



SHAPING WHAT'S

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ANNUAL REPORT 2018



# WE ARE MAXIS



**We have expanded our vision to become Malaysia's leading converged communications and digital services company.**

At Maxis, we believe that everyone has high potential. It is driven by our ability to innovate and our relentless curiosity about the possibilities of what technology can do for everyone – from individuals to homes, businesses and the community in which we operate. Our purpose is to unlock the potential of everyone through our connectivity solutions, and to bring together the best in all of us, for one common goal and mutual benefit.

Our worry-free, flexible and affordable mobile and fixed solutions empower our customers – consumers, businesses and institutions – to do more in an increasingly digital world, from the way they communicate to accessing services such as ecommerce, security, banking, entertainment, linkages to wearables and much more. We have expanded our vision to become Malaysia's leading converged communications and digital services company.

We are inspired by what our customers want – to have access to simple and highly personalised solutions and services from a company that they can trust. When our customers access our services and the Internet, we want them to have the best experience, which is why we also value simplification. Through a single point-of-contact approach, we make it easy for consumers and businesses to experience our suite of innovative, end-to-end solutions that are highly accessible, relevant and of the highest quality.

To ensure all our customers enjoy superior communication experiences, we are continuously raising the bar with our industry-leading 4G LTE network, the fastest in Malaysia, and our high-speed advanced fibre network.

Beyond our engagement with customers, we are passionate about creating a positive, long-lasting impact within the communities that we operate in. Our Economic, Environmental and Social (EES) responsibility credential is founded on our philosophy of enriching local communities through various outreach programmes and minimising our impact on the environment.

Our people are the driving force of our MaxisWay that we have built in our pursuit to be a world-class, effective and efficient organisation. They personify our culture of mutual responsibility, personal accountability, pride and urgency within a fun and dynamic workplace. To take this further, we embrace fully an innovation and digital mindset which our people thrive on, helping them realise their potential and contribute their unique skills to create amazing products and services for our customers.





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This Annual Report can also be downloaded as a PDF file or viewed in an Interactive format at [www.maxis.com.my/corp](http://www.maxis.com.my/corp)

# About This Report

## Integrated Reporting

We have embarked on an integrated reporting journey in order to provide a more comprehensive and transparent reporting of our objectives, strategies and performance which enables us to create value for all our key stakeholders.

With reference to the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), our value creation is defined as the ability to create value for Maxis and our key stakeholders through efficient management of capitals and resources. Our key capitals and value creation model are defined on pages 42 to 43.

We recognise that the process to fully integrate our report and adopt integrated thinking will necessarily take time. We are projecting a three-year journey, from 2019 to 2021, to enhance our reporting towards a fully integrated report. Our report builds on our business model, strategic focus and material matters. The report focuses on information that significantly affects our ability to deliver value over the short, medium and long term.

In 2018, we conducted a materiality assessment to review our materiality matrix and identify factors impacting our delivery of value. We closely collaborated with our business units, subsidiaries and key departments that have rich insights of our key stakeholders' concerns and needs. The materiality assessment process and the material matters that form the content of the report can be found on pages 47 and 49.

## Our Reporting Scope and Boundary

Our report covers the financial year from 1 January 2018 to 31 December 2018 for Maxis Berhad, which includes financial reporting as well as non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders.

The report indicates all business operations of Maxis including our subsidiaries.

## Assurance

Our financial statements were prepared and assured in accordance with MFRS, IFRS and the Companies Act 2016. Please refer to pages 102 to 211 for the audited financial statements and the opinion expressed by our external auditor. We have not sought external assurance for our non-financial information.

## Forward-Looking Statements

This report contains forward-looking statements that involve known and unknown risks, uncertainties and other factors which may cause future performance, outcomes and results to differ materially from those expressed or implied in such forward-looking statements. Such forward-looking statements are based on numerous assumptions and reflect Maxis' current views with respect to future events and are not a guarantee of future performance. Undue reliance shall not be placed upon such forward-looking statements as they are not guarantees of our future performance and these statements are not externally assured.

## Feedback

We welcome your feedback on our report which is available to all stakeholders on our website, [www.maxis.com.my](http://www.maxis.com.my)

**For further information and feedback, please contact:**

**Paul Anthony Zaman**

**Tel** : + 603 2330 7000

**Fax** : + 603 2330 0555

**E-mail** : [ir@maxis.com.my](mailto:ir@maxis.com.my)

### Reporting Framework



#### Integrated Annual Report 2018

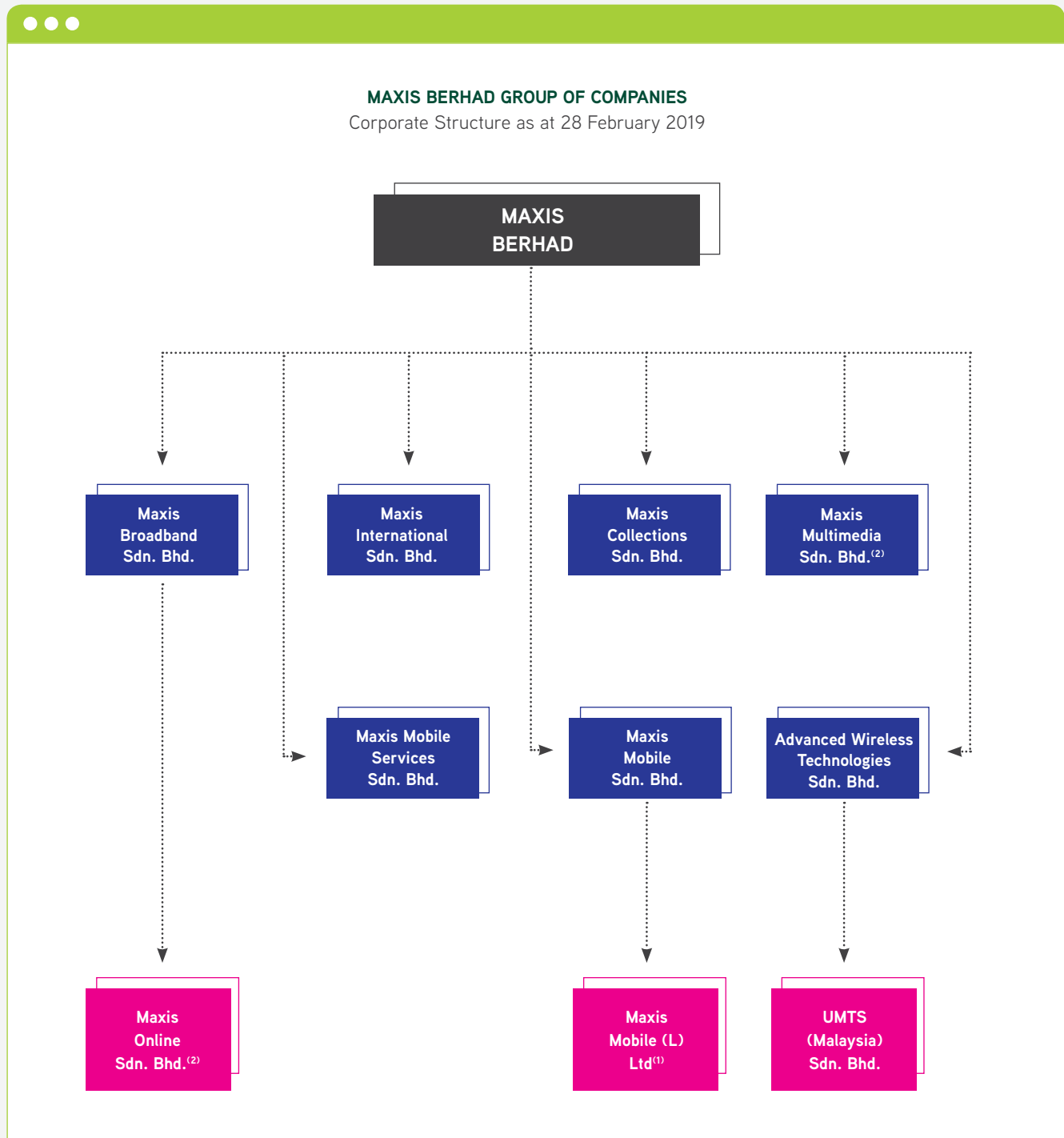
- Malaysian Code on Corporate Governance (MCCG) 2017
- IIRC Integrated Reporting Framework
- Companies Act 2016
- Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR) – Part III of Practice Note 9 with reference to Global Reporting Initiative (GRI) Standards



#### Financial Statements

- International Financial Reporting Standards (IFRS)
- Malaysian Financial Reporting Standards (MFRS)
- Companies Act 2016

# Group Corporate Structure



**Notes:**

<sup>(1)</sup> Incorporated in Malaysia (registered under the Labuan Companies Act 1990).

<sup>(2)</sup> In voluntary winding-up.

# Corporate Information



## BOARD OF DIRECTORS

### RAJA TAN SRI DATO' SERI ARSHAD BIN RAJA TUN UDA

Chairman/

Independent Non-Executive Director

### TAN SRI MOKHZANI BIN MAHATHIR

Independent Non-Executive Director

### DATO' HAMIDAH NAZIADIN

Independent Non-Executive Director

### ALVIN MICHAEL HEW THAI KHEAM

Independent Non-Executive Director

### MOHAMMED ABDULLAH K. ALHARBI

Non-Executive Director

### MAZEN AHMED M. ALJUBEIR

Non-Executive Director

### ABDULAZIZ ABDULLAH M. ALGHAMDI

Non-Executive Director

### LIM GHEE KEONG

Non-Executive Director

### ROBERT ALAN NASON

Chief Executive Officer/  
Executive Director



## SENIOR INDEPENDENT DIRECTOR

**Tan Sri Mokhzani bin Mahathir**

E-mail : mmokhza@maxis.com.my



## AUDITORS

**PricewaterhouseCoopers PLT  
(LLP0014401-LCA & AF 1146)**

Level 10, 1 Sentral

Jalan Rakyat

Kuala Lumpur Sentral

50470 Kuala Lumpur

Malaysia

Tel : + 603 2173 1188

Fax : + 603 2173 1288



## REGISTERED OFFICE

**Maxis Berhad**

(Company No. 867573-A)

Level 21, Menara Maxis

Kuala Lumpur City Centre

Off Jalan Ampang

50088 Kuala Lumpur

Malaysia

Tel : + 603 2330 7000

Fax : + 603 2330 0590

Website : www.maxis.com.my



## SHARE REGISTRAR

**Boardroom Share Registrars**

**Sdn. Bhd.** (Company No. 378993-D)

(Formerly known as Symphony

Share Registrars Sdn. Bhd.)

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor

Tel : + 603 7849 0777

Fax : + 603 7841 8151/8152/8100



## STOCK EXCHANGE LISTING

**Main Market of Bursa Malaysia  
Securities Berhad**

Listed since 19 November 2009

Stock Code : 6012



## COMPANY SECRETARY

**Dipak Kaur**

LS 5204



## HEAD OF CORPORATE AFFAIRS

**Mariam Bevi binti Batcha**



## HEAD OF INTERNAL AUDIT

**Shafik Azlee bin Mashar**



## INVESTOR RELATIONS

**Paul Anthony Zaman**

Tel : + 603 2330 7000

Fax : + 603 2330 0555

E-mail : ir@maxis.com.my



## ADMINISTRATIVE ENQUIRIES/ ASSISTANCE PERTAINING TO MATTERS RELATING TO THE ANNUAL REPORT 2018 AND TENTH ANNUAL GENERAL MEETING

E-mail : bsr.helpdesk@

boardroomlimited.com

(valid from 27 March 2019 to  
25 April 2019)



## CUSTOMER SERVICE

Tel : 1800 821 123

E-mail :

customercare@maxis.com.my

# Directors' Profiles



**Nationality**  
Malaysian

**Age**  
72

**Date of Appointment as Director of Maxis:**  
16 October 2009

## RAJA TAN SRI DATO' SERI ARSHAD BIN RAJA TUN UDA

Chairman/Independent Non-Executive Director

**Number of Board Meetings attended during the year: 7/7**

### Board Committee:

Nomination Committee (Chairman), Audit Committee (Member), Remuneration Committee (Member)

### Qualifications

He is a Fellow of the Institute of Chartered Accountants in England and Wales, and a member of the Malaysian Institute of Accountants. He is also a member of the Malaysian Institute of Certified Public Accountants and served on its council for 24 years, including three years as its president.

### Work Experience/Occupation

Raja Arshad is currently the Chairman of Binariang GSM Sdn. Bhd., Ekuiti Nasional Berhad, Icon Offshore Berhad, Yayasan Amir and Yayasan Raja Muda Selangor and a Director of Yayasan DayaDiri. He is also the Chancellor of University Selangor. He was formerly a Director of Khazanah Nasional Berhad. He was also formerly Executive Chairman of PricewaterhouseCoopers (PwC) Malaysia, Chairman of the Leadership Team of PwC Asia 7, Chairman of the Malaysian Accounting Standards Board and Danamodal Nasional Berhad. His previous international appointments include being a member of the PwC Global Leadership Team, the PwC Global IFRS Board and the Standards Advisory Council of the International Accounting Standards Board.

His previous public appointments include being a member of the Securities Commission, the Malaysian Communications and Multimedia Commission, the Investment Panel of the Employees Provident Fund and the Board of Trustees of the National Art Gallery.

### Directorship in other public or listed companies

Ekuiti Nasional Berhad, Icon Offshore Berhad, Yayasan Raja Muda Selangor, Yayasan DayaDiri and Yayasan Amir



**Nationality**  
Malaysian

**Age**  
58

**Date of Appointment as Director of Maxis:**  
16 October 2009

## TAN SRI MOKHZANI BIN MAHATHIR

Independent Non-Executive Director

**Number of Board Meetings attended during the year: 7/7**

### Board Committee:

Audit Committee (Chairman), Nomination Committee (Member), Remuneration Committee (Member)

### Qualifications

He is a qualified petroleum engineer. He pursued his tertiary education at the University of Tulsa, Oklahoma in the USA, where he graduated with a Bachelor of Science in Petroleum Engineering.

### Work Experience/Occupation

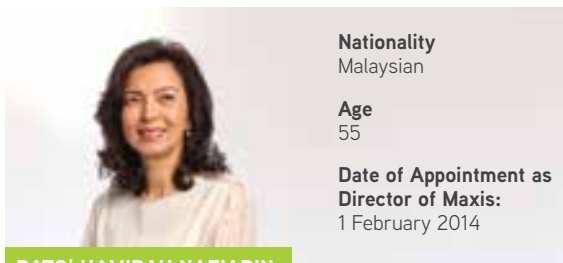
He began work in 1987 as a wellsite operations engineer with Sarawak Shell Berhad and resigned in 1989 to pursue business opportunities in Kuala Lumpur. By investing in Tongkah Holdings Berhad (listed on the then Kuala Lumpur Stock Exchange), he ventured into the components manufacturing, oil and gas, finance and healthcare sectors. He held positions as the Group Chief Executive Officer of Pantai Holdings Berhad (healthcare), Chairman of THB Industries Berhad (electronics) and Group Executive Chairman of Tongkah Holdings Berhad (oil and gas, finance). A divestment exercise in 2001 saw him relinquish all positions and equity in these companies. Currently, his portfolio of investments includes businesses in IT, oil and gas support services, structural steel engineering and fabrication, the automotive sector and property development. He was the non-independent Vice-Chairman and Director of SapuraKencana Petroleum Berhad up to 4 March 2015.

Through his private holding company, Kencana Capital Sdn. Bhd., he has investments in IT, property and other businesses. He was Chairman of Sepang International Circuit Sdn. Bhd., which hosted the FIA Formula One World Championship for 19 years till 2017. He also serves as the Chairman and Chief Executive Officer of Opcom Holdings Berhad.

### Directorship in other public or listed companies

Opcom Holdings Berhad and Royal Automotive Club of Malaysia

## Directors' Profiles



**Nationality**  
Malaysian

**Age**  
55

**Date of Appointment as Director of Maxis:**  
1 February 2014

### DATO' HAMIDAH NAZIADIN

Independent Non-Executive Director

**Number of Board Meetings attended during the year:** 7/7

#### Board Committee:

Remuneration Committee (Chairman), Audit Committee (Member), Nomination Committee (Member)

#### Qualifications

She holds a Bachelor of Laws from the University of Wolverhampton and a Certificate in Personnel Management, Malaysian Institute of Personnel Management.

#### Work Experience/Occupation

She has 31 years of experience in human resource (HR), of which the last 27 have been with CIMB Group. Prior to joining CIMB Group, she was with Pacific Bank.

As the Group Chief People Officer of CIMB Group, she provides overall strategic leadership for HR across ASEAN. She has successfully transformed HR from an administrative function into a key business enabler, contributing to CIMB Group's rapid growth into the leading ASEAN financial institution that it is today. She leads people strategies to attract, develop and retain talent, cultivate an agile workforce to prepare for the future of work, and improve the end-to-end employee experience via technology innovation.

Among her many achievements, she has strategised the resource integration in successful mergers and acquisitions over the years, within Malaysia and across ASEAN and APAC regions. She has also implemented strategic HR programmes that have earned peer and industry recognition through numerous awards.

In May 2016, she was appointed as the Chief Executive Officer of CIMB Foundation, the philanthropic platform for CIMB Group, to spearhead CSR initiatives in community development, sports and education with diversity and inclusion as the guiding principles. She was also a Commissioner of CIMB Niaga, Indonesia and a member of CIMB Niaga's Nomination and Remuneration Committee from 2010 to September 2014.

She is passionate about championing thought leadership through industry talks and publications on issues around women empowerment, and education/development for youth and graduates.

#### Directorship in other public or listed companies

Nil



**Nationality**  
Malaysian

**Age**  
55

**Date of Appointment as Director of Maxis:**  
30 August 2012

### ALVIN MICHAEL HEW THAI KHEAM

Independent Non-Executive Director

**Number of Board Meetings attended during the year:** 7/7

#### Board Committee:

Business & IT Transformation Committee (Chairman), Nomination Committee (Member)

#### Qualifications

He holds undergraduate degrees from Queen's University, Canada and an MBA from INSEAD France. He is certified with the Canadian Securities Institute and has attended executive programmes at IMD, Stanford, USC and UCSF.

#### Work Experience/Occupation

He is currently the Group Managing Director of Southgate Ventures, a private equity owned education platform company with eight international schools in Indonesia.

His 31 years of corporate experience covers private equity at The Abraaj Group; financial advisory and private equity at H2O Capital; commercial banking at TD Bank; investment banking at Lancaster Financial; business development and marketing at P&G in Switzerland, Vietnam, Southeast Asia and Australia; and top management and regional board experience at L'Oreal where he was President of its companies in Malaysia and Taiwan. He served on the boards of the European Chamber of Commerce in Taipei from 2006-2009 and Taipei American School from 2011-2014.

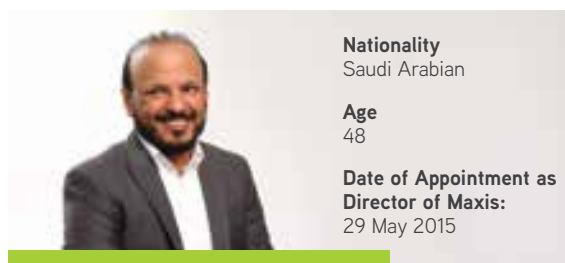
In 2004, he was conferred the title of Chevalier de l'Ordre Nationale du Merite by French President, Jacques Chirac, in recognition of his business achievements.

#### Directorship in other public or listed companies

Petronas Dagangan Berhad



## Directors' Profiles



**Nationality**  
Saudi Arabian

**Age**  
48

**Date of Appointment as Director of Maxis:**  
29 May 2015

**MOHAMMED ABDULLAH K. ALHARBI**

Non-Executive Director

**Number of Board Meetings attended during the year:** 7/7

**Board Committee:**

Audit Committee (Member)

**Qualifications**

He holds an M.S. Certificate in Engineering Management from the University of Missouri, USA. He also holds a B.S. in Systems Engineering – Industrial Engineering and Operations Research from the King Fahd University of Petroleum and Minerals, Saudi Arabia.

He has attended multiple executive and professional courses at leading business schools of the world including Harvard, Euromoney, Columbia Business School, INSEAD, Wharton and Kellogg School of Management.

**Work Experience/Occupation**

He is currently the General Manager of Mergers & Acquisitions (M&A) at Saudi Telecom Company (STC) responsible for leading overall M&A activities with a focus on international expansion and strengthening STC's local position in the digital age through in-market consolidation. He has always been involved in STC's key strategic decision-making on M&A opportunities.

He represented STC on the Boards of PT Axis Indonesia, Public Telecommunications Company Ltd. (BRAVO), Saudi Arabia, Aircel Limited, India, Cell C (Pty) Ltd. and 3C Telecommunication (Pty) Ltd., South Africa.

He has led the process of identifying synergies and developing synergy realisation programmes, implementing greenfield operations and major acquisitions of STC, which include the acquisition of 25% shares in Binariang GSM Sdn. Bhd., Malaysia, acquisition of 35% stake in Oger Telecom Limited, successful bidding of Kuwait and Bahrain greenfield mobile licenses, increasing STC's stake in VIVA Kuwait, divestment of PT Axis Telekom Indonesia and also increasing STC's stake in Intigral, an end-to-end solutions provider focused on delivering digital media content services to regional telecommunications operators in the Gulf. He has always been an integral part of STC's investment-related activities.

Prior to joining STC in 2003, Mr. Mohammed Abdullah K. Alharbi worked in senior positions at Al Salam Aircraft Company and Advance Electronics Company.

**Directorship in other public or listed companies**

Maxis Communications Berhad



**Nationality**  
Saudi Arabian

**Age**  
42

**Date of Appointment as Director of Maxis:**  
8 September 2016

**MAZEN AHMED M. ALJUBEIR**

Non-Executive Director

**Number of Board Meetings attended during the year:** 5/7

**Board Committee:**

Nomination Committee (Member),  
Remuneration Committee (Member)

**Qualifications**

Mazen earned his MBA with highest distinction from Harvard Business School, where he was designated a George F. Baker Scholar. He earned his A.B. with honours in Economics from Harvard College, where he received the John Harvard and Harvard College Scholarships for academic distinction.

**Work Experience/Occupation**

He is a private investor based in Riyadh, focused on investing in and actively supporting the development of mid-sized growth companies in Saudi Arabia. His portfolio of companies span a range of industries including technology, retail, specialty contracting, education and wholesale distribution. Alongside his investment activities, Mazen serves as an independent member on the boards of several leading regional organisations. Mazen also serves on the boards of investment offices of prominent Saudi families and is a member of the Board of Trustees of the Oqal angel investor network.

Previously, Mazen was an Executive Vice President of Amwal AlKhaleej, a Middle Eastern private equity firm, and earlier in his career, he was a consultant with McKinsey & Company, based in its Washington, D.C. office, where he advised several Fortune 500 companies on operations, strategy and organisation, often in the context of major transformations and turnarounds.

**Directorship in other public or listed companies**

Maxis Communications Berhad

## Directors' Profiles



**Nationality**  
Saudi Arabian

**Age**  
35

**Date of Appointment as Director of Maxis:**  
4 September 2018

**ABDULAZIZ ABDULLAH M. ALGHAMDI**

Non-Executive Director

**Number of Board Meetings attended during the year:** 1/1

**Board Committee:**

Business & IT Transformation Committee (Member)

**Qualifications**

Abdulaziz received his Master's degree (M.Sc.) in Human Resources Management from the University of Westminster, London, United Kingdom in 2012. This degree was preceded by a B.Sc. degree in Computer Information Systems from King Saud University, Saudi Arabia, in 2006.

**Work Experience/Occupation**

Abdulaziz is an executive with 14 years of progressive experience in the telecom industry. Throughout his career in Saudi Telecom Company (STC), the largest telecom company in the Middle East, Abdulaziz has shown consistent success in maximising corporate performance, driving growth, ensuring adherence to good governance, and enhancing value especially at the subsidiaries level in both local and international markets where STC is a significant player. He is the chairman of Etihad Sale, one of STC's local subsidiaries.

Abdulaziz joined STC in 2007 and is now General Manager of Investment Performance and Operations. In this capacity, he oversees the complex strategic choices and business plans of 12 subsidiaries of STC, both local and international entities. In addition, he is responsible for the delivery of STC's Investments Long Range Planning including strategic, operational and financial performance forecasts. Prior to this role, Abdulaziz was the Director of Subsidiaries Governance where he was the director required to manage the corporate governance of different subsidiaries.

**Directorship in other public or listed companies**

Maxis Communications Berhad



**Nationality**  
Malaysian

**Age**  
51

**Date of Appointment as Director of Maxis:**  
8 May 2014

**LIM GHEE KEONG**

Non-Executive Director

**Number of Board Meetings attended during the year:** 7/7

**Board Committee:**

Audit Committee (Member), Remuneration Committee (Member), Business & IT Transformation Committee (Member)

**Qualifications**

He holds a Bachelor of Business Administration degree, majoring in Finance, from the University of Hawaii at Manoa, USA.

**Work Experience/Occupation**

He has more than 25 years of experience in finance, treasury and credit management. Prior to joining the Usaha Tegas Sdn. Bhd. (UTSB) Group in 1995, he was attached to General Electric Capital Corporation in the USA and Ban Hin Lee Bank in Malaysia.

He is a Director and Chief Operating Officer of UTSB and serves on the boards of several other companies in which UTSB Group has interests, such as Astro Malaysia Holdings Berhad (listed on Bursa Malaysia) and Bond Pricing Agency Malaysia Sdn. Bhd., a bond pricing agency registered with the Securities Commission Malaysia. He is also a Director of Paxys Inc. (listed on the Philippines Stock Exchange) and Yu Cai Foundation.

**Directorship in other public or listed companies**

Astro Malaysia Holdings Berhad and Yu Cai Foundation

## Directors' Profiles



**ROBERT ALAN NASON**

Chief Executive Officer/Executive Director

**Number of Board Meetings attended during the year:** 7/7

**Board Committee:**

Nil

### Qualifications

He holds a Bachelor of Business (Honours) from the Royal Melbourne Institute of Technology. He is a fellow of CPA Australia and a member of the Australian Institute of Company Directors.

### Work Experience/Occupation

Robert is currently the Chief Executive Officer of Maxis since 1 April 2018. Prior to this position, he was a Non-Executive Director from 2 to 31 March 2018. Prior to that Robert was an Independent Director from 7 March 2016 to 1 March 2018 and Chairman of the Audit and Business & IT Transformation Committees from 20 April 2016 to 1 March 2018.

He retired from Telstra Corporation in September 2015 after five-and-a-half years leading a major transformation of its operations. His role at Telstra involved regular, active participation in the company's Business Unit Performance Review Committee, Strategy Committee, M&A Committee, Capital Investment Management Committee, Growth Committee, Customer Advocacy Committee and Risk Committee. He was the Chairman and Director of Foxtel Pty. Ltd. from 2012 until February 2017. He was a Director of various companies/Boards in Australia and elsewhere from 2003 to 2017.

His international experience includes living and working in the US and UK together with extensive experience in transformation projects for many companies in Asia, Europe, and North and South America.

### Directorship in other public or listed companies

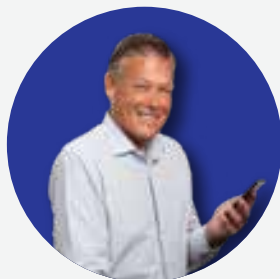
Nil

### Other information in respect of all Directors

1. None of the Directors have any family relationships with any directors and/or major shareholders of the Company.
2. None of the Directors have any conflict of interest with the Company.
3. None of the Directors have any convictions for offences within the past five years (other than traffic offences, if any).
4. None of the Directors have any public sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2018.
5. Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda, Tan Sri Mokhzani bin Mahathir, Mazen Ahmed M. AlJubeir and Abdulaziz Abdullah M. Alghamdi are standing for re-election as Directors of the Company. The Nomination Committee and Board of Directors have considered the assessment of the four Directors and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors, as prescribed by Paragraph 2.20A of the MMLR.

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# Maxis Management Team



01

**ROBERT ALAN NASON**Chief Executive Officer/  
Executive Director

<b>Nationality</b>	<b>Age</b>
Australian	64

**Date of Appointment**  
1 April 2018

Robert is a Director of Maxis Berhad. Refer to Directors' Profiles on page 9.

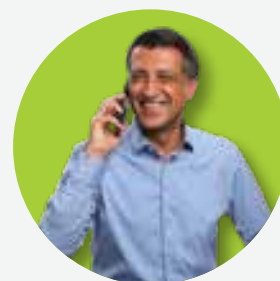
Gokhan joined Maxis in September 2018 as the Chief Operating Officer (COO) to build a strong focus on the core operations of offering the best products and services in an ever increasing competitive marketplace.

Prior to Maxis, Gokhan ran his own consultancy firm offering management and marketing consultancy services in Europe and the Middle East out of Istanbul, Turkey. From 2009 to 2016, he was with Vodafone Turkey, where he held senior roles – his first position as Chief Marketing Officer, rising to become the Chief Consumer Business Officer in 2011 and eventually the Chief

Executive Officer of the company between 2013 and 2016.

Before Vodafone, Gokhan was in senior marketing as well as general management roles with a number of large and well-known companies like Danone and Procter & Gamble, holding positions that had domestic as well as global responsibilities in Turkey, US and France.

Gokhan has an Industrial Engineering degree from the Bogazici University of Turkey, as well as an MBA from the University of Illinois at Chicago.



02

**GOKHAN OGUT**

Chief Operating Officer

<b>Nationality</b>	<b>Age</b>
Turkish	48

**Date of Appointment**  
1 September 2018


03

**WAYNE TREEBY**Chief Financial Officer &  
Chief Strategy Officer

<b>Nationality</b>	<b>Age</b>
Australian	63

**Date of Appointment**  
1 May 2018

Wayne's career covers over 30 years of increasingly senior roles in telecommunications, technology, media, professional services and investment banking. He has vast experience in transforming complex businesses to improve their competitive position and to focus them on delivering outstanding customer service. His 20-year career at Telstra included global scale strategic, commercial and leading roles particularly in Telstra's Initial Public Offering and secondary market offering valued at over A\$30 billion. Wayne has also played key roles in driving major transformation programmes at Telstra.

Before joining Maxis, Wayne held a number of senior finance roles including Chief

Operating Officer and Chief Financial Officer of KPMG Australia, where he led the transformation of KPMG's business model in the country. He was also a key member of KPMG's Global & ASPAC Committees and its Global IT Steering Committee.

Wayne holds an MBA from the University of Melbourne as well as a Master's degree in Practising Accounting from Monash University. He is a Fellow of Certified Public Accountant (CPA) Australia, a Fellow of the Financial Services Institute of Australia, a Certified Management Accountant (CMA) Australia and a Member of the Australian Institute of Company Directors. Wayne is also a graduate of Harvard Business School's Advanced Management Programme.



## Maxis Management Team



04

### MORTEN BANGSGAARD

Chief Technology Officer

<b>Nationality</b>	<b>Age</b>
Danish	49

#### Date of Appointment

3 February 2014

Morten is responsible for the development and operations of the Maxis telecommunications and IT networks.

He joined Maxis in February 2014 and brings over 20 years of experience in the telecommunications industry with 16 years in various network roles and five-and-a-half years as Chief Information Officer.

Prior to joining Maxis, Morten was Senior Vice President for Network Planning and Build with TDC, Denmark, responsible for planning, designing and building mobile,

fixed and coax networks. Prior to that, he held various roles in TDC, including Chief Information Officer, Head of Network Development and Strategy as well as Head of Market Support. Before TDC, Morten held several roles at Ericsson Denmark, Sweden and UK.

Morten holds a Master in Mathematics and Economics from Aarhus University, Denmark.

Dushyan is responsible for the end-to-end management of all mobile and fixed businesses for the consumer segment. He joined Maxis in January 2013, and was appointed as Head of Consumer Business six months later. He brings over 16 years of regional experience in consumer marketing, business strategy and corporate finance, of which approximately nine years was spent in the telecommunications industry.

Prior to joining Maxis, he was the Vice President for Business Development at Telenor ASA, Bangkok, responsible for developing regional operating models, planning and managing cross-border

commercial initiatives and driving commercial business case developments in the region.

Some of his senior assignments prior to Telenor include serving as an advisor to the Managing Director and Executive Vice President of Unitech Wireless, Tamilnadu, as well as Head of Consumer Marketing and Head of Voice Products and Services at DiGi Telecommunications.

Dushyan holds a Bachelor of Science degree in Chemistry and Law from University of Exeter, UK.



05

### DUSHYANTHAN VAITHIYANATHAN

Head of Consumer Business

<b>Nationality</b>	<b>Age</b>
Malaysian	47

#### Date of Appointment

10 June 2013



06

### PAUL MCMANUS

Head of Enterprise Business

<b>Nationality</b>	<b>Age</b>
Australian	53

#### Date of Appointment

1 August 2018

Paul is responsible for the Enterprise segment, encompassing corporate, government, small and medium enterprise (SME), wholesale business and new business.

He joined Maxis in August 2018 as the Head of Enterprise and comes with over 30 years of experience building multinational business units across Australia and Asia Pacific, within the telecommunications, IT outsourcing, and enterprise software sectors. Prior to joining Maxis, Paul was a Managing Director, Journey to Cloud Business with Accenture Australia and New Zealand, building the cloud migration,

management and advisory services business in ANZ.

Prior to Accenture, Paul spent eight years at Telstra where he drove a number of major growth oriented transformations, including founding Telstra's fastest growing division delivering ICT and cloud services to corporate and government clients. Earlier experiences include executive and country leadership roles within global multinational companies such as EDS, PeopleSoft, Sun Microsystems, Siemens and Philips.

Paul holds a Higher National Diploma in Electrical & Electronic Engineering from the University of West Scotland.

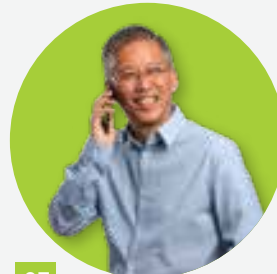
## Maxis Management Team

Lay Han leads a team focusing on Channel, Customer Service and Supply Chain Management.

Lay Han joined Maxis in October 1999 as Head of Sales and Distribution and was subsequently appointed as Head of Channel Distribution and Customer Service in February 2004, and later as Head of Consumer Marketing in September 2006. In September 2009, he was appointed Head of Planning and in mid-2010, he took charge of the Business Transformation portfolio. On 10 June 2013, he was appointed as Head of Sales & Service.

Prior to joining Maxis, he was General Manager at Tanjong Golden Village Sdn. Bhd. (now known as TGV Cinemas Sdn. Bhd.). He was also involved in various business development projects for Tanjong Plc., including the establishment of the TGV business. He was previously with BP Malaysia Sdn. Bhd., where he held various marketing and operations positions during his nine years there.

Lay Han holds a Bachelor of Engineering from the Royal Melbourne Institute of Technology and a Master's in Business Administration from Cranfield School of Management.



07

### TAN LAY HAN

Head of Sales and Service

Nationality	Age
Malaysian	57

**Date of Appointment**  
10 June 2013



08

### ADZHAR BIN IBRAHIM

Head of People and Organisation

Nationality	Age
Malaysian	61

**Date of Appointment**  
1 July 2014

Adzhar joined Maxis in July 2014. He has 37 years of experience in human resources across various industries and sectors, in both local and multinational corporations (MNCs). He is responsible for talent acquisition and management, performance and rewards, industrial relations and learning and development. His focus, after putting in place many systems, processes and policies to improve the working environment in Maxis, is to drive a great environment for career growth and personal development that will edge Maxis towards achieving its business ambitions.

Prior to Maxis, Adzhar was the Group Head of People for AirAsia. He was also previously Head of HR Development at Digi Telecommunications Sdn. Bhd., Group Head of HR at Sime Darby Group and Head of HR at Standard Chartered Bank Malaysia. Before that, Adzhar was the General Manager of Human Resources at Maxis during its early start-up stage. Before Maxis, Adzhar worked for two American MNCs in the semiconductor and healthcare sectors.

#### Note:

Adzhar retired on 31 January 2019. Tricia Lim is Acting Head of People & Organisation.

Tricia Lim joined Maxis in June 2014 as Head of Performance and Rewards, bringing over 15 years of experience as a Rewards professional with vast experience in developing and implementing reward strategies, policies and directives. Most recently Tricia was appointed as Acting Head of People and Organisation.

She started her HR career as a Consultant with Hewitt Associates. During her tenure in Hewitt, she worked on a broad range of projects in Malaysia and Thailand, in the areas of compensation and benefits design, performance management system, talent management and M&A HR due diligence.

Tricia gained her HR practitioner experience primarily in the telecommunication industry. She spent 6 years in Digi as the Head of Rewards to develop and implement rewards programmes to support the company needs. Subsequently, she joined Ericsson as the Head of Total Rewards for Southeast Asia and Oceania region. She was instrumental in driving the global rewards strategy and international mobility function for the companies in the region.

Tricia holds a Bachelor of Business Administration, majoring in Finance, from Universiti Kebangsaan Malaysia (UKM).



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### TRICIA LIM CHIEW SHIA

Acting Head of People and Organisation

Nationality	Age
Malaysian	43

**Date of Appointment**  
1 February 2019

#### Other information in respect of Maxis Management Team (MMT)

1. None of the MMT have any family relationships with any directors and/or major shareholders of the Company.
2. None of the MMT have any conflict of interest with the Company.
3. None of the MMT have any convictions for offences within the past five years (other than traffic offences, if any).
4. None of the MMT have any public sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2018.
5. None of the MMT except Robert Nason have any directorships in public companies.

# Members of Senior Management

Reporting directly to the CEO, Audit Committee and the Board of Directors

Rob was appointed Head of Corporate Strategy responsible for managing the process of formulation and subsequently the implementation and monitoring of the company's long range business plans. He brings over 24 years of experience across the full suite of IT and network technologies in the telecommunications industry.

Prior to Maxis Rob worked as a CIO and Head of Network Planning in the Indian mobile industry. His earlier career was with Telstra Australia, starting in Research and progressing through increasingly

senior roles concluding as Director of Voice & Convergence and then Director of Architecture.

Rob holds a Bachelor of Engineering (Hons) and Bachelor of Science, majoring in Electronic Engineering, Mathematical Sciences, and Computer Science from the University of Western Australia.



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**ROB SEWELL**

Head of Corporate Strategy

Nationality	Age
Australian	47

**Date of Appointment**  
1 August 2018



11

**MARIAM BEVI BINTI BATCHA**

Head of Corporate Affairs

Nationality	Age
Malaysian	55

**Date of Appointment**  
30 September 2010

Mariam is responsible for the overall planning and implementation of corporate communications activities, providing strategic Public Relations counsel to the management team, formulating communication strategies, policies and procedures, as well as developing and driving internal communications, employee volunteerism and sustainable corporate responsibility activities.

She has over 25 years of experience and prior to joining Maxis in September 2010, she served as Vice President, Group Corporate Communications in Telekom Malaysia Berhad. Prior to that,

she served as Head of Group Corporate Communications and Investor Relations in Amanah Capital Partners Berhad, and later as the General Manager of Group Corporate Communications in United Engineers (Malaysia) Berhad/UEM World Berhad.

Mariam holds a Bachelor of Business in Business Administration degree with Distinction from RMIT University in Melbourne, Australia and a Diploma in Public Relations from the Institute of Public Relations Malaysia (IPRM).

## Members of Senior Management

Reporting directly to the CEO, Audit Committee and the Board of Directors

Shafik joined Maxis in April 2014 as the Head of Internal Audit, responsible for leading the independent Internal Audit function that reports functionally to the Audit Committee and administratively to the CEO.

Shafik brings over more than 20 years of work experience in various industries spanning telecommunication, IT outsourcing and fast moving consumer goods, in various roles covering telecommunications operations, project management and internal auditing.

Prior to joining Maxis, he was the Head of Internal Audit at Robi Axiata Limited, a subsidiary of Axiata Group in Bangladesh. Prior to that, he was with the British

American Tobacco (BAT) Global IT Audit Team, responsible of managing and delivering IT assurance work for its entities across the globe. Prior to BAT, he was with Computer Sciences Corporation (CSC), a US based IT outsourcing company. Shafik started his career in Telekom Malaysia, where he began in various operational roles before subsequently moving to the Internal Audit Division.

Shafik holds a Bachelor of Engineering degree in Information Systems Engineering from Imperial College of Science, Technology & Medicine, London and is a Certified Information Systems Auditor (CISA) conferred by the professional body, ISACA.



12

**SHAFIK AZLEE  
BIN MASHAR**

Head of Internal Audit

Nationality	Age
Malaysian	43

**Date of Appointment**  
15 April 2014



13

**DIPAK KAUR**

Company Secretary

Nationality	Age
Malaysian	49

**Date of Appointment**  
7 August 2009

Dipa has over 25 years of experience in corporate secretarial and governance matters in various public listed and private companies, and is qualified to act as a Company Secretary under Section 235(2) of the Companies Act 2016. As Company Secretary of the Maxis Berhad Group, Dipa provides active support to the Chairman, Directors, the Board, Board Committees and Management. She holds a Bachelor of Laws (LL.B) from the University of Leicester, United Kingdom, a Masters in Law (LL.M) from University Malaya, Certified Diploma in Accounting and Finance from the Association of Chartered Certified Accountants, Graduateship of the Institute of

Chartered Secretaries and Administrators, Certificate of Legal Practice and is a non-practising Advocate and Solicitor of the High Court of Malaya. Dipa is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and sits as a member of the Technical Compliance and Governance Committee of MAICSA.





# MAINSTREAMING FIBRE FOR MALAYSIAN HOMES AND BUSINESSES



# Financial Highlights

	2018	2017 <sup>(1)</sup>	2016	2017-2018 YoY Change
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## FINANCIAL RESULTS

Financial Indicators (RM'm)				
Revenue	9,192	9,419	8,612	-2.4%
Service revenue <sup>(2)</sup>	8,068	8,271	8,455	-2.5%
EBITDA <sup>(3)</sup>	3,799	4,307	4,551	-11.8%
Normalised EBITDA <sup>(4)</sup>	3,843	4,195	4,502	-8.4%
Profit Before Tax (PBT)	2,369	2,878	2,737	-17.7%
Profit After Tax (PAT)	1,780	2,180	2,013	-18.3%
Normalised PAT <sup>(5)</sup>	1,768	2,074	1,977	-14.8%
Profit attributable to equity holders of the Company	1,780	2,180	2,013	-18.3%
Financial Ratios				
EBITDA margin (%)	41.3%	45.7%	52.8%	
Normalised EBITDA margin on service revenue (%)	47.6%	50.7%	53.2%	
PBT margin (%)	25.8%	30.5%	31.8%	
PAT margin (%)	19.4%	23.1%	23.4%	
Normalised PAT margin on service revenue (%)	21.9%	25.1%	23.4%	
Interest cover ratio	7.0	7.3	6.7	
Earnings per share (sen)				
- basic	22.8	28.5	26.8	
- fully diluted	22.7	28.4	26.8	
Dividends per share (sen) <sup>(6)</sup>	20.0	20.0	20.0	

## FINANCIAL POSITIONS

Financial Indicators (RM'm)			
Equity attributable to equity holders of the Company	7,150	6,946	4,721
Total assets	19,807	19,134	19,643
Total borrowings <sup>(7)</sup>	7,639	7,642	9,253
Financial Ratios			
Return on Invested Capital (%)	14.5%	18.3%	18.9%
Return on Average Equity (%)	25.3%	37.6%	45.2%
Return on Average Assets (%)	10.7%	13.1%	12.6%
Gearing ratio	0.99	1.01	1.82
Net assets per share attributable to equity holders of the Company (RM)	0.91	0.89	0.63

### Notes:

<sup>(1)</sup> The comparative results were restated due to MFRS 15 adoption.

<sup>(2)</sup> Service revenue is defined as Group revenue excluding device, hubbing revenues and network income.

<sup>(3)</sup> Defined as Earnings Before Interest, Taxes, Depreciation and Amortisation.

<sup>(4)</sup> Exclude below items for the respective years:

(a) Year 2018 – RM44 million comprising unrealised foreign exchange gains of RM16 million offset by upfront spectrum assignment fees charged out of RM60 million.

(b) Year 2017 – RM112 million comprising unrealised foreign exchange gains of RM78 million and prior years' service fees reduction of RM62 million offset by upfront spectrum assignment fees charged out of RM28 million.

(c) Year 2016 – RM49 million comprising unrealised foreign exchange gains of RM20 million and reversal of contract obligations provision of RM47 million offset by service fees charged of RM18 million.

<sup>(5)</sup> Exclude below items (after tax effects) for the respective years:

(a) Year 2018 – RM12 million comprising unrealised foreign exchange gains.

(b) Year 2017 – RM106 million comprising unrealised foreign exchange gains of RM59 million and prior years' service fees reduction of RM47 million.

(c) Year 2016 – RM36 million comprising accelerated depreciation of RM37 million and service fees charged of RM14 million offset by reversals of asset impairment and contract obligations provision of RM71 million and unrealised foreign exchange gains of RM16 million.

<sup>(6)</sup> Dividends per share consist of interim and final dividends declared and proposed in respect of the designated financial years.

<sup>(7)</sup> Include derivative financial instruments designated for hedging relationship on borrowings but exclude vendor financing.

# Group Quarterly Financial Performance

	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2018
<b>RM'm</b>					
Revenue	2,237	2,246	2,264	2,445	9,192
Service revenue	1,980	2,013	2,027	2,048	8,068
EBITDA	1,023	989	1,025	762	3,799
Normalised EBITDA	1,020	1,007	1,047	769	3,843
PBT	693	635	677	364	2,369
PAT	523	478	513	266	1,780
Normalised PAT	510	480	518	260	1,768
Profit attributable to equity holders of the Company	523	478	513	266	1,780
Earnings per share - basic (sen)	6.7	6.1	6.6	3.4	22.8
Dividends per share (sen) <sup>(1)</sup>	5.0	5.0	5.0	5.0	20.0

	2017 <sup>(2)</sup>				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2017
<b>RM'm</b>					
Revenue	2,375	2,335	2,333	2,376	9,419
Service revenue	2,076	2,069	2,090	2,036	8,271
EBITDA	1,013	1,125	1,109	1,060	4,307
Normalised EBITDA	1,024	1,006	1,119	1,046	4,195
PBT	673	777	740	688	2,878
PAT	502	572	564	542	2,180
Normalised PAT	510	483	561	520	2,074
Profit attributable to equity holders of the Company	502	572	564	542	2,180
Earnings per share - basic (sen)	6.7	7.7	7.2	6.9	28.5
Dividends per share (sen) <sup>(1)</sup>	5.0	5.0	5.0	5.0	20.0

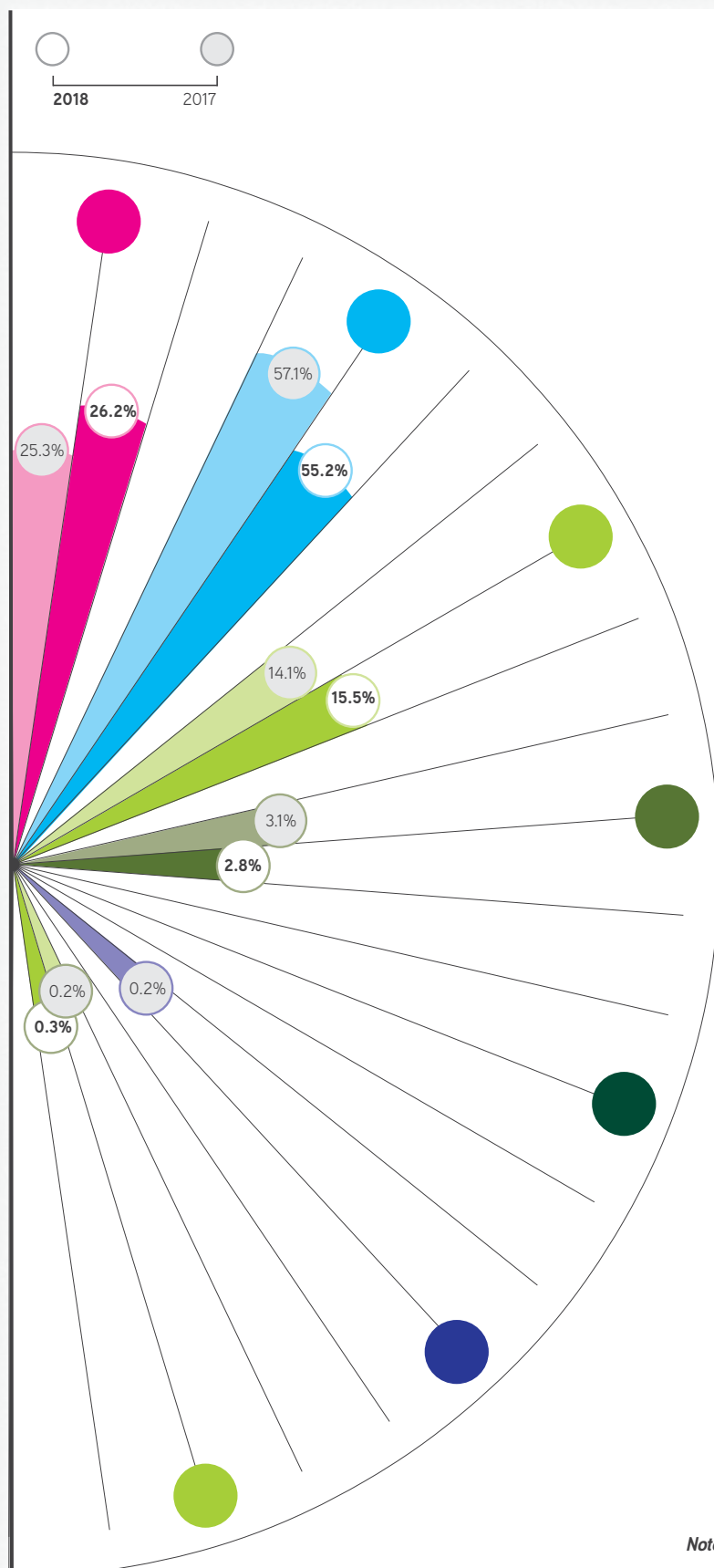
**Notes:**

<sup>(1)</sup> Dividends per share consist of interim and final dividends declared and proposed in respect of the designated financial periods/years.

<sup>(2)</sup> The comparative results were restated due to MFRS 15 adoption.

# Summarised Group Statement of Financial Position

OVERVIEW



## TOTAL ASSETS

Property, plant and equipment (RM'm)

2017: 4,841 **5,189**

Intangible assets (RM'm)

2017: 11,354 **10,926**

Receivables, deposits and prepayments (RM'm)

2017: 2,696 **3,075**

Deposits, cash and bank balances (RM'm)

2017: 602 **560**

Derivative financial assets (RM'm)

2017: 3 **1**

Deferred tax assets and tax recoverable (RM'm)

2017: 31 **4**

Other assets (RM'm)

2017: 35 **52**

**Note:** The comparative position was restated due to MFRS 15 adoption.



## Summarised Group Statement of Financial Position

### TOTAL EQUITY AND LIABILITIES

Share capital  
(RM'm)

**2,509** 2017: 2,469

Reserves  
(RM'm)

**4,641** 2017: 4,477

Payables and accruals  
(RM'm)

**4,190** 2017: 3,539

Taxation and deferred tax  
liabilities (RM'm)

**395** 2017: 697

Borrowings  
(RM'm)

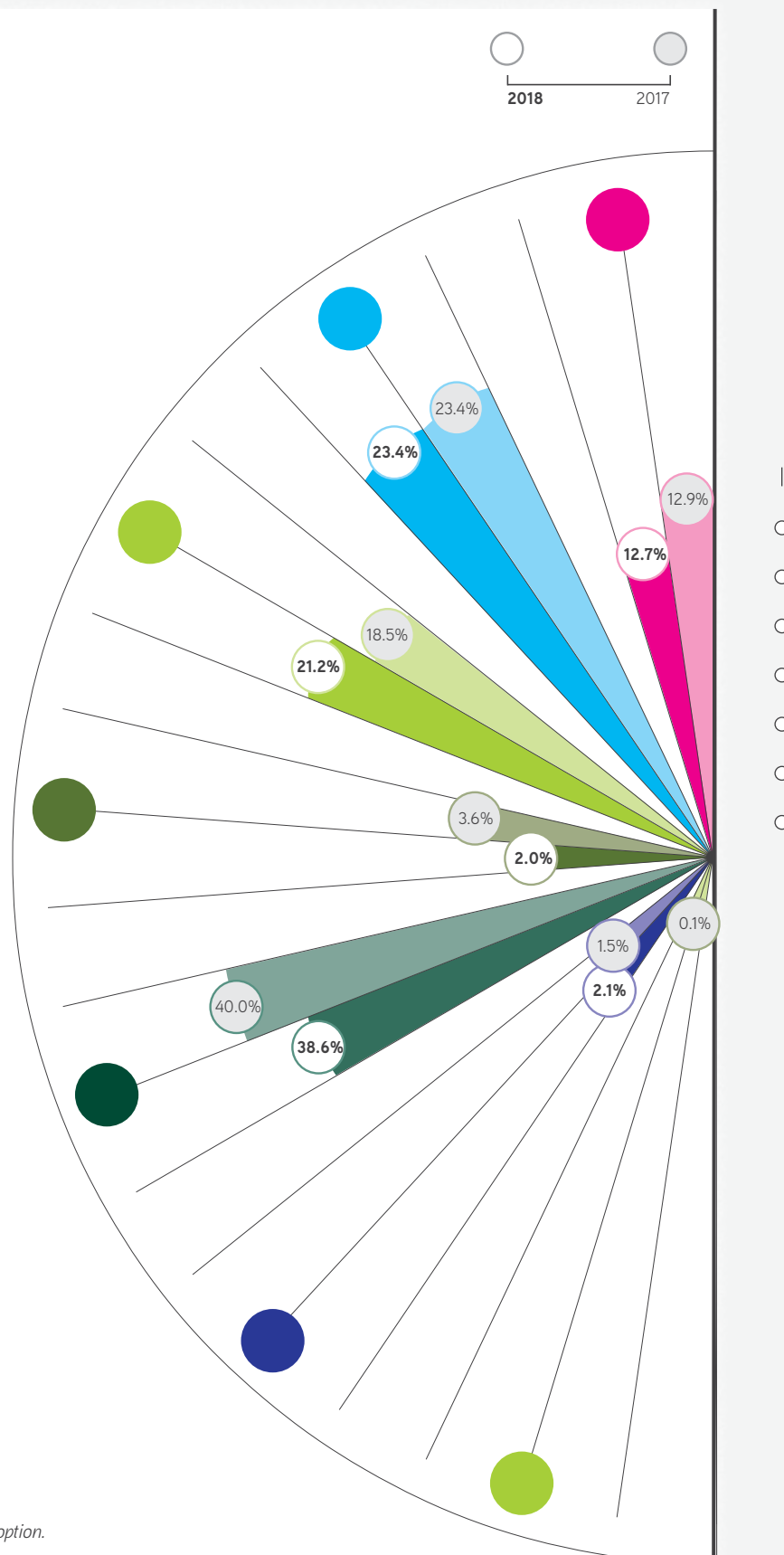
**7,640** 2017: 7,645

Provisions for liabilities and  
charges (RM'm)

**427** 2017: 281

Other  
liabilities (RM'm)

**5** 2017: 26

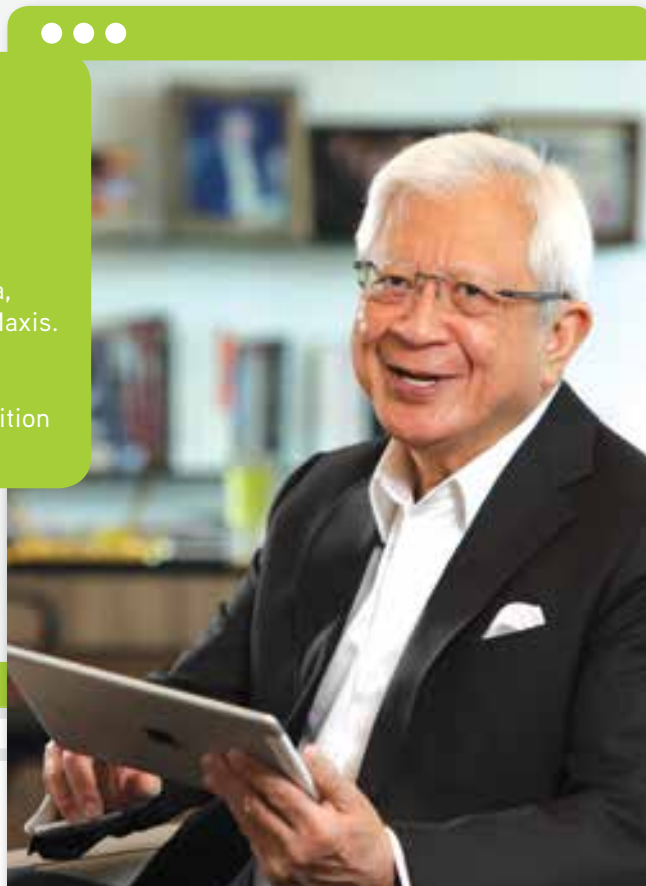


**Note:** The comparative position was restated due to MFRS 15 adoption.

# Chairman's Statement

## Dear Shareholders,

We are experiencing a wave of change in Malaysia, the Malaysian telecommunications sector and in Maxis. These changes bring new opportunities and risks. The Board has carefully positioned the Company to respond to these changes and optimise our position for investors and stakeholders.



**Raja Tan Sri Dato' Seri Arshad  
bin Raja Tun Uda**  
Chairman

We are encouraged by the RM1 billion allocated by the Government to realise the National Fiberisation and Connectivity Plan (NFCP). With NFCP expected to set out the roadmap of Malaysia's next phase of connectivity, the implementation of the Mandatory Standard on Access Pricing (MSAP) was a positive development in 2018, considering the ever-increasing demand for digitally-driven information and entertainment in the country. We are also excited about the potential of 5G services, which hold the promise of supporting smart solutions. The setting up of a 5G Industry Task Force to leverage industry expertise for a smooth 5G rollout is therefore a welcome move.

Over the last few years, Maxis has been sharpening its focus on mobile broadband while expanding its fixed fibre network and growing the Enterprise business. These initiatives are driven by our ambition to become the leading converged communications and digital services company, and are reflected in our solutions designed for all Malaysians, both consumers and businesses. In our commitment to help fill the home broadband gap, we led the adoption of affordable fibre broadband by being the first to release the most affordable national broadband packages following the reduction of regulated access pricing.

Spectrum continues to be a vital component in how we ensure the quality of our network in an evolving technological environment. This next-generation network will be supported in part by the 700MHz spectrum, for which Maxis has participated in the tender that is based on a set of evaluation criteria. We look forward to fair spectrum allocations to continue serving the Malaysian population with the best mobile Internet experience.

Meanwhile, with online intrusions becoming increasingly common and a global concern in this era of the digital economy, data privacy and security remains a top priority for Maxis. The Board maintains a vigilant oversight of Management's processes and policies to protect our customers' information and reduce the risk of cyber incidents.

## Chairman's Statement



**Over the last few years, Maxis has been sharpening its focus on mobile broadband while expanding its fixed fibre network and growing the Enterprise business.**

### Community

Sustainability is about creating positive and long lasting impact and value in how we do business, going beyond legal compliance and working with the communities in which we operate.

As always, we have a genuine desire to give back to the community. We are fortunate in that the business we are in has the potential to transform the lives of the underserved, and this has been our focus over the years, underlined by our passion for education.

Our ongoing festive charity programmes give us an opportunity to work and engage with various communities in need, while our humanitarian relief efforts to help victims, including our own dealers and employees who are affected, are driven by the spirit and culture of Maxis that we uphold proudly. All our community projects are well supported by our Maxis volunteers, or M Squad. We are pleased with their unflinching support and commitment to give back to the community.

Underlining our commitment to engaging and helping local communities, the Board in 2018 agreed to allocate up to 1% of our profit before tax annually for corporate responsibility and sustainability initiatives.

### Outlook

Increasing global market uncertainties are indicating the need for caution, while local economic conditions are giving us the confidence to pursue further growth opportunities for the business. GDP is forecasted at about 4% with the IT sector expected to see double digit growth. We are also encouraged by the new Government's commitment to digitalisation for the nation, and the initiatives that are being undertaken or planned to achieve its goals.

Meanwhile, we will continue to accelerate greater fibre broadband penetration. With the Government's investment, as well as our own, we hope to be able to extend our services to homes that are still not connected to broadband. As an access seeker in the country, we will continue to work with the Government and every access provider to access available fibre networks, so that we can roll out our affordable fibre plans to even more homes and businesses in Malaysia.

Together with the positive consumer sentiment post-general elections, we are confident of further acceleration of demand for even more digital content and services for homes and business. No doubt, competition to capture this demand will intensify, yet we believe with the advances we have made and a new strategic framework focused on growth areas, we will further entrench our leadership in the industry.

We look forward to continuing to explore opportunities to strengthen our competitiveness and participate in the development of the Malaysian digital economy for the benefit of all our investors and stakeholders.



For the video interview,  
scan this QR code or go to  
[www.maxis.my/Chairman18](http://www.maxis.my/Chairman18)

## Chairman's Statement



**As an access seeker in the country, we will continue to work with the Government and every access provider to access available fibre networks, so that we can roll out our affordable fibre plans to even more homes and businesses in Malaysia.**

### Governance

Integrity and transparency are key to building the trust of our stakeholders. The Board places high importance on governance and compliance to applicable laws and regulations.

This year, we have embarked on a journey to adopt Integrated Reporting in line with the IIRC Framework as we believe it will enable us to communicate our strategies, activities, performance and prospects in a comprehensive, clear and meaningful manner. The Integrated Reporting approach, moreover, enables us to demonstrate how everything we do is driven

by a vision of creating value for our stakeholders. Although the journey towards a completely integrated report will necessarily take time, we are committed to making a positive start and enhancing our efforts by the year to present a balanced assessment of our organisation.

For more details on governance and how we have aligned our policies with MCCG 2017, please refer to the Corporate Governance section on pages 76 to 82 in this annual report and Corporate Governance Report 2018, which is available on our website.

### Acknowledgements

Overall, this has been a positive year during which much has been accomplished to place Maxis on a stronger footing to face the challenges of the future. We have developed a new strategic plan with the vision to become Malaysia's leading converged communications and digital services company, and put together an Executive team with the expertise to execute all the initiatives necessary to achieve our goals.

On behalf of the Board, I would like to extend a special note of appreciation to Robert Nason for taking over the helm of Maxis as our interim CEO following Morten Lundal's departure. Robert's extensive experience in the transformation of companies, including telcos, has been evident in the changes seen in Maxis in a relatively short period of time. We have also appointed Gokhan Ogut as our Chief Operating Officer, who will take over from Robert in May 2019. Robert and Gokhan have been working closely together to ensure a smooth transition in leadership, and we are excited by the promise of Gokhan building on the foundation set in 2018 and driving our new strategy. Robert meanwhile will remain on the Board as a Non-Independent Non-Executive Director, and has also been appointed as Chairman of the Business and IT Transformation Committee and a member of the Audit

Committee. I look forward to his continued guidance and valuable contribution.

Our appreciation also goes to the entire team at Maxis for their hard work and commitment to our shared vision and goals.

Additionally, I would like to thank the Government and the Malaysian Communications and Multimedia Commission (MCMC) for continuing to support the industry with a sound regulatory framework that encourages healthy competition which will, ultimately, benefit all Malaysians. I also thank our customers and all of our suppliers and partners for their support.

On a personal note, I feel honoured to be surrounded by learned and experienced colleagues on the Board and would like to thank them for their invaluable counsel and dedication in steering Maxis as we navigate an increasingly challenging environment. We are entering a new, uncharted landscape, but with the collaboration and cooperation of everyone, I remain confident of our continued success.

**RAJA TAN SRI DATO' SERI ARSHAD  
BIN RAJA TUN UDA**



# CEO's Statement

## Dear Shareholders,

2018 has been an exceptional year for us, as we saw ourselves transition from being a mobile connectivity company to becoming the converged communications and digital services company that we have envisioned for Maxis.

**Robert Alan Nason**  
CEO



During the year, we consolidated our market position and worked hard to set ourselves up for a future in which we plan to embrace new and exciting market opportunities. Leveraging our digital capabilities, we responded well to the intensifying competition with cutting-edge products, improved speed to market and operational efficiency. We also regained our leadership in prepaid while sustaining our well-established pole position in the postpaid segment.

While we have been in the fixed broadband market for some time now, 2018 was a major turning point for Maxis. We led the market in new affordable offerings and aggressively pursued new access agreements to broaden our coverage across Malaysia. We strengthened our capabilities in converged offerings of both fixed and mobile, and shook the market with our Fibrenation campaign, which opened up a new era of accessible and affordable fibre broadband for even more Malaysian homes and businesses.

The challenging and highly competitive environment impacted our performance during the year. As the mobile market in Malaysia matures, there is a marked shift from prepaid to postpaid and SIM consolidation. This resulted in a reduction in our prepaid subscriber base. Nonetheless, we are pleased with our overall prepaid performance and the customer response to our well-executed and aggressive marketing initiatives. Our prepaid customers are craving for more personalisation of services and bundled solutions, and we are meeting these very specific needs through our technological capabilities in personalised offerings. This is important as we see dual benefits of stretching the average revenue per user (ARPU) while encouraging greater brand stickiness as more services are consumed.

In postpaid, we saw more consumers taking up our newly developed entry-level plans as well as family and device bundled propositions, with an increased appetite for value-added services. We were able to partially

## CEO's Statement



**We consolidated our market position and worked hard in setting ourselves up for a future in which we plan to embrace new and exciting market opportunities.**

mitigate the aggressive price competition by driving customer value through our innovative solutions, thus stabilising our ARPU. At the same time, we saw a 10% increase in postpaid subscribers with these offerings.

Both our prepaid and postpaid customers have a high smartphone penetration and are IT savvy, so this is a strong foundation for additional services.

While the prepaid and postpaid segments for mobile are highly penetrated, the fixed broadband segment remains relatively untapped with only 42% of homes fiberised and only 26% of those fiberised homes connected. Lower regulated access prices presented an opportunity for Maxis to offer attractive broadband packages to ensure there is improved digital connectivity for the nation at affordable prices. As a result, we saw very good subscriber growth of 33% in home and business fibre in 2018 with customers enjoying price reductions of between 36% - 65% and improved speeds of up to 100Mbps.

We have been relentless in our commitment to high standards of service and a robust, high performing network, and are obsessed with continuously improving our processes and systems. These are important ingredients for the changing needs of our customers, where staying connected and having access to converged offerings are becoming increasingly sought after.

### FINANCIAL PERFORMANCE

Overall, we are pleased with our performance for the financial year 2018, with service revenue and core EBITDA in line with our guidance.

We also delivered a normalised EBITDA of RM3.8 billion. We had a solid EBITDA margin on service revenue of 47.6%, driven by continued focus on profitable segments and cost optimisation initiatives.

We invested in maintaining a superior network, offering the best in coverage and quality. We continue to strengthen our lead as the fastest 4G LTE network, recognised by industry experts. Our free cash flow increased to RM1.5 billion, and we have declared a fourth interim dividend which brings the full dividend for the year to 20 sen.

### OPERATIONAL REVIEW

We have placed great emphasis on value creation for all our stakeholders by differentiating our services with an unmatched customer experience and unrivalled products and solutions. Our worry-free, flexible and affordable propositions supported by our fastest 4G LTE and advanced high-speed fibre networks, are what sets us apart in the market. We have also now surged ahead in the convergence space by providing great mobile and fibre packages.

## CEO's Statement



### Overall, we are pleased with our performance for the financial year 2018, with service revenue and core EBITDA in line with our guidance.

Unprecedented demand for our services in the latter part of the year, combined with the need to establish new operating arrangements with access providers led to a backlog of orders and deterioration in our normally high service standards. We are working hard to improve this for our fixed broadband customers.

In developing our products and solutions, we are driven by what our customers want. It's obvious that they have a healthy appetite for data to access the Internet every single day. In fact, in Q4 2018, our customers were consuming almost 11GB per month on average, compared to 6.7GB in Q4 2017 – a rate that is climbing year after year. Our focus therefore has been all about adding value to their digital lifestyles, and providing an unmatched personalised experience which remains at our core. We are proud that our efforts have led to yet another all-time high in our overall customer satisfaction levels, recording a touchpoint Net Promoter Score (TNPS) of 56 in 2018, up from 53 in 2017.

#### Consumer Products

New products and solutions launched during the year were not only innovative and market leading, but importantly, built around affordability and relevance to our customers in a very crowded market place. We introduced Hotlink Postpaid Flex, the first-of-its-kind entry-level

postpaid plan that offers the best of prepaid and postpaid in one plan. We also added to our stable of family-focused propositions with FamilyRoam, an important plan for a segment that is seeing increased demand and growth potential. For our prepaid customers, we launched Hotlink Rewards to make it even easier and more convenient for them to get offers with real value. With devices being a big part of our customers' lives and our desire to offer flexibility, we launched Zerolution360, a completely new way of acquiring a device, worry-free.

The momentum of our fibre broadband journey continued when we refreshed our MaxisONE Prime product, offering unlimited data for both mobile and home fibre broadband, and thus, amplifying our leadership in converged offerings.



## CEO's Statement

### Enterprise Solutions

Our ambitions for Enterprise are driven by the current business landscape in which technology has become the central enabler. Digital solutions, such as our eCommerce offerings, were designed to help SMEs build, amplify and optimise their eCommerce presence, while Maxis ONERetail, a complete suite of digital solutions, was specifically tailored for the retail industry. We have also been developing smart solutions to help businesses go digital, which include various offerings under our Internet of Things (IoT) portfolio. Meanwhile, our new business fibre proposition, part of our Fibrenation campaign, led the market in affordability and has received an overwhelming response from the business community.

During the year, we signed an agreement with Gamuda Land for network infrastructure and services to one of its key township developments. It was part of our ongoing efforts to co-invest with property developers, and a significant partnership that once again demonstrated our strong focus on converged propositions – with residents having the best of both worlds through home fibre and mobile coverage.

### Community

We have been investing heavily in the community. Our flagship community outreach programme, eKelas, has made good progress. Delivered through MCMC-owned, Maxis-run Pusat Internet (Internet Centre), eKelas is now in 55 Internet Centres across 10 states, with over 6,000 students connecting with us. As a service provider, it makes sense for us to leverage technology and the Internet to bring digital learning to underserved communities.

In 2018, we were fortunate to play our part in connecting more Malaysians through sports, via our lead broadcast sponsorship for RTM's coverage of the 2018 FIFA World Cup Russia™. Massive sporting events have always been exciting platforms for Malaysians from all walks of life to come together as a nation, and we share the country's aspirations in making it accessible to everyone.



Disaster relief is also a big part of our ongoing community programmes. Following the tragedy that struck Palu, Sulawesi and the devastation that impacted its people, we teamed up with Astro to kickstart a campaign to help raise funds for Tabung Bencana Gempa Bumi & Tsunami Sulawesi. Our joint contribution of RM5 million was to aid in restoration works, in particular rebuilding schools and communities.

### DRIVEN BY A STRONG NETWORK AND PASSIONATE PEOPLE

Our innovative offerings would not be as effective if not for the significant investments in our network, which in 2018 totalled RM1.0 billion. As a result, our industry-leading 4G LTE network now covers 93% of the Malaysian population. Our investments also ensure that we are able to handle the strain of exceptionally high data traffic on our network.

We are excited about the prospects of new technologies like 5G, for which we have already started trials. We foresee that this technology will not only bring a greater mobile experience to our customers but will also be the network that will power a future of smart solutions like IoT, Smart Infrastructure and Autonomous Vehicles.

Our achievements would not have been possible without our key asset – our people. Employee engagement and other initiatives to introduce innovation in the way we work, led to yet another high Voice of Maxis (VOM) engagement score of 87%. This high engagement level means a lot to us, because it is a testament to our ability to attract and retain the best talent available in the industry.

## CEO's Statement

### EXPANDING OUR PRESENCE

To ensure easy access for our customers, we continued to expand our presence across the country, especially in high-traffic areas, such as malls. To support our expansion and deliver the best experiences to all our customers, we continued to invest in our network in the regions and strengthened our manpower both in the field and behind the scenes.

We digitalised more stores for a more immersive customer experience. We are going the extra mile to differentiate our services by offering premise visits by Maxperts, our fibre Internet experts, to ensure that our customers' fibre Internet setup is done right for the best experience for home or the office.

### OUR DIGITAL JOURNEY

Two years ago, we set our sights on transforming Maxis from being a good mobile provider to being a leading digital company. This meant digitalising everything that we do, from our interactions with our customers, to

the solutions we provide, to how we run the Company. We embarked on this transformation with three main priorities: delivering more solutions to the home as well as businesses; revolutionising our channels; and equipping ourselves with the necessary digital capabilities.

Over the last few years, our employees have come up to speed with digital technologies to support our digital ambitions. We are proud that we have accomplished what we have set out to do on this front – namely to introduce a digital mindset within the workplace.

Because technologies are ever-evolving, we never intended this ambition to be a destination and it was always our journey towards becoming a more digital Maxis. We continue to improve the way we use technology and do things within the organisation, as well as the way we interact with our customers.





## CEO's Statement



### THE FUTURE

While there are many external factors that we are watching closely, there is every reason to believe the local economy will continue to be robust. Such an environment bodes well for us in the medium to long term, but we recognise there is no room for complacency.

We have ambitions to grow into a leading converged communications and digital services company, and have developed a new strategy to ensure longterm success. This strategy calls for focus on our Enterprise business, convergence offerings, consumer mobile, evolving our internal MaxisWay culture and leveraging our digital mindset for future growth. We have spent the most part of 2018 laying the groundwork for these, as a result of which we are very excited about the future.

2018 was in many ways a year of transition. We identified and trained potential leaders from within the organisation, while bringing on board people with the right skills and talent to take us into the future. This has seen us welcome no less than four highly experienced members to our Executive team, led by our new Chief Operating Officer, Gokhan Ogut. From 1 May 2019, Gokhan will take over from me as CEO to help steer the company towards a new phase of

innovation and growth. He is highly qualified to take on and succeed in this role and I am confident he is supported by the best talent in the industry.

There is a lot to be done as we develop and prepare ourselves for a broader range of opportunities in the future. No doubt, the path we have charted will require more investment, but the long-term benefits are expected to far outweigh our initial costs, positioning us as a stronger market leader and creating value for our investors as well as other stakeholders.

With our new strategies, strong leadership team and digitally empowered employees, the future certainly looks exciting, broader and bolder as we position ourselves for a prominent role in the new Malaysia. I would like to thank the entire Maxis family for their hard work during the year, and call for us to continue to work together as an empowered, enlightened and earnest team. If we do so, I have no doubt we will reap the rewards offered by a brighter, even more exciting future.

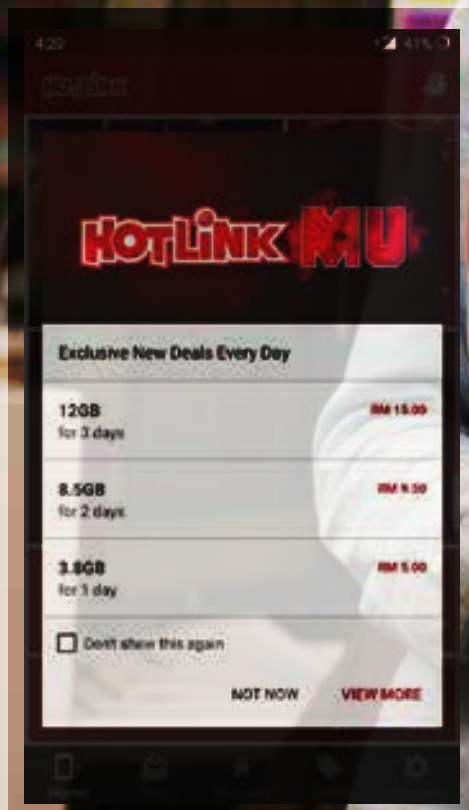
### ROBERT NASON



For the video interview,  
scan this QR code or go to  
[www.maxis.my/CEO18](http://www.maxis.my/CEO18)



# A CUSTOMER-CENTRIC BUSINESS MODEL DRIVEN BY INSIGHTS AND DATA



# Management Discussion and Analysis

We are pleased with our overall performance in 2018 which was delivered in line with our guidance, in a rational competitive environment and in a maturing mobile market. We have seen a shift from prepaid to postpaid, accentuated by bundling-based competition and SIM consolidation.

Our solid performance was largely driven by positive growth for postpaid and fibre, coupled with effective and focused marketing initiatives and cost optimisation efforts across the organisation. Our focus remained on providing attractive and innovative products and solutions, superior connectivity and worry-free experiences to our customers.

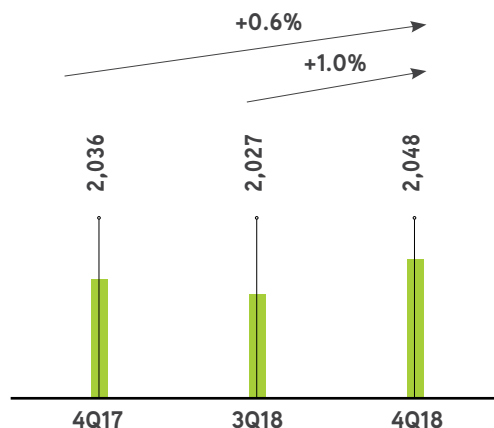
## FINANCIAL REVIEW

Although we saw a decrease in total revenue generating subscribers (RGS) in the first half of the year, the introduction of new and innovative offerings as well as revamped products helped to boost performance in the last quarter. We ended the year with a total RGS base of 9.87 million, marking a nominal decrease from 10.00 million at end 2017. Our total blended ARPU, meanwhile, increased from RM56 a month to RM58 a month.

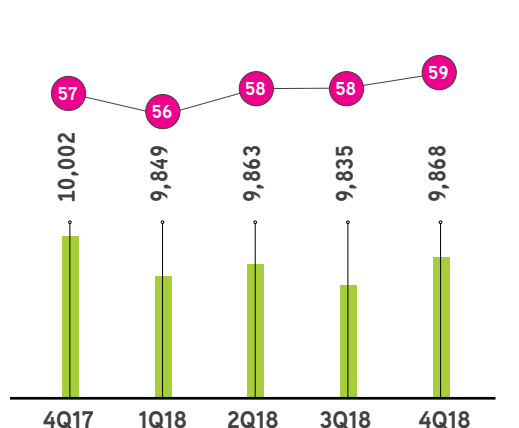
## Postpaid

Our Postpaid subscriber base continued to increase, from 2.85 million as at end 2017 to 3.14 million as at end 2018. This was driven primarily by our Hotlink Postpaid Flex and our focus on the Family segment through products, such as MaxisONE Share and Zerolution360, our new innovative device membership programme. Along with a higher RGS base, our ARPU remained relatively stable at RM93 a month, as compared to RM96 a month at end 2017. Data usage continued to surge by a marked 49% from 7.5GB a month at end 2017 to 11.2GB a month, in line with greater digitalisation of the Malaysian lifestyle.

### SERVICE REVENUE (RM m)

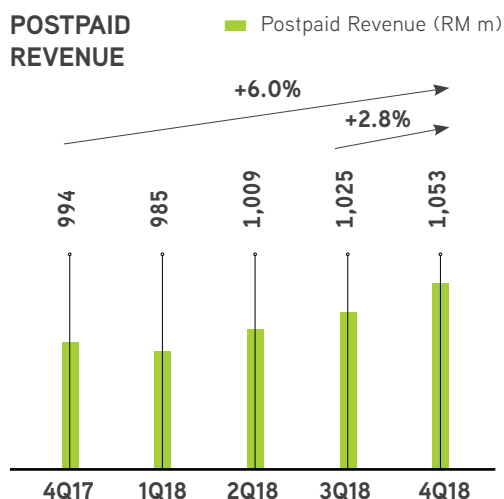


### TOTAL RGS & BLENDED ARPU

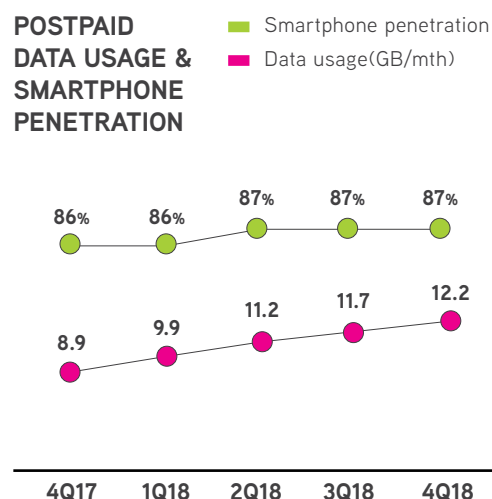


## Management Discussion and Analysis

### POSTPAID REVENUE



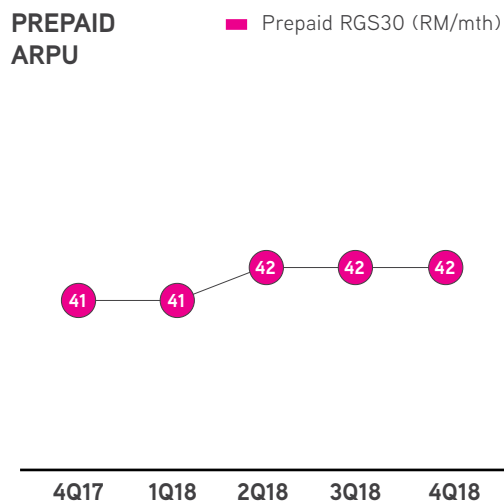
### POSTPAID DATA USAGE & SMARTPHONE PENETRATION



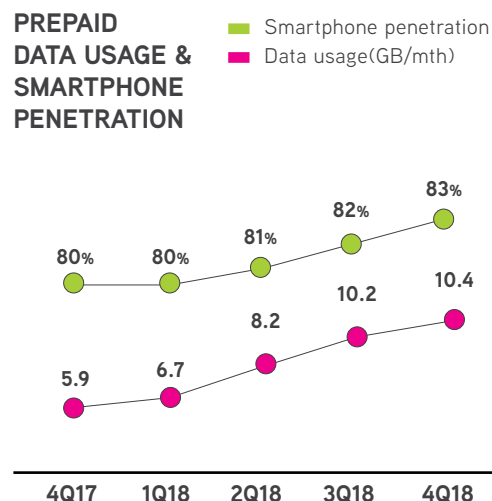
## Prepaid

Although the number of Maxis prepaid subscribers continued to drop as a result of migration to postpaid and SIM consolidation, the 6% year-on-year decrease was significantly less than the 11.9% drop recorded in 2017. We continued to entice customers with attractive plans such as HotlinkMU, which has attracted over 2 million customers and growing rapidly, as well as our successful Hotlink RED App. Despite aggressive bundling-based competition, we recorded a consistent ARPU of RM42 a month by driving customer value with our rewards programme and attractive personalised promotions, such as the HotlinkMU G1GA Sale.

### PREPAID ARPU



### PREPAID DATA USAGE & SMARTPHONE PENETRATION



## Management Discussion and Analysis

### Home Fibre

Strategically focused on the growing Home Fibre segment, we embarked on Fibrenation, a campaign with a mission to fiberise all households in Malaysia. Taking a first-mover position, we reduced the broadband access rate. We were the first to introduce affordable plans at reduced prices. This had a positive effect and we increased our customer base by 32%. We followed this up by enhancing and opening up our MaxisONE Prime to all rate plans to give customers a truly converged and unlimited data experience.

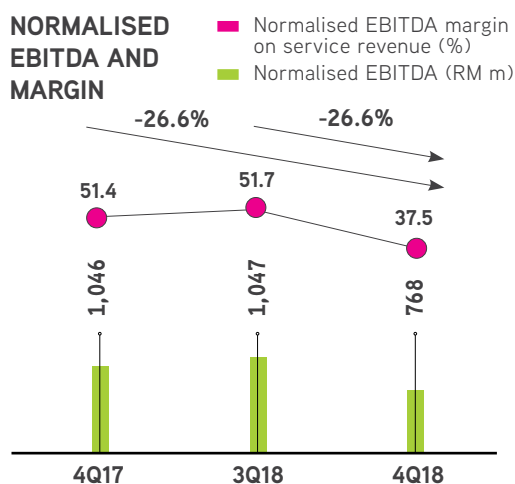
We continue to invest in accessing available fibre networks from all access providers in Malaysia and building our own where possible. This will allow us to make our affordable fibre plans available to more customers. In 2018, we signed a Letter of Understanding with Sacofa for Maxis to have full access to Sacofa's HSBB Network Services in Sarawak, which will enable us to offer our existing fibre plans to even more homes and businesses in the state.

### Enterprise

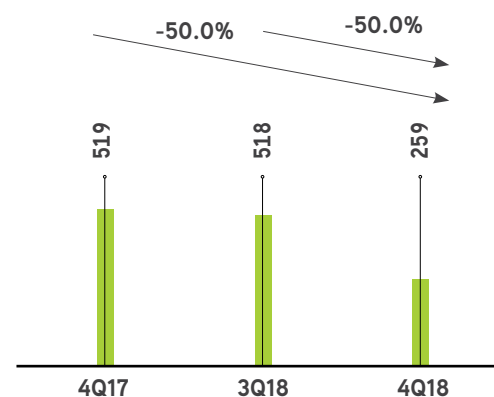
Executing our new Enterprise strategy meant that a number of end-to-end solutions were launched in the Enterprise segment, designed specifically to meet the digitalisation and ecommerce needs of our corporate customers, and especially SMEs. These included our Business Fibre Plans, Maxis ONERetail, ONEBusiness Smart and ONEBusiness Flexi. We are targeting specific verticals with customised packages that meet their unique requirements while enhancing the customer experience through digital initiatives. During the year, we also entered into a partnership with Gamuda Land for the provision and deployment of network infrastructure and services to one of its key township developments.

For more details on Our Products and Enterprise Solutions, please refer to pages 58 to 63.

#### NORMALISED EBITDA AND MARGIN



#### NORMALISED PROFIT AFTER TAX



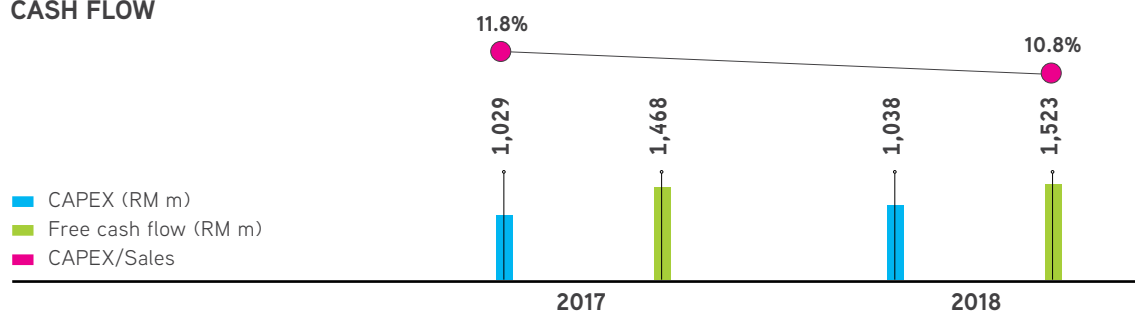
**Normalised EBITDA and EBITDA margin on service revenue** declined to RM3,843 million and 47.6% respectively (Year 2017: RM4,195 million and 50.7%). These were impacted mainly by the reduction in service revenue, early investments for Enterprise growth and Home Fibre segment, and one-off expenses for productivity programmes. The results are in line with our guidance.

**Normalised profit after tax** was lower at RM1,768 million compared to RM2,074 million a year ago, in line with the development in EBITDA.

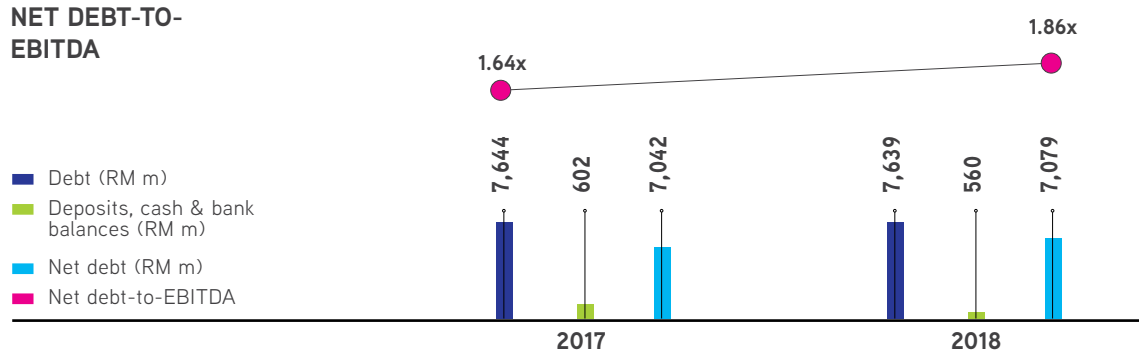


## Management Discussion and Analysis

### CAPEX AND FREE CASH FLOW



### NET DEBT-TO-EBITDA



**Capital expenditure (Capex)** in 2018 was RM1,038 million. We continued to invest to maintain our superior network, offering the best in coverage and quality. We maintained our lead as the fastest 4G LTE network, recognised by industry experts. The Fibrenation launch also saw us investing heavily in our fibre network to maintain a high quality customer experience. We also made investments in the Enterprise space to ensure we are well equipped to handle the requirements of our customers, in digitalisation and internal productivity. Investment in our network and IT platforms is critical for Maxis to deliver our promise of an “unmatched personalised experience”.

**Free cash flow** was stronger, increasing 3.7% year-on-year to RM1,523 million (Year 2017: RM1,468 million) mainly due to a new productivity programme and enhanced working capital management initiated during the year.

**Net debt-to-EBITDA** increased from 1.64x in Year 2017 to 1.86x on the back of lower EBITDA as mentioned above.

## Management Discussion and Analysis

At Maxis, we focus on continuously enhancing our value propositions which have enabled us to consistently create significant economic value. This, in turn, has been distributed to our key stakeholder groups, as illustrated below.

	2018 RM'000	2017 <sup>(1)</sup> RM'000
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### VALUE DISTRIBUTED

To Employees	606,226	576,098
To Government	1,423,524	1,322,699
To Providers of Capital	1,952,077	1,977,128
Retained for Future Reinvestment and Growth	1,090,816	1,571,573
<b>TOTAL DISTRIBUTED</b>	<b>5,072,643</b>	<b>5,447,498</b>

### VALUE GENERATED

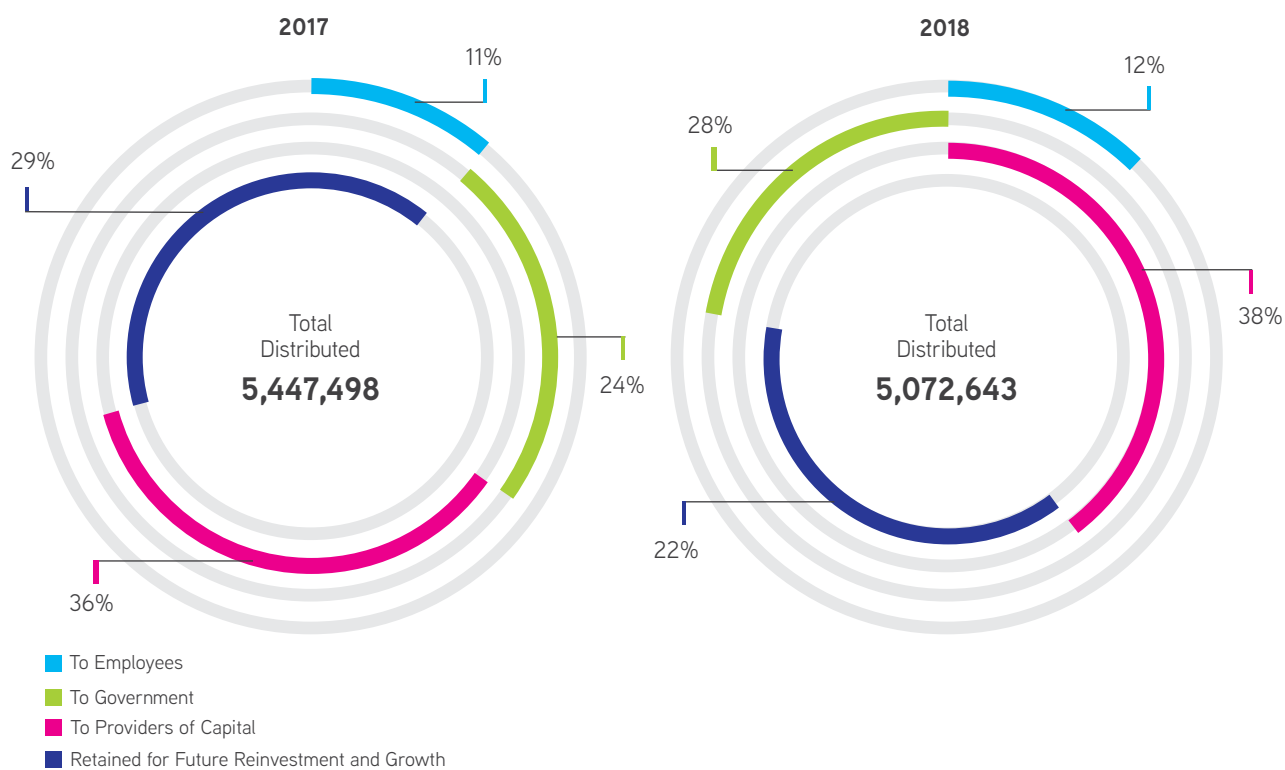
Revenue	9,192,436	9,419,290
Less: Operating Expenses (excluding distributions to employees and government)	(4,391,203)	(4,305,025)
Operating Profit Added for Distribution	4,801,233	5,114,265
Government Grants and Other Income	226,635	272,251
Finance Income	44,775	60,982
<b>TOTAL VALUE ADDED FOR DISTRIBUTION</b>	<b>5,072,643</b>	<b>5,447,498</b>

**Note:**

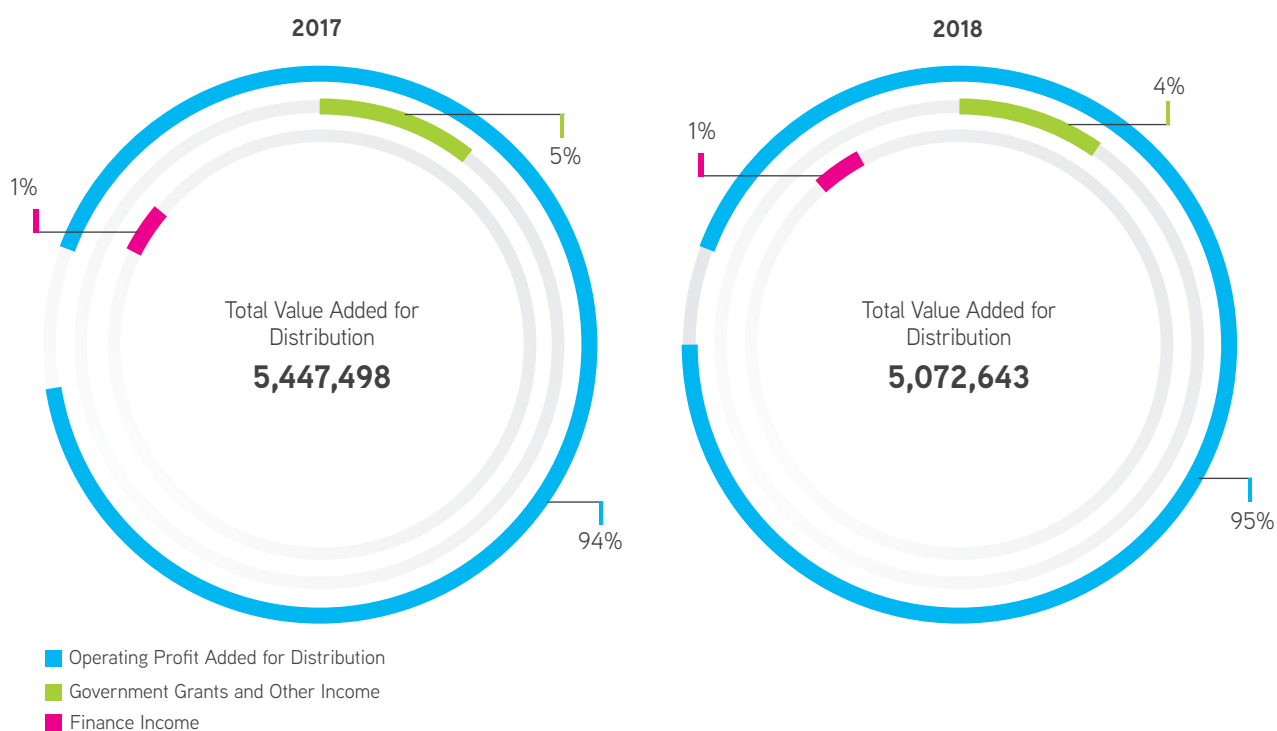
<sup>(1)</sup> The comparative results were restated due to MFRS 15 adoption.

## Management Discussion and Analysis

### VALUE DISTRIBUTED



### VALUE GENERATED



## Management Discussion and Analysis



**At Maxis, we have developed a sustainable long-term growth strategy that focuses on keeping us relevant and differentiated.**

### INVESTOR RELATIONS

#### Creating Long-Term Shareholder Value

For the financial year 2018, Maxis rewarded our shareholders with approximately RM1.56 billion cash dividends comprising four interim dividends of 5 sen per share. The total dividend payout of 20 sen per share represents a dividend yield of 3.7% based on the closing share price of RM5.35 as at 31 December 2018. The proposed dividend payout is aligned with our dividend policy.

#### Dividend Policy

Our full dividend policy, as stated in our IPO Prospectus dated 28 October 2009, is reproduced here for reference: "The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of the Board 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 Maxis' earnings, capital requirements, general financial condition, the Company's distributable reserves and other factors considered relevant by the Board.

Maxis intends to adopt a dividend policy of active capital management. It proposes to pay dividends out of cash generated by its operations after setting aside necessary funding for network expansion and improvement and working capital needs. As part of

this policy, the Company targets a payout ratio of not less than 75% of its consolidated PAT under Malaysian Generally Accepted Accounting Standards (GAAP) in each calendar year, beginning financial year ending 31 December 2010, subject to confirmation of the Board and to any applicable law, license and contractual obligations and provided that such distribution would not be detrimental to its cash needs or to any plans approved by its Board. Investors should note that this dividend policy merely describes the Company's present intention and shall not constitute legally binding statements in respect of the Company's future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board's discretion.

As the Company is a holding company, its income, and therefore its ability to pay dividends, is dependent upon the dividends and other distributions that it receives from its subsidiaries. The payment of dividends or other distributions by the Company's subsidiaries will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in the loan agreements, if any, for the Company's subsidiaries may limit their ability to declare or pay cash dividends."

The payout ratios in the financial year 2016, 2017 and 2018 were 74.6%, 70.4% (restated) and 87.7% respectively.

## Management Discussion and Analysis

### GUIDANCE

Our guidance for the financial year ending 31 December 2019, after implementation of MFRS16, is for service revenue and EBITDA to decline by low-single digit and mid-single digit respectively; for core network capital expenditure to be around RM1.0 billion plus capex supporting new growth opportunities in broadband and enterprise business (RM1.0 billion over 3 years); and as a result we expect operating free cash flow to be at a similar level to FY2018.

### OUTLOOK

Over the past few years, the telco industry globally and in Malaysia has become increasingly challenging along with greater competition, changing regulations and evolving customer behaviours. 2019 will be no different as Malaysia continues to transform into a digitally enabled nation. Already we are seeing key themes from previous years continue to be apparent. The new Government and regulatory environment offers opportunities for Maxis to provide both fibre to the home and fibre to business services, and this opens up the opportunity of enterprise solution services.

### Customer Trends

Firstly, revenue growth in the mobile connectivity market is still repressed by data package competition which drives down the price per GB. This poses a challenge for all operators as the cost of providing and maintaining a great customer experience continues to rise in tandem with consumption. To ensure that we address these challenges, we make focussed investments in our network and customer channels in order to fulfil our promise of an Unmatched Personalised Experience in all our interactions. This also creates an opportunity as we have customers who are digitally savvy, equipped with smartphones and a generous bundling of more mobile Internet data and services, and who are ready for new value added services and solutions.

Secondly, customers who previously owned multiple SIMs to leverage the unique benefits of each mobile service provider are now enjoying single SIM, value-rich offerings. Maxis has executed a successful SIM consolidation campaign. In addition, we focused on offering products and services that will bring in the most value to our customers. In anticipating



the ever-changing needs of our customers, we tapped into our experience of personalising bundles that matched their digital lifestyle across the different prepaid segments – customer data analytics at its best!

Furthermore, the prepaid-postpaid migration continues unabated along with more entry-level postpaid plans flooding the market. As the gap narrows between these two segments, we see customers making the jump for convenience and attractive device ownership propositions. For these new experience seekers, we needed to create a more tailored product experience to bridge the gap between a worry-free postpaid experience and the customisability of prepaid.

In tandem with the prepaid-postpaid shift, customers are demanding more family-oriented offerings and a wider array of digital services. This is exciting as we are experiencing a new era of connectivity – convergence. This occurs at a time of continuing maturity of the market where multi-play propositions that bundle connectivity, content and services will become a staple in the way we connect.

As convergence enables the delivery of these multi-play propositions, we see customers owning more connected devices, such as wearables and smart home solutions. In the home, the rapid evolution of technology has given rise to a plethora of IoT-enabled appliances and 4K smart televisions, which help deliver high quality content to the consumer. On the go, we are seeing connected wearable technology making inroads into Malaysia.





## Management Discussion and Analysis

Not only are consumers at home demanding for converged Internet, so are businesses. Malaysia is experiencing the digitalisation and mobilisation of businesses as we head into a digital economy. Internet-enabled business solutions that leverage apps, IoT, cloud and eCommerce to interact with customers are becoming a norm – requiring not only converged propositions, but an end-to-end managed service platform that Maxis is able to provide.

Higher consumption of Internet-enabled services is resulting in an unprecedented rise in demand for high-speed and affordable fibre Internet. As such, we have taken the approach to lead the market in bringing the best converged experience to our customers to provide total mobile and fixed connectivity solutions. We will also continue our focus on offering a differentiated device ownership programme and multi-platform experience packages.

### Regulations

The new Government is energising the market with greater openness in connectivity initiatives which will create waves of positive change in Malaysia, accelerating its digitalisation. In addition, the newly passed Malaysian Standard Access Pricing (MSAP) and National Fiberisation and Connectivity Plan (NFCP) will provide Malaysia with the catalyst it needs to bring connectivity to everyone. We are the only mobile player that has negotiated a commercial agreement for fibre access and we are leveraging that into a first mover advantage. We are also seeing increasing investments into the digital economy. Initiatives such as these will accelerate Malaysia's growth and development. We welcome this increase in regulatory certainty and a more level playing field.

### Emerging Markets

Meanwhile, rapid digitalisation of our industries is increasing demand and uptake of digitally enabled enterprise services. The digitalisation of businesses not only affects the way they operate, but the entire value chain – from products to customers. With technologies such as IoT, blockchain and artificial intelligence (AI) making waves into our shores, many opportunities are opening up for telcos to play in this space.

The changes are not, however, without challenges. The influx of new technologies necessarily brings with it an equally large influx of disruptors. We are already seeing the adoption of over-the-top (OTT) applications by our customers. This will not only continue, but expand across different verticals and industries, creating opportunities and threats. The impact of messaging-type OTT players as a threat is largely accounted for as our customers have had smartphones and access to bundled voice, SMS and data services for years. The impact of new content and value added OTT applications creates an upside opportunity for us.

We are also experiencing the entry of non-traditional players into the industry, driving new competition. As a result, players are venturing into adjacencies in order to sustain growth and differentiate themselves.

At Maxis, we have developed a sustainable long-term growth strategy that focuses on keeping us relevant and differentiated. Our aim is to prioritise the provision of innovative and relevant solutions, enriching Malaysian businesses that are transforming digitally while enabling individuals who seek digital experiences. Internally, we will continue to build and grow new revenue streams, digitalise core processes and deliver on our ambition to be Malaysia's leading converged communications and digital services provider.

### Notes:

1. The Chairman's and CEO's statements, the Business Model and Material Matters sections should be read together with the Management Discussion and Analysis section.
2. This report by Maxis Berhad (Maxis) contains forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are historical facts. These statements are based on assumptions and reflect Maxis' current views with respect to future events and are not a guarantee of future performance and does not take into consideration unforeseen circumstances and factors beyond Maxis' control. As such, Maxis provides no representation or assurance in respect of these statements and disclaims all liability whatsoever (whether in negligence or otherwise) for any loss, damage, costs or expenses however arising out of or in connection with these statements and this report.



# A ONE-STOP PARTNER TO DIGITALISE BUSINESSES



# Business Model

## OUR BUSINESS

### OUR VALUE CHAIN ACTIVITIES



#### Network, Spectrum, IT and Infrastructure

Our services are enabled by our strong investment in network, spectrum, IT and infrastructure. Our services depend heavily on access to spectrum which we strive to secure through transparent and competitive prices, coupled with proactive engagement with regulators.



#### Differentiated Customer Service

One of the key strategic priorities for us is to deliver an “Unmatched Personalised Experience” every time we interact with our customers and partners. We aim to continuously deepen our knowledge and understanding of customers’ needs, and to provide new methods of engagement.



#### Distribution and Sales Channels

Our diverse and extensive distribution and sales channels are established with the ultimate goal of connecting with our customers. Meanwhile, with a mix of physical, online and voice channels, we provide partners with opportunities to run entrepreneurial businesses under the umbrella of our Maxis brand.



#### Sourcing and Procurement

We have world-class procurement strategies and practices that enable us to maintain an efficient, sustainable and ethical business. We leverage global alliances to secure the most-cost-effective and quality assured means of delivering our services, with a long-term partnership approach with our suppliers.



#### Innovative Products and Solutions

In order to continue growing, we aim to win market share by constantly innovating. Through new products, solutions and value propositions, we can truly deliver a personalised offer to all our enterprise and consumer customers.

### OUR VALUE PROPOSITIONS



### OUR COSTS



## Business Model

### Customer Value Proposition

- Unmatched Personalised Experience – products, solutions and services

### Employee Value Proposition

- Forward leaning company driven by strong values with a unique advantage to address tomorrow's digital needs
- Learning and growing together in an engaged environment

### Shareholder Value Proposition

- Robust and sustained shareholder returns including dividends and capital growth

### Societal Value Proposition

- Uniting to unlock potential and possibilities for everyone in Malaysia, including businesses

### Our Cost

- Network Investment
- Human Capital Investment
- Operating Cost
- We place strong emphasis on cost optimisation – limiting cost growth to ensure strong EBITDA and cash flow. This has been enabled by multiple continuous working capital and cost improvement initiatives.

### Cost Differentiators

- Rigorous governance processes for approving, reviewing, tracking and evaluating spend and investment decisions
- Sustainable and consistent investment in network, systems and employees through latest technologies and innovative programmes
- Leveraging cost optimisation programmes to ensure best practices are implemented to maintain efficiency throughout the business

## OUR REVENUE STREAMS



### Our Revenue Streams

- Postpaid mobile communication
- Prepaid mobile communication
- Home fibre connectivity
- Enterprise mobile and fixed communication solutions
- Enterprise end-to-end solutions
- Device sales



### Revenue Differentiators

- Unmatched Personalised Experience
- Customer Insights and Analytics
- Innovative Products & Services

## TOP RISKS









- Competitive risk
- Economic risk
- Operational readiness risk
- People management risk
- Regulatory risk
- Information technology risk
- Data security risk
- Supply chain/vendor risk
- Technology risk
- New business risk
- Network failure risk



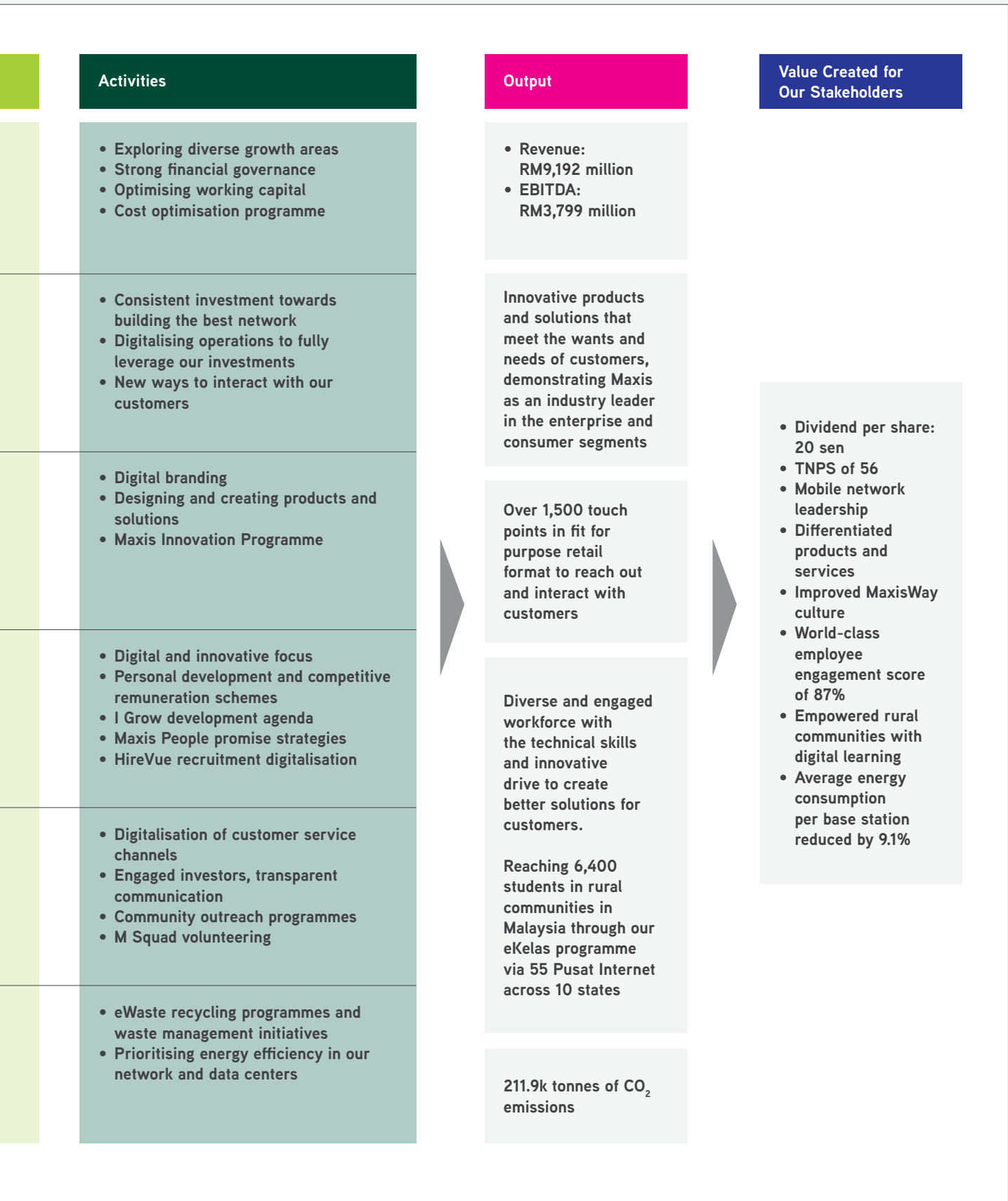
For more information, kindly refer to the Statement on Risk Management and Internal Control on pages 88 to 93.

# How Maxis Creates and Sustains Value

	Capitals	Input
<b>Financial</b> 	Our financial capital enables value creation with the other five capitals through availability and management of our funds	<ul style="list-style-type: none"> <li>• Market capitalisation of RM41.8 billion</li> <li>• Long and short-term borrowings</li> <li>• Cash and cash equivalents</li> </ul>
<b>Manufactured</b> 	Our physical assets, such as our network infrastructure, data centres and service channels, are important sources of our competitive advantage	<ul style="list-style-type: none"> <li>• 93% 4G LTE population coverage</li> <li>• RM1.0 billion investment in our network</li> <li>• 65 Maxis stores</li> <li>• 193 Maxis Exclusive Partner (MEP) stores</li> </ul>
<b>Intellectual</b> 	Product and service innovation and technology have always been Maxis' core focus to enhance our brand value	<ul style="list-style-type: none"> <li>• Premium brand positioning</li> <li>• Leadership</li> <li>• Skilled, technical and expert teams</li> <li>• Research and development, segmented approach</li> <li>• Big data and analytics</li> </ul>
<b>Human</b> 	Our people are our most critical asset. We invest in our people's passion, hence creating our MaxisWay culture	<ul style="list-style-type: none"> <li>• Engaged employees</li> <li>• Digitally assisted learning portals</li> <li>• Remuneration and benefits policies</li> <li>• Centers of Excellence</li> </ul>
<b>Social &amp; Relationship</b> 	Strong and lasting relationships with key stakeholders are created through mutual trust, partnerships and value-added products and services	<ul style="list-style-type: none"> <li>• Mutually supportive relationships with key stakeholders (i.e. customers, employees, shareholders &amp; investors, Government &amp; regulators, suppliers &amp; partners, community)</li> <li>• 9.9 million subscribers</li> <li>• 0.23 million homes</li> </ul>
<b>Natural</b> 	We make conscious efforts to minimise the impact of our value chain on the environment	<ul style="list-style-type: none"> <li>• Radio spectrum (900, 1,800, 2,100, 2,600MHz bands)</li> <li>• Energy</li> </ul>

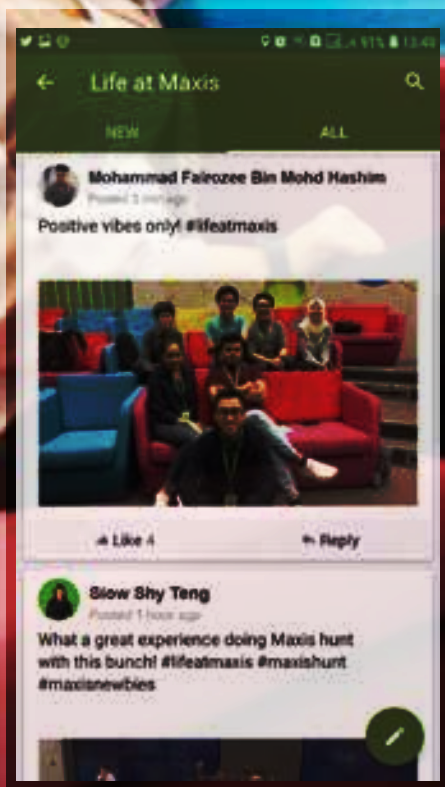


## How Maxis Creates and Sustains Value





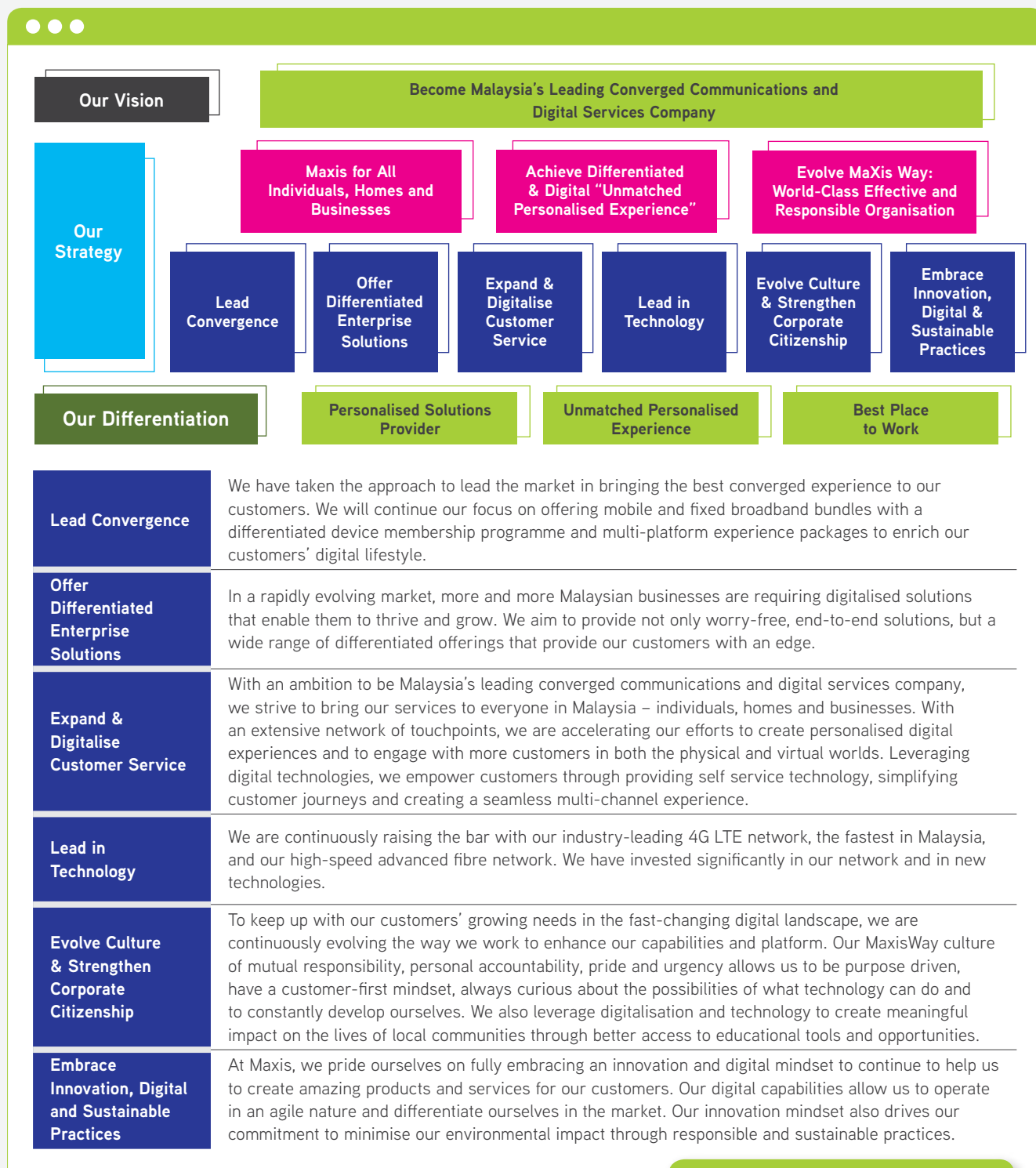
# GROWING AND EVOLVING THE MAXISWAY







# Strategic Framework



For the video interview,  
scan this QR code or go to  
[www.maxis.my/Strategy18](http://www.maxis.my/Strategy18)

# Materiality Matrix



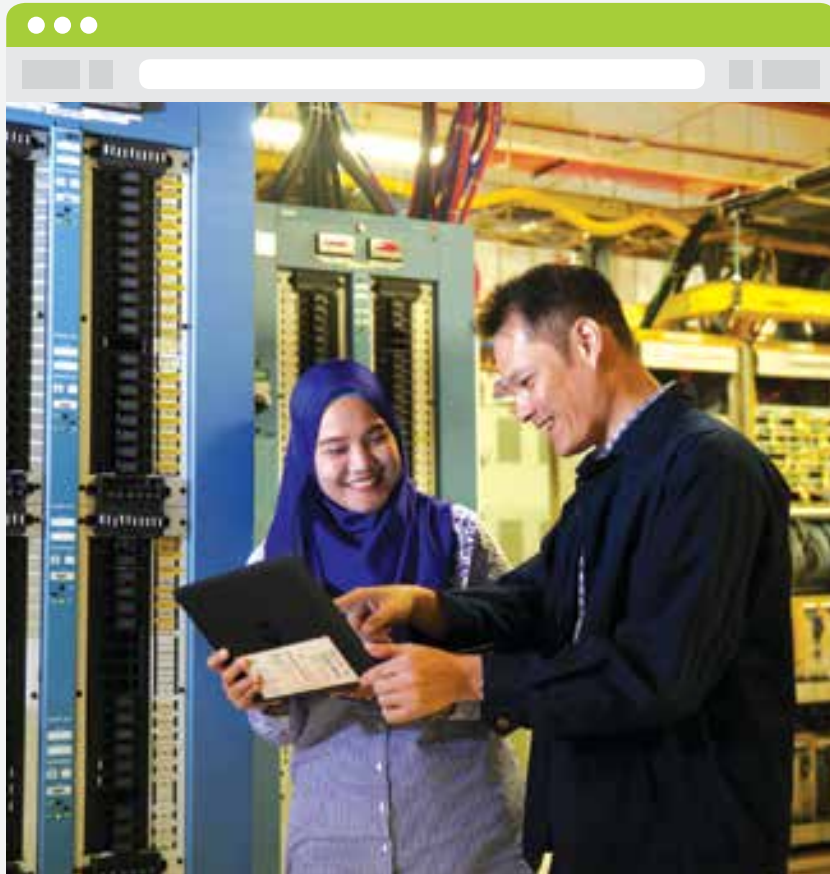
**Note:**  
For the classification and reference of our material matters, please refer to the Bursa Sustainability Content Index on pages 230 to 231.

**Materiality Assessment**

Material matters for us are economic, environmental and social issues and opportunities that may affect our ability to create value in the short, medium and long term. We assess materiality based on two dimensions: the impact to Maxis and importance to key stakeholders. These matters are managed and hereby reported with due consideration of their relative significance to the business.



## Materiality Matrix



### Our Approach

We regularly assess our material matters as part of continuous efforts to ensure our strategic intent remains relevant to the rapidly changing environment. During the year, a materiality assessment workshop was conducted with internal stakeholders to identify and prioritise these relevant material matters.

Our materiality assessment process is outlined below:

- **Identification** – Our starting point of identification is a review of matters reported in FY2017, based on their relevance during the year under review. We also identified a comprehensive list of material matters across the business, considering internal and external sources such as our strategic framework, industry trends and emerging global trends, Maxis' policies and procedures, and concerns raised by our key stakeholders.
- **Prioritisation** – Key management representatives from relevant departments across Maxis contributed insights gained from their engagement with stakeholders. This assisted in shortlisting and prioritising key stakeholders and our material matters based on the dimensions mentioned above. The result of the prioritisation is the materiality matrix shown on page 47.
- **Validation of material matters** – The material matters were deliberated and validated by our Management Team, and our Board of Directors is cognisant of our material matters.

### Our Materiality Matrix

We continue to consider the 11 material matters identified last year as relevant to Maxis, alongside six newly identified material matters as follows:


















































- Network
- Innovation
- Ethical Business Practices & Governance
- Sustainable Business
- Responsible Sourcing
- Indirect Economic Impact
- Customer Experience & Satisfaction
- Data Security & Privacy
- Empowering Digitalisation
- Training & Education
- Occupational Safety & Health
- Diversity & Equal Opportunity
- Employment
- Local Communities
- Tax & Licensing
- Energy & Emissions
- Waste

Based on the materiality workshop, eight material matters were identified as critical to the business and our stakeholders. These high-priority matters form the focus of this report.

We acknowledge that our material matters are interconnected, and that they define our strategic focus areas and initiatives over time.

The scope and boundaries of these matters can be found on page 2.

# Our Top Material Matters

Material Matters	Definition	Stakeholders Affected	Capitals Affected	Strategy	Top Risks
<b>Customer Experience &amp; Satisfaction</b>	The quality of customer experience from our products and services including Maxis driven engagement to better understand and meet customers' expectations		  	<b>Expand &amp; Digitalise Customer service</b>	Competitive risk Operational readiness risk Information technology risk Data security risk Vendor/Supply chain risk
<b>Network</b>	Full compliance with statutory and regulatory requirements, as well as quality and geographical area coverage	   	  	<b>Lead in Technology</b>	Information technology risk Technology risk Network failure risk Vendor/Supply chain risk
<b>Data Security &amp; Privacy</b>	Measures we implement to protect our stakeholders' data and privacy	   	  	<b>Embrace Innovation, Digital &amp; Sustainable Practices</b>	Information technology risk Data security risk
<b>Innovation</b>	The mindsets, ideas and culture to stimulate value creation through design, technology, services and/or processes	   	  	<ul style="list-style-type: none"><li>• <b>Lead in Technology</b></li><li>• <b>Evolve Culture &amp; Strengthen Corporate Citizenship</b></li></ul>	People management risk Vendor/Supply chain risk Technology risk
<b>Ethical Business Practices &amp; Governance</b>	The way we govern and conduct our business with full compliance to relevant laws and regulations, and our commitment to transparent, value-add reporting	   	  	<b>Governance is overarching</b>	People management risk Regulatory risk
<b>Sustainable Business</b>	Financial value created & distributed to our stakeholders	   	  	<ul style="list-style-type: none"><li>• <b>Lead Convergence</b></li><li>• <b>Offer Differentiated Enterprise Solutions</b></li></ul>	People management risk Competitive risk Economic risk New business risk Vendor/Supply chain risk
<b>Empowering Digitalisation</b>	The importance we place on ensuring that communities have access to and use information and technology, especially the underserved	   	  	<b>Evolve Culture &amp; Strengthen Corporate Citizenship</b>	Competitive risk Operational readiness risk Network failure risk
<b>Training &amp; Education</b>	The commitment we have to our employees to enhance their professional development		 	<b>Embrace Innovation, Digital &amp; Sustainable Practices</b>	People management risk Information technology risk



Financial



Manufactured



Intellectual



Human



Social &amp; Relationship



Natural



Customers



Employees



Shareholders &amp; Investors



Government &amp; Regulators



Suppliers &amp; Partners









Community

# Stakeholder Engagement

Our stakeholders are important to us, and we seek to build stronger relationships based on trust by addressing and anticipating their wants and needs. Our engagement platforms allow us to understand their expectations, and enhance our business and sustainability strategies accordingly.

Our key stakeholders include, but are not limited to, customers, employees, shareholders & investors, government & regulators, suppliers & partners and community.

Key Stakeholders	Methods of Engagement	Frequency	Key Concerns and Interests	Our Response
<b>Customers</b> 	<ul style="list-style-type: none"> <li>Customer service channels, e.g. Maxis call centres, stores, My Maxis and Hotlink Red apps</li> <li>Focus groups, roadshows and networking events</li> <li>Surveys, media and digital marketing</li> <li>Touchpoint NPS</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Quarterly</li> <li>As required</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Network quality &amp; coverage</li> <li>Solutions offerings</li> <li>Customer experience</li> <li>Data security &amp; privacy protection</li> <li>Pricing</li> </ul>	<ul style="list-style-type: none"> <li>New technologies and partnerships</li> <li>Enhanced products and services</li> <li>Joint events for knowledge-sharing</li> <li>Affordability of products and services/best value</li> <li>Converged solutions</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Engagement events</li> <li>Leadership surveys</li> <li>Annual Voice of Maxis surveys</li> <li>Internal communication channels including the intranet Squiggle, and internal social media Yammer</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> <li>Quarterly</li> <li>Annually</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Vision and key priorities</li> <li>Working culture</li> <li>Training and development</li> <li>Salaries, benefits and incentives</li> <li>Performance review</li> <li>Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Various engagement activities</li> <li>Volunteer opportunities</li> <li>Job-specific training</li> <li>"I Grow" agenda</li> </ul>
<b>Shareholders &amp; Investors</b> 	<ul style="list-style-type: none"> <li>Annual Reports</li> <li>Quarterly financial results announcements</li> <li>Annual General Meetings</li> <li>Analysts and investor meetings and road shows</li> <li>Maxis Investor Relations webpage</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Quarterly</li> <li>Annually</li> <li>As required</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Business performance</li> <li>Dividend payout</li> <li>Strategy and vision</li> </ul>	<ul style="list-style-type: none"> <li>Timely updates on business performance</li> <li>Communication of corporate strategy</li> </ul>
<b>Government &amp; Regulators</b> 	<ul style="list-style-type: none"> <li>Regular reports</li> <li>Formal meetings on progress and agenda</li> <li>Participation in industry forums, dialogues and events</li> <li>Participation in events and close engagement with regulators</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Spectrum &amp; network management</li> <li>Universal Service Provision (USP)</li> <li>Strategic industry development</li> <li>Role in national agenda</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring compliance through site implementation guidelines</li> <li>Industry feedback and recommendations</li> <li>Collaboration in support of national agenda</li> </ul>
<b>Suppliers &amp; Partners</b> 	<ul style="list-style-type: none"> <li>Formal and informal meetings and events</li> <li>Product sharing sessions and networking</li> <li>Exchange of products and services</li> </ul>	<ul style="list-style-type: none"> <li>Biannually</li> <li>Ongoing</li> <li>As required</li> </ul>	<ul style="list-style-type: none"> <li>Onboarding programme</li> <li>Relationship management</li> <li>Business collaboration</li> <li>Business expansion</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge-sharing on technology</li> <li>Enhanced solutions for partners</li> <li>Digitalised procurement platform and workflow</li> </ul>
<b>Community</b> 	<ul style="list-style-type: none"> <li>Flagship community programmes e.g., eKelas, WiFi Komuniti locations</li> <li>Community initiatives during major festivities</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Connectivity</li> <li>Lack of access to the Internet</li> <li>Digital literacy gap</li> <li>Humanitarian aid during a disaster</li> </ul>	<ul style="list-style-type: none"> <li>Community programmes – immediate term and periodic initiatives</li> <li>Collaborate in MCMC's initiative to provide connectivity to underserved areas</li> </ul>





# BRINGING DIGITAL LEARNING TO MORE COMMUNITIES

 Laman Utama


 PELAJAR

 KOMUNITI

 PERSEKUTUAN

 BLOG

 PERKONGSI

 PERMAINAN

BAHASA  
Pendidikan  
Bahasa



KURSUS SAYA

BERITA TERKINI

Pelancaran i-Cinet

ANGGARAN TERKINI

PELAJAR COMEBY ME



Muhammad Muzni



Yantha Pua



Muhammad Hafizuddin



# Business Review

## Our Customers



Our customers are at the heart of our operations. We work hard to ensure that our solutions and services remain highly relevant to their lifestyles, provide a worry-free experience and are of the best value. We continued to focus on enhancing our digital capabilities for the benefit of our customers, while expanding service offerings in enterprise solutions. With unmatched personalised experience remaining as our top priority, our efforts to deliver this promise include a combination of our digitally-driven channels and personalised services. In 2018, we increased our Touchpoint Net Promoter Score (TNPS) to 56, which we are pleased with.

### Serving the Increasingly Digitally Savvy Customer

Our digital channels are becoming the preferred choice for customers for everyday transactions, whether it's for managing accounts such as paying bills and purchasing or sharing data, or for shopping for digital services and redeeming attractive rewards. Our customers now use our self-serve MyMaxis and Hotlink RED apps, which clearly shows the demand for convenience through our digital services. Under our new Hotlink Rewards programme launched in 2018, RED App users can earn points by simply logging into the app and making use of the plethora of services offered.

During the year, we also developed ONEBusiness Hub, which is already being used by thousands of companies, reflecting an adoption rate of 73% by our enterprise customers who now enjoy the empowerment to manage some of their service requests at their convenience.

As part of our dealer management and support, our HERO App enables dealers to simplify the purchase of Hotlink packs or top-ups for our customers. It also helps speed up registration and captures images of ID documentation for verification and security.



For the video interview,  
scan this QR code or go to  
[www.maxis.my/Customers18](http://www.maxis.my/Customers18)



## Business Review



**We are pleased to have migrated approximately 80% of our fixed broadband customers to higher speeds and lower prices by the end of 2018.**

We have continued to expand our network of outlets, providing customers easy access to our products and services. In 2018, we opened 20 new branded Maxis stores. The self-serve kiosks at our stores have also enabled more convenience for customers to perform basic transactions. At the same time, an increasing number of our stores in key malls are being digitalised to offer customers a more immersive digital experience.

We have been working aggressively to drive service delivery improvements across the region. Efforts to grow our footprint and improve our brand preference have seen us invest to expand our network coverage regionally. In Sabah specifically, we have expanded our distribution. We also added more brand outlets in Kota Kuching, Bintulu, Kota Baru, Ipoh, Pahang, Terengganu and areas in the Klang Valley.

### Value Creation through Personalised Services

With service level expectations on the rise, we invest in our people and processes to provide value added support to customers throughout their journey with us. We also continued to provide expert services for our home and business fibre customers through Maxperts, our team of fibre Internet experts who provide end-to-end technical support so that our customers enjoy a worry-free fibre Internet experience.


The launch of our most affordable broadband plans in August received an overwhelming response from our customers – both consumers and businesses. While we were extremely pleased with the unexpected high interest

in take up, it also resulted in an unfortunate backlog that impacted our installation process. As part of our mitigation plan, we ramped up our resources which included hiring more Maxperts to serve our customers as quickly as possible. Meanwhile, our own employees rallied behind the strong take up and visited 1,500 homes and businesses nationwide to accelerate the installation process and help customers upgrade their WiFi routers for a better Internet experience.

Ultimately, our goal was to ensure that the biggest beneficiary were our customers. We are pleased to have migrated approximately 80% of our fixed broadband customers to higher speeds and lower prices by the end of 2018.

For our business customers, we continue to advocate new ways of working through our integrated digital solutions, supported by our dedicated team for personalised business services. During the year, we set up Enterprise counters at all our retail stores, providing not just a touchpoint for our business customers, but also an avenue for them to get help with their retail needs through our latest solutions, such as Maxis ONERetail. We have also grown our solution sales teams to provide expert advice on businesses that want to grow and drive cost savings through solutions such as CloudPOS and mDrive.

For SMEs in particular, we have a dedicated eCommerce team to advise on our end-to-end eCommerce solutions including webstore setup, digital marketing, insights and analytics. We also have a dedicated eCommerce Business Manager to partner with customers throughout the development lifecycle.

 For more details on Our Products and Enterprise Solutions please refer to pages 58 to 63.

### What's Next.

With customers at the heart of our operations, we will continue to implement new and improved service channels as well as self-serve digital touchpoints for convenience and peace of mind.

## Business Review

# Our People



**At our Centres of Excellence (CoE), we designed and delivered digitally-focused in-house programmes to provide a customised and curated learning experience.**

Our people are the driving force of Maxis and embody our unique MaxisWay culture. Passionate and committed, they are central to Maxis' journey towards our ambition of being a leading converged communications and digital services company. We recognise how important our people are to our current and future success, and lend our full support to help them Know, Grow and Engage.

### Attracting the Best Talents

We strive to bring in the best talents, leveraging the efficiencies and effectiveness of digital technology. Through HireVue, a cloud-based recruitment tool, we satisfy nearly 95% of our hiring needs, including C-level roles. This has resulted in an almost 60% reduction in time spent on hiring and gives a superior candidate experience through higher

efficiency and timeliness. HireVue enables candidates to complete their digital interviews anytime, from anywhere. Once brought on board, we ensure our people are kept motivated and inspired through continuous learning, development and engagement.

### Training and Education

We continue to advocate our "I Grow" development agenda, which encourages employees to learn and develop throughout their career in Maxis. In keeping with our digitalisation mindset, the focus is on understanding and applying leading-edge digital technologies as well as retail innovation and app development. At our Centres of Excellence (CoE), we designed and delivered digitally-focused in-house programmes to provide a customised and curated learning experience for employees at all levels.



For the video interview, scan this QR code or go to [www.maxis.my/People18](http://www.maxis.my/People18)

## Business Review

Other than organised programmes, we encourage our employees to leverage cloud-based digital tools such as Workday HR systems, Lynda video learning from LinkedIn and the SmartUp micro-learning platform to grow via self-learning. As these are mobile-based platforms accessible anytime and anywhere, our employees have the convenience of enhancing their skills in their own time, at their own pace and their own convenience. This has resulted in more employees completing their learning experience online and reducing their classroom hours.

Employees are exposed to other functions within the organisation, enhancing their knowledge and skills through job rotations. They are also given the opportunity to explore their full potential with the help of postgraduate scholarships, educational loans and online courses.

We recognise the need to establish a strong leadership pipeline, and invest in leadership training to unlock our employees' potential. With the highest standards and requirements needed to be a manager, we introduced a digital leadership programme with a group of high potential senior leaders in critical roles who are tasked with designing, developing and implementing digital solutions. Empowering leaders to co-create change is integral to our strategy for future success.

To ensure our people are future-ready, we have realigned our scholarship and management trainee programmes to focus on young talents with the right skills and attitude. In 2018, we also introduced our first targeted finance management associate programme. This has resulted in us bringing in a number of finance professionals from other industries who would under normal circumstances not be hired by Maxis. In addition, we launched customised internship programmes that focus on advanced technologies including Artificial Intelligence, machine learning and big data within our Technology division.

We continued with our flagship programmes to sustain our presence among young talents:

- Maxis Inspire, which cultivates an entrepreneurial mindset; and
- Maxis Stars of What's Next, through which we reward Malaysian undergraduates who not only excel in their studies but also engage in activities they are passionate about.

In a bold step forward in our ambition to be a leading eCommerce enabler in the country, we acqui-hired a leading web development company and its workforce into our eCommerce team. This timely integration is strengthening our capabilities in the eCommerce space as we scale towards driving our Enterprise offerings as an end-to-end solutions provider to new market segments.

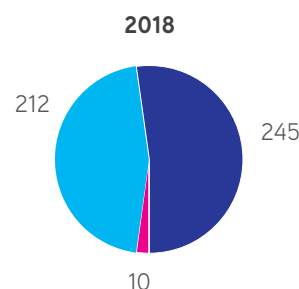
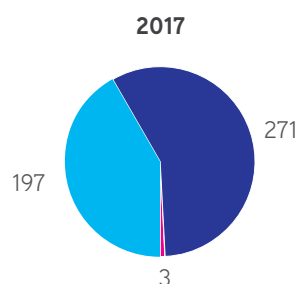
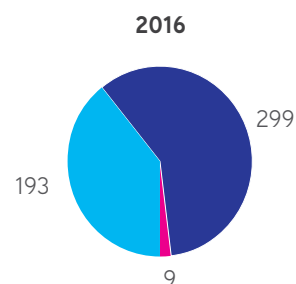
For more details on Our Enterprise Solutions, please refer to pages 60 to 63.

### Diversity and Equal Opportunity

We believe a diverse and inclusive workforce broadens our perspective and skills base in order to better understand and meet our customers' needs. We value our multi-generational workforce and continue to make conscious efforts to attract and retain these talents.

In the last three years, we have increased the number of hires under 30 by 10%, which has allowed us to shape our workforce to be aligned with a younger and more agile digital company. Meanwhile, we continue to focus on our scholarship and young talent programmes to help us achieve a good gender balance.

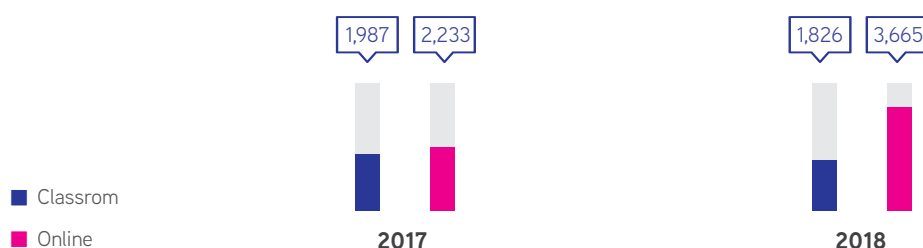
**TOTAL NUMBER AND RATE OF NEW EMPLOYEE HIRES, BY AGE GROUP**



Under 30  
30-50  
Over 50

## Business Review

### EMPLOYEE TRAINING PARTICIPATION – CLASSROOM VS ONLINE



Our competitive compensation and benefits package meanwhile continues to be an industry benchmark. One of the key changes made during the year was redefining our MaxisONE Employee plan to be more comprehensive, allowing for an enhanced employee experience by having full access to Maxis products and services.

#### Providing a Great #lifeatmaxis

We believe happy employees lead to happy customers, which is why we focus on building a rich employee experience and developing digital natives across the Company regardless of the employee's job scope. Some of the skills we have focused on include digital content creation, where employees get to experience first-hand how to develop audio and video content. We also hosted an app development bootcamp, and introduced the principle of Design Thinking in our annual hackathon. Here, employees came up with multiple ideas on how to innovate for an improved customer experience while also identifying new revenues streams for the business.

Our #fitterfasterstronger programme encourages employees to engage in physical activities for their personal well-being. We continued to hold fitness classes in the office, such as zumba and yoga, as well as organised World Health Day events and Sports Day. Beyond fitness, we provide personal enrichment programmes, such as language classes (Japanese, Korean, Mandarin and French), cooking and barista classes.

Our employees are also kept informed of corporate news and updates through internal communication via Yammer and our Intranet, Squiggle, while company events and festive celebrations are held to create strong engagement levels and a bond. These efforts have resulted in consistently high levels of employee engagement as measured by our annual Voice of Maxis (VOM) survey. Since 2015, we have maintained high scores in the 80s, which surpass even Global High Performance Companies' benchmarks for global telcos.



#### EMPLOYEE ENGAGEMENT LEVEL

	2015	2016	2017	2018
Employee Engagement	80	85	88	87
Sustainable Engagement	85	89	91	90

#### Health, Safety & Environment (HSE)

Central to our employee value proposition is ensuring a safe work environment. Towards this end, we have implemented and adhered strictly to a robust Health, Safety and Environment Management System (HSEMS). We believe in continuously improving our safety platform, and were awarded the Occupational Health and Safety Assessment Series (OHSAS) 18001 as well as Malaysian Standard on Occupational Health and Safety Management Systems (MS 1722) certifications in June 2018. These are reflective of our commitment to high standards of occupational health and safety, facilitating the effective management of safety risks. While the HSEMS serves as a point of reference, it is complemented by additional measures and initiatives to cultivate a safety-first culture company-wide.

## Business Review

Our HSE initiatives are focused on our business as a whole, which further extends to our partners/contractors:

### a. Training for Maxis employees

- **4WD Defensive Driving Training (DDT):** The programme equips our field operations drivers with the knowledge to safely and effectively handle driving on and off road.
- **Occupational first aid, cardiopulmonary resuscitation (CPR) and automated external defibrillator (AED) training:** Employees at all our premises are provided with basic first aid response training in order to manage emergencies until professional medical assistance arrives. There are also 23 AED units at our main offices to treat cardiac arrests.
- **Working-At-Height (WAH) training:** This is provided for employees who work at height at network sites, covering many safety techniques, including fall arrest systems that ensure their safety while performing tasks on rooftops, towers, monopoles or other tall structures.

### b. Initiatives with Partners/Contractors

- WorkSafe training programmes
- Audits
- Half-yearly communication sessions with main contractors' safety and health officers

### Our Safety Performance

We are pleased to report zero fatalities in 2018. However, there were four staff-related incidents resulting in lost-time injury (LTI), consisting of the following:

- **Office/site:** One incident on stairs with an LTI of four days and LTIF (lost time injury frequency) rate of 0.15.
- **Vehicle/road:** Due to enhanced operational requirements and challenges with regards to site conditions and public roads, there were three road accidents resulting in an LTI of 24 days, and LTIF rate of 0.45. These include one day each from two accidents involving Maxis' 4WD company vehicles, and 22 days from an accident involving usage of an employee's own motorcycle.

With our health and safety systems, processes and initiatives in place, we have successfully kept staff-related incidents to the lowest level possible. The health and safety indicators reported above helps us to address issues quickly and implement intervention measures in a timely manner.

### What's Next: Our People are the Workforce of the Future

Looking ahead, our focus is to build a workforce that is ready to compete and excel in a vastly different playing field. To enable this, we are shifting towards a "Learner of One" mindset by offering highly customised and curated learning contents to nurture employees within their respective fields.

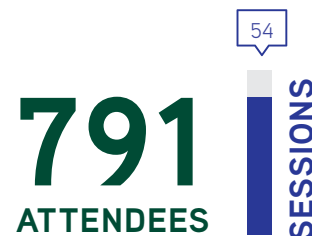
Within our organisational structure, we are pivoting towards becoming an agile workforce that is able to meet the future demands of an ever-changing digital landscape. This includes adjustments to support our business direction while maintaining a flat structure with lean teams.

By embedding a digital mindset throughout the organisation, we have been able to maximise Design Thinking to improve our internal customer experience, including implementing an internal facing chatbot. We also continue to further strengthen our innovation framework to co-create an exciting digital future for our people and those we serve.

#### 2018 SAFETY INITIATIVES



DDT, WAH & CPR training for Maxis employees



Workforce Participation (WSC)/Awareness Programme (induction for new recruits, planned & ad-hoc briefing for partners or vendors)



Audits on Partner/Contractor HSE Systems



## Business Review

### Our Products



#### Our Consumer Products

The surge in data usage amongst our customers has reached unprecedented levels, with the demand for quality data continuing to grow as customers use their mobile devices to feed their increasingly digital lifestyles. This is why our worry-free propositions have been a mainstay in all our products and solutions, ranging from unique, innovative offerings to the most affordable plans in the market. The future is also about converged offerings, and we take great pride in our capabilities to offer both fixed and mobile solutions to our customers, while offering them even more value than they crave for. Through our personalised plans, we also offer customers just what they need – be it more data or a new device. Here are the game-changing products that we launched in 2018:

### Postpaid

#### Zerolution360

Going “phoneless” is no longer an option. Whether it’s for emails, banking, shopping, streaming, social media, hailing rides or getting directions, there is no doubt that our mobile phones have become central to our lives. Zerolution360 is a completely new way of owning a device, offering customers a 360 worry-free experience for all their device needs – from the point of signing up and using to maintaining and upgrading in the future. For an all-inclusive device experience, customers can also choose from a wide range of high-end flagship phones with an affordable monthly fee, zero upfront payment as well as a comprehensive protection plan. The key benefits customers enjoy include immediate one-for-one replacement for lost or damaged devices, total device protection as well as free phone upgrades every two years with an option for annual upgrades.

#### Maxis FamilyRoam

Adding on to our suite of family-focused products, we introduced FamilyRoam which enables all Share Lines on MaxisONE Plan and MaxisONE Prime to enjoy easy and free unlimited roaming in any ASEAN country. At just RM38 a day for the MaxisONE World pass, family members have access to unlimited data, calls and SMS while away from home.

#### Fibre Broadband

We led a new era to mainstream fast fibre broadband and were the first to launch the most affordable and worry-free fibre broadband plans as part of our very successful Fibrenation campaign. Our no restrictions propositions provide a superior Internet experience supported by advanced high-speed fibre networks and even better services than what we have offered before. Under our consumer plan, we offered 100Mbps at RM129 per month and 30Mbps at RM89 per month.

## Business Review

### Prepaid

#### Hotlink RED

This new prepaid plan boasts a worry-free non-stop high-speed Internet experience. The RM10 pack includes RM5 of preloaded airtime, 300MB of mobile data, and 10GB of high-speed data dedicated for Facebook usage. Customers can choose from a wide variety of Internet passes for daily, weekly or monthly usage.

#### Hotlink Rewards

We're constantly looking for ways to engage with each and every one of our customers in meaningful and convenient ways that offer them real value, every day. And there's nothing more rewarding than offering simplicity. Hotlink Rewards is a unique rewards programme that is based solely on customers' interaction with the Hotlink RED app. Once

downloaded, customers only need to log into the app to claim their daily reward points. On top of that, customers also receive a daily Mystery Gift, in which they stand a chance to win free flights to domestic or South East Asia destinations, or earn even more free reward points to redeem merchant deals or Internet passes. Our customers can enjoy exciting deals from some 160 popular brands.

#### Ookyo Relaunch

Ookyo, our 100% digital Internet plan, was relaunched in 2018 with a new proposition that offers customers 8GB of data and unlimited high-speed Internet – all day every day – for any four applications of their choice! Customers can choose from a list of over 200 apps and request for their favourite app if it is not on the list. They get all these plus unlimited calls and SMS, from just RM30 a month. Ookyo also offers Google Play cashback everytime they spend in the Ookyo store.

The entire plan is designed to be self-managed from the Ookyo app, including signing up, managing their unlimited Internet, customer service and payment. Customers have the option to make payment through online banking, debit or credit card and can choose to have their plan auto-renewed if they wish. They also have the flexibility to change their unlimited choice every month, making it the only digital prepaid plan to have such an offer.

#### Special Seasonal Promos

Special annual celebrations are also an opportunity for us to reward our customers with great deals. In conjunction with HotlinkMU GIGA Sale during the year's Merdeka Day, Hotlink customers who purchased selected mobile Internet packages on the RED App were able to enjoy 61GB of high-speed Internet data for free, all day, on top of the personalised deals they already enjoy.

The new home fibre plans come with unlimited Internet, a dual-band WiFi router to maximise the higher broadband speeds, and Maxperts, our Internet specialists who ensure the fibre experience starts right and stays right with end-to-end installation and assurance support. These new speeds enable high resolution streaming, simultaneous device usage, lag-free gaming, and more.

#### MaxisONE Prime

Families are demanding for more choices and freedom to access content through the Internet, whenever they want and wherever they are. In 2018, we enhanced our MaxisONE Prime to enable customers to combine any MaxisONE Plan with any Fibre plan to unlock Unlimited Home and Mobile Data for all family lines, as well as "Always On" fibre connectivity with 4G wireless backup. This plan also demonstrated our leadership in converged offerings, with both fixed and mobile connectivity solutions available to even more homes in Malaysia at affordable prices. At the launch, we also offered MaxisONE Prime customers amazing discounts on a wide range of high-end devices on Zerolution360 for MaxisONE Plan 128 and above, together with a new Share Line.

#### Hotlink Postpaid Flex

This first-of-its-kind mobile plan combines the flexibility of postpaid and the convenience of prepaid. Starting from RM30, customers get unlimited calls and SMS to all networks, on top of 1GB high-speed data. The plan provides customers with more choice and flexibility to create and upgrade their own Internet plan based on what they want. This includes a variety of Internet passes and unlimited app add-ons; social, chat or music from as low as RM5 a month for them to choose from. Customers can also enjoy the convenience of managing their plan in one monthly bill. During the year, we introduced Hotlink Postpaid Flex Plus, which comes with 10GB data and unlimited talk & text as well as devices bundled from as low as RM1.



For the video interview, scan this QR code or go to [www.maxis.my/Products18](http://www.maxis.my/Products18)

## Business Review

### Our Enterprise Solutions



**We have continued to engage with our customers in several key projects to deliver solutions and connectivity, aligning with the digital economy and Industry 4.0 initiatives.**

Our ambition for our Enterprise and Government customers is to be their partner as they digitally enable their business operations. With proven results, what sets us apart are our flexible and customised digital solutions that are built around an “Always On” proposition, for SMEs and larger enterprises across key segments including retail, logistics, F&B, manufacturing and government. Our goal is to help businesses of all sizes succeed by:

- Simplifying and improving the way they work.
- Taking the complexity out of technology and allowing our clients to simply reap the benefits.
- Enabling them to interact with their customers efficiently and to create their own great customer experiences.

We have continued to engage with our customers in several key projects to deliver solutions and connectivity, aligning with the digital economy and Industry 4.0 initiatives. Our end-to-end business solutions – from mobile and fixed to eCommerce and IoT – are backed by our industry-leading 4G LTE network that ensures an unrestricted and worry-free communication experience that can be enjoyed “as a service”.

For more information on Our Network, please see pages 64 to 66.



For the video interview, scan this QR code or go to [www.maxis.my/Enterprise18](http://www.maxis.my/Enterprise18)

## Business Review

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**With increasing reliance on web usage and cloud services, we launched the most affordable business fibre plans in the market in August with our 100Mbps plan going for just RM139 per month, and 30Mbps plan for RM99 per month.**

These strong commitments to our customers are underlined by the attractive propositions that we introduced in 2018:

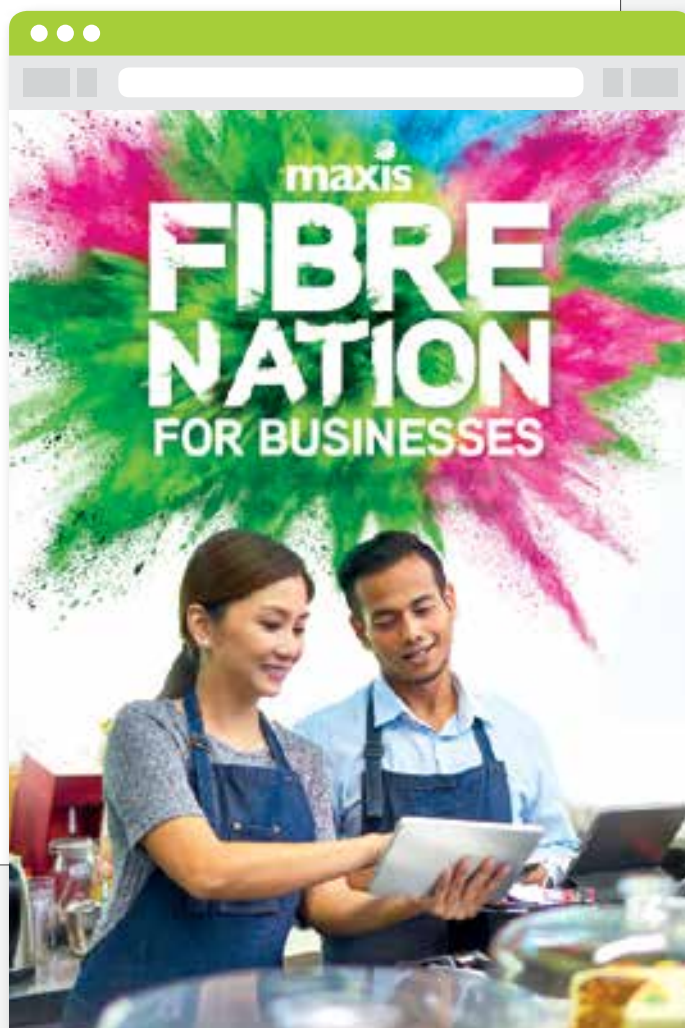
### Business Fibre

Connectivity is the lifeblood of any business particularly for SMEs and micro SMEs that operate in an extremely competitive space. With increasing reliance on web usage and cloud services, we launched the most affordable business fibre plans in the market in August, with our 100Mbps plan going for just RM139 per month, and 30Mbps plan for RM99 per month.

The plans offer multiple business grade benefits – Always On connectivity for complete business continuity, end-to-end technical support from Maxperts, our Internet specialists, and a future-proof business grade router which will enable additional speed upgrades as they become available. There is also the flexible option to choose multiple solution add-ons based on specific business needs, such as Managed WiFi, Internet security, and cloud and email storage. As an example, our Internet Security proposition protects our customers from external cyber and malware attacks. This is also the only business fibre solution in the Malaysian marketplace that comes with a fully integrated wireless Internet

backup, that ensures our customers are Always On even in the event of a cut to their fibre service.

With consumers today expecting total connectivity solutions, we signed a service agreement with Gamuda Land in October for the provision and deployment of network infrastructure and services to one of its key township developments. It was an agreement that underlined our ongoing commitment to co-investments with property developers in the country in providing high-speed broadband connectivity to homes through our own built fibre network. As the only access seeker currently operating in the market, our goal is to work with all access providers and invest in available fibre networks, while also building our own where possible. Our partnership with Gamuda Land demonstrates we are not only an access seeker, but also a fibre builder.





## Business Review



**In 2018, we became the first telco in Malaysia to offer a complete suite of digital solutions for the retail industry.**

### Maxis ONERetail

Maxis ONERetail removes the hassle of adopting piecemeal solutions from multiple providers, through a single point-of-contact approach. Designed specifically for retailers, it offers a comprehensive range of solutions that complement existing mobile and fixed Internet:

- **eCommerce:** An end-to-end eCommerce solution with Webstore customisation, sales performance insights and analytics dashboards, and digital marketing services to boost online presence (see more details on our eCommerce offering in the next section).
- **Cloud POS 2.0:** It is the only Cloud POS (Point-of-Sale) in the country that can be used with the retailer's existing hardware. The cloud platform enables businesses to view real-time sales and inventory reports from a single online platform, and develop sales and customer analytics. Businesses can access all this data anytime, anywhere. The free, zero-downtime software upgrades further amplify our worry-free proposition in all our solutions.
- **mPOS 2.0:** Accept card payments on-the-spot, anytime, anywhere. mPOS also allows for viewing of real-time reports, and accepts large payments with low credit card transaction fees.
- **eSMS:** Reach out to the right audience by centralising customer data collection and drive targeted foot traffic.



## Business Review

### eCommerce

eCommerce has seen rapid growth in the region, with Malaysia seen as one of the most attractive and mature markets for this segment. Shopping habits are evolving and increasingly online, from the way we research to how we shop. SMEs are recognising the immense number of opportunities out there, as an online presence will enable them to stay relevant to hyper-connected consumers. Our goal therefore is to enable SMEs to realise their eCommerce potential through our solutions.

In 2018, we expanded our Enterprise offerings with an end-to-end eCommerce solution, specially targeted to SMEs in Malaysia to build, amplify and optimise their eCommerce presence, as well as maximise revenue potential from within and outside Malaysia. Our aggressive expansion into eCommerce was amplified by the acqui-hire of multiple award-winning and leading web development company, Optima Innovations (M) Sdn. Bhd. (Optima), during the year. The acquisition and integration of Optima team and business into our eCommerce team was timely, and a bold step forward for Maxis in our ambition to be a leading eCommerce enabler in the country. Since launching our eCommerce solutions, we have seen an eight fold revenue growth in this segment – clear indication of the ongoing shift into digital platforms for businesses.

### ONEBusiness Flexi

Taking into account our customers' purchasing and usage behaviour, we launched ONEBusiness Flexi, the most flexible business mobile plan, with flexible data sharing and flexible device ownership. Businesses can choose a mobile plan for their employees, allocate the right amount of data for each employee, add more lines as the company grows and select devices of their choice within 24 months. It's as simple and flexible as that.

### Zerolution360 for Business

To ease the burden on owning devices, we introduced Zerolution360 for Business, a smart way to finance business devices with zero worries – no upfront payment, 0% interest and the flexibility to choose any type of device and be able to upgrade these devices on a regular basis to keep up with changing needs and functionality of new and future technology.

### ONEBusiness Smart

Specifically for micro SMEs, ONEBusiness Smart offers complete Internet and mobile solutions. They can customise a plan that comes with Internet for your office or on the go, add mobile plans with the latest 4G smartphones, and enjoy complimentary digital solutions to help them run and grow your business.

### NB-IoT

Narrow band – Internet of Things (NB-IoT) will help bring the digital intelligence of the Internet to our everyday lives. For example, improving the quality and accuracy of the services we encounter on a daily basis, such as the status of traffic lights, street lights, utility meters, public waste bins, as well as helping us keep track of things and people that are important to us, to name but a few. It will enable the deployment of more IoT solutions and bring business benefits to both the public sector and private businesses, as part of their digital transformation strategies.

To accelerate adoption, we set up an IoT Innovation Laboratory in 2018 to act as a bridge between Maxis' Enterprise customers and device manufacturers as well as solutions providers. Here, a free testing facility helps Enterprise solutions providers to go to market quicker. The lab is also used as an experiential showcase for customers to see demonstrations of fully tested NB-IoT solutions.

### Mobile Workforce

With the changing enterprise environment, the need for mobility is now a must for businesses. Employees are shifting from a time-based concept to a task-based concept, increasing the need to be connected in order to communicate and collaborate effectively. We introduced Mobile Workforce to enable businesses to be more mobile and productive, by providing a suite of solutions (ONEBusiness Flexi, Zerolution360 for Business, Managed Mobility and mWorkforce) to allow employees to work anytime, anywhere, providing the connectivity relevant to their needs.



## Business Review

# Our Network



There is no doubt that our lives now revolve around digital content and services, and the accelerating demand for high quality data to access such services can never be underestimated. This is why we take pride in the work and investments in our network, which has been at the forefront of the industry in terms of speed and quality.

### Our Mobile Network Leadership

Our network leadership has been a mainstay for Maxis, and it's not just what we say. In MCMC's 2018 Network Performance Report, Maxis came up top in the wireless broadband segment in terms of speed, response time and overall performance among all networks in Malaysia. We were also ahead in MCMC's Mandatory Standards for Quality of Service for download speeds, with the ability to receive speeds of at least 1Mbps 99.89% of the time. The report also showed that we had the highest average speed among six LTE-based players in the market, with a gap of 12 Mbps between us and the telco in second spot.

We are currently providing 4G LTE speeds at more than 3Mbps 95% of the time and more than 5Mbps 90% of the time at Key Market Centres. According to YouTube's Video Checkup, we offer the best high-definition (HD) video streaming experience in Malaysia. In providing an "Always On" experience, we have ensured that accessibility to high-speed Internet is made available to

our Home customers as well, at an average speed of 37Mbps.

Delivering the best network experience for customers is important to us, and we continue to invest significantly in this area. Over the past five years, we have invested an average of RM1 billion annually on our network and IT infrastructure. These significant investments ensure that our network consistently performs at the highest levels to cater to customer demands.

Today, our 4G LTE network covers 93% of the population, which is testament to the work that we have put in to create a superior mobile Internet experience for more customers, wherever they are. Having provided coverage in all major cities and towns, we have also seen massive adoption of 4G LTE along with an increase in 4G LTE device ownership, with penetration of blended smartphones at 83% as at December 2018. This adoption is driving an increase in video consumption, which comprises close to half of our total traffic. With over 80% of data traffic on 4G LTE, data usage per user has surged from an average of 6.7GB per month in Q4 2017, to an average of 10.9GB per month in Q4 2018. We expect this trend to keep growing as more HD content and new video services are made available to support a digital lifestyle.




**With an Always On proposition and customer experience as a priority, we see many opportunities beyond mobile, particularly in managed services for our Enterprise customers.**

### Managing Data Traffic Efficiently

During peak periods or special events where there are big spikes in data usage, our mobile network has been built to handle the strain of the exceptionally high data traffic. One such example is the 2018 World Cup campaign, when Maxis and Hotlink customers had the opportunity to stream all 64 matches on our fastest 4G LTE network.

To support the accelerating growth in data traffic, we have implemented a timely capacity upgrade, and incorporated smart spectrum planning to ensure the potential of our limited spectrum is maximised. Measures to manage the increase in 4G traffic without congestion include migrating part of our 2G spectrum to 4G. We also continue to work with our regulator, MCMC, to secure available spectrum to further enhance our coverage and keep our network capacity at high levels for the future.

Meanwhile, we have deployed new 4.5G technologies such as 4T4R, Bisector, Carrier Aggregation and High Order Modulation (256 QAM), which deliver download speeds of up to 500Mbps. We have also been upgrading our network backend with virtualisation of core data network functions for greater agility. To improve the quality of our indoor coverage, we are adopting a strategic approach on the placement of state-of-the-art high capacity small cells and antennas. In underserved areas, our collaboration with MCMC is critical on initiatives, such as VSAT backhaul and capacity enhancements via microwave, fibre and LTE relay.

 For more information on our efforts to connect the underserved, please see Our Community Outreach section on pages 67 to 72.

### Beyond Mobile Solutions, Always On Connectivity

With an Always On proposition and customer experience as a priority, we see many opportunities beyond mobile, particularly in managed services for our Enterprise

customers. To better serve them, we are modernising our next-gen IP network to connect more services with improved resiliency for uninterrupted service. We provide cloud hosting, cloud connectivity to public clouds such as AWS and Solution-as-a-Service (SaaS) such as mPOS and mDrive to enterprises. Our goal is to help businesses simplify and improve the way they work, taking the complexity out of technology and allowing them to interact with their customers efficiently.

### Leading a New Era in Fibre Broadband

2018 was an important year for the industry in Malaysia on the broadband front. When we launched our most affordable and worry-free broadband plans for homes and businesses in August 2018, our goal was to open up a whole new era of Always On, “peace of mind” fibre broadband for Malaysian homes and businesses. To this end, we have been working hard to provide better latency and speed through upgrading of routers and firmware for uninterrupted connectivity of their Internet experience. For enterprises, there are multiple business grade benefits, such as 4G wireless back-up for complete business continuity and peace of mind. This is supported by a robust network build, which to date is ready to support fibre speeds of up to 800Mbps.

An increasing number of our broadband customers are enjoying unlimited fixed and mobile broadband services in their homes. We expect our subscription numbers to accelerate further as we continue to grow our Home Fibre business through expanded accessibility of our services into even more homes across the country.

Equipped to provide the best fixed network solutions, we have upgraded our Core and fibre networks in line with our converged solutions ambitions. This has put us in a solid position as the only national access seeker, partnering with multiple providers to expand our offerings and coverage of fixed solutions throughout Malaysia.



## Business Review



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**We are already well positioned for 5G adoption through our network transport/backhaul and core, and are currently conducting demo trials in our test lab on gigabit mobile Internet and VR applications, among others.**

### Towards a Future of New Technologies

The next step in our ongoing network evolution is the support for 5G, which will herald a new era of smart solutions. We are already well positioned for 5G adoption through our network transport/backhaul and core, and are currently conducting demo trials in our test lab on gigabit mobile Internet and VR applications, among others. Results to date have been promising, with download speeds of over 3Gbps. We see 2019 as a year of further tests and trials followed by potential commercial deployment when four factors are in alignment: access to network technology; access to spectrum; access to compatible devices; and, importantly, customer digital lifestyle readiness.

Progressing from the success of our machine-to-machine (M2M) journey, we intend to expand our connectivity solutions through IoT technologies. Underpinning the mass deployment of smart things in the future, NB-IoT is a relatively new type of fit-for-purpose mobile network which can support millions

of these connected things in a single location, even if they are underground (e.g. parking lot). It is also low-cost, enabling mass rollouts, and operates on low power so if it runs on a battery, this will enable the management of devices or assets in the field to be extended for many years (e.g. in remote areas). NB-IoT trials are in progress, and we see endless possibilities of enhancing lives through smart solutions.

### Digitalisation at the Core with an Agile IT System

Our ambition for an Agile IT System is to lead in innovation as we deliver new digital solutions for our network. At the heart of our technology transformation are digital capabilities which are continuously strengthened. In 2018, we invested in more business IT solutions and developed Agile IT foundations through three CoEs to enhance our digital, big data and cloud capabilities. These will enable faster time to market of new innovative products and solutions for our customers, and an unmatched personalised experience through better interaction, personalisation and channel digitalisation.

### Setting Up for the Future

Our network is only as strong as the people behind it. To ensure that we are equipped with the right skills, we have established multiple platforms for them to acquire all the required competencies for the future. At our CoE, employees are being trained in AI, Machine Learning and Big Data. We have also initiated a “Technology Got Talent” programme, through which subject matter experts share their knowledge on topics such as Network Function Virtualisation (NFV), eSim Technology, IoT and Robotic Process Automation with colleagues.


For more information on our upskilling programmes, please see Our People section on pages 54 to 57.

With the right talent and technologies, we seek to create a next-generation intelligent multi-service network that will be central to a future of smart solutions for everyone in Malaysia.



For the video interview, scan this QR code or go to [www.maxis.my/Network18](http://www.maxis.my/Network18)

# Our Community Outreach



## LOCAL COMMUNITIES

As a digital enabler, we want to reach out and help communities to leverage technology and the Internet to bring a positive, long-lasting impact to their lives. Based on a desire to help the communities in which we operate, we focus on championing Education & Community Empowerment, Humanitarian Relief and Festive Charity.

## EDUCATION & COMMUNITY EMPOWERMENT

Our flagship community programme, eKelas, is an after-school initiative that provides access to digital learning to students in rural communities and helps them improve their academic performance. Classes are conducted by experienced teachers via video conferencing, through a combination of interactive digital content in the eKelas portal and live tutorials in line with the Malaysian school syllabus. The portal is home to exciting quality content that helps students with self-paced studies and to discover how to learn collaboratively.

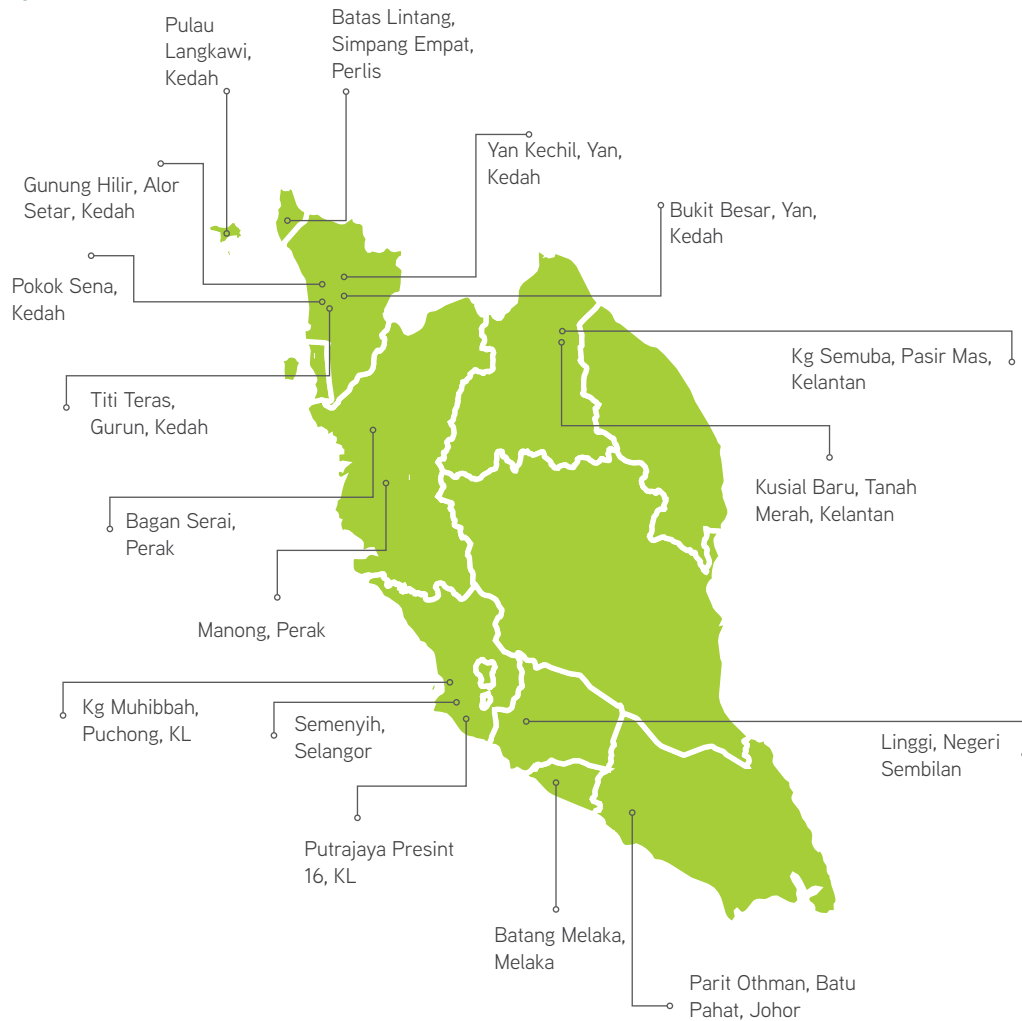
eKelas is made possible by our partnership with MCMC, as it is run at their Pusat Internet (Internet Centres) which serve as digital hubs for communities in underserved areas. Since its launch three years ago, eKelas has reached 6,400 students in Malaysia through 55 Internet Centres across 10 states.





## Our Community Outreach

### eKelas Footprint



#### North

Pokok Jawi, Kangar, Perlis  
Padang Besar Selatan, Kuala Perlis, Perlis

#### Central

Putrajaya Presint 9 Fasa 3  
Putrajaya Presint 9 Fasa 10  
Putrajaya Presint 18  
PPR Kampung Batu Muda, KL  
PPR Seri Semarak, Setapak, KL  
PPR Kampung Baru Air Panas, Setapak, KL  
PPR Intan Baiduri, KL  
PPR Pinggiran Bukit Jalil, KL  
PPR Taman Beringin, Jinjang, KL  
PA DBKL Desa Rejang, KL

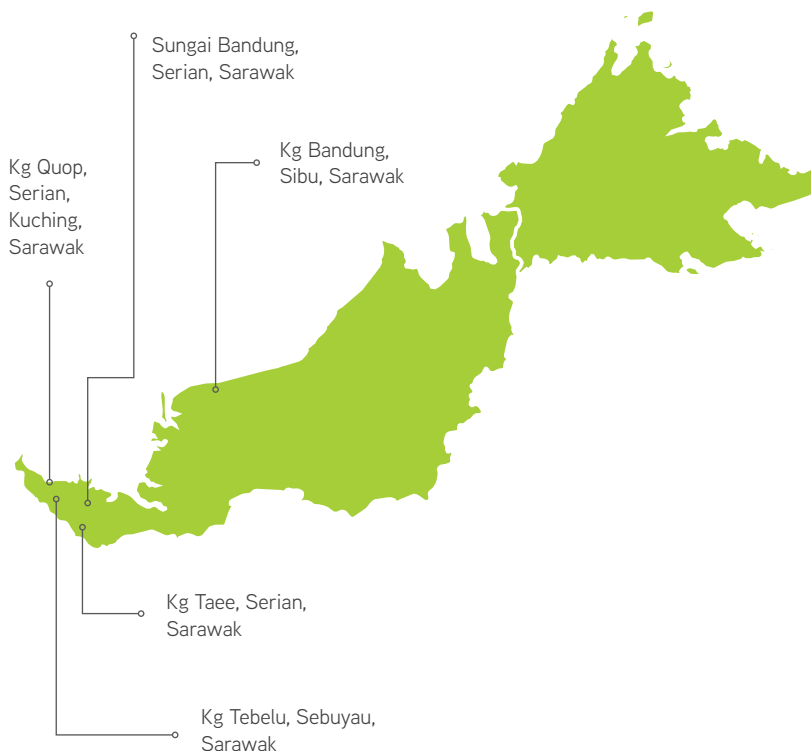
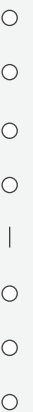
#### East Coast

Kampung Selising, Pasir Puteh, Kelantan  
Kampung Chengal, Ketereh, Kelantan  
Kampung Gong Kulim, Kelantan  
Kampung Lawang, Tanah Merah, Kelantan  
Kesedar Chalil, Gua Musang, Kelantan  
Kampung Karangan, Kuala Krai, Kelantan  
Kampung Kajang Sebidang, Tumpat, Kelantan

## Our Community Outreach



In 2019, eKelas will be expanding to new target groups – Primary 6, Form 4 and Form 5 – in addition to the current Form 1 to 3 students. This is aimed at reaching out to more students and communities across Malaysia. It also gives an opportunity for students in the critical examination years to leverage eKelas to prepare for UPSR, PT3 and SPM exams with access to a wide range of content on the portal and live tutorials.



### ■ South

Semangar Dalam, Kota Tinggi, Johor  
Tanjung Piai, Pontian, Johor  
Paya Jakas, Segamat, Johor  
Felda Sungai Lui, Jempol, Negeri Sembilan  
Kota Pekan, Kota, Negeri Sembilan  
Felcra Sungai Ara, Kota Tinggi, Johor

### ■ East Malaysia

PPR Dahlia, Sarawak  
Kampung Luak, Miri, Sarawak  
Kampung Pandan, Lundu, Sarawak  
Machan, Kanowit, Sarawak  
Melugu, Sri Aman, Sarawak  
Kampung Telaga Air, Kuching, Sarawak  
Kampung Lambir, Miri, Sarawak  
Kampung Sibuti, Miri, Sarawak

## Our Community Outreach



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**With eKelas, I have access to concise notes and simple formulas that are easier to understand. My English has improved the most. I also appreciate the Anugerah Gemilang eKelas given by Maxis as it encourages students like me to work harder.” ~ Nur Aishah Sofia binti Jamila, eKelas student**

The following were key events and activities in 2018 that helped students develop their knowledge and be inspired by eKelas:

### ***Anugerah Gemilang***

To motivate eKelas students to do well, we introduced the Anugerah Gemilang eKelas (Student Grant) which is awarded to students that have demonstrated the most progress

academically on an annual basis. Awarded students would have needed to achieve a minimum of one grade improvement in their Science, Mathematics and/or English subjects in their school's final semester examination. Since its introduction in 2017, 11 successful students have been awarded with cash grants totaling RM1,200 each for improvement in all three subjects and RM600 each for improvement in two subjects, as savings into their Skim Simpanan Pendidikan Nasional together with school packs.

### ***#MaxisMotivates***

In 2018, we introduced #MaxisMotivates, where students are exposed to new knowledge and inspired by stories and real-life experiences of our own employees as well as external speakers. During these motivational sessions, students also took part in group activities to learn about collaboration, resilience and teamwork. During the year, we completed 19 sessions at various Internet Centres.

### ***Holiday Camp***

Every two years, our eKelas students look forward to the highly anticipated and exciting Holiday Camp, where the most dedicated eKelas students are selected to take part in fun activities, inspiring workshops, field trips and educational visits.

In 2018, a total of 100 students from 24 Internet Centres were chosen for the Holiday Camp which was held at Universiti Kebangsaan Malaysia (UKM), giving them a taste and feel of true campus life. The Holiday Camp also provided students the opportunity to meet fellow eKelas friends and teachers face-to-face for the first time.

### **Measuring Impact of eKelas (2018)**

Measurement	Indicators	2017	2018
Improvement in subjects taught in eKelas	Number of Anugerah Gemilang student grant award recipients	11 award winners – three improved in all three subjects and eight improved in two subjects	24 award winners – three improved in all three subjects and 21 improved in two subjects
Student participation in English drama competition	Number of video submissions for English drama competition	50	54

## Our Community Outreach

### eCikgu

In 2018, we introduced eCikgu, a new feature in the eKelas portal that enables students to connect with teachers via a chat forum. The feature aims to encourage greater interaction, participation and engagement with teachers and peers. eCikgu has the benefits of immediate student attention and community interaction.

### Improving Digital Literacy and Online Safety

Aligning with Klik Dengan Bijak, MCMC's well-established initiative advocating positive and responsible Internet usage, we conducted a train-the-trainer session for a pool of more than 150 Internet Centre managers on Internet safety for eKelas students. We collaborated with Google for this session, which was aimed at equipping the Managers with the right digital tools and knowledge, such as creating secure passwords, staying safe from scams and responding to cyber-bullying. More than 400 students were trained by these dedicated Managers in 2018.

We remain committed to playing a prominent role in contributing to the nation through digital learning for even more students in rural communities in Malaysia to leverage the power of technology.

### FESTIVE CHARITY

Our community outreach includes various charity programmes during festive seasons. Our goal is to create a sustainable impact on these communities through the power of technology, and our initiatives in 2018 were a reflection of this commitment.

### A Helping Hand for Rumah Charis Residents

In preparation for the Chinese New Year celebrations, residents of Rumah Charis, an old folks home in Penang, got a fresh look for their premises when Maxis volunteers painted and cleaned up the interior and exterior of the home, and helped to put up decorations. Residents also had the opportunity to experience a first-of-its-kind augmented reality HuatAR Ang Pao.

### Fuelling the Passion of Local Entrepreneurs

As part of the Raya celebrations, we had the opportunity to help the local entrepreneurs of FELCRA Sungai Ara in Kota Tinggi, Johor with a digital marketing workshop to optimise their business using social media, content creation, photography and basic accounting.

### How a Remote School Got a Makeover They Deserved

In conjunction with Deepavali, SJKT Ladang Escot in Tanjung Malim, Perak got a school makeover by Maxis volunteers, which included creating space for a new classroom and study area, and equipping the school's ICT room with new PCs, WiFi broadband, a flatscreen TV and a printer. Students and teachers also got to expand their knowledge through an Internet Safety Workshop.

### Advocating the Far-Reaching Benefits of Technology

In 2018, the local Bidayuh community of Kampung Quop in Samarahan, Kuching, Sarawak got more than Christmas cheer. Discovering new ideas using the Internet as a powerful tool for business, 30 entrepreneurs were coached by Maxis volunteers on how to optimise their business using social media, content creation and photography. We also conducted digital literacy workshops for 60 students from surrounding communities.



## Our Community Outreach

### Other Campaigns

Special occasions during the year give us an opportunity to do something impactful for our local communities. In celebrating Mother's Day, Father's Day and Parent's Day, we teamed up with Parents without Partners (PWP), a non-profit organisation, to help PWP reach out to more customers through Maxis' eCommerce platform. With PWP raising funds through its physical store selling pre-loved donated goods, we saw the potential in digitalising their store to empower the team through technology and the Internet.

In 2018, Maxis became the lead broadcast sponsor for RTM's coverage of the 2018 FIFA World Cup Russia™. The sponsorship, amounting to RM18 million, underlined our shared national aspirations in making sports accessible to everyone in the country.

Meanwhile during Merdeka, we collaborated with the Department of Wildlife and National Parks (PERHILITAN) to play our part in supporting the conservation of endangered animals. Through our Endangered Malaysians project and working with partners, we immortalised and celebrated these animals through the power of technology and photography. The photos were made available on our website and Facebook page as part of the #KitaRakyatMalaysia pledge to encourage more Malaysians to play a role in protecting these endangered animals.

As a result of thousands of public pledges and Maxis' own donation, we presented RM25,000 to PERHILITAN to support its conservation efforts. The campaign garnered over six million views of our campaign videos on YouTube and Facebook. We also created awareness of this project among youth by conducting art workshops for more than 200 eKelas students from 15 Internet Centres, followed by a colouring and drawing competition based on the project's theme. Winners were treated to field trips to wildlife sanctuaries.

### HUMANITARIAN RELIEF

Our humanitarian relief priorities include assisting emergency services organisations with their connectivity requirements, restoring services to our customers and premise clean-ups. Where necessary, we provide temporary mobile base stations to boost coverage for the emergency services or relief centres. As post-flood initiatives, we help our dealers restore their businesses and affected communities rebuild their lives.

In 2018, we teamed up with Astro to help raise funds for Tabung Bencana Gempa Bumi & Tsunami Sulawesi. This

followed the cataclysmic earthquake and tsunami that hit Central Sulawesi, and in response to the Malaysian Prime Minister's call for ASEAN countries to help our neighbour. Maxis and Astro made a joint contribution of RM5 million to the Fund, which was to aid the restoration of Sulawesi, particularly in rebuilding schools and communities.

### VOLUNTEERISM THROUGH M SQUAD

All our community initiatives are supported by a robust volunteerism programme, M Squad. We are proud to see our people dedicated to both our corporate goals as well as our social contributions, where they get involved and contribute in areas they are passionate about.

Our M Squad continued to volunteer their time through a variety of causes, offering exciting opportunities for our employees to participate and immerse themselves in various community outreach programmes. In 2018, M Squad members clocked in 5,397 volunteer hours, up 122% from 2,435 hours in 2017, reflecting a total value of RM255,595\*. To date, close to one-third of our employees participate in this programme.

\* Total value of volunteer hours is calculated as follows:

$$\text{Volunteering value} = \text{Average Hourly Rate} \times \text{Total Maxis Volunteering Hours}$$

### EMPOWERING DIGITALISATION

We understand the importance of connectivity for all Malaysians. For underserved communities, we continued to work closely with MCMC in the TIME 3 projects, an initiative to build mobile tower and base stations in these areas. A total of 1,700 underserved locations nationwide now have access to 2G and 3G services, made available through Domestic Roaming and Radio Access Network (RAN) sharing with other service providers.

We have also installed and deployed 334 WiFi Komuniti locations nationwide so far, to ensure there is wireless broadband access for the rural population as part of the Universal Service Provision (USP) initiative. Through 118 Internet Centres under Maxis' care nationwide, we play a key role in facilitating the adoption of ICT and digital lifestyles. Apart from offering Maxis' own eKelas programme, these centres also offer various ICT workshops for the community.

We will continue to leverage digitalisation and technology to create a meaningful impact on lives in rural communities. Our community investments help to ensure that more and more people have access to the benefits that digital technology can bring to their lives.



# Our Environment



We are always looking at how we can mitigate our impact on the environment. Improving our energy efficiency and reducing our greenhouse gas emissions across our network continued to be a priority in 2018. Beyond this, we also help address resource efficiency in terms of office and mobile e-waste management.

## ENERGY & EMISSIONS

### Energy Use and Efficiency

We continued to drive energy efficiency initiatives across our network and facilities by adopting innovative technology and energy-efficient equipment. This was primarily carried out at our Technical Operations Centres (TOC) and base stations (BTS).

Key initiatives at TOC include:

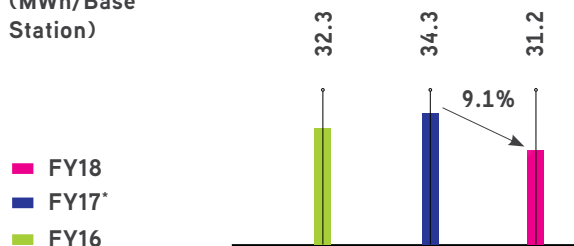
- Integrating energy efficiency requirements within our supplier selection processes, enabling us to install energy-saving features directly within our computer servers and to select high-performance power and cooling solutions whenever we need to retrofit or add new capacity;
- Replacing old air conditioning units used to cool our computer rooms with more energy-efficient models;
- Installing Low Voltage Energy Optimise System (EOS) to modernise power systems and leverage new technology; and
- Increasing the temperature set point in our data centre server rooms and in our switching centres to reduce the amount of cooling required.

Key initiatives at BTS include:

- Installing free cooling unit (FCU) technology to reduce 80% (average) of energy usage from cooling demand;
- Deploying hybrid solutions – a combination of diesel generators and batteries that cut diesel usage;
- Powering remote base stations using renewable energy sources i.e. full and hybrid solar power system;
- Increasing the temperature set point to reduce the amount of cooling required;
- Reduce Carrier Power for RAN share sites to lower power consumption at low usage periods during the day; and
- Shutting down 3G carriers in areas with high penetration of 4G devices.

As a result of these initiatives, our average energy consumption per Base Station was reduced by 9.1% in 2018.

**Average Energy Consumption per Base Station (MWh/Base Station)**



\* 2017 figures have been updated from what was disclosed last year to reflect the full-year data.

## Our Environment

### Our Greenhouse Gas Emissions

Our largest source of greenhouse gas (GHG) emissions is electricity consumption. This accounts for 95% of our total GHG emissions with our network sites being the largest consumers of electricity. In 2018, our total emissions reduced by 3.3% from 2017. Our ongoing programme of energy efficiency initiatives contributed to this reduction.

### WASTE

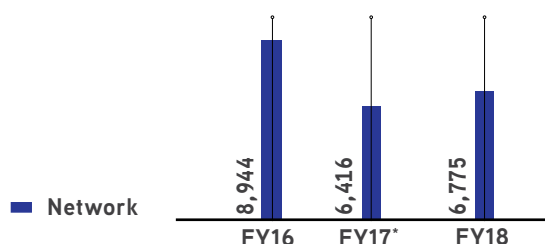
We continuously look for new ways to improve our waste management from two operational perspectives: office waste and mobile e-waste. Apart from minimising our impact on the environment, this helps us to save money.

#### Office Waste

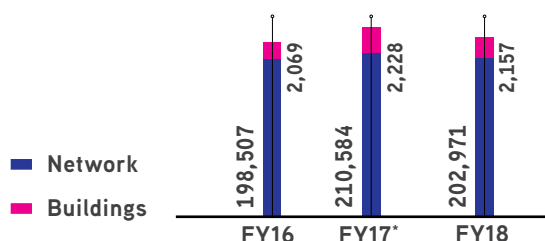
We are now in our third year of partnership with Pertubuhan Kebajikan Masyarakat Melalui Kitar Semula (CRC) to recycle our office waste. Funds collected from our recycling efforts are donated to charity. We registered a 30% reduction in total waste collected in 2018 vs 2017 with our continuous green awareness.

#### Total Emission (CO<sub>2</sub> tonnes)

Direct emissions e.g. from fuel and gas usage

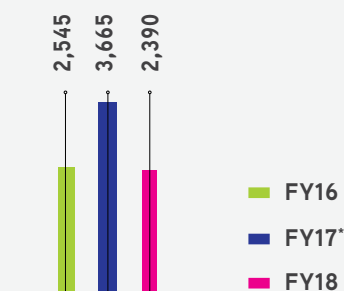


Indirect emissions e.g. from electricity consumption

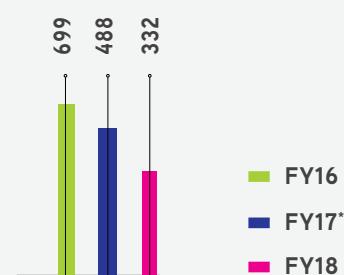


#### Waste Collection at Maxis

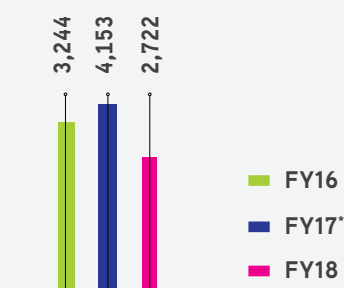
##### Total Recyclables (kg)



##### Total Non-recyclables (kg)



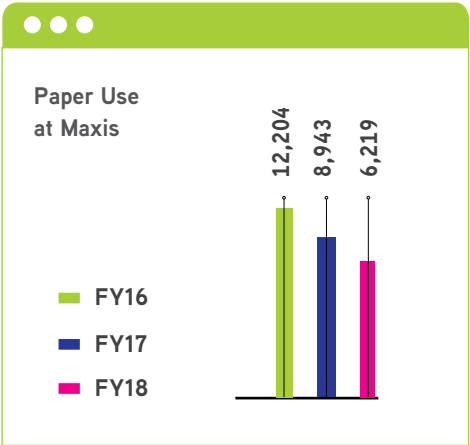
##### Grand Total (kg)



#### Note:

\* 2017 figures have been updated from what was disclosed last year to reflect the full year data.

Our Environment



Our increasingly digital work environment is showing continuous improvement in paper usage. In 2018, we reduced our usage further by 30.0%.

Mobile e-waste at Maxis Retail Stores

In support of MCMC’s Mobile e-Waste initiative, we have a total of 12 e-waste bins placed at selected Maxis Centres nationwide. We have also extended the programme to 10 selected Internet Centres under our care in Negeri Sembilan, Perlis, Kedah, Kelantan and Sarawak.

Four key initiatives in our mobile e-waste recycling programme were:

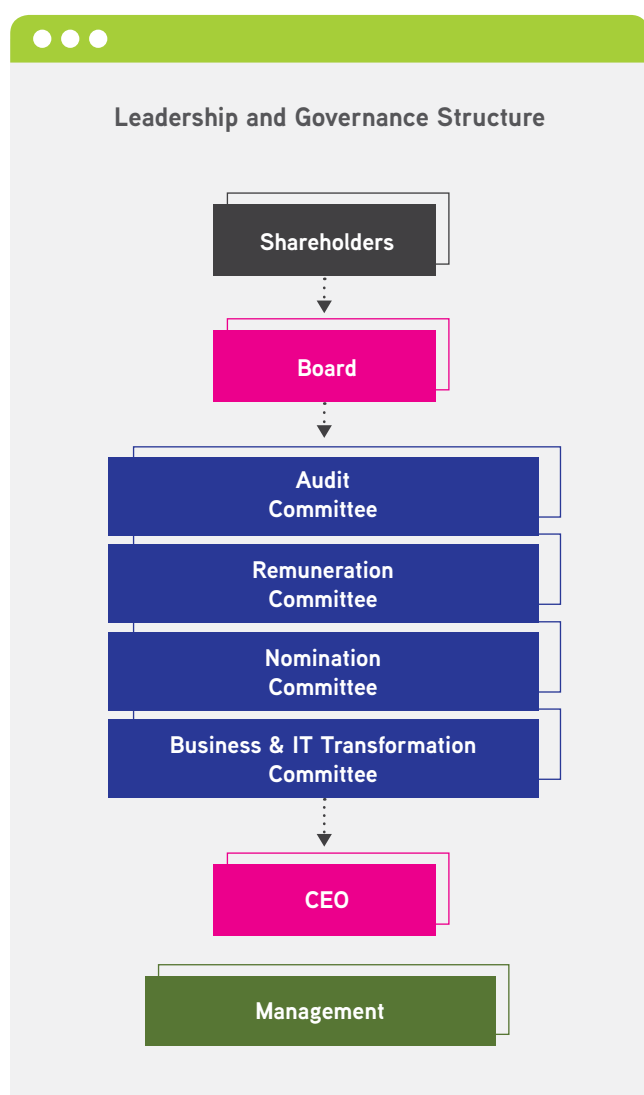
- Awareness campaign for Maxis employees to recycle their mobile phones and accessories through the e-waste bins provided.
- Participation in International Recycling Day where Maxis employees recycled their mobile e-waste.
- Interactive sessions with members of the public on the importance of recycling mobile e-waste in a safe manner.
- To encourage customers to drop their mobile e-waste into our collection boxes, we gave a promotional discount of 20% on selected mobile accessories at Maxis Centres.

We remain committed to protecting our planet by minimising our environmental impact through responsible and sustainable practices. We also continue to undertake our green initiatives which are focused on increasing the energy efficiency of our network facilities and buildings as well as reducing and managing our carbon emissions; managing our waste effectively; and promoting green habits amongst our employees.

# Corporate Governance Overview

The Board is pleased to provide an overview of the Company's corporate governance practices, which summarises the Company's application of the Principles and Recommendations of MCCG 2017 during the financial year ended 31 December 2018.

Details of the Company's application and departures, including alternative practices of the Principles and Recommendations of MCCG 2017 are provided in the Corporate Governance Report 2018, which can be found at [www.maxis.com.my/corp](http://www.maxis.com.my/corp). The departures are in Practices 4.1 (that the Board comprises majority independent directors), 4.5 (the Board has at least 30% women directors), 7.2 (disclosure of remuneration of senior management in bands of RM50,000) and 12.3 (leveraging technology for remote voting). Both this Overview and the Corporate Governance Report 2018 were approved by the Board on 15 February 2019.



**Note:**

The Board has adopted the highest standard of corporate governance by setting the tone at the top.

## A. BOARD LEADERSHIP AND EFFECTIVENESS

### Board Composition

The Maxis Board comprises nine Directors, of whom four are Independent Non-Executive Directors; four are Non-Executive Directors and one is an Executive Director. The Chairman is an Independent Non-Executive Director. The Directors present a diverse mix of qualifications covering accounting, finance, engineering, human resources and law whilst their collective skills and expertise include general management, international venture capital, technology/digital/media, finance and treasury, marketing, telecommunications, human resources/people and regulatory/local affairs.

The Board is of the view that its composition and size are adequate for the effective discharge of its functions and responsibilities. With its diversity of qualifications and skills, and the governance structure of the Committees and Board, the Board has been able to provide clear and effective collective leadership to the Group and has delivered informed and independent judgment of the Group's strategy and performance to ensure the highest standards of conduct and integrity are always at the core of the Group's undertakings. None of the Non-Executive Directors participate in the day-to-day management of the Group.

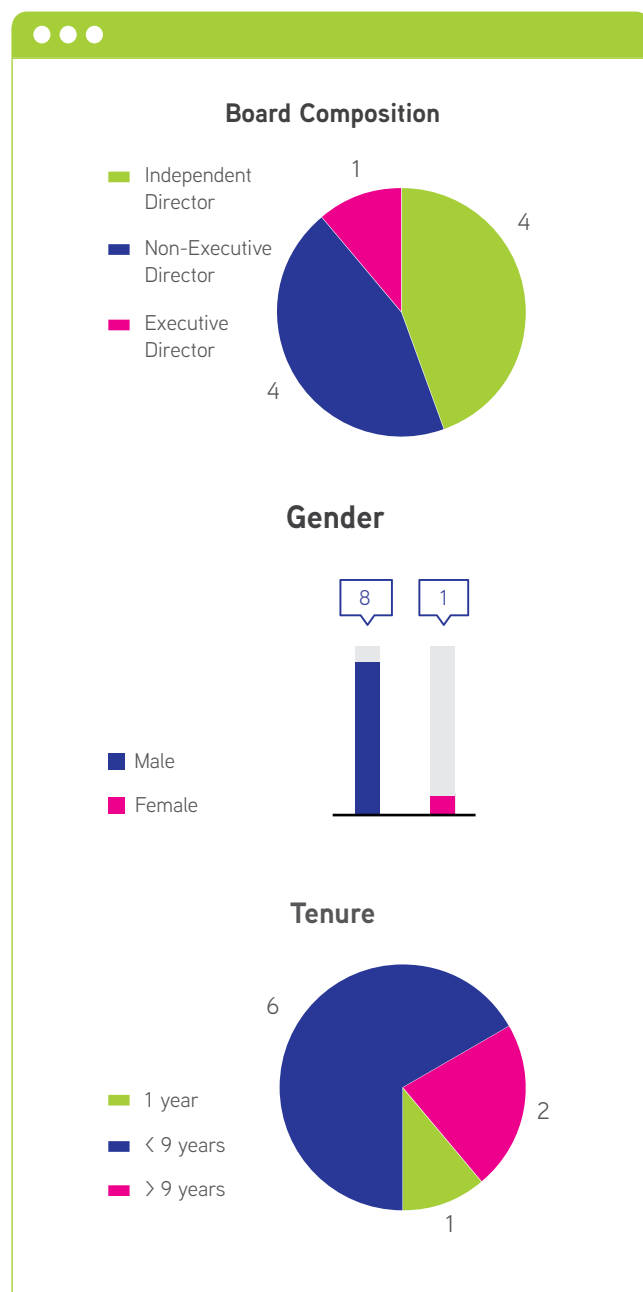
The Audit, Nomination and Remuneration Committees comprise a majority of Independent Directors. The presence of Independent Non-Executive Directors on the Board and its Committees is essential to providing unbiased and impartial opinion, advice and judgment to Board deliberations. This ensures the interests not only of the Group, but also of shareholders, employees, customers, suppliers and other communities with which the Group conducts its business are well-represented and taken into account.

Assessment of the independence of each Independent Non-Executive Director was undertaken twice in 2018 according to the criteria as prescribed by MMLR. As recommended by MCCG 2017, the tenure of directorship of not more than nine years was taken into consideration, and the specific tenures of Directors were duly reviewed by the Nomination Committee (NC) and Board. The relevant processes and procedures have been provided for in the Board Charter and Terms of Reference of the NC.

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (RA) and Tan Sri Mokhzani bin Mahathir (MM) exceeded the cumulative tenure of nine years after 16 October 2018. Following a review by the NC and Board, save for RA and MM, the two Directors have been considered suitable to continue to act as Independent Directors. Shareholders at the Ninth AGM held on 19 April 2018 approved the resolutions for RA and MM to continue as Independent Directors up to 17 October 2019. The NC and Board have further reviewed the suitability of RA and MM to continue

## Corporate Governance Overview

for another term of independence from 18 October 2019 to 17 October 2020 respectively. The shareholders are requested to review the justifications as found on page 78 of the Annual Report 2018 and in the Notice of Tenth AGM on pages 233 to 237.



### Roles and Responsibilities of Directors

- The Directors are responsible for the management of the Company, with powers as defined in the Constitution, the Companies Act 2016 and applicable regulations.
- Directors are aware of their duties, responsibilities and time commitment as members of the Board.

- The Board Charter sets out clearly the roles and responsibilities of the Board, the Chairman, Chief Executive Officer (CEO), Senior Independent Director and Secretary.
- Limits of Authority with clear delegation of authority to the CEO and Management are specified in Maxis' Manual of Limits of Authority (LOA) and the Board Charter.
- Directors regularly attend talks, briefings and utilise online learning tools and reading materials to keep apprised of operational, legal, regulatory and industry matters, and, to assist in the discharge of their functions.

In 2018, the Maxis Board reviewed, deliberated and approved (where specifically required) the following: Maxis' detailed business and operations, customer service and consumer insights, financial results, cashflow, funding requirements, proposed dividends, investor relations briefings, Network and Information Technology systems and security, People and Organisation that included appointment of key management positions (CEO, CFO and COO), updates on personnel movement, key performance indicators, employee engagement, succession, talent and retention planning, risk management and internal controls, budget and Annual Operating Plan for 2019, corporate sustainability, new Constitution of the Company, related party transactions, strategic and emerging issues, appointment of new Director and specific corporate and operational matters that required its approval.

### Roles and Responsibilities of the Chairman and CEO

The roles of the Chairman and CEO are clearly separated and the Chairman was not previously a CEO of the Company. The Board Charter specifies the duties of the Chairman and the CEO. The CEO's Key Performance Indicators are reviewed and tracked by the Remuneration Committee.

### Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR, Companies Act 2016 and applicable laws and regulations. The Company Secretary is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators and is a qualified lawyer, with postgraduate qualifications. She has over 25 years of company secretarial and governance experience.

### Meetings and Access to Information

Seven Board meetings were held during the financial year, and the details of the Directors' attendance can be found in their respective Directors' profiles on pages 5 to 9.

Directors were given due notice of proposed meetings held during the financial year. Board meeting materials were shared and uploaded electronically for Board members



## Corporate Governance Overview

prior to such meetings. Directors also participated in Board meetings and Committee meetings in person or via conference calls. Minutes of the meetings were circulated to all members of the Board. Board members are encouraged to ask clarifications, questions or additional information prior to or during the meetings to facilitate effective decision making.

Additionally, throughout the year, the Board was furnished with ad-hoc reports/updates to keep apprised of key business, financial, operational, emerging issues, corporate, legal, regulatory and industry matters, as and when the need arose. The Board's engagement with Management fosters a healthy, transparent, dynamic and aligned corporate culture. Members of Management gave their full support to the Board.

### Board Committees

The Board is supported by four Board Committees, namely the Audit, Nomination, Remuneration and Business and IT Transformation Committees. These Committees play a significant role in reviewing matters within their respective Terms of Reference, and facilitate the Board's discharge of its duties and responsibilities. Each of the Committee has specific Terms of Reference, scope and authorities to review matters tabled before the Committee prior to decision-making by the Board as a whole. The Audit, Nomination and Remuneration Committees comprise a majority of Independent Directors and are chaired by Independent Directors. The Business and IT Transformation Committee comprises a majority Non-Independent Directors. In addition, the Board is supported by ad-hoc operational and governance committees with defined scopes formed from time to time to facilitate the Board in the discharge of their duties.

At every Board meeting, the Chairmen of the respective Committees provide detailed summaries of the reports, deliberations and recommendations made at their respective meetings for the Board's further deliberation, and recommend matters that require decisions by the Board. Minutes of the Committee meetings are made available to all members of the Board.

### Appointments to the Board

The NC makes independent recommendations for selection and appointments to the Board, based on criteria which they develop, maintain and review based on applicable laws and regulations. The NC may consider the use of external consultants in the identification of potential directors.

In making these recommendations, the NC assesses the suitability of candidates, taking into account the Board's required mix of skills, diversity, knowledge, industry exposure, expertise and experience, professionalism, integrity, competencies, time commitment and other relevant qualities of the candidates, before recommending their appointments to the Board for approval.

### Board Diversity Policy

The Board recognises the importance of diversity in its composition to ensure effectiveness and good corporate governance. The NC and Board regularly review the composition of the Board to ensure the proper discharge of its functions and obligations. All Directors are appointed on a robust process, based on merit and in line with the standards as set out in Para 2.20A of the MMLR. The background of each Director can be found on pages 5 to 9, demonstrating the Board's diversity policy.

### Board Evaluation and Effectiveness Assessment

In 2018, the Chairman of the NC oversaw the overall evaluation process while the responses were reviewed and analysed by the NC, before the assessment was tabled and communicated to the Board. In addition, the individual Directors also conducted self-assessments, the results of which were also shared with the Board. The Board agreed on action points moving forward including specific training needs.

### Re-election of Directors and Tenure of Independent Directors

The NC and Board also reviewed the suitability of the following Directors due for re-election at the Tenth AGM:

- (i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
- (ii) Tan Sri Mokhzani bin Mahathir
- (iii) Mazen Ahmed M. AlJubeir
- (iv) Abdulaziz Abdullah M. Alghamdi

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (RA) and Tan Sri Mokhzani bin Mahathir (MM) were appointed as Independent Directors on 16 October 2009 and they both have served as Independent Non-Executive Directors for cumulative terms of more than nine years. The shareholders have on 19 April 2018 approved the resolutions for RA and MM to continue to act as Independent Directors from 18 October 2018 to 17 October 2019. In accordance with MCCG 2017, the Board through the Nomination

## Corporate Governance Overview

Committee (NC) has undertaken relevant assessments and recommended for the two Directors to continue to serve as Independent Non-Executive Directors based on the following justifications:

- (a) RA and MM have each fulfilled the criteria under the definition of Independent Director as stated in the MMLR.
- (b) RA and MM have demonstrated their independence when providing their contribution as members of the Board in considering Board-related matters and in discharging their responsibilities as Directors.
- (c) The length that they have remained in office does not interfere with their respective abilities to exercise independent judgment as Independent Directors.
- (d) RA and MM, together with the other Independent Directors, each function as a check and balance to the Board and exercise objectivity as Directors.
- (e) RA and MM each has vast experience, knowledge and skills in a diverse range of businesses and therefore provides constructive opinion, counsel, oversight and guidance as Directors.
- (f) Each of RA and MM has devoted sufficient time and attention to his professional obligations to Maxis for informed and balanced decision making.

The NC and the Board are satisfied that each of RA and MM is able to exercise independent judgment and has the ability to act in the best interests of the Company. Each of RA and MM has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director and has contributed in the following roles: RA as Chairman of the Board and NC, member of the Remuneration Committee (RC) and the Audit Committee (AC) while MM as Chairman of the AC and a member of the NC and RC. MM has also been appointed as the Senior Independent Director of the Board.

Each of the interested Directors above abstained in the deliberations at the NC and/or Board Meetings relating to their respective appointments.

### Training and Development of Directors

The Board has taken steps to ensure that its members have ongoing access to appropriate continuing education programmes. Training includes talks, online tools, reading materials, briefings and seminars by subject matter experts. The NC and the Board assess the training needs of each Director on an ongoing basis, by determining areas that would best strengthen his/her contributions to the Board.

Amongst others, training programmes included:

- (i) Orientation and familiarisation programmes for new appointments. During the year, Abdulaziz Abdullah M. Alghamdi was appointed as a Director. He completed the Mandatory Accreditation Course as prescribed by the MMLR on 30 November 2018, which was within four months from the date of his appointment. He also attended a detailed orientation and familiarisation programme at Maxis that included briefings on all areas of operations and visits to the operation centres.
- (ii) Regular briefings/updates (some by external advisors) on various matters including governance and those relating to the industry. This included a talk by Vodafone on partnership and digitalisation, and a two-day offsite meeting in Penang, that included market visits, and engagements with dealers, employees and corporate customers from the Northern region.
- (iii) During the year, the Audit Committee was briefed on an external Quality Assurance Review conducted by an external expert from the Institute of Internal Auditors Malaysia and on Enterprise Risk Management by an independent consulting firm.

In addition, online learning tools are made available to all Directors, and the external auditors share relevant publications with all the Directors. Members of Management regularly update the Board on operational, technology, financial and regulatory developments.

### Remuneration of Directors and Maxis Management Team

Formal and transparent remuneration policies and procedures have been put in place to attract and retain Directors of the calibre needed to run the Group successfully and create value for shareholders. In Maxis, the remuneration for Executive Directors is structured so as to link rewards to corporate and individual performance. The Remuneration Committee oversees the structure for the remuneration of the Directors and Maxis Management Team. In the case of Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken.

Remuneration of our Non-Executive Directors is subject to annual approval by shareholders. Directors' remuneration packages comprise fees, basic salaries and bonuses (for Executive Directors), benefits-in-kind and other benefits.

The aggregate emoluments received by the Directors of the Company during the financial year ended 31 December 2018 are as stated on the following page:

## Corporate Governance Overview

### Directors Fees/Salaries and Other Benefits

Name of Director	Received or to be received from the Company		Received or to be received from a subsidiary				Total Amount
	Fee	Benefits-in-Kind	Salaries	Bonus and incentives	Other Short-Term Benefits	Benefits-in-Kind	
	RM	RM	RM	RM	RM	RM	RM
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	486,632	51,259	-	-	-	-	537,891
Tan Sri Mokhzani bin Mahathir	376,475	-	-	-	-	-	376,475
Robert Alan Nason <sup>(1)</sup>	89,520	-	Please refer to page 144 of the Annual Report 2018.				89,520
Dato' Hamidah Naziadin	340,020	-	-	-	-	-	340,020
Mohammed Abdullah K. Alharbi	270,012	-	-	-	-	-	270,012
Naser Abdulaziz A. AlRashed <sup>(2)</sup>	149,523	-	-	-	-	-	149,523
Mazen Ahmed M. AlJubeir	290,016	-	-	-	-	-	290,016
Abdulaziz Abdullah M. Alghamdi <sup>(3)</sup>	87,754	-	-	-	-	-	87,754
Lim Ghee Keong	290,016	-	-	-	-	-	290,016
Alvin Michael Hew Thai Kheam	305,154	-	-	-	-	-	305,154
Dr. Kaizad B. Heerjee <sup>(4)</sup>	162,588	-	-	-	-	-	162,588
Morten Lundal <sup>(5)</sup>			Please refer to page 144 of the Annual Report 2018.				

#### Notes

Save as disclosed above, no other remuneration has been paid to the Directors by the Company and/or its subsidiaries.

<sup>(1)</sup> Appointed as CEO/Executive Director on 1 April 2018.

<sup>(2)</sup> Resigned as Director on 20 July 2018.

<sup>(3)</sup> Appointed as Director on 4 September 2018.

<sup>(4)</sup> Resigned as Director on 7 August 2018.

<sup>(5)</sup> End of contract as CEO and resigned as Director on 31 March 2018.

## B. EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit Committee, Risk Management and Internal Control Framework

The roles, responsibilities and activities of the Audit Committee in respect of effective audit and risk management are explained in the Audit Committee Report on pages 84 to 87 of the Annual Report. The Group has the following processes in place for effective audit and risk management.

#### (i) Accountability and Audit

The Directors endeavour to present a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects. This also applies to other price-sensitive public reports and reports to regulators.

#### (ii) Related Party Transaction (RPT)

The Group has in place review and approval processes and procedures for RPT to ensure that the transaction prices, terms and conditions of agreements and the quality of products/services are comparable with those prevailing in the market. This is to ensure that the terms of the transactions are neither favourable to the related party nor detrimental to the Group's minority shareholders. The Group tracks the status of mandated Recurrent RPTs monthly to ensure all transactions are within the limits and plan the compliance processes if required.

## Corporate Governance Overview

### (iii) Risk Management and Internal Control

The Board affirms its overall responsibility for the Group's System of Risk Management and Internal Control and for reviewing the adequacy and effectiveness of the system. The Audit Committee, supported by Internal Audit Division, provides an independent assessment of the effectiveness of the Maxis Enterprise Risk Management (ERM) framework and reports to the Board yearly. Key elements of the Group's control environment include Organisation Structure, Audit Committee, Internal Audit, Code of Business Practice, Revenue Assurance, Subscriber Fraud Management, Business Continuity Planning, Regulatory, Legal, Company Secretary, Limits of Authority, Policies and Procedures, Financial and Operational Information and Systems and Information Security.

Detailed reports on the Group's Audit and Risk Management can be found on pages 84 to 87 and 88 to 93 of this Annual Report. Both reports were approved by the Board on 15 February 2019.

## C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

### Communication with Stakeholders and Conduct of General Meetings

The Board recognises that our shareholders have a legitimate right to know how the Company is doing and endeavours to provide timely disclosure to shareholders, releasing all required/material announcements immediately when matters are triggered.

Other than to issue our Annual Reports and release our financial results, Maxis has been promoting proactive engagement and communication with our shareholders and other stakeholders through press releases, an online Investor Relations section and online News Room which can be accessed at [www.maxis.com.my](http://www.maxis.com.my). Please also refer to the Key Stakeholder Engagement section on page 50 of this Annual Report. Maxis has provided the relevant contact details for queries and/or concerns regarding the Group under the Corporate Information Section.

### Our Commitment to Communicating with Our Shareholders

Maxis is committed to maintaining high standards of corporate disclosure and transparency. Our disclosure policy is based on the following three key principles:

- (i) Maintain open and regular communication with all shareholders;
- (ii) Disseminate financial and strategic updates in a timely and transparent manner; and
- (iii) Ensure equal treatment and protection of shareholders' interests.

Maxis has embarked on a three-year integrated reporting journey to provide more comprehensive and transparent disclosure of our objectives, strategies and performance.

### Sustainability Management

Maxis is committed to ensuring that our strategic plans support long-term value creation and incorporates the key principles of EES in underpinning sustainability. Our sustainability strategy is currently led and driven by the CEO, with progress and key developments escalated to the Board. The CEO, together with the management team meets with key divisions and project teams on a weekly and monthly basis to ensure oversight of execution of strategies, initiatives and achievement of targets. The CEO and Management team have also validated the material matters as detailed on page 49.

To further institutionalise sustainability within our business processes and operations, we are in the process of formalising a Sustainability Steering Committee. This committee will comprise members of key business units and will also look towards integrating sustainability within the business operations

### AGM

The Board has taken reasonable steps to encourage shareholder participation at general meetings.

- (i) Shareholders are encouraged to participate in the Question and Answer sessions.
- (ii) Written answers will be provided to any significant questions that cannot be readily answered during the AGM.
- (iii) Shareholders are welcome to raise queries by contacting Maxis at any time.
- (iv) Maxis issues a 28-day notice of our AGM, which exceeds the prescribed notice period.
- (v) Queries from shareholders pertaining to the Annual Report and other matters related to the AGM may be directed to this email: [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com).

## Corporate Governance Overview

### Whistle-Blowing

In light of the requirements stipulated under the Capital Markets and Services Act 2007, Bursa Malaysia's Corporate Governance Guide and the Companies Act 2016, the Board recognises the importance of whistle-blowing and is committed to maintaining the highest standards of ethical conduct within the Group. We uphold a strong ethical business culture as it is key to ensuring long-term value creation. A secure reporting mechanism for employees and third parties, called the Ethics Hotline, has been established to report any alleged unethical behaviour, actual or suspected fraud within the Group. Dedicated channels for reporting have been set up. These channels, under the custody of the Internal Audit Department, are:

- (i) Ethics Hotline @ 03-2330 6678 or 017-200 3922
- (ii) Email: [ethics@maxis.com.my](mailto:ethics@maxis.com.my)
- (iii) Letters/documents addressed to the Ethics Hotline Office c/o Internal Audit Department, Level 21, Menara Maxis, Kuala Lumpur City Centre
- (iv) Senior Independent Director: [mmokhza@maxis.com.my](mailto:mmokhza@maxis.com.my)

For further details, please refer to the Corporate Governance Report 2018, and the Material Matters section page 49.

### What's Next

To support Maxis' transformation, growth and digital ambitions, the Board's processes, proceedings and governance structure are constantly assessed and benchmarked to remain competitive, refreshed, agile with a continued focus on strategy, governance and compliance. The Board is fully committed to compliance with regulatory requirements under MCCG 2017, and the applicable rules and regulations. Key focus areas in 2019 are the appointment of the CEO, maintenance and enhancement of Board dynamics, and a review of the additional independent and women directors. As an ongoing effort for the next few financial years, the Board will benchmark itself against other comparable international digital and technology companies.

The following Items can be downloaded from Maxis' corporate website at [www.maxis.com.my/corp](http://www.maxis.com.my/corp) :

- (1) Board Charter
- (2) Terms of Reference of the Audit, Nomination and Remuneration Committees
- (3) Code of Business Practice
- (4) Constitution
- (5) Annual Report 2018
- (6) Circular to Shareholders for Tenth AGM
- (7) Corporate Governance Report 2018
- (8) Notice of Tenth AGM
- (9) Proxy Form
- (10) Administrative Details for Tenth AGM



# Statement of the Nomination Committee

## Members:

- (i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (Chairman)
- (ii) Tan Sri Mokhzani bin Mahathir
- (iii) Dato' Hamidah Naziadin
- (iv) Mazen Ahmed M. AlJubeir
- (v) Alvin Michael Hew Thai Kheam

## Roles and Activities of the NC during the financial year ended 31 December 2018

The NC met six times during the financial year, with full attendance. At its meetings it considered, among others, the selection criteria, suitability and appointments of Robert Nason as CEO and Abdulaziz Abdullah M. Alghamdi as Director respectively, matters arising from the Companies Act 2016, MCCG 2017, Directors' duties, responsibilities, benefits and fees, the Board, Board Committees and individual Director's Assessments, the review and amendments of the Board Charter and Constitution, review of the Board Committees' Terms of Reference, review of the Policy on Non-Executive Directors' Remuneration, Expenses and Reimbursement Policy, compliance with MCCG 2017, Board and Committees compositions and skills, diversity, the independence of Directors, re-election of Directors, terms and performance of the Audit Committee members and tenure of the Independent Directors. The NC reviewed the appropriate mix of experience, strength in qualities and skills of the Board.

The NC also reviewed the processes, methodologies and outcomes of the Annual Board, Board Committee and individual Director's Assessments, as well as feedback and training requirements of the Board.

The NC's recommendations were tabled for the Board's consideration and approval.

## Board, Board Committees and Individual Director's Effectiveness

The criteria used in the assessment of the Board's effectiveness were developed, maintained and reviewed by the NC. The objective is to ensure candid and objective evaluations. They included, inter alia, each Director's effectiveness, the Board's and Board Committees' composition and mix of skills, the Board's roles and responsibilities and effectiveness in areas of performance and strategy planning, risk, human capital management, regulatory requirements and Board communication. The NC also reviewed the proposed training areas, conduct of the Board and Board Committees including their procedures and decision-making processes, and general feedback on areas for improvement and strengths.

The Board and Board Committees were also assessed based on their roles and scope, frequency and length of meetings, Management's supply of sufficient and timely information to the Board and the overall effectiveness and efficiency in discharging their functions. In accordance with Para 15.20 of the MMLR, the NC and Board also reviewed the terms of office and performance of the Audit Committee (AC) and each of its members, and was satisfied that the AC and its members had carried out their duties in accordance with the AC's terms of reference. Each Director undertook a self-assessment of his/her performance during the financial year ended 31 December 2018 based on the criteria as prescribed under Para 2.20A of MMLR that include factors such as character, experience, integrity, competence and time committed in order to discharge their respective roles as Directors of Maxis. This criteria is also used prior to the selection and consideration of Directors, the CEO, COO and CFO.

The Committee also considered changes to the form of Directors' self-assessments that incorporated additional questions on capability, skills, industry knowledge, integrity and experiences of individual Directors.

## Assessment of Directors standing for re-election at the Tenth AGM

The NC and Board carried out an assessment of all the Independent Directors, including the independence of Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir, pursuant to criteria as prescribed by MMLR and MCCG 2017, and were satisfied that they each meet the criteria for independence. Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir were appointed Directors on 16 October 2009, thus exceeded the tenure of nine years on 17 October 2018. Maxis shareholders had on 19 April 2018 approved the two Directors to continue to act as Independent Directors until 17 October 2019.

The NC and the Board considered the assessment of the following four Directors standing for re-election at the AGM and collectively agreed that they meet the criteria regarding their character, experience, integrity, competence and time committed to effectively discharge their respective roles as Directors as prescribed by the MMLR:

- (i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
- (ii) Tan Sri Mokhzani bin Mahathir
- (iii) Mazen Ahmed M. AlJubeir
- (iv) Abdulaziz Abdullah M. Alghamdi

Each of the interested Directors above abstained in the deliberations at the NC and/or Board Meetings relating to their respective re-elections.

This Statement should be read together with Corporate Governance Overview and Corporate Governance Report 2018.

# Audit Committee Report

As at 31 December 2018

The Board of Maxis is pleased to present the Audit Committee (AC) Report for the financial year ended 31 December 2018.

## THE AUDIT COMMITTEE AT A GLANCE

<b>No. of Members</b>	5, all Non-Executive
<b>No. of Independent Members</b>	Chairman + 2 Others
<b>No. of Meetings</b>	4 in 2018
<b>Attendance Rate</b>	See below

## WHO WE ARE

Name	Status	Appointment	Meetings Attended	Full Profile on page
Tan Sri Mokhzani bin Mahathir*	<b>NE, IN</b>	Appointed as Chairman on 02/03/2018 (AC member since 16/10/2009)	4/4	5
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	<b>NE, IN</b>	02/03/2018	4/4	5
Dato' Hamidah Naziadin	<b>NE, IN</b>	01/02/2014	4/4	6
Lim Ghee Keong	<b>NE</b>	08/05/2014	4/4	8
Mohammed Abdullah K. Alharbi	<b>NE</b>	13/10/2015	4/4	7
Robert Alan Nason	<b>NE, IN</b>	Ceased as Chairman and member on 02/03/2018 (Appointed as CEO effective from 01/04/2018 and attended the rest of AC meetings in 2018 as a member of Management and invitee)	1/1	9

### Notes

1. **NE**-Non Executive, **IN**-Independent, \*-Chairman
2. Meetings Attended refers to attendance as AC members

## THE AC'S SKILLS AT A GLANCE

- All members are financially literate.
- All members are able to read, analyse, interpret and understand financial statements.
- All members have extensive business experience.
- Each member has skill sets which make the AC effective as a team, lending it the ability to effectively discharge its duties and responsibilities.
- Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda, a Fellow of the Institute of Chartered Accountants in England and Wales, meets the Main Market Listing Requirements of Bursa Securities (MMLR) for Audit Committees to have at least one member of an association of accountants specified in Part II of the First Schedule of the Accountants Act 1967.

## SUMMARY OF ACTIVITIES OF THE COMMITTEE

During the financial year, the Committee reviewed and updated its Terms of Reference to be in line with the Statement on Risk Management and Internal Controls. An annual review was also performed to ensure all requirements were complied with.

A total of four Audit Committee meetings were held in 2018. At these meetings, the Committee focused on Maxis' financial

results, announcements to Bursa Securities for Q4 2017 and full-year 2017, Q1 2018, Q2 2018 and Q3 2018, the provisions and judgmental accounting items for the respective financial quarters, reports from both the external and internal auditors, regulatory and legal updates, enterprise risk management matters, related party transactions, revenue assurance, business and continuity planning, capital raising, systems and security information and other internal control matters.

The AC Chairman reported the outcomes and decisions of the AC proceedings in detail to the Board the soonest practicable after each meeting. Members of Management, the Group's external auditors and external legal counsel also attended the meetings as and when invited. In the discharge of its duties and responsibilities, the Committee undertook the following major activities during the year:

### Risk Management and Internal Control

- The Committee reviewed the quarterly status reports on Enterprise Risk Management (ERM) activities within the Group presented by the Management, which includes Maxis' overall risk profile, changes and updates to high and key risks, and the corresponding mitigating actions. The Committee also reviewed the risk appetite statement

## Audit Committee Report

and risk methodology adopted in ensuring that key and high risks were identified and tracked. An independent party was appointed in September to perform an ERM maturity assessment and gap analysis on the current ERM framework and activities. The results were presented to the Committee at its last quarterly meeting, highlighting various improvement actions for the Committee's consideration.

- Through the Internal Audit's reports on key internal audit findings and the external auditor's reports on work performed presented at the AC meetings, as well as through discussions with key Senior Management, the Committee evaluated the overall adequacy and effectiveness of the system of internal controls including information technology and network controls; the Group's financial, auditing and accounting organisations and personnel; and the Group's policies and compliance procedures with respect to business practices.
- During its meetings and discussions with key senior management, the Committee consistently emphasised the importance of information security and the Group's readiness to prevent and respond to cyber-attacks and online fraud. Cyber security updates were provided to the Committee on a quarterly basis due to the Committee's emphasis on this area and recognition as a material matter to the Group.
- In continuing to promote ethical business practices, the Committee also reviewed the summary of defalcation cases investigated in 2018 and, where relevant, requested Management to carry out the necessary disciplinary actions. These actions reflect the Board's non-tolerance of fraud as well as to further improve the control environment in preventing further recurrences.

### Financial Reporting

- In overseeing the Group's financial reporting, the Committee together with appropriate officers of the Group reviewed the quarterly financial results and annual audited financial statements of the Group, including the reports on provisions, significant judgmental accounting matters, impact of new accounting standards and related announcements, before approving the release of the Group's financial results to Bursa Securities. The quarterly financial results for Q1, Q2 and Q3 of 2018, which were prepared in compliance with the Malaysian Financial Reporting Standards (MFRS), were reviewed at the quarterly Committee meetings. During its first quarterly meeting, the Committee reviewed the draft audited financial statements for the financial year ended 31 December 2017 and the quarterly financial results for Q4, 2017.

- In reviewing the integrity of financial information, the Committee deliberated with Management to ensure that all matters set out in Section 5 of the Audit Committee Terms of Reference (Responsibilities" under the heading "Financial Reporting") as well as the following areas, where relevant, had been complied with:
  - I. The MMLR;
  - II. Provisions of the Companies Act 2016 and other legal and regulatory requirements; and
  - III. MFRS issued by the Malaysian Accounting Standards Board.
- On a quarterly basis, Management gave its assurance to the Committee that related party transactions and the mandate for recurrent related party transactions (RRPT) were in compliance with MMLR and the Group's policies and procedures. In addition, Internal Audit presented the results of its quarterly independent reviews of the RRPT confirming that all RRPTs complied with the said policies and procedures.

### Overall Governance, Regulatory and Other Updates

- The Management and Company Secretary presented to the Committee, for its review, the status and changes in material litigation, law and regulations, compliance with loan covenants and regulatory updates on the Group's business on a quarterly basis.

### Internal Audit

- The Internal Audit function carried out its activities based on the risk-based Annual Audit Plan approved by the Committee. Based on the approved Audit Plan for 2018, a total of 46 engagements were conducted as at year-end covering the following key areas:
  - i. Accounting & Financial Activities (13%)
  - ii. Key Projects Implementation (24%)
  - iii. Network & Information Technology (9%)
  - iv. Regulatory Compliance (20%)
  - v. Sales Operations (13%)
  - vi. Contracts Management (6%)
  - vii. Investigations (15%)
- At the Committee's quarterly meetings, the Head of Internal Audit presented updates of the Internal Audit Annual Audit Plan 2018, including the status of Internal Audit assignments, key findings from audit reports, audit recommendations by the internal auditors, results of investigations performed by the internal auditors and the representations made, as well as corrective actions taken by Management to address and resolve issues, ensuring these were adequately addressed on a timely basis.

## Audit Committee Report

- An annual survey for evaluating the effectiveness of the Internal Audit function was carried out in December 2017 and the results reviewed by the Committee at its first quarterly meeting. The assessment covered three key categories of effectiveness, i.e. Positioning (Mandate & Strategy, Organisation & Structure, Stakeholders & Funding), People (Leadership, Competencies, Staffing Strategy, Culture and Reward & Appraisal) and Processes (Risk Assessment & Planning, Execution and Reporting). During the same meeting, the Committee also reviewed the results of internal compliance assessments on activities carried out by the Committee and the Internal Audit in the previous financial year against their respective Terms of Reference.
- The Committee reviewed the results of an independent Quality Assurance Review (QAR) carried out in June 2018 by an external party to benchmark our Internal Audit's activities against International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors (IIA). The Internal Audit achieved a 'Generally Conform' rating, the highest rating possible for the exercise indicating a satisfactory level of compliance with the Standards. The external party had also performed a benchmarking exercise using the IIA's Capability Maturity Model, in which Maxis IA's maturity was rated as being 'Managed' (level 4 out of 5) when measured against the best audit shops globally.
- During its last quarterly meeting for the year, the Committee reviewed and approved the Internal Audit Annual Plan, which reflects the changing risk landscape of the organisation and industry. A total of 45 audits have been planned for 2019 focusing on key strategic areas, finance and business operations, technology as well as advisory services. The Committee also reviewed the scope and coverage of the planned activities and ensured principal risk areas (identified by the Enterprise Risk Management department and Internal Audit department) and key processes of the business were adequately addressed.
- The Committee reviewed and endorsed the adoption by Internal Audit of a continuous auditing implementation approach in 2019 in line with its three-year digitalisation roadmap, which would enable analytics capability in its controls testing and monitoring.
- external auditors and reviewed their compliance with Maxis' External Audit Independence Policy (EAIP) for work carried out in the previous financial year (2017). This was to determine whether the services rendered would impair the external auditors' independence and objectivity.
- The compliance status was presented by Management to the Committee for its deliberation. Internal Audit also presented its independent review of the external auditors' independence to the Committee, confirming the assessment results by Management. The Committee deliberated on the reports and concluded that the auditors complied with the EAIP.
- The Committee reviewed the audit services and non-audit services provided by the external auditors and their corresponding incurred fees, which included tax related services, regulatory compliance reporting, accounting consultation and agreed-upon procedures. The Committee concluded that the auditors had remained independent during the year.
- At its quarterly meetings, the Committee deliberated on the results and issues arising from the external auditors' review of the half year ended June 2018, Q3 2018 financial results and audit of the year-end financial statements as well as the resolution of issues highlighted in their report to the Committee. The Committee also deliberated on key audit matters highlighted by the auditors, the Internal Control Recommendations (ICRs) raised by them, and monitored their closure status.
- The Committee reviewed the external auditors' 2018 Audit Plan outlining their strategy, approach and proposed fees for the current financial year's statutory audit. The proposed Audit Plan and fees reviewed include non-recurring assurance related work for the financial year. The Committee noted the proposed plan and approved it for the current financial year.
- The Committee reviewed the annual assessment conducted on the effectiveness of the external auditors. The assessment covered seven categories, namely the audit firm's calibre, quality process, audit team, scope, communication, governance, independence, and audit fees.

### External Audit

- During its first quarterly meeting, the Committee reviewed the external auditor's report for the financial year ended 31 December 2017 and recommended for the Board's approval.
- At the same meeting, the Committee undertook an annual assessment of the suitability and independence of the

### Long-Term Incentive Plan (LTIP)

- The internal audit on the LTIP grants for the financial year was performed in December 2018. In ensuring that the allocation for employees was as per approved criteria, disclosed pursuant to LTIP, the Committee will deliberate the review results presented by Internal Audit during its first meeting in 2019.

## Audit Committee Report

### Others

- The Committee conducted a self-assessment to evaluate its overall effectiveness in discharging its responsibilities. The assessment was rated by the Committee members, Senior Management as well as the external and internal auditors for a well-rounded view of the Committee's effectiveness. The results were deliberated in the last quarterly meeting in 2018.

### PROCEEDINGS OF THE AC MEETINGS

The Group's internal and external auditors and certain members of Senior Management attended the Committee meetings by invitation.

The Committee also held a total of six separate private sessions with the internal and external auditors without the presence of Management. Both the internal and external auditors have unfettered access to members of the Audit Committee, including the Chairman, any time during the year.

Deliberations during the Committee meetings were minuted. The Chairman of the Committee reported the proceedings of the Committee to the Board after every Committee meeting. Minutes of the meetings were circulated to all members of the Board and significant issues were brought up and discussed at Board meetings.

### TRAINING

Training attended by the Committee members during the financial year is reported under the Corporate Governance Overview on page 79.

### INTERNAL AUDIT FUNCTION

The Group has an in-house independent Internal Audit function which reports directly to the Committee. Its primary responsibility is to provide independent and objective assessment of the adequacy and effectiveness of the risk management, internal control and governance processes established by Management and/or the Board within the Group.

The Internal Audit Division comprises 18 auditors and is headed by Shafik Azlee Mashar, who has extensive experience in managing internal audit functions within telecommunications, fast moving consumer goods (FMCG) and banking organisations. Shafik holds a Bachelor's degree in Information Systems Engineering from Imperial College of Science Technology & Medicine, London and is a Certified Information Systems Auditor (CISA).

The Head of the Internal Audit Division reports directly to the Chairman of the Committee, and is responsible for enhancing the quality assurance and improvement programme of the internal audit function. Its effectiveness is monitored through continuous internal and external quality assessments and the results are communicated to the Committee.

The total costs incurred for the internal audit function for the financial year ended 31 December 2018 amounted to RM6.1 million (2017: RM5.5 million).

The internal audit function fully abides by the provisions of its charter. The internal audit charter is reviewed and approved by the Committee annually. The internal audit function's activities conform to the International Standards for the Professional Practices of Internal Auditing set forth by the IIA.

The Audit Committee has regular dialogues and sessions with the Head of Internal Audit and team.



# Statement on Risk Management and Internal Control

## INTRODUCTION

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and effectiveness of the system. The Board is pleased to share the main features of the Group's risk management and internal control system in respect of the financial year ended 31 December 2018.

In discharging its stewardship responsibilities, the Group has established a sound risk management framework and procedures of internal control. These procedures, which are embedded into the culture, processes and structures of the Group, are subject to regular review by the Board, and provide an ongoing process for identifying, evaluating and managing significant risks that may affect the Group's achievement of its business objectives and strategies. The Group's risk management framework and internal control procedures, in all material aspects, are consistent with guidance provided to Directors as set out in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## BOARD RESPONSIBILITY

The Board of Maxis, in discharging its responsibilities, is fully committed to articulating, implementing and reviewing a sound risk management and internal control environment. The Board is responsible for determining the Group's risk appetite and risk tolerance level within which the Board expects Management to operate, and has approved the following risk appetite statements:

- The Group is committed to delivering value to our shareholders through sustaining profitable growth, maintaining market leadership and meeting our dividend payout policy. At the same time, the Group will not compromise our integrity, values or reputation by risking brand damage, service delivery standards or regulatory non-compliance.
- The Group is prepared to take measured risks to achieve our ambition to be a leading converged communications and digital services organisation.

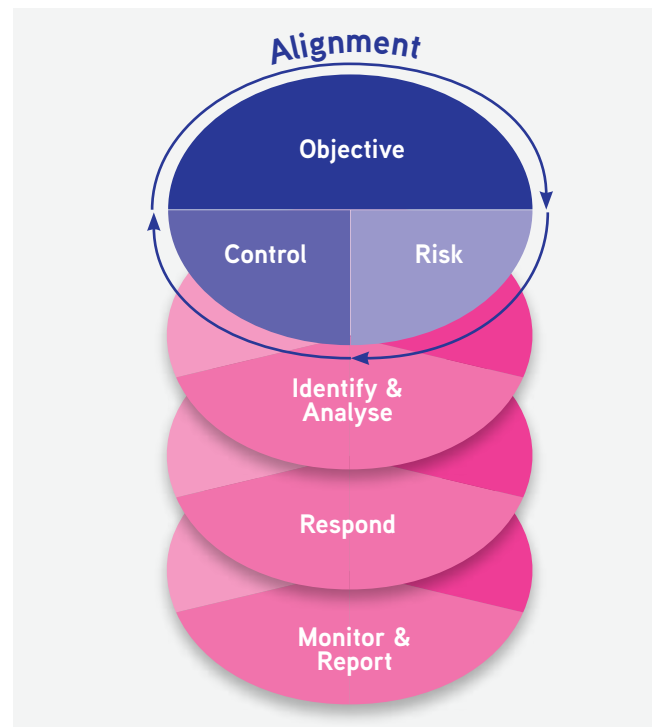
The Management has primary responsibility for identifying, assessing, monitoring and reporting key business risks to the Board in order to safeguard shareholders' investments and the Group's assets. Risk management and internal control systems are designed to identify, assess and manage risks that may impede the achievement of the Group's business objectives and strategies rather than to eliminate these risks entirely. They can only provide reasonable and not absolute assurance against fraud, material misstatement or loss, and this is achieved through a combination of preventive, detective and corrective measures.

## RISK MANAGEMENT

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the Internal Audit department, provides an independent assessment of the effectiveness of the Maxis Enterprise Risk Management (ERM) framework and reports to the Board on a yearly basis.

The Maxis ERM framework is broadly based on the ERM framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The Maxis ERM framework involves systematically identifying, analysing, measuring, monitoring and reporting on risks that may affect the achievement of its business objectives. In addition, close monitoring and control processes, including the use of appropriate key risk and key performance indicators, are implemented to ensure the risk profiles are managed within policy limits. This framework helps to reduce uncertainties surrounding the Group's internal and external environment, allowing Maxis to maximise opportunities and minimise adverse incidences that may arise. For major risks which the Group is exposed to, refer to Business Model section on pages 40 to 41.

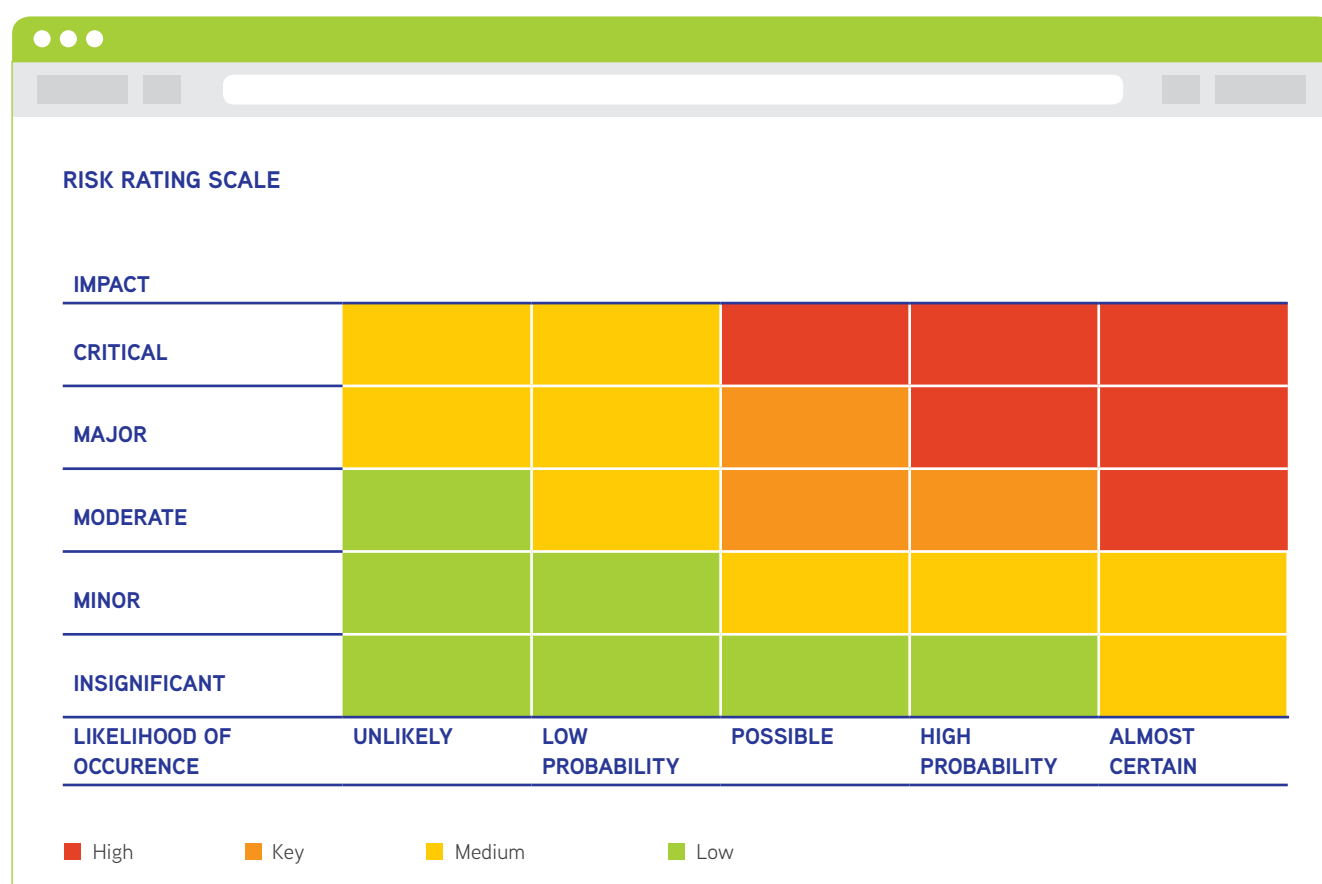
## MAXIS' ENTERPRISE RISK MANAGEMENT FRAMEWORK



## Statement on Risk Management and Internal Control

There is an ERM team that administers the ERM process to ensure risks that may affect the achievement of Maxis' business objectives are identified, evaluated and managed. A structured process has been established where ERM discussions are held on a regular basis between units within departments/sections to identify potential risks that might deter the department/section from achieving its business objectives. The ERM team participates in such discussions on a quarterly basis. Identified risks are then reported, reviewed and discussed with the Maxis Management Team (MMT) and Audit Committee on a quarterly basis to ensure key risks are identified, analysed and monitored while mitigating actions are coordinated and implemented in a timely manner.

All identified risks are displayed on a five-by-five risk matrix based on their risk ranking to assist Management to prioritise their efforts and appropriately manage the different classes of risks.



In driving a proactive risk management culture, the Board and Management ensure regular risk awareness and coaching sessions are held for the Group's employees so they have a good understanding of risk management and are able to apply the relevant principles.

The ERM team also works closely with the Group's operational managers to continuously strengthen the Group's risk management initiatives to enable effective response to the constantly changing business environment, thus to protect and enhance shareholder value.

### CONTROL ENVIRONMENT AND STRUCTURE

The Board and Management have established numerous processes for identifying, evaluating and managing significant risks faced by the Group. These include periodic testing of the effectiveness and efficiency of the internal control procedures and updating the system of internal controls when there are changes to the business environment or regulatory guidelines. These processes have been in place for the financial year ended 31 December 2018 and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the Annual Report.

## Statement on Risk Management and Internal Control

Key elements of the Group's control environment include:

### 1. Organisation Structure

The business of the Group is overseen by the Board, which provides direction and oversight to the Group and CEO, who is supported by Management. The Board is supported by a number of established Committees, namely the Audit, Nomination, Remuneration and Business and IT Transformation Committees, and ad-hoc operational and governance committees formed from time to time, all of which facilitate the Board in the discharge of its duties. Each Committee has clearly defined terms of reference and responsibilities, and reports back to the Board on its activities to keep the Board updated and to assist in decision-making where relevant (please refer to the Statement of Corporate Governance for further details).

Responsibility for implementing the Group's strategies, operations and day-to-day business, including implementing the system of risk management and internal control, is delegated to the CEO. The organisation structure sets out a clear segregation of roles and responsibilities, lines of accountability and limits of authority to ensure effective and independent stewardship.

### 2. Audit Committee

The Audit Committee comprises five non-executive members of the Board, the majority of whom are Independent Directors. Its members bring with them knowledge, expertise and experience from different industries and backgrounds such as telecommunications and media, engineering, auditing, finance and treasury, human resources and general management. The Audit Committee reviews the Group's financial reporting process, the system of internal controls and management of enterprise risk, the processes and reports from both internal and external auditors and the Group's process for monitoring ethics and whistleblowing, compliance with laws and regulations and its own code of business conduct, as well as such other matters which may be specifically delegated to the Committee by the Board from time to time. Throughout the financial year, Audit Committee members are briefed on corporate governance practices, updates to the Malaysian Financial Reporting Standards, as well as legal and regulatory requirements and updates in addition to key matters affecting the financial statements of the Group.

The Audit Committee also reviews and reports to the Board on the independence of the external auditors and their audit plan, nature, approach, scope and other examinations of external audit matters. It also reviews the effectiveness of the internal audit function which is further described in the following section on Internal Audit.

The Audit Committee continues to meet regularly and has full and unimpeded access to the internal and external auditors and all employees of the Group. The Chairman of the Audit Committee provides the Board with reports of all meetings held. Further details of activities undertaken by the Audit Committee are set out in the Audit Committee Report on pages 84 to 87.

### 3. Internal Audit

The Internal Audit department continues to independently, objectively and regularly review key processes, evaluate the adequacy and effectiveness of internal control, risk management and governance processes established by Management and/or the Board within the Group. It highlights significant findings and corrective measures in respect of effectiveness of risk management, control and governance processes to members of the MMT and Audit Committee on a timely basis. Its work practices are governed by the Internal Audit Charter, which is subject to revision on an annual basis. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually and an update is given to the Audit Committee every quarter. The Audit Committee oversees the Internal Audit department's function, its independence, scope of work and resources. The Internal Audit department also maintains a quality assurance and improvement programme and continuously monitors its overall effectiveness through internal self-assessments.

The Internal Audit function follows the requirements of the latest International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors Inc. Further details of the Internal Audit function and its activities are set out in the Audit Committee Report on pages 85 to 86.


## Statement on Risk Management and Internal Control

### 4. Code of Business Practice

The Group is committed to conducting its business fairly, impartially and ethically and in full compliance with all laws and regulations. The Maxis Code of Business Practices (the Code) stipulates how Directors and employees as well as external parties such as third-party employees, contractors, consultants and/or personnel positioned in Maxis' premises and acting on Maxis' behalf, including all parties or entities doing business with Maxis, should conduct themselves in business matters. All Directors and employees are required to declare their compliance with the Code upon joining the Group. Communiques on the Code are sent out to all employees regularly throughout the year to ensure they understand what is expected of them. Employees are also required to complete an annual mandatory assessment on the Code. External parties, including suppliers, who conduct business with the Group have to sign a declaration that they have read and will adhere to the Code upon beginning of work with the Group.

Maxis upholds ethical procurement practices with its suppliers at all times, providing a level "playing field" which is guided by suppliers' compliance to technical and commercial requirements forming the basis of evaluation and selection of suppliers. This includes our commitment to open and transparent competition based on suppliers' capability and experience and not just on size and maturity, to help new businesses flourish and ensure that our suppliers meet minimum standards of social responsibility.

To ensure the Code is adhered to, the Head of People and Organisation together with Industrial Relations personnel provide policy guidance facilitating compliance. They look at ways to continuously enhance the Group's standards of business conduct and ethics, and benchmark these against best practices. Our Ethics Hotline also serves as a safe and effective channel for employees or parties dealing with Maxis to report any incidence or occurrence which is not in accordance with the Code.

 For more details on the Ethics Hotlines please refer to Corporate Governance Statement on page 82.

### 5. Revenue Assurance

The Revenue Assurance team is responsible for monitoring potential revenue leakage arising from day-to-day operations. This includes performance and examination of regular test calls, reconciliations of chargeable transactions from network and IT systems to the billing systems, and

independent rating of key services via automated tools. Processes and controls within the revenue cycle are also reviewed regularly to ensure they function effectively and efficiently. Key issues and mitigation actions are reported to the Management monthly and reported to the Audit Committee on a half-yearly basis. The Revenue Assurance department meets key stakeholders on an ongoing basis to address key revenue assurance issues and drive revenue assurance initiatives across the Group.

### 6. Subscriber Fraud Management

The Subscriber Fraud Management (SFM) function complements the Revenue Assurance function. While the Revenue Assurance function monitors and reviews controls within the revenue cycle as indicated above, the SFM function monitors daily subscriber calls/events on a near real-time basis. Immediate action is taken to manage suspected fraudulent calls/events, using an industry developed system to monitor call patterns on a 24/7 basis throughout the year in addition to other manual reporting investigations. SFM also reviews key new services and products for possible fraud risk and recommends counter-measures. Instances of fraud, along with the remedial actions taken, are reported to the Management on a monthly basis and presented half-yearly to the Audit Committee.

### 7. Business Continuity Planning

The Business Continuity Planning (BCP) team is responsible for identifying activities and operations that are critical to sustain business operations in the event of a disaster. These include facilitating the building of additional redundancies in network infrastructure, establishing alternate sites where key operational activities can be resumed, and mitigating the risk of high-impact loss through appropriate insurance coverage. A risk-based approach is applied in identifying key initiatives and their levels of importance by reviewing critical systems and single-point of failures as well as their impact on the Group's business. During the financial year, critical areas as identified by risk priority were tested to assess the effectiveness of BCP. Progress on the initiative was presented half-yearly to the BCP Steering Committee. In addition, learnings from major incidents were presented half-yearly to the Audit Committee. Since January 2012, Maxis has also been certified under ISO 22301, the international certification standard for Business Continuity Management systems.

## Statement on Risk Management and Internal Control

### 8. Regulatory

The Regulatory function ensures compliance with the Communications and Multimedia Act 1998 (CMA) and its applicable rules and regulations which govern the Group's core business in the communications and multimedia sector in Malaysia. As a licensee under the CMA, the Group adheres to its licensing conditions, as well as economic, technical, social and consumer protection regulations embedded in the CMA and its subsidiary legislation. The Group actively participates in new regulatory and industry development consultations initiated by MCMC.

The Regulatory function also frequently engages MCMC and the Ministry of Communications and Multimedia Malaysia in discussions on pertinent industry issues.

### 9. Legal

The Legal department plays a pivotal role in ensuring that the interests of the Group are preserved and safeguarded from a legal perspective. It ensures that the Group's operations and transactions with third parties comply with all relevant laws. It plays a key role in advising the Board and Management on legal and strategic matters. The Board is also briefed through reports to the Audit Committee on material litigation and any changes in the law that could affect the Group's operations.

### 10. Company Secretary

Please refer to page 77 of the Statement on Corporate Governance in this Annual Report.

### 11. Limits of Authority

A Limits of Authority (LOA) manual sets out the authorisation limits for various levels of Maxis' Management and staff as well as matters requiring Board approval to ensure accountability, segregation of duties and control over the Group's financial commitments. The LOA manual is reviewed and updated periodically to align with business, operational and structural changes.

### 12. Policies and Procedures

There is extensive documentation of policies, procedures, guidelines and service level agreements on the Group's intranet site including those relating to finance, contract management, marketing, procurement, human resources, information systems, network operations, legal, system and information security controls. Continuous control enhancements are made to cater for business environment changes and to align with Maxis' new growth-driven business strategy.

### 13. Financial and Operational Information

Budgets are prepared by the operating units and presented to the Board before the commencement of a new financial year. Upon approval of the budget, the Group's performance is tracked and measured against the budget on a monthly basis. Reporting systems which highlight significant variances against budget are in place to track and monitor performance. The variances in financial as well as operational performance indices are incorporated in monthly management reports. On a quarterly basis, actual results and a rolling forecast are reviewed by the Board to enable the Directors to evaluate the Group's performance compared to the budget and prior periods.

### 14. Systems and Information Security

The Systems and Information Security (SIS) unit, together with its various functions including Security Planning/ Projects, Security Operations, Security Forensics, Threat Intelligence and Assurance, is responsible for monitoring and resolving security threats to the Group both internally and externally. This includes conducting security awareness, vulnerability assessment and penetration test programmes, managing the 24X7 Security Operation Centre, and compliance audits on the IT systems and networks of Maxis to reduce the impact of service interruption due to malicious activities, cyber-attacks, negligence and malware. The effectiveness of the security programme is assessed by external and internal auditors as part of their annual reviews. SIS reports quarterly to the Audit Committee on the Group's security status.



## Statement on Risk Management and Internal Control

Apart from the internal security compliance programmes, the unit is also required to maintain and assist in the compliance of regulatory and industry security programmes such as the MS/ISO27001:2013, Payment Card Industry/Data Security Standard, and the Personal Data Protection Act 2010.

The unit is governed by the Security Governance team, which is made up of members of MMT and the Head of Internal Audit and who meet periodically to direct and approve the corporate security policies and standards set by the unit and security projects undertaken by the unit.

### MONITORING AND REVIEW

Processes to monitor and review the effectiveness of the system of risk management and internal controls include:

1. Management Representations made to the Board by the CEO and Chief Financial Officer (CFO), based on representations made to them by Management on the adequacy and effectiveness of the Group's risk management and internal control system in their respective areas. Any material exceptions identified are highlighted to the Board.
2. Internal Audit, in its quarterly report to the Audit Committee and members of MMT, continues to highlight significant issues and exceptions identified during the course of compliance reviews of processes and controls.
3. Fraud Working Group (FWG), comprising representatives from business units, Revenue Assurance and SFM, People and Organisation and Internal Audit departments, establishes and monitors fraud related policies; and regularly reviews and agrees on actions to be taken on identified instances of fraud.
4. The Defalcation Committee meets regularly to deal with matters pertaining to fraud and unethical practices. All issues arising from work carried out by the investigation team within the Internal Audit department and matters reviewed by FWG are channelled to this committee for deliberation. Based on the findings, the committee decides on appropriate actions to be taken. The committee also reviews and monitors the status of actions taken on a regular basis.

5. Enterprise Risk Management team reports to the Board on a quarterly basis through the Audit Committee on the Group's risk profile and progress of action plans to manage and mitigate risks.

Management has taken the necessary actions to remediate weaknesses identified during the period under review.

The Board and Management will continue to monitor the effectiveness of the risk management and internal control environment, and take measures to strengthen it.

### CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard the interest of shareholders. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report. The CEO and CFO have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required under paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirement, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 (AAPG 3): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

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# Directors' Responsibility Statement

The Companies Act 2016 (the Act) requires the Directors to prepare financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and the provisions of the Act and the Main Market Listing Requirements of Bursa Securities, and to lay these before the Company at its Annual General Meeting.

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year ended 31 December 2018.

The Act also requires the Directors to keep such accounting and other records in a manner that enables them to sufficiently explain the transactions and financial position of the Company and the Group and to prepare true and fair financial statements and any documents required to be attached, as well as to enable such accounting records to be audited conveniently and properly.

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

Incorporated on pages 102 to 203 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2018.

# Directors' Report

The Directors hereby submit their Report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the Group, comprising the Company and its subsidiaries, are to offer a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions for the Group. Details of the principal activities of the subsidiaries are shown in Note 17(a) to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

## FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	1,779,719	213,981

## DIVIDENDS

The dividends on ordinary shares paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2017:	
- Fourth interim single-tier tax-exempt dividend of 5.0 sen per share on 7,810,564,100 shares, paid on 29 March 2018	390,528
In respect of the financial year ended 31 December 2018:	
- First interim single-tier tax-exempt dividend of 5.0 sen per share on 7,816,623,000 shares, paid on 28 June 2018	390,831
- Second single-tier tax-exempt dividend of 5.0 sen per share on 7,816,628,100 shares, paid on 27 September 2018	390,831
- Third single-tier tax-exempt dividend of 5.0 sen per share on 7,816,650,600 shares, paid on 27 December 2018	390,833
	1,172,495

Subsequent to the financial year, on 15 February 2019, the Directors declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2018 which will be paid on 29 March 2019. The financial statements for the financial year ended 31 December 2018 do not reflect these dividends. Upon declaration, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2019.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2018.

## Directors' Report

### RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year have been disclosed in the financial statements.

### SHARE CAPITAL

During the financial year, the issued and paid-up share capital of the Company was increased from 7,810,564,100 ordinary shares to 7,816,650,600 ordinary shares by the issuance of:

- (a) 53,200 new ordinary shares at exercise price of RM5.45 per share for cash pursuant to the exercise of share options under the Employee Share Option Scheme ("ESOS").
- (b) 6,033,300 new ordinary shares arising from the vesting of shares under Long Term Incentive Plan.

These new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

### EMPLOYEE SHARE OPTION SCHEME ("ESOS") AND LONG-TERM INCENTIVE PLAN ("LTIP")

#### (a) ESOS

Pursuant to the ESOS implemented on 17 September 2009, the Company will make available new shares, not exceeding in aggregate 250,000,000 shares during the existence of the ESOS/LTIP, to be issued under the share options granted. The ESOS is for the benefit of eligible employees and eligible directors (executive and non-executive) of the Group. The ESOS is for a period of 10 years and is governed by the ESOS Bye-Laws as set out in the Company's Prospectus dated 28 October 2009 issued in relation to its initial public offering.

A Remuneration Committee comprising Directors of the Company has been set up to administer the ESOS/LTIP. The Remuneration Committee may from time to time, offer share options to eligible employees and eligible directors of the Group to subscribe for new ordinary shares in the Company.

Details of the ESOS are disclosed in Note 30(a) to the financial statements.

The movements of the total share options issued under the ESOS are as follows and there were no new share options granted during the financial year:

	Quantity '000
Total outstanding as at 1 January 2018	84,471
Total exercised	(53)
Total forfeited/lapsed	(16,948)
Total outstanding as at 31 December 2018	67,470

## Directors' Report

### EMPLOYEE SHARE OPTION SCHEME ("ESOS") AND LONG-TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

#### (b) LTIP

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 28 April 2015 and is administered by the Remuneration Committee which is appointed by the Board of Directors of the Company, in accordance with the By-Laws. The Remuneration Committee may from time to time, offer LTIP to eligible employees (including executive director) of the Group and includes any person who is proposed to be employed as an employee of the Group (including executive director).

The maximum number of new shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new shares under the LTIP shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 250,000,000 shares at any point of time during the duration of the LTIP.

The LTIP comprises a Performance Share Grant ("PS Grant") and a Restricted Share Grant ("RS Grant") which shall be in force for a period of 10 years commencing from the effective date of the implementation of the LTIP. The LTIP took effect on 31 July 2015.

Details of the LTIP are disclosed in Note 30(b) to the financial statements.

During the financial year, 8,105,800 PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary shares in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon meeting the vesting conditions as set out in the letter of offer for the new shares. The vesting conditions comprise, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2018 and ending on 31 December 2020, as stipulated by the Remuneration Committee. The vesting date is on 30 June 2021, subject to meeting such performance targets.

The movement of the PS Grant under the LTIP is as follows:

	Quantity '000
Total outstanding as at 1 January 2018	19,661
Total granted	8,106
Total vested	(6,033)
Total forfeited	(3,159)
Total outstanding as at 31 December 2018	18,575

An analysis of the percentage of share options and share grants to key management personnel including directors is as follows:

	Aggregate maximum allocation		Actual allocation <sup>(1)</sup>	
	Since implementation date	Financial year 31.12.2018	Since implementation date	Financial year 31.12.2018
Key management personnel	50%	50%	13%	29%

#### Note:

- <sup>(1)</sup> The Directors and Chief Executive Officer of the Company have not, since the implementation of the ESOS and LTIP, been granted any share options and shares.



## Directors' Report

### DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the Report are:

#### Non-Executive Directors

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda  
 Tan Sri Mokhzani bin Mahathir  
 Alvin Michael Hew Thai Kheam  
 Dato' Hamidah Naziadin  
 Lim Ghee Keong  
 Mohammed Abdullah K. Alharbi  
 Mazen Ahmed M. AlJubeir  
 Abdulaziz Abdullah M. Alghamdi (appointed on 4 September 2018)  
 Naser Abdulaziz A. AlRashed (resigned on 20 July 2018)  
 Dr. Kaizad B. Heerjee (resigned on 7 August 2018)

#### Executive Director

Robert Alan Nason (redesignated from Non-Executive Director to Executive Director on 1 April 2018)  
 Morten Lundal (resigned on 31 March 2018)

### LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year and during the period from the end of the financial year to the date of the Report are as follows:

Su Puay Leng  
 Norman Wayne Treeby (appointed on 1 May 2018)  
 Nasution bin Mohamed (resigned on 30 April 2018)

### DIRECTORS' REMUNERATION AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or any of its subsidiaries are a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from an incentive arrangement, the details of which are disclosed in Note 30(c) to the financial statements.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than remuneration received or due and receivable by the Directors as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

## Directors' Report

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, particulars of interests of the Directors who held office at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares in the Company			
	At 1.1.2018	Vested/Acquired	Sold	At 31.12.2018
<b>Direct Interest</b>				
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	750,000 <sup>(1)</sup>	-	-	750,000
Tan Sri Mokhzani bin Mahathir	750,000	-	-	750,000
<b>Indirect Interest</b>				
Tan Sri Mokhzani bin Mahathir	1,000 <sup>(2)</sup>	-	-	1,000 <sup>(2)</sup>

#### Notes:

<sup>(1)</sup> Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn. Bhd.

<sup>(2)</sup> Deemed interest in 1,000 shares in the Company held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Other than those disclosed above, according to the Register of Directors' Shareholdings, none of the Directors in office at the end of the financial year held any interest in shares and options over shares in the Company and its related corporations during the financial year.

### INDEMNITY AND INSURANCE COSTS

The Directors of the Group and of the Company were insured against certain liabilities under a Directors' and Officers' liability insurance policy maintained as a group basis under Binariang GSM Sdn. Bhd. ("BGSM"), the ultimate holding company, for up to a maximum of RM210,000,000 for any one claim and in aggregate. During the financial year, the Group and the Company paid an aggregate of RM600,000 and RM220,000 respectively based on the apportioned premium in respect of such policy.

### IMMEDIATE HOLDING, PENULTIMATE HOLDING AND ULTIMATE HOLDING COMPANIES

The Directors of the Company regard BGSM Equity Holdings Sdn. Bhd. as the immediate holding company and BGSM as the ultimate holding company. All these companies are incorporated and domiciled in Malaysia.

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

## Directors' Report

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this Report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for impairment in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company, misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this Report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 17 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this Report is made.

### SUBSIDIARIES

Details of subsidiaries are set out in Note 17(a) to the financial statements.

## Directors' Report

### AUDITORS

Details of auditors' remuneration are set out in Note 11 to the financial statements.

The auditors, PricewaterhouseCoopers PLT (LLP0014401–LCA & AF 1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 February 2019.

**RAJA TAN SRI DATO' SERI ARSHAD BIN RAJA TUN UDA**  
DIRECTOR

Kuala Lumpur

**ROBERT ALAN NASON**  
DIRECTOR



# Statements of Profit or Loss

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Revenue	6	<b>9,192,436</b>	9,419,290	<b>217,800</b>	1,220,000
Traffic, commissions and other direct costs		<b>(3,010,000)</b>	(3,116,505)	-	-
Spectrum licence fees		<b>(244,982)</b>	(198,275)	-	-
Network costs		<b>(884,305)</b>	(786,698)	-	-
Staff and resource costs	7	<b>(606,226)</b>	(576,098)	-	-
Operation and maintenance costs		<b>(470,103)</b>	(341,776)	-	-
Marketing costs		<b>(211,468)</b>	(160,419)	-	-
Impairment of receivables and deposits, net		<b>(119,516)</b>	(93,877)	-	-
Impairment of investments in subsidiaries	17	-	-	-	(195,000)
Government grant and other income		<b>226,635</b>	272,251	<b>709</b>	562
Other operating expenses		<b>(91,770)</b>	(121,984)	<b>(10,047)</b>	(10,344)
Depreciation and amortisation	9	<b>(1,067,700)</b>	(1,033,439)	-	-
Finance income	10(a)	<b>44,775</b>	60,982	<b>7,260</b>	21,326
Finance costs	10(b)	<b>(389,054)</b>	(445,032)	-	(25,483)
Profit before tax	11	<b>2,368,722</b>	2,878,420	<b>215,722</b>	1,011,061
Tax expenses	12	<b>(589,003)</b>	(698,378)	<b>(1,741)</b>	(5,632)
Profit for the financial year		<b>1,779,719</b>	2,180,042	<b>213,981</b>	1,005,429
Attributable to equity holders of the Company		<b>1,779,719</b>	2,180,042		
Earnings per share for profit attributable to the equity holders of the Company:					
- basic (sen)	13(a)	<b>22.8</b>	28.5		
- diluted (sen)	13(b)	<b>22.7</b>	28.4		

The notes on pages 113 to 203 form part of these financial statements.



# Statements of Comprehensive Income

for the Financial Year Ended 31 December 2018

Note	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Profit for the financial year	<b>1,779,719</b>	2,180,042	<b>213,981</b>	1,005,429
Other comprehensive expenses				
<i>Item that will be reclassified subsequently to profit or loss:</i>				
- net change in cash flow hedge 31(d)	<b>(815)</b>	(32,442)	-	(27,026)
Total comprehensive income for the financial year	<b>1,778,904</b>	2,147,600	<b>213,981</b>	978,403
Attributable to equity holders of the Company	<b>1,778,904</b>	2,147,600		

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# Statements of Financial Position

as at 31 December 2018

FINANCIAL STATEMENTS

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
<b>ASSETS</b>							
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	15	<b>5,189,390</b>	4,841,261	4,502,020	-	-	-
Intangible assets	16	<b>10,926,468</b>	10,926,468	10,938,952	-	-	-
Investments in subsidiaries	17	-	-	-	<b>26,733,868</b>	27,689,195	28,372,380
Financial assets at fair value through other comprehensive income ("FVOCI")	19	<b>3,615</b>	-	-	<b>3,615</b>	-	-
Receivables, deposits and prepayments	20	<b>1,018,056</b>	886,327	879,283	-	-	-
Derivative financial instruments	21	<b>1,376</b>	2,565	470,045	-	-	463,444
Deferred tax assets	22	<b>1</b>	7,625	45,229	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17,138,906</b>	16,664,246	16,835,529	<b>26,737,483</b>	27,689,195	28,835,824
<b>CURRENT ASSETS</b>							
Inventories	23	<b>15,919</b>	4,494	5,942	-	-	-
Receivables, deposits and prepayments	20	<b>2,056,512</b>	1,809,783	1,820,750	<b>4,649</b>	4,651	35
Amounts due from fellow subsidiaries	24	-	1,289	794	-	-	-
Amounts due from related parties	25	<b>30,403</b>	29,336	21,922	-	-	-
Amounts due from subsidiaries	17	-	-	-	-	-	4
Loan to a subsidiary	17	-	-	-	-	392,036	-
Derivative financial instruments	21	-	-	143,585	-	-	141,329
Tax recoverable		<b>4,364</b>	23,167	20,858	<b>478</b>	-	974
Deposits, cash and bank balances	26	<b>560,457</b>	602,127	682,346	<b>15,614</b>	9,757	12,300
<b>TOTAL CURRENT ASSETS</b>		<b>2,667,655</b>	2,470,196	2,696,197	<b>20,741</b>	406,444	154,642
<b>TOTAL ASSETS</b>		<b>19,806,561</b>	19,134,442	19,531,726	<b>26,758,224</b>	28,095,639	28,990,466

The notes on pages 113 to 203 form part of these financial statements.

**Statements of  
Financial Position**  
as at 31 December 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
LESS: CURRENT LIABILITIES							
Provisions for liabilities and charges	27	115,224	110,661	96,708	-	-	-
Payables and accruals	28	4,021,373	3,311,223	3,633,234	766	1,213	611
Amount due to a subsidiary	17	-	-	-	498	268	177
Amounts due to fellow subsidiaries	24	36	2,004	-	-	-	-
Amounts due to related parties	25	4,995	22,874	14,229	-	-	-
Borrowings	29	201,097	205,358	1,101,294	-	-	590,035
Derivative financial instruments	21	368	1,535	-	-	-	-
Taxation		198,918	291,145	151,174	-	3,251	-
TOTAL CURRENT LIABILITIES		4,542,011	3,944,800	4,996,639	1,264	4,732	590,823
NET CURRENT (LIABILITIES)/ ASSETS		(1,874,356)	(1,474,604)	(2,300,442)	19,477	401,712	(436,181)
NON-CURRENT LIABILITIES							
Provisions for liabilities and charges	27	311,641	170,341	164,353	-	-	-
Payables and accruals	28	168,289	227,380	418,105	-	-	-
Borrowings	29	7,439,121	7,439,936	8,762,728	-	-	1,449,039
Deferred tax liabilities	22	195,768	405,972	553,388	-	-	-
TOTAL NON-CURRENT LIABILITIES		8,114,819	8,243,629	9,898,574	-	-	1,449,039
NET ASSETS		7,149,731	6,946,013	4,636,513	26,756,960	28,090,907	26,950,604
EQUITY							
Share capital	30	2,508,640	2,468,942	751,031	2,508,640	2,468,942	751,031
Reserves	31	4,641,091	4,477,071	3,885,482	24,248,320	25,621,965	26,199,573
TOTAL EQUITY		7,149,731	6,946,013	4,636,513	26,756,960	28,090,907	26,950,604

The notes on pages 113 to 203 form part of these financial statements.

# Statements of Changes in Equity

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

Group	Note	<----- Attributable to equity holders of the Company ----->							
		Issued and fully paid ordinary shares		Share premium RM'000	Merger relief (Note 31(b)) RM'000	Reserve arising from reverse acquisition (Note 31(c)) RM'000	Other reserves (Note 31(d)) RM'000	Retained earnings RM'000	Total equity RM'000
		Number of shares '000	Share capital RM'000						
At 31 December 2017, as previously reported		7,810,564	2,468,942	-	22,728,901	(22,728,901)	150,821	4,422,148	7,041,911
Adjustments from adoption of MFRS 15	36(c)	-	-	-	-	-	-	(95,898)	(95,898)
Restated at 31 December 2017		7,810,564	2,468,942	-	22,728,901	(22,728,901)	150,821	4,326,250	6,946,013
Opening balance adjustments from adoption of MFRS 9	36(c)	-	-	-	-	-	-	(27,258)	(27,258)
Restated at 1 January 2018		7,810,564	2,468,942	-	22,728,901	(22,728,901)	150,821	4,298,992	6,918,755
Profit for the financial year		-	-	-	-	-	-	1,779,719	1,779,719
Other comprehensive expense for the financial year		-	-	-	-	-	(815)	-	(815)
Total comprehensive (expense)/income for the financial year		-	-	-	-	-	(815)	1,779,719	1,778,904
Dividends for the financial year ended 2017	14	-	-	-	-	-	-	(390,528)	(390,528)
Dividends for the financial year ended 2018	14	-	-	-	-	-	-	(1,172,495)	(1,172,495)
ESOS and LTIP	30(a), (b); 31(d)	6,086	39,698	-	-	-	(25,930)	6,157	19,925
Incentive arrangement	30(c); 31(d)	-	-	-	-	-	(4,830)	-	(4,830)
Total transactions with owners, recognised directly in equity		6,086	39,698	-	-	-	(30,760)	(1,556,866)	(1,547,928)
At 31 December 2018		7,816,650	2,508,640	-	22,728,901	(22,728,901)	119,246	4,521,845	7,149,731

The notes on pages 113 to 203 form part of these financial statements.

**Statements of  
Changes in Equity**  
for the Financial Year Ended 31 December 2018

Group	Note	<----- Attributable to equity holders of the Company ----->							
		Issued and fully paid ordinary shares		Share premium RM'000	Merger relief (Note 31(b)) RM'000	Reserve arising from reverse acquisition (Note 31(c)) RM'000	Other reserves (Note 31(d)) RM'000	Retained earnings RM'000	Total equity RM'000
		Number of shares '000	Share capital RM'000						
At 31 December 2016, as previously reported		7,510,314	751,031	61,974	22,728,901	(22,728,901)	145,379	3,762,515	4,720,899
Adjustments from adoption of MFRS 15	36(c)	-	-	-	-	-	-	(84,386)	(84,386)
Restated at 1 January 2017		7,510,314	751,031	61,974	22,728,901	(22,728,901)	145,379	3,678,129	4,636,513
Transition to no-par value regime	31(a)	-	61,994	(61,994)	-	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	2,180,042	2,180,042
Other comprehensive expense for the financial year		-	-	-	-	-	(32,442)	-	(32,442)
Total comprehensive (expense)/income for the financial year		-	-	-	-	-	(32,442)	2,180,042	2,147,600
Issuance of new shares, net of expenses		300,000	1,654,504	-	-	-	-	-	1,654,504
Dividends for the financial year ended 2016	14	-	-	-	-	-	-	(375,517)	(375,517)
Dividends for the financial year ended 2017	14	-	-	-	-	-	-	(1,156,579)	(1,156,579)
ESOS and LTIP	30(a), (b); 31(d)	250	1,413	20	-	-	37,104	175	38,712
Incentive arrangement	30(c); 31(d)	-	-	-	-	-	780	-	780
Total transactions with owners, recognised directly in equity		300,250	1,655,917	20	-	-	37,884	(1,531,921)	161,900
Restated at 31 December 2017		7,810,564	2,468,942	-	22,728,901	(22,728,901)	150,821	4,326,250	6,946,013

The notes on pages 113 to 203 form part of these financial statements.



## Statements of Changes in Equity

for the Financial Year Ended 31 December 2018

Company	Note	Issued and fully paid ordinary shares		Share premium RM'000	Merger relief (Note 31(b)) RM'000	Other reserves (Note 31(d)) RM'000	Retained earnings RM'000	Total equity RM'000
		Number of shares '000	Share capital RM'000					
At 1 January 2018		7,810,564	2,468,942	-	22,728,901	148,825	2,744,239	28,090,907
Profit for the financial year		-	-	-	-	-	213,981	213,981
Other comprehensive expense for the financial year		-	-	-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	-	-	213,981	213,981
Dividends for the financial year ended 2017	14	-	-	-	-	-	(390,528)	(390,528)
Dividends for the financial year ended 2018	14	-	-	-	-	-	(1,172,495)	(1,172,495)
ESOS and LTIP	30(a), (b); 31(d)	6,086	39,698	-	-	(25,930)	6,157	19,925
Incentive arrangement	30(c); 31(d)	-	-	-	-	(4,830)	-	(4,830)
Total transactions with owners, recognised directly in equity		6,086	39,698	-	-	(30,760)	(1,556,866)	(1,547,928)
At 31 December 2018		7,816,650	2,508,640	-	22,728,901	118,065	1,401,354	26,756,960

**Statements of  
Changes in Equity**  
for the Financial Year Ended 31 December 2018

Company	Note	Issued and fully paid ordinary shares		Share premium RM'000	Merger relief (Note 31 (b)) RM'000	Other reserves (Note 31 (d)) RM'000	Retained earnings RM'000	Total equity RM'000
		Number of shares '000	Share capital RM'000					
At 1 January 2017		7,510,314	751,031	61,974	22,728,901	137,967	3,270,731	26,950,604
Transition to no-par value regime	31(a)	-	61,994	(61,994)	-	-	-	-
Profit for the financial year		-	-	-	-	-	1,005,429	1,005,429
Other comprehensive expense for the financial year		-	-	-	-	(27,026)	-	(27,026)
Total comprehensive (expense)/income for the financial year		-	-	-	-	(27,026)	1,005,429	978,403
Issuance of new shares, net of expenses		300,000	1,654,504	-	-	-	-	1,654,504
Dividends for the financial year ended 2016	14	-	-	-	-	-	(375,517)	(375,517)
Dividends for the financial year ended 2017	14	-	-	-	-	-	(1,156,579)	(1,156,579)
ESOS and LTIP	30(a), (b); 31(d)	250	1,413	20	-	37,104	175	38,712
Incentive arrangement	30(c); 31(d)	-	-	-	-	780	-	780
Total transactions with owners, recognised directly in equity		300,250	1,655,917	20	-	37,884	(1,531,921)	161,900
At 31 December 2017		7,810,564	2,468,942	-	22,728,901	148,825	2,744,239	28,090,907

The notes on pages 113 to 203 form part of these financial statements.

# Statements of Cash Flows

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

		Group		Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit for the financial year		<b>1,779,719</b>	2,180,042	<b>213,981</b>	1,005,429
Adjustments for:					
Allowance for impairment of (net):					
- investments in subsidiaries		-	-	-	195,000
- receivables and deposits	32(b)	<b>142,999</b>	115,774	-	-
Reversal of inventories obsolescence (net)		<b>(595)</b>	(12)	-	-
Amortisation of intangible assets	16	-	12,484	-	-
Amortisation of contract cost assets		<b>100,902</b>	67,956	-	-
Bad debts recovered		<b>(23,483)</b>	(21,897)	-	-
Dividend income	6	-	-	<b>(217,800)</b>	(1,220,000)
Unrealised fair value (gains)/losses on forward foreign exchange contracts		<b>(779)</b>	2,421	-	-
Finance costs	10	<b>389,054</b>	445,032	-	25,483
Finance income	10	<b>(44,775)</b>	(60,982)	<b>(7,260)</b>	(21,326)
Property, plant and equipment:					
- depreciation	15	<b>1,067,700</b>	1,020,955	-	-
- gain on disposal		<b>(2,150)</b>	(5,391)	-	-
- net allowance for/(reversal of) impairment	15	<b>2,115</b>	2,899	-	-
- write-offs		<b>18,641</b>	15,085	-	-
(Write-back of)/provision for (net):					
- contract obligations and legal claims	27	-	(4,358)	-	-
- site rectification and decommissioning works	27	<b>6,545</b>	4,647	-	-
- staff incentive scheme	27	<b>101,598</b>	104,895	-	-
Share-based payments		<b>18,362</b>	41,667	-	-
Tax expenses	12	<b>589,003</b>	698,378	<b>1,741</b>	5,632
Unrealised gain on foreign exchange		<b>(15,670)</b>	(80,267)	-	-
		<b>4,129,186</b>	4,539,328	<b>(9,338)</b>	(9,782)
Payments for:					
- site rectification and decommissioning works	27	<b>(2,424)</b>	(2,381)	-	-
- staff incentive scheme	27	<b>(102,940)</b>	(95,790)	-	-
Operating cash flows before working capital changes		<b>4,023,822</b>	4,441,157	<b>(9,338)</b>	(9,782)

The notes on pages 113 to 203 form part of these financial statements.

**Statements of  
Cash Flows**  
for the Financial Year Ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>(continued)</b>					
Changes in working capital:					
Inventories		(10,830)	1,460	-	-
Receivables		(455,232)	(322,270)	3	(3,683)
Payables		622,937	(120,543)	(448)	602
Balances with:					
- related parties		(17,937)	1,231	-	-
- fellow subsidiaries		(1,689)	1,509	-	-
- subsidiaries		-	-	57,163	145
Cash flows from/(used in) operations		4,161,071	4,002,544	47,380	(12,718)
Dividends received		-	-	217,800	1,220,000
Interest received		24,524	36,441	9,295	19,289
Tax paid		(856,008)	(671,458)	(5,470)	(2,337)
Net cash flows from operating activities		3,329,587	3,367,527	269,005	1,224,234
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Loan to a subsidiary		-	-	-	(444,360)
Loan repayments from subsidiaries		-	-	390,000	54,360
Property, plant and equipment:					
- purchase		(1,412,515)	(1,492,438)	-	-
- disposal proceeds		2,150	5,457	-	-
Dividends received	17(a)	-	-	916,757	529,800
Purchase of financial assets at FVOCI	19	(3,615)	-	(3,615)	-
Placement of deposits with maturity of more than three months		(1,411)	(2,820)	-	-
Net cash flows (used in)/from investing activities		(1,415,391)	(1,489,801)	1,303,142	139,800

The notes on pages 113 to 203 form part of these financial statements.

## Statements of Cash Flows

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issuance of shares pursuant to private placement		-	1,654,504	-	1,654,504
Proceeds from issuance of shares pursuant to ESOS		290	1,379	290	1,379
Shares acquired pursuant to incentive arrangement		(3,557)	(3,554)	(3,557)	(3,554)
Drawdown of borrowings		-	744,360	-	-
Repayments of:					
- borrowings		-	(2,414,560)	-	(1,460,200)
- lease financing		(5,193)	(7,462)	-	-
Payments of finance costs		(385,794)	(403,336)	-	(26,610)
Ordinary share dividends paid		(1,563,023)	(1,532,096)	(1,563,023)	(1,532,096)
Net cash flows used in financing activities		(1,957,277)	(1,960,765)	(1,566,290)	(1,366,577)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(43,081)	(83,039)	5,857	(2,543)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		578,806	661,845	9,757	12,300
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	26	535,725	578,806	15,614	9,757

The notes on pages 113 to 203 form part of these financial statements.

# Notes to the Financial Statements

31 December 2018

## 1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding, whilst the principal activities of the Group, comprising the Company and its subsidiaries, are to offer a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions for the Group. Details of the principal activities of the subsidiaries are shown in Note 17(a) to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The Directors regard BGSM Equity Holdings Sdn. Bhd. as the immediate holding company, BGSM Management Sdn. Bhd. as the penultimate holding company and Binariang GSM Sdn. Bhd. ("BGSM") as the ultimate holding company. All these companies are incorporated and domiciled in Malaysia.

The address of the registered office of business of the Company is as follows:

Level 21, Menara Maxis  
Kuala Lumpur City Centre  
Off Jalan Ampang  
50088 Kuala Lumpur

The address of the principal place of business of the Company is as follows:

Level 8, 11, 14 - 25, Menara Maxis  
Kuala Lumpur City Centre  
Off Jalan Ampang  
50088 Kuala Lumpur

## 2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.



## Notes to the Financial Statements

### 2 BASIS OF PREPARATION (CONTINUED)

#### (a) Standards, amendments to published standards and Issues Committee ("IC") Interpretation that are effective and applicable to the Group and the Company

The Group and the Company have applied the following standards, amendments to published standards and IC Interpretation that are applicable to the Group and the Company for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 "Financial Instruments" ("MFRS 9")
- MFRS 15 "Revenue from Contracts with Customers" ("MFRS 15")
- Amendments to MFRS 2 "Share-based Payment" ("MFRS 2") on Classification and Measurement of Share-based Payment Transactions
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The adoption of the above standards, amendments to published standards and IC Interpretation did not have any significant effect on the consolidated and separate financial statements of the Group and of the Company respectively upon their initial application, except for changes arising from the adoption of MFRS 9 and MFRS 15 as described in Note 36.

#### (b) Standards, amendments and improvements to published standards and IC Interpretation that are applicable to the Group and the Company but not yet effective

A number of new standards, amendments and improvements to published standards and IC Interpretation are effective for the financial year beginning after 1 January 2018. None of these are expected to have a significant effect on the consolidated and separate financial statements of the Group and the Company respectively in the period of initial application, except for MFRS 16 "Leases" as described below.

##### MFRS 16 "Leases" (effective from 1 January 2019)

MFRS 16 "Leases" ("MFRS 16") supersedes MFRS 117 "Leases" and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on statements of financial position) or operating leases (off statements of financial position). MFRS 16 requires the lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

Arising from the above, the Group estimates the below impact to its consolidated financial statements:

- (i) Movement in the following balances on 1 January 2019:
  - increase in lease liabilities by approximately RM1,120 million; and
  - decrease in retained earnings by approximately RM40 million.
- (ii) Right-of-use assets of approximately RM1,050 million will be presented in the statements of financial position.

On the statements of profit or loss, EBITDA as defined in Note 5 is expected to improve as operating lease rentals which were previously recorded as expenses within EBITDA, will be replaced by interest expense on the lease liabilities (included within finance cost) and amortisation of the right-of-use assets.

## Notes to the Financial Statements

### 2 BASIS OF PREPARATION (CONTINUED)

#### (b) Standards, amendments and improvements to published standards and IC Interpretation that are applicable to the Group and the Company but not yet effective (continued)

##### MFRS 16 “Leases” (effective from 1 January 2019) (continued)

On the statements of cash flows, operating cash flows are expected to increase, with a corresponding increase in financing cash outflows, as repayment of the principal portion of the lease liabilities will be classified as cash outflows from financing activities.

The Group’s activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

##### Other amendments and improvements to published standards and IC Interpretation

The following amendments and improvements to published standards and IC Interpretation are not expected to have a significant impact on the consolidated and separate financial statements of the Group and the Company respectively in the period of initial application:

- Amendments to MFRS 9 “Prepayment Features with Negative Compensation” (effective 1 January 2019)
- Amendments to MFRS 119 “Plan Amendment, Curtailment or Settlement” (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle (effective 1 January 2019)
- IC Interpretation 23 “Uncertainty over Income Tax Treatments” (effective 1 January 2019)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

#### (a) Basis of consolidation

##### (i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Basis of consolidation (continued)

##### (i) *Subsidiaries (continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss. See accounting policy Note 3(d)(ii) on goodwill.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the shareholders' equity. Profit or loss attributable to non-controlling interests for prior years is not restated.

##### (ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

#### (b) Foreign currencies

##### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Foreign currencies (continued)

##### *(ii) Transactions and balances*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the date of the transactions.

Monetary assets and liabilities in foreign currencies at the reporting date are translated into the functional currency at exchange rates ruling at the date.

Exchange differences arising from the settlement of foreign currency transactions and the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognised in the statement of profit or loss. However, exchange differences are deferred in other comprehensive income when they arise from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

#### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure (including borrowing and staff costs) that is directly attributable to the acquisition of property, plant and equipment and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of certain property, plant and equipment items include the costs of dismantling and removing the item and restoring the sites on which these items are located. These costs are due to obligations incurred either when the items were installed or as a consequence of having used these items during a particular period.

Certain telecommunications assets are stated at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset was acquired. Included in telecommunications equipment are purchased software costs which are integral to such equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial year in which they are incurred.

Freehold land is not depreciated as it has an indefinite life.

Leasehold land and buildings held for own use are classified as operating or finance leases in the same way as leases of other assets.

Long-term leasehold land is land with a remaining lease period exceeding 50 years. Leasehold land is amortised over the lease term on a straight-line method, summarised as follows:

Long-term leasehold land	77 – 90 years
Short-term leasehold land	50 years

All other property, plant and equipment are depreciated on the straight-line method to write-off the cost of each category of assets to its residual value over its estimated useful life, summarised as follows:

Buildings	44 – 50 years
Telecommunications equipment	2 – 25 years
Motor vehicles	5 years
Office furniture, fittings and equipment	3 – 7 years

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Property, plant and equipment (continued)

Capital work-in-progress and capital inventories comprise mainly telecommunications equipment, information technology system and renovations. They are reclassified to the respective categories of property, plant and equipment and depreciated when they are ready for their intended use.

Residual values and useful lives are reassessed and adjusted, if appropriate, at each reporting date.

At each reporting date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of profit or loss.

#### (d) Intangible assets

The Group acquires intangible assets either as part of a business combination or through separate acquisition. Intangible assets acquired in a business combination are recorded at their fair value at the date of acquisition and recognised separately from goodwill. On initial acquisition, management judgment is applied to determine the appropriate allocation of purchase consideration to the assets being acquired, including goodwill and identifiable intangible assets.

##### (i) Spectrum rights

The Group's spectrum rights consist of telecommunications licences with allocated spectrum rights which were acquired as part of a business combination and other spectrum rights.

Spectrum rights with fixed term are considered to have indefinite useful lives if they can be renewed indefinitely without significant costs in comparison to the expected future economic benefits and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the Group. Spectrum rights that are considered to have an indefinite economic useful life are not amortised but tested for impairment on an annual basis, and where an indication of impairment exists. Costs to renew such spectrum rights upon the expiry of their licence periods are charged to the statement of profit or loss during the licence periods.

Spectrum rights that are considered to have a finite life are amortised on a straight-line basis over the period of expected benefit and assessed at each reporting date for any indication of impairment.

See accounting policy Note 3(g) on impairment of non-financial assets.

The estimated useful lives of the spectrum rights of the Group are as follows:

Telecommunications licences with allocated spectrum rights	Indefinite life
Other spectrum rights	4 years

Management assesses the indefinite economic useful life assumption applied to the acquired intangible assets annually.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Intangible assets (continued)

##### (ii) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregation of the consideration transferred for purchase of subsidiaries or businesses, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is recognised immediately in the statement of profit or loss.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. See accounting policy Note 3(g) on impairment of non-financial assets. Each CGU or a group of CGUs represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which is expected to benefit from the synergies of the combination.

#### (e) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses plus the fair value of share options, share grants and shares acquired, over the Company's equity instruments for employees (including full-time executive directors) of the subsidiaries during the vesting period, deemed as capital contribution. See accounting policy Note 3(v)(iv) on share-based compensation benefits. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g) on impairment of non-financial assets.

#### (f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

#### Financial assets

#### *Accounting policies applied from 1 January 2018*

##### (i) Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.



## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

##### (i) Classification (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating expenses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

##### (iii) Measurement (continued)

- FVOCI:

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating expenses and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other operating expenses in the period in which it arises.

##### *Equity instruments*

The Group and the Company subsequently measure all equity instruments at fair value. Where the Group's and the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised other operating expenses in the statement of profit or loss as applicable.

##### (iv) Subsequent measurement – Impairment

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has five types of financial instruments that are subject to the ECL model:

- Trade receivables
- Finance lease receivables
- Contract assets
- Other receivables and deposits
- Amounts due from related parties

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

##### (iv) Subsequent measurement – Impairment (continued)

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### (a) General 3-stage approach for other receivables, deposits and loans to subsidiaries

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

##### (b) Simplified approach for trade receivables, finance lease receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, finance lease receivables and contract assets.

##### Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

##### Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, when counterparty fails to make contractual payment more than 150 days after they fall due and the debtor is insolvent or has significant financial difficulties.

Financial instruments that are credit-impaired are assessed on individual basis.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

##### (iv) Subsequent measurement – Impairment (continued)

##### Definition of default and credit-impaired financial assets (continued)

For certain categories of financial assets, such as trade receivables, finance lease receivables and contract assets, balances that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

##### Groupings of instruments for ECL measured on collective basis

##### (a) Collective assessment

To measure ECL, trade receivables, finance lease receivables and contract assets have been grouped based on shared credit risk characteristics of customer's behaviour and the days past due. The contract assets relate to unbilled amounts and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

##### (b) Individual assessment

Trade receivables, finance lease receivables, contract assets, other receivables and deposits, that are in default or credit-impaired are assessed individually.

##### Write-off

##### (a) Trade receivables, finance lease receivables and contract assets

Trade receivables, finance lease receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables, finance lease receivables and contract assets are presented within 'Impairment of receivables and deposits, net' in the statements of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item in the statements of profit or loss.

##### (b) Other receivables and deposits

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. These are presented as net impairment losses within 'Impairment of receivables and deposits, net' in the statements of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### Financial assets (continued)

##### *Accounting policies applied until 31 December 2017*

##### (i) Classification

The Group and the Company classified their financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale, finance lease receivables and amounts due from related parties. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of financial assets at initial recognition and, in the case of assets classified as held-to-maturity, reassessed this designation at each reporting date.

The Group and the Company did not hold any financial assets carried at fair value through profit or loss (except for derivative financial instruments) and held-to-maturity. See accounting policy Note 3(h) on derivative financial instruments and hedging activities.

Financial assets were classified as current assets; except for maturities greater than 12 months after the reporting date, in which case they were classified as non-current assets.

##### (ii) Measurement

##### Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Financial assets in this category were initially recognised at fair value plus transaction costs that were directly attributable to the acquisition of the financial asset and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these assets were recognised in the statement of profit or loss.

The Group's and the Company's loans and receivables comprised receivables (including inter-companies and related parties' balances), deposits, cash and bank balances in the statement of financial position.

##### Available-for-sale

Available-for-sale financial assets are non-derivatives that were either designated in this category or not classified in any of the other categories. Financial assets in this category were initially recognised at fair value plus transaction costs that were directly attributable to the acquisition of the financial asset and subsequently, at fair value. Any gains or losses from changes in fair value of the financial assets were recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments, interest and dividends were recognised in the statement of profit or loss. The cumulative gain or loss previously recognised in other comprehensive income was reclassified from equity to the statement of profit or loss as a reclassification adjustment when the financial asset was derecognised.

Investments in equity instruments for which the fair value could not be reliably measured were recognised at cost less accumulated impairment losses.

The Group's available-for-sale financial asset comprised investment in unquoted shares.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### Financial assets (continued)

##### *Accounting policies applied until 31 December 2017 (continued)*

##### (iii) Recognition and derecognition

Financial assets were recognised when the Group and the Company became party to the contractual provisions of the instrument.

Financial assets were derecognised when the risks and rewards relating to the financial assets had expired or had been fully transferred or had been partially transferred with no control over the same.

##### (iv) Impairment

##### *Financial assets carried at amortised cost*

Financial assets were impaired when there was objective evidence as a result of one or more events that the present value of estimated discounted future cash flows was lower than the carrying value. Any impairment losses were recognised immediately in the statement of profit or loss.

Financial assets were continuously monitored and allowances applied against financial assets consist of both specific impairments and collective impairments based on the Group's and the Company's historical loss experiences for the relevant aged category and taking into account general economic conditions. Historical loss experience allowances were calculated by line of business in order to reflect the specific nature of the financial assets relevant to that line of business.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was recognised in the statement of profit or loss.

##### *Financial assets classified as available-for-sale*

Significant or prolonged decline in fair value below cost and significant financial difficulties of the issuer or obligor were considerations to determine whether there was objective evidence that investment securities classified as available-for-sale financial assets were impaired. If an available-for-sale financial asset was impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, was reclassified from equity to the statement of profit or loss. Impairment losses in the statement of profit or loss on available-for-sale equity investments were not reversed through the statement of profit or loss in the subsequent period. Increase in fair value, if any, subsequent to impairment loss was recognised in other comprehensive income.

##### Financial liabilities

##### (i) Classification and measurement

The Group and the Company classify their financial liabilities in the following categories: at fair value through profit or loss, other financial liabilities and financial guarantee contracts. Management determines the classification of financial liabilities at initial recognition.



## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### Financial liabilities (continued)

##### (i) Classification and measurement (continued)

The Group and the Company do not hold any financial liabilities carried at fair value through profit or loss (except for derivative financial instruments) and financial guarantee contracts. See accounting policy Note 3(h) on derivative financial instruments and hedging activities.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial liability and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the statement of profit or loss.

The Group's and the Company's other financial liabilities comprise payables (including inter-companies and related parties' balances) and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

##### (ii) Recognition and derecognition

Financial liabilities are recognised when the Group and the Company become party to the contractual provisions of the instrument.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

##### Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

#### (g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite economic useful life are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets ("CGUs"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Any impairment loss is charged to the statement of profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statement of profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date.

A derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative that does not qualify for hedge accounting are classified as “held for trading” and accounted for at fair value through profit and loss. Changes in fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

Derivatives that qualify for hedge accounting are designated as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) Hedges of a net investment in a foreign operation (net investment hedge).

Following the adoption of MFRS 9, the Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Prior to 1 January 2018, the Group documented at the inception of the transaction, the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions had been, and would continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 21. Movements on the hedging reserve in shareholders' equity are shown in Note 31(d). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within ‘finance costs’.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedged transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to the statement of profit or loss.

The Group and the Company do not have any fair value hedges and net investment hedges.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Fair value estimates

The fair value of the financial assets, financial liabilities and derivative financial instruments is estimated for recognition and measurement or for disclosure purposes.

In assessing the fair value of financial instruments, the Group makes certain assumptions and applies the estimated discounted value of future cash flows to determine the fair value of financial instruments. The fair values of financial assets and financial liabilities are estimated by discounting future cash flows at the current interest rate available to the respective companies.

The face values for financial assets and financial liabilities with a maturity of less than one year are assumed to be approximately equal to their fair values.

For derivative financial instruments that are measured at fair value, the fair values are determined using a valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair values of cross currency interest rate and interest rate swaps are calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using the forward exchange rates as at each reporting date.

#### (j) Inventories

Inventories, which comprise telecommunications components, incidentals and devices, are stated at the lower of cost and net realisable value. Cost includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition, and is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less loss allowance. See Note 3(f)(iv) for the impairment policy on receivables.

#### (l) Finance lease receivables

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

#### (m) Loans to subsidiaries

Loans to subsidiaries are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Loans to subsidiaries (continued)

Loans to subsidiaries are subsequently measured at amortised cost using the effective interest rate method, less loss allowance. See Note 3(f)(iv) for the impairment policy on receivables.

#### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents are presented net of deposits with maturity more than three months.

#### (o) Share capital

##### (i) *Classification*

Ordinary shares and redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

##### (ii) *Share issue costs*

External costs directly attributable to the issue of new shares are deducted, net of tax, against proceeds and shown in equity.

##### (iii) *Dividends to shareholders of the Company*

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Directors except for the final dividend which is subject to approval by the Company's shareholders.

#### (p) Payables

Payables, including accruals, represent liabilities for goods received and services rendered to the Group and the Company prior to the end of the financial year and which remain unpaid. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties. Payables are subsequently measured at amortised cost using the effective interest method.

#### (q) Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets. Other borrowing costs are recognised as an expense in the statement of profit or loss when incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) Borrowings (continued)

Interest expense, redeemable preference shares dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance costs in the statement of profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss within finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### (i) *Borrowings in a designated hedging relationship*

Borrowings subject to cash flow hedges are recognised initially at fair value based on the applicable spot price plus any transaction costs that are directly attributable to the issue of borrowing. These borrowings are subsequently carried at amortised costs, translated at applicable spot exchange rate at reporting date. Any difference between the final amount paid to discharge the borrowing and the initial proceeds is recognised in the statement of profit or loss over the borrowing period using the effective interest method.

Currency gains or losses on the borrowings are recognised in the statement of profit or loss, along with the associated gains or losses on the hedging instrument, which have been reclassified from the cash flow hedging reserve to the statement of profit or loss.

##### (ii) *Borrowings not in a designated hedging relationship*

Borrowings not in a designated hedging relationship are initially recognised at fair value plus transaction costs that are directly attributable to the issue of borrowing. These borrowings are subsequently carried at amortised costs. Any difference between the final amount paid to discharge the borrowing and the initial proceeds is recognised in the statement of profit or loss over the borrowing period using the effective interest method.

#### (r) Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

##### (i) *Site rectification and decommissioning works*

Provision for site rectification works is based on management's best estimate and the past trend of costs for rectification works to be carried out to fulfil new regulatory guidelines and requirements imposed after network cell sites were built.

Provision for decommissioning works is the estimated costs of dismantling and removing the structures on identified sites and restoring these sites. This obligation is incurred either when the items are installed or as a consequence of having used the items during a particular period.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Provisions for liabilities and charges (continued)

##### (i) *Site rectification and decommissioning works (continued)*

The provision has been estimated based on the current conditions of the sites, at the estimated costs to be incurred upon the expiry of lease terms and discounted at the discount rates that reflect current market assessment of the time value of money and the risk specific to the provision.

##### (ii) *Staff incentive scheme*

Provision for staff incentive scheme is based on management's best estimate of the total employee benefits payable as at reporting date based on the service and/or performance conditions of individual employees and/or financial performance of the Group.

#### (s) Income taxes

The tax expenses for the period comprise current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, and real property gains taxes payable on disposal of properties.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, investment tax allowance or unused tax losses can be utilised.

Deferred tax liability is recognised for all taxable temporary differences arising on investments in subsidiaries except for deferred tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority or either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.



## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Finance leases and hire purchase agreements

Leases and hire purchases of assets where the Group assumes substantially all benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets acquired under finance leases or hire purchase agreements are depreciated or amortised over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

#### (u) Operating leases

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the lease period.

#### (v) Employee benefits

##### (i) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (ii) Post-employment benefits

###### Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis, and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are charged to the statement of profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. The Group recognises a provision when an employee has provided services in exchange for employee benefits to be paid in the future. When contributions to a defined contribution plan are not expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service, they shall be discounted to present value.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Employee benefits (continued)

##### *(iii) Other long-term employee benefits*

The liabilities for deferred remuneration are not expected to be settled wholly within 12 months after the end of the reporting period in which the employee services are provided. When the level of benefit depends on the length of service, an obligation arises when the service is rendered. Measurement of that obligation reflects the probability that payment will be required and the length of time for which payment is expected to be made.

The obligations are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

##### *(iv) Share-based compensation benefits*

The Group and the Company operate equity-settled, share-based compensation plans for eligible employees (including full-time executive directors) of the Group and of the Company, pursuant to the Employee Share Option Scheme ("ESOS"), Long-term Incentive Plan ("LTIP") and incentive arrangement. Where the Group and the Company pay for services of employees using the share options and shares, the fair value of the share options, share grants and shares acquired in exchange for the services of the employees are recognised as an employee benefit expense in the statement of profit or loss over the vesting periods, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and shares at grant date and the number of share options and shares to be vested by the vesting date. At each reporting date, the Group and the Company revise their estimates of the number of share options and shares that are expected to be vested by the vesting date. Any revision of this estimate is included in the statement of profit or loss and with the corresponding adjustment in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

The fair value of share options is measured using a modified Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on maturity of the share options), expected dividends and the risk-free interest rate (based on data from recognised financial information sources). The fair value of share grants and shares acquired for employees for nil consideration under the LTIP and incentive arrangement respectively, are measured using the observable market price of the shares at the grant date.

Non-market vesting conditions attached to the transactions are not taken into account in determining fair value. Non-market vesting and service conditions are included in assumptions about the number of options or shares that are expected to vest.

When share options or share grants are exercised, the proceeds received, if any, from the exercise of the share options or share grants together with the corresponding share-based payments reserve, net of any directly attributable transaction costs are transferred to equity. If the share options or share grants expire or lapse, the corresponding share-based payments reserve attributable to the share options or share grants are transferred to retained earnings.

When share options or share grants are forfeited due to failure by the employee to satisfy the service and/or performance conditions, any expenses previously recognised in relation to such share options or share grants are reversed effective on the date of the forfeiture.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Employee benefits (continued)

##### (iv) *Share-based compensation benefits (continued)*

When shares of the Company are acquired from the open market at market price using cash incentive payable to employees, the transactions are recorded in share-based payments reserve.

In the separate financial statements of the Company, the share options, share grants and shares acquired, over the Company's equity instruments for the employees of subsidiary undertakings in the Group, are treated as a capital contribution. The fair value of the share options, share grants and shares acquired for employees of the subsidiary in exchange for the services of employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity.

#### (w) Revenue recognition for contract with customers

##### (i) *Telecommunications revenue*

The Group principally generates revenue from providing telecommunication services, such as access to the network, airtime usage, messaging, internet services, as well as from sales of products. Products and services may be sold separately or in bundled packages. The typical length of a contract for bundled packages is 12 months to 24 months.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation by transferring control over a promised product or service to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their Relative Stand-alone Selling Prices ("RSSP"). The RSSP are determined based on the published selling prices used by the Group on the sale of products and telecommunication services. For items that are not sold separately by the Group such as certain mobile device models and data passes, the Group estimates the RSSP using the adjusted market assessment approach.

The Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Revenue recognition for contract with customers (continued)

##### (i) Telecommunications revenue (continued)

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Telecommunication services	<p>Telecommunication services may include plans which provide a series of promised services including voice, data, text, digital and other converged telecommunication services. As the services are separately identifiable and the customers can benefit from each of the services on its own, each service is accounted for as a separate performance obligation. Telecommunication services are generally billed and paid on a monthly basis ("post-paid") in arrears or mobile services which are paid in advance ("pre-paid").</p> <p>The Group recognises telecommunication services revenue when services are rendered. For post-paid usage-based plans, revenue is recognised when the customers use the services and is measured at the consideration specified in the contract.</p> <p>Fixed fee post-paid service plans may include services which provide customers with limited and unlimited usage for the respective services within the plan. For services with unlimited usage, revenue is recognised proportionately over the fixed fee billing period based on the consideration allocated for the service. For services with limited usage, revenue is recognised when the customer utilises their entitled usage and is measured based on the consideration allocated for the service. Services with limited usage can be utilised up to the end of the fixed fee period. At the end of the fixed fee period, the remaining consideration allocated for the service which has not been utilised is recognised as revenue in full.</p> <p>The consideration specified in the contract is adjusted for expected discounts and rebates for contracts which offer discounted rates when certain volume commitments are met, to the extent that it is highly probable that a significant reversal will not occur. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. As the amount billed to customer is higher than the transaction price, a contract liability is recognised.</p> <p>Starter packs with a sim card and preloaded credit is accounted for as a single performance obligation as the sim card can only be used together with the services provided by the Group. Prepaid credits are recognised as contract liability in the statement of financial position. Revenue is recognised when the credits are utilised or up to the point of customer churn or upon expiry, whichever is earlier.</p>

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Revenue recognition for contract with customers (continued)

##### (i) Telecommunications revenue (continued)

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Devices	<p>Devices may be sold separately or in bundled packages. The Group recognises revenue when control of the device has transferred to the customer upon delivery and acceptance of the device at the point of sale.</p> <p>For devices sold separately, the consideration is received in full at the point of sale. The amount of revenue recognised is measured at the consideration specified in the contract.</p> <p>Devices that the Group promises to transfer as part of a bundled package with mobile telecommunication services are considered distinct and thus accounted for as a separate performance obligation. For devices sold in such bundled packages, the consideration is either received upfront or in equal monthly installments over a period of 12 months to 24 months. The amount of revenue recognised for devices sold in bundled packages is measured at the allocated consideration based on the RSSP as explained previously. Where consideration is received in installment payments, the consideration is adjusted for the effects of the time value of money as the contract contains a significant financing component.</p> <p>A contract asset is recognised when the Group delivers the devices before the payment is due. If the payment happens before the delivery of device then a contract liability is recognised. Contract assets and contract liabilities are presented within receivables and payables respectively in the statement of financial position.</p> <p>Devices that are transferred as part of a fixed line telecommunication services bundled package which can only be used together with the services provided by the Group, are considered as a single performance obligation in telecommunications service revenue.</p> <p>The contract for sale of devices does not give the customers a right of return nor responsibilities within the ambit of device manufacturer's warranty.</p> <p>When another party is involved in providing devices to a customer, the Group is a principal in such arrangements when it controls the devices before they are transferred to the customers. As the principal, the Group recognises as revenue on the gross consideration allocated to the devices with the corresponding direct costs of satisfying the contract.</p>
Customer loyalty programme	<p>The Group operates a loyalty programme which may provide the customers a material right to acquire future products and services from the Group or selected partner vendors of the Group for free or at a discount.</p> <p>Where there is a material right to the customer, a portion of the consideration specified in the contract is allocated to the material right on a RSSP basis. The consideration allocated is recognised as a contract liability. Revenue is only recognised when the material rights such as free goods or discounts are redeemed or expired.</p>

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Revenue recognition for contract with customers (continued)

##### (ii) *Contract assets*

Contract assets are the right to consideration in exchange for goods or services that the Group has transferred to a customer when the right is conditioned on something other than the passage of time. A contract asset is different from trade receivable. Contract assets are presented within "Receivables, deposits, and prepayments" of the statement of financial position.

##### (iii) *Contract liabilities*

Contract liability is the unsatisfied obligation by the Group to transfer goods or services to customer for which the Group has received the consideration in advance or has billed the customer. Contract liabilities are presented within payables and accruals of the statement of financial position.

##### (iv) *Dividend income*

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

##### (v) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

#### (x) Incremental costs incurred to obtain or fulfil a contract

The Group capitalises sales commissions as costs to obtain a contract as these are incremental costs that would not have been incurred by the Group if the respective contracts had not been obtained. The Group expects to recover these costs in the future through telecommunication services revenue earned from the customer. These are amortised consistently over the term of the specific contract to which the cost relate to.

Where the costs incurred to obtain a contract are in respect of contracts with amortisation period of less than one year, these are recognised as an expense when incurred in line with the practical expedient elected by the Group.

Amortisation of incremental costs incurred to obtain or fulfil a contract is presented within traffic, commissions and other direct costs within the statement of profit or loss.

An impairment loss is recognised to profit or loss to the extent that the carrying amount of the contract cost asset recognised exceeds the remaining amount of considerations that the Group expects to receive for the specific contract that the cost relate to less additional costs required to complete the specific contract.

#### (y) Government grants

As a Universal Service Provider, the Group is entitled to claim certain qualified expenses from the relevant authorities in relation to Universal Service Provider projects. The claim qualifies as a government grant and is recognised at its fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are recognised as income in the statement of profit or loss to match them with the expenses they are intended to compensate in the period they are incurred.



## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (y) Government grants (continued)

Government grants relating to the purchase of assets are included in payables and accruals as government grant and are credited to the statement of profit or loss as income on a straight-line basis over the expected useful lives of the related assets.

#### (z) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

#### (aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers comprising the Chief Executive Officer and the Chief Financial Officer. The chief operating decision-makers are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### (a) Intangible assets

The telecommunications licences with allocated spectrum rights are not subject to amortisation and are tested annually for impairment as the Directors are of the opinion that although the licences are issued for a fixed period, they can be renewed in perpetuity, at negligible cost in comparison to the expected future economic benefits that the rights can generate.

The estimated useful life reflects the Group's expectation of the period over which the Group will continue to recover benefits from the licence.

The useful life is periodically reviewed, taking into consideration such factors as changes in technology and the regulatory environment. See Note 16 to the financial statements for the key assumptions on the impairment assessment of intangible assets.

## Notes to the Financial Statements

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

#### (b) Investments in subsidiaries

During the year, the net asset position of an investment in a subsidiary was lower than the carrying amount of the investment. Thus, the Company performed an impairment assessment on the carrying amount of its investment against its recoverable amount which was determined based on value-in-use calculations as disclosed in Note 16 to the financial statements. No impairment charge was recognised as the recoverable amount exceeded its carrying amount.

The key assumptions used in the value-in-use calculations are most likely to be sensitive to changes in terminal growth rate and discount rates in the projection period. Based on the sensitivity analysis performed, the Directors have concluded that an increase in discount rate by 0.03% or a decrease of terminal growth rate by 0.04% would cause the carrying amount of its investments to equal its recoverable amount.

#### (c) Estimated useful lives and impairment assessment of property, plant and equipment

The Group reviews annually the estimated useful lives and assesses for indicators of impairment of property, plant and equipment based on factors such as business plans and strategies, historical sector and industry trends, general market and economic conditions, expected level of usage, future technological developments and other available information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any impairment or reduction in the estimated useful lives of property, plant and equipment would increase charges to the statement of profit or loss and decrease their carrying value. See Note 15 to the financial statements for the impact of the changes in the estimated useful lives.

#### (d) Provisions for liabilities and charges

The Group recognises provisions for liabilities and charges when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provision requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Group's current best estimate. See Note 27 to the financial statements for the impact on changes in estimates.

#### (e) Revenue recognition for contracts with customers

##### Identification of performance obligation

Certain contracts with customers are bundled packages that may include sale of products and telecommunication services that comprise voice, data and other converged telecommunication service. The Group accounts for individual products and services separately as separate performance obligations if they are distinct promised goods and services, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it separately. The Group exercise judgments to identify if products and services within the bundled package are distinct as a separate promised products and services. This determination will affect the allocation of consideration specified in the contract and the revenue recognised for each performance obligation.

##### Principal versus agent

The Group is a principal for sale of device as the Group controls the device before it is transferred to the customer. In making such assessment, the Group takes into consideration both the legal form of the contract with its customer and supplier. Revenue from sale of device is recognised on a gross basis and payment to the supplier for device cost is recorded as a direct cost.

## Notes to the Financial Statements

### 5 SEGMENT REPORTING

Segment reporting is not presented as the Group is primarily engaged in providing integrated telecommunication services in Malaysia, whereby the measurement of profit or loss including EBITDA<sup>(1)</sup> that is used by the chief operating decision-makers is on a Group basis.

The Group's operations are mainly in Malaysia. In determining the geographical segments of the Group, revenues are based on the country in which the customer or international operator is located. Non-current assets by geographical segments are not disclosed as all operations of the Group are based in Malaysia.

	Group	
	2018 RM'000	2017 RM'000 (Restated)
Malaysia	9,008,902	9,220,500
Other countries <sup>(2)</sup>	183,534	198,790
Total revenue	9,192,436	9,419,290
EBITDA <sup>(1)</sup>	3,799,307	4,308,502

#### Notes:

- <sup>(1)</sup> Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.
- <sup>(2)</sup> Represents revenue from roaming partners and hubbing revenue.

### 6 REVENUE

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Revenue comprises the following:					
Revenue from contracts with customers	(a)	9,192,436	9,419,290	-	-
Dividend income from subsidiaries		-	-	217,800	1,220,000
		9,192,436	9,419,290	217,800	1,220,000

## Notes to the Financial Statements

### 6 REVENUE (CONTINUED)

#### (a) Revenue from contracts with customers:

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
(i) Disaggregation of revenue from contracts with customers:				
- telecommunications services:				
- postpaid	4,071,868	3,872,923	-	-
- prepaid	3,398,660	3,838,132	-	-
- others	686,595	653,658	-	-
	8,157,123	8,364,713		
- sale of devices	1,035,313	1,054,577	-	-
	9,192,436	9,419,290		
(ii) Timing of revenue recognition:				
- at a point in time	3,703,441	4,148,874	-	-
- over time	5,488,995	5,270,416	-	-
	9,192,436	9,419,290	-	-

#### (b) Contract assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

		31.12.2018	31.12.2017	1.1.2017
	Note	RM'000	RM'000 (Restated)	RM'000 (Restated)
Contract assets	(i)	568,739	498,063	480,279
Contract cost assets	(ii)	120,308	80,442	59,350
Total contract assets		689,047	578,505	539,629
Contract liabilities	(i), (iii)	383,894	403,548	435,802

## Notes to the Financial Statements

### 6 REVENUE (CONTINUED)

#### (b) Contract assets and liabilities related to contracts with customers (continued)

##### (i) Significant changes in contract assets and liabilities

	Group	
	2018 RM'000	2017 RM'000 (Restated)
<b><u>Contract assets</u></b>		
Balance at the beginning of year	498,063	480,279
Transfer to receivables	(802,671)	(739,816)
Additions due to revenue recognised during the year	887,098	760,610
Net increase during the year	84,427	20,794
Balance at the end of the year	582,490	501,073
Less: Allowance for impairment	(13,751)	(3,010)
	568,739	498,063
<b><u>Contract liabilities</u></b>		
Balance at the beginning of year	403,548	435,802
Revenue recognised that was included in the contract liability balance at the beginning of the year	(402,775)	(435,770)
Increases due to cash received, excluding amounts recognised as revenue during the year	383,121	403,516
Balance at the end of the year	383,894	403,548

##### (ii) Asset recognised from costs to obtain or fulfil a contract

The Group capitalises costs to obtain or fulfil a contract which include sales commissions when they are incremental and expected to be recovered over more than a year. The amount capitalised during the financial year was RM140,768,000 (2017: RM89,048,000).

These costs are amortised consistently with the transfer of the good or service to the customer. The amortisation recognised during the financial year was RM100,902,000 (2017: RM67,956,000).

## Notes to the Financial Statements

### 6 REVENUE (CONTINUED)

#### (b) Contract assets and liabilities related to contracts with customers (continued)

##### (iii) Unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the next financial year in relation to performance obligations that are unsatisfied as at the reporting date.

	Group	
	2018 RM'000	2017 RM'000
Telecommunication services	1,710,839	*

\* As permitted under the transitional provision of MFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2017 is not disclosed.

Management expects that approximately all of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 will be recognised as revenue in financial year 2019 and 2020.

### 7 STAFF AND RESOURCE COSTS

	Group	
	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	456,000	425,334
Defined contribution plan	53,206	48,207
Other short-term employee benefits	78,188	58,924
Other long-term employee benefits	470	1,966
ESOS, LTIP and incentive arrangement	18,362	41,667
	606,226	576,098

Staff and resource costs include the following:

- (a) Director's salaries, other short-term employee benefits and incentive arrangement as disclosed in Note 8(a); and
- (b) Key management personnel salaries and other short-term employee benefits, defined contribution plan and share-based payments as disclosed in Note 8(b).



## Notes to the Financial Statements

### 8 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### (a) Directors' remuneration

The aggregate amount of emoluments received/receivable by Directors of the Company during the financial year is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-Executive Directors</b>				
Fees	2,848	3,180	2,848	3,180
Estimated monetary value of benefits-in-kind	51	51	51	51
	<b>2,899</b>	3,231	<b>2,899</b>	3,231
<b>Executive Director</b>				
Salaries, other short-term employee benefits and incentive arrangement	26,890	31,333	-	-
Estimated monetary value of benefits-in-kind	296	470	-	-
	<b>27,186</b>	31,803	-	-
<b>Total Directors' remuneration</b>	<b>30,085</b>	35,034	<b>2,899</b>	3,231

#### (b) Key management personnel remuneration

Key management personnel comprise persons including Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

The aggregate amount of emoluments received/receivable by key management personnel excluding Directors of the Company during the financial year is as follows:

	Group	
	2018 RM'000	2017 RM'000
Salaries and other short-term employee benefits	24,504	14,140
Defined contribution plan	1,395	1,601
Share-based payments	7,186	12,755
Estimated monetary value of benefits-in-kind	307	70
	<b>33,392</b>	28,566

Total key management personnel remuneration of the Group and of the Company for the financial year is RM63,477,000 (2017: RM63,600,000) and RM2,899,000 (2017: RM3,231,000) respectively.

## Notes to the Financial Statements

### 9 DEPRECIATION AND AMORTISATION

	Note	Group	
		2018 RM'000	2017 RM'000 (Restated)
Depreciation of property, plant and equipment	15	<b>1,067,700</b>	1,020,955
Amortisation of intangible assets	16	-	12,484
		<b>1,067,700</b>	1,033,439

### 10 FINANCE INCOME AND COSTS

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
<b>(a) Finance income</b>					
Interest income on:					
- deposits with licensed banks		<b>24,629</b>	36,341	<b>2,486</b>	13,319
- loans due from subsidiaries		-	-	<b>4,774</b>	8,007
- receivables		<b>20,146</b>	24,641	-	-
		<b>44,775</b>	60,982	<b>7,260</b>	21,326
<b>(b) Finance costs</b>					
Accretion of site rectification and decommissioning works costs and changes in costs estimate on provision (net)	27	<b>6,994</b>	5,000	-	-
Loss/(gain) from cross currency interest rate swap ("CCIRS") and interest rate swap ("IRS") settlements		-	274	-	(7,615)
Interest expense on:					
- borrowings		<b>360,761</b>	412,885	-	34,883
- deferred payment creditors		<b>21,251</b>	26,518	-	-
- finance leases liabilities		<b>57</b>	329	-	-
- others		<b>6</b>	1,821	-	-
Gain on foreign exchange on bank borrowings		-	(579,532)	-	(579,532)
Net fair value loss on CCIRS and IRS: cash flow hedge, reclassified from equity	31(d)	<b>(15)</b>	577,737	-	577,747
		<b>389,054</b>	445,032	-	25,483

## Notes to the Financial Statements

### 11 PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at the profit before tax:

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Allowance for impairment of receivables and deposits (net)	32(b)	<b>142,999</b>	115,774	-	-
Reversal of inventories obsolescence (net)		<b>(595)</b>	(12)	-	-
Amortisation of:					
- intangible assets	16	-	12,484	-	-
- contract cost assets		<b>100,902</b>	67,956	-	-
Auditors' remuneration:					
- fees for statutory audits:					
- auditors of the Group		<b>890</b>	951	<b>36</b>	30
- fees for audit related services:					
- auditors of the Group <sup>(1)</sup>		<b>587</b>	898	<b>495</b>	336
- others		<b>37</b>	48	-	-
- fees for other services:					
- member firms of PwC Malaysia <sup>(2)</sup>		<b>868</b>	1,666	<b>97</b>	21
Bad debts recovered		<b>(23,483)</b>	(21,897)	-	-
Commissions and incentives		<b>326,107</b>	320,305	-	-
Depreciation of property, plant and equipment	15	<b>1,067,700</b>	1,020,955	-	-
Device expenses		<b>1,208,709</b>	1,240,864	-	-
Fair value (gains)/losses on forward foreign exchange contracts					
- unrealised		<b>(779)</b>	2,421	-	-
- realised		<b>528</b>	11,062	-	-
Government grant		<b>(211,212)</b>	(218,511)	-	-
Inter-operator traffic expenses		<b>736,516</b>	966,637	-	-
Licences and Universal Service Provision ("USP") contributions under the Communications and Multimedia Act, 1998 and subsidiary legislation		<b>422,547</b>	339,495	-	-

#### Notes:

- <sup>(1)</sup> Fees incurred in connection with performance of quarter reviews, agreed-upon procedures, and regulatory compliance reporting paid or payable to PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) ("PwC Malaysia"), auditors of the Group and of the Company.
- <sup>(2)</sup> Fees incurred for assisting the Group in connection with tax compliance and advisory services paid or payable to member firms of PwC Malaysia.

## Notes to the Financial Statements

### 11 PROFIT BEFORE TAX (CONTINUED)

The following items have been charged/(credited) in arriving at the profit before tax: (continued)

Note	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Loss/(gain) on foreign exchange:				
- realised	27,277	21,705	51	34
- unrealised	(15,670)	(80,267)	-	-
Management fees charged by subsidiaries	-	-	3,719	3,265
Property, plant and equipment:				
- gain on disposal	(2,150)	(5,391)	-	-
- net allowance for/(reversal of) impairment	15 2,115	2,899	-	-
- write-offs	18,641	15,085	-	-
Provision for/(write-back of) (net):				
- contract obligations and legal claims	27 -	(4,358)	-	-
- site rectification and decommissioning works	27 6,545	4,647	-	-
- staff incentive scheme (included in staff and resource costs)	27 101,598	104,895	-	-
Rental of:				
- equipment	17,484	14,970	-	-
- land and buildings	50,669	51,811	-	-
- network cell sites	411,338	338,802	-	-

### 12 TAX EXPENSES

Note	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Current tax:				
- current year	781,570	788,208	1,800	5,600
- under/(over) accruals in prior years	1,013	19,982	(59)	32
	782,583	808,190	1,741	5,632
Deferred tax:				
- origination and reversal of temporary differences	(190,421)	(91,159)	-	-
- recognition and reversal of prior years' temporary differences	(3,159)	(18,653)	-	-
22	(193,580)	(109,812)	-	-
Tax expenses	589,003	698,378	1,741	5,632

## Notes to the Financial Statements

### 12 TAX EXPENSES (CONTINUED)

The explanation of the relationship between the tax expenses and profit before tax is as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
<u>Numerical reconciliation between the Malaysian tax rate and average effective tax rate</u>				
Malaysian tax rate	24	24	24	24
Tax effects of:				
- expenses not deductible for tax purposes	1	1	1	6
- income not subject to tax	-	-	(24)	(29)
- reduction from standard income tax rate as a result of increase in taxable income	-	(1)	-	-
Average effective tax rate	25	24	1	1

In financial year ended 31 December 2017, the Group was eligible for a tax rate reduction of up to 4% when its incremental taxable income as compared to the preceding year of assessment increased by a certain threshold.

### 13 EARNINGS PER SHARE

#### (a) Basic earnings per share

	Group	
	2018	2017 (Restated)
Profit attributable to the equity holders of the Company (RM'000)	1,779,719	2,180,042
Weighted average number of issued ordinary shares ('000)	7,812,389	7,660,823
Basic earnings per share (sen)	22.8	28.5

#### (b) Diluted earnings per share

Diluted earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of shares in issue and issuable under the share options. The weighted average number of issued ordinary shares has been adjusted to assume full conversion of all dilutive potential ordinary shares, which consists of share options.

Share grants are treated as contingently issuable shares because their issuance is contingent upon satisfying specified vesting conditions comprising, amongst others, performance targets and/or conditions, as disclosed in Note 30(b) to the financial statements, in addition to the passage of time. They are excluded from the computation of diluted earnings per share where the vesting conditions would not have been satisfied as at the end of the financial year.

## Notes to the Financial Statements

### 13 EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted earnings per share (continued)

	Group	
	2018	2017 (Restated)
Profit attributable to the equity holders of the Company (RM'000)	1,779,719	2,180,042
Weighted average number of issued ordinary shares ('000)	7,812,389	7,660,823
Adjustment for share options and LTIP ('000)	18,699	20,002
Adjusted weighted average number of ordinary shares for diluted earnings per share ('000)	7,831,088	7,680,825
Diluted earnings per share (sen)	22.7	28.4

### 14 DIVIDENDS

	Group and Company			
	2018	2018	2017	2017
	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000
Dividends paid in respect of the financial year ended 31 December 2016:				
- fourth interim ordinary	-	-	5.0	375,517
Dividends paid in respect of the financial year ended 31 December 2017:				
- first interim ordinary	-	-	5.0	375,525
- second interim ordinary	-	-	5.0	390,526
- third interim ordinary	-	-	5.0	390,528
- fourth interim ordinary	5.0	390,528	-	-
	5.0	390,528	15.0	1,156,579
Dividends paid in respect of the financial year ended 31 December 2018:				
- first interim ordinary	5.0	390,831	-	-
- second interim ordinary	5.0	390,831	-	-
- third interim ordinary	5.0	390,833	-	-
	15.0	1,172,495	-	-
Dividend per share recognised as distribution to equity holders of the Company	20.0	1,563,023	20.0	1,532,096



## Notes to the Financial Statements

### 14 DIVIDENDS (CONTINUED)

Subsequent to the financial year, on 15 February 2019, the Directors declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2018 which will be paid on 28 March 2019.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2018.

### 15 PROPERTY, PLANT AND EQUIPMENT

Group	At 1.1.2018 RM'000	Additions RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Disposals RM'000	Assets written off RM'000	At 31.12.2018 RM'000
<u>2018</u>							
<u>At cost</u>							
Long-term leasehold land	3,111	-	-	-	-	-	3,111
Short-term leasehold land	3,490	-	-	-	-	-	3,490
Freehold land	11,141	-	-	-	-	-	11,141
Buildings	75,429	-	-	-	-	-	75,429
Telecommunications equipment	8,499,720	-	119,267	999,935	-	(296,149)	9,322,773
Motor vehicles	15,831	3,715	-	-	-	-	19,546
Office furniture, fittings and equipment	1,601,175	18,559	2,410	148,647	(3,823)	(23,574)	1,743,394
	10,209,897	22,274	121,677	1,148,582	(3,823)	(319,723)	11,178,884
Capital work-in-progress	724,058	1,224,782	-	(1,079,235)	-	-	869,605
Capital inventories	17,871	67,852	-	(69,347)	(1,057)	-	15,319
	10,951,826	1,314,908	121,677	-	(4,880)	(319,723)	12,063,808

Group	At 1.1.2018 RM'000	Charged for the financial year RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2018 RM'000
<u>Accumulated depreciation</u>							
Long-term leasehold land	301	35	-	-	-	-	336
Short-term leasehold land	673	83	-	-	-	-	756
Buildings	16,117	2,604	-	-	-	-	18,721

## Notes to the Financial Statements

### 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 1.1.2018 RM'000	Charged for the financial year RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2018 RM'000
Telecommunications equipment	4,828,513	889,159	-	6,541	-	(278,313)	5,445,900
Motor vehicles	5,680	3,733	-	-	-	-	9,413
Office furniture, fittings and equipment	1,255,554	172,086	-	(6,541)	(3,823)	(22,769)	1,394,507
	6,106,838	1,067,700	-	-	(3,823)	(301,082)	6,869,633
<u>2018</u>							
<u>Accumulated impairment loss</u>							
Capital inventories	3,727	2,115	-	-	(1,057)	-	4,785
Accumulated depreciation and impairment loss	6,110,565	1,069,815	-	-	(4,880)	(301,082)	6,874,418

Group	At 1.1.2017 RM'000	Additions RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Disposals RM'000	Assets written off RM'000	At 31.12.2017 RM'000
<u>2017</u>							
<u>At cost</u>							
Long-term leasehold land	3,111	-	-	-	-	-	3,111
Short-term leasehold land	3,490	-	-	-	-	-	3,490
Freehold land	11,141	-	-	-	-	-	11,141
Buildings	75,429	-	-	-	-	-	75,429
Telecommunications equipment	7,656,559	37,732	-	969,675	-	(164,246)	8,499,720
Motor vehicles	16,523	543	-	-	(1,235)	-	15,831
Office furniture, fittings and equipment	1,453,509	49,707	-	98,489	-	(530)	1,601,175
	9,219,762	87,982	-	1,068,164	(1,235)	(164,776)	10,209,897
Capital work-in- progress	504,711	1,173,934	-	(953,734)	-	(853)	724,058
Capital inventories	16,409	116,330	-	(114,430)	(438)	-	17,871
	9,740,882	1,378,246	-	-	(1,673)	(165,629)	10,951,826

## Notes to the Financial Statements

### 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 1.1.2017 RM'000	Charged for the financial year RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2017 RM'000
<u>2017</u>							
<u>Accumulated depreciation</u>							
Long-term leasehold land	266	35	-	-	-	-	301
Short-term leasehold land	588	85	-	-	-	-	673
Buildings	14,805	1,312	-	-	-	-	16,117
Telecommunications equipment	4,152,319	826,410	-	-	-	(150,216)	4,828,513
Motor vehicles	3,339	3,510	-	-	(1,169)	-	5,680
Office furniture, fittings and equipment	1,066,279	189,603	-	-	-	(328)	1,255,554
	5,237,596	1,020,955	-	-	(1,169)	(150,544)	6,106,838
<u>Accumulated impairment loss</u>							
Capital inventories	1,266	2,899	-	-	(438)	-	3,727
<u>Accumulated depreciation and impairment loss</u>							
	5,238,862	1,023,854	-	-	(1,607)	(150,544)	6,110,565

	Group	
	2018 RM'000	2017 RM'000
<u>Carrying amount</u>		
Long-term leasehold land	2,775	2,810
Short-term leasehold land	2,734	2,817
Freehold land	11,141	11,141
Buildings	56,708	59,312
Telecommunications equipment	3,876,873	3,671,207
Motor vehicles	10,133	10,151
Office furniture, fittings and equipment	348,887	345,621
Capital work-in-progress	869,605	724,058
Capital inventories	10,534	14,144
	5,189,390	4,841,261

## Notes to the Financial Statements

### 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the current financial year, the Group revised the useful lives of certain telecommunications equipment and office equipment ranging from 6 to 10 years (2017: 6 to 10 years), to remaining useful lives ranging from 1 month to 4 years (2017: 1 month to 6 years). The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for the current financial year has increased by RM33,046,000 (2017: RM17,394,000).

The carrying amount of property, plant and equipment held under finance leases at the reporting date is as follows:

	Group	
	2018 RM'000	2017 RM'000
Office furniture, fittings and equipment	1,097	1,723

### 16 INTANGIBLE ASSETS

Group	Note	Spectrum rights				Total RM'000
		Goodwill RM'000	Telecommunications	Other	Customer	
			licences with allocated spectrum rights RM'000	spectrum rights RM'000	acquisition costs RM'000	
<u>2018</u>						
At 31 December 2017, as previously reported		219,087	10,707,381	-	427,708	11,354,176
Adjustments from adoption of MFRS 15	36(c)	-	-	-	(427,708)	(427,708)
Restated at 31 December 2017/At 31 December 2018		219,087	10,707,381	-	-	10,926,468
At cost/carrying amount At 31 December 2018		219,087	10,707,381	-	-	10,926,468
<u>2017</u>						
At 1 January, as previously reported		219,087	10,707,381	12,484	357,675	11,296,627
Adjustments from adoption of MFRS 15	36(c)	-	-	-	(357,675)	(357,675)
Restated at 1 January		219,087	10,707,381	12,484	-	10,938,952
Amortisation charge	9	-	-	(12,484)	-	(12,484)
At 31 December		219,087	10,707,381	-	-	10,926,468
Cost		219,087	10,707,381	37,453	-	10,963,921
Accumulated amortisation		-	-	(37,453)	-	(37,453)
At 31 December		219,087	10,707,381	-	-	10,926,468

## Notes to the Financial Statements

### 16 INTANGIBLE ASSETS (CONTINUED)

The telecommunications licences with allocated spectrum rights of RM10,707,381,000 consist of spectrum bands previously acquired as part of a business combination which includes the frequency band of 900MHz, 1800MHz and 2100MHz.

On 30 January 2018, the Group accepted the reissuance offer from Malaysian Communications and Multimedia Commission ("MCMC") of its 2100MHz SA for an upfront price component fee of RM118,400,000. The Directors had assessed the terms and conditions of the SA and are of the view that most of the conditions are existing conditions which the Group does not foresee having difficulties to continue to comply with.

In accordance with the requirements of MFRS 138 "Intangible Assets", the Directors have assessed that the SA fee paid is a renewal cost to the Group for the continuing use of the allocated bands and are of the view that the Group can renew the spectrum rights indefinitely without significant costs in comparison to the expected future economic benefits that the spectrum rights can generate, and there is no foreseeable limit to the period over which the spectrum rights are expected to generate net cash inflows for the Group. Therefore, the spectrum rights have been assessed to carry an indefinite useful life.

#### Impairment testing for CGU containing goodwill and telecommunications licences with allocated spectrum rights

For the purpose of impairment testing, carrying amounts of goodwill and telecommunications licences with allocated spectrum rights are allocated to the integrated telecommunication services CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial budgets covering a five-year (2017: five-year) period.

The key assumptions used in the value in use calculations are as follows:

- (a) compounded revenue and EBITDA annual growth rates of 8.0% and 6.0% respectively for five years financial budget period which reflect management's expectations based on past experience and future expectations of business performance;
- (b) post-tax discount rate of 8.1% (2017: 7.5%). In accordance with the requirements of MFRS 136 "Impairment of Assets", this translates into pre-tax discount rate of 15.7% (2017: 13.2%). The discount rates used reflect specific risks relating to the integrated telecommunication services CGU; and
- (c) terminal growth rate of 3.0% (2017: 1.9%) represents the growth rate applied to extrapolate pre-tax cash flow beyond the five (2017: five) year financial budget period. This growth rate is based on management's assessment of future trends in the mobile telecommunications industry, new growth opportunities in broadband and enterprise business, using both external and internal sources.

The key assumptions in the forecasts that are most likely to be sensitive are changes in discount rates during the forecast period. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% (2017: 10%) in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

## Notes to the Financial Statements

### 17 INTEREST IN SUBSIDIARIES

	Note	Company	
		2018 RM'000	2017 RM'000
Non-current asset:			
- investments in subsidiaries	(a)	26,733,868	27,689,195
Current assets:			
- loan to a subsidiary	(b)	-	392,036
Current liability:			
- amount due to a subsidiary	(c)	(498)	(268)
		26,733,370	28,080,963

#### (a) Investments in subsidiaries

<u>Unquoted shares, at carrying value</u>			
At 1 January		27,689,195	28,372,380
Less: Impairment losses		-	(195,000)
Less: Recovery of cost of investment through dividend income		(916,757)	(529,800)
		26,772,438	27,647,580
Fair value of share options and share grants, and shares acquired, over the Company's equity instruments for employees of subsidiaries, net of shares issued		(38,570)	41,615
At 31 December		26,733,868	27,689,195

During the current financial year, dividends totaling to RM916,757,000 (2017: RM529,800,000) that were received from Maxis Mobile Services Sdn Bhd ("MMSSB"), and Maxis Mobile Sdn Bhd ("MMSB"), both wholly-owned subsidiaries of the Company, were recognised as return of capital thereby reducing the cost of investments as the distributions were made subsequent to the Group's internal reorganisation that was completed on 1 April 2016 where the business and undertakings including relevant assets and liabilities of MMSSB and MMSB were sold.

During the current financial year, the net asset position of an investment in a subsidiary was lower than the carrying amount of the investment. Thus, the Company performed an impairment assessment on the carrying amount of its investment against its recoverable amount which was determined based on the value-in-use calculations as disclosed in Note 16 to the financial statements. No impairment charge was recognised as the recoverable amount exceeded its carrying amount.

In the previous financial year, the Company recognised impairment loss of RM195,000,000 for its investment in a wholly-owned subsidiary to bring its carrying value to its fair value less cost of disposal based on the net asset position attributable to ordinary shareholders as at the end of the financial year.

## Notes to the Financial Statements

### 17 INTEREST IN SUBSIDIARIES (CONTINUED)

#### (a) Investments in subsidiaries (continued)

Information on the subsidiaries is as follows:

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group		Paid-up capital	
			2018	2017	2018	2017
Advanced Wireless Technologies Sdn. Bhd. ("AWTSB") (517551-U)	Malaysia	Provider of wireless multimedia related services.	100%	100%	RM3,333,336	RM3,333,336
Maxis Broadband Sdn. Bhd. ("MBSB") (234053-D)	Malaysia	Provider of a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions to its holding companies and fellow subsidiaries.	100%	100%	RM1,000,002	RM1,000,002
Maxis Collections Sdn. Bhd. (383275-M)	Malaysia	Dormant.	100%	100%	RM2	RM2
Maxis International Sdn. Bhd. (240071-T)	Malaysia	Provision of telecommunications services.	100%	100%	RM2,500,002	RM2,500,002
Maxis Mobile Sdn. Bhd. ("MMSB") (229892-M)	Malaysia	Operator of mobile telecommunications services for special niche projects such as USP.	100%	100%	RM2,500,002	RM2,500,002
Maxis Mobile Services Sdn. Bhd. ("MMSSB") (73315-V)	Malaysia	Provision of mobile telecommunications services for special niche projects such as USP.	100%	100%	RM1,293,884,000	RM1,293,884,000



## Notes to the Financial Statements

### 17 INTEREST IN SUBSIDIARIES (CONTINUED)

#### (a) Investments in subsidiaries (continued)

Information on the subsidiaries is as follows: (continued)

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group		Paid-up capital	
			2018	2017	2018	2017
Maxis Multimedia Sdn. Bhd. (530188-A) - under member's voluntary winding up	Malaysia	Dormant.	100%	100%	RM2	RM2
<u>Subsidiary of AWTSB</u> UMTS (Malaysia) Sdn. Bhd. (520422-D)	Malaysia	Former 2100 MHz spectrum assignment holder	100%	100%	RM2,500,002	RM2,500,002
<u>Subsidiary of MBSB</u> Maxis Online Sdn. Bhd. (235849-A) - under member's voluntary winding up	Malaysia	Dormant.	100%	100%	RM2	RM2
<u>Subsidiary of MMSB</u> Maxis Mobile (L) Ltd (LL-01709) <sup>(1)</sup>	Malaysia	Holder of investments.	100%	100%	USD10,000	USD10,000

**Note:**

<sup>(1)</sup> Maxis Mobile (L) Ltd is a company registered under the Labuan Companies Act, 1990, with shares issued in USD.

#### (b) Loan to a subsidiary – Interest bearing

The loan to a subsidiary was unsecured and carried interest rate of 5.15% per annum. The loan was fully repaid during the financial year.

#### (c) Amount due to subsidiary – Non-interest bearing

The amount due to a subsidiary is unsecured and with 30 days' credit period (2017: 30 days).

## Notes to the Financial Statements

### 18 FINANCIAL INSTRUMENTS BY CATEGORY

#### FINANCIAL STATEMENTS

	Note	Group			Company		
		31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Financial assets:							
Loan to a subsidiary	17	-	-	-	-	392,036	-
Receivables and deposits		<b>1,440,114</b>	1,226,188	1,160,438	<b>5</b>	7	35
Contract assets		<b>568,739</b>	498,063	480,279	-	-	-
Amounts due from fellow subsidiaries	24	-	1,289	794	-	-	-
Amounts due from related parties	25	<b>30,403</b>	29,336	21,922	-	-	-
Amounts due from subsidiaries		-	-	-	-	-	4
Deposits, cash and bank balances	26	<b>560,457</b>	602,127	682,346	<b>15,614</b>	9,757	12,300
Financial assets at amortised costs		<b>2,599,713</b>	2,357,003	2,345,779	<b>15,619</b>	401,800	12,339
Financial assets at FVOCI	19	<b>3,615</b>	-	-	<b>3,615</b>	-	-
Derivative financial instruments used for hedging	21	<b>1,008</b>	1,030	613,630	-	-	604,773

## Notes to the Financial Statements

### 18 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Note	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Financial liabilities:						
Payables and accruals	<b>2,557,920</b>	2,334,583	2,837,449	<b>766</b>	1,213	611
Amount due to a subsidiary 17	-	-	-	<b>498</b>	268	177
Amounts due to fellow subsidiaries 24	<b>36</b>	2,004	-	-	-	-
Amounts due to related parties 25	<b>4,995</b>	22,874	14,229	-	-	-
Borrowings 29	<b>7,640,218</b>	7,645,294	9,864,022	-	-	2,039,074
Financial liabilities at amortised costs	<b>10,203,169</b>	10,004,755	12,715,700	<b>1,264</b>	1,481	2,039,862

### 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	<b>3,665</b>	50	<b>3,615</b>	-
Less: Accumulated impairment losses	<b>(50)</b>	(50)	-	-
	<b>3,615</b>	-	<b>3,615</b>	-

During the current financial year, the Group and the Company acquired 10% interest in Bridge Mobile Pte. Ltd. ("Bridge Mobile"). Bridge Mobile manages a mobile alliance of various operators and coordinates its activities amongst its shareholders, other mobile operators in the Asia Pacific region and technology vendors.

The Group has one-twenty fourth (1/24<sup>th</sup>) interest in Konsortium Rangkaian Serantau Sdn. Bhd. ("KRSSB"). This entity was formed for the purpose of implementing one of the entry point projects to lower the costs of Internet Protocol transit and domestic bandwidths by aggregating capacity of its shareholders to secure lower prices from suppliers.

The investment had been fully impaired given the insolvency of KRSSB and lack of viable options to revive the entity.

## Notes to the Financial Statements

### 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS

#### FINANCIAL STATEMENTS

		Group			Company		
		31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Note							
<u>Non-current</u>							
Finance lease receivables		13,972	-	-	-	-	-
Contract assets	(a)	169,275	130,337	72,153	-	-	-
Prepayments	(b)	786,075	735,075	789,525	-	-	-
Contract cost assets		96,752	72,174	47,985	-	-	-
		1,066,074	937,586	909,663	-	-	-
Allowance for impairment:	32(b)						
- finance lease receivables		(175)	-	-	-	-	-
- contract assets		(4,305)	(698)	(643)	-	-	-
		(4,480)	(698)	(643)	-	-	-
Amortisation of contract cost assets		(43,538)	(50,561)	(29,737)	-	-	-
		1,018,056	886,327	879,283	-	-	-
<u>Current</u>							
Trade receivables	(c)	810,389	784,088	821,058	-	-	-
Other receivables		587,869	382,720	297,894	4,649	4,648	2
Deposits		164,046	144,978	130,836	-	3	33
Finance lease receivables		7,486	-	-	-	-	-
Contract assets	(a)	413,215	370,736	410,541	-	-	-
Prepayments	(b)	159,332	156,342	210,441	-	-	-
Contract cost assets		126,581	72,174	49,928	-	-	-
		2,268,918	1,911,038	1,920,698	4,649	4,651	35

## Notes to the Financial Statements

### 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Note	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current						
Allowance for impairment: 32(b)						
- trade receivables	(100,807)	(64,986)	(74,400)	-	-	-
- other receivables	(31,869)	(13,211)	(4,262)	-	-	-
- deposits	(10,414)	(7,401)	(10,688)	-	-	-
- finance lease receivables	(383)	-	-	-	-	-
- contract assets	(9,446)	(2,312)	(1,772)	-	-	-
	(152,919)	(87,910)	(91,122)	-	-	-
Amortisation of contract cost assets	(59,487)	(13,345)	(8,826)	-	-	-
	2,056,512	1,809,783	1,820,750	4,649	4,651	35
	3,074,568	2,696,110	2,700,033	4,649	4,651	35

#### (a) Contract assets

The Group's contract assets include receivables on deferred payment terms amounting to RM326,195,000 (2017: RM262,191,000), which allow eligible customers to purchase mobile devices with up to 24 monthly instalment payments.

#### (b) Prepayments

The Group's prepayments include:

- (i) an upfront fee paid for the 900MHz and 1800MHz SA. The upfront fee is amortised over a period of 15 years effective 1 July 2017. The carrying amount as at 31 December 2018 is RM735,075,000 (2017: RM789,525,000); and
- (ii) an upfront fee paid in the current financial year for the 2100MHz SA. The upfront fee is amortised over a period of 16 years effective 2 April 2018. The carrying amount as at 31 December 2018 is RM112,850,000 (2017: RM Nil).

#### (c) Trade receivables

The Group's credit policy provides trade receivables with credit periods of up to 60 days (2017: up to 60 days).

Trade receivables are secured by customers' deposits and bank guarantees of RM33,752,000 (2017: RM16,312,000) and RM42,925,000 (2017: RM36,550,000) respectively.

Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 32(b).

## Notes to the Financial Statements

### 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

#### (c) Trade receivables (continued)

The ageing analysis of the Group's gross trade receivables is as follows:

	Group
	2017
	RM'000
Neither past due nor impaired	573,143
1 to 90 days past due not impaired	15,629
91 to 180 days past due not impaired	2,811
More than 180 days past due not impaired	578
	592,161
Impaired <sup>(1)</sup> :	
- collectively	157,523
- individually <sup>(2)</sup>	34,404
	191,927
	784,088

**Notes:**

<sup>(1)</sup> Represents gross trade receivables which have been either partially or fully impaired.

<sup>(2)</sup> Individually impaired due to default in payment terms.

### 21 DERIVATIVE FINANCIAL INSTRUMENTS

		Group	
		2018	2017
	Note	RM'000	RM'000
<u>Non-current assets</u>			
<i>Derivative designated in hedging relationship</i>			
IRS:	(a)		
- cash flow hedge on RM denominated borrowings		1,376	2,565
<u>Current liabilities</u>			
<i>Derivative designated in hedging relationship</i>			
Forward foreign exchange contracts:	(b)		
- cash flow hedge on USD forecast transactions		195	584
<i>Derivative not designated in hedging relationship</i>			
Forward foreign exchange contracts	(b)	173	951
		368	1,535
		1,008	1,030

## Notes to the Financial Statements

### 21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) IRS

The Group has entered into IRS to hedge its exposure to interest rate risk on borrowings. The details of the open IRS are set out below:

	Group	
	2018	2017
Notional principal (RM'000 equivalent)	500,000	500,000
Fixed interest rate	4.70%	4.70%

#### (b) Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to hedge against USD/RM exchange rate fluctuations on certain payable balances and forecast transactions. The details of the open forward foreign exchange contracts are set out below:

	Group	
	2018	2017
Notional principal (RM'000 equivalent)	46,690	66,410
Contract value in foreign currency (USD'000)	11,200	16,000

The Group pays RM in exchange for receiving USD at predetermined exchange rates that range from RM4.16/USD to RM4.17/USD (2017: RM4.08/USD to RM4.24/USD) on the notional amounts at their respective maturity dates.

### 22 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Deferred tax assets	1	7,625	45,229
Deferred tax liabilities	(195,768)	(405,972)	(553,388)
	(195,767)	(398,347)	(508,159)



## Notes to the Financial Statements

### 22 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets/(liabilities) during the financial year comprise the following:

Group	Note	Property, plant and equipment	Intangible assets	Receivables	Contract cost assets	Contract liabilities	Provisions	Investment allowance	Others	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2017, as previously reported		(706,718)	(101,666)	-	-	97,405	269,850	16,925	(5,143)	(429,347)
Adjustments from adoption of MFRS 15	36(c)	-	102,650	(54,144)	(19,306)	-	1,800	-	-	31,000
Restated at 31 December 2017		(706,718)	984	(54,144)	(19,306)	97,405	271,650	16,925	(5,143)	(398,347)
Opening balance adjustments from adoption of MFRS 9	36(c)	-	-	-	-	-	9,000	-	-	9,000
Restated at 1 January 2018		(706,718)	984	(54,144)	(19,306)	97,405	280,650	16,925	(5,143)	(389,347)
Credited/(charged) to statement of profit or loss:										
- relating to origination and reversal of temporary differences	12	122,973	(984)	(10,030)	(9,568)	(3,158)	97,014	(9,302)	6,635	193,580
At 31 December 2018		(583,745)	-	(64,174)	(28,874)	94,247	377,664	7,623	1,492	(195,767)
At 1 January 2017, as previously reported		(855,922)	(86,550)	-	-	106,942	237,448	29,113	33,810	(535,159)
Adjustments from adoption of MFRS 15	36(c)	-	85,480	(44,236)	(14,244)	-	-	-	-	27,000
Restated at 1 January 2017		(855,922)	(1,070)	(44,236)	(14,244)	106,942	237,448	29,113	33,810	(508,159)
Credited/(charged) to statement of profit or loss:										
- relating to origination and reversal of temporary differences	12	149,204	2,054	(9,908)	(5,062)	(9,537)	34,202	(12,188)	(38,953)	109,812
Restated at 31 December 2017		(706,718)	984	(54,144)	(19,306)	97,405	271,650	16,925	(5,143)	(398,347)

## Notes to the Financial Statements

### 22 DEFERRED TAXATION (CONTINUED)

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Deferred tax assets (before offsetting):			
- intangible assets	-	984	-
- contract liabilities	94,247	97,405	106,942
- provisions	377,664	271,650	237,448
- investment allowance	7,623	16,925	29,113
- others	1,492	231	33,810
	481,026	387,195	407,313
Offsetting	(481,025)	(379,570)	(362,084)
Deferred tax assets (after offsetting)	1	7,625	45,229
Deferred tax liabilities (before offsetting):			
- property, plant and equipment	(583,745)	(706,718)	(855,922)
- intangible assets	-	-	(1,070)
- receivables	(64,174)	(54,144)	(44,236)
- contract cost assets	(28,874)	(19,306)	(14,244)
- others	-	(5,374)	-
	(676,793)	(785,542)	(915,472)
Offsetting	481,025	379,570	362,084
Deferred tax liabilities (after offsetting)	(195,768)	(405,972)	(553,388)

### 23 INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Telecommunications materials and supplies	1,154	1,875
Devices	14,765	2,619
	15,919	4,494

The Group reversed RM1,362,000 (2017: RM1,822,000) of inventory write down during the financial year as the Group was able to utilise those inventories.

## Notes to the Financial Statements

### 24 FELLOW SUBSIDIARIES BALANCES

	Group	
	2018 RM'000	2017 RM'000
Current assets:		
- amounts due from fellow subsidiaries	-	1,289
Current liability:		
- amounts due to fellow subsidiaries	(36)	(2,004)

The amounts due from/(to) fellow subsidiaries are unsecured, non-interest bearing and with 30 days' credit period (2017: 30 days).

### 25 RELATED PARTIES BALANCES

	Group	
	2018 RM'000	2017 RM'000
Current asset:		
- amounts due from related parties	30,403	29,336
Current liability:		
- amounts due to related parties	(4,995)	(22,874)

The amounts due from/(to) related parties are trade in nature, unsecured, interest free and with credit periods of up to 60 days (2017: up to 60 days).

### 26 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	370,273	439,369	10,000	8,000
Cash and bank balances	190,184	162,758	5,614	1,757
Deposits, cash and bank balances	560,457	602,127	15,614	9,757
Less: Deposits with maturity more than three months	(24,732)	(23,321)	-	-
Cash and cash equivalents	535,725	578,806	15,614	9,757

Deposits, cash and bank balances are mainly deposits with banks with high credit ratings assigned by international credit rating agencies.

Deposits with licensed banks of the Group and of the Company at the end of the financial year have an average maturity of 47 days (2017: 30 days) and 27 days (2017: 14 days) respectively. They are held in short-term money market and fixed deposits. Bank balances are deposits held at call with banks.

## Notes to the Financial Statements

### 26 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

Reconciliation of liabilities arising from financing activities:

Group	2017 RM'000	Cash flows RM'000	Non-cash changes			2018 RM'000
			Interest expenses RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	
Borrowings	7,639,544	(360,652)	360,761	-	-	7,639,653
Lease liabilities	5,750	(5,242)	57	-	-	565
Derivative financial assets held to hedge borrowings	(2,565)	-	-	-	1,189	(1,376)
	7,642,729	(365,894)	360,818	-	1,189	7,638,842

Group	2016 RM'000	Cash flows RM'000	Non-cash changes			2017 RM'000
			Interest expenses RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	
Borrowings	9,850,919	(2,044,728)	412,885	(579,532)	-	7,639,544
Lease liabilities	13,103	(7,682)	329	-	-	5,750
Derivative financial assets held to hedge borrowings	(611,374)	(274)	-	-	609,083	(2,565)
	9,252,648	(2,052,684)	413,214	(579,532)	609,083	7,642,729

Company						
Borrowings	2,039,074	(1,494,425)	34,883	(579,532)	-	-
Derivative financial assets held to hedge borrowings	(604,773)	7,615	-	-	597,158	-
	1,434,301	(1,486,810)	34,883	(579,532)	597,158	-

## Notes to the Financial Statements

### 27 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Note	Site rectification and decommissioning works RM'000	Staff incentive scheme RM'000	Total RM'000
<u>2018</u>				
At 1 January		174,598	106,404	281,002
Capitalised		14,413	-	14,413
Changes in cost estimates:				
- included in finance costs	10(b)	(5,790)	-	(5,790)
- included in property, plant and equipment	15	121,677	-	121,677
Charged to statement of profit or loss:				
- included in profit before tax	11	6,966	103,420	110,386
- included in finance costs	10(b)	12,784	-	12,784
Paid		(2,424)	(102,940)	(105,364)
Reversed from statement of profit or loss	11	(421)	(1,822)	(2,243)
At 31 December		321,803	105,062	426,865

Group	Note	Site rectification and decommi- ssioning works RM'000	Contract obligations and legal claims RM'000	Staff incentive scheme RM'000	Total RM'000
<u>2017</u>					
At 1 January		159,404	4,358	97,299	261,061
Capitalised		7,928	-	-	7,928
Changes in cost estimates:					
- included in finance costs	10(b)	(10,898)	-	-	(10,898)
Charged to statement of profit or loss:					
- included in profit before tax	11	5,711	-	104,965	110,676
- included in finance costs	10(b)	15,898	-	-	15,898
Paid		(2,381)	-	(95,790)	(98,171)
Reversed from statement of profit or loss	11	(1,064)	(4,358)	(70)	(5,492)
At 31 December		174,598	-	106,404	281,002
Represented by:					
Non-current liabilities		306,626	-	5,015	311,641
Current liabilities		15,177	-	100,047	115,224
At 31 December 2018		321,803	-	105,062	426,865
Represented by:					
Non-current liabilities		166,842	-	3,499	170,341
Current liabilities		7,756	-	102,905	110,661
At 31 December 2017		174,598	-	106,404	281,002

Descriptions of the above provisions are as disclosed in Note 3(r) to the financial statements.

## Notes to the Financial Statements

### 27 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

#### Site decommissioning works

As at 31 December 2018, a non-current provision of RM306,626,000 (2017: RM166,842,000) has been recognised for dismantling, removal and site restoration costs. The provision is estimated using the assumption that decommissioning will only take place upon the expiry of the lease terms (inclusive of secondary terms) of 15 to 30 years (2017: 15 to 30 years).

### 28 PAYABLES AND ACCRUALS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
<u>Non-current</u>						
Trade payables	154,519	214,878	408,436	-	-	-
Other accruals	13,770	12,502	9,669	-	-	-
	168,289	227,380	418,105	-	-	-
<u>Current</u>						
Trade payables and accruals	2,183,937	2,094,774	2,261,623	-	-	-
Other payables and accruals	924,568	434,865	601,917	766	1,213	611
Deposits and advanced payments from customers	164,565	153,597	158,253	-	-	-
Contract liabilities	383,894	403,548	435,802	-	-	-
Government grant	364,409	224,439	175,639	-	-	-
	4,021,373	3,311,223	3,633,234	766	1,213	611
	4,189,662	3,538,603	4,051,339	766	1,213	611

Current trade and other payables of the Group and of the Company carry credit periods of up to 90 days (2017: 90 days). The Group's current and non-current trade payables include payables under deferred payment schemes and carry interest rates ranging from 4.23% to 5.09% (2017: 4.04% to 4.50%) per annum as at the reporting date. Details of the deferred payment schemes' payables are as follows:

Group		Currency denomination	Repayment terms
2018 RM'000	2017 RM'000		
Balance outstanding			
169,143	276,067	USD	Repayable on a half-yearly basis in 11 (2017: 11) equal instalments commencing from 36 months (2017: 36 months) from the commencement dates of the contracts.
273,393	256,530	RM	Repayable on a quarterly basis in 8 equal instalments from the commencement dates of the contracts.

## Notes to the Financial Statements

### 28 PAYABLES AND ACCRUALS (CONTINUED)

As disclosed in Note 21 to the financial statements, certain USD denominated payables amounting to USD5,600,000 (2017: USD8,000,000) are hedged against exchange rate fluctuations using forward foreign exchange contracts for which no hedge accounting is applied.

The Group's other accruals include lease equalisation for office buildings of RM12,842,000 (2017: RM11,255,000) with the remaining lease period of 9 years 5 months (2017: 10 years 5 months).

### 29 BORROWINGS

		Group	
	Note	2018 RM'000	2017 RM'000
<u>Non-current</u>			
<b>Secured</b>			
Finance lease liabilities	(a)	-	760
<b>Unsecured</b>			
Term loan	(b)	1,000,497	1,000,466
Islamic Medium Term Notes	(c)	4,143,363	4,143,740
Commodity Murabahah Term Financing	(d)	2,295,261	2,294,970
		7,439,121	7,439,936
<u>Current</u>			
<b>Secured</b>			
Finance lease liabilities	(a)	565	4,990
<b>Unsecured</b>			
Revolving credit	(e)	200,532	200,368
		201,097	205,358
		7,640,218	7,645,294

#### (a) Finance lease liabilities

The Group leased certain assets under finance lease with terms of three to five years (2017: three to five years). The finance leases have remaining terms of less than one year (2017: one to two years) which the Group has options for another one to five years' extension subject to renewal conditions imposed by the lessor for certain leased assets.

The weighted average effective interest rate of the Group's finance lease liabilities is 5.1% (2017: 11.57%) per annum. These leases are effectively secured as the rights to the leased assets revert to the lessor in the event of defaults.

Finance lease liabilities represent outstanding obligations payable in respect of assets acquired under finance lease commitment and are analysed as follows:



## Notes to the Financial Statements

### 29 BORROWINGS (CONTINUED)

#### (a) Finance lease liabilities (continued)

	Group	
	2018 RM'000	2017 RM'000
Not later than one year	583	5,048
Later than one year and not later than five years	-	777
	583	5,825
Less: Future finance charges	(18)	(75)
Present value	565	5,750
Representing lease liabilities:		
- non-current	-	760
- current	565	4,990
	565	5,750

#### (b) Term loan – RM1,000,000,000 term loan

This term loan carries a term of up to seven years and is repayable in one lump sum on its maturity date.

As disclosed in Note 21, the Group has entered into IRS to partially hedge the interest of this term loan against the Kuala Lumpur Interbank Offered Rate.

#### (c) Islamic Medium Term Notes – Sukuk Murabahah

The Group has established an Unrated Islamic Medium Term Notes (“Sukuk Murabahah”) Programme with an aggregate nominal value of up to RM10.0 billion, based on the Islamic principle of Murabahah (via a Tawarruq arrangement) (“Unrated Sukuk Murabahah Programme”). The Unrated Sukuk Murabahah Programme has a tenure of 30 years from its first issuance and the Sukuk Murabahah to be issued shall have a tenure of more than 1 year and up to 30 years.

As at 31 December 2018, four (2017: four) series of the Sukuk Murabahah had been issued for a total nominal value of RM4,090,000,000 (2017: RM4,090,000,000) with a tenure of four to nine years. All series of Sukuk Murabahah are redeemable on their respective maturity dates. The profits are payable semi-annually.

#### (d) Commodity Murabahah Term Financing (“CMTF”)

The Group has a CMTF facility up to RM2.29 billion based on the Islamic principle of Murabahah and had fully drawn down the facility. This facility expires on 7 April 2024 and is repayable in one lump sum on its expiry date.

#### (e) Revolving credit

The Group has a revolving credit facility up to RM500.0 million and had drawn down RM200.5 million of the facility. This outstanding amount carries a term of one year with bullet repayment on its maturity date on 31 October 2019.

## Notes to the Financial Statements

### 29 BORROWINGS (CONTINUED)

#### Contractual terms of borrowings

Group	Contractual interest rate/ profit margin at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2019	2020	2021-2023	>2024
				Maturity profile			
				< 1 year	1-2 years	2-5 years	> 5 years
	%		RM'000	RM'000	RM'000	RM'000	RM'000
<u>At 31 December 2018</u>							
<b>Secured</b>							
Finance lease liabilities		RM/RM	565	565	-	-	-
<b>Unsecured</b>							
Revolving credit	0.50% + COF <sup>(1)</sup>	RM/RM	200,532	200,532	-	-	-
Term loan	0.75% + COF <sup>(1)</sup>	RM/RM	1,000,497	-	-	1,000,497	-
Islamic Medium Term Notes	4.70% - 5.40%	RM/RM	4,143,363	-	504,056	2,798,437	840,870
CMTF	0.70% + COF <sup>(1)</sup>	RM/RM	2,295,261	-	-	-	2,295,261
			7,640,218	201,097	504,056	3,798,934	3,136,131

**Note:**

<sup>(1)</sup> COF denotes Cost of Funds.

#### At 31 December 2017

<b>Secured</b>							
Finance lease liabilities		RM/RM	5,750	4,990	760	-	-
<b>Unsecured</b>							
Revolving credit	0.50% + COF <sup>(1)</sup>	RM/RM	200,368	200,368	-	-	-
Term loan	0.75% + COF <sup>(1)</sup>	RM/RM	1,000,466	-	-	1,000,466	-
Islamic Medium Term Notes	4.70% - 5.40%	RM/RM	4,143,740	-	-	3,302,622	841,118
CMTF	0.70% + COF <sup>(1)</sup>	RM/RM	2,294,970	-	-	-	2,294,970
			7,645,294	205,358	760	4,303,088	3,136,088

**Note:**

<sup>(1)</sup> COF denotes Cost of Funds.

## Notes to the Financial Statements

### 30 SHARE CAPITAL

#### (a) ESOS

Pursuant to the ESOS implemented on 17 September 2009, the Company will make available new shares, not exceeding in aggregate 250,000,000 shares during the existence of the ESOS/LTIP, to be issued under the share options granted. The ESOS is for the benefit of eligible employees and eligible directors (executive and non-executive) of the Group. The ESOS is for a period of 10 years and is governed by the ESOS Bye-Laws as set out in the Company's Prospectus dated 28 October 2009 issued in relation to its initial public offering.

The Remuneration Committee comprising Directors of the Company administers the ESOS/LTIP. The Remuneration Committee may from time to time, offer share options to eligible employees and eligible directors of the Group to subscribe for new ordinary shares in the Company.

The salient features of the ESOS are as follows:

- (i) The total number of shares which may be issued under the ESOS shall not exceed in aggregate 250,000,000 shares during the existence of the ESOS save and except for any circumstances which may be specified in the Bye-Laws;
- (ii) Subject to the discretion of the Directors, any employee of the Company and its subsidiaries who has a written employment contract and any director (executive or non-executive) of the Company, shall be eligible to participate in the ESOS;
- (iii) The number of new shares that may be offered under the ESOS shall be at the discretion of the Directors after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group;
- (iv) In the event of a change in the capital structure of the Company except under certain circumstances, the Directors may make or provide for adjustments to be made in the share options price and/or in the number of shares covered by outstanding share options as the Directors at their discretion, may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of the optionee or provide for adjustments in the number of shares to give the optionee the same proportion of the issued ordinary share capital of the Company to which the optionee was previously entitled;
- (v) The subscription price upon the exercise of the share options under the ESOS shall be the weighted average market price quoted for the five market days immediately preceding the date on which the share options are granted;
- (vi) The ESOS has a contractual term of 10 years. All share options shall become exercisable to the extent of one-third of the share options granted on each of the first three anniversaries from the date the share options were granted provided the optionee has been in continuous service with the Group throughout the period;
- (vii) Subject to paragraph (vi) above, an optionee may exercise share options in whole or part in multiples of 100 shares only at such time in accordance with any guidelines as may be prescribed by the Directors from time to time; and
- (viii) The optionees have no right to participate by virtue of the share options in any share issue of any other company. However, shares issued upon the exercise of the share options shall rank *pari passu* in all respects with the then existing issued shares save that they will not entitle the holders thereof to receive any rights or bonus issues or dividends or distributions, the entitlement date of which precedes the date of issue of the shares.

## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (a) ESOS (continued)

Movement in the number of share options outstanding and their exercise prices is as follows:

			Number of options over ordinary shares in the Company				
Grant date	Expiry date	Exercise price	Outstanding		Forfeited	Outstanding	
			as at 1.1.2018	Exercised		as at 31.12.2018	Exercisable as at 31.12.2018
		RM/share	'000	'000	'000	'000	'000
<u>2018</u>							
1 July 2011	17 September 2019	5.45	3,874	(53)	(943)	2,878	2,878
1 July 2012	17 September 2019	6.41	13,345	-	(5,245)	8,100	8,100
1 July 2013	17 September 2019	6.78	9,803	-	(4,007)	5,796	5,796
1 August 2015	17 September 2019	6.53	57,449	-	(6,753)	50,696	50,696
			84,471	(53)	(16,948)	67,470	67,470
Weighted average exercise price (RM per share)			6.49	5.45	6.49	6.49	6.49

		Number of options over ordinary shares in the Company					
Grant date	Expiry date	Exercise price				Outstanding	Exercisable
			Outstanding	Exercised	Forfeited	as at	as at
		1.1.2017				31.12.2017	31.12.2017
		RM/share	'000	'000	'000	'000	'000
<u>2017</u>							
1 July 2011	17 September 2019	5.45	4,138	(239)	(25)	3,874	3,874
1 July 2012	17 September 2019	6.41	13,352	(7)	-	13,345	13,345
1 July 2013	17 September 2019	6.78	10,274	(4)	(467)	9,803	9,803
1 August 2015	17 September 2019	6.53	61,792	-	(4,343)	57,449	38,373
			89,556	(250)	(4,835)	84,471	65,395
Weighted average exercise price							
(RM per share)			6.49	5.50	6.55	6.49	6.48

The share options exercised during the financial year resulted in 53,200 (2017: 250,600) shares being issued and the related weighted average share price at the date of exercise was RM5.81 (2017: RM6.29) per share.

The weighted average remaining contractual life for the share options as at the reporting date is 8 months (2017: 1 years 8 months).

## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (a) ESOS (continued)

Value of employee services received for issue of share options:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payment expense	774	4,952	774	4,952
Capitalised as investments in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	(774)	(4,952)
Total expense recognised as share-based payments	774	4,952	-	-

#### (b) LTIP

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 28 April 2015 and is administered by the Remuneration Committee which is appointed by the Board of Directors of the Company, in accordance with the By-Laws. The Remuneration Committee may from time to time, offer LTIP to eligible employees (including executive director) of the Group and includes any person who is proposed to be employed as an employee of the Group (including executive director).

The LTIP comprises a Performance Share Grant ("PS Grant") and a Restricted Share Grant ("RS Grant") which shall be in force for a period of 10 years commencing from the effective date of the implementation of the LTIP. The LTIP took effect on 31 July 2015.

The salient features of the LTIP are as follows:

- (i) The maximum number of new shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new shares under the LTIP shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 250,000,000 shares at any point of time during the duration of the LTIP;
- (ii) The Remuneration Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as eligibility criteria and allocation for each grant (i.e. the entitlement to receive new shares under the LTIP), the timing and frequency of the award of the grant, the performance target and/or performance conditions to be met prior to offer and vesting of the grant and the vesting period;
- (iii) The total number of new shares that may be offered under the LTIP shall be at the discretion of the Remuneration Committee;
- (iv) In the event of any alteration in the capital structure of the Company except under certain circumstances, the Remuneration Committee may make or provide for alterations or adjustments to be made in the number of unvested new shares and/or the method and/or manner in the vesting of the new shares comprised in a grant;
- (v) The LTIP shall take effect on the effective date of the implementation of the LTIP and shall be in force for a period of 10 years, expiring on 31 July 2025;

## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (b) LTIP (continued)

- (vi) The new shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares and the grant holders shall not be entitled to any dividends, rights, allotments, entitlements and/or any other distributions, for which the entitlement date is prior to the date of issue of the shares; and
- (vii) The share grants will only be vested to the eligible employees of the Group (including an executive director) who have duly accepted the offer of grants under the LTIP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:
- eligible employees of the Group (including executive director) must remain in employment with the Group and shall not have given notice of resignation or received a notice of termination of service as at the vesting dates.
  - eligible employees of the Group (including executive director) having achieved his/her performance target and/or performance condition as stipulated by the Remuneration Committee and as set out in their offer of grants.

During the financial year, 8,105,800 (2017: 7,151,400) PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary share in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon meeting the vesting conditions as set out in the letter of offer for the new shares. The vesting conditions comprising, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2018 and ending on 31 December 2020, as stipulated by the Remuneration Committee. The vesting date is on 30 June 2021, subject to meeting such performance targets.

Movement in the number of PS Grant under the LTIP is as follows:

		Number of share grants over ordinary share in the Company				
Grant date	Vesting date	Outstanding as at	Granted	Vested	Forfeited	Outstanding as at 31
		1 January				December
<u>2018</u>						
31 July 2015	30 April 2018	6,997	-	(6,033)	(964)	-
1 July 2016	30 June 2019	5,513	-	-	(917)	4,596
4 December 2017	30 June 2020	7,151	-	-	(1,171)	5,980
27 December 2018	30 June 2021	-	8,106	-	(107)	7,999
		19,661	8,106	(6,033)	(3,159)	18,575
<u>2017</u>						
31 July 2015	30 April 2018	7,677	-	-	(680)	6,997
1 July 2016	30 June 2019	5,602	-	-	(89)	5,513
4 December 2017	30 June 2020	-	7,151	-	-	7,151
		13,279	7,151	-	(769)	19,661

The weighted average fair value of share grants under the PS Grant based on observable market price was RM5.40 (2017: RM5.92).

## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (b) LTIP (continued)

Value of employee services received under the LTIP:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payment expense	18,861	32,381	18,861	32,381
Capitalised as investments in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	(18,861)	(32,381)
Total expense recognised as share-based payments	18,861	32,381	-	-

#### (c) Incentive arrangement

Pursuant to the terms and conditions of the incentive arrangement which forms part of the employment contract which a former director had entered into with the Group, the cash incentives payable to the director were used to acquire shares of the Company from the open market. During the financial year, 618,458 shares of the Company were acquired from the open market.

Movement in the number of shares under the incentive arrangement is as follows:

	Group and Company	
	2018 '000	2017 '000
At 1 January	2,200	1,594
Acquired	618	606
Vested	(2,818)	-
At 31 December	-	2,200

The weighted average fair value of shares acquired under the incentive arrangement based on observable market price was RM6.97 (2017: RM6.97).

Value of employee services received under the incentive arrangement:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payment (income)/expense	(1,273)	4,334	(1,273)	4,334
Capitalised as investments in subsidiaries for share-based payments allocated to the employee of the subsidiaries	-	-	1,273	(4,334)
Total expense recognised as share-based payments	(1,273)	4,334	-	-



## Notes to the Financial Statements

### 31 RESERVES

#### (a) Share premium

Pursuant to Section 618(2) of the Companies Act 2016 which came into effect on 31 January 2017, the credit standing on the share premium account of RM61,994,000 has been transferred to and became part of the share capital account.

#### (b) Merger relief

The merger relief was created prior to the listing and quotation exercise of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad in 2009 where Maxis Communications Berhad ("MCB") implemented a restructuring exercise to consolidate its telecommunications operations in Malaysia under the Company ("Pre-Listing Restructuring"). The Company acquired the entire issued and paid-up share capital of the subsidiaries held by MCB. Pursuant to Section 60(4)(a) of the Companies Act, 1965, the premium on the shares issued by the Company as consideration for the acquisition of the subsidiaries is not recorded as share premium. The difference between the issue price and the nominal value of shares issued is classified as merger relief.

#### (c) Reserve arising from reverse acquisition

The reserve arising from reverse acquisition was created during the Pre-Listing Restructuring exercise where MMSSB was identified as the accounting acquirer in accordance to MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of MMSSB together with the deemed purchase consideration of subsidiaries other than MMSSB and the cash distribution to MCB, is recorded as reserve arising from reverse acquisition.

#### (d) Other reserves

Group	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
<u>2018</u>				
At 1 January		148,825	1,996	150,821
Net change in hedging:				
- fair value losses		-	(800)	(800)
- reclassified to finance costs	10(b)	-	(15)	(15)
ESOS and LTIP:				
- share-based payment expense		19,635	-	19,635
- shares issued		(39,408)	-	(39,408)
- share options lapsed		(6,157)	-	(6,157)
Incentive arrangement:				
- share-based payment income		(1,273)	-	(1,273)
- shares acquired		(3,557)	-	(3,557)
At 31 December		118,065	1,181	119,246

## Notes to the Financial Statements

### 31 RESERVES (CONTINUED)

#### (d) Other reserves (continued)

Group	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
<u>2017</u>				
At 1 January		110,941	34,438	145,379
Net change in hedging:				
- fair value losses		-	(610,179)	(610,179)
- reclassified to finance costs	10(b)	-	577,737	577,737
ESOS and LTIP:				
- share-based payment expense		37,333	-	37,333
- shares issued		(54)	-	(54)
- share options lapsed		(175)	-	(175)
Incentive arrangement:				
- share-based payment expense		4,334	-	4,334
- shares acquired		(3,554)	-	(3,554)
At 31 December		148,825	1,996	150,821
<b>Company</b>				
<u>2018</u>				
At 1 January		148,825	-	148,825
ESOS and LTIP:				
- share-based payment expense		19,635	-	19,635
- shares issued		(39,408)	-	(39,408)
- share options lapsed		(6,157)	-	(6,157)
Incentive arrangement:				
- share-based payment expense		(1,273)	-	(1,273)
- shares acquired		(3,557)	-	(3,557)
At 31 December		118,065	-	118,065
<u>2017</u>				
At 1 January		110,941	27,026	137,967
Net change in hedging:				
- fair value losses		-	(604,773)	(604,773)
- reclassified to finance costs	10(b)	-	577,747	577,747
ESOS and LTIP:				
- share-based payment expense		37,333	-	37,333
- shares issued		(54)	-	(54)
- share options lapsed		(175)	-	(175)
Incentive arrangement:				
- share-based payment expense		4,334	-	4,334
- shares acquired		(3,554)	-	(3,554)
At 31 December		148,825	-	148,825

## Notes to the Financial Statements

### 31 RESERVES (CONTINUED)

#### (d) Other reserves (continued)

The share-based payments reserve comprises:

- (a) discount on shares issued to retail investors in relation to the Listing;
- (b) fair value of share options and shares grants less any shares issued under the ESOS and LTIP; and
- (c) fair value of shares less any shares acquired under the incentive arrangement.

The cash flow hedging reserve represents the deferred fair value gains/(losses) relating to derivative financial instruments used to hedge certain borrowings and forecast transactions of the Group.

### 32 FINANCIAL RISK MANAGEMENT

The Group's and the Company's activities expose them to a variety of financial risks, including market risk (interest rate risk and foreign exchange risk), credit risk, liquidity risk and capital risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performances. The Group uses derivative financial instruments to hedge designated risk exposures of the underlying hedge items and do not enter into derivative financial instruments for speculative purposes.

The Group and the Company have established financial risk management policies and procedures/mandates which provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

#### (a) Market risk

Market risk is the risk that the fair value or future cash flow of the financial instruments that will fluctuate because of changes in market prices. The various components of market risk that the Group and the Company are exposed to are discussed below.

##### (i) Foreign exchange risk

The objectives of the Group's and of the Company's currency risk management policies are to allow the Group and the Company to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. Forward foreign exchange contracts are used to manage foreign exchange exposures arising from all known material foreign currency denominated commitments as and when they arise and to hedge the movements in exchange rates by establishing the rate at which a foreign currency monetary item will be settled. Gains and losses on foreign currency forward contracts entered into as hedges of foreign currency monetary items are recognised in the financial statements when the exchange differences of the hedged monetary items are recognised in the financial statements.

The currency exposure of financial assets and financial liabilities of the Group and of the Company that are not denominated in the functional currency of the respective companies are set out below. There is no currency risk in respect of intragroup receivables and payables since they are all denominated in the functional currency.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

Group	Currency exposure at 31 December			
	SGD RM'000	USD RM'000	SDR <sup>(1)</sup> RM'000	Others RM'000
<b>Functional currency Ringgit Malaysia</b>				
<u>2018</u>				
Receivables	-	-	33,506	-
Deposits, cash and bank balances	-	16,632	-	-
Payables	(373)	(276,703)	(55,772)	(686)
Amounts due to related parties, net	(7)	(2,003)	322	-
Gross exposure	(380)	(262,074)	(21,944)	(686)
Forward foreign exchange contracts:				
- payables	-	23,148	-	-
Net exposure	(380)	(238,926)	(21,944)	(686)
<u>2017</u>				
Receivables	-	2,459	44,383	-
Deposits, cash and bank balances	-	24,797	-	-
Payables	(3,297)	(402,789)	(33,350)	(6)
Amounts due to fellow subsidiaries	-	(1,985)	(19)	-
Amounts due to related parties, net	-	5,124	(13,666)	-
Gross exposure	(3,297)	(372,394)	(2,652)	(6)
Forward foreign exchange contracts:				
- payables	-	32,388	-	-
Net exposure	(3,297)	(340,006)	(2,652)	(6)

**Note:**

<sup>(1)</sup> SDR, i.e. Special Drawing Rights represents international accounting settlement rate with international carriers.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

The sensitivity of the Group's profit before tax for the financial year and equity to a reasonably possible change in the USD exchange rate against the functional currency, RM, with all other factors remaining constant and based on the composition of assets and liabilities at the reporting date are set out as below.

	Impact on profit before tax for the financial year		Impact on equity <sup>(1)</sup>	
	Group		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD/RM				
- strengthened 5% (2017: 5%)	(11,946)	(16,998)	1,152	1,612
- weakened 5% (2017: 5%)	11,946	16,998	(1,152)	(1,612)

**Note:**

<sup>(1)</sup> Represents cash flow hedging reserve.

The impacts on profit before tax for the financial year are mainly as a result of foreign currency gains/losses on translating of USD denominated receivables, deposits, bank balances and unhedged payables. For USD payables in a designated hedging relationship, as these are effectively hedged, the foreign currency movements will not have any impact on the statement of profit or loss.

##### (ii) Interest rate risk

The Group's interest rate risk arises from deposits with licensed banks, deferred payment creditors and borrowings carrying fixed and variable interest rates and for the Company, from its deposits with licensed banks. The objectives of the Group's interest rate risk management policies are to allow the Group to effectively manage the interest rate fluctuation through the use of fixed and floating interest rates debt and derivative financial instruments. The Group adopts a non-speculative stance which favours predictability over interest rate fluctuations. The interest rate profiles of the Group's borrowings are also regularly reviewed against prevailing and anticipated market interest rates to determine whether refinancing or early repayment is warranted.

The Group manages its cash flow interest rate risk by using interest rate swap contract. Such swap has the economic effect of converting certain borrowing from floating rate to fixed rate.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of interest rate swap contract) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2018							
Deposits with licensed banks	3.79	370,273	-	370,273	-	-	-
Trade payables	4.23	(442,536)	(169,143)	(175,297)	(98,096)	-	-
Finance lease liabilities	5.10	(565)	-	(565)	-	-	-
Revolving credit	4.40	(200,532)	(200,532)	-	-	-	-
Term loan	4.55	(1,000,497)	(1,000,497)	-	-	-	-
Islamic Medium Term Notes	5.03	(4,143,363)	-	-	(504,056)	(2,798,437)	(840,870)
CMTF	4.43	(2,295,261)	(2,295,261)	-	-	-	-
Gross exposure		<u>(7,712,481)</u>	<u>(3,665,433)</u>				
IRS:							
- term loan	4.70		<u>500,241</u>	-	-	(500,241)	-
Net exposure			<u>(3,165,192)</u>				

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of interest rate swap contract) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000

At 31 December 2017

Deposits with licensed banks	3.68	439,369	-	439,369	-	-	-
Trade payables	3.98	(532,597)	(276,067)	(207,316)	(49,214)	-	-
Finance lease liabilities	11.57	(5,750)	-	(4,990)	(760)	-	-
Revolving credit	4.20	(200,368)	(200,368)	-	-	-	-
Term loan	4.30	(1,000,466)	(1,000,466)	-	-	-	-
Islamic Medium Term Notes	5.03	(4,143,740)	-	-	-	(3,302,622)	(841,118)
CMTF	4.17	(2,294,970)	(2,294,970)	-	-	-	-
Gross exposure		(7,738,522)	(3,771,871)				
IRS:							
- term loan	4.70		500,238	-	-	(500,238)	-
Net exposure			(3,271,633)				



## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of interest rate swap contract) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Company	Weighted average effective interest rate at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2018</u>							
Deposits with licensed banks	3.90	10,000	-	10,000	-	-	-
Net exposure		10,000	-				
<u>At 31 December 2017</u>							
Deposits with licensed banks	3.80	8,000	-	8,000	-	-	-
Net exposure		8,000	-				

The sensitivity of the Group's profit before tax for the financial year and equity to a reasonably possible change in RM and USD interest rates with all other factors held constant and based on composition of liabilities with floating interest rates at the reporting date are as follows:

	Impact on profit before tax for the financial year		Impact on equity <sup>(1)</sup>	
	Group		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>RM</b>				
- increased by 0.5% (2017: 0.5%)	(14,980)	(14,978)	6,758	8,858
- decreased by 0.5% (2017: 0.5%)	14,980	14,978	(6,758)	(8,858)
<b>USD</b>				
- increased by 0.5% (2017: 0.5%)	(846)	(1,380)	-	-
- decreased by 0.5% (2017: 0.5%)	846	1,380	-	-

#### Note:

<sup>(1)</sup> Represents cash flow hedging reserve.

The impacts on profit before tax for the financial year are mainly as a result of interest expenses on floating rate payables and borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on the statement of profit or loss.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk

The objectives of the Group's and of the Company's credit risk management policies are to manage their exposure to credit risk from deposits, cash and bank balances, receivables and derivative financial instruments. They do not expect any third parties to fail to meet their obligations given the Group's and the Company's policies of selecting creditworthy counterparties.

##### Trade receivables, finance lease receivables and contract assets

Credit risk of trade receivables is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's dealings with creditworthy business partners and customers. Trade receivables are monitored on an ongoing basis via the Group's management reporting and dunning procedures.

##### *Concentration of credit risk*

The Group has no significant exposure to any individual customer, geographical location or industry category. Significant credit and recovery risks associated with receivables have been provided for in the financial statements.

##### *Impairment of trade receivables, finance lease receivables and contract assets*

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are determined based on 5-year historical ageing profile and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Some of the factors which the Group has identified include unemployment rate, interbank lending rate, Consumer Price Index ("CPI") and annual Gross Domestic Product ("GDP") growth and has adjusted the historical loss rates based on expected changes in such factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on first adoption of MFRS 9) was determined as follows for both trade receivables, finance lease receivables and contract assets:

	Current RM'000	>30 days past due RM'000	>60 days past due RM'000	>90 days past due RM'000	>120 days past due RM'000	>150 days past due RM'000	Total RM'000
<u>31 December 2018</u>							
Expected loss rate <sup>(1)</sup>	0.4% - 6.8%	0.7% - 13.3%	1.5% - 51.1%	3.4% - 70.8%	8.8% - 85.4%	17.7% - 100%	
Gross carrying amount:							
- Trade receivables	600,751	105,929	26,348	17,115	11,801	48,445	810,389
- Finance lease receivables	21,458	-	-	-	-	-	21,458
- Contract assets <sup>(2)</sup>	582,490	-	-	-	-	-	582,490
	1,204,699	105,929	26,348	17,115	11,801	48,445	1,414,337

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (continued)

Trade receivables, finance lease receivables and contract assets (continued)

Impairment of trade receivables, finance lease receivables and contract assets (continued)

	Current RM'000	>30 days past due RM'000	>60 days past due RM'000	>90 days past due RM'000	>120 days past due RM'000	>150 days past due RM'000	Total RM'000
Less allowance:							
- Trade receivables	(17,575)	(11,991)	(8,363)	(10,567)	(7,091)	(45,220)	(100,807)
- Finance lease receivables	(558)	-	-	-	-	-	(558)
- Contract assets <sup>(2)</sup>	(13,751)	-	-	-	-	-	(13,751)
	(31,884)	(11,991)	(8,363)	(10,567)	(7,091)	(45,220)	(115,116)
<u>1 January 2018</u>							
Expected loss rate <sup>(1)</sup>	0.5% - 4.4%	0.9% - 13.7%	1.8% - 50.0%	4.0% - 62.9%	10.2% - 85.1%	22.3% - 100%	
Gross carrying amount:							
- Trade receivables	573,143	80,900	39,074	18,433	14,838	57,700	784,088
- Contract assets <sup>(2)</sup>	501,073	-	-	-	-	-	501,073
	1,074,216	80,900	39,074	18,433	14,838	57,700	1,285,161
Less allowance:							
- Trade receivables	(14,580)	(9,543)	(8,096)	(7,143)	(7,369)	(41,457)	(88,188)
- Contract assets <sup>(2)</sup>	(16,066)	-	-	-	-	-	(16,066)
	(30,646)	(9,543)	(8,096)	(7,143)	(7,369)	(41,457)	(104,254)

#### Notes:

<sup>(1)</sup> The expected loss rate comprises of customers with different risk profiles.

<sup>(2)</sup> Excludes contract cost assets.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (continued)

Trade receivables, finance lease receivables and contract assets (continued)

*Impairment of trade receivables, finance lease receivables and contract assets (continued)*

Movement on the Group's loss allowances for receivables and contract assets is as follows:

	Note	Trade receivables		Finance lease receivables		Contract assets		Total	
		2018	2017	2018	2017	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
1 January (based on MFRS 139)		<b>64,986</b>	<b>74,400</b>	-	-	<b>3,010</b>	<b>2,415</b>	<b>67,996</b>	<b>76,815</b>
Amounts restated through opening retained earnings	36(c)	<b>23,202</b>	-	-	-	<b>13,056</b>	-	<b>36,258</b>	-
1 January (based on MFRS 9)		<b>88,188</b>	<b>74,400</b>	-	-	<b>16,066</b>	<b>2,415</b>	<b>104,254</b>	<b>76,815</b>
Charged to statement of profit or loss	11	<b>130,551</b>	110,709	<b>558</b>	-	<b>5,277</b>	3,047	<b>136,386</b>	113,756
Reversed from statement of profit or loss	11	<b>(7,598)</b>	(6,476)	-	-	<b>(7,592)</b>	(2,452)	<b>(15,190)</b>	(8,928)
Amount written off		<b>(110,334)</b>	(113,647)	-	-	-	-	<b>(110,334)</b>	(113,647)
31 December		<b>100,807</b>	64,986	<b>558</b>	-	<b>13,751</b>	3,010	<b>115,116</b>	67,996

Deposits, cash and bank balances

For deposits, cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions.

While deposits, cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

Derivative financial instruments

The Group enters into the contracts with various reputable counterparties to minimise the credit risks. The Group considers the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (continued)

##### Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits. The movement on Group's loss allowances for other financial assets at amortised cost is as follows:

	Note	2018 RM'000	2017 RM'000 (Restated)
1 January (based on MFRS 139 and MFRS 9)		20,612	14,950
Charged to statement of profit or loss	11	23,762	17,197
Reversed from statement of profit or loss	11	(1,959)	(6,251)
Amount written off		(132)	(5,284)
31 December		42,283	20,612

#### (c) Liquidity risk

The objectives of the Group's and of the Company's liquidity risk management policies are to monitor rolling forecasts of the Group's and of the Company's liquidity requirements to ensure they have sufficient cash to meet operational and financing needs as and when they fall due, availability of funding by keeping committed credit lines and to meet external covenant compliance. Surplus cash held is invested in interest bearing money market deposits and time deposits. The Group and the Company are exposed to liquidity risk where there could be difficulty in raising funds to meet commitments associated with financial instruments.

As at 31 December 2018, the Group has unissued Sukuk of RM5.91 billion under the Unrated Sukuk Murabahah Programme, as disclosed in Note 29(c) to the financial statements. The Group is able to issue new Sukuk to finance its capital expenditure, working capital and/or other funding requirements. There is no restriction under the terms of the Unrated Sukuk Murabahah Programme for such intended purposes.

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows:

Group	Total <sup>(1)</sup> RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2018</u>					
Payables and accruals <sup>(2)</sup>	2,578,196	2,416,052	162,144	-	-
Amounts due to related parties	4,995	4,995	-	-	-
Amounts due to fellow subsidiaries	36	36	-	-	-
Finance lease liabilities	583	583	-	-	-
Borrowings <sup>(1)</sup>	9,131,463	561,416	853,244	4,486,957	3,229,846
Net settled derivative financial instruments (IRS contract)	815	367	150	298	-
	11,716,088	2,983,449	1,015,538	4,487,255	3,229,846

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows: (continued)

Group	Total <sup>(1)</sup> RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2017</u>					
Payables and accruals <sup>(2)</sup>	2,354,279	2,131,552	166,329	56,398	-
Amounts due to related parties	22,874	22,874	-	-	-
Amounts due to fellow subsidiaries	2,004	2,004	-	-	-
Finance lease liabilities	5,825	5,048	777	-	-
Borrowings <sup>(1)</sup>	9,433,822	551,905	344,353	5,168,509	3,369,055
Net settled derivative financial instruments (IRS contract)	7,662	2,077	1,400	4,185	-
	11,826,466	2,715,460	512,859	5,229,092	3,369,055

#### Notes:

- (1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.
- (2) Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

Company	Total <sup>(1)</sup> RM'000	< 1 year RM'000
<u>At 31 December 2018</u>		
Payables and accruals	766	766
Amount due to a subsidiary	498	498
	1,264	1,264
<u>At 31 December 2017</u>		
Payables and accruals	1,213	1,213
Amount due to a subsidiary	268	268
	1,481	1,481

#### Note:

- (1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Capital risk management

The Group's and the Company's objective when managing capital is to safeguard the Group's and the Company's abilities to continue as a going concern while at the same time provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

Under the requirement of Bursa Malaysia Securities Berhad Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity of more than 25% of the issued and paid-up capital (excluding treasury shares) and maintain such shareholders' equity of not less than RM40 million. The Company has complied with this requirement.

The external lenders require its borrower, MBSB to maintain financial covenant ratios on its net debt to EBITDA and EBITDA to interest expense. These financial covenant ratios have been fully complied with by MBSB for the financial year ended 31 December 2018.

The Group also monitors capital which comprise of borrowings and equity on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest bearing financial liabilities (include current and non-current borrowings and derivative financial instruments designated in hedging relationship on borrowings on a net basis as shown in the statements of financial position but exclude deferred payment scheme as disclosed in Note 28 to the financial statements) less deposits, cash and bank balances. Total equity is calculated as 'equity' as shown in the statements of financial position. The gearing ratios at 31 December 2018 and 2017 were as follows:

	Note	Group	
		2018 RM'000	2017 RM'000 (Restated)
Total interest bearing financial liabilities		7,638,842	7,642,729
Less: Deposits, cash and bank balances	26	(560,457)	(602,127)
Net debt		7,078,385	7,040,602
Total equity		7,149,731	6,946,013
Gearing ratio		1.0	1.0

#### (e) Fair value estimation

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Fair value estimation (continued)

##### (i) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximated their fair values except as set out below measured using Level 3 valuation technique:

	Note	Group			
		2018		2017	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial asset:					
Receivables and deposits		187,058	183,247	67,145	60,226
Financial liability:					
Borrowings					
- finance lease liabilities	29	-	-	760	688
- Islamic Medium Term Notes	29	4,143,363	4,196,668	4,143,740	4,220,161

The valuation technique used to derive the Level 3 disclosure for financial asset is based on the estimated cash flow and discount rate of the underlying counterparty while financial liability is based on the estimated cash flow and discount rate of the Group.

##### (ii) Financial instruments carried at fair value through profit or loss

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, at reporting date:

	Note	Group	
		2018 RM'000	2017 RM'000
Derivative financial instruments (forward foreign exchange contracts):			
- assets	21	1,376	2,565
- liabilities	21	(368)	(1,535)
		1,008	1,030

The fair value of IRS is calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using forward exchange rates as at each reporting date.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Fair value estimation (continued)

##### (iii) Financial instruments carried at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group and Company have elected at initial recognition to recognise in this category. The Group and Company hold investments that are unlisted securities, and measured at fair value, using Level 3 valuation technique, at reporting date:

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at FVOCI	19	3,615	-	3,615	-

The valuation technique used to derive the Level 3 disclosure for financial asset is based on the estimated cash flow and discount rate of the underlying counterparty.

#### (f) Offsetting financial assets and financial liabilities

##### (i) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.

Group	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
<u>At 31 December 2018</u>						
Receivables and deposits	569,276	(19,479)	549,797	-	(33,752)	516,045
Amounts due from related parties	25,588	(2,004)	23,584	-	-	23,584
	594,864	(21,483)	573,381	-	(33,752)	539,629
<u>At 31 December 2017</u>						
Receivables and deposits	515,959	(8,234)	507,725	-	(16,312)	491,413
Amounts due from fellow subsidiaries	237	(237)	-	-	-	-
Amounts due from related parties	7,586	(616)	6,970	-	-	6,970
	523,782	(9,087)	514,695	-	(16,312)	498,383
<b>Company</b>						
<u>At 31 December 2017</u>						
Amounts due from subsidiaries	1	(1)	-	-	-	-

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Offsetting financial assets and financial liabilities (continued)

##### (i) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

Group	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set-off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
<u>At 31 December 2018</u>						
Payables and accruals	226,099	(19,479)	206,620	(33,752)	-	172,868
Amounts due to fellow subsidiaries	36	-	36	-	-	36
Amounts due to related parties	6,056	(2,004)	4,052	-	-	4,052
	<b>232,191</b>	<b>(21,483)</b>	<b>210,708</b>	<b>(33,752)</b>	<b>-</b>	<b>176,956</b>
<u>At 31 December 2017</u>						
Payables and accruals	264,145	(8,234)	255,911	(16,312)	-	239,599
Amounts due to fellow subsidiaries	1,227	(237)	990	-	-	990
Amounts due to related parties	15,657	(616)	15,041	-	-	15,041
	<b>281,029</b>	<b>(9,087)</b>	<b>271,942</b>	<b>(16,312)</b>	<b>-</b>	<b>255,630</b>
<b>Company</b>						
<u>At 31 December 2017</u>						
Amounts due to a subsidiary	269	(1)	268	-	-	268

### 33 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of reporting date but not recognised as liabilities is as follows:

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	225,432	257,287

## Notes to the Financial Statements

### 34 OPERATING LEASE COMMITMENTS

Generally, the Group leases certain network infrastructure, offices and customer service centres under operating leases. The leases run for a period of 2 to 15 years (2017: 2 to 15 years). Certain operating leases contain renewal options with market review clauses. The Group does not have the option to purchase the leased assets at the expiry of the lease period.

	Group	
	2018 RM'000	2017 RM'000
Not later than one year	495,944	243,391
Later than one year but not later than five years	796,928	562,645
Later than five years	298,628	161,955
	<b>1,591,500</b>	967,991

Included in the future minimum lease payments are lease commitments for network infrastructure which are based on the number of co-sharing parties for each individual site as at the reporting date.

### 35 RELATED PARTIES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions, balances and commitments. The related party transactions described below were carried out on agreed terms with the related parties. None of these balances are secured.

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sales of goods and services:								
- MEASAT Broadcast Network Systems Sdn. Bhd. <sup>(1)</sup> (telephony and broadband services)	87,483	98,021	21,137	17,446	-	-	21,137	17,446
- MEASAT Global Berhad Group <sup>(2)</sup> (revenue share for the leasing of satellite bandwidth)	2,261	6,036	650	6,955	-	-	650	6,955
- Maxis Communications Berhad <sup>(3)</sup> (management fee)	2,400	2,400	2,248	3,816	-	-	2,248	3,816
Purchases of goods and services from:								
- Tanjong City Centre Property Management Sdn. Bhd. <sup>(4)</sup> (rental, signage, parking and utility charges)	31,039	32,874	-	3,657	(184,161)	(198,285)	(184,161)	(194,628)

## Notes to the Financial Statements

### 35 RELATED PARTIES (CONTINUED)

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Purchases of goods and services from (continued):								
- Saudi Telecom Company ("STC") <sup>(5)</sup> (roaming and international calls)	1,348	4,499	1,355	(10,341)	-	-	1,355	(10,341)
- MEASAT Global Berhad Group <sup>(2)</sup> (transponder and teleport lease rental)	58,120	46,496	(2,540)	(3,822)	(71,012)	(9,437)	(73,552)	(13,259)
- UTSB Management Sdn. Bhd. <sup>(4)</sup> (corporate management services)	28,395	26,500	-	(4,584)	(21,067)	(46,375)	(21,067)	(50,959)
- SRG Asia Pacific Sdn. Bhd. <sup>(6)</sup> (call handling and telemarketing services)	13,755	14,668	(1,915)	(3,486)	-	-	(1,915)	(3,486)
- MBNS Multimedia Technologies Sdn. Bhd. ("MMTSB") and/or its related corporations <sup>(1)</sup> (goods and services)	-	-	-	-	(3,000)	(3,000)	(3,000)	(3,000)

#### Notes:

The Group has entered into the above related party transactions with parties whose relationships are set out below.

Usaha Tegas Sdn. Bhd. ("UTSB"), STC and Harapan Nusantara Sdn. Bhd. are parties related to the Company, by virtue of having joint control over BGSM, pursuant to a shareholders' agreement in relation to BGSM. BGSM is the ultimate holding company of the Company.

The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in all of the shares of the Company in which UTSB has an interest, PanOcean does not have any economic or beneficial interest in the shares of the Company, as such interest is held subject to the terms of the discretionary trust.

<sup>(1)</sup> Subsidiary of a company which is an associate of UTSB

<sup>(2)</sup> Subsidiary of a company in which TAK has a 99.999% direct equity interest

<sup>(3)</sup> Subsidiary of BGSM

<sup>(4)</sup> Subsidiary of UTSB

<sup>(5)</sup> A major shareholder of BGSM, as described above

<sup>(6)</sup> Subsidiary of a company whereby a person connected to TAK has a deemed equity interest

	Company	
	2018 RM'000	2017 RM'000
Management fees charged by subsidiaries	3,719	3,265
Payment on behalf of operating expenses for subsidiaries	64	75

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of MFRS 9 “Financial Instruments” and MFRS 15 “Revenue from Contracts with Customers” on the Group’s financial statements.

#### (a) Adoption of MFRS 9 “Financial Instruments”

MFRS 9 replaces MFRS 139 “Financial Instruments: Recognition and Measurement”. The adoption of MFRS 9 from 1 January 2018 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. The new accounting policies are set out in Note 3(f).

As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus adjustments arising from the adoption of MFRS 9 were recognised in the opening statement of financial position as at 1 January 2018.

#### Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of MFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate MFRS 9 categories.

There are no changes to the classification of financial instruments from the assessment except for the reclassification of equity investments from available-for-sale (“AFS”) financial assets to financial assets at FVOCI.

The financial instruments of the Group and the Company on 1 January 2018 were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (MFRS 139)	New (MFRS 9)	Original RM’000 (Restated)	New RM’000	Difference RM’000
<b>Group</b>					
<u>Financial assets</u>					
Equity investment	AFS	FVOCI	- <sup>(1)</sup>	- <sup>(1)</sup>	-
Receivables and deposits	Amortised cost	Amortised cost	1,226,188	1,189,930	(36,258) <sup>(2)</sup>
Amount due from fellow subsidiaries	Amortised cost	Amortised cost	1,289	1,289	-
Amounts due from related parties	Amortised cost	Amortised cost	29,336	29,336	-
Deposits, cash and bank balances	Amortised cost	Amortised cost	602,127	602,127	-
<u>Financial liabilities</u>					
Payables and accruals	Amortised cost	Amortised cost	2,334,583	2,334,583	-
Amounts due to fellow subsidiaries	Amortised cost	Amortised cost	2,004	2,004	-
Amounts due to related parties	Amortised cost	Amortised cost	22,874	22,874	-
Borrowings	Amortised cost	Amortised cost	7,645,294	7,645,294	-
Derivatives (net)	FVPL	FVPL	1,030	1,030	-

#### Notes:

<sup>(1)</sup> Fully impaired as disclosed in Note 19.

<sup>(2)</sup> The difference noted is the result of applying the new ECL model. The reclassification on adoption of MFRS 9 did not result in any changes to measurements.

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Adoption of MFRS 9 “Financial Instruments” (continued)

##### Classification and measurement of financial instruments (continued)

<u>Company</u>	<u>Measurement category</u>		<u>Carrying amount</u>		<u>Difference</u> <u>RM'000</u>
	<u>Original</u> <u>(MFRS 139)</u>	<u>New</u> <u>(MFRS 9)</u>	<u>Original</u> <u>RM'000</u>	<u>New</u> <u>RM'000</u>	
<u>Financial assets</u>					
Loan to a subsidiary	Amortised cost	Amortised cost	392,036	392,036	-
Receivables and deposits	Amortised cost	Amortised cost	7	7	-
Deposits, cash and bank balances	Amortised cost	Amortised cost	9,757	9,757	-
<u>Financial liabilities</u>					
Payables and accruals	Amortised cost	Amortised cost	1,213	1,213	-
Amount due to a subsidiary	Amortised cost	Amortised cost	268	268	-

##### Impairment of financial assets

MFRS 9 introduces an ECL model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. This has resulted in an increase in the Group's allowance for impairment by RM36,258,000 as at 1 January 2018.

Loan to a subsidiary in the Company's separate financial statements is assessed on individual basis for ECL measurement. The identified impairment loss was immaterial.

#### (b) Adoption of MFRS 15 “Revenue from Contracts with Customers”

The Group has adopted MFRS 15 in the current financial year. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

MFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Notes 3(w) and 3(x). The main changes are explained below:

##### *(i) Sale of device as part of bundled telecommunication service package*

MFRS 15 requires devices which the Group promises to transfer as part of a bundled package with mobile telecommunication services to be considered distinct and thus accounted for as a separate performance obligation. As a result, total consideration received from such package are allocated to the service and device based on relative stand-alone selling prices. This results in an allocation and early recognition of a portion of telecommunication service revenue as device revenue, and a corresponding reduction in service revenue throughout the contract period. Loss on device sale which was previously capitalised as customer acquisition cost within intangible assets is now expensed to profit or loss when the device sale occurs, resulting in an earlier recognition of expenses.



## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (b) Adoption of MFRS 15 "Revenue from Contracts with Customers" (continued)

##### (i) *Sale of device as part of bundled telecommunication service package (continued)*

When the Group sells devices, revenue from the sale of device is recognised on a gross basis and payment to the supplier for device cost is recorded as a direct cost.

A contract asset is recognised when the Group delivers the devices before the payment is due. If the payment happens before the delivery of device, then a contract liability is recognised. Contract assets and contract liabilities are presented within receivables and payables respectively in the statement of financial position.

##### (ii) *Costs incurred to obtain or fulfil a contract*

Under MFRS 15, the Group capitalises sales commissions as costs to obtain a contract with a customer when they are incremental and expected to be recovered over more than a year. These costs are disclosed as contract cost assets and are amortised consistently with the transfer of the good or service to the customer. If the expected amortisation period is one year or less, then the costs are expensed when incurred. Previously, the sales commissions were recognised in the statement of profit or loss.

Arising from the changes mentioned in Note 36(b)(i), the de-recognition of intangible assets have resulted in a decrease in net cash outflows for investing activities, and a corresponding decrease in net cash inflows from operating activities.

In accordance with the transitional provisions in MFRS 15, the Group has elected to adopt the full retrospective approach, requiring the restatement of the comparative period presented in the financial statements. The adjustments made to the comparative figures are set out in Note 36(c).

In applying MFRS 15 retrospectively, the Group has applied the following practical expedients:

- For completed contracts, contracts that begin and end within the same annual reporting period were not restated; and
- For all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised are not disclosed.

#### (c) Impact on the financial statements

The following tables show the adjustments recognised in financial statements of the Group for each individual financial statements line item as a result of the adoption of MFRS 9 and MFRS 15. The adoption of MFRS 9 and MFRS 15 has no impact on the financial statements of the Company.

Line items that were not affected by the changes have been excluded. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (i) Reconciliation of financial position and equity

Statement of financial position (extract)	31.12.2017		31.12.2017		1.1.2018
	Previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000	Effects of MFRS 9 RM'000	Restated RM'000
<b>Group</b>					
<u>Non-current assets</u>					
Intangible assets	11,354,176	(427,708)	10,926,468	-	<b>10,926,468</b>
Receivables, deposits and prepayments	801,522	84,805	886,327	-	<b>886,327</b>
<u>Current assets</u>					
Receivables, deposits and prepayments	1,581,662	228,121	1,809,783	(36,258)	<b>1,773,525</b>
Total assets	19,249,224	(114,782)	19,134,442	(36,258)	<b>19,098,184</b>
<u>Non-current liabilities</u>					
Deferred tax liabilities	436,972	(31,000)	405,972	(9,000)	<b>396,972</b>
<u>Current liabilities</u>					
Payables and accruals	3,299,107	12,116	3,311,223	-	<b>3,311,223</b>
Total liabilities	12,207,313	(18,884)	12,188,429	(9,000)	<b>12,179,429</b>
Net assets	7,041,911	(95,898)	6,946,013	(27,258)	<b>6,918,755</b>
Reserves	4,572,969	(95,898)	4,477,071	(27,258)	<b>4,449,813</b>
Total equity	7,041,911	(95,898)	6,946,013	(27,258)	<b>6,918,755</b>

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (i) Reconciliation of financial position and equity (continued)

	1.1.2017		1.1.2017
	As previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000
<b>Statement of financial position (extract)</b>			
<b>Group</b>			
<u>Non-current assets</u>			
Intangible assets	11,296,627	(357,675)	10,938,952
Receivables, deposits and prepayments	871,280	8,003	879,283
<u>Current assets</u>			
Receivables, deposits and prepayments	1,582,431	238,319	1,820,750
Total assets	19,643,079	(111,353)	19,531,726
<u>Non-current liabilities</u>			
Deferred tax liabilities	580,388	(27,000)	553,388
<u>Current liabilities</u>			
Payables and accruals	3,633,201	33	3,633,234
Total liabilities	14,922,180	(26,967)	14,895,213
Net assets	4,720,899	(84,386)	4,636,513
Reserves	3,969,868	(84,386)	3,885,482
Total equity	4,720,899	(84,386)	4,636,513

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (ii) Reconciliation of profit or loss and comprehensive income

	31.12.2017		31.12.2017
Statement of profit or loss and other comprehensive income (extract)	As previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000
<b>Group</b>			
Revenue	8,696,438	722,852	9,419,290
Traffic, commissions and other direct costs	(1,954,559)	(1,161,946)	(3,116,505)
Depreciation and amortisation	(1,418,540)	385,101	(1,033,439)
Government grant and other income	233,574	38,677	272,251
Other operating expenses	(122,115)	131	(121,984)
Finance income	61,309	(327)	60,982
Profit before tax	2,893,932	(15,512)	2,878,420
Tax expenses	(702,378)	4,000	(698,378)
Profit for the financial year attributable to equity holders of the Company	2,191,554	(11,512)	2,180,042
Total comprehensive income for the financial year attributable to equity holders of the Company	2,159,112	(11,512)	2,147,600
Earnings per share attributable to equity holders of the Company (sen):			
- basic	28.6	(0.1)	28.5
- diluted	28.6	(0.2)	28.4

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (iii) Reconciliation of cash flows

Statement of cash flows (extract)	31.12.2017	31.12.2017	
	As previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000
<b>Group</b>			
Profit for the financial year	2,191,554	(11,512)	2,180,042
Adjustments for:			
Intangible assets			
- amortisation	397,585	(385,101)	12,484
- impairment	129	(129)	-
Amortisation of contract cost assets	-	67,956	67,956
Finance income	(61,309)	327	(60,982)
Tax expenses	702,378	(4,000)	698,378
Operating cash flows before working capital changes	4,773,616	(332,459)	4,441,157
Changes in working capital			
Receivables	(189,158)	(133,112)	(322,270)
Payables	(130,851)	10,308	(120,543)
Cash flows from operations	4,457,807	(455,263)	4,002,544
Net cash flows from operating activities	3,822,790	(455,263)	3,367,527
Purchase of intangible assets	(455,263)	455,263	-
Net cash flows used in investing activities	(1,945,064)	455,263	(1,489,801)

### 37 CONTINGENT LIABILITIES

In the normal course of business, there are contingent liabilities arising from legal recourse sought by the Group's customers or vendors and indemnities given to financial institutions on bank guarantees. There were no material losses anticipated as a result of these transactions.

### 38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 February 2019.

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) Of The Companies Act 2016

We, Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Robert Alan Nason, being two of the Directors of Maxis Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 102 to 203 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 February 2019.

**RAJA TAN SRI DATO' SERI ARSHAD BIN  
RAJA TUN UDA**  
DIRECTOR

**ROBERT ALAN NASON**  
DIRECTOR

Kuala Lumpur

# STATUTORY DECLARATION

Pursuant to Section 251(1) Of The Companies Act 2016

I, Norman Wayne Treeby, the officer primarily responsible for the financial management of Maxis Berhad, do solemnly and sincerely declare that the financial statements set out on pages 102 to 203 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**NORMAN WAYNE TREEBY**

Subscribed and solemnly declared by the abovenamed Norman Wayne Treeby at Kuala Lumpur in Malaysia on 15 February 2019, before me.

COMMISSIONER FOR OATH

# Independent Auditors' Report

To The Members of Maxis Berhad (Incorporated in Malaysia) (Company No. 867573 A)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Maxis Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 102 to 203.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Group

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessment of useful life and carrying value of intangible assets with indefinite useful life</b></p> <p><i>Refer to Note 3(d) – Summary of significant accounting policies: Intangible assets, Note 4(a) – Critical accounting estimates and judgements: Intangible assets and Note 16 – Intangible assets.</i></p> <p>As at 31 December 2018, the carrying amount of the Group's goodwill and telecommunications licences with allocated spectrum rights ("spectrum rights") amounted to RM10.9 billion.</p> <p>We focused on this area due to the size of the carrying amount of the goodwill and spectrum rights, which represented 55.2% of total assets as at 31 December 2018, and the significant assumptions and judgements involved in determining the indefinite useful life of the spectrum rights and impairment assessment.</p> <p>The spectrum rights are considered to have an indefinite economic useful life as the Directors are of the opinion that the spectrum rights can be renewed indefinitely without significant cost when compared with the expected future economic benefits expected to flow to the Group from the renewal and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.</p> <p>Based on the annual impairment test performed, the Directors concluded that no impairment is required for goodwill and spectrum rights. The key assumptions and sensitivities are disclosed in Note 16 to the financial statements.</p>	<p>We performed the following audit procedures:</p> <p>In respect of the goodwill and spectrum rights, we performed the following audit procedures on the value-in-use ("VIU") calculations which used the cash flow projections based on internally approved financial budgets covering a five-year period:</p> <ul style="list-style-type: none"> <li>• Evaluated the reasonableness of the Director's assessment that the integrated telecommunications services is the cash generating unit ("CGU") which represents the smallest identifiable group of assets that generate independent cash inflows, by understanding the business model of the Group;</li> <li>• Discussed with management the key assumptions used in the five-year VIU cash flows and performed the following: <ul style="list-style-type: none"> <li>- Agreed the five-year VIU cash flows to the financial budget approved by the Directors;</li> <li>- Compared historical forecasting for 2018 to actual results; and</li> <li>- Checked the mathematical accuracy of the five-year VIU cash flows.</li> </ul> </li> <li>• Agreed the assumption on capital expenditures to the approved financial budget for five years, discussed with management on the capital expenditure required to maintain the network performance and assessed the impact on the VIU cash flows; and</li> <li>• Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to industry reports, and checked the sensitivity analysis performed by management on the discount rate.</li> </ul> <p>Based on the procedures performed above, we did not find any exceptions to the Directors' conclusion that the goodwill and spectrum rights are not impaired as at 31 December 2018.</p>

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<b>Assessment of useful life and carrying value of intangible assets with indefinite useful life (continued)</b>	<p>In respect of the useful life of the spectrum rights, we checked management's assessment of the significance of the cost of renewal by performing the following:</p> <ul style="list-style-type: none"> <li>• Read the latest letters of renewal or offer from Malaysian Communications and Multimedia Commission ("MCMC") for the respective spectrums to understand the terms and conditions of the renewal, and discussed with management on how the conditions will be met;</li> <li>• Obtained evidence that based on past experience, the Group was able to renew the spectrum rights without any material or significant disruptions to business operations; and</li> <li>• Compared the estimated total renewal costs for all spectrum rights against the future estimated revenue and net cash flows which we checked as part of our audit procedures on impairment assessment.</li> </ul> <p>Based on the procedures performed above, we did not find any exceptions in the Directors' estimate and judgement of the asset's useful life, specifically on the significance of the costs of renewal of the existing spectrum rights when compared with the expected future economic benefits expected to flow to the Group from the renewals.</p>
<b>Revenue recognition from contracts with customers</b> <p><i>Refer to Note 3(w) – Summary of Significant Accounting Policies – Revenue recognition, Note 4(e) – Critical accounting estimates and judgements: Revenue recognition for contracts with customers and Note 6 - Revenue</i></p> <p>The Group's revenue of RM9.2 billion during the financial year ended 31 December 2018 comprised primarily telecommunication services revenue and sale of devices of RM8.2 billion and RM1.0 billion respectively.</p> <p>We focused on this area because there is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition. Revenue processed by billing systems are complex and involves large volume of data with different products sold, services and price changes.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Checked the adjustments arising from the application of MFRS 15 and performed the following: <ul style="list-style-type: none"> <li>- Obtained management's assessment on the identification of separate performance obligations over material customer contracts with bundling arrangements and sighted to the customer contracts on sampling basis; and</li> <li>- Reviewed management's analysis in determining whether the Group is acting as a principal or an agent in relation to the sale of devices based on the contractual terms and conditions in the contracts with customers and supplier.</li> </ul> </li> <li>• Checked stand-alone selling prices and allocation of the consideration specified in contracts for separate performance obligations to published selling prices used by the Group on their sale of products and services or available market prices.</li> </ul>

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## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition from contracts with customers (continued)</b></p> <p>In addition, we focused on the adjustments recognised during the year following the Group's application of MFRS 15 "Revenue from contracts with customers" ("MFRS 15"). The Group elected for the full retrospective transition approach requiring restatement to the comparative period presented for the period beginning 1 January 2017. The adjustments are set out in Note 36(c) to the financial statements.</p> <p>Management exercises judgement on the areas below arising from the adoption of MFRS 15:</p> <ul style="list-style-type: none"> <li>Certain contracts with customers are bundled packages that may include sale of products and telecommunication services that comprise voice, data and other converged telecommunication services. Individual products and services are accounted for as separate performance obligations if they are distinct promised goods and services. Judgement is involved in identifying if products and services with the bundled package are distinct as a separate promised products and services; and</li> <li>Determining whether the Group is acting as a principal or an agent in relation to sale of devices.</li> </ul>	<ul style="list-style-type: none"> <li>Tested the IT general controls and controls over operating effectiveness of the relevant billing systems on the following: <ul style="list-style-type: none"> <li>capture and recording of revenue transactions;</li> <li>authorisation of rate changes and the input of this information to the billing systems; and</li> <li>accuracy of calculation of amounts billed to customers.</li> </ul> </li> <li>Examined material non-standard journal entries and other adjustments posted to revenue accounts.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions in the opening balance adjustments and revenue recognised during the financial year.</p>
<p><b>Assessment of funding requirements and ability to meet the short term obligations</b></p> <p><i>Refer to Note 32(c) – Financial Risk Management – Liquidity Risk</i></p> <p>As at 31 December 2018, the Group had short term payables and accruals of RM4.0 billion and short term borrowings of RM0.2 billion. We focused on the Group's funding and ability to meet its short term obligations due to the significant amount of the short term liabilities, which resulted in the current liabilities of the Group exceeding current assets by RM1.9 billion at that date.</p> <p>The Group's ability to obtain funding from existing facilities is disclosed in Note 32 to the financial statements.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Checked management's cash flow forecasts for the Group over the next 12 months to the annual budget which includes operating, investing and financing cash flows approved by the Directors;</li> <li>Discussed with management on key assumptions used in the cash flow forecasts including cash collection trends, payment profiles and significant transactions in relation to investing and financing activities;</li> <li>Checked the borrowing repayment profile of the Group against the loan agreements;</li> <li>Checked the extent of debt that the Group can raise from its existing Unrated Sukuk Murabahah Programme ("Sukuk Murabahah"); and</li> <li>Agreed the unissued Sukuk Murabahah to the external confirmation received.</li> </ul> <p>Based on the procedures performed above, we did not find any exceptions to the Directors' assessment that the Group will be able to meet its short term obligations.</p>

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Key audit matters (continued)

#### Company

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of the carrying amount of cost of investment in a subsidiary</b></p> <p><i>Refer to Note 3(g) – Significant accounting policies: Impairment of non-financial assets, Note 4(b) – Critical accounting estimates and judgements: Investment in subsidiaries and Note 17(a) – Investments in subsidiaries</i></p> <p>As at 31 December 2018, the Group performed an impairment assessment on the cost of investment in a subsidiary with the carrying value of RM24.8 billion as there were indicators of impairment of this subsidiary. The recoverable amounts of the subsidiary were determined by the Directors based on value-in-use method. Based on the Directors' assessment, the recoverable amount of the subsidiaries exceed the carrying value of the investment in the subsidiary and therefore no impairment is required.</p> <p>We focused on this area due to the estimation of the recoverable amounts which is inherently uncertain and requires significant judgement on the future cash flow, terminal growth rates and discount rate applied.</p>	<p>We performed the following audit procedures on the value-in-use ("VIU") calculations which used cash flow projections based on internally approved financial budgets covering a five-year period:</p> <ul style="list-style-type: none"> <li>Discussed with management the key assumptions used in the five-year VIU cash flows and performed the following: <ul style="list-style-type: none"> <li>Agreed the five-year VIU cash flows to the financial budget approved by the Directors;</li> <li>Compared historical forecasting for 2018 to actual results; and</li> <li>Checked the mathematical accuracy of the five-year VIU cash flows.</li> </ul> </li> <li>Checked that the VIU cash flows used to determine the recoverable amount have been adjusted for financing cash flows forecast of the subsidiary;</li> <li>Discussed with management the key assumptions which include the compounded revenue and earnings before interest, tax, depreciation and amortisation annual growth rates used in the five-year VIU cash flows;</li> <li>Agreed the assumption on capital expenditures to the approved financial budget for five years, discussed with management on the capital expenditure required to maintain the network performance and assessed the impact on the VIU cash flows; and</li> <li>Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to industry reports, and checked the sensitivity analysis performed by management on the discount rate.</li> </ul> <p>Based on the procedures performed above, we did not find any exception to the Directors' assessment that the cost of investment in a subsidiary is not impaired as at 31 December 2018.</p>

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections of the 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

**SRIDHARAN NAIR**  
02656/05/2020 J  
Chartered Accountant

Kuala Lumpur  
15 February 2019

# Size of Shareholdings

As at 28 February 2019

## SHARE CAPITAL

Issued : 7,816,651,400 Ordinary Shares

Voting Right : One vote per Ordinary Share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	563	1.57	5,264	#
100 - 1,000	19,098	53.20	17,627,492	0.23
1,001 - 10,000	13,629	37.97	52,784,962	0.68
10,001 - 100,000	2,026	5.64	57,953,179	0.74
100,001 - 390,832,569 <sup>(*)</sup>	578	1.61	1,318,231,689	16.86
390,832,570 and above <sup>(**)</sup>	3	0.01	6,370,048,814	81.49
<b>Total</b>	<b>35,897</b>	<b>100.00</b>	<b>7,816,651,400</b>	<b>100.00</b>

\* Less than 5% of issued holdings

\*\* 5% and above of issued holdings

# Negligible

### Note:

Information in the above table is based on the Record of Depositors dated 28 February 2019.

OTHER INFORMATION

# Category of Shareholders

As at 28 February 2019

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Individuals	32,399	90.26	114,019,088	1.46
Bank/Finance Institutions	41	0.11	1,014,902,075	12.99
Investment Trusts/Foundations/Charities	5	0.01	152,000	0.00
Other Types of Companies	260	0.73	5,013,847,909	64.14
Government Agencies/Institutions	4	0.01	5,681,200	0.07
Nominees	3,188	8.88	1,668,049,128	21.34
<b>Total</b>	<b>35,897</b>	<b>100.00</b>	<b>7,816,651,400</b>	<b>100.00</b>

### Note:

Information in the above table is based on the Record of Depositors dated 28 February 2019.

## Directors' Interests in Shares

As at 28 February 2019

Based on the Register of Directors' Shareholdings and the Record of Depositors, the interests of the Directors in the shares of the Company (both direct and indirect) as at 28 February 2019 are as follows:

Name	Number of Ordinary Shares in Maxis (“Maxis Shares”)		% of Issued Shares	
	Direct	Indirect	Direct	Indirect
Raja Tan Sri Dato’ Seri Arshad bin Raja Tun Uda	750,000	-	0.01	-
Robert Alan Nason	-	-	-	-
Tan Sri Mokhzani bin Mahathir	750,000	1,000 <sup>(1)</sup>	0.01	#
Dato’ Hamidah Naziadin	-	-	-	-
Mohammed Abdullah K. Alharbi	-	-	-	-
Mazen Ahmed M. AlJubeir	-	-	-	-
Abdulaziz Abdullah M. Alghamdi	-	-	-	-
Lim Ghee Kheong	-	-	-	-
Alvin Michael Hew Thai Kheam	-	-	-	-

**Notes:**

# Negligible

<sup>(1)</sup> *Deemed interest in shares of the Company held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.*



# 30 Largest Shareholders

As at 28 February 2019

OTHER INFORMATION

No	Name	No of Shares Held	%
1	BGSM Equity Holdings Sdn. Bhd.	4,875,000,000	62.37
2	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	865,600,414	11.07
3	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	629,448,400	8.05
4	Urusharta Jamaah Sdn. Bhd.	128,503,600	1.64
5	Kumpulan Wang Persaraan (Diperbadankan)	108,362,100	1.39
6	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN for State Street Bank & Trust Company (West CLT OD67)	65,546,330	0.84
7	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	60,783,300	0.78
8	HSBC Nominees (Asing) Sdn. Bhd. JPMBC NA for Vanguard Emerging Markets Stock Index Fund	44,833,550	0.57
9	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Vanguard Total International Stock Index Fund	41,955,550	0.54
10	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	39,363,000	0.50
11	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	33,614,700	0.43
12	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	28,413,400	0.36
13	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	27,452,900	0.35
14	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB for Prulink Equity Fund	25,505,200	0.33
15	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	23,919,375	0.31
16	Amanahraya Trustees Berhad Public Islamic Dividend Fund	23,796,100	0.30
17	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited for Government of Singapore (C)	22,441,300	0.29
18	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	21,750,000	0.28

### 30 Largest Shareholders

As at 28 February 2019

No	Name	No of Shares Held	%
19	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	21,480,000	0.27
20	Amanahraya Trustees Berhad Amanah Saham Malaysia	19,989,800	0.26
21	Permodalan Nasional Berhad	19,260,500	0.25
22	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA for Robeco Capital Growth Funds	15,669,200	0.20
23	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV for People's Bank Of China (SICL Asia EM)	12,667,900	0.16
24	Amanahraya Trustees Berhad Public Islamic Equity Fund	12,643,100	0.16
25	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	10,018,500	0.13
26	HSBC Nominees (Asing) Sdn. Bhd. BNY Mellon for TD Global Low Volatility Fund	8,632,100	0.11
27	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for MSCI Equity Index Fund B - Malaysia	8,238,700	0.11
28	Citigroup Nominees (Asing) Sdn. Bhd. Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	7,700,159	0.10
29	Cartaban Nominees (Asing) Sdn. Bhd. State Street London Fund OD75 for iShares Public Limited Company	7,676,600	0.10
30	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Future Fund Board of Guardians	7,389,300	0.09

**Note:**

Information in the above table is based on the Record of Depositors dated 28 February 2019.

# Information on Substantial Shareholders

As at 28 February 2019

The shareholders holding more than 5% interest, direct and indirect, in the ordinary shares in Maxis Berhad ("the Company") ("Shares") based on the Register of Substantial Shareholders of the Company as at 28 February 2019 are as follows:

Name Of Substantial Shareholder	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
BGSM Equity Holdings Sdn. Bhd. ("BGSM Equity")	4,875,000,000	62.37	–	–
BGSM Management Sdn. Bhd. ("BGSM Management") <sup>(1)</sup>	–	–	4,875,000,000	62.37
Binariang GSM Sdn. Bhd. ("BGSM") <sup>(2)</sup>	–	–	4,875,000,000	62.37
Usaha Tegas Equity Sdn. Bhd. ("UTE") <sup>(3)</sup>	–	–	4,875,000,000	62.37
Usaha Tegas Sdn. Bhd. ("Usaha Tegas") <sup>(4)</sup>	–	–	4,875,000,000	62.37
Pacific States Investment Limited ("PSIL") <sup>(5)</sup>	–	–	4,875,000,000	62.37
Excorp Holdings N.V. ("Excorp") <sup>(6)</sup>	–	–	4,875,000,000	62.37
PanOcean Management Limited ("PanOcean") <sup>(6)</sup>	–	–	4,875,000,000	62.37
Ananda Krishnan Tatparanandam ("TAK") <sup>(7)</sup>	–	–	4,875,000,000	62.37
Harapan Nusantara Sdn. Bhd. ("Harapan Nusantara") <sup>(8)</sup>	–	–	4,875,000,000	62.37
Tun Haji Mohammed Hanif bin Omar <sup>(9)</sup>	–	–	4,875,000,000	62.37
Dato' Haji Badri bin Haji Masri <sup>(9)</sup>	–	–	4,875,000,000	62.37
Mohamad Shahrin bin Merican <sup>(9)</sup>	11,000	*	4,875,000,000	62.37
STC Malaysia Holding Ltd. ("STCM") <sup>(10)</sup>	–	–	4,875,000,000	62.37
STC Asia Telecom Holding Ltd. ("STCAT") <sup>(11)</sup>	–	–	4,875,000,000	62.37
Saudi Telecom Company ("Saudi Telecom") <sup>(12)</sup>	–	–	4,875,000,000	62.37
Public Investment Fund ("PIF") <sup>(13)</sup>	–	–	4,875,000,000	62.37
AmanahRaya Trustees Berhad ("ARB") - Skim Amanah Saham Bumiputera	629,448,400	8.05	–	–
Employees Provident Fund Board ("EPF")	866,405,214	11.084	–	–

## Notes:

\* Negligible

<sup>(1)</sup> BGSM Management's deemed interest in the Shares arises by virtue of BGSM Management holding 100% equity interest in BGSM Equity.

<sup>(2)</sup> BGSM's deemed interest in the Shares arises by virtue of BGSM holding 100% equity interest in BGSM Management.

<sup>(3)</sup> UTE's deemed interest in the Shares arises through its wholly-owned subsidiaries, namely, Wilayah Resources Sdn. Bhd., Tegas Puri Sdn. Bhd., Besitang Barat Sdn. Bhd. and Besitang Selatan Sdn. Bhd. which hold in aggregate 37% equity interest in BGSM. See Note<sup>(2)</sup> above for BGSM's deemed interest in the Shares.

<sup>(4)</sup> Usaha Tegas' deemed interest in the Shares arises by virtue of Usaha Tegas holding 100% equity interest in UTE. See Note<sup>(3)</sup> above for UTE's deemed interest in the Shares.

<sup>(5)</sup> PSIL's deemed interest in the Shares arises by virtue of PSIL holding 99.999% equity interest in Usaha Tegas. See Note (4) above for Usaha Tegas' deemed interest in the Shares.

## Information on Substantial Shareholders

- <sup>(6)</sup> PanOcean holds 100% equity interest in Excorp which in turn holds 100% equity interest in PSIL. See Note<sup>(5)</sup> above for PSIL's deemed interest in the Shares. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of TAK and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in such Shares, it does not have any economic or beneficial interest in such Shares, as such interest is held subject to the terms of such discretionary trust.
- <sup>(7)</sup> TAK's deemed interest in the Shares arises by virtue of PanOcean's deemed interest in the Shares. See Note<sup>(6)</sup> above for PanOcean's deemed interest in the Shares. Although TAK is deemed to have an interest in such Shares, he does not have any economic or beneficial interest in such Shares, as such interest is held subject to the terms of a discretionary trust referred to in Note<sup>(6)</sup> above.
- <sup>(8)</sup> Harapan Nusantara's deemed interest in the Shares arises through its wholly-owned subsidiaries, namely, Mujur Anggun Sdn. Bhd., Cabaran Mujur Sdn. Bhd., Anak Samudra Sdn. Bhd., Dumai Maju Sdn. Bhd., Nusantara Makmur Sdn. Bhd., Usaha Kenanga Sdn. Bhd. and Tegas Sari Sdn. Bhd. (collectively, "Harapan Nusantara Subsidiaries"), which hold in aggregate 30% equity interest in BGSM. See Note<sup>(2)</sup> above for BGSM's deemed interest in the Shares. The Harapan Nusantara Subsidiaries hold their deemed interest in such Shares under discretionary trusts for Bumiputera objects. As such, Harapan Nusantara does not have any economic interest in such Shares as such interest is held subject to the terms of such discretionary trusts.
- <sup>(9)</sup> His deemed interest in the Shares arises by virtue of his 25% direct equity interest in Harapan Nusantara. However, he does not have any economic interest in such Shares as such interest is held subject to the terms of the discretionary trusts referred to in Note<sup>(8)</sup> above. ○
- <sup>(10)</sup> STCM's deemed interest in the Shares arises by virtue of STCM holding 25% equity interest in BGSM. See Note<sup>(2)</sup> above for BGSM's deemed interest in the Shares. ○
- <sup>(11)</sup> STCAT's deemed interest in the Shares arises by virtue of STCAT holding 100% equity interest in STCM. See Note<sup>(10)</sup> above for STCM's deemed interest in the Shares. ○
- <sup>(12)</sup> Saudi Telecom's deemed interest in the Shares arises by virtue of Saudi Telecom holding 100% equity interest in STCAT. See Note<sup>(11)</sup> above for STCAT's deemed interest in the Shares. ○
- <sup>(13)</sup> PIF's deemed interest in the Shares arises by virtue of PIF holding 70% equity interest in Saudi Telecom. See Note<sup>(12)</sup> above for Saudi Telecom's deemed interest in the Shares. ○

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# List of Properties Held

OTHER INFORMATION

	Postal Address	Approximate Age of the Building	Tenure/ Date of Acquisition	Remaining Lease Period (Expiry of Lease)	Current Use	Land Area (Sq.metre)	Built-up Area (Sq.metre)	Net Book Value as at 31 Dec 2018 (RM'000)
1	Plot 12155 (Lot 13) Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam Selangor	23 years	Freehold 9 May, 1994	-	Telecom- munication operations centre and office	11,235	10,061	18,009
2	Lot 4059, Jalan Riang 20 Taman Gembira Industrial Estate 81100 Johor Bahru  Lot 4046, Jalan Riang 20 Taman Gembira Industrial Estate 81100 Johor Bahru	26 years	Freehold 21 July, 1994  Freehold 21 July, 1994	-  -	Telecom- munication operations centre and office  Telecom- munication operations centre and office	2,201  2,041	2,531  1,546	4,223
3	Lot 2537 & 2538, Lorong Jelawat 6, Kawasan Perusahaan Seberang Jaya 13700 Seberang Jaya Pulau Pinang	22 years	Leasehold 5 January, 1995	55 years (18 August 2073)	Telecom- munication operations centre and office	3,661	2,259	5,304
4	PT 31093, Taman Perindustrian Tago Jalan KL – Sg Buluh Mukim Batu, Gombak	21 years	Freehold 2 July, 1996	-	Technical Operations Centre	2,830	3,290	2,527
5	Lot 943 & 1289 (No. Lot Pemaju – 46) Rawang Integrated Industrial Park Selangor	21 years	Freehold 12 April, 1997	-	Technical Operations Centre	10,611	1,535	3,367

## List of Properties Held

	Postal Address	Approximate Age of the Building	Tenure/ Date of Acquisition	Remaining Lease Period (Expiry of Lease)	Current Use	Land Area (Sq.metre)	Built-up Area (Sq.metre)	Net Book Value as at 31 Dec 2018 (RM'000)
6	8101, Taman Desa Jasmin Block 12B, Bandar Baru Nilai Labu Negeri Sembilan	21 years	Freehold 28 December, 1996	-	Technical Operations Centre	2,378	1,736	1,338
7	Lot 25, Lorong Burung Keleto Inanam Industrial Estate Inanam, 88450 Kota Kinabalu, Sabah	18 years	Leasehold 11 May, 2000	78 years (31 December, 2096)	Telecom-munication operations centre and office	16,149	3,372	8,136
8	Lot 2323, Off Jalan Daya, Pending Industrial Estate Bintawa, 93450 Kuching, Sarawak	18 years	Leasehold 28 September, 2000	24 years (17 February, 2042)	Telecom-munication operations centre and office	10,122	3,382	16,147
9	Lot 11301, Jalan Lebuhraya Kuala Lumpur – Seremban Batu 8, Mukim Petaling, 57000 Kuala Lumpur	19 years	Sub-Lease 9 August 1999	7 years (28 July, 2025)	Telecom-munication operations centre and office	11,592	5,634	13,450
10	No. 26, Jalan Perdagangan 10 Taman Universiti 81300 Skudai Johor	24 years	Freehold 2 March, 1995	-	Base Transceiver Station	2,294	872	848

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# Disclosure of Recurrent Related Party Transactions

At an Extraordinary General Meeting held on 19 April 2018, the Company obtained a mandate from its shareholders ("Shareholders' Mandate") for recurrent related party transactions ("RRPTs") of a revenue or trading nature.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such Shareholders' Mandate is subject to annual renewal and the disclosure in the Annual Report of RRPTs conducted pursuant to the mandate during the financial year ended 31 December 2018 where the aggregate value of such RRPTs is equal to or more than RM1 million or 1% of the relevant percentage ratio for such transactions, whichever is the higher.

Set out below are the relevant RRPTs for which Shareholders' Mandate had been obtained together with a breakdown of the aggregate value of the RRPTs which had been conducted pursuant to the Shareholders Mandate and had met the prescribed threshold.

OTHER INFORMATION

Company in the Maxis Group involved	Transacting Parties	Nature of transaction	Nature of relationship	Value incurred from 1 January 2018 to 18 April 2018 (RM'000)	Value incurred from 19 April 2018 to 31 December 2018 (RM'000)	Aggregate value of transactions during the financial year 2018 (RM'000)
<b>Transactions with Astro Malaysia Holdings Berhad ("AMH") Group</b>						
Maxis Broadband Sdn. Bhd. ("MBSB") and/or its affiliates	MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS") and/or its affiliates	Provision of subscription type services/contents by MBNS and/or its affiliates to MBSB and/or its affiliates to be provided to Maxis subscribers based on revenue share	Please refer to Note 1	(13)*	-	(13)*
MBSB	MBNS and/or its affiliates	Strategic partnership on co-marketing and sales of Maxis fibre services, wireless services, broadband services and Astro IPTV services and On-The-Go Services	MSS	22,937	48,405	71,342
<b>Aggregate Value of Transactions with MGB Group</b>				<b>22,924</b>	<b>48,405</b>	<b>71,329</b>

\* Revenue adjustment

## Notes:

### 1. AMH Group

MBNS is a wholly-owned subsidiary of AMH.

Each of Usaha Tegas Sdn. Bhd. ("UTSB"), Pacific States Investment Limited ("PSIL"), Excorp Holdings N.V. ("Excorp"), PanOcean Management Limited ("PanOcean") and Ananda Krishnan Tatparanandam ("TAK") is a Major Shareholder with a deemed interest over 4,875,000,000 Shares representing 62.37% equity interest in Maxis ("Shares") by virtue of its deemed interest in Binariang GSM Sdn. Bhd. ("BGSM") which holds 100% equity interest in BGSM Management Sdn. Bhd. ("BGSM Management"). BGSM Management holds 100% equity interest in BGSM Equity Holdings Sdn. Bhd. ("BGSM Equity") which in turn holds 62.37% equity interest in Maxis. UTSB's deemed interest in such Shares arises through its wholly-owned subsidiaries, namely, Wilayah Resources Sdn. Bhd., Tegas Puri Sdn. Bhd., Besitang Barat Sdn. Bhd. and Besitang Selatan Sdn. Bhd., which hold in aggregate 37% equity interest in BGSM.

## Disclosure of Recurrent Related Party Transactions

Each of UTSB, PSIL, Excorp and PanOcean has a deemed interest over 1,249,075,472 ordinary shares ("AMH Shares") representing 23.95% equity interest in AMH through the wholly-owned subsidiaries of UTSB, namely, Usaha Tegas Entertainment Systems Sdn. Bhd. and All Asia Media Equities Limited with each holding 235,778,182 AMH Shares and 1,013,297,290 AMH Shares directly representing 4.52% and 19.43% equity interest in AMH respectively.

PanOcean holds 100% equity interest in Excorp which in turn holds 100% equity interest in PSIL. PSIL holds 99.999% equity interest in UTSB. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of TAK and foundations, including those for charitable purposes.

TAK is also a major shareholder of AMH with a deemed interest over 2,152,868,226 AMH Shares representing 41.288% equity interest in AMH. In addition, TAK is a director of PanOcean, Excorp, PSIL and UTSB. Although TAK and PanOcean are deemed to have an interest in the Shares and AMH Shares as described in the foregoing, they do not have any economic or beneficial interest over such shares as such interest is held subject to the terms of such discretionary trust referred to the above.

Lim Ghee Keong ("LGK") who is a Director, is also a director of AMH and MBNS. He is also a director of MBSB, PSIL, Excorp, PanOcean and UTSB. LGK has a direct equity interest over 1,000,000 AMH Shares representing 0.02% equity interest in AMH. LGK does not have any equity interest in Maxis, MBSB, or AMH subsidiaries.

Each of Tun Haji Mohammed Hanif bin Omar ("THO"), Dato' Haji Badri bin Haji Masri ("Dato' Badri") and Mohamad Shahrin bin Merican ("MSM") is a Major Shareholder with a deemed interest over 4,875,000,000 Shares representing 62.37% equity interest in Maxis in which Harapan Nusantara Sdn. Bhd. ("HNSB") has an interest, by virtue of his 25% direct equity interest in HNSB. HNSB's deemed interest in such Shares arises through its wholly-owned subsidiaries, namely, Mujur Anggun Sdn. Bhd., Cabaran Mujur Sdn. Bhd., Anak Samudra Sdn. Bhd., Dumai Maju Sdn. Bhd., Nusantara Makmur Sdn. Bhd., Usaha Kenanga Sdn. Bhd. and Tegas Sari Sdn. Bhd. (collectively, "HNSB Subsidiaries"), which hold in aggregate 30% equity interest in BGSM. The HNSB Subsidiaries hold their deemed interest in such Shares under discretionary trusts for Bumiputera objects. As such, HNSB, THO, Dato' Badri and MSM do not have any economic interest over such Shares as such interest is held subject to the terms of such discretionary trusts.

Each of THO, Dato' Badri and MSM have a deemed interest over 462,124,447 AMH Shares representing 8.86% equity interest in AMH in which Harapan Terus Sdn. Bhd. ("HTSB") has an interest, by virtue of his 25% direct equity interest in HTSB. HTSB's deemed interest in such AMH Shares arises through its wholly-owned subsidiaries, namely, Berkas Nusantara Sdn. Bhd., Nusantara Cempaka Sdn. Bhd., Nusantara Delima Sdn. Bhd., Mujur Nusantara Sdn. Bhd., Gerak Nusantara Sdn. Bhd. and Sanjung Nusantara Sdn. Bhd. (collectively, "HTSB Subsidiaries"). The HTSB Subsidiaries hold such AMH Shares under discretionary trusts for Bumiputera objects. As such, HTSB, THO, Dato' Badri and MSM do not have any economic interests over such AMH Shares as such interest is held subject to the terms of such discretionary trusts. Dato' Badri is also a director of MBNS. He does not have any equity in Maxis Group or AMH Group referred to the above.

MSM also has a direct equity interest over 11,000 Shares representing 0.0001407% equity interest in Maxis. He has a direct equity interest over 200,000 AMH Shares representing 0.004% equity interest in AMH.



# Additional Disclosures

## TRANSACTIONS THROUGH MEDIA AGENCIES

Some of the media airtime, publications and programme sponsorship arrangements (“Media Arrangements”) of the Maxis Group are concluded on normal commercial terms with independent media-buying agencies whose role is to secure advertising or promotional packages for their clients. These Media Arrangements may involve companies in the Astro Malaysia Holdings Berhad (“AMH”) Group which are licensed to operate satellite Direct-to-Home television and FM radio services, and undertake a number of other multimedia services in Malaysia. The transactions between the media-buying agencies and the AMH Group are based on terms consistent with prevailing rates within the media industry.

For the financial year ended 2018 the value of such transactions, which are not related party transactions entered into by the Maxis Group and the AMH Group and excluded from the related party transactions disclosed elsewhere in this Annual Report, amounted to RM19,878,000.

## COMPLIANCE WITH THE PERSONAL DATA PROTECTION ACT

The Company recognises the importance of protecting and securing shareholders’ and customers’ personal data, and has taken steps to be fully compliant with the Personal Data Protection Act 2010 (“PDPA 2010”).

Material contracts of Maxis Berhad (“Company”) and its subsidiaries, involving Directors’ and Major Shareholders’ interests, either still subsisting at the end of financial year 2018 or, if not then subsisting, entered into since the end of financial year 2017.

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
1	Transponder Lease for Measat-3 supplemented by supplemental letters no. 1 – 13	17 October 2007  Supplemental No. 1: 20 May 2009  Supplemental No. 2: 9 June 2009  Supplemental No. 3: 17 February 2010  Supplemental No. 4: 17 June 2010  Supplemental No. 5: 20 April 2011  Supplemental No. 6: 8 May 2012  Supplemental No. 7: 13 July 2012  Supplemental No.8 : 4 January 2013  Supplemental No 9: 8 July 2013	Maxis Broadband Sdn. Bhd. (“MBSB”)  MEASAT Satellite Systems Sdn. Bhd. (“MSS”)	Leasing of transponders for Measat-3 by MBSB for use of bandwidth capacity	Rental fee payable by MBSB to MSS	Cash	MBSB is a wholly-owned subsidiary of the Company.  Please see Note 1 on page 229 for further details on the relationship between MBSB and MSS.

## Material Contracts

### OTHER INFORMATION

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
1	Transponder Lease for Measat-3 supplemented by supplemental letters no. 1 – 13 (continued)	Supplemental No 10: 29 October 2013  Supplemental No 11: 17 March 2014  Supplemental No 12: 14 October 2014  Supplemental No 13: 3 November 2015					
2	Teleport Services Agreement (Lease rentals of Measat earth station facility) supplemented by supplemental letter No. 1	17 October 2007  Supplemental No. 1: 19 April 2013	MBSB  MSS	Lease rentals of MSS teleport and earth station facility by MBSB	Service fee payable by MBSB to MSS	Cash	Please see Note 1 on page 229 for further details on the relationship between MBSB and MSS.
3	Services Agreement novated and supplemented by a novation agreement and supplemental letters	10 February 2015  Novation Agreement: 25 March 2016  Supplemental Letter No. 1: 22 September 2016  Supplemental Letter No. 2: 15 December 2016	MBSB  SRG Asia Pacific Sdn. Bhd. ("SRG")	Procurement of customer call-handling and telemarketing services by MBSB from SRG	Consideration passing from MBSB to SRG is RM41 million	Cash	SRG is a person connected to TAK.  TAK is a major shareholder of the Company.

## Material Contracts

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
4	Managed Bandwidth Services Agreement	1 July 2011	MBSB	Lease of bandwidth capacity on IPSTAR-1 satellite by MBIL	Rental fee payable by MBSB to MBIL	Cash	Please see Note 1 on page 229 for further details on the relationship between MBSB and MBIL.
	(a) Letter of Agreement for Additional Managed Bandwidth Services	11 November 2014	MEASAT Broadband (International) Ltd. ("MBIL")				
	(b) Letter of Agreement for Additional Managed Bandwidth Services	13 May 2015					
	(c) Letter of Agreement for Additional Managed Bandwidth Services	8 July 2015					

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## Material Contracts

### OTHER INFORMATION

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
5	(a) IPTV Services Agreement (as amended by Termination Letter dated 27 September 2012, terminating the application of IPTV Services Agreement with respect to AD5SB, effective from 25 October 2012)	19 January 2012	MBSB  Media Innovations Pty. Ltd. ("Media Innovations")  Astro Digital 5 Sdn. Bhd. ("AD5SB")	Provision of IPTV platform and customer premises equipment development services and IPTV related services including operational, consultancy and project (hardware and software) services	Fees payable by MBSB to Media Innovations and AD5SB	Cash	Please see Note 2 on page 229 for further details on the relationship between MBSB, Media Innovations and AD5SB.
	(b) Amendment to IPTV Services Agreement	3 April 2013	MBSB  Media Innovations	Agreement to amend the scope of services of Media Innovations under the IPTV Services Agreement			



## Material Contracts

### OTHER INFORMATION

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
6	(d) Astro B.Yond IPTV Services and Astro OTT Services Dealer Agreement	30 April 2013	MBSB MBNS	Appointment of MBSB as an authorised dealer to sell and promote Astro B.Yond IPTV services and Astro OTT (over the top internet) services	Charges payable by MBNS to MBSB	Cash	
7	Share Purchase Agreement	27 December 2016	Maxis Berhad MBNS Multimedia Technologies Sdn. Bhd. ("MMT")	For sale and purchase of 833,334 ordinary shares in Advance Wireless Technologies Sdn. Bhd.	Consideration for sale shares paid by the Company to MMT; and  Charges payable by MBSB to MMT for purchase of goods and services from MMT and/or its related corporations	Cash	Please see Note 2 on page 229 for further details on the relationship between the Company and MMT.





# Bursa Sustainability

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# Glossary

**4G LTE:** Or Long-Term Evolution; the next generation of mobile communications networks beyond 3G, which will deliver very high bandwidths to mobile devices.

**5G :** Next-generation of mobile networks beyond LTE mobile networks. According to ITU guidelines, 5G network speeds should have a peak data rate of 20 Gb/s for the downlink and 10 Gb/s for the uplink. Beyond connecting people, 5G will connect devices.

**Apps:** Or Applications, which are software programmes that can be downloaded and used on smartphones, tablets and computers. Popular Apps include Facebook, Twitter, Waze, WhatsApp, etc.

**ARPU:** Average Revenue Per User

**BTS:** Base Transceiver Station, which provides cellular coverage and capacity.

**Bursa Securities:** Bursa Malaysia Securities Berhad

**Cloud Solutions:** Refers to cloud computing services or computing resources that are delivered over the Internet for usage as and when they are needed.

**Corporate Governance Report 2018:** Detailed application of the Principles and Recommendations of MCCG 2017 during the financial year 2018.

**GWh:** Or gigawatt hours, a unit to measure energy consumption

**ICT:** Information and Communications Technology; an umbrella term that includes any communications device or application, encompassing radio, television, cellular phones, computer and network hardware and software, satellite systems as well as various services and applications associated with them, such as video conferencing and distance learning.

**IoT:** Internet of Things; is the internetworking of physical devices, vehicles, buildings, and other items which are embedded with electronics, software, sensors, actuators and network connectivity that enable these objects to collect and exchange data.

**IP:** Internet Protocol; a standard that keeps track of network addresses for different nodes, routes outgoing messages, and recognises incoming messages.

**IPTV:** Internet Protocol television

**KKMM:** Kementerian Komunikasi dan Multimedia Malaysia or Ministry of Communications and Multimedia Malaysia

**Maxis or the Company:** Maxis Berhad (Company No. 867573-A)

**MCCG 2017:** Malaysian Code on Corporate Governance 2017

**MCMC:** Malaysian Communications and Multimedia Commission

**MHz band:** A megahertz band that is a small section of the spectrum of radio communication frequencies. In Malaysia, GSM frequency bands or ranges, are the cellular frequencies designated by the ITU for the operation of GSM mobile phones.

**MMLR:** Main Market Listing Requirements of Bursa Securities

**NB-IoT:** NarrowBand - Internet of Things, a technology that is designed to enable connectivity to “things” using mobile networks. It improves the power of consumption of user devices, system capacity and spectrum efficiency, especially in deep coverage.

**RAN:** Radio Access Network; which comprises the base station technology and air interface of a cellular network.

**SME:** Small and Medium Enterprises

**SMS:** Short Message Service

**Spectrum:** Or a spectrum of radio communication frequencies that is sold or licensed to operators of cellular telephone services. For example, Malaysia’s telecommunications industry utilises the spectrum frequencies of 900MHz, 1800MHz, etc. for provision of cellular services.

**USP:** Universal Service Provision; an initiative to promote the widespread availability and usage of network and/or applications services by encouraging the installation of network facilities and the provision of network and/or applications services in underserved areas.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of MAXIS BERHAD ("the Company") will be held on Thursday, 25 April 2019 at 10.00 a.m. at Connexion Conference & Event Centre, Grand Nexus (Level 3A), Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, for the following purposes:

## AGENDA

## ORDINARY RESOLUTIONS

- 1 To consider the Audited Financial Statements of the Company and of the Group for the financial  
year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.  
**Please refer to Note A.**

- 2 To re-elect the following Directors who retire pursuant to Rule 131.1 of the Company's Constitution and, being eligible, have offered themselves for re-election:

- a) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda  
b) Tan Sri Mokhzani bin Mahathir  
c) Mazen Ahmed M. AlJubeir

Resolution 1  
Resolution 2  
Resolution 3

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- 3 To re-elect the following Director who retires pursuant to Rule 116 of the Company's Constitution and, being eligible, has offered himself for re-election:

- a) Abdulaziz Abdullah M. Alghamdi

### Resolution 4

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**As Special Business**

**To consider and, if thought fit, to pass the following Resolutions**

- 7 Renewal of the Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016.

### Resolution 9

“THAT, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and that the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of shares in the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof provided that the aggregate number of shares to be

## Notice of Annual General Meeting

issued pursuant to this approval does not exceed ten (10) percent of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and the approvals of all relevant regulatory bodies being obtained (if required).”

**Please refer to Note F.**

- 8 To obtain shareholders’ mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions (“RRPTs”) of a revenue or trading nature with:
- a) Astro Malaysia Holdings Berhad and/or its affiliates;
  - b) Tanjong Public Limited Company and/or its affiliates;
  - c) MEASAT Global Berhad and/or its affiliates;
  - d) Usaha Tegas Sdn. Bhd. and/or its affiliates;
  - e) Maxis Communications Berhad and/or its affiliates;
  - f) Saudi Telecom Company and/or its affiliates;
  - g) SRG Asia Pacific Sdn. Bhd.; and
  - h) Malaysian Landed Property Sdn. Bhd.

**Resolution 10**  
**Resolution 11**  
**Resolution 12**  
**Resolution 13**  
**Resolution 14**  
**Resolution 15**  
**Resolution 16**  
**Resolution 17**

The details of such RRPTs and the full text of Ordinary Resolution 10 to Ordinary Resolution 17 are set out in Appendix I and Appendix VI respectively of the Circular to shareholders dated 27 March 2019 issued together with the Company’s Annual Report 2018.

BY ORDER OF THE BOARD

**DIPAK KAUR**

**LS 5204**

27 March 2019

Kuala Lumpur

## EXPLANATORY NOTES

- A. This Agenda item is meant for discussion only as under the provisions of Section 340 of the Companies Act 2016 and the Company’s Constitution, the audited financial statements do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.
- B. Raja Tan Sri Dato’ Seri Arshad bin Raja Tun Uda, Tan Sri Mokhzani bin Mahathir, Mazen Ahmed M. AlJubeir and Abdulaziz Abdullah M. Alghamdi are standing for re-election as Directors of the Company. The Nomination Committee and Board of Directors of the Company (“the Board”) have considered the assessment of the four Directors and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors, as prescribed by Paragraph 2.20A of the MMLR. The profiles of these Directors are set out on pages 5 to 9 of the Company’s Annual Report for the financial year ended 31 December 2018. The Nomination Committee and the Board carried out an assessment of the independence of Raja Tan Sri Dato’ Seri Arshad bin Raja Tun Uda (“RA”) and Tan Sri Mokhzani bin Mahathir (“MM”) pursuant to criteria as prescribed by the MMLR and Malaysian Code of Corporate Governance 2017 and are satisfied that they meet the criteria for independence. RA and MM were appointed as Independent Directors on 16 October 2009. Both exceeded the nine-year independent tenure on 17 October 2018. At the Ninth Annual General Meeting held on 19 April 2018, the shareholders approved the ordinary resolutions for RA and MM to respectively continue their tenure as Independent Directors up to 17 October 2019.

## Notice of Annual General Meeting

- C. Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda ("RA") and Tan Sri Mokhzani bin Mahathir ("MM") were appointed as Independent Directors on 16 October 2009 and they both have served as Independent Non-Executive Directors for cumulative terms of more than 9 years. The shareholders have on 19 April 2018 approved the resolutions for RA and MM to continue to act as Independent Directors from 17 October 2018 to 17 October 2019. In accordance with the Malaysian Code on Corporate Governance 2017, the Board through the Nomination Committee ("NC") has undertaken relevant assessments and recommended for the two Directors to continue to serve as Independent Non-Executive Directors based on the following justifications:
- (a) RA and MM have each fulfilled the criteria under the definition of Independent Director as stated in the MMLR.
  - (b) In addition, RA and MM have demonstrated their independence when providing their contribution as members of the Board in considering board related matters and in discharging their responsibilities as Directors.
  - (c) The length that they have remained in office do not interfere with their respective abilities to exercise independent judgment as Independent Directors.
  - (d) RA and MM, together with the other Independent Directors, each function as a check and balance to the Board and exercise objectivity as Directors.
  - (e) RA and MM each have vast experience, knowledge and skills in a diverse range of businesses and therefore provide constructive opinion, counsel, oversight and guidance as Directors.
  - (f) Each of RA and MM has devoted sufficient time and attention to their professional obligations to Maxis for informed and balanced decision making.

The NC and the Board are satisfied that each of RA and MM is able to exercise independent judgment and has the ability to act in the best interests of the Company. Each of RA and MM has continued to exercise his independence and due care during his present tenure as an Independent Non-Executive Director and has contributed in the following roles: RA as Chairman of the Board and NC, member of the Remuneration Committee (RC) and the Audit Committee (AC) while MM as Chairman of the AC and as member of the NC and RC. MM has also been appointed as the Senior Independent Director of the Board. RA and MM both have abstained from all deliberations at the NC and Board in relation to the recommendation of Resolutions 5 and 6 to the shareholders.

### D. Payment of Directors' Remuneration

Pursuant to Section 230(1) of the Companies Act 2016, fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is requesting shareholders' approval for the payment of Remuneration to Non-Executive Directors for the period commencing from 25 April 2019 up till the next Annual General Meeting of the Company in 2020 in accordance with the remuneration structure set out below. The Remuneration comprises fees and other benefits-in-kind ("BIK") payable to the Chairman and members of the Board, and the Chairmen and members of Board Committees.

The remuneration structure setting out the fees and BIK payable to each of the Non-Executive Directors for their membership of the Board and Board Committees is as follows:

Remuneration Structure	Monthly Fees/BIK (RM)
Chairman's Fees	33,334
Director's Fees	20,834
Chairman of Audit Committee	8,334
Chairman of Remuneration Committee	4,167
Chairman of Nomination Committee	4,167
Chairman of Business & IT Transformation Committee	4,167
Member of Audit Committee	1,667
Member of Remuneration Committee	1,667
Member of Nomination Committee	1,667
Member of Business & IT Transformation Committee	1,667
Chairman's BIK	4,834

## Notice of Annual General Meeting

The shareholders' approval is being sought under Resolution 7 for the payment of the Remuneration to Non-Executive Directors from 25 April 2019 (conclusion of the Tenth Annual General Meeting) up till the next Annual General Meeting of the Company in accordance with the remuneration structure set out above. If passed, it will allow the Company to make payment of the Remuneration to Non-Executive Directors on a monthly basis up till the next Annual General Meeting of the Company to be held in 2020.

- E. The Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company and collectively agree that PwC meets the criteria of the adequacy of experience, resources of the firm and the person assigned to the audit as prescribed by Paragraph 15.21 of the MMLR.
- F. Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016. The Ordinary Resolution proposed under Resolution 9 of the Agenda is for the purpose of renewing the general mandate for issuance of shares by the Company pursuant to Sections 75 and 76 of the Companies Act 2016.

The Company did not issue any shares pursuant to Sections 75 and 76 of the Companies Act 2016 under the general mandate sought at the Ninth Annual General Meeting held on 19 April 2018, which will lapse upon the conclusion of the forthcoming Tenth Annual General Meeting to be held on 25 April 2019.

The proposed Resolution 9, if passed, will give authority to the Directors of the Company, from the date of this Annual General Meeting, to issue and allot shares or to make or grant offers, agreements or options in respect of shares to such persons, in their absolute discretion including to make or grant offers, agreements or options which would or might require shares in the Company to be issued after the expiration of the approval, without having to convene a general meeting, provided that the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The general mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to making a placement of shares for the purposes of raising funding for investment(s), working capital and general corporate purposes as deemed necessary.

### Notes: on Proxy

1. A member of the Company may appoint more than one proxy subject to the following provisions:
  - (i) save as provided for in Note 2, the Companies Act 2016 and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and
  - (ii) where a member appoints more than one proxy, the appointment shall be invalid provided that he/she specifies the proportion of the member's shareholdings to be represented by each proxy.
2. For the avoidance of doubt, and subject always to Note 1(ii), the Companies Act 2016 and any applicable laws:
  - (i) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
  - (ii) Where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one instrument of proxy and shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
  - (iii) A member who is a substantial shareholder (within the meaning of the Companies Act 2016) may appoint up to (but not more than) five proxies.
3. A proxy may but need not be a member of the Company.
4. The instrument appointing a proxy shall:
  - (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
  - (ii) in the case of a corporation, be either under its common seal or under the hand of its duly authorised attorney or officer on behalf of the corporation.

## Notice of Annual General Meeting

5. The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting.
6. Pursuant to Paragraph 8.29A(1) of the MMLR, all the resolutions at the Tenth Annual General Meeting of the Company shall be put to vote by way of poll.
7. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to attend, participate, speak and vote at the meeting.
8. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

### Members Entitled to Attend

For purposes of determining the entitlement of a member to attend the Tenth Annual General Meeting ("AGM"), the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Rule 92 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 April 2019. Only a Depositor whose name appears on the General Meeting Record of Depositors as at 19 April 2019 shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and/or vote on such Depositor's behalf.

### Personal Data Protection Measures

Please refer to the Company's Compliance with the Personal Data Protection Act 2010 statement as found on Page 222 of the Annual Report 2018.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company: (i) consents to the processing of the member's personal data by the Company (or its agents) for the AGM and matters related thereto, including but not limited to: (a) for processing and administration of proxies and representatives appointed for the AGM; (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations, codes and/or guidelines (collectively, the "Purposes"), (ii) undertakes and warrants that he or she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative(s)' personal data for the Purposes, and (iii) agrees that the member will fully indemnify the Company for any penalties, liabilities, legal suits, claims, demands, losses and damages as a result of the member's failure to provide accurate and correct information of the personal data or breach of the member's undertaking and/or warranty as set out herein.

NOTE: the term "processing" and "personal data" shall have the same meaning as defined in the Personal Data Protection Act 2010.

### Annual Report 2018, Circular to shareholders, Corporate Governance Report 2018 and queries related to Tenth AGM

1. The Annual Report 2018, Circular to shareholders and Corporate Governance Report 2018 may be downloaded at this link [www.maxis.com.my/corp](http://www.maxis.com.my/corp)
2. Any queries relating to the Tenth AGM including the lodgement of proxy form may be directed to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com). For the avoidance of doubt, save for making the foregoing queries, you may not use the said email address to communicate with the Company for any other purposes.
3. Please refer to the Administrative Details at this link [www.maxis.com.my/corp](http://www.maxis.com.my/corp) for details of the Tenth AGM.





# Proxy Form

\*I/\*We \_\_\_\_\_ \*NRIC (new and old)/\*Passport/\*Company No \_\_\_\_\_  
(FULL NAME OF A MEMBER IN BLOCK LETTERS AS PER \*IDENTITY CARD/\*PASSPORT/\*CERTIFICATE OF INCORPORATION) (COMPULSORY: NEW AND OLD)

of \_\_\_\_\_  
(ADDRESS)

telephone no. \_\_\_\_\_ being a member of Maxis Berhad ("the Company"), hereby appoint \_\_\_\_\_

\_\_\_\_\_ \*NRIC/\*Passport No \_\_\_\_\_  
(FULL NAME OF A PROXY IN BLOCK LETTERS AS PER \*IDENTITY CARD/\*PASSPORT) (COMPULSORY)

of \_\_\_\_\_  
(ADDRESS)

and/or \_\_\_\_\_ \*NRIC/\*Passport No \_\_\_\_\_  
(FULL NAME OF A PROXY IN BLOCK LETTERS AS PER \*IDENTITY CARD/\*PASSPORT) (COMPULSORY)

of \_\_\_\_\_  
(ADDRESS)

or failing \*him/her, THE CHAIRMAN OF THE MEETING as \*my/our \*proxy/proxies to vote for \*me/us and on \*my/our behalf at the Tenth Annual General Meeting of the Company to be held on Thursday, 25 April 2019 at Connexion Conference & Event Centre, Grand Nexus (Level 3A), Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia and at any adjournment thereof. \*I/We indicate with an "v" or "X" in the spaces below how \*I/we wish \*my/our vote to be cast:

## AGENDA

- To consider the Audited Financial Statements and the Reports of Directors and Auditors thereon

ORDINARY RESOLUTIONS		FOR	AGAINST
2 Re-election of the following Directors who retire pursuant to Rule 131.1 of the Company's Constitution			
(a) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	Resolution 1		
(b) Tan Sri Mokhzani bin Mahathir	Resolution 2		
(c) Mazen Ahmed M. AlJubeir	Resolution 3		
3 Re-election of the following Director who retires pursuant to Rule 116 of the Company's Constitution			
(a) Abdulaziz Abdullah M. Alghamdi	Resolution 4		
4 Approval for the extension of the tenure to continue to act as Independent Non-Executive Director from 18 October 2019 to 17 October 2020			
(a) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	Resolution 5		
(b) Tan Sri Mokhzani bin Mahathir	Resolution 6		
5 Approval for Directors' Remuneration	Resolution 7		
6 Re-Appointment of Messrs PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) ("PwC") as Auditors of the Company	Resolution 8		
7 Renewal of Authority to allot and issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016	Resolution 9		
8 To obtain shareholders' mandate for the Company and/or subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with			
(a) Astro Malaysia Holdings Berhad and/or its affiliates;	Resolution 10		
(b) Tanjong Public Limited Company and/or its affiliates	Resolution 11		
(c) MEASAT Global Berhad and/or its affiliates	Resolution 12		
(d) Usaha Tegas Sdn Bhd and/or its affiliates	Resolution 13		
(e) Maxis Communications Berhad and/or its affiliates	Resolution 14		
(f) Saudi Telecom Company and/or its affiliates	Resolution 15		
(g) SRG Asia Pacific Sdn Bhd	Resolution 16		
(h) Malaysian Landed Property Sdn Bhd	Resolution 17		

Subject to the abovestated voting instructions, \*my/\*our proxy may vote or abstain from voting on any resolution as \*he/\*she/\*they may think fit.

If appointment of proxy is under hand

No. of shares held: \_\_\_\_\_

Securities Account No.: \_\_\_\_\_  
(CDS Account No.) (Compulsory)

Signed by \*individual member/\*officer or  
attorney of member/\*authorised nominee of \_\_\_\_\_  
  
(beneficial owner)

The proportions of \*my/\*our holding to be  
represented by \*my/\*our proxies are as  
follows:

**First Proxy**  
No. of Shares: \_\_\_\_\_  
  
Percentage: \_\_\_\_\_%

If appointment of proxy is under seal

No. of shares held: \_\_\_\_\_

Securities Account No.: \_\_\_\_\_  
(CDS Account No.) (Compulsory)

was hereto affixed in accordance  
with its Constitution in the  
presence of: \_\_\_\_\_  
  
Director \*Director/\*Secretary  
  
in its capacity as \*member/\*attorney  
of member/\*authorised nominee of \_\_\_\_\_  
  
(beneficial owner)

**Second Proxy**  
No. of Shares: \_\_\_\_\_  
  
Percentage: \_\_\_\_\_%

Notes: on Proxy

1. A member of the Company may appoint more than one proxy subject to the following provisions:  
(i) save as provided for in Note 2, the Companies Act 2016 and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and  
(ii) where a member appoints more than one proxy, the appointment shall be invalid provided that he/she specifies the proportion of the member’s shareholdings to be represented by each proxy.
2. For the avoidance of doubt, and subject always to Note 1(ii), the Companies Act 2016 and any applicable laws:  
(i) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.  
(ii) Where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one instrument of proxy and shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.  
(iii) A member who is a substantial shareholder (within the meaning of the Companies Act 2016) may appoint up to (but not more than) five proxies.
3. A proxy may but need not be a member of the Company.
4. The instrument appointing a proxy shall:  
(i) in the case of an individual, be signed by the appointor or by his/her attorney; and  
(ii) in the case of a corporation, be either under its common seal or under the hand of its duly authorised attorney or officer on behalf of the corporation.
5. The instrument appointing a proxy must be deposited at the office of our Company’s Share Registrar, Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting.
6. Pursuant to Paragraph 8.29A(1) of the MMLR, all the resolutions at the Tenth Annual General Meeting of the Company shall be put to vote by way of poll.
7. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to attend, participate, speak and vote at the meeting.
8. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

Members Entitled to Attend

For purposes of determining the entitlement of a member to attend the Tenth Annual General Meeting (“AGM”), the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Rule 92 of the Company’s Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 April 2019. Only a Depositor whose name appears on the General Meeting Record of Depositors as at 19 April 2019 shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and/or vote on such Depositor’s behalf.

Personal Data Protection Measures

Please refer to the Company’s ‘Compliance with the Personal Data Protection Act 2010 statement as found on Page 222 of the Annual Report 2018.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:  
(i) consents to the processing of the member’s personal data by the Company (or its agents) for the AGM and matters related thereto, including but not limited to: (a) for processing and administration of proxies and representatives appointed for the AGM; (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and (c) for the Company’s (or its agents’) compliance with any applicable laws, listing rules, regulations, codes and/or guidelines (collectively, the “Purposes”), (ii) undertakes and warrants that he or she has obtained such proxy(ies)’ and/or representative(s)’ prior consent for the Company’s (or its agents’) processing of such proxy(ies)’ and/or representative(s)’ personal data for the Purposes, and (iii) agrees that the member will fully indemnify the Company for any penalties, liabilities, legal suits, claims, demands, losses and damages as a result of the member’s failure to provide accurate and correct information of the personal data or breach of the member’s undertaking and/or warranty as set out herein.

NOTE: the term “processing” and “personal data” shall have the same meaning as defined in the Personal Data Protection Act 2010.

Annual Report 2018, Circular to shareholders, Corporate Governance Report 2018 and queries related to Tenth AGM

1. The Annual Report 2018, Circular to shareholders and Corporate Governance Report 2018 may be downloaded at this link [www.maxis.com.my/corp](http://www.maxis.com.my/corp)
2. Any queries relating to the Tenth AGM including the lodgement of proxy form may be directed to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com). For the avoidance of doubt, save for making the foregoing queries, you may not use the said email address to communicate with the Company for any other purposes.
3. Please refer to the Administrative Details at this link [www.maxis.com.my/corp](http://www.maxis.com.my/corp) for details of the Tenth AGM.



Maxis Berhad (867573-A)

STAMP

**Maxis Berhad**

**c/o Boardroom Share Registrars Sdn. Bhd.** (Company No. 378993-D)

(formerly known as Symphony Share Registrars Sdn Bhd)

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya, Selangor

Malaysia

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[www.maxis.com.my](http://www.maxis.com.my)

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