Maxis with a term of employment of more than one year) of whom approximately one-third have been with Maxis for at least six years. Almost 40 per cent. of Maxis’ employees are graduates and professionals with a broad base of experience ranging from manufacturing and IT to the banking, oil and gas sectors. The racial mix of Maxis’ workforce is

7. BUSINESS (Cont'd)

intended to mirror that of the Malaysian population and allows for a more culturally sensitive and responsive service to Maxis customers.

For greater flexibility Maxis uses a combination of short and long-term contracts, and where expertise is not locally available for management positions, Maxis hires people with the appropriate experience from overseas. Maxis places emphasis on the development of its technological capabilities and development of employees. The establishment of the Maxis Academy, Maxis' internal training centre, in March 2001 represents an extension of Maxis' efforts in providing a stimulating environment to equip the employees with the right knowledge and skills geared towards meeting the future challenges of the business. The Maxis Academy offers training and development activities from a wide variety of customised business management to up-to-date technical courses and personal development programmes. The delivery of these programmes are facilitated through different modes employing modern equipment and facilities.

The table below sets forth the number of employees for each of Maxis' different business segments as at 31 December 2001.

<u>Business</u>	<u>Number of Employees</u>
Mobile services	2,154
Fixed line services	281
Internet services	12
International gateway services	<u>15</u>
Total	<u><u>2,462</u></u>

The table below sets forth the number of employees in the segments below as at 31 December 2001.

<u>Department</u>	<u>Number of Employees</u>
Management	59
Sales and marketing	185
Information technology	189
Technology and engineering	945
Support services	187
Customers services	693
Clerical and general workers	<u>204</u>
Total	<u><u>2,462</u></u>

None of Maxis' employees is unionised and Maxis believes that its labour relations are good.