

# Directors' Report

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

## PRINCIPAL ACTIVITIES

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

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

## FINANCIAL RESULTS

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

## DIVIDENDS

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

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

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

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

## Directors' Report

### RESERVES AND PROVISIONS

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

### SHARE CAPITAL

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

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

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

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

#### (a) ESOS

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

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

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

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

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

## Directors' Report

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

#### (b) LTIP

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

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

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

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

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

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

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

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

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

#### Note:

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

## Directors' Report

### DIRECTORS

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

#### Non-Executive Directors

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

#### Executive Director

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

### LIST OF DIRECTORS OF SUBSIDIARIES

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

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

### DIRECTORS' REMUNERATION AND BENEFITS

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

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

## Directors' Report

### DIRECTORS' INTERESTS

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

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

#### Notes:

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

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

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

### INDEMNITY AND INSURANCE COSTS

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

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

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

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

## Directors' Report

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

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

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

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

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

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

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

In the opinion of the Directors:

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

### SUBSIDIARIES

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

**Directors’  
Report**

**AUDITORS**

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

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

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

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

Kuala Lumpur

**ROBERT ALAN NASON**  
DIRECTOR

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# Statements of Profit or Loss

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

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

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



# Statements of Comprehensive Income

for the Financial Year Ended 31 December 2018

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

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# Statements of Financial Position

as at 31 December 2018

FINANCIAL STATEMENTS

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

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

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

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

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

# Statements of Changes in Equity

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

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

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

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

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

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

## Statements of Changes in Equity

for the Financial Year Ended 31 December 2018

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

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

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

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

# Statements of Cash Flows

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

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

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



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

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

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

## Statements of Cash Flows

for the Financial Year Ended 31 December 2018

FINANCIAL STATEMENTS

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

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

# Notes to the Financial Statements

31 December 2018

## 1 GENERAL INFORMATION

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

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

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

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

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

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

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

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

## 2 BASIS OF PREPARATION

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

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

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

## Notes to the Financial Statements

### 2 BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

### 2 BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of consolidation

##### (i) *Subsidiaries*

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

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

## Notes to the Financial Statements

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

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

#### (b) Foreign currencies

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

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

## Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

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

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

Capital work-in-progress and capital inventories comprise mainly telecommunications equipment, information technology system and renovations. They are reclassified to the respective categories of property, plant and equipment and depreciated when they are ready for their intended use.

Residual values and useful lives are reassessed and adjusted, if appropriate, at each reporting date.

At each reporting date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of profit or loss.

#### (d) Intangible assets

The Group acquires intangible assets either as part of a business combination or through separate acquisition. Intangible assets acquired in a business combination are recorded at their fair value at the date of acquisition and recognised separately from goodwill. On initial acquisition, management judgment is applied to determine the appropriate allocation of purchase consideration to the assets being acquired, including goodwill and identifiable intangible assets.

##### (i) Spectrum rights

The Group's spectrum rights consist of telecommunications licences with allocated spectrum rights which were acquired as part of a business combination and other spectrum rights.

Spectrum rights with fixed term are considered to have indefinite useful lives if they can be renewed indefinitely without significant costs in comparison to the expected future economic benefits and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the Group. Spectrum rights that are considered to have an indefinite economic useful life are not amortised but tested for impairment on an annual basis, and where an indication of impairment exists. Costs to renew such spectrum rights upon the expiry of their licence periods are charged to the statement of profit or loss during the licence periods.

Spectrum rights that are considered to have a finite life are amortised on a straight-line basis over the period of expected benefit and assessed at each reporting date for any indication of impairment.

See accounting policy Note 3(g) on impairment of non-financial assets.

The estimated useful lives of the spectrum rights of the Group are as follows:

Telecommunications licences with allocated spectrum rights	Indefinite life
Other spectrum rights	4 years

Management assesses the indefinite economic useful life assumption applied to the acquired intangible assets annually.



## Notes to the Financial Statements

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

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

##### (ii) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregation of the consideration transferred for purchase of subsidiaries or businesses, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is recognised immediately in the statement of profit or loss.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. See accounting policy Note 3(g) on impairment of non-financial assets. Each CGU or a group of CGUs represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which is expected to benefit from the synergies of the combination.

#### (e) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses plus the fair value of share options, share grants and shares acquired, over the Company's equity instruments for employees (including full-time executive directors) of the subsidiaries during the vesting period, deemed as capital contribution. See accounting policy Note 3(v)(iv) on share-based compensation benefits. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g) on impairment of non-financial assets.

#### (f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

#### Financial assets

##### *Accounting policies applied from 1 January 2018*

##### (i) Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

## Notes to the Financial Statements

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

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

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

##### (i) Classification (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating expenses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

## Notes to the Financial Statements

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

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

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

##### (iii) Measurement (continued)

- FVOCI:

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating expenses and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other operating expenses in the period in which it arises.

##### *Equity instruments*

The Group and the Company subsequently measure all equity instruments at fair value. Where the Group's and the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised other operating expenses in the statement of profit or loss as applicable.

##### (iv) Subsequent measurement – Impairment

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has five types of financial instruments that are subject to the ECL model:

- Trade receivables
- Finance lease receivables
- Contract assets
- Other receivables and deposits
- Amounts due from related parties

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

## Notes to the Financial Statements

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

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

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

#### (iv) Subsequent measurement – Impairment (continued)

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### (a) General 3-stage approach for other receivables, deposits and loans to subsidiaries

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

#### (b) Simplified approach for trade receivables, finance lease receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, finance lease receivables and contract assets.

#### Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

#### Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, when counterparty fails to make contractual payment more than 150 days after they fall due and the debtor is insolvent or has significant financial difficulties.

Financial instruments that are credit-impaired are assessed on individual basis.

## Notes to the Financial Statements

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

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

##### Financial assets (continued)

##### *Accounting policies applied from 1 January 2018 (continued)*

#### (iv) Subsequent measurement – Impairment (continued)

##### Definition of default and credit-impaired financial assets (continued)

For certain categories of financial assets, such as trade receivables, finance lease receivables and contract assets, balances that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

##### Groupings of instruments for ECL measured on collective basis

#### (a) Collective assessment

To measure ECL, trade receivables, finance lease receivables and contract assets have been grouped based on shared credit risk characteristics of customer's behaviour and the days past due. The contract assets relate to unbilled amounts and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

#### (b) Individual assessment

Trade receivables, finance lease receivables, contract assets, other receivables and deposits, that are in default or credit-impaired are assessed individually.

##### Write-off

#### (a) Trade receivables, finance lease receivables and contract assets

Trade receivables, finance lease receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables, finance lease receivables and contract assets are presented within 'Impairment of receivables and deposits, net' in the statements of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item in the statements of profit or loss.

#### (b) Other receivables and deposits

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. These are presented as net impairment losses within 'Impairment of receivables and deposits, net' in the statements of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

## Notes to the Financial Statements

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

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

##### Financial assets (continued)

##### *Accounting policies applied until 31 December 2017*

##### (i) Classification

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

The Group and the Company did not hold any financial assets carried at fair value through profit or loss (except for derivative financial instruments) and held-to-maturity. See accounting policy Note 3(h) on derivative financial instruments and hedging activities.

Financial assets were classified as current assets; except for maturities greater than 12 months after the reporting date, in which case they were classified as non-current assets.

##### (ii) Measurement

##### Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Financial assets in this category were initially recognised at fair value plus transaction costs that were directly attributable to the acquisition of the financial asset and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these assets were recognised in the statement of profit or loss.

The Group's and the Company's loans and receivables comprised receivables (including inter-companies and related parties' balances), deposits, cash and bank balances in the statement of financial position.

##### Available-for-sale

Available-for-sale financial assets are non-derivatives that were either designated in this category or not classified in any of the other categories. Financial assets in this category were initially recognised at fair value plus transaction costs that were directly attributable to the acquisition of the financial asset and subsequently, at fair value. Any gains or losses from changes in fair value of the financial assets were recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments, interest and dividends were recognised in the statement of profit or loss. The cumulative gain or loss previously recognised in other comprehensive income was reclassified from equity to the statement of profit or loss as a reclassification adjustment when the financial asset was derecognised.

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

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

## Notes to the Financial Statements

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

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

##### Financial assets (continued)

##### *Accounting policies applied until 31 December 2017 (continued)*

##### (iii) Recognition and derecognition

Financial assets were recognised when the Group and the Company became party to the contractual provisions of the instrument.

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

##### (iv) Impairment

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

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

Financial assets were continuously monitored and allowances applied against financial assets consist of both specific impairments and collective impairments based on the Group's and the Company's historical loss experiences for the relevant aged category and taking into account general economic conditions. Historical loss experience allowances were calculated by line of business in order to reflect the specific nature of the financial assets relevant to that line of business.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was recognised in the statement of profit or loss.

##### *Financial assets classified as available-for-sale*

Significant or prolonged decline in fair value below cost and significant financial difficulties of the issuer or obligor were considerations to determine whether there was objective evidence that investment securities classified as available-for-sale financial assets were impaired. If an available-for-sale financial asset was impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, was reclassified from equity to the statement of profit or loss. Impairment losses in the statement of profit or loss on available-for-sale equity investments were not reversed through the statement of profit or loss in the subsequent period. Increase in fair value, if any, subsequent to impairment loss was recognised in other comprehensive income.

##### Financial liabilities

##### (i) Classification and measurement

The Group and the Company classify their financial liabilities in the following categories: at fair value through profit or loss, other financial liabilities and financial guarantee contracts. Management determines the classification of financial liabilities at initial recognition.

## Notes to the Financial Statements

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

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

##### Financial liabilities (continued)

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

The Group and the Company do not hold any financial liabilities carried at fair value through profit or loss (except for derivative financial instruments) and financial guarantee contracts. See accounting policy Note 3(h) on derivative financial instruments and hedging activities.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial liability and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the statement of profit or loss.

The Group's and the Company's other financial liabilities comprise payables (including inter-companies and related parties' balances) and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

##### (ii) Recognition and derecognition

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

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

##### Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

#### (g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite economic useful life are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets ("CGUs"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Any impairment loss is charged to the statement of profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statement of profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.



## Notes to the Financial Statements

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

#### (h) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date.

A derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative that does not qualify for hedge accounting are classified as “held for trading” and accounted for at fair value through profit and loss. Changes in fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

Derivatives that qualify for hedge accounting are designated as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) Hedges of a net investment in a foreign operation (net investment hedge).

Following the adoption of MFRS 9, the Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Prior to 1 January 2018, the Group documented at the inception of the transaction, the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions had been, and would continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 21. Movements on the hedging reserve in shareholders' equity are shown in Note 31(d). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedged transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to the statement of profit or loss.

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

## Notes to the Financial Statements

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

#### (i) Fair value estimates

The fair value of the financial assets, financial liabilities and derivative financial instruments is estimated for recognition and measurement or for disclosure purposes.

In assessing the fair value of financial instruments, the Group makes certain assumptions and applies the estimated discounted value of future cash flows to determine the fair value of financial instruments. The fair values of financial assets and financial liabilities are estimated by discounting future cash flows at the current interest rate available to the respective companies.

The face values for financial assets and financial liabilities with a maturity of less than one year are assumed to be approximately equal to their fair values.

For derivative financial instruments that are measured at fair value, the fair values are determined using a valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair values of cross currency interest rate and interest rate swaps are calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using the forward exchange rates as at each reporting date.

#### (j) Inventories

Inventories, which comprise telecommunications components, incidentals and devices, are stated at the lower of cost and net realisable value. Cost includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition, and is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less loss allowance. See Note 3(f)(iv) for the impairment policy on receivables.

#### (l) Finance lease receivables

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

#### (m) Loans to subsidiaries

Loans to subsidiaries are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

## Notes to the Financial Statements

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

#### (m) Loans to subsidiaries (continued)

Loans to subsidiaries are subsequently measured at amortised cost using the effective interest rate method, less loss allowance. See Note 3(f)(iv) for the impairment policy on receivables.

#### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents are presented net of deposits with maturity more than three months.

#### (o) Share capital

##### (i) Classification

Ordinary shares and redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

##### (ii) Share issue costs

External costs directly attributable to the issue of new shares are deducted, net of tax, against proceeds and shown in equity.

##### (iii) Dividends to shareholders of the Company

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Directors except for the final dividend which is subject to approval by the Company's shareholders.

#### (p) Payables

Payables, including accruals, represent liabilities for goods received and services rendered to the Group and the Company prior to the end of the financial year and which remain unpaid. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties. Payables are subsequently measured at amortised cost using the effective interest method.

#### (q) Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets. Other borrowing costs are recognised as an expense in the statement of profit or loss when incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

## Notes to the Financial Statements

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

#### (q) Borrowings (continued)

Interest expense, redeemable preference shares dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance costs in the statement of profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss within finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### (i) *Borrowings in a designated hedging relationship*

Borrowings subject to cash flow hedges are recognised initially at fair value based on the applicable spot price plus any transaction costs that are directly attributable to the issue of borrowing. These borrowings are subsequently carried at amortised costs, translated at applicable spot exchange rate at reporting date. Any difference between the final amount paid to discharge the borrowing and the initial proceeds is recognised in the statement of profit or loss over the borrowing period using the effective interest method.

Currency gains or losses on the borrowings are recognised in the statement of profit or loss, along with the associated gains or losses on the hedging instrument, which have been reclassified from the cash flow hedging reserve to the statement of profit or loss.

#### (ii) *Borrowings not in a designated hedging relationship*

Borrowings not in a designated hedging relationship are initially recognised at fair value plus transaction costs that are directly attributable to the issue of borrowing. These borrowings are subsequently carried at amortised costs. Any difference between the final amount paid to discharge the borrowing and the initial proceeds is recognised in the statement of profit or loss over the borrowing period using the effective interest method.

#### (r) Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### (i) *Site rectification and decommissioning works*

Provision for site rectification works is based on management's best estimate and the past trend of costs for rectification works to be carried out to fulfil new regulatory guidelines and requirements imposed after network cell sites were built.

Provision for decommissioning works is the estimated costs of dismantling and removing the structures on identified sites and restoring these sites. This obligation is incurred either when the items are installed or as a consequence of having used the items during a particular period.

## Notes to the Financial Statements

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

#### (r) Provisions for liabilities and charges (continued)

##### (i) *Site rectification and decommissioning works (continued)*

The provision has been estimated based on the current conditions of the sites, at the estimated costs to be incurred upon the expiry of lease terms and discounted at the discount rates that reflect current market assessment of the time value of money and the risk specific to the provision.

##### (ii) *Staff incentive scheme*

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

#### (s) Income taxes

The tax expenses for the period comprise current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, and real property gains taxes payable on disposal of properties.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, investment tax allowance or unused tax losses can be utilised.

Deferred tax liability is recognised for all taxable temporary differences arising on investments in subsidiaries except for deferred tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority or either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

## Notes to the Financial Statements

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

#### (t) Finance leases and hire purchase agreements

Leases and hire purchases of assets where the Group assumes substantially all benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets acquired under finance leases or hire purchase agreements are depreciated or amortised over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

#### (u) Operating leases

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the lease period.

#### (v) Employee benefits

##### (i) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (ii) Post-employment benefits

###### Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis, and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are charged to the statement of profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. The Group recognises a provision when an employee has provided services in exchange for employee benefits to be paid in the future. When contributions to a defined contribution plan are not expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service, they shall be discounted to present value.

## Notes to the Financial Statements

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

#### (v) Employee benefits (continued)

##### *(iii) Other long-term employee benefits*

The liabilities for deferred remuneration are not expected to be settled wholly within 12 months after the end of the reporting period in which the employee services are provided. When the level of benefit depends on the length of service, an obligation arises when the service is rendered. Measurement of that obligation reflects the probability that payment will be required and the length of time for which payment is expected to be made.

The obligations are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

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

The Group and the Company operate equity-settled, share-based compensation plans for eligible employees (including full-time executive directors) of the Group and of the Company, pursuant to the Employee Share Option Scheme ("ESOS"), Long-term Incentive Plan ("LTIP") and incentive arrangement. Where the Group and the Company pay for services of employees using the share options and shares, the fair value of the share options, share grants and shares acquired in exchange for the services of the employees are recognised as an employee benefit expense in the statement of profit or loss over the vesting periods, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and shares at grant date and the number of share options and shares to be vested by the vesting date. At each reporting date, the Group and the Company revise their estimates of the number of share options and shares that are expected to be vested by the vesting date. Any revision of this estimate is included in the statement of profit or loss and with the corresponding adjustment in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

The fair value of share options is measured using a modified Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on maturity of the share options), expected dividends and the risk-free interest rate (based on data from recognised financial information sources). The fair value of share grants and shares acquired for employees for nil consideration under the LTIP and incentive arrangement respectively, are measured using the observable market price of the shares at the grant date.

Non-market vesting conditions attached to the transactions are not taken into account in determining fair value. Non-market vesting and service conditions are included in assumptions about the number of options or shares that are expected to vest.

When share options or share grants are exercised, the proceeds received, if any, from the exercise of the share options or share grants together with the corresponding share-based payments reserve, net of any directly attributable transaction costs are transferred to equity. If the share options or share grants expire or lapse, the corresponding share-based payments reserve attributable to the share options or share grants are transferred to retained earnings.

When share options or share grants are forfeited due to failure by the employee to satisfy the service and/or performance conditions, any expenses previously recognised in relation to such share options or share grants are reversed effective on the date of the forfeiture.

## Notes to the Financial Statements

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

#### (v) Employee benefits (continued)

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

When shares of the Company are acquired from the open market at market price using cash incentive payable to employees, the transactions are recorded in share-based payments reserve.

In the separate financial statements of the Company, the share options, share grants and shares acquired, over the Company's equity instruments for the employees of subsidiary undertakings in the Group, are treated as a capital contribution. The fair value of the share options, share grants and shares acquired for employees of the subsidiary in exchange for the services of employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity.

#### (w) Revenue recognition for contract with customers

##### (i) *Telecommunications revenue*

The Group principally generates revenue from providing telecommunication services, such as access to the network, airtime usage, messaging, internet services, as well as from sales of products. Products and services may be sold separately or in bundled packages. The typical length of a contract for bundled packages is 12 months to 24 months.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation by transferring control over a promised product or service to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their Relative Stand-alone Selling Prices ("RSSP"). The RSSP are determined based on the published selling prices used by the Group on the sale of products and telecommunication services. For items that are not sold separately by the Group such as certain mobile device models and data passes, the Group estimates the RSSP using the adjusted market assessment approach.

The Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.



## Notes to the Financial Statements

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

#### (w) Revenue recognition for contract with customers (continued)

##### (i) Telecommunications revenue (continued)

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Telecommunication services	<p>Telecommunication services may include plans which provide a series of promised services including voice, data, text, digital and other converged telecommunication services. As the services are separately identifiable and the customers can benefit from each of the services on its own, each service is accounted for as a separate performance obligation. Telecommunication services are generally billed and paid on a monthly basis ("post-paid") in arrears or mobile services which are paid in advance ("pre-paid").</p> <p>The Group recognises telecommunication services revenue when services are rendered. For post-paid usage-based plans, revenue is recognised when the customers use the services and is measured at the consideration specified in the contract.</p> <p>Fixed fee post-paid service plans may include services which provide customers with limited and unlimited usage for the respective services within the plan. For services with unlimited usage, revenue is recognised proportionately over the fixed fee billing period based on the consideration allocated for the service. For services with limited usage, revenue is recognised when the customer utilises their entitled usage and is measured based on the consideration allocated for the service. Services with limited usage can be utilised up to the end of the fixed fee period. At the end of the fixed fee period, the remaining consideration allocated for the service which has not been utilised is recognised as revenue in full.</p> <p>The consideration specified in the contract is adjusted for expected discounts and rebates for contracts which offer discounted rates when certain volume commitments are met, to the extent that it is highly probable that a significant reversal will not occur. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. As the amount billed to customer is higher than the transaction price, a contract liability is recognised.</p> <p>Starter packs with a sim card and preloaded credit is accounted for as a single performance obligation as the sim card can only be used together with the services provided by the Group. Prepaid credits are recognised as contract liability in the statement of financial position. Revenue is recognised when the credits are utilised or up to the point of customer churn or upon expiry, whichever is earlier.</p>

## Notes to the Financial Statements

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

#### (w) Revenue recognition for contract with customers (continued)

##### (i) Telecommunications revenue (continued)

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Devices	<p>Devices may be sold separately or in bundled packages. The Group recognises revenue when control of the device has transferred to the customer upon delivery and acceptance of the device at the point of sale.</p> <p>For devices sold separately, the consideration is received in full at the point of sale. The amount of revenue recognised is measured at the consideration specified in the contract.</p> <p>Devices that the Group promises to transfer as part of a bundled package with mobile telecommunication services are considered distinct and thus accounted for as a separate performance obligation. For devices sold in such bundled packages, the consideration is either received upfront or in equal monthly installments over a period of 12 months to 24 months. The amount of revenue recognised for devices sold in bundled packages is measured at the allocated consideration based on the RSSP as explained previously. Where consideration is received in installment payments, the consideration is adjusted for the effects of the time value of money as the contract contains a significant financing component.</p> <p>A contract asset is recognised when the Group delivers the devices before the payment is due. If the payment happens before the delivery of device then a contract liability is recognised. Contract assets and contract liabilities are presented within receivables and payables respectively in the statement of financial position.</p> <p>Devices that are transferred as part of a fixed line telecommunication services bundled package which can only be used together with the services provided by the Group, are considered as a single performance obligation in telecommunications service revenue.</p> <p>The contract for sale of devices does not give the customers a right of return nor responsibilities within the ambit of device manufacturer's warranty.</p> <p>When another party is involved in providing devices to a customer, the Group is a principal in such arrangements when it controls the devices before they are transferred to the customers. As the principal, the Group recognises as revenue on the gross consideration allocated to the devices with the corresponding direct costs of satisfying the contract.</p>
Customer loyalty programme	<p>The Group operates a loyalty programme which may provide the customers a material right to acquire future products and services from the Group or selected partner vendors of the Group for free or at a discount.</p> <p>Where there is a material right to the customer, a portion of the consideration specified in the contract is allocated to the material right on a RSSP basis. The consideration allocated is recognised as a contract liability. Revenue is only recognised when the material rights such as free goods or discounts are redeemed or expired.</p>

## Notes to the Financial Statements

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

#### (w) Revenue recognition for contract with customers (continued)

##### (ii) *Contract assets*

Contract assets are the right to consideration in exchange for goods or services that the Group has transferred to a customer when the right is conditioned on something other than the passage of time. A contract asset is different from trade receivable. Contract assets are presented within "Receivables, deposits, and prepayments" of the statement of financial position.

##### (iii) *Contract liabilities*

Contract liability is the unsatisfied obligation by the Group to transfer goods or services to customer for which the Group has received the consideration in advance or has billed the customer. Contract liabilities are presented within payables and accruals of the statement of financial position.

##### (iv) *Dividend income*

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

##### (v) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

#### (x) Incremental costs incurred to obtain or fulfil a contract

The Group capitalises sales commissions as costs to obtain a contract as these are incremental costs that would not have been incurred by the Group if the respective contracts had not been obtained. The Group expects to recover these costs in the future through telecommunication services revenue earned from the customer. These are amortised consistently over the term of the specific contract to which the cost relate to.

Where the costs incurred to obtain a contract are in respect of contracts with amortisation period of less than one year, these are recognised as an expense when incurred in line with the practical expedient elected by the Group.

Amortisation of incremental costs incurred to obtain or fulfil a contract is presented within traffic, commissions and other direct costs within the statement of profit or loss.

An impairment loss is recognised to profit or loss to the extent that the carrying amount of the contract cost asset recognised exceeds the remaining amount of considerations that the Group expects to receive for the specific contract that the cost relate to less additional costs required to complete the specific contract.

#### (y) Government grants

As a Universal Service Provider, the Group is entitled to claim certain qualified expenses from the relevant authorities in relation to Universal Service Provider projects. The claim qualifies as a government grant and is recognised at its fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are recognised as income in the statement of profit or loss to match them with the expenses they are intended to compensate in the period they are incurred.

## Notes to the Financial Statements

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

#### (y) Government grants (continued)

Government grants relating to the purchase of assets are included in payables and accruals as government grant and are credited to the statement of profit or loss as income on a straight-line basis over the expected useful lives of the related assets.

#### (z) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

#### (aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers comprising the Chief Executive Officer and the Chief Financial Officer. The chief operating decision-makers are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### (a) Intangible assets

The telecommunications licences with allocated spectrum rights are not subject to amortisation and are tested annually for impairment as the Directors are of the opinion that although the licences are issued for a fixed period, they can be renewed in perpetuity, at negligible cost in comparison to the expected future economic benefits that the rights can generate.

The estimated useful life reflects the Group's expectation of the period over which the Group will continue to recover benefits from the licence.

The useful life is periodically reviewed, taking into consideration such factors as changes in technology and the regulatory environment. See Note 16 to the financial statements for the key assumptions on the impairment assessment of intangible assets.

## Notes to the Financial Statements

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

#### (b) Investments in subsidiaries

During the year, the net asset position of an investment in a subsidiary was lower than the carrying amount of the investment. Thus, the Company performed an impairment assessment on the carrying amount of its investment against its recoverable amount which was determined based on value-in-use calculations as disclosed in Note 16 to the financial statements. No impairment charge was recognised as the recoverable amount exceeded its carrying amount.

The key assumptions used in the value-in-use calculations are most likely to be sensitive to changes in terminal growth rate and discount rates in the projection period. Based on the sensitivity analysis performed, the Directors have concluded that an increase in discount rate by 0.03% or a decrease of terminal growth rate by 0.04% would cause the carrying amount of its investments to equal its recoverable amount.

#### (c) Estimated useful lives and impairment assessment of property, plant and equipment

The Group reviews annually the estimated useful lives and assesses for indicators of impairment of property, plant and equipment based on factors such as business plans and strategies, historical sector and industry trends, general market and economic conditions, expected level of usage, future technological developments and other available information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any impairment or reduction in the estimated useful lives of property, plant and equipment would increase charges to the statement of profit or loss and decrease their carrying value. See Note 15 to the financial statements for the impact of the changes in the estimated useful lives.

#### (d) Provisions for liabilities and charges

The Group recognises provisions for liabilities and charges when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provision requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Group's current best estimate. See Note 27 to the financial statements for the impact on changes in estimates.

#### (e) Revenue recognition for contracts with customers

##### Identification of performance obligation

Certain contracts with customers are bundled packages that may include sale of products and telecommunication services that comprise voice, data and other converged telecommunication service. The Group accounts for individual products and services separately as separate performance obligations if they are distinct promised goods and services, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it separately. The Group exercise judgments to identify if products and services within the bundled package are distinct as a separate promised products and services. This determination will affect the allocation of consideration specified in the contract and the revenue recognised for each performance obligation.

##### Principal versus agent

The Group is a principal for sale of device as the Group controls the device before it is transferred to the customer. In making such assessment, the Group takes into consideration both the legal form of the contract with its customer and supplier. Revenue from sale of device is recognised on a gross basis and payment to the supplier for device cost is recorded as a direct cost.

## Notes to the Financial Statements

### 5 SEGMENT REPORTING

Segment reporting is not presented as the Group is primarily engaged in providing integrated telecommunication services in Malaysia, whereby the measurement of profit or loss including EBITDA<sup>(1)</sup> that is used by the chief operating decision-makers is on a Group basis.

The Group's operations are mainly in Malaysia. In determining the geographical segments of the Group, revenues are based on the country in which the customer or international operator is located. Non-current assets by geographical segments are not disclosed as all operations of the Group are based in Malaysia.

	Group	
	2018 RM'000	2017 RM'000 (Restated)
Malaysia	9,008,902	9,220,500
Other countries <sup>(2)</sup>	183,534	198,790
Total revenue	9,192,436	9,419,290
EBITDA <sup>(1)</sup>	3,799,307	4,308,502

#### Notes:

- <sup>(1)</sup> Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.
- <sup>(2)</sup> Represents revenue from roaming partners and hubbing revenue.

### 6 REVENUE

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Revenue comprises the following:					
Revenue from contracts with customers	(a)	9,192,436	9,419,290	-	-
Dividend income from subsidiaries		-	-	217,800	1,220,000
		9,192,436	9,419,290	217,800	1,220,000

## Notes to the Financial Statements

### 6 REVENUE (CONTINUED)

#### (a) Revenue from contracts with customers:

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
(i) Disaggregation of revenue from contracts with customers:				
- telecommunications services:				
- postpaid	4,071,868	3,872,923	-	-
- prepaid	3,398,660	3,838,132	-	-
- others	686,595	653,658	-	-
	<b>8,157,123</b>	8,364,713		
- sale of devices	1,035,313	1,054,577	-	-
	<b>9,192,436</b>	9,419,290		
(ii) Timing of revenue recognition:				
- at a point in time	3,703,441	4,148,874	-	-
- over time	5,488,995	5,270,416	-	-
	<b>9,192,436</b>	9,419,290	-	-

#### (b) Contract assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

	Note	31.12.2018	31.12.2017	1.1.2017
		RM'000	RM'000 (Restated)	RM'000 (Restated)
Contract assets	(i)	568,739	498,063	480,279
Contract cost assets	(ii)	120,308	80,442	59,350
Total contract assets		<b>689,047</b>	578,505	539,629
Contract liabilities	(i), (iii)	<b>383,894</b>	403,548	435,802

## Notes to the Financial Statements

### 6 REVENUE (CONTINUED)

#### (b) Contract assets and liabilities related to contracts with customers (continued)

##### (i) Significant changes in contract assets and liabilities

	Group	
	2018 RM'000	2017 RM'000 (Restated)
<b>Contract assets</b>		
Balance at the beginning of year	498,063	480,279
Transfer to receivables	(802,671)	(739,816)
Additions due to revenue recognised during the year	887,098	760,610
Net increase during the year	84,427	20,794
Balance at the end of the year	582,490	501,073
Less: Allowance for impairment	(13,751)	(3,010)
	<b>568,739</b>	498,063
<b>Contract liabilities</b>		
Balance at the beginning of year	403,548	435,802
Revenue recognised that was included in the contract liability balance at the beginning of the year	(402,775)	(435,770)
Increases due to cash received, excluding amounts recognised as revenue during the year	383,121	403,516
Balance at the end of the year	<b>383,894</b>	403,548

##### (ii) Asset recognised from costs to obtain or fulfil a contract

The Group capitalises costs to obtain or fulfil a contract which include sales commissions when they are incremental and expected to be recovered over more than a year. The amount capitalised during the financial year was RM140,768,000 (2017: RM89,048,000).

These costs are amortised consistently with the transfer of the good or service to the customer. The amortisation recognised during the financial year was RM100,902,000 (2017: RM67,956,000).



## Notes to the Financial Statements

### 6 REVENUE (CONTINUED)

#### (b) Contract assets and liabilities related to contracts with customers (continued)

##### (iii) Unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the next financial year in relation to performance obligations that are unsatisfied as at the reporting date.

	Group	
	2018 RM'000	2017 RM'000
Telecommunication services	1,710,839	*

\* As permitted under the transitional provision of MFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2017 is not disclosed.

Management expects that approximately all of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 will be recognised as revenue in financial year 2019 and 2020.

### 7 STAFF AND RESOURCE COSTS

	Group	
	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	456,000	425,334
Defined contribution plan	53,206	48,207
Other short-term employee benefits	78,188	58,924
Other long-term employee benefits	470	1,966
ESOS, LTIP and incentive arrangement	18,362	41,667
	<b>606,226</b>	576,098

Staff and resource costs include the following:

- (a) Director's salaries, other short-term employee benefits and incentive arrangement as disclosed in Note 8(a); and
- (b) Key management personnel salaries and other short-term employee benefits, defined contribution plan and share-based payments as disclosed in Note 8(b).

## Notes to the Financial Statements

### 8 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### (a) Directors' remuneration

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-Executive Directors</b>				
Fees	2,848	3,180	2,848	3,180
Estimated monetary value of benefits-in-kind	51	51	51	51
	<b>2,899</b>	3,231	<b>2,899</b>	3,231
<b>Executive Director</b>				
Salaries, other short-term employee benefits and incentive arrangement	26,890	31,333	-	-
Estimated monetary value of benefits-in-kind	296	470	-	-
	<b>27,186</b>	31,803	-	-
<b>Total Directors' remuneration</b>	<b>30,085</b>	35,034	<b>2,899</b>	3,231

#### (b) Key management personnel remuneration

Key management personnel comprise persons including Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

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

	Group	
	2018 RM'000	2017 RM'000
Salaries and other short-term employee benefits	24,504	14,140
Defined contribution plan	1,395	1,601
Share-based payments	7,186	12,755
Estimated monetary value of benefits-in-kind	307	70
	<b>33,392</b>	28,566

Total key management personnel remuneration of the Group and of the Company for the financial year is RM63,477,000 (2017: RM63,600,000) and RM2,899,000 (2017: RM3,231,000) respectively.

## Notes to the Financial Statements

### 9 DEPRECIATION AND AMORTISATION

	Note	Group	
		2018 RM'000	2017 RM'000 (Restated)
Depreciation of property, plant and equipment	15	1,067,700	1,020,955
Amortisation of intangible assets	16	-	12,484
		<b>1,067,700</b>	<b>1,033,439</b>

### 10 FINANCE INCOME AND COSTS

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
<b>(a) Finance income</b>					
Interest income on:					
- deposits with licensed banks		24,629	36,341	2,486	13,319
- loans due from subsidiaries		-	-	4,774	8,007
- receivables		20,146	24,641	-	-
		<b>44,775</b>	<b>60,982</b>	<b>7,260</b>	<b>21,326</b>
<b>(b) Finance costs</b>					
Accretion of site rectification and decommissioning works costs and changes in costs estimate on provision (net)	27	6,994	5,000	-	-
Loss/(gain) from cross currency interest rate swap ("CCIRS") and interest rate swap ("IRS") settlements		-	274	-	(7,615)
Interest expense on:					
- borrowings		360,761	412,885	-	34,883
- deferred payment creditors		21,251	26,518	-	-
- finance leases liabilities		57	329	-	-
- others		6	1,821	-	-
Gain on foreign exchange on bank borrowings		-	(579,532)	-	(579,532)
Net fair value loss on CCIRS and IRS: cash flow hedge, reclassified from equity	31(d)	(15)	577,737	-	577,747
		<b>389,054</b>	<b>445,032</b>	<b>-</b>	<b>25,483</b>

## Notes to the Financial Statements

### 11 PROFIT BEFORE TAX

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

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Allowance for impairment of receivables and deposits (net)	32(b)	<b>142,999</b>	115,774	-	-
Reversal of inventories obsolescence (net)		<b>(595)</b>	(12)	-	-
Amortisation of:					
- intangible assets	16	-	12,484	-	-
- contract cost assets		<b>100,902</b>	67,956	-	-
Auditors' remuneration:					
- fees for statutory audits:					
- auditors of the Group		<b>890</b>	951	<b>36</b>	30
- fees for audit related services:					
- auditors of the Group <sup>(1)</sup>		<b>587</b>	898	<b>495</b>	336
- others		<b>37</b>	48	-	-
- fees for other services:					
- member firms of PwC Malaysia <sup>(2)</sup>		<b>868</b>	1,666	<b>97</b>	21
Bad debts recovered		<b>(23,483)</b>	(21,897)	-	-
Commissions and incentives		<b>326,107</b>	320,305	-	-
Depreciation of property, plant and equipment	15	<b>1,067,700</b>	1,020,955	-	-
Device expenses		<b>1,208,709</b>	1,240,864	-	-
Fair value (gains)/losses on forward foreign exchange contracts					
- unrealised		<b>(779)</b>	2,421	-	-
- realised		<b>528</b>	11,062	-	-
Government grant		<b>(211,212)</b>	(218,511)	-	-
Inter-operator traffic expenses		<b>736,516</b>	966,637	-	-
Licences and Universal Service Provision ("USP") contributions under the Communications and Multimedia Act, 1998 and subsidiary legislation		<b>422,547</b>	339,495	-	-

#### Notes:

- <sup>(1)</sup> Fees incurred in connection with performance of quarter reviews, agreed-upon procedures, and regulatory compliance reporting paid or payable to PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) ("PwC Malaysia"), auditors of the Group and of the Company.
- <sup>(2)</sup> Fees incurred for assisting the Group in connection with tax compliance and advisory services paid or payable to member firms of PwC Malaysia.

## Notes to the Financial Statements

### 11 PROFIT BEFORE TAX (CONTINUED)

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

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Loss/(gain) on foreign exchange:					
- realised		27,277	21,705	51	34
- unrealised		(15,670)	(80,267)	-	-
Management fees charged by subsidiaries		-	-	3,719	3,265
Property, plant and equipment:					
- gain on disposal		(2,150)	(5,391)	-	-
- net allowance for/(reversal of) impairment	15	2,115	2,899	-	-
- write-offs		18,641	15,085	-	-
Provision for/(write-back of) (net):					
- contract obligations and legal claims	27	-	(4,358)	-	-
- site rectification and decommissioning works	27	6,545	4,647	-	-
- staff incentive scheme (included in staff and resource costs)	27	101,598	104,895	-	-
Rental of:					
- equipment		17,484	14,970	-	-
- land and buildings		50,669	51,811	-	-
- network cell sites		411,338	338,802	-	-

### 12 TAX EXPENSES

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Current tax:					
- current year		781,570	788,208	1,800	5,600
- under/(over) accruals in prior years		1,013	19,982	(59)	32
		782,583	808,190	1,741	5,632
Deferred tax:					
- origination and reversal of temporary differences		(190,421)	(91,159)	-	-
- recognition and reversal of prior years' temporary differences		(3,159)	(18,653)	-	-
	22	(193,580)	(109,812)	-	-
Tax expenses		589,003	698,378	1,741	5,632

## Notes to the Financial Statements

### 12 TAX EXPENSES (CONTINUED)

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

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
<u>Numerical reconciliation between the Malaysian tax rate and average effective tax rate</u>				
Malaysian tax rate	24	24	24	24
Tax effects of:				
- expenses not deductible for tax purposes	1	1	1	6
- income not subject to tax	-	-	(24)	(29)
- reduction from standard income tax rate as a result of increase in taxable income	-	(1)	-	-
Average effective tax rate	25	24	1	1

In financial year ended 31 December 2017, the Group was eligible for a tax rate reduction of up to 4% when its incremental taxable income as compared to the preceding year of assessment increased by a certain threshold.

### 13 EARNINGS PER SHARE

#### (a) Basic earnings per share

	Group	
	2018	2017 (Restated)
Profit attributable to the equity holders of the Company (RM'000)	1,779,719	2,180,042
Weighted average number of issued ordinary shares ('000)	7,812,389	7,660,823
Basic earnings per share (sen)	22.8	28.5

#### (b) Diluted earnings per share

Diluted earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of shares in issue and issuable under the share options. The weighted average number of issued ordinary shares has been adjusted to assume full conversion of all dilutive potential ordinary shares, which consists of share options.

Share grants are treated as contingently issuable shares because their issuance is contingent upon satisfying specified vesting conditions comprising, amongst others, performance targets and/or conditions, as disclosed in Note 30(b) to the financial statements, in addition to the passage of time. They are excluded from the computation of diluted earnings per share where the vesting conditions would not have been satisfied as at the end of the financial year.

## Notes to the Financial Statements

### 13 EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted earnings per share (continued)

	Group	
	2018	2017 (Restated)
Profit attributable to the equity holders of the Company (RM'000)	1,779,719	2,180,042
Weighted average number of issued ordinary shares ('000)	7,812,389	7,660,823
Adjustment for share options and LTIP ('000)	18,699	20,002
Adjusted weighted average number of ordinary shares for diluted earnings per share ('000)	7,831,088	7,680,825
Diluted earnings per share (sen)	22.7	28.4

### 14 DIVIDENDS

	Group and Company			
	2018	2018	2017	2017
	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000
Dividends paid in respect of the financial year ended 31 December 2016:				
- fourth interim ordinary	-	-	5.0	375,517
Dividends paid in respect of the financial year ended 31 December 2017:				
- first interim ordinary	-	-	5.0	375,525
- second interim ordinary	-	-	5.0	390,526
- third interim ordinary	-	-	5.0	390,528
- fourth interim ordinary	5.0	390,528	-	-
	5.0	390,528	15.0	1,156,579
Dividends paid in respect of the financial year ended 31 December 2018:				
- first interim ordinary	5.0	390,831	-	-
- second interim ordinary	5.0	390,831	-	-
- third interim ordinary	5.0	390,833	-	-
	15.0	1,172,495	-	-
Dividend per share recognised as distribution to equity holders of the Company	20.0	1,563,023	20.0	1,532,096

## Notes to the Financial Statements

### 14 DIVIDENDS (CONTINUED)

Subsequent to the financial year, on 15 February 2019, the Directors declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2018 which will be paid on 28 March 2019.

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

### 15 PROPERTY, PLANT AND EQUIPMENT

**FINANCIAL STATEMENTS**

Group	At 1.1.2018 RM'000	Additions RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Disposals RM'000	Assets written off RM'000	At 31.12.2018 RM'000
<u>2018</u>							
<u>At cost</u>							
Long-term leasehold land	3,111	-	-	-	-	-	3,111
Short-term leasehold land	3,490	-	-	-	-	-	3,490
Freehold land	11,141	-	-	-	-	-	11,141
Buildings	75,429	-	-	-	-	-	75,429
Telecommunications equipment	8,499,720	-	119,267	999,935	-	(296,149)	9,322,773
Motor vehicles	15,831	3,715	-	-	-	-	19,546
Office furniture, fittings and equipment	1,601,175	18,559	2,410	148,647	(3,823)	(23,574)	1,743,394
	10,209,897	22,274	121,677	1,148,582	(3,823)	(319,723)	11,178,884
Capital work-in-progress	724,058	1,224,782	-	(1,079,235)	-	-	869,605
Capital inventories	17,871	67,852	-	(69,347)	(1,057)	-	15,319
	10,951,826	1,314,908	121,677	-	(4,880)	(319,723)	12,063,808

Group	At 1.1.2018 RM'000	Charged for the financial year RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2018 RM'000
<u>Accumulated depreciation</u>							
Long-term leasehold land	301	35	-	-	-	-	336
Short-term leasehold land	673	83	-	-	-	-	756
Buildings	16,117	2,604	-	-	-	-	18,721



**Notes to the  
Financial Statements**

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

Group	At 1.1.2018 RM'000	Charged for the financial year RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2018 RM'000
Telecommunications equipment	4,828,513	889,159	-	6,541	-	(278,313)	5,445,900
Motor vehicles	5,680	3,733	-	-	-	-	9,413
Office furniture, fittings and equipment	1,255,554	172,086	-	(6,541)	(3,823)	(22,769)	1,394,507
	<b>6,106,838</b>	<b>1,067,700</b>	<b>-</b>	<b>-</b>	<b>(3,823)</b>	<b>(301,082)</b>	<b>6,869,633</b>

2018

Accumulated  
impairment loss

Capital inventories	3,727	2,115	-	-	(1,057)	-	4,785
Accumulated depreciation and impairment loss	<b>6,110,565</b>	<b>1,069,815</b>	<b>-</b>	<b>-</b>	<b>(4,880)</b>	<b>(301,082)</b>	<b>6,874,418</b>

Group	At 1.1.2017 RM'000	Additions RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Disposals RM'000	Assets written off RM'000	At 31.12.2017 RM'000
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2017

At cost

Long-term leasehold land	3,111	-	-	-	-	-	3,111
Short-term leasehold land	3,490	-	-	-	-	-	3,490
Freehold land	11,141	-	-	-	-	-	11,141
Buildings	75,429	-	-	-	-	-	75,429
Telecommunications equipment	7,656,559	37,732	-	969,675	-	(164,246)	8,499,720
Motor vehicles	16,523	543	-	-	(1,235)	-	15,831
Office furniture, fittings and equipment	1,453,509	49,707	-	98,489	-	(530)	1,601,175
	<b>9,219,762</b>	<b>87,982</b>	<b>-</b>	<b>1,068,164</b>	<b>(1,235)</b>	<b>(164,776)</b>	<b>10,209,897</b>
Capital work-in- progress	504,711	1,173,934	-	(953,734)	-	(853)	724,058
Capital inventories	16,409	116,330	-	(114,430)	(438)	-	17,871
	<b>9,740,882</b>	<b>1,378,246</b>	<b>-</b>	<b>-</b>	<b>(1,673)</b>	<b>(165,629)</b>	<b>10,951,826</b>

## Notes to the Financial Statements

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

Group	At 1.1.2017 RM'000	Charged for the financial year RM'000	Changes in cost estimates (Note 27) RM'000	Reclassi- fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2017 RM'000
<u>2017</u>							
<u>Accumulated depreciation</u>							
Long-term leasehold land	266	35	-	-	-	-	301
Short-term leasehold land	588	85	-	-	-	-	673
Buildings	14,805	1,312	-	-	-	-	16,117
Telecommunications equipment	4,152,319	826,410	-	-	-	(150,216)	4,828,513
Motor vehicles	3,339	3,510	-	-	(1,169)	-	5,680
Office furniture, fittings and equipment	1,066,279	189,603	-	-	-	(328)	1,255,554
	5,237,596	1,020,955	-	-	(1,169)	(150,544)	6,106,838
<u>Accumulated impairment loss</u>							
Capital inventories	1,266	2,899	-	-	(438)	-	3,727
<u>Accumulated depreciation and impairment loss</u>							
	5,238,862	1,023,854	-	-	(1,607)	(150,544)	6,110,565

	Group	
	2018 RM'000	2017 RM'000
<u>Carrying amount</u>		
Long-term leasehold land	2,775	2,810
Short-term leasehold land	2,734	2,817
Freehold land	11,141	11,141
Buildings	56,708	59,312
Telecommunications equipment	3,876,873	3,671,207
Motor vehicles	10,133	10,151
Office furniture, fittings and equipment	348,887	345,621
Capital work-in-progress	869,605	724,058
Capital inventories	10,534	14,144
	5,189,390	4,841,261

## Notes to the Financial Statements

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

For the current financial year, the Group revised the useful lives of certain telecommunications equipment and office equipment ranging from 6 to 10 years (2017: 6 to 10 years), to remaining useful lives ranging from 1 month to 4 years (2017: 1 month to 6 years). The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for the current financial year has increased by RM33,046,000 (2017: RM17,394,000).

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

	Group	
	2018 RM'000	2017 RM'000
Office furniture, fittings and equipment	1,097	1,723

### 16 INTANGIBLE ASSETS

Group	Note	Spectrum rights				Total RM'000
		Goodwill RM'000	Telecommunications licences with allocated spectrum rights RM'000	Other spectrum rights RM'000	Customer acquisition costs RM'000	
<u>2018</u>						
At 31 December 2017, as previously reported		219,087	10,707,381	-	427,708	11,354,176
Adjustments from adoption of MFRS 15	36(c)	-	-	-	(427,708)	(427,708)
Restated at 31 December 2017/At 31 December 2018		219,087	10,707,381	-	-	10,926,468
At cost/carrying amount At 31 December 2018		219,087	10,707,381	-	-	10,926,468
<u>2017</u>						
At 1 January, as previously reported		219,087	10,707,381	12,484	357,675	11,296,627
Adjustments from adoption of MFRS 15	36(c)	-	-	-	(357,675)	(357,675)
Restated at 1 January		219,087	10,707,381	12,484	-	10,938,952
Amortisation charge	9	-	-	(12,484)	-	(12,484)
At 31 December		219,087	10,707,381	-	-	10,926,468
Cost		219,087	10,707,381	37,453	-	10,963,921
Accumulated amortisation		-	-	(37,453)	-	(37,453)
At 31 December		219,087	10,707,381	-	-	10,926,468

## Notes to the Financial Statements

### 16 INTANGIBLE ASSETS (CONTINUED)

The telecommunications licences with allocated spectrum rights of RM10,707,381,000 consist of spectrum bands previously acquired as part of a business combination which includes the frequency band of 900MHz, 1800MHz and 2100MHz.

On 30 January 2018, the Group accepted the reissuance offer from Malaysian Communications and Multimedia Commission (“MCMC”) of its 2100MHz SA for an upfront price component fee of RM118,400,000. The Directors had assessed the terms and conditions of the SA and are of the view that most of the conditions are existing conditions which the Group does not foresee having difficulties to continue to comply with.

In accordance with the requirements of MFRS 138 “Intangible Assets”, the Directors have assessed that the SA fee paid is a renewal cost to the Group for the continuing use of the allocated bands and are of the view that the Group can renew the spectrum rights indefinitely without significant costs in comparison to the expected future economic benefits that the spectrum rights can generate, and there is no foreseeable limit to the period over which the spectrum rights are expected to generate net cash inflows for the Group. Therefore, the spectrum rights have been assessed to carry an indefinite useful life.

#### Impairment testing for CGU containing goodwill and telecommunications licences with allocated spectrum rights

For the purpose of impairment testing, carrying amounts of goodwill and telecommunications licences with allocated spectrum rights are allocated to the integrated telecommunication services CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial budgets covering a five-year (2017: five-year) period.

The key assumptions used in the value in use calculations are as follows:

- (a) compounded revenue and EBITDA annual growth rates of 8.0% and 6.0% respectively for five years financial budget period which reflect management’s expectations based on past experience and future expectations of business performance;
- (b) post-tax discount rate of 8.1% (2017: 7.5%). In accordance with the requirements of MFRS 136 “Impairment of Assets”, this translates into pre-tax discount rate of 15.7% (2017: 13.2%). The discount rates used reflect specific risks relating to the integrated telecommunication services CGU; and
- (c) terminal growth rate of 3.0% (2017: 1.9%) represents the growth rate applied to extrapolate pre-tax cash flow beyond the five (2017: five) year financial budget period. This growth rate is based on management’s assessment of future trends in the mobile telecommunications industry, new growth opportunities in broadband and enterprise business, using both external and internal sources.

The key assumptions in the forecasts that are most likely to be sensitive are changes in discount rates during the forecast period. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% (2017: 10%) in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

## Notes to the Financial Statements

### 17 INTEREST IN SUBSIDIARIES

	Note	Company	
		2018 RM'000	2017 RM'000
Non-current asset:			
- investments in subsidiaries	(a)	26,733,868	27,689,195
Current assets:			
- loan to a subsidiary	(b)	-	392,036
Current liability:			
- amount due to a subsidiary	(c)	(498)	(268)
		<b>26,733,370</b>	28,080,963

#### (a) Investments in subsidiaries

<u>Unquoted shares, at carrying value</u>			
At 1 January		27,689,195	28,372,380
Less: Impairment losses		-	(195,000)
Less: Recovery of cost of investment through dividend income		(916,757)	(529,800)
		<b>26,772,438</b>	27,647,580
Fair value of share options and share grants, and shares acquired, over the Company's equity instruments for employees of subsidiaries, net of shares issued		(38,570)	41,615
At 31 December		<b>26,733,868</b>	27,689,195

During the current financial year, dividends totaling to RM916,757,000 (2017: RM529,800,000) that were received from Maxis Mobile Services Sdn Bhd ("MMSSB"), and Maxis Mobile Sdn Bhd ("MMSB"), both wholly-owned subsidiaries of the Company, were recognised as return of capital thereby reducing the cost of investments as the distributions were made subsequent to the Group's internal reorganisation that was completed on 1 April 2016 where the business and undertakings including relevant assets and liabilities of MMSSB and MMSB were sold.

During the current financial year, the net asset position of an investment in a subsidiary was lower than the carrying amount of the investment. Thus, the Company performed an impairment assessment on the carrying amount of its investment against its recoverable amount which was determined based on the value-in-use calculations as disclosed in Note 16 to the financial statements. No impairment charge was recognised as the recoverable amount exceeded its carrying amount.

In the previous financial year, the Company recognised impairment loss of RM195,000,000 for its investment in a wholly-owned subsidiary to bring its carrying value to its fair value less cost of disposal based on the net asset position attributable to ordinary shareholders as at the end of the financial year.

## Notes to the Financial Statements

### 17 INTEREST IN SUBSIDIARIES (CONTINUED)

#### (a) Investments in subsidiaries (continued)

Information on the subsidiaries is as follows:

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group		Paid-up capital	
			2018	2017	2018	2017
Advanced Wireless Technologies Sdn. Bhd. ("AWTSB") (517551-U)	Malaysia	Provider of wireless multimedia related services.	100%	100%	RM3,333,336	RM3,333,336
Maxis Broadband Sdn. Bhd. ("MBSB") (234053-D)	Malaysia	Provider of a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions to its holding companies and fellow subsidiaries.	100%	100%	RM1,000,002	RM1,000,002
Maxis Collections Sdn. Bhd. (383275-M)	Malaysia	Dormant.	100%	100%	RM2	RM2
Maxis International Sdn. Bhd. (240071-T)	Malaysia	Provision of telecommunications services.	100%	100%	RM2,500,002	RM2,500,002
Maxis Mobile Sdn. Bhd. ("MMSB") (229892-M)	Malaysia	Operator of mobile telecommunications services for special niche projects such as USP.	100%	100%	RM2,500,002	RM2,500,002
Maxis Mobile Services Sdn. Bhd. ("MMSSB") (73315-V)	Malaysia	Provision of mobile telecommunications services for special niche projects such as USP.	100%	100%	RM1,293,884,000	RM1,293,884,000

## Notes to the Financial Statements

### 17 INTEREST IN SUBSIDIARIES (CONTINUED)

#### (a) Investments in subsidiaries (continued)

Information on the subsidiaries is as follows: (continued)

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group		Paid-up capital	
			2018	2017	2018	2017
Maxis Multimedia Sdn. Bhd. (530188-A) - under member's voluntary winding up	Malaysia	Dormant.	100%	100%	RM2	RM2
<u>Subsidiary of AWTSB</u> UMTS (Malaysia) Sdn. Bhd. (520422-D)	Malaysia	Former 2100 MHz spectrum assignment holder	100%	100%	RM2,500,002	RM2,500,002
<u>Subsidiary of MBSB</u> Maxis Online Sdn. Bhd. (235849-A) - under member's voluntary winding up	Malaysia	Dormant.	100%	100%	RM2	RM2
<u>Subsidiary of MMSB</u> Maxis Mobile (L) Ltd (LL-01709) <sup>(1)</sup>	Malaysia	Holder of investments.	100%	100%	USD10,000	USD10,000

**Note:**

<sup>(1)</sup> Maxis Mobile (L) Ltd is a company registered under the Labuan Companies Act, 1990, with shares issued in USD.

#### (b) Loan to a subsidiary – Interest bearing

The loan to a subsidiary was unsecured and carried interest rate of 5.15% per annum. The loan was fully repaid during the financial year.

#### (c) Amount due to subsidiary – Non-interest bearing

The amount due to a subsidiary is unsecured and with 30 days' credit period (2017: 30 days).

## Notes to the Financial Statements

### 18 FINANCIAL INSTRUMENTS BY CATEGORY

**FINANCIAL STATEMENTS**

	Note	Group			Company		
		31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Financial assets:							
Loan to a subsidiary	17	-	-	-	-	392,036	-
Receivables and deposits		<b>1,440,114</b>	1,226,188	1,160,438	<b>5</b>	7	35
Contract assets		<b>568,739</b>	498,063	480,279	-	-	-
Amounts due from fellow subsidiaries	24	-	1,289	794	-	-	-
Amounts due from related parties	25	<b>30,403</b>	29,336	21,922	-	-	-
Amounts due from subsidiaries		-	-	-	-	-	4
Deposits, cash and bank balances	26	<b>560,457</b>	602,127	682,346	<b>15,614</b>	9,757	12,300
Financial assets at amortised costs		<b>2,599,713</b>	2,357,003	2,345,779	<b>15,619</b>	401,800	12,339
Financial assets at FVOCI	19	<b>3,615</b>	-	-	<b>3,615</b>	-	-
Derivative financial instruments used for hedging	21	<b>1,008</b>	1,030	613,630	-	-	604,773



## Notes to the Financial Statements

### 18 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Note	Group			Company		
		31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Financial liabilities:							
Payables and accruals		<b>2,557,920</b>	2,334,583	2,837,449	<b>766</b>	1,213	611
Amount due to a subsidiary	17	-	-	-	<b>498</b>	268	177
Amounts due to fellow subsidiaries	24	<b>36</b>	2,004	-	-	-	-
Amounts due to related parties	25	<b>4,995</b>	22,874	14,229	-	-	-
Borrowings	29	<b>7,640,218</b>	7,645,294	9,864,022	-	-	2,039,074
Financial liabilities at amortised costs		<b>10,203,169</b>	10,004,755	12,715,700	<b>1,264</b>	1,481	2,039,862

### 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	<b>3,665</b>	50	<b>3,615</b>	-
Less: Accumulated impairment losses	<b>(50)</b>	(50)	-	-
	<b>3,615</b>	-	<b>3,615</b>	-

During the current financial year, the Group and the Company acquired 10% interest in Bridge Mobile Pte. Ltd. ("Bridge Mobile"). Bridge Mobile manages a mobile alliance of various operators and coordinates its activities amongst its shareholders, other mobile operators in the Asia Pacific region and technology vendors.

The Group has one-twenty fourth (1/24<sup>th</sup>) interest in Konsortium Rangkaian Serantau Sdn. Bhd. ("KRSSB"). This entity was formed for the purpose of implementing one of the entry point projects to lower the costs of Internet Protocol transit and domestic bandwidths by aggregating capacity of its shareholders to secure lower prices from suppliers.

The investment had been fully impaired given the insolvency of KRSSB and lack of viable options to revive the entity.

## Notes to the Financial Statements

### 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS

**FINANCIAL STATEMENTS**

	Note	Group			Company		
		31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
<u>Non-current</u>							
Finance lease receivables		13,972	-	-	-	-	-
Contract assets	(a)	169,275	130,337	72,153	-	-	-
Prepayments	(b)	786,075	735,075	789,525	-	-	-
Contract cost assets		96,752	72,174	47,985	-	-	-
		<b>1,066,074</b>	937,586	909,663	-	-	-
Allowance for impairment:	32(b)						
- finance lease receivables		(175)	-	-	-	-	-
- contract assets		(4,305)	(698)	(643)	-	-	-
		<b>(4,480)</b>	(698)	(643)	-	-	-
Amortisation of contract cost assets		(43,538)	(50,561)	(29,737)	-	-	-
		<b>1,018,056</b>	886,327	879,283	-	-	-
<u>Current</u>							
Trade receivables	(c)	810,389	784,088	821,058	-	-	-
Other receivables		587,869	382,720	297,894	4,649	4,648	2
Deposits		164,046	144,978	130,836	-	3	33
Finance lease receivables		7,486	-	-	-	-	-
Contract assets	(a)	413,215	370,736	410,541	-	-	-
Prepayments	(b)	159,332	156,342	210,441	-	-	-
Contract cost assets		126,581	72,174	49,928	-	-	-
		<b>2,268,918</b>	1,911,038	1,920,698	<b>4,649</b>	4,651	35

## Notes to the Financial Statements

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

Note	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current						
Allowance for impairment:						
- trade receivables	(100,807)	(64,986)	(74,400)	-	-	-
- other receivables	(31,869)	(13,211)	(4,262)	-	-	-
- deposits	(10,414)	(7,401)	(10,688)	-	-	-
- finance lease receivables	(383)	-	-	-	-	-
- contract assets	(9,446)	(2,312)	(1,772)	-	-	-
	(152,919)	(87,910)	(91,122)	-	-	-
Amortisation of contract cost assets	(59,487)	(13,345)	(8,826)	-	-	-
	2,056,512	1,809,783	1,820,750	4,649	4,651	35
	3,074,568	2,696,110	2,700,033	4,649	4,651	35

#### (a) Contract assets

The Group's contract assets include receivables on deferred payment terms amounting to RM326,195,000 (2017: RM262,191,000), which allow eligible customers to purchase mobile devices with up to 24 monthly instalment payments.

#### (b) Prepayments

The Group's prepayments include:

- (i) an upfront fee paid for the 900MHz and 1800MHz SA. The upfront fee is amortised over a period of 15 years effective 1 July 2017. The carrying amount as at 31 December 2018 is RM735,075,000 (2017: RM789,525,000); and
- (ii) an upfront fee paid in the current financial year for the 2100MHz SA. The upfront fee is amortised over a period of 16 years effective 2 April 2018. The carrying amount as at 31 December 2018 is RM112,850,000 (2017: RM Nil).

#### (c) Trade receivables

The Group's credit policy provides trade receivables with credit periods of up to 60 days (2017: up to 60 days).

Trade receivables are secured by customers' deposits and bank guarantees of RM33,752,000 (2017: RM16,312,000) and RM42,925,000 (2017: RM36,550,000) respectively.

Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 32(b).

## Notes to the Financial Statements

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

#### (c) Trade receivables (continued)

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

	<b>Group</b>
	<b>2017</b>
	<b>RM'000</b>
Neither past due nor impaired	573,143
1 to 90 days past due not impaired	15,629
91 to 180 days past due not impaired	2,811
More than 180 days past due not impaired	578
	<b>592,161</b>
Impaired <sup>(1)</sup> :	
- collectively	157,523
- individually <sup>(2)</sup>	34,404
	<b>191,927</b>
	<b>784,088</b>

#### Notes:

<sup>(1)</sup> Represents gross trade receivables which have been either partially or fully impaired.

<sup>(2)</sup> Individually impaired due to default in payment terms.

### 21 DERIVATIVE FINANCIAL INSTRUMENTS

		<b>Group</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>RM'000</b>	<b>RM'000</b>
<u>Non-current assets</u>			
<i>Derivative designated in hedging relationship</i>			
IRS:	(a)		
- cash flow hedge on RM denominated borrowings		<b>1,376</b>	2,565
<u>Current liabilities</u>			
<i>Derivative designated in hedging relationship</i>			
Forward foreign exchange contracts:	(b)		
- cash flow hedge on USD forecast transactions		<b>195</b>	584
<i>Derivative not designated in hedging relationship</i>			
Forward foreign exchange contracts	(b)	<b>173</b>	951
		<b>368</b>	1,535
		<b>1,008</b>	1,030

## Notes to the Financial Statements

### 21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) IRS

The Group has entered into IRS to hedge its exposure to interest rate risk on borrowings. The details of the open IRS are set out below:

	Group	
	2018	2017
Notional principal (RM'000 equivalent)	500,000	500,000
Fixed interest rate	4.70%	4.70%

#### (b) Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to hedge against USD/RM exchange rate fluctuations on certain payable balances and forecast transactions. The details of the open forward foreign exchange contracts are set out below:

	Group	
	2018	2017
Notional principal (RM'000 equivalent)	46,690	66,410
Contract value in foreign currency (USD'000)	11,200	16,000

The Group pays RM in exchange for receiving USD at predetermined exchange rates that range from RM4.16/USD to RM4.17/USD (2017: RM4.08/USD to RM4.24/USD) on the notional amounts at their respective maturity dates.

### 22 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Deferred tax assets	1	7,625	45,229
Deferred tax liabilities	(195,768)	(405,972)	(553,388)
	(195,767)	(398,347)	(508,159)

## Notes to the Financial Statements

### 22 DEFERRED TAXATION (CONTINUED)

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

Group	Note	Property, plant and equipment	Intangible assets	Receivables	Contract cost assets	Contract liabilities	Provisions	Investment allowance	Others	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2017, as previously reported		(706,718)	(101,666)	-	-	97,405	269,850	16,925	(5,143)	(429,347)
Adjustments from adoption of MFRS 15	36(c)	-	102,650	(54,144)	(19,306)	-	1,800	-	-	31,000
Restated at 31 December 2017		(706,718)	984	(54,144)	(19,306)	97,405	271,650	16,925	(5,143)	(398,347)
Opening balance adjustments from adoption of MFRS 9	36(c)	-	-	-	-	-	9,000	-	-	9,000
Restated at 1 January 2018		(706,718)	984	(54,144)	(19,306)	97,405	280,650	16,925	(5,143)	(389,347)
Credited/(charged) to statement of profit or loss:										
- relating to origination and reversal of temporary differences	12	122,973	(984)	(10,030)	(9,568)	(3,158)	97,014	(9,302)	6,635	193,580
At 31 December 2018		(583,745)	-	(64,174)	(28,874)	94,247	377,664	7,623	1,492	(195,767)
At 1 January 2017, as previously reported		(855,922)	(86,550)	-	-	106,942	237,448	29,113	33,810	(535,159)
Adjustments from adoption of MFRS 15	36(c)	-	85,480	(44,236)	(14,244)	-	-	-	-	27,000
Restated at 1 January 2017		(855,922)	(1,070)	(44,236)	(14,244)	106,942	237,448	29,113	33,810	(508,159)
Credited/(charged) to statement of profit or loss:										
- relating to origination and reversal of temporary differences	12	149,204	2,054	(9,908)	(5,062)	(9,537)	34,202	(12,188)	(38,953)	109,812
Restated at 31 December 2017		(706,718)	984	(54,144)	(19,306)	97,405	271,650	16,925	(5,143)	(398,347)

## Notes to the Financial Statements

### 22 DEFERRED TAXATION (CONTINUED)

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Deferred tax assets (before offsetting):			
- intangible assets	-	984	-
- contract liabilities	94,247	97,405	106,942
- provisions	377,664	271,650	237,448
- investment allowance	7,623	16,925	29,113
- others	1,492	231	33,810
	<b>481,026</b>	387,195	407,313
Offsetting	<b>(481,025)</b>	(379,570)	(362,084)
Deferred tax assets (after offsetting)	<b>1</b>	7,625	45,229
Deferred tax liabilities (before offsetting):			
- property, plant and equipment	<b>(583,745)</b>	(706,718)	(855,922)
- intangible assets	-	-	(1,070)
- receivables	<b>(64,174)</b>	(54,144)	(44,236)
- contract cost assets	<b>(28,874)</b>	(19,306)	(14,244)
- others	-	(5,374)	-
	<b>(676,793)</b>	(785,542)	(915,472)
Offsetting	<b>481,025</b>	379,570	362,084
Deferred tax liabilities (after offsetting)	<b>(195,768)</b>	(405,972)	(553,388)

### 23 INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Telecommunications materials and supplies	1,154	1,875
Devices	14,765	2,619
	<b>15,919</b>	4,494

The Group reversed RM1,362,000 (2017: RM1,822,000) of inventory write down during the financial year as the Group was able to utilise those inventories.

## Notes to the Financial Statements

### 24 FELLOW SUBSIDIARIES BALANCES

	Group	
	2018 RM'000	2017 RM'000
Current assets:		
- amounts due from fellow subsidiaries	-	1,289
Current liability:		
- amounts due to fellow subsidiaries	(36)	(2,004)

The amounts due from/(to) fellow subsidiaries are unsecured, non-interest bearing and with 30 days' credit period (2017: 30 days).

### 25 RELATED PARTIES BALANCES

	Group	
	2018 RM'000	2017 RM'000
Current asset:		
- amounts due from related parties	30,403	29,336
Current liability:		
- amounts due to related parties	(4,995)	(22,874)

The amounts due from/(to) related parties are trade in nature, unsecured, interest free and with credit periods of up to 60 days (2017: up to 60 days).

### 26 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	370,273	439,369	10,000	8,000
Cash and bank balances	190,184	162,758	5,614	1,757
Deposits, cash and bank balances	560,457	602,127	15,614	9,757
Less: Deposits with maturity more than three months	(24,732)	(23,321)	-	-
Cash and cash equivalents	535,725	578,806	15,614	9,757

Deposits, cash and bank balances are mainly deposits with banks with high credit ratings assigned by international credit rating agencies.

Deposits with licensed banks of the Group and of the Company at the end of the financial year have an average maturity of 47 days (2017: 30 days) and 27 days (2017: 14 days) respectively. They are held in short-term money market and fixed deposits. Bank balances are deposits held at call with banks.



## Notes to the Financial Statements

### 26 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

Reconciliation of liabilities arising from financing activities:

Group	2017 RM'000	Cash flows RM'000	Non-cash changes			2018 RM'000
			Interest expenses RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	
Borrowings	7,639,544	(360,652)	360,761	-	-	7,639,653
Lease liabilities	5,750	(5,242)	57	-	-	565
Derivative financial assets held to hedge borrowings	(2,565)	-	-	-	1,189	(1,376)
	7,642,729	(365,894)	360,818	-	1,189	7,638,842

Group	2016 RM'000	Cash flows RM'000	Non-cash changes			2017 RM'000
			Interest expenses RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	
Borrowings	9,850,919	(2,044,728)	412,885	(579,532)	-	7,639,544
Lease liabilities	13,103	(7,682)	329	-	-	5,750
Derivative financial assets held to hedge borrowings	(611,374)	(274)	-	-	609,083	(2,565)
	9,252,648	(2,052,684)	413,214	(579,532)	609,083	7,642,729

Company						
Company	2016 RM'000	Cash flows RM'000	Non-cash changes			2017 RM'000
			Interest expenses RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	
Borrowings	2,039,074	(1,494,425)	34,883	(579,532)	-	-
Derivative financial assets held to hedge borrowings	(604,773)	7,615	-	-	597,158	-
	1,434,301	(1,486,810)	34,883	(579,532)	597,158	-

## Notes to the Financial Statements

### 27 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Note	Site rectification and decommissioning works RM'000	Staff incentive scheme RM'000	Total RM'000
<u>2018</u>				
At 1 January		174,598	106,404	281,002
Capitalised		14,413	-	14,413
Changes in cost estimates:				
- included in finance costs	10(b)	(5,790)	-	(5,790)
- included in property, plant and equipment	15	121,677	-	121,677
Charged to statement of profit or loss:				
- included in profit before tax	11	6,966	103,420	110,386
- included in finance costs	10(b)	12,784	-	12,784
Paid		(2,424)	(102,940)	(105,364)
Reversed from statement of profit or loss	11	(421)	(1,822)	(2,243)
At 31 December		321,803	105,062	426,865

Group	Note	Site rectification and decommi- ssioning works RM'000	Contract obligations and legal claims RM'000	Staff incentive scheme RM'000	Total RM'000
<u>2017</u>					
At 1 January		159,404	4,358	97,299	261,061
Capitalised		7,928	-	-	7,928
Changes in cost estimates:					
- included in finance costs	10(b)	(10,898)	-	-	(10,898)
Charged to statement of profit or loss:					
- included in profit before tax	11	5,711	-	104,965	110,676
- included in finance costs	10(b)	15,898	-	-	15,898
Paid		(2,381)	-	(95,790)	(98,171)
Reversed from statement of profit or loss	11	(1,064)	(4,358)	(70)	(5,492)
At 31 December		174,598	-	106,404	281,002

Represented by:					
Non-current liabilities		306,626	-	5,015	311,641
Current liabilities		15,177	-	100,047	115,224
At 31 December 2018		321,803	-	105,062	426,865

Represented by:					
Non-current liabilities		166,842	-	3,499	170,341
Current liabilities		7,756	-	102,905	110,661
At 31 December 2017		174,598	-	106,404	281,002

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

## Notes to the Financial Statements

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

#### Site decommissioning works

As at 31 December 2018, a non-current provision of RM306,626,000 (2017: RM166,842,000) has been recognised for dismantling, removal and site restoration costs. The provision is estimated using the assumption that decommissioning will only take place upon the expiry of the lease terms (inclusive of secondary terms) of 15 to 30 years (2017: 15 to 30 years).

### 28 PAYABLES AND ACCRUALS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
<u>Non-current</u>						
Trade payables	154,519	214,878	408,436	-	-	-
Other accruals	13,770	12,502	9,669	-	-	-
	<b>168,289</b>	227,380	418,105	-	-	-
<u>Current</u>						
Trade payables and accruals	2,183,937	2,094,774	2,261,623	-	-	-
Other payables and accruals	924,568	434,865	601,917	766	1,213	611
Deposits and advanced payments from customers	164,565	153,597	158,253	-	-	-
Contract liabilities	383,894	403,548	435,802	-	-	-
Government grant	364,409	224,439	175,639	-	-	-
	<b>4,021,373</b>	3,311,223	3,633,234	766	1,213	611
	<b>4,189,662</b>	3,538,603	4,051,339	766	1,213	611

Current trade and other payables of the Group and of the Company carry credit periods of up to 90 days (2017: 90 days). The Group's current and non-current trade payables include payables under deferred payment schemes and carry interest rates ranging from 4.23% to 5.09% (2017: 4.04% to 4.50%) per annum as at the reporting date. Details of the deferred payment schemes' payables are as follows:

Group		Currency denomination	Repayment terms
2018 RM'000	2017 RM'000		
<b>169,143</b>	276,067	USD	Repayable on a half-yearly basis in 11 (2017: 11) equal instalments commencing from 36 months (2017: 36 months) from the commencement dates of the contracts.
<b>273,393</b>	256,530	RM	Repayable on a quarterly basis in 8 equal instalments from the commencement dates of the contracts.

## Notes to the Financial Statements

### 28 PAYABLES AND ACCRUALS (CONTINUED)

As disclosed in Note 21 to the financial statements, certain USD denominated payables amounting to USD5,600,000 (2017: USD8,000,000) are hedged against exchange rate fluctuations using forward foreign exchange contracts for which no hedge accounting is applied.

The Group's other accruals include lease equalisation for office buildings of RM12,842,000 (2017: RM11,255,000) with the remaining lease period of 9 years 5 months (2017: 10 years 5 months).

### 29 BORROWINGS

	Note	Group	
		2018 RM'000	2017 RM'000
<u>Non-current</u>			
<b>Secured</b>			
Finance lease liabilities	(a)	-	760
<b>Unsecured</b>			
Term loan	(b)	1,000,497	1,000,466
Islamic Medium Term Notes	(c)	4,143,363	4,143,740
Commodity Murabahah Term Financing	(d)	2,295,261	2,294,970
		<b>7,439,121</b>	7,439,936
<u>Current</u>			
<b>Secured</b>			
Finance lease liabilities	(a)	565	4,990
<b>Unsecured</b>			
Revolving credit	(e)	200,532	200,368
		<b>201,097</b>	205,358
		<b>7,640,218</b>	7,645,294

#### (a) Finance lease liabilities

The Group leased certain assets under finance lease with terms of three to five years (2017: three to five years). The finance leases have remaining terms of less than one year (2017: one to two years) which the Group has options for another one to five years' extension subject to renewal conditions imposed by the lessor for certain leased assets.

The weighted average effective interest rate of the Group's finance lease liabilities is 5.1% (2017: 11.57%) per annum. These leases are effectively secured as the rights to the leased assets revert to the lessor in the event of defaults.

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

## Notes to the Financial Statements

### 29 BORROWINGS (CONTINUED)

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

	Group	
	2018 RM'000	2017 RM'000
Not later than one year	583	5,048
Later than one year and not later than five years	-	777
	<b>583</b>	5,825
Less: Future finance charges	<b>(18)</b>	(75)
Present value	<b>565</b>	5,750
Representing lease liabilities:		
- non-current	-	760
- current	<b>565</b>	4,990
	<b>565</b>	5,750

#### (b) Term loan – RM1,000,000,000 term loan

This term loan carries a term of up to seven years and is repayable in one lump sum on its maturity date.

As disclosed in Note 21, the Group has entered into IRS to partially hedge the interest of this term loan against the Kuala Lumpur Interbank Offered Rate.

#### (c) Islamic Medium Term Notes – Sukuk Murabahah

The Group has established an Unrated Islamic Medium Term Notes (“Sukuk Murabahah”) Programme with an aggregate nominal value of up to RM10.0 billion, based on the Islamic principle of Murabahah (via a Tawarruq arrangement) (“Unrated Sukuk Murabahah Programme”). The Unrated Sukuk Murabahah Programme has a tenure of 30 years from its first issuance and the Sukuk Murabahah to be issued shall have a tenure of more than 1 year and up to 30 years.

As at 31 December 2018, four (2017: four) series of the Sukuk Murabahah had been issued for a total nominal value of RM4,090,000,000 (2017: RM4,090,000,000) with a tenure of four to nine years. All series of Sukuk Murabahah are redeemable on their respective maturity dates. The profits are payable semi-annually.

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

The Group has a CMTF facility up to RM2.29 billion based on the Islamic principle of Murabahah and had fully drawn down the facility. This facility expires on 7 April 2024 and is repayable in one lump sum on its expiry date.

#### (e) Revolving credit

The Group has a revolving credit facility up to RM500.0 million and had drawn down RM200.5 million of the facility. This outstanding amount carries a term of one year with bullet repayment on its maturity date on 31 October 2019.

## Notes to the Financial Statements

### 29 BORROWINGS (CONTINUED)

#### Contractual terms of borrowings

Group	Contractual interest rate/ profit margin at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	Maturity profile			
				2019	2020	2021-2023	>2024
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2018</u>							
<b>Secured</b>							
Finance lease liabilities		RM/RM	565	565	-	-	-
<b>Unsecured</b>							
Revolving credit	0.50% + COF <sup>(1)</sup>	RM/RM	200,532	200,532	-	-	-
Term loan	0.75% + COF <sup>(1)</sup>	RM/RM	1,000,497	-	-	1,000,497	-
Islamic Medium Term Notes	4.70% - 5.40%	RM/RM	4,143,363	-	504,056	2,798,437	840,870
CMTF	0.70% + COF <sup>(1)</sup>	RM/RM	2,295,261	-	-	-	2,295,261
			<b>7,640,218</b>	<b>201,097</b>	<b>504,056</b>	<b>3,798,934</b>	<b>3,136,131</b>

#### Note:

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

#### At 31 December 2017

<b>Secured</b>							
Finance lease liabilities		RM/RM	5,750	4,990	760	-	-
<b>Unsecured</b>							
Revolving credit	0.50% + COF <sup>(1)</sup>	RM/RM	200,368	200,368	-	-	-
Term loan	0.75% + COF <sup>(1)</sup>	RM/RM	1,000,466	-	-	1,000,466	-
Islamic Medium Term Notes	4.70% - 5.40%	RM/RM	4,143,740	-	-	3,302,622	841,118
CMTF	0.70% + COF <sup>(1)</sup>	RM/RM	2,294,970	-	-	-	2,294,970
			<b>7,645,294</b>	<b>205,358</b>	<b>760</b>	<b>4,303,088</b>	<b>3,136,088</b>

#### Note:

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

## Notes to the Financial Statements

### 30 SHARE CAPITAL

#### (a) ESOS

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

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

The salient features of the ESOS are as follows:

- (i) The total number of shares which may be issued under the ESOS shall not exceed in aggregate 250,000,000 shares during the existence of the ESOS save and except for any circumstances which may be specified in the Bye-Laws;
- (ii) Subject to the discretion of the Directors, any employee of the Company and its subsidiaries who has a written employment contract and any director (executive or non-executive) of the Company, shall be eligible to participate in the ESOS;
- (iii) The number of new shares that may be offered under the ESOS shall be at the discretion of the Directors after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group;
- (iv) In the event of a change in the capital structure of the Company except under certain circumstances, the Directors may make or provide for adjustments to be made in the share options price and/or in the number of shares covered by outstanding share options as the Directors at their discretion, may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of the optionee or provide for adjustments in the number of shares to give the optionee the same proportion of the issued ordinary share capital of the Company to which the optionee was previously entitled;
- (v) The subscription price upon the exercise of the share options under the ESOS shall be the weighted average market price quoted for the five market days immediately preceding the date on which the share options are granted;
- (vi) The ESOS has a contractual term of 10 years. All share options shall become exercisable to the extent of one-third of the share options granted on each of the first three anniversaries from the date the share options were granted provided the optionee has been in continuous service with the Group throughout the period;
- (vii) Subject to paragraph (vi) above, an optionee may exercise share options in whole or part in multiples of 100 shares only at such time in accordance with any guidelines as may be prescribed by the Directors from time to time; and
- (viii) The optionees have no right to participate by virtue of the share options in any share issue of any other company. However, shares issued upon the exercise of the share options shall rank *pari passu* in all respects with the then existing issued shares save that they will not entitle the holders thereof to receive any rights or bonus issues or dividends or distributions, the entitlement date of which precedes the date of issue of the shares.

## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (a) ESOS (continued)

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

Grant date	Expiry date	Exercise price RM/share	Number of options over ordinary shares in the Company				
			Outstanding as at 1.1.2018	Exercised	Forfeited	Outstanding as at 31.12.2018	Exercisable as at 31.12.2018
			'000	'000	'000	'000	'000
<u>2018</u>							
1 July 2011	17 September 2019	5.45	3,874	(53)	(943)	2,878	2,878
1 July 2012	17 September 2019	6.41	13,345	-	(5,245)	8,100	8,100
1 July 2013	17 September 2019	6.78	9,803	-	(4,007)	5,796	5,796
1 August 2015	17 September 2019	6.53	57,449	-	(6,753)	50,696	50,696
			84,471	(53)	(16,948)	67,470	67,470
Weighted average exercise price (RM per share)			6.49	5.45	6.49	6.49	6.49

Grant date	Expiry date	Exercise price RM/share	Number of options over ordinary shares in the Company				
			Outstanding as at 1.1.2017	Exercised	Forfeited	Outstanding as at 31.12.2017	Exercisable as at 31.12.2017
			'000	'000	'000	'000	'000
<u>2017</u>							
1 July 2011	17 September 2019	5.45	4,138	(239)	(25)	3,874	3,874
1 July 2012	17 September 2019	6.41	13,352	(7)	-	13,345	13,345
1 July 2013	17 September 2019	6.78	10,274	(4)	(467)	9,803	9,803
1 August 2015	17 September 2019	6.53	61,792	-	(4,343)	57,449	38,373
			89,556	(250)	(4,835)	84,471	65,395
Weighted average exercise price (RM per share)			6.49	5.50	6.55	6.49	6.48

The share options exercised during the financial year resulted in 53,200 (2017: 250,600) shares being issued and the related weighted average share price at the date of exercise was RM5.81 (2017: RM6.29) per share.

The weighted average remaining contractual life for the share options as at the reporting date is 8 months (2017: 1 years 8 months).



## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (a) ESOS (continued)

Value of employee services received for issue of share options:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payment expense	774	4,952	774	4,952
Capitalised as investments in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	(774)	(4,952)
<b>Total expense recognised as share-based payments</b>	<b>774</b>	4,952	-	-

#### (b) LTIP

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

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

The salient features of the LTIP are as follows:

- (i) The maximum number of new shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new shares under the LTIP shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 250,000,000 shares at any point of time during the duration of the LTIP;
- (ii) The Remuneration Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as eligibility criteria and allocation for each grant (i.e. the entitlement to receive new shares under the LTIP), the timing and frequency of the award of the grant, the performance target and/or performance conditions to be met prior to offer and vesting of the grant and the vesting period;
- (iii) The total number of new shares that may be offered under the LTIP shall be at the discretion of the Remuneration Committee;
- (iv) In the event of any alteration in the capital structure of the Company except under certain circumstances, the Remuneration Committee may make or provide for alterations or adjustments to be made in the number of unvested new shares and/or the method and/or manner in the vesting of the new shares comprised in a grant;
- (v) The LTIP shall take effect on the effective date of the implementation of the LTIP and shall be in force for a period of 10 years, expiring on 31 July 2025;

## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (b) LTIP (continued)

- (vi) The new shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares and the grant holders shall not be entitled to any dividends, rights, allotments, entitlements and/or any other distributions, for which the entitlement date is prior to the date of issue of the shares; and
- (vii) The share grants will only be vested to the eligible employees of the Group (including an executive director) who have duly accepted the offer of grants under the LTIP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:
- eligible employees of the Group (including executive director) must remain in employment with the Group and shall not have given notice of resignation or received a notice of termination of service as at the vesting dates.
  - eligible employees of the Group (including executive director) having achieved his/her performance target and/or performance condition as stipulated by the Remuneration Committee and as set out in their offer of grants.

During the financial year, 8,105,800 (2017: 7,151,400) PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary share in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon meeting the vesting conditions as set out in the letter of offer for the new shares. The vesting conditions comprising, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2018 and ending on 31 December 2020, as stipulated by the Remuneration Committee. The vesting date is on 30 June 2021, subject to meeting such performance targets.

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

Grant date	Vesting date	Number of share grants over ordinary share in the Company				Outstanding as at 31 December
		Outstanding as at 1 January	Granted	Vested	Forfeited	
<u>2018</u>						
31 July 2015	30 April 2018	6,997	-	(6,033)	(964)	-
1 July 2016	30 June 2019	5,513	-	-	(917)	4,596
4 December 2017	30 June 2020	7,151	-	-	(1,171)	5,980
27 December 2018	30 June 2021	-	8,106	-	(107)	7,999
		<b>19,661</b>	<b>8,106</b>	<b>(6,033)</b>	<b>(3,159)</b>	<b>18,575</b>
<u>2017</u>						
31 July 2015	30 April 2018	7,677	-	-	(680)	6,997
1 July 2016	30 June 2019	5,602	-	-	(89)	5,513
4 December 2017	30 June 2020	-	7,151	-	-	7,151
		13,279	7,151	-	(769)	19,661

The weighted average fair value of share grants under the PS Grant based on observable market price was RM5.40 (2017: RM5.92).

## Notes to the Financial Statements

### 30 SHARE CAPITAL (CONTINUED)

#### (b) LTIP (continued)

Value of employee services received under the LTIP:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payment expense	18,861	32,381	18,861	32,381
Capitalised as investments in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	(18,861)	(32,381)
<b>Total expense recognised as share-based payments</b>	<b>18,861</b>	32,381	-	-

#### (c) Incentive arrangement

Pursuant to the terms and conditions of the incentive arrangement which forms part of the employment contract which a former director had entered into with the Group, the cash incentives payable to the director were used to acquire shares of the Company from the open market. During the financial year, 618,458 shares of the Company were acquired from the open market.

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

	Group and Company	
	2018 '000	2017 '000
At 1 January	2,200	1,594
Acquired	618	606
Vested	(2,818)	-
<b>At 31 December</b>	<b>-</b>	2,200

The weighted average fair value of shares acquired under the incentive arrangement based on observable market price was RM6.97 (2017: RM6.97).

Value of employee services received under the incentive arrangement:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payment (income)/expense	(1,273)	4,334	(1,273)	4,334
Capitalised as investments in subsidiaries for share-based payments allocated to the employee of the subsidiaries	-	-	1,273	(4,334)
<b>Total expense recognised as share-based payments</b>	<b>(1,273)</b>	4,334	-	-

## Notes to the Financial Statements

### 31 RESERVES

#### (a) Share premium

Pursuant to Section 618(2) of the Companies Act 2016 which came into effect on 31 January 2017, the credit standing on the share premium account of RM61,994,000 has been transferred to and became part of the share capital account.

#### (b) Merger relief

The merger relief was created prior to the listing and quotation exercise of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad in 2009 where Maxis Communications Berhad ("MCB") implemented a restructuring exercise to consolidate its telecommunications operations in Malaysia under the Company ("Pre-Listing Restructuring"). The Company acquired the entire issued and paid-up share capital of the subsidiaries held by MCB. Pursuant to Section 60(4)(a) of the Companies Act, 1965, the premium on the shares issued by the Company as consideration for the acquisition of the subsidiaries is not recorded as share premium. The difference between the issue price and the nominal value of shares issued is classified as merger relief.

#### (c) Reserve arising from reverse acquisition

The reserve arising from reverse acquisition was created during the Pre-Listing Restructuring exercise where MMSSB was identified as the accounting acquirer in accordance to MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of MMSSB together with the deemed purchase consideration of subsidiaries other than MMSSB and the cash distribution to MCB, is recorded as reserve arising from reverse acquisition.

#### (d) Other reserves

Group	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
<u>2018</u>				
At 1 January		148,825	1,996	150,821
Net change in hedging:				
- fair value losses		-	(800)	(800)
- reclassified to finance costs	10(b)	-	(15)	(15)
ESOS and LTIP:				
- share-based payment expense		19,635	-	19,635
- shares issued		(39,408)	-	(39,408)
- share options lapsed		(6,157)	-	(6,157)
Incentive arrangement:				
- share-based payment income		(1,273)	-	(1,273)
- shares acquired		(3,557)	-	(3,557)
At 31 December		118,065	1,181	119,246

## Notes to the Financial Statements

### 31 RESERVES (CONTINUED)

#### (d) Other reserves (continued)

Group	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
<u>2017</u>				
At 1 January		110,941	34,438	145,379
Net change in hedging:				
- fair value losses		-	(610,179)	(610,179)
- reclassified to finance costs	10(b)	-	577,737	577,737
ESOS and LTIP:				
- share-based payment expense		37,333	-	37,333
- shares issued		(54)	-	(54)
- share options lapsed		(175)	-	(175)
Incentive arrangement:				
- share-based payment expense		4,334	-	4,334
- shares acquired		(3,554)	-	(3,554)
At 31 December		148,825	1,996	150,821
<b>Company</b>				
<u>2018</u>				
At 1 January		<b>148,825</b>	-	<b>148,825</b>
ESOS and LTIP:				
- share-based payment expense		<b>19,635</b>	-	<b>19,635</b>
- shares issued		<b>(39,408)</b>	-	<b>(39,408)</b>
- share options lapsed		<b>(6,157)</b>	-	<b>(6,157)</b>
Incentive arrangement:				
- share-based payment expense		<b>(1,273)</b>	-	<b>(1,273)</b>
- shares acquired		<b>(3,557)</b>	-	<b>(3,557)</b>
At 31 December		<b>118,065</b>	-	<b>118,065</b>
<u>2017</u>				
At 1 January		110,941	27,026	137,967
Net change in hedging:				
- fair value losses		-	(604,773)	(604,773)
- reclassified to finance costs	10(b)	-	577,747	577,747
ESOS and LTIP:				
- share-based payment expense		37,333	-	37,333
- shares issued		(54)	-	(54)
- share options lapsed		(175)	-	(175)
Incentive arrangement:				
- share-based payment expense		4,334	-	4,334
- shares acquired		(3,554)	-	(3,554)
At 31 December		148,825	-	148,825

## Notes to the Financial Statements

### 31 RESERVES (CONTINUED)

#### (d) Other reserves (continued)

The share-based payments reserve comprises:

- (a) discount on shares issued to retail investors in relation to the Listing;
- (b) fair value of share options and shares grants less any shares issued under the ESOS and LTIP; and
- (c) fair value of shares less any shares acquired under the incentive arrangement.

The cash flow hedging reserve represents the deferred fair value gains/(losses) relating to derivative financial instruments used to hedge certain borrowings and forecast transactions of the Group.

### 32 FINANCIAL RISK MANAGEMENT

The Group's and the Company's activities expose them to a variety of financial risks, including market risk (interest rate risk and foreign exchange risk), credit risk, liquidity risk and capital risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performances. The Group uses derivative financial instruments to hedge designated risk exposures of the underlying hedge items and do not enter into derivative financial instruments for speculative purposes.

The Group and the Company have established financial risk management policies and procedures/mandates which provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

#### (a) Market risk

Market risk is the risk that the fair value or future cash flow of the financial instruments that will fluctuate because of changes in market prices. The various components of market risk that the Group and the Company are exposed to are discussed below.

##### (i) Foreign exchange risk

The objectives of the Group's and of the Company's currency risk management policies are to allow the Group and the Company to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. Forward foreign exchange contracts are used to manage foreign exchange exposures arising from all known material foreign currency denominated commitments as and when they arise and to hedge the movements in exchange rates by establishing the rate at which a foreign currency monetary item will be settled. Gains and losses on foreign currency forward contracts entered into as hedges of foreign currency monetary items are recognised in the financial statements when the exchange differences of the hedged monetary items are recognised in the financial statements.

The currency exposure of financial assets and financial liabilities of the Group and of the Company that are not denominated in the functional currency of the respective companies are set out below. There is no currency risk in respect of intragroup receivables and payables since they are all denominated in the functional currency.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Group	Currency exposure at 31 December			
	SGD RM'000	USD RM'000	SDR <sup>(1)</sup> RM'000	Others RM'000
<b>Functional currency Ringgit Malaysia</b>				
<u>2018</u>				
Receivables	-	-	33,506	-
Deposits, cash and bank balances	-	16,632	-	-
Payables	(373)	(276,703)	(55,772)	(686)
Amounts due to related parties, net	(7)	(2,003)	322	-
Gross exposure	(380)	(262,074)	(21,944)	(686)
Forward foreign exchange contracts:				
- payables	-	23,148	-	-
Net exposure	(380)	(238,926)	(21,944)	(686)
<u>2017</u>				
Receivables	-	2,459	44,383	-
Deposits, cash and bank balances	-	24,797	-	-
Payables	(3,297)	(402,789)	(33,350)	(6)
Amounts due to fellow subsidiaries	-	(1,985)	(19)	-
Amounts due to related parties, net	-	5,124	(13,666)	-
Gross exposure	(3,297)	(372,394)	(2,652)	(6)
Forward foreign exchange contracts:				
- payables	-	32,388	-	-
Net exposure	(3,297)	(340,006)	(2,652)	(6)

**Note:**

<sup>(1)</sup> SDR, i.e. Special Drawing Rights represents international accounting settlement rate with international carriers.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The sensitivity of the Group's profit before tax for the financial year and equity to a reasonably possible change in the USD exchange rate against the functional currency, RM, with all other factors remaining constant and based on the composition of assets and liabilities at the reporting date are set out as below.

	Impact on profit before tax for the financial year		Impact on equity <sup>(1)</sup>	
	Group		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD/RM				
- strengthened 5% (2017: 5%)	(11,946)	(16,998)	1,152	1,612
- weakened 5% (2017: 5%)	11,946	16,998	(1,152)	(1,612)

**Note:**

<sup>(1)</sup> Represents cash flow hedging reserve.

The impacts on profit before tax for the financial year are mainly as a result of foreign currency gains/losses on translating of USD denominated receivables, deposits, bank balances and unhedged payables. For USD payables in a designated hedging relationship, as these are effectively hedged, the foreign currency movements will not have any impact on the statement of profit or loss.

##### (ii) Interest rate risk

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

The Group manages its cash flow interest rate risk by using interest rate swap contract. Such swap has the economic effect of converting certain borrowing from floating rate to fixed rate.



## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of interest rate swap contract) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2018</u>							
Deposits with licensed banks	3.79	370,273	-	370,273	-	-	-
Trade payables	4.23	(442,536)	(169,143)	(175,297)	(98,096)	-	-
Finance lease liabilities	5.10	(565)	-	(565)	-	-	-
Revolving credit	4.40	(200,532)	(200,532)	-	-	-	-
Term loan	4.55	(1,000,497)	(1,000,497)	-	-	-	-
Islamic Medium Term Notes	5.03	(4,143,363)	-	-	(504,056)	(2,798,437)	(840,870)
CMTF	4.43	(2,295,261)	(2,295,261)	-	-	-	-
Gross exposure		<u>(7,712,481)</u>	<u>(3,665,433)</u>				
IRS:							
- term loan	4.70		500,241	-	-	(500,241)	-
Net exposure			<u>(3,165,192)</u>				

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of interest rate swap contract) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2017</u>							
Deposits with licensed banks	3.68	439,369	-	439,369	-	-	-
Trade payables	3.98	(532,597)	(276,067)	(207,316)	(49,214)	-	-
Finance lease liabilities	11.57	(5,750)	-	(4,990)	(760)	-	-
Revolving credit	4.20	(200,368)	(200,368)	-	-	-	-
Term loan	4.30	(1,000,466)	(1,000,466)	-	-	-	-
Islamic Medium Term Notes	5.03	(4,143,740)	-	-	-	(3,302,622)	(841,118)
CMTF	4.17	(2,294,970)	(2,294,970)	-	-	-	-
Gross exposure		<u>(7,738,522)</u>	<u>(3,771,871)</u>				
IRS:							
- term loan	4.70		500,238	-	-	(500,238)	-
Net exposure			<u>(3,271,633)</u>				

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of interest rate swap contract) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Company	Weighted average effective interest rate at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate			
				< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2018</u>							
Deposits with licensed banks	3.90	10,000	-	10,000	-	-	-
Net exposure		<u>10,000</u>	<u>-</u>				
<u>At 31 December 2017</u>							
Deposits with licensed banks	3.80	8,000	-	8,000	-	-	-
Net exposure		<u>8,000</u>	<u>-</u>				

The sensitivity of the Group's profit before tax for the financial year and equity to a reasonably possible change in RM and USD interest rates with all other factors held constant and based on composition of liabilities with floating interest rates at the reporting date are as follows:

	Impact on profit before tax for the financial year		Impact on equity <sup>(1)</sup>	
	Group		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>RM</b>				
- increased by 0.5% (2017: 0.5%)	(14,980)	(14,978)	6,758	8,858
- decreased by 0.5% (2017: 0.5%)	14,980	14,978	(6,758)	(8,858)
<b>USD</b>				
- increased by 0.5% (2017: 0.5%)	(846)	(1,380)	-	-
- decreased by 0.5% (2017: 0.5%)	846	1,380	-	-

**Note:**

<sup>(1)</sup> Represents cash flow hedging reserve.

The impacts on profit before tax for the financial year are mainly as a result of interest expenses on floating rate payables and borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on the statement of profit or loss.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk

The objectives of the Group's and of the Company's credit risk management policies are to manage their exposure to credit risk from deposits, cash and bank balances, receivables and derivative financial instruments. They do not expect any third parties to fail to meet their obligations given the Group's and the Company's policies of selecting creditworthy counterparties.

#### Trade receivables, finance lease receivables and contract assets

Credit risk of trade receivables is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's dealings with creditworthy business partners and customers. Trade receivables are monitored on an ongoing basis via the Group's management reporting and dunning procedures.

#### *Concentration of credit risk*

The Group has no significant exposure to any individual customer, geographical location or industry category. Significant credit and recovery risks associated with receivables have been provided for in the financial statements.

#### *Impairment of trade receivables, finance lease receivables and contract assets*

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are determined based on 5-year historical ageing profile and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Some of the factors which the Group has identified include unemployment rate, interbank lending rate, Consumer Price Index ("CPI") and annual Gross Domestic Product ("GDP") growth and has adjusted the historical loss rates based on expected changes in such factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on first adoption of MFRS 9) was determined as follows for both trade receivables, finance lease receivables and contract assets:

	Current RM'000	>30 days past due RM'000	>60 days past due RM'000	>90 days past due RM'000	>120 days past due RM'000	>150 days past due RM'000	Total RM'000
<u>31 December 2018</u>							
Expected loss rate <sup>(1)</sup>	0.4% - 6.8%	0.7% - 13.3%	1.5% - 51.1%	3.4% - 70.8%	8.8% - 85.4%	17.7% - 100%	
Gross carrying amount:							
- Trade receivables	600,751	105,929	26,348	17,115	11,801	48,445	810,389
- Finance lease receivables	21,458	-	-	-	-	-	21,458
- Contract assets <sup>(2)</sup>	582,490	-	-	-	-	-	582,490
	1,204,699	105,929	26,348	17,115	11,801	48,445	1,414,337

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables, finance lease receivables and contract assets (continued)

*Impairment of trade receivables, finance lease receivables and contract assets (continued)*

	Current RM'000	>30 days past due RM'000	>60 days past due RM'000	>90 days past due RM'000	>120 days past due RM'000	>150 days past due RM'000	Total RM'000
Less allowance:							
- Trade receivables	(17,575)	(11,991)	(8,363)	(10,567)	(7,091)	(45,220)	(100,807)
- Finance lease receivables	(558)	-	-	-	-	-	(558)
- Contract assets <sup>(2)</sup>	(13,751)	-	-	-	-	-	(13,751)
	(31,884)	(11,991)	(8,363)	(10,567)	(7,091)	(45,220)	(115,116)
<u>1 January 2018</u>							
Expected loss rate <sup>(1)</sup>	0.5% - 4.4%	0.9% - 13.7%	1.8% - 50.0%	4.0% - 62.9%	10.2% - 85.1%	22.3% - 100%	
Gross carrying amount:							
- Trade receivables	573,143	80,900	39,074	18,433	14,838	57,700	784,088
- Contract assets <sup>(2)</sup>	501,073	-	-	-	-	-	501,073
	1,074,216	80,900	39,074	18,433	14,838	57,700	1,285,161
Less allowance:							
- Trade receivables	(14,580)	(9,543)	(8,096)	(7,143)	(7,369)	(41,457)	(88,188)
- Contract assets <sup>(2)</sup>	(16,066)	-	-	-	-	-	(16,066)
	(30,646)	(9,543)	(8,096)	(7,143)	(7,369)	(41,457)	(104,254)

#### Notes:

<sup>(1)</sup> The expected loss rate comprises of customers with different risk profiles.

<sup>(2)</sup> Excludes contract cost assets.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables, finance lease receivables and contract assets (continued)

*Impairment of trade receivables, finance lease receivables and contract assets (continued)*

Movement on the Group's loss allowances for receivables and contract assets is as follows:

	Note	Trade receivables		Finance lease receivables		Contract assets		Total	
		2018	2017	2018	2017	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)		(Restated)		(Restated)
1 January (based on MFRS 139)		<b>64,986</b>	<b>74,400</b>	-	-	<b>3,010</b>	<b>2,415</b>	<b>67,996</b>	<b>76,815</b>
Amounts restated through opening retained earnings	36(c)	<b>23,202</b>	-	-	-	<b>13,056</b>	-	<b>36,258</b>	-
1 January (based on MFRS 9)		<b>88,188</b>	<b>74,400</b>	-	-	<b>16,066</b>	<b>2,415</b>	<b>104,254</b>	<b>76,815</b>
Charged to statement of profit or loss	11	<b>130,551</b>	110,709	<b>558</b>	-	<b>5,277</b>	3,047	<b>136,386</b>	113,756
Reversed from statement of profit or loss	11	<b>(7,598)</b>	(6,476)	-	-	<b>(7,592)</b>	(2,452)	<b>(15,190)</b>	(8,928)
Amount written off		<b>(110,334)</b>	(113,647)	-	-	-	-	<b>(110,334)</b>	(113,647)
31 December		<b>100,807</b>	64,986	<b>558</b>	-	<b>13,751</b>	3,010	<b>115,116</b>	67,996

Deposits, cash and bank balances

For deposits, cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions.

While deposits, cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

Derivative financial instruments

The Group enters into the contracts with various reputable counterparties to minimise the credit risks. The Group considers the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

##### Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits. The movement on Group's loss allowances for other financial assets at amortised cost is as follows:

	Note	2018 RM'000	2017 RM'000 (Restated)
1 January (based on MFRS 139 and MFRS 9)		20,612	14,950
Charged to statement of profit or loss	11	23,762	17,197
Reversed from statement of profit or loss	11	(1,959)	(6,251)
Amount written off		(132)	(5,284)
31 December		42,283	20,612

#### (c) Liquidity risk

The objectives of the Group's and of the Company's liquidity risk management policies are to monitor rolling forecasts of the Group's and of the Company's liquidity requirements to ensure they have sufficient cash to meet operational and financing needs as and when they fall due, availability of funding by keeping committed credit lines and to meet external covenant compliance. Surplus cash held is invested in interest bearing money market deposits and time deposits. The Group and the Company are exposed to liquidity risk where there could be difficulty in raising funds to meet commitments associated with financial instruments.

As at 31 December 2018, the Group has unissued Sukuk of RM5.91 billion under the Unrated Sukuk Murabahah Programme, as disclosed in Note 29(c) to the financial statements. The Group is able to issue new Sukuk to finance its capital expenditure, working capital and/or other funding requirements. There is no restriction under the terms of the Unrated Sukuk Murabahah Programme for such intended purposes.

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows:

Group	Total <sup>(1)</sup> RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2018</u>					
Payables and accruals <sup>(2)</sup>	2,578,196	2,416,052	162,144	-	-
Amounts due to related parties	4,995	4,995	-	-	-
Amounts due to fellow subsidiaries	36	36	-	-	-
Finance lease liabilities	583	583	-	-	-
Borrowings <sup>(1)</sup>	9,131,463	561,416	853,244	4,486,957	3,229,846
Net settled derivative financial instruments (IRS contract)	815	367	150	298	-
	<b>11,716,088</b>	<b>2,983,449</b>	<b>1,015,538</b>	<b>4,487,255</b>	<b>3,229,846</b>

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows:  
(continued)

Group	Total <sup>(1)</sup> RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>At 31 December 2017</u>					
Payables and accruals <sup>(2)</sup>	2,354,279	2,131,552	166,329	56,398	-
Amounts due to related parties	22,874	22,874	-	-	-
Amounts due to fellow subsidiaries	2,004	2,004	-	-	-
Finance lease liabilities	5,825	5,048	777	-	-
Borrowings <sup>(1)</sup>	9,433,822	551,905	344,353	5,168,509	3,369,055
Net settled derivative financial instruments (IRS contract)	7,662	2,077	1,400	4,185	-
	11,826,466	2,715,460	512,859	5,229,092	3,369,055

#### Notes:

<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.

Company	Total <sup>(1)</sup> RM'000	< 1 year RM'000
<u>At 31 December 2018</u>		
Payables and accruals	766	766
Amount due to a subsidiary	498	498
	1,264	1,264
<u>At 31 December 2017</u>		
Payables and accruals	1,213	1,213
Amount due to a subsidiary	268	268
	1,481	1,481

#### Note:

<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.



## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Capital risk management

The Group's and the Company's objective when managing capital is to safeguard the Group's and the Company's abilities to continue as a going concern while at the same time provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

Under the requirement of Bursa Malaysia Securities Berhad Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity of more than 25% of the issued and paid-up capital (excluding treasury shares) and maintain such shareholders' equity of not less than RM40 million. The Company has complied with this requirement.

The external lenders require its borrower, MBSB to maintain financial covenant ratios on its net debt to EBITDA and EBITDA to interest expense. These financial covenant ratios have been fully complied with by MBSB for the financial year ended 31 December 2018.

The Group also monitors capital which comprise of borrowings and equity on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest bearing financial liabilities (include current and non-current borrowings and derivative financial instruments designated in hedging relationship on borrowings on a net basis as shown in the statements of financial position but exclude deferred payment scheme as disclosed in Note 28 to the financial statements) less deposits, cash and bank balances. Total equity is calculated as 'equity' as shown in the statements of financial position. The gearing ratios at 31 December 2018 and 2017 were as follows:

	Note	Group	
		2018 RM'000	2017 RM'000 (Restated)
Total interest bearing financial liabilities		7,638,842	7,642,729
Less: Deposits, cash and bank balances	26	(560,457)	(602,127)
Net debt		7,078,385	7,040,602
Total equity		7,149,731	6,946,013
Gearing ratio		1.0	1.0

#### (e) Fair value estimation

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

	Note	Group			
		2018		2017	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial asset:					
Receivables and deposits		187,058	183,247	67,145	60,226
Financial liability:					
Borrowings					
- finance lease liabilities	29	-	-	760	688
- Islamic Medium Term Notes	29	4,143,363	4,196,668	4,143,740	4,220,161

The valuation technique used to derive the Level 3 disclosure for financial asset is based on the estimated cash flow and discount rate of the underlying counterparty while financial liability is based on the estimated cash flow and discount rate of the Group.

##### (ii) Financial instruments carried at fair value through profit or loss

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

	Note	Group	
		2018 RM'000	2017 RM'000
Derivative financial instruments (forward foreign exchange contracts):			
- assets	21	1,376	2,565
- liabilities	21	(368)	(1,535)
		1,008	1,030

The fair value of IRS is calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using forward exchange rates as at each reporting date.

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

##### (iii) Financial instruments carried at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group and Company have elected at initial recognition to recognise in this category. The Group and Company hold investments that are unlisted securities, and measured at fair value, using Level 3 valuation technique, at reporting date:

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at FVOCI	19	3,615	-	3,615	-

The valuation technique used to derive the Level 3 disclosure for financial asset is based on the estimated cash flow and discount rate of the underlying counterparty.

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

##### (i) Financial assets

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

Group	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
<u>At 31 December 2018</u>						
Receivables and deposits	569,276	(19,479)	549,797	-	(33,752)	516,045
Amounts due from related parties	25,588	(2,004)	23,584	-	-	23,584
	594,864	(21,483)	573,381	-	(33,752)	539,629
<u>At 31 December 2017</u>						
Receivables and deposits	515,959	(8,234)	507,725	-	(16,312)	491,413
Amounts due from fellow subsidiaries	237	(237)	-	-	-	-
Amounts due from related parties	7,586	(616)	6,970	-	-	6,970
	523,782	(9,087)	514,695	-	(16,312)	498,383
<b>Company</b>						
<u>At 31 December 2017</u>						
Amounts due from subsidiaries	1	(1)	-	-	-	-

## Notes to the Financial Statements

### 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

##### (i) Financial liabilities

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

Group	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set-off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
<b>At 31 December 2018</b>						
Payables and accruals	226,099	(19,479)	206,620	(33,752)	-	172,868
Amounts due to fellow subsidiaries	36	-	36	-	-	36
Amounts due to related parties	6,056	(2,004)	4,052	-	-	4,052
	<b>232,191</b>	<b>(21,483)</b>	<b>210,708</b>	<b>(33,752)</b>	<b>-</b>	<b>176,956</b>
<b>At 31 December 2017</b>						
Payables and accruals	264,145	(8,234)	255,911	(16,312)	-	239,599
Amounts due to fellow subsidiaries	1,227	(237)	990	-	-	990
Amounts due to related parties	15,657	(616)	15,041	-	-	15,041
	<b>281,029</b>	<b>(9,087)</b>	<b>271,942</b>	<b>(16,312)</b>	<b>-</b>	<b>255,630</b>
<b>Company</b>						
<b>At 31 December 2017</b>						
Amounts due to a subsidiary	269	(1)	268	-	-	268

### 33 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of reporting date but not recognised as liabilities is as follows:

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	225,432	257,287

## Notes to the Financial Statements

### 34 OPERATING LEASE COMMITMENTS

Generally, the Group leases certain network infrastructure, offices and customer service centres under operating leases. The leases run for a period of 2 to 15 years (2017: 2 to 15 years). Certain operating leases contain renewal options with market review clauses. The Group does not have the option to purchase the leased assets at the expiry of the lease period.

	Group	
	2018 RM'000	2017 RM'000
Not later than one year	495,944	243,391
Later than one year but not later than five years	796,928	562,645
Later than five years	298,628	161,955
	<b>1,591,500</b>	967,991

Included in the future minimum lease payments are lease commitments for network infrastructure which are based on the number of co-sharing parties for each individual site as at the reporting date.

### 35 RELATED PARTIES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions, balances and commitments. The related party transactions described below were carried out on agreed terms with the related parties. None of these balances are secured.

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of goods and services:								
- MEASAT Broadcast Network Systems Sdn. Bhd. <sup>(1)</sup> (telephony and broadband services)	87,483	98,021	21,137	17,446	-	-	21,137	17,446
- MEASAT Global Berhad Group <sup>(2)</sup> (revenue share for the leasing of satellite bandwidth)	2,261	6,036	650	6,955	-	-	650	6,955
- Maxis Communications Berhad <sup>(3)</sup> (management fee)	2,400	2,400	2,248	3,816	-	-	2,248	3,816
Purchases of goods and services from:								
- Tanjong City Centre Property Management Sdn. Bhd. <sup>(4)</sup> (rental, signage, parking and utility charges)	31,039	32,874	-	3,657	(184,161)	(198,285)	(184,161)	(194,628)

## Notes to the Financial Statements

### 35 RELATED PARTIES (CONTINUED)

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Purchases of goods and services from (continued):								
- Saudi Telecom Company ("STC") <sup>(5)</sup> (roaming and international calls)	1,348	4,499	1,355	(10,341)	-	-	1,355	(10,341)
- MEASAT Global Berhad Group <sup>(2)</sup> (transponder and teleport lease rental)	58,120	46,496	(2,540)	(3,822)	(71,012)	(9,437)	(73,552)	(13,259)
- UTSB Management Sdn. Bhd. <sup>(4)</sup> (corporate management services)	28,395	26,500	-	(4,584)	(21,067)	(46,375)	(21,067)	(50,959)
- SRG Asia Pacific Sdn. Bhd. <sup>(6)</sup> (call handling and telemarketing services)	13,755	14,668	(1,915)	(3,486)	-	-	(1,915)	(3,486)
- MBNS Multimedia Technologies Sdn. Bhd. ("MMTSB") and/or its related corporations <sup>(1)</sup> (goods and services)	-	-	-	-	(3,000)	(3,000)	(3,000)	(3,000)

#### Notes:

The Group has entered into the above related party transactions with parties whose relationships are set out below.

Usaha Tegas Sdn. Bhd. ("UTSB"), STC and Harapan Nusantara Sdn. Bhd. are parties related to the Company, by virtue of having joint control over BGSM, pursuant to a shareholders' agreement in relation to BGSM. BGSM is the ultimate holding company of the Company.

The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in all of the shares of the Company in which UTSB has an interest, PanOcean does not have any economic or beneficial interest in the shares of the Company, as such interest is held subject to the terms of the discretionary trust.

<sup>(1)</sup> Subsidiary of a company which is an associate of UTSB

<sup>(2)</sup> Subsidiary of a company in which TAK has a 99.999% direct equity interest

<sup>(3)</sup> Subsidiary of BGSM

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

<sup>(5)</sup> A major shareholder of BGSM, as described above

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

	Company	
	2018 RM'000	2017 RM'000
Management fees charged by subsidiaries	3,719	3,265
Payment on behalf of operating expenses for subsidiaries	64	75

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of MFRS 9 “Financial Instruments” and MFRS 15 “Revenue from Contracts with Customers” on the Group’s financial statements.

#### (a) Adoption of MFRS 9 “Financial Instruments”

MFRS 9 replaces MFRS 139 “Financial Instruments: Recognition and Measurement”. The adoption of MFRS 9 from 1 January 2018 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. The new accounting policies are set out in Note 3(f).

As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus adjustments arising from the adoption of MFRS 9 were recognised in the opening statement of financial position as at 1 January 2018.

#### Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of MFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate MFRS 9 categories.

There are no changes to the classification of financial instruments from the assessment except for the reclassification of equity investments from available-for-sale (“AFS”) financial assets to financial assets at FVOCI.

The financial instruments of the Group and the Company on 1 January 2018 were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (MFRS 139)	New (MFRS 9)	Original RM’000 (Restated)	New RM’000	Difference RM’000
<b>Group</b>					
<u>Financial assets</u>					
Equity investment	AFS	FVOCI	- <sup>(1)</sup>	- <sup>(1)</sup>	-
Receivables and deposits	Amortised cost	Amortised cost	1,226,188	1,189,930	(36,258) <sup>(2)</sup>
Amount due from fellow subsidiaries	Amortised cost	Amortised cost	1,289	1,289	-
Amounts due from related parties	Amortised cost	Amortised cost	29,336	29,336	-
Deposits, cash and bank balances	Amortised cost	Amortised cost	602,127	602,127	-
<u>Financial liabilities</u>					
Payables and accruals	Amortised cost	Amortised cost	2,334,583	2,334,583	-
Amounts due to fellow subsidiaries	Amortised cost	Amortised cost	2,004	2,004	-
Amounts due to related parties	Amortised cost	Amortised cost	22,874	22,874	-
Borrowings	Amortised cost	Amortised cost	7,645,294	7,645,294	-
Derivatives (net)	FVPL	FVPL	1,030	1,030	-

#### Notes:

<sup>(1)</sup> Fully impaired as disclosed in Note 19.

<sup>(2)</sup> The difference noted is the result of applying the new ECL model. The reclassification on adoption of MFRS 9 did not result in any changes to measurements.

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Adoption of MFRS 9 “Financial Instruments” (continued)

Classification and measurement of financial instruments (continued)

<u>Company</u>	<u>Measurement category</u>		<u>Carrying amount</u>		<u>Difference</u> <u>RM'000</u>
	<u>Original</u> <u>(MFRS 139)</u>	<u>New</u> <u>(MFRS 9)</u>	<u>Original</u> <u>RM'000</u>	<u>New</u> <u>RM'000</u>	
<u>Financial assets</u>					
Loan to a subsidiary	Amortised cost	Amortised cost	392,036	392,036	-
Receivables and deposits	Amortised cost	Amortised cost	7	7	-
Deposits, cash and bank balances	Amortised cost	Amortised cost	9,757	9,757	-
<u>Financial liabilities</u>					
Payables and accruals	Amortised cost	Amortised cost	1,213	1,213	-
Amount due to a subsidiary	Amortised cost	Amortised cost	268	268	-

#### Impairment of financial assets

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

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. This has resulted in an increase in the Group's allowance for impairment by RM36,258,000 as at 1 January 2018.

Loan to a subsidiary in the Company's separate financial statements is assessed on individual basis for ECL measurement. The identified impairment loss was immaterial.

#### (b) Adoption of MFRS 15 “Revenue from Contracts with Customers”

The Group has adopted MFRS 15 in the current financial year. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

MFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Notes 3(w) and 3(x). The main changes are explained below:

##### (i) *Sale of device as part of bundled telecommunication service package*

MFRS 15 requires devices which the Group promises to transfer as part of a bundled package with mobile telecommunication services to be considered distinct and thus accounted for as a separate performance obligation. As a result, total consideration received from such package are allocated to the service and device based on relative stand-alone selling prices. This results in an allocation and early recognition of a portion of telecommunication service revenue as device revenue, and a corresponding reduction in service revenue throughout the contract period. Loss on device sale which was previously capitalised as customer acquisition cost within intangible assets is now expensed to profit or loss when the device sale occurs, resulting in an earlier recognition of expenses.



## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (b) Adoption of MFRS 15 "Revenue from Contracts with Customers" (continued)

##### (i) Sale of device as part of bundled telecommunication service package (continued)

When the Group sells devices, revenue from the sale of device is recognised on a gross basis and payment to the supplier for device cost is recorded as a direct cost.

A contract asset is recognised when the Group delivers the devices before the payment is due. If the payment happens before the delivery of device, then a contract liability is recognised. Contract assets and contract liabilities are presented within receivables and payables respectively in the statement of financial position.

##### (ii) Costs incurred to obtain or fulfil a contract

Under MFRS 15, the Group capitalises sales commissions as costs to obtain a contract with a customer when they are incremental and expected to be recovered over more than a year. These costs are disclosed as contract cost assets and are amortised consistently with the transfer of the good or service to the customer. If the expected amortisation period is one year or less, then the costs are expensed when incurred. Previously, the sales commissions were recognised in the statement of profit or loss.

Arising from the changes mentioned in Note 36(b)(i), the de-recognition of intangible assets have resulted in a decrease in net cash outflows for investing activities, and a corresponding decrease in net cash inflows from operating activities.

In accordance with the transitional provisions in MFRS 15, the Group has elected to adopt the full retrospective approach, requiring the restatement of the comparative period presented in the financial statements. The adjustments made to the comparative figures are set out in Note 36(c).

In applying MFRS 15 retrospectively, the Group has applied the following practical expedients:

- For completed contracts, contracts that begin and end within the same annual reporting period were not restated; and
- For all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised are not disclosed.

#### (c) Impact on the financial statements

The following tables show the adjustments recognised in financial statements of the Group for each individual financial statements line item as a result of the adoption of MFRS 9 and MFRS 15. The adoption of MFRS 9 and MFRS 15 has no impact on the financial statements of the Company.

Line items that were not affected by the changes have been excluded. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (i) Reconciliation of financial position and equity

Statement of financial position (extract)	31.12.2017		31.12.2017		1.1.2018
	Previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000	Effects of MFRS 9 RM'000	Restated RM'000
<b>Group</b>					
<u>Non-current assets</u>					
Intangible assets	11,354,176	(427,708)	10,926,468	-	<b>10,926,468</b>
Receivables, deposits and prepayments	801,522	84,805	886,327	-	<b>886,327</b>
<u>Current assets</u>					
Receivables, deposits and prepayments	1,581,662	228,121	1,809,783	(36,258)	<b>1,773,525</b>
Total assets	19,249,224	(114,782)	19,134,442	(36,258)	<b>19,098,184</b>
<u>Non-current liabilities</u>					
Deferred tax liabilities	436,972	(31,000)	405,972	(9,000)	<b>396,972</b>
<u>Current liabilities</u>					
Payables and accruals	3,299,107	12,116	3,311,223	-	<b>3,311,223</b>
Total liabilities	12,207,313	(18,884)	12,188,429	(9,000)	<b>12,179,429</b>
Net assets	7,041,911	(95,898)	6,946,013	(27,258)	<b>6,918,755</b>
Reserves	4,572,969	(95,898)	4,477,071	(27,258)	<b>4,449,813</b>
Total equity	7,041,911	(95,898)	6,946,013	(27,258)	<b>6,918,755</b>

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (i) Reconciliation of financial position and equity (continued)

Statement of financial position (extract)	1.1.2017	1.1.2017	
	As previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000
<b>Group</b>			
<u>Non-current assets</u>			
Intangible assets	11,296,627	(357,675)	10,938,952
Receivables, deposits and prepayments	871,280	8,003	879,283
<u>Current assets</u>			
Receivables, deposits and prepayments	1,582,431	238,319	1,820,750
<b>Total assets</b>	<b>19,643,079</b>	<b>(111,353)</b>	<b>19,531,726</b>
<u>Non-current liabilities</u>			
Deferred tax liabilities	580,388	(27,000)	553,388
<u>Current liabilities</u>			
Payables and accruals	3,633,201	33	3,633,234
<b>Total liabilities</b>	<b>14,922,180</b>	<b>(26,967)</b>	<b>14,895,213</b>
<b>Net assets</b>	<b>4,720,899</b>	<b>(84,386)</b>	<b>4,636,513</b>
<b>Reserves</b>	<b>3,969,868</b>	<b>(84,386)</b>	<b>3,885,482</b>
<b>Total equity</b>	<b>4,720,899</b>	<b>(84,386)</b>	<b>4,636,513</b>

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (ii) Reconciliation of profit or loss and comprehensive income

Statement of profit or loss and other comprehensive income (extract)	31.12.2017		31.12.2017
	As previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000
<b>Group</b>			
Revenue	8,696,438	722,852	9,419,290
Traffic, commissions and other direct costs	(1,954,559)	(1,161,946)	(3,116,505)
Depreciation and amortisation	(1,418,540)	385,101	(1,033,439)
Government grant and other income	233,574	38,677	272,251
Other operating expenses	(122,115)	131	(121,984)
Finance income	61,309	(327)	60,982
Profit before tax	2,893,932	(15,512)	2,878,420
Tax expenses	(702,378)	4,000	(698,378)
Profit for the financial year attributable to equity holders of the Company	2,191,554	(11,512)	2,180,042
Total comprehensive income for the financial year attributable to equity holders of the Company	2,159,112	(11,512)	2,147,600
Earnings per share attributable to equity holders of the Company (sen):			
- basic	28.6	(0.1)	28.5
- diluted	28.6	(0.2)	28.4

## Notes to the Financial Statements

### 36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on the financial statements (continued)

##### (iii) Reconciliation of cash flows

Statement of cash flows (extract)	31.12.2017		31.12.2017
	As previously reported RM'000	Effects of MFRS 15 RM'000	Restated RM'000
<b>Group</b>			
Profit for the financial year	2,191,554	(11,512)	2,180,042
Adjustments for:			
Intangible assets			
- amortisation	397,585	(385,101)	12,484
- impairment	129	(129)	-
Amortisation of contract cost assets	-	67,956	67,956
Finance income	(61,309)	327	(60,982)
Tax expenses	702,378	(4,000)	698,378
Operating cash flows before working capital changes	4,773,616	(332,459)	4,441,157
Changes in working capital			
Receivables	(189,158)	(133,112)	(322,270)
Payables	(130,851)	10,308	(120,543)
Cash flows from operations	4,457,807	(455,263)	4,002,544
Net cash flows from operating activities	3,822,790	(455,263)	3,367,527
Purchase of intangible assets	(455,263)	455,263	-
Net cash flows used in investing activities	(1,945,064)	455,263	(1,489,801)

### 37 CONTINGENT LIABILITIES

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

### 38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 February 2019.

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) Of The Companies Act 2016

We, Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Robert Alan Nason, being two of the Directors of Maxis Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 102 to 203 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

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

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

**ROBERT ALAN NASON**  
DIRECTOR

Kuala Lumpur

# STATUTORY DECLARATION

Pursuant to Section 251(1) Of The Companies Act 2016

I, Norman Wayne Treeby, the officer primarily responsible for the financial management of Maxis Berhad, do solemnly and sincerely declare that the financial statements set out on pages 102 to 203 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**NORMAN WAYNE TREEBY**

Subscribed and solemnly declared by the abovenamed Norman Wayne Treeby at Kuala Lumpur in Malaysia on 15 February 2019, before me.

COMMISSIONER FOR OATH

# Independent Auditors' Report

To The Members of Maxis Berhad (Incorporated in Malaysia) (Company No. 867573 A)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Maxis Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 102 to 203.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Group

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessment of useful life and carrying value of intangible assets with indefinite useful life</b></p> <p><i>Refer to Note 3(d) – Summary of significant accounting policies: Intangible assets, Note 4(a) – Critical accounting estimates and judgements: Intangible assets and Note 16 – Intangible assets.</i></p> <p>As at 31 December 2018, the carrying amount of the Group's goodwill and telecommunications licences with allocated spectrum rights ("spectrum rights") amounted to RM10.9 billion.</p> <p>We focused on this area due to the size of the carrying amount of the goodwill and spectrum rights, which represented 55.2% of total assets as at 31 December 2018, and the significant assumptions and judgements involved in determining the indefinite useful life of the spectrum rights and impairment assessment.</p> <p>The spectrum rights are considered to have an indefinite economic useful life as the Directors are of the opinion that the spectrum rights can be renewed indefinitely without significant cost when compared with the expected future economic benefits expected to flow to the Group from the renewal and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.</p> <p>Based on the annual impairment test performed, the Directors concluded that no impairment is required for goodwill and spectrum rights. The key assumptions and sensitivities are disclosed in Note 16 to the financial statements.</p>	<p>We performed the following audit procedures:</p> <p>In respect of the goodwill and spectrum rights, we performed the following audit procedures on the value-in-use ("VIU") calculations which used the cash flow projections based on internally approved financial budgets covering a five-year period:</p> <ul style="list-style-type: none"> <li>• Evaluated the reasonableness of the Director's assessment that the integrated telecommunications services is the cash generating unit ("CGU") which represents the smallest identifiable group of assets that generate independent cash inflows, by understanding the business model of the Group;</li> <li>• Discussed with management the key assumptions used in the five-year VIU cash flows and performed the following: <ul style="list-style-type: none"> <li>- Agreed the five-year VIU cash flows to the financial budget approved by the Directors;</li> <li>- Compared historical forecasting for 2018 to actual results; and</li> <li>- Checked the mathematical accuracy of the five-year VIU cash flows.</li> </ul> </li> <li>• Agreed the assumption on capital expenditures to the approved financial budget for five years, discussed with management on the capital expenditure required to maintain the network performance and assessed the impact on the VIU cash flows; and</li> <li>• Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to industry reports, and checked the sensitivity analysis performed by management on the discount rate.</li> </ul> <p>Based on the procedures performed above, we did not find any exceptions to the Directors' conclusion that the goodwill and spectrum rights are not impaired as at 31 December 2018.</p>



## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessment of useful life and carrying value of intangible assets with indefinite useful life (continued)</b></p>	<p>In respect of the useful life of the spectrum rights, we checked management's assessment of the significance of the cost of renewal by performing the following:</p> <ul style="list-style-type: none"> <li>• Read the latest letters of renewal or offer from Malaysian Communications and Multimedia Commission ("MCMC") for the respective spectrums to understand the terms and conditions of the renewal, and discussed with management on how the conditions will be met;</li> <li>• Obtained evidence that based on past experience, the Group was able to renew the spectrum rights without any material or significant disruptions to business operations; and</li> <li>• Compared the estimated total renewal costs for all spectrum rights against the future estimated revenue and net cash flows which we checked as part of our audit procedures on impairment assessment.</li> </ul> <p>Based on the procedures performed above, we did not find any exceptions in the Directors' estimate and judgement of the asset's useful life, specifically on the significance of the costs of renewal of the existing spectrum rights when compared with the expected future economic benefits expected to flow to the Group from the renewals.</p>
<p><b>Revenue recognition from contracts with customers</b></p> <p><i>Refer to Note 3(w) – Summary of Significant Accounting Policies – Revenue recognition, Note 4(e) – Critical accounting estimates and judgements: Revenue recognition for contracts with customers and Note 6 - Revenue</i></p> <p>The Group's revenue of RM9.2 billion during the financial year ended 31 December 2018 comprised primarily telecommunication services revenue and sale of devices of RM8.2 billion and RM1.0 billion respectively.</p> <p>We focused on this area because there is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition. Revenue processed by billing systems are complex and involves large volume of data with different products sold, services and price changes.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Checked the adjustments arising from the application of MFRS 15 and performed the following: <ul style="list-style-type: none"> <li>- Obtained management's assessment on the identification of separate performance obligations over material customer contracts with bundling arrangements and sighted to the customer contracts on sampling basis; and</li> <li>- Reviewed management's analysis in determining whether the Group is acting as a principal or an agent in relation to the sale of devices based on the contractual terms and conditions in the contracts with customers and supplier.</li> </ul> </li> <li>• Checked stand-alone selling prices and allocation of the consideration specified in contracts for separate performance obligations to published selling prices used by the Group on their sale of products and services or available market prices.</li> </ul>

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition from contracts with customers (continued)</b></p> <p>In addition, we focused on the adjustments recognised during the year following the Group's application of MFRS 15 "Revenue from contracts with customers" ("MFRS 15"). The Group elected for the full retrospective transition approach requiring restatement to the comparative period presented for the period beginning 1 January 2017. The adjustments are set out in Note 36(c) to the financial statements.</p> <p>Management exercises judgement on the areas below arising from the adoption of MFRS 15:</p> <ul style="list-style-type: none"> <li>Certain contracts with customers are bundled packages that may include sale of products and telecommunication services that comprise voice, data and other converged telecommunication services. Individual products and services are accounted for as separate performance obligations if they are distinct promised goods and services. Judgement is involved in identifying if products and services with the bundled package are distinct as a separate promised products and services; and</li> <li>Determining whether the Group is acting as a principal or an agent in relation to sale of devices.</li> </ul>	<ul style="list-style-type: none"> <li>Tested the IT general controls and controls over operating effectiveness of the relevant billing systems on the following: <ul style="list-style-type: none"> <li>capture and recording of revenue transactions;</li> <li>authorisation of rate changes and the input of this information to the billing systems; and</li> <li>accuracy of calculation of amounts billed to customers.</li> </ul> </li> <li>Examined material non-standard journal entries and other adjustments posted to revenue accounts.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions in the opening balance adjustments and revenue recognised during the financial year.</p>
<p><b>Assessment of funding requirements and ability to meet the short term obligations</b></p> <p><i>Refer to Note 32(c) – Financial Risk Management – Liquidity Risk</i></p> <p>As at 31 December 2018, the Group had short term payables and accruals of RM4.0 billion and short term borrowings of RM0.2 billion. We focused on the Group's funding and ability to meet its short term obligations due to the significant amount of the short term liabilities, which resulted in the current liabilities of the Group exceeding current assets by RM1.9 billion at that date.</p> <p>The Group's ability to obtain funding from existing facilities is disclosed in Note 32 to the financial statements.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Checked management's cash flow forecasts for the Group over the next 12 months to the annual budget which includes operating, investing and financing cash flows approved by the Directors;</li> <li>Discussed with management on key assumptions used in the cash flow forecasts including cash collection trends, payment profiles and significant transactions in relation to investing and financing activities;</li> <li>Checked the borrowing repayment profile of the Group against the loan agreements;</li> <li>Checked the extent of debt that the Group can raise from its existing Unrated Sukuk Murabahah Programme ("Sukuk Murabahah"); and</li> <li>Agreed the unissued Sukuk Murabahah to the external confirmation received.</li> </ul> <p>Based on the procedures performed above, we did not find any exceptions to the Directors' assessment that the Group will be able to meet its short term obligations.</p>

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Key audit matters (continued)

##### Company

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of the carrying amount of cost of investment in a subsidiary</b></p> <p><i>Refer to Note 3(g) – Significant accounting policies: Impairment of non-financial assets, Note 4(b) – Critical accounting estimates and judgements: Investment in subsidiaries and Note 17(a) – Investments in subsidiaries</i></p> <p>As at 31 December 2018, the Group performed an impairment assessment on the cost of investment in a subsidiary with the carrying value of RM24.8 billion as there were indicators of impairment of this subsidiary. The recoverable amounts of the subsidiary were determined by the Directors based on value-in-use method. Based on the Directors' assessment, the recoverable amount of the subsidiaries exceed the carrying value of the investment in the subsidiary and therefore no impairment is required.</p> <p>We focused on this area due to the estimation of the recoverable amounts which is inherently uncertain and requires significant judgement on the future cash flow, terminal growth rates and discount rate applied.</p>	<p>We performed the following audit procedures on the value-in-use ("VIU") calculations which used cash flow projections based on internally approved financial budgets covering a five-year period:</p> <ul style="list-style-type: none"> <li>• Discussed with management the key assumptions used in the five-year VIU cash flows and performed the following: <ul style="list-style-type: none"> <li>- Agreed the five-year VIU cash flows to the financial budget approved by the Directors;</li> <li>- Compared historical forecasting for 2018 to actual results; and</li> <li>- Checked the mathematical accuracy of the five-year VIU cash flows.</li> </ul> </li> <li>• Checked that the VIU cash flows used to determine the recoverable amount have been adjusted for financing cash flows forecast of the subsidiary;</li> <li>• Discussed with management the key assumptions which include the compounded revenue and earnings before interest, tax, depreciation and amortisation annual growth rates used in the five-year VIU cash flows;</li> <li>• Agreed the assumption on capital expenditures to the approved financial budget for five years, discussed with management on the capital expenditure required to maintain the network performance and assessed the impact on the VIU cash flows; and</li> <li>• Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to industry reports, and checked the sensitivity analysis performed by management on the discount rate.</li> </ul> <p>Based on the procedures performed above, we did not find any exception to the Directors' assessment that the cost of investment in a subsidiary is not impaired as at 31 December 2018.</p>

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections of the 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation. ○
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. ○

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. ○

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. | ○

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

**SRIDHARAN NAIR**  
02656/05/2020 J  
Chartered Accountant

Kuala Lumpur  
15 February 2019