

## Notes to the Financial Statements - 31 December 2016

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### 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 18 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 intermediate holding company, Maxis Communications Berhad ("MCB") 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, 1965 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 - 31 December 2016

### 2 BASIS OF PREPARATION (CONTINUED)

#### (a) Amendments and improvements to published standards that are effective and applicable to the Group and the Company

The Group and the Company have applied the following amendments and improvements to published standards that are applicable to the Group and the Company for the first time for the financial year beginning on 1 January 2016:

- Amendments to MFRS 101 "Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of the above amendments and improvements to published standards did not have any significant effect on the consolidated and separate financial statements of the Group and the Company respectively upon their initial application.

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

A number of new standards, amendments to published standards and IC Interpretation are effective for the financial year beginning after 1 January 2016. None of these are expected to have a significant effect on the consolidated and separate financial statements of the Group and the Company respectively, except for the standards set out below which the Group and the Company are in the process of assessing their impact.

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For financial liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) will replace MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in 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.

## Notes to the Financial Statements - 31 December 2016

### 2 BASIS OF PREPARATION (CONTINUED)

#### (b) Standards, amendments 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) 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 requires the lessee to recognise a ‘right-of-use’ of the underlying asset and a lease liability reflecting future lease payments for most leases, eliminating the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet).

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.

- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration” (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 “The Effects of Changes in Foreign Exchange Rates” requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine ‘the date of transaction’ when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

### 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 - 31 December 2016

### 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 139 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

## Notes to the Financial Statements - 31 December 2016

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

#### (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.

##### (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.

##### (iii) *Closing rates*

The principal closing rates used in translation of foreign currency amounts were as follows:

<b>Foreign currencies</b>	<b>2016 RM</b>	<b>2015 RM</b>
1 Singapore Dollar ("SGD")	<b>3.10</b>	3.04
1 Special Drawing Rights ("SDR") <sup>(1)</sup>	<b>6.04</b>	5.98
1 United States Dollar ("USD")	<b>4.49</b>	4.30

**Note:**

<sup>(1)</sup> Represents the closing international accounting settlement rate with international carriers.

#### (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.

## Notes to the Financial Statements - 31 December 2016

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

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

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

Capital work-in-progress and capital inventories comprising 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)(i) 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. 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.

## Notes to the Financial Statements - 31 December 2016

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

#### (d) Intangible assets (continued)

##### (i) *Spectrum rights (continued)*

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)(i) 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.

##### (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)(i) 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.

##### (iii) *Customer acquisition costs*

Expenditures incurred in providing the customer a free or subsidised device including installation costs, provided the customer signs a non-cancellable contract for a predetermined contractual period of one to two years, are capitalised as intangible assets and amortised over the contractual period on a straight-line method. Customer acquisition costs are assessed at each reporting date whether there is any indication that the customer acquisition costs may be impaired. See accounting policy Note 3(g)(i) on impairment of non-financial assets.

#### (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(t)(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)(i) on impairment of non-financial assets.

## Notes to the Financial Statements - 31 December 2016

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

#### (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.

#### (i) *Classification and measurement*

##### **Financial assets**

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and, in the case of assets classified as held-to-maturity, reassesses this designation at each reporting date.

The Group and the Company do 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 are classified as current assets; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current assets.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets in this category are initially recognised at fair value plus transaction costs that are 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 are recognised in the statement of profit or loss.

The Group's and the Company's loans and receivables comprise 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 are either designated in this category or not classified in any of the other categories. Financial assets in this category are initially recognised at fair value plus transaction costs that are 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 are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments, interest and dividends are recognised in the statement of profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments for which the fair value cannot be reliably measured are recognised at cost less accumulated impairment losses.

The Group's available-for-sale financial asset comprises investment in unquoted shares.



## Notes to the Financial Statements - 31 December 2016

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

#### (f) Financial instruments (continued)

##### (i) *Classification and measurement (continued)*

###### **Financial liabilities**

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.

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 of financial assets and financial liabilities*

Financial assets and financial liabilities are recognised when the Group and the Company become party to the contractual provisions of the instrument.

##### (iii) *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when the risks and rewards relating to the financial assets have expired or have been fully transferred or have been partially transferred with no control over the same.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

##### (iv) *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.

## Notes to the Financial Statements - 31 December 2016

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

#### (g) Impairment of assets

##### (i) *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.

##### (ii) *Financial assets*

###### **Financial assets carried at amortised cost**

Financial assets are impaired when there is objective evidence as a result of one or more events that the present value of estimated discounted future cash flows is lower than the carrying value. Any impairment losses are recognised immediately in the statement of profit or loss.

Financial assets are 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 are 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 is 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 are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. If an available-for-sale financial asset is 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, is 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 are not reversed through the statement of profit or loss in the subsequent period. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

## Notes to the Financial Statements - 31 December 2016

### 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" financial instrument. 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.

The Group and the Company designate and document at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and the Company assess both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, and apply hedge accounting only where effectiveness tests are met on both a prospective and retrospective basis. The 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 current liability.

The Group and the Company do not have any fair value hedges and net investment hedges.

#### ***Cash flow hedge***

The Group and the Company use cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency and/or interest rate fluctuations over the hedging period on the Group's and the Company's forecast transactions and borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains and losses on remeasuring the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in equity in the cash flow hedging reserve until such time as the hedged items affect profit or loss, then the gains or losses are reclassified to the statement of profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the statement of profit or loss. The application of hedge accounting will create some volatility in equity reserve balances.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity and are recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately reclassified to the statement of profit or loss.

#### (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 and the Company make certain assumptions and apply 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.

## Notes to the Financial Statements - 31 December 2016

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

#### (i) Fair value estimates (continued)

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) Receivables

Receivables are carried at invoice amount and/or income earned less an allowance for impairment. The allowance is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. When the debt becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statement of profit or loss.

#### (l) 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 pledged deposits.

#### (m) 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.

## Notes to the Financial Statements - 31 December 2016

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

#### (n) 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 and subsequently measured at amortised cost using the effective interest method.

#### (o) 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.

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 and the Company have 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.

## Notes to the Financial Statements - 31 December 2016

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

#### (p) 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.

##### (ii) *Contract obligations and legal claims*

Provisions for contract obligations and legal claims are made in respect of network and content costs. The Group and the Company recognise a provision for contract obligations when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Contract obligations are measured at the lower of cost to fulfil the contract or the cost to exit it.

##### (iii) *Staff incentive scheme*

Provision for staff incentive scheme is based on management's best estimate of the total amount payable as at reporting date based on the service and/or performance conditions of individual employees and/or financial performance of the Group.

#### (q) 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.

## Notes to the Financial Statements - 31 December 2016

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

#### (q) Income taxes (continued)

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.

#### (r) 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.

#### (s) 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.

## Notes to the Financial Statements - 31 December 2016

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

#### (t) 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 and the Company recognise 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 and the Company pay fixed contributions into a separate entity on a mandatory, contractual or voluntary basis, and the Group and the Company have no legal or constructive obligations 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 and the Company'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 and the Company have no further payment obligations. The Group and the Company recognise 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.

##### (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 and the Company do 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.



## Notes to the Financial Statements - 31 December 2016

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

#### (t) Employee benefits (continued)

##### (iv) *Share-based compensation benefits (continued)*

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 share capital (nominal value) and share premium. 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.

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.

## Notes to the Financial Statements - 31 December 2016

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

#### (u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and of the Company's activities. The Group's revenue is shown net of returns, rebates, discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group and the Company base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (i) *Telecommunications revenue*

Revenues from mobile postpaid services and fixed line services are recognised when services are rendered for usage-based billing and on time proportion basis for fixed fee or time-based billing. Service discounts and incentives are accounted for as a reduction of revenue when granted.

Revenue from mobile prepaid services comprises sales of starter packs and prepaid top-up tickets. Revenue from sales of starter packs is recognised at the point of sale to third parties while the revenue from the preloaded talk time within the pack is recognised when services are rendered. Revenue from sales of prepaid top-up tickets is recognised when services are rendered. The credits on preloaded talk time within the starter packs and prepaid top-up tickets can be deferred up to the point of customer churn or upon expiry, after which such amounts are recognised as revenue.

Unutilised credits of prepaid top-up tickets sold to customers and distributors and unutilised airtime on certain postpaid rate plans which have been deferred as described above are recognised as deferred income.

Revenues from the provision of network facilities, other converged telecommunications, digital and related services are recognised at the time of customer usage and when services are rendered. Service discounts and incentives are accounted as a reduction of revenue when granted.

Revenue from the sale of devices is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

Where the Group's role in a transaction is that of a principal, revenue is recognised on a gross basis, representing the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis and represents the margin earned.

When two or more revenue generating activities or deliverables are sold under a single arrangement, the amount of revenue is allocated based on the relative standalone selling price. In the absence of a standalone selling price, the item is measured based on the best estimate of the selling price of that unit.

## Notes to the Financial Statements - 31 December 2016

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

#### (u) Revenue recognition (continued)

##### (ii) *Dividend income*

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

##### (iii) *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.

#### (v) 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 deferred and recognised in the statement of profit or loss over the financial period necessary to match them with the costs they are intended to compensate.

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 on a straight-line basis over the expected useful lives of the related assets.

#### (w) 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.

#### (x) 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 and Strategy Officer. The chief operating decision-makers are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

## Notes to the Financial Statements - 31 December 2016

### 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.

#### (b) 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. An impairment assessment was carried out for dedicated telecommunications equipment during the financial year. See Note 15 to the financial statements for the impact of the changes in the estimated useful lives and impairment of property, plant and equipment.

#### (c) 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 28 to the financial statements for the impact on changes in estimates.

## Notes to the Financial Statements - 31 December 2016

### 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	
	2016 RM'000	2015 RM'000
Malaysia	<b>8,447,915</b>	8,417,789
Other countries <sup>(2)</sup>	<b>163,881</b>	182,784
Total revenue	<b>8,611,796</b>	8,600,573
EBITDA	<b>4,550,719</b>	4,331,429

**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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Telecommunications and digital services	<b>8,539,235</b>	8,569,917	-	-
Sale of devices	<b>72,561</b>	30,656	-	-
Dividend income from subsidiaries	-	-	<b>8,858,400</b>	2,037,000
	<b>8,611,796</b>	8,600,573	<b>8,858,400</b>	2,037,000

The Company received dividends of RM6,790,000,000 in connection with the Group's internal reorganisation as disclosed in Note 39(a) to the financial statements.

## Notes to the Financial Statements - 31 December 2016

### 7 PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at the profit from operations:

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Allowance for/(reversal of) (net) impairment of:					
- available-for-sale investment	20	50	-	-	-
- investment in a subsidiary	18	-	-	6,725,000	-
- receivables, deposits and prepayments	21	104,615	47,364	-	-
Allowance for/(reversal of) (net) inventories					
obsolescence		910	(356)	-	-
Auditors' remuneration:					
- fees for statutory audits:					
- auditors of the Group		819	739	30	30
- fees for audit related services:					
- auditors of the Group <sup>(1)</sup>		473	533	341	271
- others		36	40	-	-
- fees for other services:					
- auditors of the Group <sup>(1)</sup>		12	-	-	-
- member firms of PwC Malaysia <sup>(2)</sup>		738	2,446	17	18
- others		290	70	-	-
Bad debts recovered		(22,223)	(19,003)	-	-
Commissions, sales and marketing expenses		576,533	596,303	-	-
Device expenses		39,193	80,906	-	-
Fair value gains on forward foreign exchange contracts					
- open		(1,313)	(1,950)	-	-
- settled		(7,654)	-	-	-
Government grant		(171,232)	(61,785)	-	-
Intangible assets:					
- amortisation	16	340,987	277,720	-	-
- impairment	16	296	-	-	-
Inter-operator traffic expenses		1,084,242	1,069,256	-	-
Licences, spectrum related fees and other regulatory fees (including Universal Service Provision ("USP") contributions) under the Communications and Multimedia Act, 1998 and subsidiary legislation		593,035	609,576	-	-

#### Notes:

<sup>(1)</sup> Fees incurred in connection with performance of half-year reviews, agreed-upon procedures, regulatory compliance reporting and accounting consultation paid or payable to PricewaterhouseCoopers ("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, auditors of the Group and of the Company.

## Notes to the Financial Statements - 31 December 2016

### 7 PROFIT FROM OPERATIONS (CONTINUED)

The following items have been charged/(credited) in arriving at the profit from operations: (continued)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loss/(gain) on foreign exchange:					
- realised		<b>37,936</b>	46,001	<b>78</b>	32
- unrealised		<b>(18,623)</b>	94,349	-	-
Management fees charged by subsidiaries		-	-	<b>5,028</b>	11,619
Property, plant and equipment:					
- depreciation	15	<b>1,089,754</b>	1,153,751	-	-
- gain on disposal		<b>(19,438)</b>	(1,586)	-	-
- net reversal of impairment	15	<b>(46,612)</b>	(532)	-	-
- write offs		<b>33,729</b>	29,755	-	-
Provision/(write-back) of provision (net) for:					
- contract obligations and legal claims	28	<b>(47,979)</b>	7,897	-	-
- site rectification and decommissioning works	28	<b>41</b>	(2,640)	-	-
- staff incentive scheme (included in staff cost)	28	<b>85,213</b>	98,333	-	-
Rental income from network cell sites (included in telecommunications and digital services revenue)		<b>(73,204)</b>	(85,345)	-	-
Rental of:					
- equipment		<b>15,951</b>	15,389	-	-
- land and buildings		<b>51,010</b>	46,626	-	-
- network cell sites		<b>315,178</b>	262,213	-	-
Staff cost:					
- Directors' fees	8	<b>2,777</b>	2,703	<b>2,777</b>	2,703
- staff cost (including Executive Director's salaries, other short-term and long-term employee benefits, and incentive arrangement)	10	<b>472,089</b>	465,022	-	-

## Notes to the Financial Statements - 31 December 2016

### 8 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

#### 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  
 Robert Alan Nason (appointed on 7 March 2016)  
 Robert William Boyle (retired on 20 April 2016)  
 Fraser Mark Curley (resigned on 1 August 2016)  
 Mazen Ahmed M. AlJubeir (appointed on 8 September 2016)  
 Naser Abdulaziz A. AlRashed (appointed on 8 September 2016)  
 Dr. Kaizad B. Heerjee (appointed on 15 November 2016)

#### Executive Director

Morten Lundal

The aggregate amount of emoluments received/receivable by Directors of the Company during the financial year is as follows:

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-Executive Directors</b>					
Fees	7	2,777	2,703	2,777	2,703
Estimated monetary value of benefits-in-kind		45	43	45	43
		<b>2,822</b>	2,746	<b>2,822</b>	2,746
<b>Executive Director</b>					
Salaries and other short-term employee benefits		20,183	18,290	-	-
Other long-term employee benefits:					
- current year		3,209	2,064	-	-
- prior years		717	1,214	-	-
Incentive arrangement:	31(d)				
- current year		7,540	5,558	-	-
- prior years		108	2,564	-	-
Estimated monetary value of benefits-in-kind		186	310	-	-
		<b>31,943</b>	30,000	-	-
<b>Total Directors' remuneration</b>		<b>34,765</b>	32,746	<b>2,822</b>	2,746



## Notes to the Financial Statements - 31 December 2016

### 8 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration for the Executive Director of the Company was paid by Maxis Mobile Sdn. Bhd. ("MMSB"), a wholly-owned subsidiary of the Company and the former provider of corporate support and services functions for the Group. The remuneration was charged to the Company as management fees at RM1,291,000 (2015: RM1,846,000).

The remuneration of the Company's Directors analysed in bands of RM50,000 are as follows:

Range of remuneration <sup>(1)</sup>	Executive	Non-Executive
RM1 – RM50,000	–	1
RM50,001 – RM100,000	–	2
RM100,001 – RM150,000	–	1
RM150,001 – RM200,000	–	1
RM250,001 – RM300,000	–	2
RM300,001 – RM350,000	–	4
RM450,001 – RM500,000	–	1
RM31,900,001 – RM31,950,000	1	–

**Note:**

<sup>(1)</sup> Remuneration paid to the Directors of the Company includes fees, salaries, other emoluments including bonuses and other benefits, incentive arrangement and estimated monetary value of benefits-in-kind.

### 9 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	
	2016 RM'000	2015 RM'000
Salaries and other short-term employee benefits	11,902	10,470
Defined contribution plan	1,385	1,124
Share-based payments	4,901	1,716
Estimated monetary value of benefits-in-kind	69	125
	18,257	13,435

## Notes to the Financial Statements - 31 December 2016

### 9 KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

The remuneration for certain key management personnel of the Group was paid by MMSB and was charged to the Company as management fees at RM242,000 (2015: RM514,000).

Total key management personnel remuneration of the Group and of the Company for the financial year is RM53,022,000 (2015: RM46,181,000) and RM2,822,000 (2015: RM2,746,000) respectively.

### 10 STAFF COST (INCLUDING EXECUTIVE DIRECTOR'S SALARIES, OTHER SHORT-TERM AND LONG-TERM EMPLOYEE BENEFITS, AND INCENTIVE ARRANGEMENT)

	Group	
	2016 RM'000	2015 RM'000
Wages, salaries and bonuses	<b>347,875</b>	355,149
Defined contribution plan	<b>45,463</b>	43,538
Other short-term employee benefits	<b>36,450</b>	38,772
Other long-term employee benefits	<b>3,926</b>	3,278
Incentive arrangement	<b>7,648</b>	8,122
ESOS and LTIP	<b>30,727</b>	16,163
	<b>472,089</b>	465,022

## Notes to the Financial Statements - 31 December 2016

### 11 FINANCE INCOME AND COSTS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>(a) Finance income</b>					
Interest income on:					
- deposits with licensed banks		<b>36,489</b>	55,307	<b>1,737</b>	2,799
- loans due from subsidiaries		-	-	<b>6,891</b>	58,494
- receivables		<b>18,289</b>	1,366	-	-
		<b>54,778</b>	56,673	<b>8,628</b>	61,293
<b>(b) Finance costs</b>					
Accretion of site rectification and decommissioning works costs and changes in costs estimate on provision (net)					
	28	<b>8,749</b>	8,135	-	-
Gain from interest rate swaps ("IRS") settlement					
		<b>(9,192)</b>	-	<b>(9,192)</b>	-
Interest expense on:					
- bank borrowings		<b>144,815</b>	181,409	<b>111,979</b>	181,409
- deferred payment creditors		<b>19,542</b>	12,312	-	-
- finance leases		<b>1,004</b>	1,461	-	-
- loan from a related party		<b>2,504</b>	2,267	-	-
- loans from a subsidiary		-	-	-	18,372
- others		<b>2,978</b>	413	<b>279</b>	300
(Gain)/loss on foreign exchange on bank borrowings					
		<b>(139,495)</b>	523,717	<b>(139,495)</b>	523,717
Net fair value loss/(gain) on cross currency interest rate swaps ("CCIRS") and IRS: cash flow hedge, reclassified from equity					
	32(c)	<b>136,188</b>	(527,879)	<b>136,163</b>	(527,879)
Profit on:					
- Commodity Murabahah Term Financing		<b>119,735</b>	118,972	<b>52,227</b>	118,972
- Islamic Medium Term Notes		<b>183,115</b>	147,597	<b>147,668</b>	147,597
		<b>469,943</b>	468,404	<b>299,629</b>	462,488

## Notes to the Financial Statements - 31 December 2016

### 12 TAX EXPENSES

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax:					
- current year		<b>642,265</b>	663,541	<b>570</b>	120
- (over)/under accrual in prior years		<b>(15,066)</b>	(7,881)	<b>34</b>	(112)
		<b>627,199</b>	655,660	<b>604</b>	8
Deferred tax:					
- origination and reversal of temporary differences		<b>91,686</b>	69,643	-	-
- recognition and reversal of prior years' temporary differences		<b>5,327</b>	(13,660)	-	-
- changes in tax rate to 24%		-	1,856	-	-
	23	<b>97,013</b>	57,839	-	-
Tax expenses		<b>724,212</b>	713,499	<b>604</b>	8

Subsequent to the announcement of a reduction in the corporate tax rate with effect from year of assessment 2016 in the Malaysian Budget 2014, the income tax is calculated at the statutory tax rate of 24% (2015: 25%) on the estimated chargeable profit for the financial year.

The explanation of the relationship between the tax expenses and profit before tax is as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
<u>Numerical reconciliation between the Malaysian tax rate and average effective tax rate</u>				
Malaysian tax rate	<b>24</b>	25	<b>24</b>	25
Tax effects of:				
- expenses not deductible for tax purposes	<b>3</b>	5	<b>92</b>	6
- income not subject to tax	-	-	<b>(116)</b>	(31)
- recognition and reversal of prior years' temporary differences	-	(1)	-	-
Average effective tax rate	<b>27</b>	29	-	-

## Notes to the Financial Statements - 31 December 2016

### 13 EARNINGS PER SHARE

#### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016	2015
Profit attributable to the equity holders of the Company (RM'000)	<b>2,013,161</b>	1,738,952
Weighted average number of issued ordinary shares ('000)	<b>7,509,122</b>	7,507,892
Basic earnings per share (sen)	<b>26.81</b>	23.16

#### (b) Diluted earnings per share

Diluted earnings per share of the Group is calculated by dividing the profit attributable to ordinary 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 31(c) 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.

	Group	
	2016	2015
Profit attributable to the equity holders of the Company (RM'000)	<b>2,013,161</b>	1,738,952
Weighted average number of issued ordinary shares ('000)	<b>7,509,122</b>	7,507,892
Adjustment for share options ('000)	<b>412</b>	2,649
Adjusted weighted average number of ordinary shares for diluted earnings per share ('000)	<b>7,509,534</b>	7,510,541
Diluted earnings per share (sen)	<b>26.81</b>	23.15

## Notes to the Financial Statements - 31 December 2016

### 14 DIVIDENDS

	Group and Company			
	2016		2015	
	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 2014:				
- fourth interim ordinary	-	-	8.0	600,571
- final ordinary	-	-	8.0	600,713
	-	-	16.0	1,201,284
Dividends paid in respect of the financial year ended 31 December 2015:				
- first interim ordinary	-	-	5.0	375,445
- second interim ordinary	-	-	5.0	375,462
- third interim ordinary	-	-	5.0	375,495
- fourth interim ordinary	<b>5.0</b>	<b>375,507</b>	-	-
	<b>5.0</b>	<b>375,507</b>	15.0	1,126,402
Dividends paid in respect of the financial year ended 31 December 2016:				
- first interim ordinary	<b>5.0</b>	<b>375,513</b>	-	-
- second interim ordinary	<b>5.0</b>	<b>375,514</b>	-	-
- third interim ordinary	<b>5.0</b>	<b>375,515</b>	-	-
	<b>15.0</b>	<b>1,126,542</b>	-	-
Dividend per share recognised as distribution to ordinary equity holders of the Company	<b>20.0</b>	<b>1,502,049</b>	31.0	2,327,686

Subsequent to the financial year, on 8 February 2017, 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 2016 which will be paid on 28 March 2017.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2016.







## Notes to the Financial Statements - 31 December 2016

### 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2016 RM'000	2015 RM'000
<u>Carrying amount</u>		
Long-term leasehold land	2,845	2,880
Short-term leasehold land	2,902	2,983
Freehold land	11,141	18,260
Buildings	60,624	63,793
Telecommunications equipment	3,504,240	3,197,279
Motor vehicles	13,184	7,197
Office furniture, fittings and equipment	387,230	416,162
Capital work-in-progress	504,711	507,886
Capital inventories	15,143	10,812
	<b>4,502,020</b>	<b>4,227,252</b>

During the financial year, a net reversal of impairment of property, plant and equipment amounting to RM46,612,000 (2015: RM532,000) (included within network operation costs in the statement of profit or loss) was made in relation to the Home Services business as the indication of impairment no longer existed based on business performance and projections of the business. The recoverable amount was determined using value in use method.

During the financial year, the Group wrote off property, plant and equipment of RM33,729,000 (2015: RM29,755,000) arising from decommissioning of assets and discontinuing of projects.

For the current financial year, the Group revised the useful lives of certain telecommunications equipment and office equipment ranging from 1 to 10 years (2015: 2 to 10 years), to remaining useful lives ranging from 1 month to 2 years (2015: 1 month to 5 years) as part of the network and information technology modernisation programmes to support the business. 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 RM8,288,000 (2015: RM81,333,000).

Included in the additions of property, plant and equipment for the financial year ended 31 December 2015 were purchases by means of finance leases of RM3,133,000.

The carrying amount of property, plant and equipment held under finance leases at the reporting date are as follows:

	Group	
	2016 RM'000	2015 RM'000
Motor vehicles	–	295
Office furniture, fittings and equipment	4,721	8,208
	<b>4,721</b>	<b>8,503</b>

## Notes to the Financial Statements - 31 December 2016

### 16 INTANGIBLE ASSETS

Group	Spectrum rights				Total RM'000
	Goodwill RM'000	Telecommu- nications licences with allocated spectrum rights RM'000	Other spectrum rights RM'000	Customer acquisition costs RM'000	
<u>2016</u>					
At 1 January	219,087	10,707,381	19,975	320,684	11,267,127
Additions	-	-	-	370,783	370,783
Amortisation charge	-	-	(7,491)	(333,496)	(340,987)
Impairment loss (included within administrative expenses)	-	-	-	(296)	(296)
At 31 December	219,087	10,707,381	12,484	357,675	11,296,627
Cost	219,087	10,707,381	37,453	733,578 <sup>(1)</sup>	11,697,499
Accumulated amortisation	-	-	(24,969)	(375,607) <sup>(1)</sup>	(400,576)
Accumulated impairment loss	-	-	-	(296)	(296)
At 31 December	219,087	10,707,381	12,484	357,675	11,296,627
<u>2015</u>					
At 1 January	219,087	10,707,381	27,466	222,187	11,176,121
Additions	-	-	-	368,726	368,726
Amortisation charge	-	-	(7,491)	(270,229)	(277,720)
At 31 December	219,087	10,707,381	19,975	320,684	11,267,127
Cost	219,087	10,707,381	37,453	627,470 <sup>(1)</sup>	11,591,391
Accumulated amortisation	-	-	(17,478)	(306,786) <sup>(1)</sup>	(324,264)
At 31 December	219,087	10,707,381	19,975	320,684	11,267,127

**Note:**

<sup>(1)</sup> During the year, the Group wrote off customer acquisition costs of RM264,675,000 (2015: RM229,027,000) that had been fully amortised.

## Notes to the Financial Statements - 31 December 2016

### 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 and 1800MHz (“allocated bands”). Following the announcement by the Malaysian Communications and Multimedia Commission (“MCMC”) during the financial year on spectrum reallocation and the conversion plan from Apparatus Assignment to Spectrum Assignment (“SA”) and lower block size of the allocated bands, the Group has assessed the impact of the regulatory changes to the useful lives of these spectrum rights.

The Group accepted the offer from MCMC on the spectrum reallocation for the allocated bands on 31 October 2016. Consequently, an upfront SA fee of RM816,750,000 was paid by the Group for the use of the allocated bands as disclosed in Note 21(b) to the financial statements. The Directors have 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 is expected to generate net cash inflows for the Group. Therefore, the spectrum rights have been assessed to carry an indefinite useful life.

The amortisation charge was included in the statements of profit or loss in the following line items:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Administrative expenses	<b>333,496</b>	270,229
Network operation costs	<b>7,491</b>	7,491
	<b>340,987</b>	277,720

The remaining amortisation periods at the reporting date are as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Customer acquisition costs	<b>1 to 23 months</b>	1 to 23 months
Other spectrum rights	<b>12 months</b>	24 months

The carrying amount of intangible assets held under a finance lease at the reporting date is RM4,151,000 (2015: RM6,642,000).

## Notes to the Financial Statements - 31 December 2016

### 16 INTANGIBLE ASSETS (CONTINUED)

#### 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 (2015: 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 0.4% (2015: 2.0%) and 0.4% (2015: 1.8%) respectively for five years (2015: 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 7.3% (2015: 7.3%). In accordance with the requirements of MFRS 136 "Impairment of Assets", this translates into pre-tax discount rate of 13.9% (2015: 13.3%). The discount rates used reflect specific risks relating to the integrated telecommunication services CGU; and
- (c) terminal growth rate of 1.25% (2015: 2.0%) represents the growth rate applied to extrapolate pre-tax cash flow beyond the five (2015: five) year financial budget period. This growth rate is based on management's assessment of future trends in the mobile telecommunications industry 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% in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

### 17 INTEREST IN SUBSIDIARIES

	Note	Company	
		2016 RM'000	2015 RM'000
Non-current asset:			
- investments in subsidiaries	18	<b>28,372,380</b>	35,045,523
Current assets:			
- amounts due from subsidiaries	(a)	<b>4</b>	74
- loans to subsidiaries	(b)	-	636,795
Current liability:			
- amount due to a subsidiary	(a)	<b>(177)</b>	(823)
		<b>28,372,207</b>	35,681,569

#### (a) Amounts due from/(to) subsidiaries - Non-interest bearing

The amounts due from/(to) subsidiaries are unsecured and with 30 days credit period (2015: 30 days).

## Notes to the Financial Statements - 31 December 2016

### 17 INTEREST IN SUBSIDIARIES (CONTINUED)

#### (b) Loans to subsidiaries - Interest bearing

The terms of the loans were as follows:

Company				Currency denomination	Repayment terms
2016		2015			
Principal amount RM'000	Loans out-standing RM'000	Principal amount RM'000	Loans out-standing RM'000		
-	-	1,200,000	366,795	RM	The loan was fully repaid during the financial year (2015: a portion of the loan amounting to RM835,000,000 was settled, of which RM605,000,000 was set-off against loans from a subsidiary).
-	-	270,000	270,000	RM	The loan was fully repaid during the financial year.
-	-	1,470,000	636,795		

The above loans to subsidiaries were unsecured and carried interest rates ranging from 5.00% to 5.63% per annum as at 31 December 2015.

### 18 INVESTMENTS IN SUBSIDIARIES

	Note	Company	
		2016 RM'000	2015 RM'000
Unquoted shares, at cost		<b>35,028,593</b>	35,012,760
Less: Accumulated impairment losses	7	<b>(6,725,000)</b>	-
		<b>28,303,593</b>	35,012,760
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		<b>68,787</b>	32,763
	17	<b>28,372,380</b>	35,045,523

During the financial year, the Company recognised an impairment loss of RM6,725,000,000 (2015: RM Nil) in respect of its investment in a wholly-owned subsidiary subsequent to a distribution in connection with the Group's internal reorganisation as disclosed in Note 39(a) to the financial statements. The recoverable amount was determined using value in use based on a discount rate of 8%.

## Notes to the Financial Statements - 31 December 2016

### 18 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		Proportion of ownership interests held by non-controlling interests		Paid-up capital	
			2016	2015	2016	2015	2016	2015
Advanced Wireless Technologies Sdn. Bhd (“AWTSB”) (517551-U) <sup>(1)</sup>	Malaysia	Provider of wireless multimedia related services.	100%	75%	–	25%	RM3,333,336	RM3,333,336
Maxis Broadband Sdn. Bhd. (“MBSB”) (234053-D) <sup>(2)</sup>	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 (2015: Operator of a national public switched network and provider of Internet and Internet application services and includes owning, maintaining, building and operating radio facilities and associated switches).	100%	100%	–	–	RM1,000,002	RM1,000,002
Maxis Collections Sdn. Bhd. (383275-M) <sup>(2)</sup>	Malaysia	Collector of telecommunications revenue for fellow subsidiaries and ceased its operations during the current financial year.	100%	100%	–	–	RM2	RM2

## Notes to the Financial Statements - 31 December 2016

### 18 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		Proportion of ownership interests held by non-controlling interests		Paid-up capital	
			2016	2015	2016	2015	2016	2015
Maxis International Sdn. Bhd. (240071-T) <sup>(2)</sup>	Malaysia	Operator of an international gateway. During the financial year, it transferred those operations pursuant to an internal reorganisation but maintains telecommunications activities.	100%	100%	-	-	RM2,500,002	RM2,500,002
Maxis Mobile Sdn. Bhd. (229892-M) <sup>(2)</sup>	Malaysia	Operator of mobile telecommunications for special niche projects such as USP, provider of corporate support and services functions to the intermediate holding companies and fellow subsidiaries and provider of hire purchase facility to a fellow subsidiary. During the financial year, it transferred certain operations pursuant to an internal reorganisation except for the provision of mobile telecommunications services for special niche projects such as USP.	100%	100%	-	-	RM2,500,002	RM2,500,002

## Notes to the Financial Statements - 31 December 2016

### 18 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		Proportion of ownership interests held by non-controlling interests		Paid-up capital	
			2016	2015	2016	2015	2016	2015
Maxis Mobile Services Sdn. Bhd. ("MMSSB") (73315-V) <sup>(2)</sup>	Malaysia	Provider of mobile telecommunications products and services. During the financial year, it transferred certain operations pursuant to an internal reorganisation and became an operator of mobile telecommunications services for special niche projects such as USP.	100%	100%	-	-	RM1,293,884,000	RM1,293,884,000
Maxis Multimedia Sdn. Bhd. (530188-A) - under member's voluntary winding up	Malaysia	Dormant.	100%	100%	-	-	RM2	RM2



## Notes to the Financial Statements - 31 December 2016

### 18 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		Proportion of ownership interests held by non-controlling interests		Paid-up capital	
			2016	2015	2016	2015	2016	2015
<u>Subsidiary of AWTSB</u>								
UMTS (Malaysia) Sdn. Bhd. (520422-D) <sup>(1)</sup>	Malaysia	2100MHz spectrum assignment holder.	100%	75%	-	25%	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 Maxis Mobile Sdn. Bhd.</u>								
Maxis Mobile (L) Ltd (LL-01709) <sup>(3)</sup>	Malaysia	Holder of investments.	100%	100%	-	-	USD10,000	USD10,000

**Notes:**

- <sup>(1)</sup> During the financial year, the Company acquired its remaining 25% equity interest in AWTSB and it became a wholly-owned subsidiary of the Company as disclosed in Note 38 to the financial statements.
- <sup>(2)</sup> The principal activities have been updated to reflect the completion of an internal reorganisation on 1 April 2016 as disclosed in Note 39(a) to the financial statements.
- <sup>(3)</sup> Maxis Mobile (L) Ltd. is a company registered under the Labuan Companies Act, 1990, with shares issued in USD.

As at 31 December 2015, the total non-controlling interest was RM30,501,000 in respect of AWTSB and its wholly-owned subsidiary, which is not material to the Group.

## Notes to the Financial Statements - 31 December 2016

### 19 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial assets:					
Loans to subsidiaries	17	-	-	-	636,795
Receivables and deposits	21	<b>1,453,745</b>	1,102,162	<b>35</b>	91
Amount due from penultimate holding company	25	<b>765</b>	207	-	-
Amounts due from fellow subsidiaries	25	<b>29</b>	-	-	-
Amounts due from related parties	26	<b>21,922</b>	24,401	-	-
Amounts due from subsidiaries	17	-	-	<b>4</b>	74
Deposits, cash and bank balances	27	<b>682,346</b>	1,296,448	<b>12,300</b>	21,153
		<b>2,158,807</b>	2,423,218	<b>12,339</b>	658,113
Available-for-sale investment	20	-	50	-	-
Derivative financial instruments	22	<b>613,630</b>	777,324	<b>604,773</b>	777,101
Financial liabilities:					
Payables and accruals	29	<b>2,837,448</b>	2,653,505	<b>611</b>	480
Amount due to a subsidiary	17	-	-	<b>177</b>	823
Amounts due to fellow subsidiaries	25	-	2,212	-	-
Amounts due to related parties	26	<b>14,229</b>	9,283	-	-
Loan from a related party	26	-	29,012	-	-
Borrowings	30	<b>9,864,022</b>	9,877,652	<b>2,039,074</b>	9,856,804
Other financial liabilities		<b>12,715,699</b>	12,571,664	<b>2,039,862</b>	9,858,107

### 20 AVAILABLE-FOR-SALE INVESTMENT

	Note	Group	
		2016 RM'000	2015 RM'000
Unquoted shares, at cost		<b>50</b>	50
Less: Accumulated impairment losses	7	<b>(50)</b>	-
		-	50

## Notes to the Financial Statements - 31 December 2016

### 20 AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

The Group has one-twenty fourth (1/24th) 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.

During the financial year, the Group fully impaired this investment given the insolvency of KRSSB and lack of viable options to revive the entity.

### 21 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current</u>					
Trade receivables	(a)	<b>82,398</b>	49,506	-	-
Prepayments	(b)	<b>789,525</b>	-	-	-
		<b>871,923</b>	49,506	-	-
Allowance for impairment: - trade receivables	(c)	<b>(643)</b>	-	-	-
		<b>871,280</b>	49,506	-	-
<u>Current</u>					
Trade receivables	(a)	<b>1,034,382</b>	735,594	-	-
Other receivables		<b>297,894</b>	271,247	<b>2</b>	28
Deposits		<b>130,836</b>	106,331	<b>33</b>	63
Prepayments	(b)	<b>210,441</b>	165,239	-	436
		<b>1,673,553</b>	1,278,411	<b>35</b>	527
Allowance for impairment: - trade receivables	(c)	<b>(76,172)</b>	(47,118)	-	-
- other receivables		<b>(4,262)</b>	(3,711)	-	-
- deposits		<b>(10,688)</b>	(9,687)	-	-
		<b>(91,122)</b>	(60,516)	-	-
		<b>1,582,431</b>	1,217,895	<b>35</b>	527
		<b>2,453,711</b>	1,267,401	<b>35</b>	527

## Notes to the Financial Statements - 31 December 2016

### 21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

#### (a) Trade receivables

The Group's trade receivables include receivables on deferred payment terms amounting to RM292,875,000 (2015: RM103,316,000), which allows eligible customers to purchase mobile devices with up to 24 monthly instalment payments.

Other than the above, the Group's credit policy provides trade receivables with credit periods of up to 60 days (2015: up to 60 days). 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.

Given the varied nature of the Group's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentrations.

	Group	
	2016 RM'000	2015 RM'000
Subscribers:		
- individual	659,448	424,787
- corporate	190,893	161,052
Interconnect and roaming:		
- domestic	143,808	105,409
- international	67,192	55,941
Distributors	55,439	37,911
	<b>1,116,780</b>	785,100

Trade receivables are secured by subscribers' deposits and bank guarantees of RM27,005,000 (2015: RM35,160,000) and RM35,700,000 (2015: RM37,950,000) respectively.

The ageing analysis of the Group's gross trade receivables is as follows:

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	863,029	642,645
1 to 90 days past due not impaired	59,662	6,255
91 to 180 days past due not impaired	951	2,017
More than 180 days past due not impaired	953	227
	<b>924,595</b>	651,144
Impaired <sup>(1)</sup> :		
- collectively	152,593	105,938
- individually <sup>(2)</sup>	39,592	28,018
	<b>192,185</b>	133,956
	<b>1,116,780</b>	785,100

#### 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.

## Notes to the Financial Statements - 31 December 2016

### 21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

#### (a) Trade receivables (continued)

Trade receivables that are neither past due nor impaired

With respect to the trade receivables that are neither past due nor impaired, there is no indication as of the reporting date that the debtors will not meet their payment obligations since the Group selects the highest possible quality creditworthy counterparties. The quality of these trade receivables is such that management believes no impairment provision is necessary, except in situations where they are part of individually impaired trade receivables.

Trade receivables that are past due but not impaired

No allowance for impairment was made in respect of these past due trade receivables based on the past historical collection trends.

#### (b) Prepayments

The Group's prepayments include an upfront fee of RM816,750,000 paid for the 900MHz and 1800MHz SA for a period of 15 years effective from 1 July 2017.

#### (c) Allowance for impairment

Movement on the Group's allowance for impairment of receivables and deposits is as follows:

	Note	Group	
		2016 RM'000	2015 RM'000
At 1 January		<b>60,516</b>	70,495
Charged to statement of profit or loss	7	<b>128,236</b>	61,441
Reversed from statement of profit or loss	7	<b>(23,621)</b>	(14,077)
Amount written off		<b>(73,366)</b>	(57,343)
At 31 December		<b>91,765</b>	60,516

## Notes to the Financial Statements - 31 December 2016

### 22 DERIVATIVE FINANCIAL INSTRUMENTS

Note	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current</u>				
<i>Derivative designated in hedging relationship</i>				
CCIRS:				
(a)				
- cash flow hedge on USD denominated borrowings	<b>409,034</b>	485,266	<b>409,034</b>	485,266
- cash flow hedge on SGD denominated borrowings	<b>54,410</b>	51,145	<b>54,410</b>	51,145
	<b>463,444</b>	536,411	<b>463,444</b>	536,411
IRS:				
(b)				
- cash flow hedge on RM denominated borrowings	<b>6,601</b>	30,816	-	30,816
	<b>470,045</b>	567,227	<b>463,444</b>	567,227
<u>Current</u>				
<i>Derivative designated in hedging relationship</i>				
CCIRS:				
(a)				
- cash flow hedge on USD denominated borrowings	<b>141,329</b>	209,874	<b>141,329</b>	209,874
Forward foreign exchange contracts:				
(c)				
- cash flow hedge on USD forecast transactions	<b>786</b>	66	-	-
<i>Derivative not designated in hedging relationship</i>				
Forward foreign exchange contracts				
(c)				
	<b>1,470</b>	157	-	-
	<b>143,585</b>	210,097	<b>141,329</b>	209,874
	<b>613,630</b>	777,324	<b>604,773</b>	777,101

## Notes to the Financial Statements - 31 December 2016

### 22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) CCIRS

The Group and the Company have entered into CCIRS to hedge the volatility in the cash flow attributable to variability in the foreign currency denominated borrowings. The details of the open CCIRS are set out below:

	Group		Company	
	2016	2015	2016	2015
Notional principal (RM'000 equivalent)	<b>1,460,200</b>	2,301,700	<b>1,460,200</b>	2,301,700
Fixed interest rate	<b>4.75% - 5.25%</b>	4.75% - 5.25%	<b>4.75% - 5.25%</b>	4.75% - 5.25%
Floating interest rate	<b>3.82% - 4.11%</b>	4.18% - 4.47%	<b>3.82% - 4.11%</b>	4.18% - 4.47%

The Group and the Company pay RM in exchange for receiving USD and SGD at predetermined exchange rates that range from RM3.03/USD to RM3.40/USD and RM2.39/SGD on the notional amounts at their respective maturity dates for both financial years.

#### (b) IRS

The Group has entered into IRS to hedge its exposure to interest rate risk on the borrowings. The Company had early settled its IRS during the financial year. The details of the open IRS are set out below:

	Group		Company	
	2016	2015	2016	2015
Notional principal (RM'000 equivalent)	<b>700,000</b>	700,000	-	700,000
Fixed interest rate	<b>4.76% - 4.87%</b>	4.48% - 4.55%	-	4.48% - 4.55%

#### (c) 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	
	2016	2015
Notional principal (RM'000 equivalent)	<b>79,055</b>	99,244
Contract value in foreign currency (USD'000)	<b>18,100</b>	23,000

The Group pays RM in exchange for receiving USD at predetermined exchange rates that range from RM4.2230/USD to RM4.4410/USD (2015: RM4.3112/USD to RM4.3186/USD) on the notional amounts at their respective maturity dates.

## Notes to the Financial Statements - 31 December 2016

### 22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At the reporting date, the Group and the Company have recognised derivative financial assets of RM613,630,000 (2015: RM777,324,000) and RM604,773,000 (2015: RM777,101,000) respectively, a decrease in fair value gains by RM163,694,000 and RM172,328,000 (2015: an increase in fair value gains by RM548,720,000 and RM548,497,000) respectively from the prior financial year, on remeasuring the fair values of the derivative financial instruments for:

#### (a) Derivative designated in hedging relationship

The decrease in fair value gains from the prior financial year for the Group and the Company were RM165,007,000 and RM172,328,000 (2015: an increase in fair value gains by RM548,563,000 and RM548,497,000) respectively, with the corresponding movement included in equity in the cash flow hedging reserve.

For the current financial year, the Group and the Company reclassified RM136,188,000 and RM136,163,000 respectively to the statements of profit or loss to offset:

- (i) the foreign exchange gains of RM177,953,000 which realised upon CCIRS settlement and unrealised foreign exchange losses of RM38,458,000 from the weakening RM against USD and SGD; and
- (ii) the interest expense of the Group and the Company amounting to RM3,307,000 and RM3,332,000 respectively as the underlying interest rates were higher than the hedged interest rates on the borrowings.

This has resulted in a credit balance amounting to RM34,438,000 and RM27,026,000 in the cash flow hedging reserve of the Group and the Company respectively as at 31 December 2016.

For the financial year ended 31 December 2015, the Group and the Company reclassified RM527,879,000 to the statements of profit or loss to offset:

- (i) the foreign exchange gains of RM124,864,000 which realised upon CCIRS settlement and unrealised foreign exchange losses of RM648,581,000 which arose from the weakening RM against USD and SGD; and
- (ii) the interest expense of the Group and the Company amounting to RM4,162,000 as the underlying interest rates were higher than the hedged interest rates on the borrowings.

This had resulted in a credit balance amounting to RM63,257,000 and RM63,191,000 in the cash flow hedging reserve of the Group and the Company respectively as at 31 December 2015.

For derivatives designated as cash flow hedge on borrowings, the gains or losses recognised in the cash flow hedging reserve in equity will be continuously released to the statements of profit or loss within finance costs until the underlying borrowings are repaid. As the Group and the Company intend to hold the borrowings and associated derivative financial instruments to maturity, any changes to the fair values of the derivative financial instruments will not impact the statements of profit or loss and will be taken to the cash flow hedging reserve in equity.

For derivatives designated as cash flow hedge on forecast transactions, the gains or losses on changes to the fair value of derivative financial instruments are recognised in the cash flow hedging reserve in equity until such time that the hedged items affect profit or loss, then the gains or losses are transferred to statements of profit or loss.



## Notes to the Financial Statements - 31 December 2016

### 22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Derivative not designated in hedging relationship

The increase in fair value gains from the prior financial year for the Group was RM8,967,000 (2015: RM1,950,000) due to changes in foreign currency exchange spot and forward rates has been charged to the statements of profit or loss within other expenses.

As the derivative financial instruments are used to hedge the fair value movement attributable to the foreign exchange rate fluctuation associated to certain payable balances denominated in USD as at reporting date, any changes to the fair values of the derivative financial instruments will impact the statements of profit or loss within other expenses until the maturity of the derivative financial instruments.

The method and assumption applied in determining the fair value of derivatives are disclosed in Note 3(i) to the financial statements.

### 23 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:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	<b>45,229</b>	55,386
Deferred tax liabilities	<b>(580,388)</b>	(493,532)
	<b>(535,159)</b>	(438,146)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets:		
- to be recovered after more than 12 months	<b>8,528</b>	22
- to be recovered within 12 months	<b>36,701</b>	55,364
	<b>45,229</b>	55,386
Deferred tax liabilities:		
- to be recovered after more than 12 months	<b>(598,072)</b>	(479,400)
- to be recovered within 12 months	<b>17,684</b>	(14,132)
	<b>(580,388)</b>	(493,532)
Deferred tax liabilities (net)	<b>(535,159)</b>	(438,146)

## Notes to the Financial Statements - 31 December 2016

### 23 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets/(liabilities) during the financial year comprise the following:

Group	Note	Property, plant and equipment RM'000	Intangible assets RM'000	Deferred income RM'000	Provisions RM'000	Investment allowance RM'000	Others RM'000	Total RM'000
At 1 January 2016		(789,645)	(76,483)	97,385	254,988	38,477	37,132	(438,146)
(Charged)/credited to statement of profit or loss:	12							
- relating to origination and reversal of temporary differences		(66,277)	(10,067)	9,557	(17,540)	(9,364)	(3,322)	(97,013)
At 31 December 2016		(855,922)	(86,550)	106,942	237,448	29,113	33,810	(535,159)
At 1 January 2015		(755,987)	(54,956)	105,436	273,622	50,251	1,327	(380,307)
(Charged)/credited to statement of profit or loss:	12							
- relating to origination and reversal of temporary differences		(43,538)	(24,123)	(3,993)	(9,473)	(11,700)	36,844	(55,983)
- relating to changes in tax rate		9,880	2,596	(4,058)	(9,161)	(74)	(1,039)	(1,856)
At 31 December 2015		(789,645)	(76,483)	97,385	254,988	38,477	37,132	(438,146)

## Notes to the Financial Statements - 31 December 2016

### 23 DEFERRED TAXATION (CONTINUED)

	Group	
	2016 RM'000	2015 RM'000
Deferred tax assets (before offsetting):		
- deferred income	106,942	97,385
- provisions	237,448	254,988
- investment allowance	29,113	38,477
- others	33,810	37,314
	<b>407,313</b>	428,164
Offsetting	<b>(362,084)</b>	(372,778)
Deferred tax assets (after offsetting)	<b>45,229</b>	55,386
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	<b>(855,922)</b>	(789,645)
- intangible assets	<b>(86,550)</b>	(76,483)
- others	-	(182)
	<b>(942,472)</b>	(866,310)
Offsetting	<b>362,084</b>	372,778
Deferred tax liabilities (after offsetting)	<b>(580,388)</b>	(493,532)

### 24 INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Telecommunications materials and supplies	2,167	5,110
Devices	3,775	8,137
	<b>5,942</b>	13,247

The Group reversed RM364,000 (2015: RM2,136,000) of inventory write down during the financial year as the Group was able to utilise those inventories.

## Notes to the Financial Statements - 31 December 2016

### 25 FELLOW SUBSIDIARIES AND PENULTIMATE HOLDING COMPANY BALANCES

	Group	
	2016 RM'000	2015 RM'000
Current assets:		
- amount due from penultimate holding company	765	207
- amounts due from fellow subsidiaries	29	-
Current liability:		
- amounts due to fellow subsidiaries	-	(2,212)
	<b>794</b>	<b>(2,005)</b>

The amounts due from/(to) penultimate holding company and fellow subsidiaries are unsecured, non-interest bearing and with 30 days credit period (2015: 30 days).

### 26 RELATED PARTIES BALANCES

	Note	Group	
		2016 RM'000	2015 RM'000
Current asset:			
- amounts due from related parties	(a)	21,922	24,401
Current liabilities:			
- amounts due to related parties	(a)	(14,229)	(9,283)
- loan from a related party	(b)	-	(29,012)

(a) The amounts due from/(to) related parties are trade in nature, unsecured, interest free and with credit periods of up to 60 days (2015: up to 60 days).

(b) Loan from a related party, MBNS Multimedia Technologies Sdn. Bhd. ("MMTSB"), was unsecured and denominated in RM. The loan was fully repaid during the financial year.

## Notes to the Financial Statements - 31 December 2016

### 27 DEPOSITS, CASH AND BANK BALANCES

Deposits, cash and bank balances at the end of the financial year comprise the following:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	<b>485,242</b>	1,123,583	<b>10,000</b>	5,668
Cash and bank balances	<b>197,104</b>	172,865	<b>2,300</b>	15,485
Deposits, cash and bank balances	<b>682,346</b>	1,296,448	<b>12,300</b>	21,153
Less: Deposits with maturity more than three months	<b>(20,501)</b>	-	-	-
Cash and cash equivalents	<b>661,845</b>	1,296,448	<b>12,300</b>	21,153

Deposits with licensed banks are held in short-term money market and fixed deposits.

Deposits with licensed banks of the Group and of the Company at the end of the financial year have an average maturity of 23 days (2015: 19 days) and 5 days (2015: 60 days) respectively. Bank balances are deposits held at call with banks.

The credit quality of bank balances and deposits with licensed banks can be assessed by reference to external credit ratings as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Local licensed banks <sup>(1)</sup> :				
- AAA	<b>358,111</b>	738,724	<b>2,022</b>	16,987
- AA1	<b>80,174</b>	127,231	-	-
- AA2	<b>110,020</b>	426,599	<b>10,263</b>	4,160
- AA3	<b>130,170</b>	-	-	-
Offshore licensed banks <sup>(2)</sup> :				
- Aa2	<b>38</b>	36	-	-
- A2	<b>3,515</b>	3,375	-	-
- BA2	-	4	-	-
	<b>682,028</b>	1,295,969	<b>12,285</b>	21,147

**Note:**

Source: Bloomberg with ratings provided by:

<sup>(1)</sup> RAM Ratings Services Berhad

<sup>(2)</sup> Moody's

## Notes to the Financial Statements - 31 December 2016

### 28 PROVISIONS FOR LIABILITIES AND CHARGES

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>2016</u>					
At 1 January		150,656	52,337	97,368	300,361
Capitalised		6,251	-	-	6,251
Changes in cost estimates:					
- included in finance costs	11(b)	(7,898)	-	-	(7,898)
- included in property, plant and equipment	15	47	-	-	47
Charged to statement of profit or loss:					
- included in profit from operations	7	522	30	94,425	94,977
- included in finance costs	11(b)	16,647	-	-	16,647
Paid		(6,340)	-	(85,282)	(91,622)
Reversed from statement of profit or loss	7	(481)	(48,009)	(9,212)	(57,702)
At 31 December		159,404	4,358	97,299	261,061
<u>2015</u>					
At 1 January		140,812	50,565	7,765	199,142
Capitalised		4,657	-	-	4,657
Changes in cost estimates:					
- included in finance costs	11(b)	(7,423)	-	-	(7,423)
- included in property, plant and equipment	15	4,758	-	-	4,758
Charged to statement of profit or loss:					
- included in profit from operations	7	1,961	7,897	98,333	108,191
- included in finance costs	11(b)	15,558	-	-	15,558
Paid		(5,066)	(6,125)	(8,730)	(19,921)
Reversed from statement of profit or loss	7	(4,601)	-	-	(4,601)
At 31 December		150,656	52,337	97,368	300,361

## Notes to the Financial Statements - 31 December 2016

### 28 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Group	Site rectification and decommi- ssioning works RM'000	Contract obligations and legal claims RM'000	Staff incentive scheme RM'000	Total RM'000
Represented by:				
Non-current liabilities	156,221	–	8,132	164,353
Current liabilities	3,183	4,358	89,167	96,708
At 31 December 2016	<b>159,404</b>	<b>4,358</b>	<b>97,299</b>	<b>261,061</b>
Non-current liabilities	147,362	–	3,676	151,038
Current liabilities	3,294	52,337	93,692	149,323
At 31 December 2015	150,656	52,337	97,368	300,361

Descriptions of the above provisions are as disclosed in Note 3(p) to the financial statements.

#### Site decommissioning works

As at 31 December 2016, a non-current provision of RM156,221,000 (2015: RM147,362,000) 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 (2015: 15 to 30 years). 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 as disclosed in Note 16 to the financial statements.

#### Contract obligations and legal claims

During the financial year, the Group reversed the contract obligations amounting to RM48,009,000 in relation to its Home Services business after reassessing the business performance and projections of the business.

In the Directors' opinion, the outcome of the notice of termination, legal claims, negotiations for settlements and costs in respect of obligations will not give rise to any significant loss beyond the amounts provided at the reporting date.

## Notes to the Financial Statements - 31 December 2016

### 29 PAYABLES AND ACCRUALS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current</u>				
Trade payables	408,436	417,992	-	-
Other accruals	9,669	7,628	-	-
	<b>418,105</b>	425,620	-	-
<u>Current</u>				
Intercarrier and roaming payables	107,780	125,744	-	-
Intercarrier and roaming accruals	119,506	90,041	-	-
Subscribers' deposits	99,028	103,324	-	-
Trade payables	1,705,750	1,539,047	-	-
Trade accruals	328,586	383,706	-	-
Other payables	68,736	58,997	355	229
Other accruals	533,181	458,416	256	253
Advance payments from subscribers	59,225	52,385	-	-
Deferred income	435,770	399,145	-	-
Government grant	175,639	255,768	-	-
	<b>3,633,201</b>	3,466,573	<b>611</b>	482
	<b>4,051,306</b>	3,892,193	<b>611</b>	482

Current trade payables and other payables of the Group and of the Company carry credit periods of up to 90 days (2015: 90 days). The Group's current and non-current trade payables include payables under deferred payment schemes and carry interest rates ranging from 3.06% to 4.25% (2015: 2.43% to 3.03%) per annum as at the reporting date. Details of the deferred payment schemes' payables are as follows:

Group		Currency denomination	Repayment terms
2016	2015		
RM'000	RM'000		
436,630	551,101	USD	Repayable on a half-yearly basis in 10 to 11 equal instalments commencing from 30 or 36 months from the commencement dates of the contracts.
231,628	-	RM	Repayable on a quarterly basis in 8 equal instalments from the commencement dates of the contracts.

As disclosed in Note 22 to the financial statements, certain USD denominated payables amounting to USD8,800,000 (2015: USD10,000,000) are hedged using forward foreign exchange contracts against exchange rate fluctuations for which no hedge accounting is applied.



## Notes to the Financial Statements - 31 December 2016

### 29 PAYABLES AND ACCRUALS (CONTINUED)

The Group's other accruals include lease equalisation for office buildings of RM9,768,000 (2015: RM7,737,000) with the remaining lease periods ranging from 8 months to 11 years 5 months (2015: 1 year 8 months to 12 years 5 months).

### 30 BORROWINGS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current</u>					
<b>Secured</b>					
Finance lease liabilities	(a)	1,844	7,980	-	-
<b>Unsecured</b>					
Syndicated term loans	(b)	448,133	991,684	448,133	991,684
Term loans	(c)	2,001,516	1,959,327	1,000,906	1,959,327
Islamic Medium Term Notes	(d)	3,806,108	3,325,483	-	3,325,483
Commodity Murabahah Term Financing	(e)	2,505,127	2,516,230	-	2,516,230
		<b>8,762,728</b>	8,800,704	<b>1,449,039</b>	8,792,724
<u>Current</u>					
<b>Secured</b>					
Finance lease liabilities	(a)	11,259	12,868	-	-
<b>Unsecured</b>					
Revolving credit	(f)	500,000	-	-	-
Syndicated term loan	(b)	590,035	1,064,080	590,035	1,064,080
		<b>1,101,294</b>	1,076,948	<b>590,035</b>	1,064,080
		<b>9,864,022</b>	9,877,652	<b>2,039,074</b>	9,856,804

#### (a) Finance lease liabilities

The Group leased certain assets under finance lease with terms of three to five years (2015: three to five years). The finance leases have remaining terms of one to three years (2015: one to four years) which the Group has options for another one to five years' extension subject to renewal conditions by the lessor for certain leased assets.

The weighted average effective interest rate of the Group's finance lease liabilities is 10.58% (2015: 10.00%) per annum. These leases are effectively secured as the rights to the leased assets revert to the lessor in the event of defaults.

## Notes to the Financial Statements - 31 December 2016

### 30 BORROWINGS (CONTINUED)

#### (a) Finance lease liabilities (continued)

Finance lease liabilities represent outstanding obligations payable in respect of assets acquired under finance lease commitment and are analysed as follows:

	Group	
	2016 RM'000	2015 RM'000
Not later than one year	11,588	13,875
Later than one year and not later than five years	1,919	8,384
	<b>13,507</b>	22,259
Less: Future finance charges	<b>(404)</b>	(1,411)
Present value	<b>13,103</b>	20,848
Representing lease liabilities:		
- non-current	<b>1,844</b>	7,980
- current	<b>11,259</b>	12,868
	<b>13,103</b>	20,848

#### (b) Syndicated term loans

##### (i) **USD750,000,000 syndicated term loan**

This syndicated term loan of the Group and the Company was drawn down with a term of seven years and is repayable in six semi-annual instalments commencing from 48 months from the drawn down date. Two half-yearly instalments of USD123,750,000 each were repaid in both financial years.

##### (ii) **USD100,000,000 syndicated term loan**

This syndicated term loan of the Group and the Company was drawn down with a term of 10 years and is repayable in one lump sum on the loan's maturity date.

As disclosed in Note 22, the Group and the Company have entered into CCIRS where the principal sum and interest under these syndicated term loans are hedged against fluctuations in USD/RM exchange rate and in London Interbank Offered Rate ("LIBOR").

#### (c) Term loans

##### (i) **MB - RM1,000,000,000 term loan**

This term loan of the Group and the Company was drawn down with a term of 11 years and was repayable in one lump sum on the loan's maturity date. This loan had been early settled during the current financial year.

## Notes to the Financial Statements - 31 December 2016

### 30 BORROWINGS (CONTINUED)

#### (c) Term loans (continued)

##### (ii) **RM1,000,000,000 term loan**

During the financial year, MBSB, a wholly-owned subsidiary of the Company drew down RM1,000,000,000 term loan with a term of up to seven years to part settle the purchase consideration in relation to the internal reorganisation as disclosed in Note 39(a) to the financial statements. It is repayable in one lump sum on the loan's maturity date.

##### (iii) **USD100,000,000, SGD70,000,000 and USD75,000,000 term loans**

These term loans of the Group and the Company were all drawn down with a term of 10 years and are repayable in one lump sum on their respective loan maturity dates.

As disclosed in Note 22, the Group and the Company have entered into CCIRS and IRS where the principal sum and interest under these term loans are hedged against fluctuations in USD/RM and SGD/RM exchange rates, and in Kuala Lumpur Interbank Offered Rate, LIBOR and Singapore Swap Offer Rate.

#### (d) Islamic Medium Term Notes

##### (i) **Sukuk Musharakah**

The Company had established an unrated Islamic Medium Term Notes Programme with an aggregate nominal value of up to RM2.45 billion ("Sukuk Programme") based on the Islamic principle of Musharakah. The Sukuk Programme had a tenure of 30 years from the date of its first issuance.

The Company made its first issuance under the Sukuk Programme on 24 February 2012 for RM2.45 billion nominal value with a tenure of 10 years ("Sukuk Musharakah"). It was redeemable on its maturity date and the profit was payable semi-annually.

MMSSB and MBSB, both wholly-owned subsidiaries of the Company, provided unconditional and irrevocable corporate guarantees under the Sukuk Programme.

The Sukuk Musharakah was fully redeemed during the current financial year. Consequently, the Sukuk Programme was cancelled.

##### (ii) **MB - Sukuk Murabahah**

The Company had established an Unrated Islamic Medium Term Notes ("MB - Sukuk Murabahah") Programme with an aggregate nominal value of up to RM5.0 billion, based on the Islamic principle of Murabahah (via a Tawarruq arrangement) ("MB - Unrated Sukuk Murabahah Programme"). The MB - Unrated Sukuk Murabahah Programme had a tenure of 30 years from the date of its first issuance.

On 22 June 2015, the Company issued the first series of MB - Sukuk Murabahah amounting to RM840,000,000, in nominal value, for a tenure of 10 years. It was redeemable on its maturity date and the profit was payable semi-annually.

MMSSB and MBSB provided unconditional and irrevocable corporate guarantees under the MB - Unrated Sukuk Murabahah Programme.

The MB - Sukuk Murabahah was fully redeemed during the current financial year. Consequently, the MB - Unrated Sukuk Murabahah Programme was cancelled.

## Notes to the Financial Statements - 31 December 2016

### 30 BORROWINGS (CONTINUED)

#### (d) Islamic Medium Term Notes (continued)

##### (iii) *Sukuk Murabahah*

On 29 June 2016, MBSB 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 2016, MBSB had issued in total three series of the Sukuk Murabahah for a total nominal value of RM3,790,000,000 with a tenure of four to nine years, which were utilised to finance the settlement of the remaining purchase consideration in relation to the internal reorganisation as disclosed in Note 39(a) to the financial statements and its capital expenditure and working capital requirements. The series of Sukuk Murabahah are redeemable on their respective maturity dates. The profits are payable semi-annually.

#### (e) Commodity Murabahah Term Financing (“CMTF”)

##### (i) *MB - CMTF*

On 2 April 2014, the Company entered into an agreement for CMTF facility up to RM2.50 billion based on the Islamic principle of Murabahah. This facility had a tenure of 10 years from its first utilisation, which was repayable in one lump sum on its maturity date. The Company had early settled and cancelled this facility during the current financial year.

##### (ii) *CMTF*

During the financial year, MBSB entered into an agreement for CMTF facility up to RM2.50 billion based on the Islamic principle of Murabahah and had fully drawn down the facility to part settle the purchase consideration in relation to the internal reorganisation as disclosed in Note 39(a) to the financial statements. This facility expires on 7 April 2024 and is repayable in one lump sum on its expiry date.

#### (f) Revolving credit

During the financial year, MBSB had drawn down a RM500,000,000 revolving credit facility with a term of one year. The facility is repayable in one lump sum on its maturity date.

## Notes to the Financial Statements - 31 December 2016

### 30 BORROWINGS (CONTINUED)

#### Contractual terms of borrowings

Group	Contractual interest rate/ profit margin at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	Maturity profile			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2016</u>							
<b>Secured</b>							
Finance lease liabilities		RM/RM	13,103	11,259	1,084	760	-
<b>Unsecured</b>							
Revolving credit	0.50% + COF <sup>(1)</sup>	RM/RM	500,000	500,000	-	-	-
Syndicated term loans	1.35% - 1.60% + LIBOR <sup>(2)</sup>	RM/USD	1,038,168	590,035	-	448,133	-
Term loans	0.75% + COF <sup>(1)</sup>	RM/RM	1,000,610	-	-	-	1,000,610
	1.50% - 1.60% + LIBOR <sup>(2)</sup>	RM/USD	784,191	-	-	784,191	-
	1.25% + SOR <sup>(3)</sup>	RM/SGD	216,715	-	-	216,715	-
Islamic Medium Term Notes	4.70% - 5.40%	RM/RM	3,806,108	-	-	504,250	3,301,858
Commodity Murabahah Term Financing	0.70% + COF <sup>(1)</sup>	RM/RM	2,505,127	-	-	-	2,505,127
			<b>9,864,022</b>	<b>1,101,294</b>	<b>1,084</b>	<b>1,954,049</b>	<b>6,807,595</b>

**Notes:**

<sup>(1)</sup> COF denotes Cost of Funds.

<sup>(2)</sup> LIBOR denotes London Interbank Offered Rate.

<sup>(3)</sup> SOR denotes Singapore Swap Offer Rate.

## Notes to the Financial Statements - 31 December 2016

### 30 BORROWINGS (CONTINUED)

#### Contractual terms of borrowings (continued)

Group	Contractual interest rate/ profit margin at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	Maturity profile			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015							
<b>Secured</b>							
Finance lease liabilities		RM/RM	20,848	12,868	6,134	1,846	-
<b>Unsecured</b>							
Syndicated term loans	1.35% - 1.60% + LIBOR <sup>(1)</sup>	RM/USD	2,055,764	1,064,080	563,561	428,123	-
Term loans	0.75% + COF <sup>(2)</sup>	RM/RM	997,142	-	-	-	997,142
	1.50% - 1.60% + LIBOR <sup>(1)</sup>	RM/USD	749,801	-	-	-	749,801
	1.25% + SOR <sup>(3)</sup>	RM/SGD	212,384	-	-	-	212,384
Islamic Medium Term Notes	5.00% - 5.40%	RM/RM	3,325,483	-	-	-	3,325,483
Commodity Murabahah Term Financing	0.70% + COF <sup>(2)</sup>	RM/RM	2,516,230	-	-	-	2,516,230
			9,877,652	1,076,948	569,695	429,969	7,801,040

#### Notes:

<sup>(1)</sup> LIBOR denotes London Interbank Offered Rate.

<sup>(2)</sup> COF denotes Cost of Funds.

<sup>(3)</sup> SOR denotes Singapore Swap Offer Rate.

## Notes to the Financial Statements - 31 December 2016

### 30 BORROWINGS (CONTINUED)

#### Contractual terms of borrowings (continued)

Company	Contractual interest rate at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	Maturity profile			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2016</u>							
<b>Unsecured</b>							
Syndicated term loans	1.35% - 1.60% + LIBOR <sup>(1)</sup>	RM/USD	1,038,168	590,035	-	448,133	-
Term loans	1.50% - 1.60% + LIBOR <sup>(1)</sup>	RM/USD	784,191	-	-	784,191	-
	1.25% + SOR <sup>(2)</sup>	RM/SGD	216,715	-	-	216,715	-
			<b>2,039,074</b>	<b>590,035</b>	<b>-</b>	<b>1,449,039</b>	<b>-</b>

#### At 31 December 2015

<b>Unsecured</b>							
Syndicated term loans	1.35% - 1.60% + LIBOR <sup>(1)</sup>	RM/USD	2,055,764	1,064,080	563,561	428,123	-
Term loans	0.75% + COF <sup>(3)</sup>	RM/RM	997,142	-	-	-	997,142
	1.50% - 1.60% + LIBOR <sup>(1)</sup>	RM/USD	749,801	-	-	-	749,801
	1.25% + SOR <sup>(2)</sup>	RM/SGD	212,384	-	-	-	212,384
Islamic Medium Term Notes	5.00% - 5.40%	RM/RM	3,325,483	-	-	-	3,325,483
Commodity Murabahah Term Financing	0.70% + COF <sup>(3)</sup>	RM/RM	2,516,230	-	-	-	2,516,230
			<b>9,856,804</b>	<b>1,064,080</b>	<b>563,561</b>	<b>428,123</b>	<b>7,801,040</b>

#### Notes:

<sup>(1)</sup> LIBOR denotes London Interbank Offered Rate.

<sup>(2)</sup> SOR denotes Singapore Swap Offer Rate.

<sup>(3)</sup> COF denotes Cost of Funds.

## Notes to the Financial Statements - 31 December 2016

### 31 SHARE CAPITAL

#### (a) Share capital

	Group and Company 2016 and 2015	
	Number of shares '000	Nominal value RM'000
Authorised ordinary shares of RM0.10 each		
At 1 January/31 December	<b>12,000,000</b>	<b>1,200,000</b>

#### (b) 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.

An ESOS/LTIP Committee comprising Directors of the Company has been set up to administer the ESOS/LTIP. The ESOS/LTIP Committee may from time to time, offer share options to eligible employees and eligible directors of the Group to subscribe for new ordinary shares of RM0.10 each 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;



## Notes to the Financial Statements - 31 December 2016

### 31 SHARE CAPITAL (CONTINUED)

#### (b) ESOS (continued)

The salient features of the ESOS are as follows: (continued)

- (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.

Movement in the number of share options outstanding and their exercise prices is as follows:

		Number of options over ordinary shares of RM0.10 each in the Company							
Grant date	Expiry date	Exercise price RM/share	Outstanding		Granted	Exercised	Forfeited/ Lapsed	Outstanding	Exercisable
			as at 1.1.2016	as at 31.12.2016				as at 31.12.2016	as at 31.12.2016
<u>2016</u>									
1 July 2011	17 September 2019	5.45	4,400		-	(260)	(2)	4,138	4,138
1 July 2012	17 September 2019	6.41	13,446		-	(78)	(16)	13,352	13,352
1 July 2013	17 September 2019	6.78	10,773		-	-	(499)	10,274	10,274
1 August 2015	17 September 2019	6.53	68,178		-	-	(6,386)	61,792	20,686
			<b>96,797</b>		<b>-</b>	<b>(338)</b>	<b>(6,903)</b>	<b>89,556</b>	<b>48,450</b>
Weighted average exercise price (RM per share)			<b>6.49</b>		<b>-</b>	<b>5.67</b>	<b>6.55</b>	<b>6.49</b>	<b>6.46</b>

## Notes to the Financial Statements - 31 December 2016

### 31 SHARE CAPITAL (CONTINUED)

#### (b) ESOS (continued)

Movement in the number of share options outstanding and their exercise prices is as follows: (continued)

		Number of options over ordinary shares of RM0.10 each in the Company						
Grant date	Expiry date	Exercise price RM/share	Outstanding as at		Forfeited/ Lapsed	Outstanding Exercisable as at		
			1.1.2015 '000	Granted '000		31.12.2015 '000	31.12.2015 '000	
<u>2015</u>								
1 July 2011	17 September 2019	5.45	5,973	-	(1,478)	(95)	4,400	4,400
1 July 2012	17 September 2019	6.41	15,833	-	(1,559)	(828)	13,446	13,446
1 July 2013	17 September 2019	6.78	12,053	-	(358)	(922)	10,773	8,082
1 August 2015	17 September 2019	6.53	-	69,623	-	(1,445)	68,178	-
			33,859	69,623	(3,395)	(3,290)	96,797	25,928
Weighted average exercise price (RM per share)			6.37	6.53	6.03	6.54	6.49	6.36

The share options exercised during the financial year resulted in 337,700 (2015: 3,394,900) shares being issued and the related weighted average share price at the date of exercise was RM6.24 (2015: RM6.91) per share.

The weighted average remaining contractual life for the share options as at the reporting date is 2 years 8 months (2015: 3 years 8 months).

## Notes to the Financial Statements - 31 December 2016

### 31 SHARE CAPITAL (CONTINUED)

#### (b) ESOS (continued)

The weighted average fair value of share options granted in financial year ended 31 December 2015 determined using a modified Black Scholes model was RM0.68. The key inputs into the model were:

	<b>Group and Company 2015</b>
Valuation assumptions:	
Weighted average share price at date of grant (per share)	RM6.53
Exercise price (per share)	RM6.53
Expected volatility	11.38%
Expected share option life	4.2 years
Expected dividend yield per annum	3.2%
Risk-free interest rate per annum	4.0%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices since the Company's Initial Public Offering ("Listing").

Value of employee services received for issue of share options:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Share-based payment expense	<b>19,103</b>	12,065	<b>19,103</b>	12,065
Capitalised as investment in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	<b>(19,103)</b>	(12,065)
Total expense recognised as share-based payments	<b>19,103</b>	12,065	-	-

#### (c) 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 ESOS/LTIP Committee which is appointed by the Board of Directors of the Company, in accordance with the By-Laws. The ESOS/LTIP Committee may from time to time, offer LTIP to eligible employees (including an executive director) of the Group and includes any person who is proposed to be employed as an employee of the Group (including an 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.

## Notes to the Financial Statements - 31 December 2016

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### 31 SHARE CAPITAL (CONTINUED)

#### (c) LTIP (continued)

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 ESOS/LTIP 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 ESOS/LTIP Committee;
- (iv) In the event of any alteration in the capital structure of the Company except under certain circumstances, the ESOS/LTIP 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;
- (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 an 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 an executive director) having achieved his/her performance target and/or performance condition as stipulated by the ESOS/LTIP Committee and as set out in their offer of grants.

## Notes to the Financial Statements - 31 December 2016

### 31 SHARE CAPITAL (CONTINUED)

#### (c) LTIP (continued)

During the financial year, 6,075,200 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 of RM0.10 each in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon vesting of the new shares after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP. The vesting conditions comprising, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2016 and ending on 31 December 2018, as stipulated by the ESOS/LTIP Committee. The vesting date is on 30 June 2019, subject to meeting such performance targets.

Movement in the number of PS Grant under the LTIP is as follows:

Grant date	Vesting date	Number of share grants over ordinary share of RM0.10 each in the Company			
		Outstanding as at 1 January RM'000	Granted RM'000	Forfeited RM'000	Outstanding as at 31 December RM'000
<u>2016</u>					
31 July 2015	30 April 2018	8,285	-	(608)	7,677
1 July 2016	30 June 2019	-	6,075	(473)	5,602
		<b>8,285</b>	<b>6,075</b>	<b>(1,081)</b>	<b>13,279</b>
<u>2015</u>					
31 July 2015	30 April 2018	-	8,376	(91)	8,285

The weighted average fair value of share grants under the PS Grant based on observable market price was RM6.02 (2015: RM6.53).

Value of employee services received under the LTIP:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Share-based payment expense	11,624	4,098	11,624	4,098
Capitalised as investment in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	(11,624)	(4,098)
Total expense recognised as share-based payments	<b>11,624</b>	<b>4,098</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements - 31 December 2016

### 31 SHARE CAPITAL (CONTINUED)

#### (d) Incentive arrangement

Pursuant to the terms and conditions of the incentive arrangement which forms part of the employment contract which an eligible director had entered into with the Company, the cash incentives payable to the eligible director were used to acquire shares of the Company from the open market. During the financial year, 952,943 (2015: 315,215) shares of the Company were acquired from the open market, of which 361,155 (2015: Nil) shares have vested immediately and the remaining 591,788 (2015: 315,215) shares are currently held by CIMB Commerce Trustee Berhad or its nominee. Subject to fulfilment of the vesting conditions and the terms of the incentive arrangement, these shares will vest on the eligible director on a deferred basis. In addition to the eligible director's interest in these shares, the eligible director is also deemed interested in such additional number of shares in the Company which shall only be determinable in the future, to be acquired using future cash incentives payable to the eligible director, pursuant to the terms and conditions of such incentive arrangement.

Movement in the number of shares to be vested under the incentive arrangement is as follows:

	Group and Company	
	2016 '000	2015 '000
At 1 January	1,002	687
Acquired	953	315
Vested	(361)	-
At 31 December	1,594	1,002

The weighted average fair value of shares acquired under the incentive arrangement based on observable market price was RM6.97 (2015: RM6.97).

Value of employee services received under the incentive arrangement:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Share-based payment expense	7,648	8,122	7,648	8,122
Capitalised as investment in subsidiaries for share-based payments allocated to the employee of the subsidiaries	-	-	(7,648)	(8,122)
Total expense recognised as share-based payments	7,648	8,122	-	-

## Notes to the Financial Statements - 31 December 2016

### 32 RESERVES

#### (a) 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 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.

#### (b) 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.

#### (c) Other reserves

Group	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
<u>2016</u>				
At 1 January		78,633	63,257	141,890
Net change in hedging:				
- fair value losses		-	(165,007)	(165,007)
- reclassified to finance costs	11(b)	-	136,188	136,188
ESOS and LTIP:				
- share-based payment expense		30,727	-	30,727
- shares issued		(66)	-	(66)
- share options lapsed		(170)	-	(170)
Incentive arrangement:				
- share-based payment expense		7,648	-	7,648
- shares acquired		(5,831)	-	(5,831)
At 31 December		110,941	34,438	145,379
<u>2015</u>				
At 1 January		57,588	42,573	100,161
Net change in hedging:				
- fair value gains		-	548,563	548,563
- reclassified to finance costs	11(b)	-	(527,879)	(527,879)
ESOS and LTIP:				
- share-based payment expense		16,163	-	16,163
- shares issued		(904)	-	(904)
- share options lapsed		(260)	-	(260)
Incentive arrangement:				
- share-based payment expense		8,122	-	8,122
- shares acquired		(2,076)	-	(2,076)
At 31 December		78,633	63,257	141,890

## Notes to the Financial Statements - 31 December 2016

### 32 RESERVES (CONTINUED)

#### (c) Other reserves (continued)

Company	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
<u>2016</u>				
At 1 January		78,633	63,191	141,824
Net change in hedging:				
- fair value losses		-	(172,328)	(172,328)
- reclassified to finance costs	11(b)	-	136,163	136,163
ESOS and LTIP:				
- share-based payment expense		30,727	-	30,727
- shares issued		(66)	-	(66)
- share options lapsed		(170)	-	(170)
Incentive arrangement:				
- share-based payment expense		7,648	-	7,648
- shares acquired		(5,831)	-	(5,831)
At 31 December		110,941	27,026	137,967
<u>2015</u>				
At 1 January		57,588	42,573	100,161
Net change in hedging:				
- fair value gains		-	548,497	548,497
- reclassified to finance costs	11(b)	-	(527,879)	(527,879)
ESOS and LTIP:				
- share-based payment expense		16,163	-	16,163
- shares issued		(904)	-	(904)
- share options lapsed		(260)	-	(260)
Incentive arrangement:				
- share-based payment expense		8,122	-	8,122
- shares acquired		(2,076)	-	(2,076)
At 31 December		78,633	63,191	141,824

The share-based payments reserve comprises of:

- (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 respectively; 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 and of the Company.



## Notes to the Financial Statements - 31 December 2016

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### 33 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 and the Company use 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. Cross currency interest rate swap contracts are also used to hedge the volatility in the cash flow attributable to variability in the foreign currency denominated borrowings from the inception to maturity of the borrowings.

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. Currency risks in respect of intragroup receivables and payables have been included in the Group's currency exposure table as this exposure is not eliminated at the Group level.

## Notes to the Financial Statements - 31 December 2016

### 33 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 RM'000	Others RM'000
<b>Functional currency</b>				
<b>Ringgit Malaysia</b>				
<u>2016</u>				
Receivables	-	12,377	33,300	-
Deposits, bank and cash balances	-	20,672	-	38
Payables	(2,562)	(581,612)	(55,925)	(114)
Amounts due from/(to) fellow subsidiaries	-	197	(166)	-
Amounts due to related parties, net	-	(1,343)	(34)	-
Syndicated term loans	-	(1,038,168)	-	-
Term loans	(216,715)	(784,191)	-	-
Gross exposure	(219,277)	(2,372,068)	(22,825)	(76)
CCIRS:				
- syndicated term loans	-	1,038,168	-	-
- term loans	216,715	784,191	-	-
Forward foreign exchange contracts:				
- payables	-	39,481	-	-
Net exposure	(2,562)	(510,228)	(22,825)	(76)
<u>2015</u>				
Receivables	12	1,794	17,081	-
Deposits, bank and cash balances	-	7,093	-	51
Payables	(1,822)	(701,821)	(62,599)	(1,335)
Amounts due to fellow subsidiaries	-	(2,180)	(32)	-
Amounts due (to)/from related parties, net	-	(322)	276	-
Syndicated term loans	-	(2,055,764)	-	-
Term loans	(212,384)	(749,801)	-	-
Gross exposure	(214,194)	(3,501,001)	(45,274)	(1,284)
CCIRS:				
- syndicated term loans	-	2,055,764	-	-
- term loans	212,384	749,801	-	-
Forward foreign exchange contract:				
- payables	-	98,785	-	-
Net exposure	(1,810)	(596,651)	(45,274)	(1,284)

## Notes to the Financial Statements - 31 December 2016

### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company	Currency exposure at 31 December	
	SGD RM'000	USD RM'000
<b>Functional currency</b>		
<b>Ringgit Malaysia</b>		
<u>2016</u>		
Deposits, bank and cash balances	-	2
Syndicated term loans	-	(1,038,168)
Term loans	(216,715)	(784,191)
	(216,715)	(1,822,357)
Gross exposure		
CCIRS:		
- syndicated term loans	-	1,038,168
- term loans	216,715	784,191
	-	2
Net exposure		
<u>2015</u>		
Deposits, bank and cash balances	-	2
Syndicated term loans	-	(2,055,764)
Term loans	(212,384)	(749,801)
	(212,384)	(2,805,563)
Gross exposure		
CCIRS:		
- syndicated term loans	-	2,055,764
- term loans	212,384	749,801
	-	2
Net exposure		

## Notes to the Financial Statements - 31 December 2016

### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

The sensitivity of the Group's and of the Company's profit before tax for the financial year and equity to a reasonably possible change in the USD exchange rate against the Group's and the Company's 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		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>USD/RM</b>						
- strengthened 5% (2015: 5%)	<b>(25,509)</b>	(34,769)	<b>6,208</b>	8,437	<b>4,128</b>	5,655
- weakened 5% (2015: 5%)	<b>25,509</b>	34,769	<b>(6,208)</b>	(8,437)	<b>(4,128)</b>	(5,655)

**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 borrowings and 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 and the Company's interest rate risk arises from deposits with licensed banks, deferred payment creditors and borrowings carrying fixed and variable interest rates. The objectives of the Group's and of the Company's interest rate risk management policies are to allow the Group and the Company to effectively manage the interest rate fluctuation through the use of fixed and floating interest rates debt and derivative financial instruments. The Group and the Company adopt a non-speculative stance which favours predictability over interest rate fluctuations. The interest rate profiles of the Group's and of the Company's borrowings are also regularly reviewed against prevailing and anticipated market interest rates to determine whether refinancing or early repayment is warranted.

The Group and the Company manage their cash flow interest rate risk by using cross currency interest rate swap contracts and interest rate swap contracts. Such swaps have the economic effect of converting certain borrowings from floating rates to fixed rates.

## Notes to the Financial Statements - 31 December 2016

### 33 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 cross currency interest rate swap and interest rate swap contracts) 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 2016							
Deposits with							
licensed banks	3.78	485,242	-	485,242	-	-	-
Trade payables	3.77	(668,258)	(436,630)	(129,127)	(102,501)	-	-
Finance lease liabilities	10.58	(13,103)	-	(11,259)	(1,084)	(760)	-
Revolving credit	4.20	(500,000)	(500,000)	-	-	-	-
Syndicated term loans	2.58	(1,038,168)	(1,038,168)	-	-	-	-
Term loans	3.50	(2,001,516)	(2,001,516)	-	-	-	-
Islamic Medium							
Term Notes	5.05	(3,806,108)	-	-	-	(504,250)	(3,301,858)
Commodity Murabahah							
Term Financing	4.17	(2,505,127)	(2,505,127)	-	-	-	-
Gross exposure		<u>(10,047,038)</u>	<u>(6,481,441)</u>				
CCIRS and IRS:							
- syndicated term loans	4.97		1,038,168	(590,035)	-	(448,133)	-
- term loans	4.50		1,037,109	-	-	(336,682)	(700,427)
Net exposure			<u>(4,406,164)</u>				

## Notes to the Financial Statements - 31 December 2016

### 33 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 cross currency interest rate swap and interest rate swap contracts) 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 2015							
Deposits with licensed banks	4.13	1,123,583	-	1,123,583	-	-	-
Trade payables	3.00	(551,101)	(551,101)	-	-	-	-
Finance lease liabilities	10.00	(20,848)	-	(12,868)	(6,134)	(1,846)	-
Syndicated term loans	2.00	(2,055,764)	(2,055,764)	-	-	-	-
Term loans	3.62	(1,959,327)	(1,959,327)	-	-	-	-
Islamic Medium Term Notes	5.10	(3,325,483)	-	-	-	-	(3,325,483)
Commodity Murabahah Term Financing	4.87	(2,516,230)	(2,516,230)	-	-	-	-
Loan from a related party	7.85	(29,012)	(29,012)	-	-	-	-
Gross exposure		(9,334,182)	(7,111,434)				
CCIRS and IRS:							
- syndicated term loans	4.85		2,055,764	(1,064,080)	(563,561)	(428,123)	-
- term loans	4.52		1,020,188	-	-	-	(1,020,188)
Net exposure			(4,035,482)				

## Notes to the Financial Statements - 31 December 2016

### 33 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 cross currency interest rate swap and interest rate swap contracts) 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	1-2 years	2-5 years	> 5 years
				RM'000	RM'000	RM'000	RM'000
<u>At 31 December 2016</u>							
Deposits with licensed banks	3.95	10,000	-	10,000	-	-	-
Syndicated term loans	2.58	(1,038,168)	(1,038,168)	-	-	-	-
Term loans	2.54	(1,000,906)	(1,000,906)	-	-	-	-
Gross exposure		<u>(2,029,074)</u>	<u>(2,039,074)</u>				
CCIRS:							
- syndicated term loans	4.97		1,038,168	(590,035)	-	(448,133)	-
- term loans	4.99		336,682	-	-	(336,682)	-
Net exposure			<u>(664,224)</u>				

## Notes to the Financial Statements - 31 December 2016

### 33 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 cross currency interest rate swap and interest rate swap contracts) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Company	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
<u>At 31 December 2015</u>							
Loans to subsidiaries	5.27	636,795	270,000	366,795	-	-	-
Deposits with licensed banks	3.70	5,668	-	5,668	-	-	-
Syndicated term loans	2.00	(2,055,764)	(2,055,764)	-	-	-	-
Term loans	3.62	(1,959,327)	(1,959,327)	-	-	-	-
Islamic Medium Term Notes	5.10	(3,325,483)	-	-	-	-	(3,325,483)
Commodity Murabahah Term Financing	4.87	(2,516,230)	(2,516,230)	-	-	-	-
Gross exposure		<u>(9,214,341)</u>	<u>(6,261,321)</u>				
CCIRS and IRS:							
- syndicated term loans	4.85		2,055,764	(1,064,080)	(563,561)	(428,123)	-
- term loans	4.52		1,020,188	-	-	-	(1,020,188)
Net exposure			<u>(3,185,369)</u>				



## Notes to the Financial Statements - 31 December 2016

### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

The sensitivity of the Group's and of the Company'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			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>RM</b>				
- increased by 0.5% (2015: 0.5%)	(16,527)	(14,077)	-	(12,727)
- decreased by 0.5% (2015: 0.5%)	16,527	14,077	-	12,727
<b>USD</b>				
- increased by 0.5% (2015: 0.5%)	(2,183)	(2,756)	-	-
- decreased by 0.5% (2015: 0.5%)	2,183	2,756	-	-
	Impact on equity <sup>(1)</sup>			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>RM</b>				
- increased by 0.5% (2015: 0.5%)	15,225	17,787	-	17,787
- decreased by 0.5% (2015: 0.5%)	(15,525)	(17,787)	-	(17,787)
<b>USD</b>				
- increased by 0.5% (2015: 0.5%)	16,633	21,877	16,633	21,877
- decreased by 0.5% (2015: 0.5%)	(16,633)	(21,877)	(16,633)	(21,877)

**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/income 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.

#### (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.

## Notes to the Financial Statements - 31 December 2016

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### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (continued)

The Group has no significant concentration of credit risk as the Group's policy limits the concentration of financial exposure to any single counterparty. 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 procedures.

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. As for derivative financial instruments, the Group and the Company enter into the contracts with various reputable counterparties to minimise the credit risks. The Group and the Company consider the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's and the Company's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

#### (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 2016, the Group has unissued Sukuk of RM6.21 billion under the Unrated Sukuk Murabahah Programme, as disclosed in Note 30(d)(iii) 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 Company is able to obtain dividends from its subsidiaries which have the ability to declare dividends to the Company as and when required to meet the Company's short-term obligations.

## Notes to the Financial Statements - 31 December 2016

### 33 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:

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 2016</u>					
Payables and accruals <sup>(2)</sup>					
- principal	2,837,389	2,428,953	224,848	183,588	-
- interest <sup>(3)</sup>	40,672	21,958	12,165	6,549	-
Amounts due to related parties	14,229	14,229	-	-	-
Finance lease liabilities	13,507	11,588	1,141	778	-
Bank borrowings <sup>(2)</sup>					
- principal	3,539,732	1,088,853	-	1,450,879	1,000,000
- interest <sup>(3)</sup>	437,286	101,215	80,591	211,491	43,989
Islamic Medium Term Notes					
- nominal value	3,790,000	-	-	500,000	3,290,000
- profit <sup>(3)</sup>	1,105,553	191,360	191,360	546,919	175,914
Commodity Murabahah Term Financing					
- nominal value	2,500,000	-	-	-	2,500,000
- profit <sup>(3)</sup>	758,026	104,250	104,250	313,036	236,490
Net settled derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts) <sup>(2)(3)</sup>	(519,174)	(127,934)	13,427	(406,945)	2,278
	<b>14,517,220</b>	<b>3,834,472</b>	<b>627,782</b>	<b>2,806,295</b>	<b>7,248,671</b>

**Notes:**

<sup>(1)</sup> 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.

<sup>(2)</sup> Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

<sup>(3)</sup> Based on contractual interest rates/profit margin as at the reporting date.

## Notes to the Financial Statements - 31 December 2016

### 33 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
At 31 December 2015					
Payables and accruals <sup>(2)</sup>					
- principal	2,653,377	2,227,757	125,215	292,876	7,529
- interest <sup>(3)</sup>	41,081	15,816	11,781	13,484	-
Amounts due to fellow subsidiaries	2,212	2,212	-	-	-
Amounts due to related parties	9,283	9,283	-	-	-
Loan from a related party					
- principal	28,875	28,875	-	-	-
- interest <sup>(3)</sup>	137	137	-	-	-
Finance lease liabilities	22,259	13,875	6,463	1,921	-
Bank borrowings <sup>(2)</sup>					
- principal	4,020,727	1,063,013	563,719	429,500	1,964,495
- interest <sup>(3)</sup>	517,231	97,805	81,010	233,609	104,807
Islamic Medium Term Notes					
- nominal value	3,290,000	-	-	-	3,290,000
- profit <sup>(3)</sup>	1,228,407	168,320	167,860	504,040	388,187
Commodity Murabahah Term Financing					
- nominal value	2,500,000	-	-	-	2,500,000
- profit <sup>(3)</sup>	1,030,833	121,997	121,510	364,863	422,463
Net settled derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts) <sup>(2)(3)</sup>	(614,221)	(181,975)	(98,068)	(67,588)	(266,590)
	14,730,201	3,567,115	979,490	1,772,705	8,410,891

#### Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

<sup>(3)</sup> Based on contractual interest rates/profit margin as at the reporting date.

## Notes to the Financial Statements - 31 December 2016

### 33 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)

Company	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 2016</u>					
Payables and accruals	611	611	-	-	-
Amount due to a subsidiary	177	177	-	-	-
Bank borrowings <sup>(2)</sup>					
- principal	2,039,732	588,853	-	1,450,879	-
- interest <sup>(3)</sup>	152,914	39,354	35,992	77,568	-
Net settled derivative financial instruments (CCIRS) <sup>(2)(3)</sup>	(532,301)	(129,537)	11,117	(413,881)	-
	<b>1,661,133</b>	<b>499,458</b>	<b>47,109</b>	<b>1,114,566</b>	<b>-</b>

**Notes:**

- <sup>(1)</sup> 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.
- <sup>(2)</sup> Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.
- <sup>(3)</sup> Based on contractual interest rates as at the reporting date.

## Notes to the Financial Statements - 31 December 2016

### 33 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)

Company	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 2015</u>					
Payables and accruals	480	480	-	-	-
Amount due to a subsidiary	823	823	-	-	-
Bank borrowings <sup>(2)</sup>					
- principal	4,020,727	1,063,013	563,719	429,500	1,964,495
- interest <sup>(3)</sup>	517,231	97,805	81,010	233,609	104,807
Islamic Medium Term Notes					
- nominal value	3,290,000	-	-	-	3,290,000
- profit <sup>(3)</sup>	1,228,407	168,320	167,860	504,040	388,187
Commodity Murabahah Term Financing					
- nominal value	2,500,000	-	-	-	2,500,000
- profit <sup>(3)</sup>	1,030,833	121,997	121,510	364,863	422,463
Net settled derivative financial instruments (CCIRS and IRS) <sup>(2)(3)</sup>	(614,680)	(182,434)	(98,068)	(67,588)	(266,590)
	11,973,821	1,270,004	836,031	1,464,424	8,403,362

#### Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

<sup>(3)</sup> Based on contractual interest rates/profit margin as at the reporting date.

## Notes to the Financial Statements - 31 December 2016

### 33 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 the Company and MBSB to maintain financial covenant ratios on Group net debt to Group EBITDA and Group EBITDA to Group interest expense. These financial covenant ratios have been fully complied with by the Company and MBSB for the financial years ended 31 December 2016 and 2015, where relevant.

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 loan from a related party, 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 29 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 2016 and 2015 were as follows:

	Note	Group	
		2016 RM'000	2015 RM'000
Total interest bearing financial liabilities		<b>9,252,648</b>	9,129,563
Less: Deposits, cash and bank balances	27	<b>(682,346)</b>	(1,296,448)
Net debt		<b>8,570,302</b>	7,833,115
Total equity		<b>4,720,899</b>	4,220,516
Gearing ratio		<b>1.8</b>	1.9

## Notes to the Financial Statements - 31 December 2016

### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (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).

#### (i) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximated their fair values except as set out below measured using Level 3 valuation technique:

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<u>At 31 December 2016</u>					
Financial asset:					
Receivables, deposits and prepayments	21	82,398	74,012	-	-
Financial liability:					
Borrowings					
- finance lease liabilities	30	1,844	1,639	-	-
- Islamic Medium Term Notes	30	3,806,108	3,896,005	-	-
<u>At 31 December 2015</u>					
Financial asset:					
Receivables, deposits and prepayments	21	49,506	44,079	-	-
Financial liability:					
Borrowings					
- finance lease liabilities	30	7,980	6,731	-	-
- Islamic Medium Term Notes	30	3,325,483	3,350,007	3,325,483	3,350,007

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 and the Company.



## Notes to the Financial Statements - 31 December 2016

### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Fair value estimation (continued)

##### (ii) Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, at reporting date:

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts):					
- assets	22	<b>613,630</b>	777,324	<b>604,773</b>	777,101

The fair values of CCIRS and IRS 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 forward exchange rates as at each reporting date.

#### (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	Gross	Net	Related amounts		Net
	amounts of recognised financial assets RM'000	liabilities set-off in the statement of financial position RM'000	amounts of financial assets presented in the statement of financial position RM'000	Financial instruments RM'000	not set-off in the statement of financial position Cash collateral received RM'000	
<u>At 31 December 2016</u>						
Receivables and deposits	604,259	(47,977)	556,282	-	(27,005)	529,277
Amounts due from fellow subsidiaries	127	(68)	59	-	-	59
Amounts due from related parties	4,136	(3,557)	579	-	-	579
	<b>608,522</b>	<b>(51,602)</b>	<b>556,920</b>	<b>-</b>	<b>(27,005)</b>	<b>529,915</b>

## Notes to the Financial Statements - 31 December 2016

### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Offsetting financial assets and financial liabilities (continued)

##### (i) Financial assets (continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements. (continued)

Group	Gross	Gross	Net	Related amounts		Net
	amounts of	amounts of	amounts of	not set-off in		
	recognised	liabilities	financial	the statement of		
	financial	set-off in the	assets	financial position		
	assets	statement	presented			
	RM'000	of financial	in the	Financial	Cash	Net
		position	statement	instruments	collateral	amount
		RM'000	of financial	RM'000	received	RM'000
			position			
			RM'000			
<u>At 31 December 2015</u>						
Receivables and deposits	539,069	(146,679)	392,390	-	(35,160)	357,230
Amount due from a fellow subsidiary	111	(111)	-	-	-	-
Amounts due from related parties	48	(48)	-	-	-	-
	539,228	(146,838)	392,390	-	(35,160)	357,230
<b>Company</b>						
<u>At 31 December 2016</u>						
Amounts due from subsidiaries	9	(5)	4	-	-	4
<u>At 31 December 2015</u>						
Amounts due from subsidiaries	134	(60)	74	-	-	74

## Notes to the Financial Statements - 31 December 2016

### 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Offsetting financial assets and financial liabilities (continued)

##### (ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

Group	Gross	Gross	Net	Related amounts		Net
	amounts of	amounts of	amounts of	not set-off in		
	recognised	set-off in the	financial	the statement of		
	financial	statement	liabilities	financial position		
	liabilities	of financial	presented	Financial	Cash	Net
	RM'000	position	in the	instruments	collateral	amount
		RM'000	statement	RM'000	received	RM'000
			of financial			
			position			
			RM'000			
<u>At 31 December 2016</u>						
Payables and accruals	374,291	(47,977)	326,314	(27,005)	–	299,309
Amounts due to fellow subsidiaries	97	(68)	29	–	–	29
Amounts due to related parties	10,623	(3,557)	7,066	–	–	7,066
	<b>385,011</b>	<b>(51,602)</b>	<b>333,409</b>	<b>(27,005)</b>	<b>–</b>	<b>306,404</b>
<u>At 31 December 2015</u>						
Payables and accruals	472,158	(146,679)	325,479	(35,160)	–	290,319
Amount due to a fellow subsidiary	1,422	(111)	1,311	–	–	1,311
Amounts due to related parties	368	(48)	320	–	–	320
	473,948	(146,838)	327,110	(35,160)	–	291,950
<b>Company</b>						
<u>At 31 December 2016</u>						
Amount due to a subsidiary	182	(5)	177	–	–	177
<u>At 31 December 2015</u>						
Amount due to a subsidiary	883	(60)	823	–	–	823

## Notes to the Financial Statements - 31 December 2016

### 34 CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the financial statements as at reporting date, are as follows:

	Group	
	2016 RM'000	2015 RM'000
Contracted for	<b>258,377</b>	256,981
Not contracted for	<b>1,011,584</b>	1,190,019
	<b>1,269,961</b>	1,447,000

### 35 OPERATING LEASE COMMITMENTS

Generally, the Group leases certain network infrastructure, content rights, offices and customer service centres under operating leases. The leases run for a period of 2 to 15 years (2015: 3 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	
	2016 RM'000	2015 RM'000
Not later than one year	<b>234,339</b>	222,903
Later than one year but not later than five years	<b>661,196</b>	660,351
Later than five years	<b>159,804</b>	185,538
	<b>1,055,339</b>	1,068,792

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.

## Notes to the Financial Statements - 31 December 2016

### 36 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods and services to:								
- MEASAT Broadcast Network Systems Sdn. Bhd. <sup>(1)</sup> (telephony and broadband services)	<b>95,395</b>	79,952	<b>17,246</b>	20,671	-	-	<b>17,246</b>	20,671
- Saudi Telecom Company ("STC") <sup>(2)</sup> (roaming and international calls)	<b>11,204</b>	9,931	-	-	-	-	-	-
- MEASAT Global Berhad Group <sup>(3)</sup> (revenue share for the leasing of satellite bandwidth)	<b>5,283</b>	4,767	<b>579</b>	1,733	-	-	<b>579</b>	1,733
Purchases of goods and services from:								
- Aircel Limited Group <sup>(4)</sup> (interconnect, roaming and international calls)	<b>2,263</b>	8,894	<b>(29)</b>	(2,212)	-	-	<b>(29)</b>	(2,212)
- Tanjong City Centre Property Management Sdn. Bhd. <sup>(5)</sup> (rental, signage, parking and utility charges)	<b>31,462</b>	28,459	<b>2,318</b>	(767)	<b>(212,452)</b>	(234,377)	<b>(210,134)</b>	(235,144)
- MEASAT Global Berhad Group <sup>(3)</sup> (transponder and teleport lease rental)	<b>45,445</b>	39,720	<b>(4,614)</b>	(1,050)	<b>(13,356)</b>	(9,958)	<b>(17,970)</b>	(11,008)
- MEASAT Broadcast Network Systems Sdn. Bhd. <sup>(1)</sup> (mobile TV and IPTV contents)	<b>860</b>	5,541	-	(12)	-	-	-	(12)

## Notes to the Financial Statements - 31 December 2016

### 36 RELATED PARTIES (CONTINUED)

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchases of goods and services from: (continued)								
- UTSB Management Sdn. Bhd. <sup>(5)</sup> (corporate management services)	<b>25,375</b>	25,000	<b>(6,605)</b>	(2,083)	<b>(72,875)</b>	(18,750)	<b>(79,480)</b>	(20,833)
- SRG Asia Pacific Sdn. Bhd. <sup>(6)</sup> (call handling and telemarketing services)	<b>14,646</b>	15,899	<b>(2,235)</b>	(934)	-	-	<b>(2,235)</b>	(934)
- MMTSB and/or its related corporations <sup>(1)</sup> (goods and services)	-	-	-	-	<b>(3,000)</b>	-	<b>(3,000)</b>	-
Acquisition of equity interest:								
- MMTSB <sup>(1)</sup> (25% of equity interest in AWTSB)	<b>15,833</b>	-	-	-	-	-	-	-

#### 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 Company shares in which UTSB has an interest, it does not have any economic or beneficial interest over the Company shares, 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> A major shareholder of BGSM, as described above

<sup>(3)</sup> Subsidiary of a company in which TAK has a 99.999% direct equity interest

<sup>(4)</sup> Subsidiary of BGSM

<sup>(5)</sup> Subsidiary of UTSB

<sup>(6)</sup> Subsidiary of a company whereby a person connected to TAK has a deemed equity interest

## Notes to the Financial Statements - 31 December 2016

### 36 RELATED PARTIES (CONTINUED)

	Company	
	2016 RM'000	2015 RM'000
Management fees charged by subsidiaries	5,028	11,619
Payment on behalf of operating expenses for subsidiaries	51	185

### 37 CONTINGENT LIABILITIES

In the normal course of business, there are contingent liabilities arising from legal recourse sought by the Group's and the Company's customers or vendors, indemnities given to financial institutions on bank guarantees and claims from the authorities. There were no material losses anticipated as a result of these transactions.

### 38 ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 27 December 2016, the Company signed a Share Purchase Agreement with MMTSB to acquire the remaining 25% equity interest, comprising 833,334 ordinary shares of RM1 each in AWTSB for a purchase consideration of RM15,833,334 ("AWTSB Shares"). The acquisition was completed on 30 December 2016. Consequently, AWTSB became a wholly-owned subsidiary of the Company. As part of the share purchase agreement of the AWTSB Shares, the Company and/or its related corporations will also purchase goods and services amounting to RM3,000,000 in value from MMTSB and/or its related corporations.

### 39 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 1 April 2016, the Group completed an internal reorganisation where the businesses and undertakings including relevant assets and liabilities of the Company's wholly-owned subsidiaries, namely Maxis Collections Sdn. Bhd., Maxis International Sdn. Bhd., Maxis Mobile Sdn. Bhd. and MMSSB, were consolidated and integrated under MBSB.

This internal reorganisation is another important step of the Group's transformation. The objective is to deliver operational efficiency and provide the Group with greater operational agility and flexibility to respond quickly in a fast evolving telecommunications market.

- (b) On 31 October 2016, the Group accepted the letters of offer from MCMC for the SA of 2 x 10 of 900MHz and 2 x 20 of 1800MHz for a lump sum full settlement fee of RM816,750,000. The fee has been funded mainly through external borrowings.

### 40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 8 February 2017.