Our Top Material Matters

Material Matters	Definition	Stakeholder Affected	Strategy (MAX)
Customer Experience & Satisfaction	The quality of customer experience from our products and services including Maxis driven engagement to better understand and meet customers' expectations	Customers	M A
Technology	Enhance product differentiation/capabilities through infrastructure and enablers such as network, IT and digitalisation	Customers, Government & Regulators, Shareholders & Investors, Suppliers & Partners, Community	A
Ethical Business Practices	The way we govern and conduct our business with full compliance to relevant laws and regulations, and our commitment to be transparent	Customers, Government & Regulators, Shareholders & Investors, Suppliers & Partners, Employees, Community	X
Data Privacy & Protection	Measures we implement to manage our stakeholders' data privacy and protection	Customers, Government & Regulators, Suppliers & Partners, Employees, Community	M X
Innovation	New ideas to create value for an organisation which includes new design, technology, services or processes	Customers, Government & Regulators, Shareholders & Investors, Suppliers & Partners, Employees, Community	M A
Regulatory & Compliance	Sound governance and compliance practices to the government and regulators	Government & Regulators, Shareholders & Investors	X
Employee Development	Commitment towards succession planning and employee development of skills for future needs	Employees	X
Sustainable Business	Financial value created and distributed to our stakeholders	Customers, Government & Regulators, Shareholders & Investors, Suppliers & Partners, Employees, Community	M

Customers | Government & Regulators | Shareholders & Investors | Suppliers & Partners | Employees | Community

For further details on Our Approach and Materiality Matrix, please refer to page 66 of Our Sustainability Statement.

Key Business Risks and Opportunities

In 2019, we harmonised the risk assessment and materiality processes by integrating our risk assessment parameters as part of our materiality assessment. This effort signifies a key milestone in our journey towards cultivating integrated thinking within Maxis. The convergent pathways and/or integration points between the Group's business risks and material matters are illustrated in the figure below.

Our Material Matters (High Priority) / Our Principal Risks	Competition	Economic	Operation	People	Regulatory	Information Technology	Data Privacy and Protection	Vendor/ Supply Chain	Technology	New Business	Network Failure
Customer Experience & Satisfaction	●		●		●	●	●	●			●
Technology	●		●		●	●		●	●	●	●
Ethical Business Practices				●	●		●				
Data Privacy & Protection						●	●				
Innovation	●			●					●	●	
Regulatory & Compliance					●	●	●				
Employee Development			●	●						●	
Sustainable Business	●	●	●	●	●			●	●	●	

The table on following page presents a summary of our principal business risks for the year 2019. These principal risks are mapped to our MAX Plan and capitals affected. We have also defined our key risk indicators and trends, indicating if the risk has increased, decreased or remained stable from the previous period. We have put in place mitigation actions and identified opportunities that would arise from these risks.

Key Business Risks and Opportunities

Principal Risks	Context	Mitigation Action
1. Competition Risk	The competitive landscape continues to intensify as existing players and new entrants provide innovative and overlapping services due to rising demand for intelligent connectivity.	Maxis has a vision to be the Leading Converged Solutions Company in Malaysia delivering new solutions, including industry-leading LTE network and fibre connectivity. We are focused on driving efficiencies and innovation, via new technologies, products and services, processes and business models to provide unmatched personalised experience to them.
2. Economic Risk	Changes in national political landscape and uncertain global geopolitical stability could impact the local economic growth and influence consumer's purchasing power.	The business units in Maxis have continuous revenue and cost optimisation programmes to drive improvements in their cost structures. We have a dedicated project team to track and monitor the execution of these programmes. Our business planning and management review processes involve the continuous monitoring of rolling plan and actual expenditures to minimise the risk.
3. Operation Risk	There is an increased demand to deliver growth whilst optimising cost and providing unmatched personalised experience. A failure to manage these expectations may impact our reputation, capabilities and supporting infrastructure in delivering our strategy.	We continue to identify talents with the needed new skills and capabilities to deliver new solutions/ services. Our Corporate Project Management Office integrates change management which involves identifying, evaluating and managing changes throughout key projects' lifecycle.
4. People Risk	Recruiting, developing and retaining the best talent fit continue to be a focus and a challenge as our business grows beyond the core. Skills for new solutions to drive digital transformation strategies are scarce, due to intense competition. Succession of core leadership team is imperative to maintain our competitive advantage in the market.	We continue to invest in our existing workforce and build up emerging capabilities through external professional/ fresh graduates hires. In order to develop and retain talent, we conduct regular skills assessment into the critical business areas and set out structured developmental roadmaps to fill new and emerging skills gaps. We have a targeted development approach to develop talents through formal learning activities, coaching and mentoring as well as providing critical experiences such as rotations and special projects.
5. Regulatory Risk	As the regulatory continue to redefine their requirement to support nation building, mobile operators must be well prepared and agile enough to maneuver unexpected outcome of any new or revised legislation. Regulated resources such as spectrum are limited but critical to maintain competitiveness, growth and support cost strategies.	We closely monitor and help drive new developments and regularly participate in discussions and consultations with the respective regulatory authorities and the industry to propose changes and provide feedback on regulatory reforms and developments in the telecommunications and media industry.
6. Information Technology Risk	Cyber security threatens the resilience and integrity of our network infrastructure and support systems. The potential disruptions to our services and leakage of confidential information pose significant threats of reputational damage, litigation or penalties from various parties.	Our Cybersecurity Management (CM) unit, together with its various functions including Security Planning/Projects, Security Operations, Security Forensics, Threat Intelligence and Assurance, are responsible for monitoring and resolving security threats to the Group both internally and externally. Apart from the internal security compliance programmes, the unit is also required to maintain and assist in the compliance of the regulatory and industry security programmes such as the MS/ISO27001:2013 and the Personal Data Protection Act 2010.

Key Business Risks and Opportunities

Opportunities	Key Risk Indicators	Risk Owner	Strategy	Capitals Affected	Trends
- Revenues from innovative services - Improved agility and operational efficiency - Investment in skills	• Service Revenue Share • Mobile Network Portability • Net Promoter Score	CFSO CTIO CMO CEBO CSSO CDTO	M A		Increase
- Economic growth - New sources of financing (e.g. new investors)	• Consumer Confidence Index • Domestic Consumption • Household spending	CFSO CTIO CMO CEBO CSSO	M X		Increase
- Business stability and continuity	• Net Promoter Score • Number of non-billing complaints • Progress of implementation of new systems to support new services/ products	CFSO CTIO CMO CEBO CSSO CHRO	A X		Stable
- Robust and diversity of talent	• Voice of Maxis (VOM) Score • Vacant time for critical roles	CHRO	X		Stable
- Revenues from the coverage and quality of the networks deployed - Costs of priority network access for established operator and/or the challenger	• Amount of spectrum to be awarded • Fines received from regulators	CFSO CTIO CCAO	M A		Increase
- Cybersecurity services for business customers - Development of cyberdefense activities - Consolidation of internal expertise	• Percentage of Maxis critical system not covered by advanced protection system • Percentage of security incidences exceeded SLAs for containment	CFSO CTIO	A		Stable

Key Business Risks and Opportunities

Principal Risks	Context	Mitigation Action
7. Data Privacy and Protection Risk	We seek to protect the data privacy and protection of our consumers and businesses amidst rising concerns of data breach, theft, loss and misappropriation of information. Failure to adequately prevent or respond to such incidences could adversely impact customer confidence; result in significant fines, business disruption and lead to reputational damage.	We have a data privacy and protection governance framework established to ensure the privacy of our customer's data. This includes the implementation of security policies, procedures, technologies and tools designed to minimise the risk of privacy breaches. We have also established an escalation process for major incidents, which include security breaches, to ensure timely responses, both internally and externally, to minimise impact.
8. Vendor/ Supply Chain Risk	Our business is increasingly dependent on strategic third-party relationships, including vendors and their extended supply chain. A critical failure of a key vendor or partner may lead to interruptions in our systems and networks, which may adversely impact our operational efficiency and ability to deliver quality services.	As part of our supply chain risk management, periodic vendor performance evaluation is conducted with our key strategic vendors with the objective of identifying improvement opportunities and corrective actions for deficient performance. The use of optimised processes and technology tool in our Source to Contract framework enables online supplier collaboration right from vendor onboarding and tendering to contracting, in addition to promoting transparency and proper audit trail.
9. Technology Risk	We aim to maintain a leading edge in technology and innovation. Failure to advance with the rapidly evolving technological and digital capabilities could hinder our ability to transform to meet stakeholder expectations and render our infrastructure and systems obsolete before the end of their expected useful life.	We continue to invest in upgrading, modernising and equipping our systems with new capabilities to ensure we are able to deliver innovative and relevant services to our customers.
10. New Business Risk	We are cognisant of the competitive operating landscape and of stakeholder demands to diversify our product and service offerings beyond core to create additional revenue streams, including pay TV, managed services cloud services, cyber security and ICT. These ventures to unfamiliar territories exposes us to significant liabilities should they be proven unsuccessful.	As new businesses place new demands on people, processes and systems, we respond by continually updating our organisation structure, talent management and development programme, reviewing our policies and processes, and by investing in new technologies to meet the changing needs.
11. Network Failure Risk	Disruptions to the reliable availability of our high-quality networks and systems through the malfunction of, loss of or damage to our network infrastructure from natural disasters, insufficient preventative maintenance or malicious attack could profoundly impact our operations and reputation.	We continue to make our networks resilient and review our processes to prevent any network disruptions. We also have an effective communication process for timely updates to our stakeholders during any incidents and/or crisis. Our defined crisis management and escalation process enables our CEO and senior management to respond to emergencies and catastrophic events in a timely manner. Additionally, we have business continuity plans as well as insurance policies in place.

Key Business Risks and Opportunities

Opportunities	Key Risk Indicators	Risk Owner	Strategy	Capitals Affected	Trends
- Cybersecurity services for business customers - Strengthening the trusted third party role	• Progress on implementing data protection and privacy programme • Number of data breaches	CFSO CTIO	A X		Stable
- Purchase price reductions through volume - Co-developing solutions with suppliers	• Net Promoter Score • Number of non-billing complaints	CFSO CTIO CMO CEBO	A X		Stable
- Cost reductions - Convergence and new services - Reduction of network equipment and maintenance costs - Service differentiation/ customisation	• Delay in meeting key milestone on new technology implementation • Customer non-billing complaints (tech)	CTIO	A X		Stable
- Revenues from new business beyond core - Convergence and new services	• Progress in transforming people, process and technology to meet demand of new businesses	CFSO CMO CEBO CHRO	M A X		Increase
- New customers (extended network coverage) and new service opportunities	• Net Promoter Score • Progress of BCP reaching targeted level	CTIO	A		Stable

Value Creation Model

Capitals		Input
Financial	Our financial capital enables value creation with the other 5 capitals through availability and management of our funds	• ~RM1.2b capex invested • ~RM200m short-term borrowings
Manufactured	Our physical assets, such as our network infrastructure and data centres, are important source of our competitive advantage	• ~10,000 mobile sites • ~RM200m spent on network as part of RM1b capex growth investment • 70 Maxis Centres • 188 Maxis Exclusive Partner (MEP) Stores
Intellectual	Innovation and technology has always been Maxis' core focus to enhance our brand value	• Premium brand positioning • Refreshed leadership team with convergence ambition • Skilled, technical and expert teams in all fields • Innovation team set up • Rights and licenses for mobile and spectrum
Human	Our people are our most critical asset. We invest in our people's passion, hence creating our MaxisWay culture	• 3,559 employees • ~RM8m invested in learning and development, and employee engagements activities
Social & Relationship	Our strong and lasting relationship with our key stakeholders is created through mutual trust, partnerships, and value-added products and services	• 696 vendors engaged • Proactive engagements with stakeholders • 9.7m mobile subscribers • 369k fibre connections • Industry partnership and community engagement
Natural	We make conscious efforts to minimise our environmental footprint impacted by our value chain	• Radio spectrum (900, 1,800, 2,100, 2,600MHz) • Average energy consumption of 36.2MWh per BTS

Business Activities that

M
MAXIS FOR ALL

A
ACHIEVE UPE

X
MAXIS WAY

Underpinned by:

External Environment
page 29

Governance
pages 70 to 78

Value Creation Model

Differentiates Maxis

Differentiator:

Innovative and the first to market best products and services to customers

Differentiator:

The quality of our network, IT technology and our customers' digital and personalised experience as our top priorities

Differentiator:

World-class and efficient organisation that creates new and effective ways of working

Output

- Revenue: RM9,313m
- EBITDA: RM3,733m
- Cash generated from operations
- Market Capitalisation: ~RM41.6b
- OPEX and cash flow savings achieved

- 93% 4G LTE population coverage
- 95% 4G LTE speed >3Mbps
- ~4m homes have access to fibre services
- 18,560 touchpoints with customers

- Building the foundation of Consumer convergence with 2 new fibre access providers
- Enterprise solutions expansions with 4 major technology partners
- High app penetration rate by 49% of our postpaid principle account holders on MyMaxis App and 64% of our prepaid mobile internet users on Hotlink RED App

- Diverse and engaged workforce
- >RM600m paid for benefits and remunerations
- ~68,000 of training hours taken by employees
- Ambassadors of cultural transformation

- RM549m of tax contribution
- RM2.3b spent on vendors/suppliers
- Delivered social benefits through CSR activities
- Flagship eKelas programme reached out to 13k students in rural communities in Malaysia via 72 Pusat Internet across 10 states

- 248k tonnes of CO_2 emissions
- 1,600kg office waste recycled

Value Created for Our Stakeholders

Shareholders & Investors
- Revenue growth of 1.3%
- Dividend of RM0.20

Customers
- Touchpoint Net Promoter Score of +56
- Enhanced customers' experience

Employees
- New MaxisWay culture
- World-class employee engagement score of 88

Community
- Improved engagement and positive relationship with stakeholders
- Empowered rural communities with digital learning

Government & Regulators
- Contributes to states' digital and National Fiberisation and Connectivity Plan (NFCP) agenda

Suppliers & Partners
- Promoting the development of the local ecosystem

Maxis
- Mobile network leadership
- Largest converged fixed and mobile network
- Brand of the Year award by Malaysia Effie
- Highest Return on Equity (ROE) over 3 years for Super Big Cap Companies by Edge Malaysia

Strategic Framework page 28
Risks and Opportunities pages 31 to 35
Stakeholder Engagement page 67
Material Matters page 30

Management Discussion & Analysis

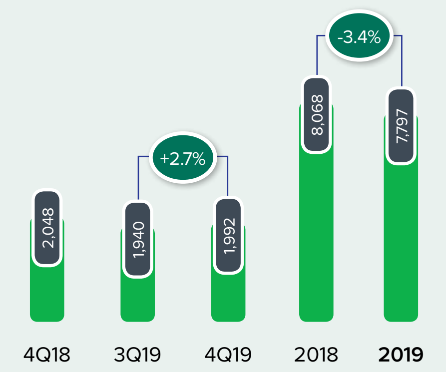
We are pleased with our overall performance in 2019 which was higher than our guidance despite the challenges of an intensely competitive business environment and mature mobile market. Our EBITDA exceeded our expectations with low-single digit decline and recorded strong Operating Free Cash Flow (OFCF).

Our convergence strategy has gained good momentum with strong growth in our fibre subscribers as households prefer superfast fibre plans, packages and devices. We have maintained our mobile leadership with growth in our postpaid subscribers including successful ongoing pre-to-post migration.

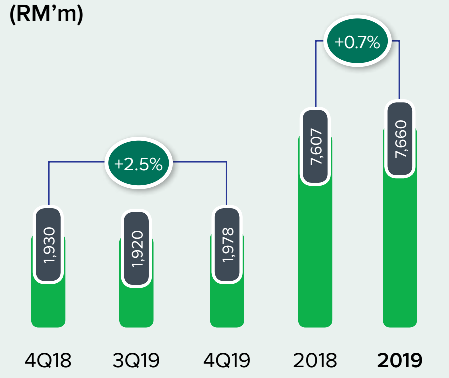
We are confident in our convergence strategy and remain focused on providing attractive and innovative products and solutions, superior connectivity and unmatched personalised experience.

FINANCIAL REVIEW

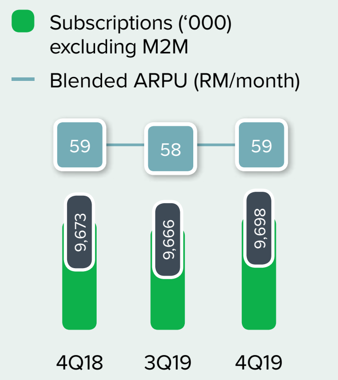
Service Revenue (RM'm)



Service Revenue (excluding wholesale) (RM'm)

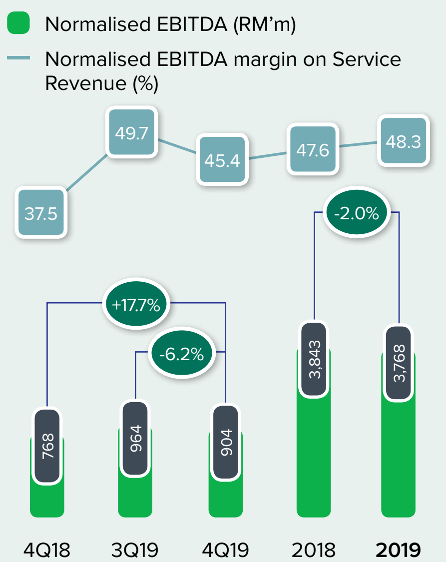


Total RGS & Blended ARPU

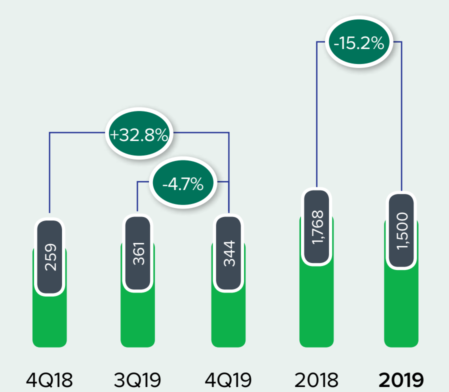


Our service revenue increased by 2.7% quarter on quarter but saw an overall decrease of 3.4% year-on-year, mainly due to the termination of a network sharing agreement. However, underlying service revenue excluding wholesale, grew by 0.7% in 2019 compared to 2018 due to growth in fibre and enterprise segments, in line with our convergence ambitions. We closed the year with a total RGS base of 9.70 million subscribers marking an increase of 0.3% from the same quarter in 2018. Our total blended ARPU remains stable at RM59 per month.

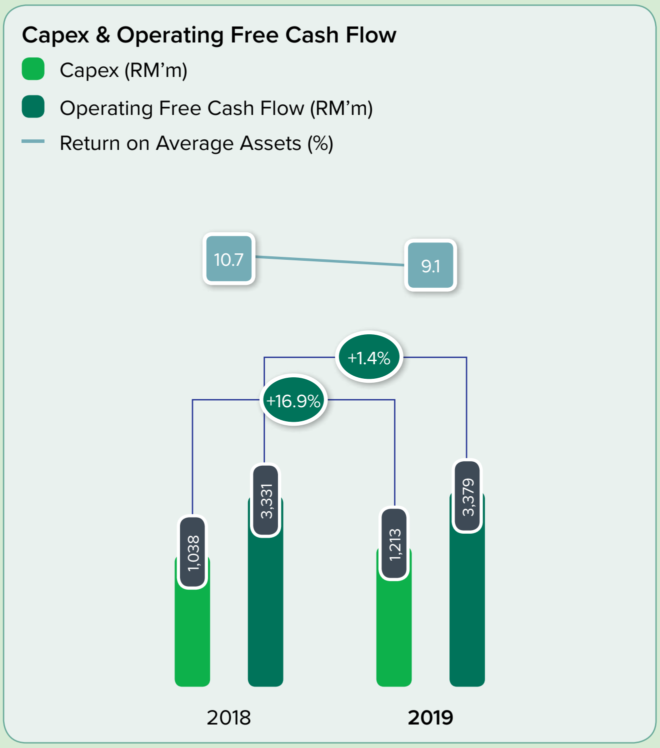
Normalised EBITDA

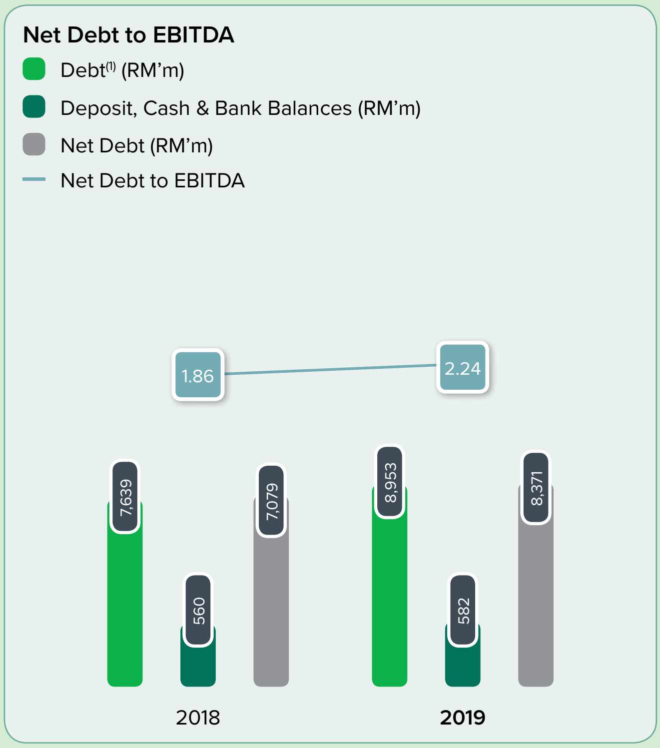


Normalised Profit after Tax (RM'm)



Normalised EBITDA declined to RM3,768 million but normalised EBITDA margin on service revenue increased to 48.3%. We recorded lower normalised PAT of RM1,500 million in 2019 compared to 2018. These were impacted mainly by the termination of a network sharing agreement. The results are in line with our guidance.





Capital expenditure (Capex) in 2019 was RM1,213 million, an increase of 16.9% from 2018. As part of our growth strategy, capex growth is in line with the market guidance, ~RM1bn over 3 years, over and beyond our annual RM1 billion core capex.

OFCF grew by 1.4% to RM3,379 million mainly due to improved working capital management and productivity programmes.

Return on Average Assets (ROAA) decreased to 9.1% due to lower PAT impacted by the termination of a network sharing agreement and higher assets mainly from MFRS 16 adoption.

Net debt-to-EBITDA increased from 1.86x in 2018 to 2.24x in 2019 on the back of higher net debt due to the recognition of lease liabilities, arising from the adoption of MFRS 16.

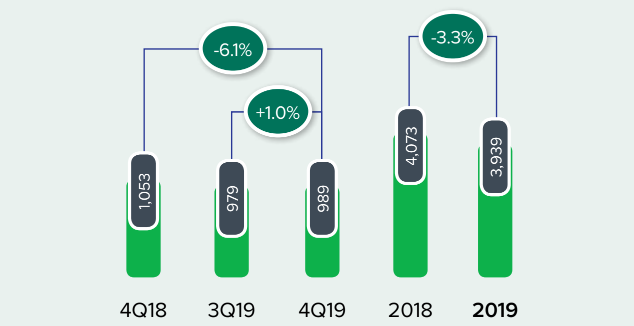
Note:

[(1)] *Include derivative financial instruments designated for hedging relationship on borrowings but exclude vendor financing.*

PRODUCT PERFORMANCE REVIEW

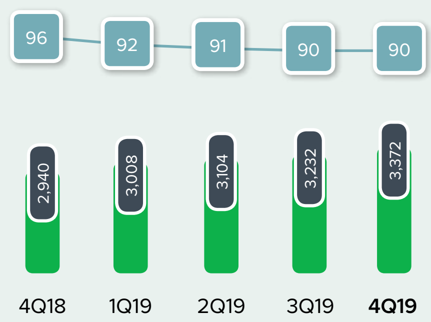
POSTPAID

Service Revenue (RM'm)



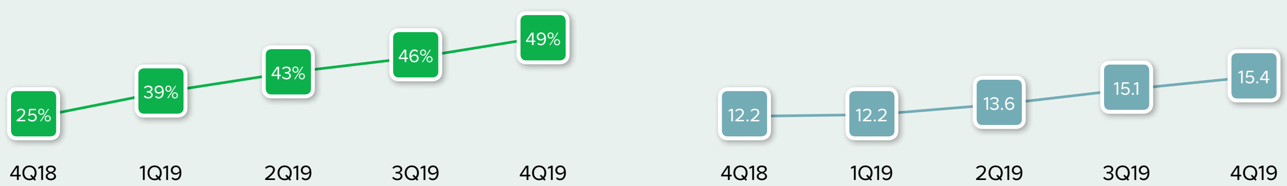
Postpaid Subscription & ARPU

Postpaid RGS30 ('000) excl. M2M
Postpaid ARPU (RM/month)



Data Usage & MyMaxis App Penetration

MyMaxis App Penetration
Data Usage (GB/mth)

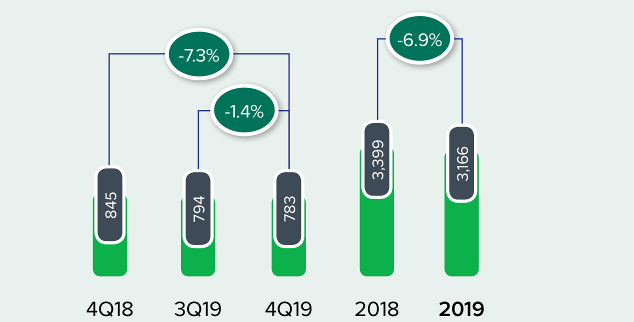


Overall Postpaid revenue declined by 3.3% due to the termination of a network sharing agreement. Our Postpaid subscriber base continued to grow, from 2.94 million at the end of 2018 to 3.37 million at the end of 2019. This was driven mainly by our MaxisONE Plan and Hotlink Postpaid (Flex) attributing to the successful pre-to-post migration. MaxisONE Share and Flex continue to attract entry level subscribers and increase pre-to-post migration. ARPU remains relatively stable at RM90 at the end of 2019.

Data usage has risen to an average 15.4GB per month, compared to 12.2GB in 2018. This is in line with the increase in MyMaxis app penetration, adopted by 49% of our postpaid primary account holders in 2019.

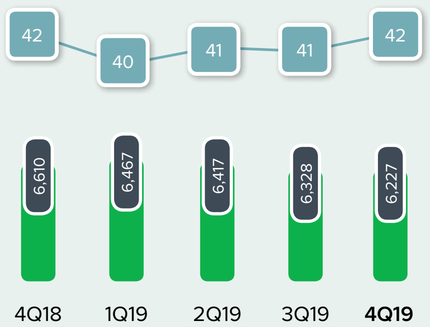
PREPAID

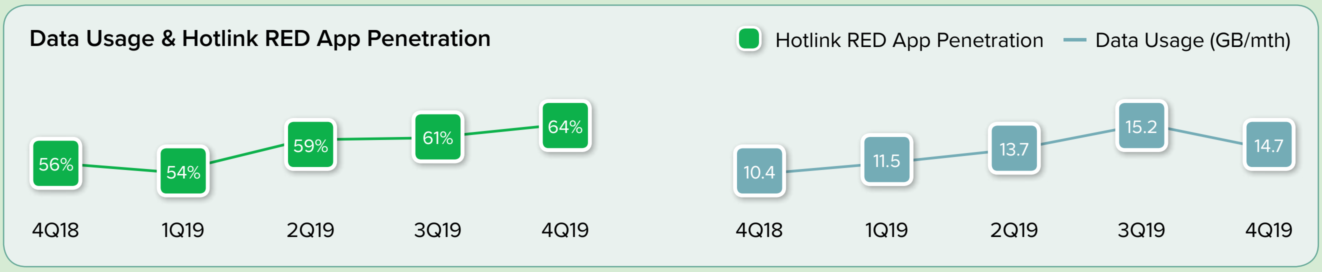
Prepaid Revenue (RM'm)



Prepaid Subscription & ARPU

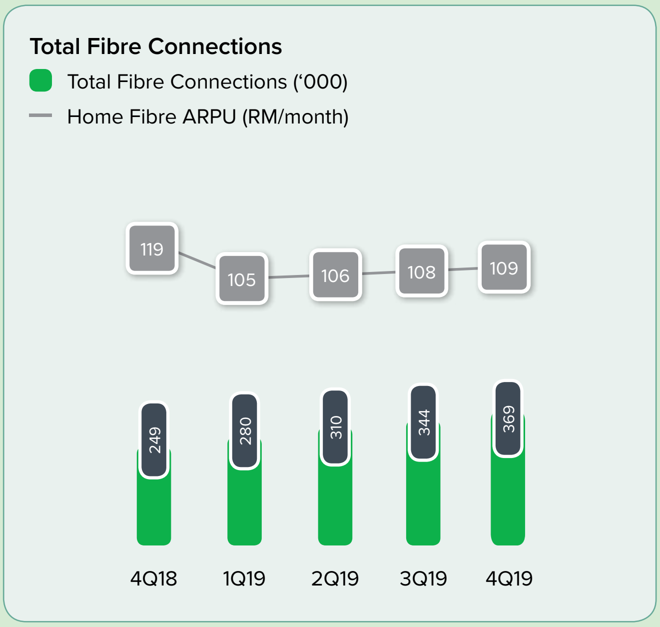
Prepaid RGS30 ('000)
Prepaid ARPU (RM/month)

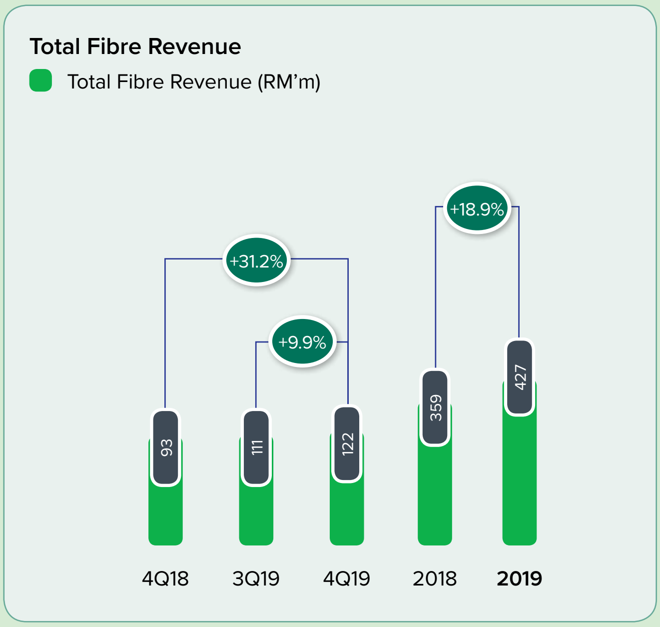




On the back of the decline of the foreign worker segment and accelerated pre-to-post migration, our prepaid subscribers and revenue was negatively affected. However, ARPU remains stable. Through our Hotlink RED App and use of data analytics, we are able to value add through our personalised promotions. Prepaid revenue declined by 6.9% to RM3,166 million in 2019.

FIBRE CONNECTIONS





Through our first mover advantage and successful fibrenation campaign, our total fibre revenue grew from RM359 million in 2018 to RM427 million in 2019, approximately 19% increase year-on-year.

We are proud of our fibre connections growth, for both Home and Business Fibre, from 249,000 in 2018 to 369,000 in 2019.

The dilution of Home and Business Fibre ARPU is in line with our support for the government's initiative to provide affordable connectivity in the country.

Value Generated and Distributed

	2019 RM'm	2018 RM'm	2019 %	2018 %
Value distributed				
To Employees	651	606	13%	12%
To Government	1,126	1,423	22%	28%
To Providers of Capital	2,033	1,952	40%	38%
Retained for Future Reinvestment and Growth	1,260	1,091	25%	22%
Total Distributed	5,070	5,072	100%	100%
Value generated				
Revenue	9,313	9,192	-	-
Less: Operating expenses	(4,504)	(4,391)	-	-
Operating Profit	4,809	4,801	95%	95%
Government grants and other income	191	226	4%	4%
Finance Income	70	45	1%	1%
Total Value Added for Distribution	5,070	5,072	100%	100%

Investor Relations

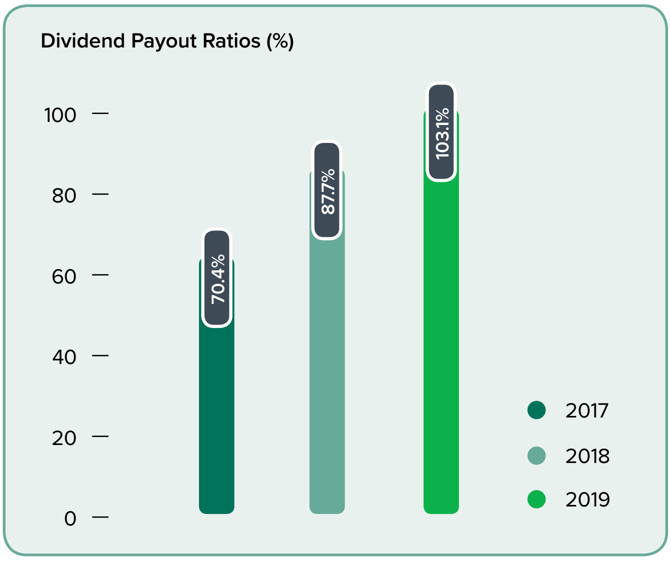
Creating Long-Term Shareholder Value

Maxis is committed to creating long-term value with focus on return on equity for its shareholders. For the financial year 2019, Maxis rewarded its shareholders with RM1,564 million four interim cash dividends of 5.0 sen per share each. The total dividend payout of 20.0 sen per share represents a dividend yield of 3.8% based on the closing share price of RM5.32 as at the end of 2019. The proposed dividend payout is aligned with our dividend policy and policy of active capital management.

Dividend Policy

Our full dividend policy, as stated in our IPO Prospectus dated 28 October 2009, is reproduced here for reference: "The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of the Board and any final dividend for the year is subject to shareholders' approval. It is the Company's intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including Maxis' earnings, capital requirements, general financial condition, the Company's distributable reserves and other factors considered relevant by the Board.

Maxis, intends to adopt a dividend policy of active capital management. The Company proposes to pay dividends out of cash generated by its operations after setting aside necessary funding for network expansion and improvement and working capital needs. As part of this policy, the Company targets a payout ratio of not less than 75% of its consolidated PAT under Malaysian Generally Accepted Accounting Standards (GAAP) in each calendar year, beginning financial year ending 31 December 2010, subject to confirmation of the Board and to any applicable law, license and contractual obligations and provided that such distribution would not be detrimental to its cash needs or to any plans approved by its Board. Investors should note that this dividend policy merely describes the Company's present intention and shall not constitute legally binding statements in respect of the Company's future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board's discretion.



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

The payout ratios in the financial year 2017, 2018 and 2019 were 70.4%, 87.7% and 103.1% respectively.

Communicating with Our Shareholders

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

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

We Actively Communicate with Our Shareholders

We maintain active dialogues with our shareholders throughout the year, through a planned investor relations programme which includes non-deal roadshows and investment conferences.

In addition, we respond to ad-hoc meeting requests and queries from shareholders as well as the investment community. Our investor-focused programmes are further supplemented by a dedicated Investor Relations website, a key resource for corporate information, financial data, stock exchange announcements, quarterly results, annual reports, upcoming investor events, shares and dividend information, and investor presentation slides. Our Investor Relations website is available at http://maxis.listedcompany.com/home.html.

We meet regularly with major institutional investors in non-deal roadshows in major financial capitals. We also hold regular sessions with financial analysts to discuss business performance and strategies. These meetings are typically hosted by the Head of Investor Relations and attended by the appropriate mix of senior management including our Chief Executive Officer and Chief Financial & Strategy Officer.

We believe in the constructive use of our Annual General Meetings (AGM) and other general meetings. These meetings are attended by our Board of Directors and the management team. A comprehensive review of the Company's performance is shared and any shareholder present can query the Board and management team at these meetings. Our external auditors are also present to answer any questions on the auditing, preparation and content of the independent auditors' report.

Our stakeholders, especially institutional investors, place great emphasis on how we manage our Economic, Environmental and Social (EES) matters and create value from our operations. Being cognizant of this, we have embarked on a value creation journey to fully integrate our annual report in accordance to the IIRC Framework to form a holistic view of our strategy and growth plans as well as manage key risks and opportunities in order to build and reassure confidence and improve our future performance. Also, we have been listed on the FTSE4Good Bursa Malaysia Index since 2015. Valued by our shareholders and other stakeholders for benchmarking our corporate responsibility practices, we intend to maintain and further improve our position on this index in the future.

Feedback and Enquiries

We welcome feedback on our Investor Relations initiatives and other information we have provided. Queries about and requests for publicly available information, comments and suggestions to the Company can be directed to ir@maxis.com.my. We look forward to continued and effective engagements with our shareholders.

Notes:

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

Business Review

How we create value through our MAX Plan

M	A	X
MAXIS FOR ALL	**ACHIEVE UPE**	**MAXIS WAY**
Individuals, Homes and Businesses	Differentiated and Digital Unmatched Personalised Experience	World Class Effective and Efficient Organisation

The Capitals We Utilise

Business Review Section	Related Key Capitals	Link to Our Strategy	Page References
Our Consumer Products	Financial Capital, Manufactured Capital, Intellectual Capital	M	Page 45
Our Enterprise Solutions	Financial Capital, Manufactured Capital, Intellectual Capital	M	Page 47
Our Customers	Financial Capital, Social & Relationship Capital	A	Page 50
Our Network and Systems	Financial Capital, Manufactured Capital, Social & Relationship Capital, Intellectual Capital	A	Page 52
Our People	Financial Capital, Human Capital, Social & Relationship Capital	X	Page 55
Our Community	Financial Capital, Social & Relationship Capital	X	Page 59
Our Environment	Financial Capital, Manufactured Capital, Natural Capital, Intellectual Capital	X	Page 62

Financial Capital   Manufactured Capital   Human Capital   Social & Relationship Capital   Intellectual Capital   Natural Capital

Note: *Digitalisation and Fuel for Growth initiatives are infused in the Business Review sections.*

Our Consumer Products

We place our consumers' needs at the heart of every product and service we design and develop. We constantly listen to our customers' suggestions and concerns, and incorporate their feedback into our product and service innovations. In 2019, we continued to provide our customers with a suite of high-quality digital services in voice, video and data that were delivered to consumers and businesses reliably and securely. Our innovative offerings serve all our customer markets with a variety of flexible products and services that are enhanced to deliver an Unmatched Personalised Experience.

Providing High Quality Digital Access through Home Fibre and Prime

The digital revolution sweeping across Southeast Asian countries is transforming societies in ways previously unimaginable. Personal, social and business digital footprints are growing at exponential rates as individuals, families and businesses make the most of opportunities that a more connected world offers. Today, Southeast Asia's 260 million Internet users comprise the world's fourth-largest Internet market.

To ensure that Malaysia keeps pace with the adoption of digital technologies, the Government has outlined its plan to make affordable broadband connections more easily available to all Malaysians. To contribute towards these national aspirations, Maxis has been encouraging broadband take up through our Maxis Fibrenation campaign.

On the back of a very successful campaign in 2018, we were able to focus on delivering even faster and higher quality broadband to our consumers. Our success was largely due to the introduction of our new Superfast Broadband plans, with speeds of up to 800Mbps starting from RM149. As a value-added service, our 500Mbps and 800Mbps plans are bundled with free Mesh WiFi devices, while our 300Mbps subscribers are given the choice of opting in for a marginal sum. Mesh WiFi helps maximise our customers' WiFi coverage in their homes and offices, a technology that is superior to ordinary WiFi range extenders.

Our MaxisONE Prime customers are able to enjoy unlimited mobile Internet at no extra cost for all family members. The product also features a 4G wireless Internet back up for an always-on home Internet that never fails.

The value-add features we have integrated into our home fibre and MaxisONE Prime products are providing our customers with an easy and affordable alternative to adopt high quality broadband that is unmatched in the market. The success of our converged mobile and fibre offerings have exceeded all expectations, testament of the value Maxis has been able to create for our customers. Our 2020 plans are focused on providing our customers with even better service and new possibilities to surpass their expectations, especially with our highly anticipated 5G service offerings.

Enabling Digital Lifestyles through Postpaid Mobile

We offer family-focused products and have enhanced our MaxisONE Share offering to include all the latest smartphones. A first-of-its-kind in Malaysia, MaxisONE Share provides every line easy access to the latest devices via Maxis Zerolution.

In line with increasing data demand, we have increased the data quota for everyone in the family by refreshing our Share Lines feature to 20GB per line, of which 10GB is shareable with all lines within the account. Moving forward, we will continue to connect more devices to allow our customers a seamless and worry-free digital experience.

Maxis' core offering, our Postpaid mobile plans, focus on a tailor-made mobile experience to suit our individual customers' needs. With this in mind, we introduced our new Maxis Postpaid Tablet and Maxis Postpaid Watch plans in December 2019 in our quest to innovate in connectivity beyond smartphones. With these new plans, customers can now purchase an Apple iPad and Apple Watch with zero upfront fees via Maxis Zerolution, for worry-free usage.

As consumers become increasingly tech savvy, new devices such as wearables are becoming the norm. With the Maxis Postpaid Watch plan, they can now share their mobile number, voice, SMS, and data quota with their Apple Watch for only RM18/month. Customers can enjoy using their smart devices, whilst enjoying the reliability of the Maxis network's always-on connectivity for a truly connected and digital lifestyle.

Creating Value via Hotlink Postpaid Flex

For customers seeking greater flexibility in their Postpaid plan, we revamped our Hotlink Postpaid Flex to offer users even more value for their money. Starting from RM30, customers get unlimited calls and SMS to all networks, and up to 20GB high-speed data. We continue to expand our range of devices via Hotlink Flex Plus. Hotlink Postpaid Flex customers will also continue to be rewarded with new deals and rewards, including the availability of more exciting new Internet passes and value-added services such as Maxis TV.

Providing Affordable Mobile Services through Hotlink Prepaid

Maxis believes that the market is not a "one size fits all" proposition, with a large portion of consumers who prefer a prepaid option. This is where our Hotlink Prepaid comes in. As with any prepaid product, there is a genuine fear amongst consumers of overspending or not having enough data.

This is not the case with Hotlink Prepaid. Our prepaid plans offer our customers a worry-free, non-stop high-speed Internet experience. Both Hotlink RED and Hotlink Superrr packs are priced at RM10 each and come with RM5 of preloaded airtime. While RED gives an additional 10GB of high-speed data dedicated for Facebook, Superrr is catered to YouTube, with high-speed 10GB data quota. All these options have been designed bearing in mind our customers' digital needs.

For both plans, customers can choose from a wide variety of add-on Mobile Internet passes for their daily, weekly or monthly usage. To keep up with the ever increasing demand for data, we will continue to enhance our propositions by providing more innovative and relevant digital services and products aimed at enriching our customer's mobile digital experience.

Driving Customer Engagement through Hotlink Rewards

Everyone loves rewards. Knowing this, and with our focus firmly on our customers' needs, we have put simplicity and convenience at the heart of our Hotlink Rewards proposition, offering our customer easy ways to earn points in their daily interactions via the app.

In 2019, Hotlink Rewards continued to drive the increased engagement and adoption of the Hotlink RED App, with more than half of our prepaid base now active app users. While we continue to offer exclusive deals from over 200 brands, we have also introduced exciting campaigns where lucky customers can walk away with free items such as smartphones, action cameras, gaming consoles, cash vouchers and more, on a daily basis. We will continue to drive even more meaningful engagement and value for our Hotlink customers in the coming year.

Celebrating Malaysia's Multi-Cultural Diversity through Our Mega Seasonal Marketing Campaigns

As a multi-cultural nation, Malaysia benefits from its diversity. A clear indicator of our diversity is the various annual festivals that Malaysians celebrate together. For each festival held throughout the year, we take the opportunity to celebrate together with our customers and reward them through differentiated campaigns. On the heels of the success of 2018's Merdeka Day GIGA sale promo on HotlinkMU, in 2019 we launched a series of seasonal promotions such as the CNY 88GB, Raya 44GB and brought back the Merdeka Day 62GB GIGA Sale. Hotlink customers who purchased selected mobile Internet packages were able to enjoy additional free high-speed mobile Internet on top of their personalised Internet deals.

Our Enterprise Solutions

2019 was a breakthrough year for Enterprise, with several established milestones, we are clearly in the race to be the leader in the industry for Enterprise solutions. We have been accelerating our convergence journey through our full suite of solutions across fixed and mobile for businesses. We had a strong performance in Business Fibre and launched a range of new converged offerings which has been well received by our customers. We also remain committed to active development of partnerships and co-creation, collaborating with local and global technology players to elevate our Enterprise capabilities in fibre, IoT, cloud, and Managed Services, as well as working with Government in driving the Smart Cities agenda. We have scaled up our Enterprise team, built talent, capacity and capabilities in key areas to support and accelerate the business and to deliver even more value to our customers.

Overall, the year marked our strong momentum towards our ambition to be the No. 1 converged ICT solutions partner for Enterprise, Government and SMEs, and we are on track to grow exponentially in the next 5 years.

This progress has been driven by our commitment to champion Industry 4.0 initiatives in the country in line with the government's digital economy agenda, and empowering Malaysian businesses to adapt to the accelerating changes in the business landscape. Our vision is to help businesses of all sizes across key segments succeed by simplifying and improving the way they work. Our converged offerings in voice and data are backed by our No. 1 converged 4G mobile and fixed network in Malaysia that ensures an unrestricted and worry-free experience which can be enjoyed as a service.

Expanding our Fibre Footprint

The National Fiberisation and Connectivity Plan (NFCP) launched by the Government in 2019 was an important agenda in the development of Malaysia's digital economy. With our important role in driving higher broadband adoption nationwide, we continued to expand our fibre footprint in both Peninsular and East Malaysia through collaboration with access providers, as we commit to deliver the best fibre connectivity to benefit the people and businesses in Malaysia.

In 2019, we extended our fibre footprint into several key areas in Peninsular Malaysia, namely Bangsar South in the Klang Valley, Cyberjaya and Jasin in Melaka. This expansion was made possible through our partnership with Allo Technology (Allo), a wholly-owned subsidiary of Tenaga Nasional Bhd, enabling is to offer our affordable fibre broadband plans to more people and businesses in these locations. In East Malaysia, we inked an agreement with Celcom Timur (CT Sabah) in November to provide greater access to fibre connectivity to people and businesses in Sabah via full access to CT Sabah's fibre optic network.

These partnerships complement our existing broadband footprint from our own fibre as well as from our previous partnerships with TM and Sacofa, giving us access to now over 3.7 million premises, higher than any other operator in the market in offering nationwide commercial services to homes and businesses.

CEO's Statement

Business Review

Superfast Business Fibre and Voice Connect

On the back of the successful launch of our Business Fibre solution in 2018, we introduced our "Superfast Business Fibre" service in April 2019, with speeds of 300Mbps, 500Mbps or 800Mbps. This comprehensive two-in-one package not only offers enhanced connectivity to our business customers but also an advanced voice solution aimed at driving productivity and future-proofing their operations. The service also provides the option to activate Voice Connect, a complete enterprise-grade Internet Protocol (IP) voice service which is 100% cloud-based. It also offers lower voice rates that could reduce their overall call spending by as much as 60%.

Developing a Strong IoT Ecosystem

Over the years, Maxis has been reinforcing its IoT agenda, shaping and accelerating the benefits of IoT adoption in Malaysia as well as building a stronger ecosystem of partners, developers and customers.

In April 2019, we launched the first commercial NB-IoT service in Malaysia, activating our NB-IoT networks in selected areas within key IoT market centres including Cyberjaya, Penang, Kuching, Putrajaya, Johor Bahru and KLCC. It was an opportunity for businesses to deploy industrial IoT applications to form new data streams, enabling actionable insights by connecting simple devices such as sensors. We also leveraged our existing collaboration with Vodafone as our preferred IoT partner in Malaysia to deliver market-proven technology for businesses looking to implement NB-IoT services in their operations.

Following this successful launch, we collaborated with Malaysia Digital Economy Corporation (MDEC) to promote the ecosystem development of IoT solutions among companies. The first initiative from this collaboration was our Maxis IoT Challenge, an exciting platform for untapped talent to think about new ways to solve real life business problems using smart solutions, particularly in NB-IoT – whether it was to make cities safer, improve yield efficiency for plantations, or improve manufacturing processes. The campaign received an overwhelming response, inspiring innovative and forward thinking Malaysians.

We also remained committed to being a strong partner to the government through our network leadership, digital services and connectivity solutions. In helping the state of Sarawak advance its digital economy agenda, we entered into a partnership with Sarawak Multimedia Authority for smart connectivity solutions, focusing on developing expertise and knowledge in the applications of IoT and NB-IoT. The relationship is aimed at fostering the design, development and implementation of IoT solutions especially for the State's anchor sectors such as agriculture and manufacturing.

Paving the Way for a 5G Future

Taking progressive steps towards future-proofing its townships, renowned property developer Gamuda Land appointed Maxis as their preferred connectivity and solutions provider in 2019 to create Malaysia's first Maxis-delivered 5G township for Gamuda Cove when 5G is eventually launched in the country.

Through our partnership, we will be providing and deploying 5G network infrastructure and services in Gamuda Cove in the future. We are also excited to be exploring smart city and smart retailing solutions across their townships in Malaysia, while working with them to fibre up parts of the development with our high-speed broadband connectivity. This is an important partnership that sets the foundation to provide total connectivity solutions for entire communities.

Journey to the Cloud

Cloud technology is becoming an increasingly important in business strategy, especially with its incredible benefits – from reduced costs, increased flexibility to better scalability – key ingredients for digital transformation and business agility.

In September, we teamed up with global technology leader, Cisco, to jointly deliver a wide range of market leading technologies for businesses in Malaysia. The first of many planned joint offerings from this partnership was the Managed Software-Defined Wide Area Network (SD-WAN) solution for business, to empower enterprises in embracing the significant benefits of next generation network solutions in a digital, cloud and data driven world.

Meanwhile, to help accelerate cloud adoption in Malaysia and empower businesses to be better equipped for Industry 4.0, we signed a partnership with Amazon Web Services (AWS), the world's most comprehensive and broadly adopted cloud platform, for industry leading cloud technologies and access to best-in-class cloud solutions, together we launched the new Maxis Cloud Practice which at December 2019 had the largest pool of certified and accredited experts in the country whose sole purpose is to assist Malaysian businesses with their journey to the cloud.

Helping Businesses to be equipped for Industry 4.0

Through our partnerships, Maxis has helped many organisations during the year in technology adoption for businesses, and driving digital transformation initiatives. Recognising the urgent need for this, we gathered over 650 local and international business leaders across Corporate, Government and large SMEs nationwide at our inaugural Maxis Business SPARK Summit 2019 in Kuala Lumpur. The goal was to provide a platform for partnership opportunities and spark conversations for future breakthroughs.

The Summit provided an in-depth look on the advancement in technology and disruptive innovation for businesses in areas such as IoT, Cloud, 5G, Big Data and AI, mobility, network and security. Participants also had a glimpse of the future through a Smart Solutions showcase covering Smart Office, Smart City, Smart Retail, Smart Factory and Smart Farming. The overwhelming response that we received from the summit demonstrated a shared mindset in accelerating digital transformation.

Helping to Grow the SME Segment

Small and Medium-sized Enterprises (SME) continue to be the bedrock of our nation. With this in mind, our ONEBusiness Smart 2.0 was created specifically to address the growing needs of the micro SME segment, enabling them with all the essential converged services to kickstart their businesses. With unlimited calls and unlimited data during work hours, the solution providing complete flexibility and worry-free connectivity both at home and abroad thanks to the monthly roaming pass.

During the year, we also struck a partnership with AmBank, with whom we will be working to create a roadmap of digital solutions for SMEs that will enable easy access to solutions for their financial and technology needs. The solutions created as part of this partnership will also provide a faster, more seamless experience with Maxis' 'Always On' and 'Highly Secure' connectivity and via a single touch point, offering SMEs a better digital customer experience and value from joint offerings.

Serving Beyond Businesses

With the government sector and society-at-large also experiencing the benefits of a fully digitalised ecosystem, our aim is to make connectivity and digital services accessible to everyone. This is why we introduced exclusive postpaid offerings for individual employees in the corporate and government sector by providing affordable and value-for-money connectivity services and devices. For the government sector, we created specific SD-WAN offerings via our Maxis Business' Managed Internet for Government (MIG), which offers network solutions aimed at boosting productivity and efficiency amongst government agencies.

A New Identity: Maxis Business

The approach to how we transformed ourselves began with the reimagining of a new narrative, which sought to sharpen our focus on our customers and effective outcomes. This approach features success stories and testimonials from our customers to showcase real outcomes and benefits of our propositions.

Our participation in industry forums to discuss trends and the changing business landscape further amplified our role as a thought leader and business partner to many organisations. We also launched our new digital channels such as Maxis Business Insights and the Maxis Business LinkedIn channel to further strengthen our digital presence in an increasingly digital world.

2020, the Road Ahead

We see 2020 as an exciting year full of opportunities and breakthroughs in technology, which will continue to transform the way businesses work, operate and communicate with their customers. Technologies like 5G, cloud and IoT will play a fundamental role in challenging the status quo, revolutionise existing business models and give way to smarter, more efficient and secure ways to drive business growth. We believe Maxis Business is well equipped to serve our customers so that they can leverage the right technology and solutions to always stay ahead.

Our Customers

Our customer service is focused on creating differentiated service channels to provide the market with an “Unmatched Personalised Experience” (UPE). We strongly believe our approach contributes towards the creation of a digital society in Malaysia, one that is empowered to make the most of opportunities for socioeconomic progress that digital technologies provide. In 2019 we unveiled the new Maxis Concept Store which incorporates cutting edge technology, as part of our continuous customer-centric digital service proposition.

Unmatched Personalised Experience

Our UPE philosophy is premised on delivering a customer-focused experience that proactively anticipates our customers’ needs to bring about a worry-free experience for them.

UPE remains the mainstay of all our services and solutions. It brings together the best of technology in the delivery of our solutions and services that are most relevant to our customers’ digital lifestyles, to ensure they obtain the best value through personalised offers, services and experiences.

Our UPE proposition is substantiated by our capabilities in fixed as well as our superior mobile connectivity catering to rapidly evolving digital lifestyles. Above all, it is supported by our leadership in technology and advanced customer analytics tools to enhance the value of our converged offerings for individuals, homes and businesses.

We place great emphasis on timely responses to our customers and fully digitise real-time insights to elevate the customer experience, putting them at the heart of all our efforts in order to help them to Always Be Ahead. Our sustained efforts have resulted in Maxis achieving touchpoint Net Promoter Score (TP-NPS) of +56 in 2019.

Serving the Increasingly Digitally-Savvy

Without doubt, digital channels are becoming the preferred choice of interaction for our customers. Understanding this, we constantly strive to give our customers a great unmatched digital experience.

Towards this end, we have expanded our customer touch-points as part of our ongoing digitalisation strategy and in line with our UPE philosophy. We strive to provide our customers with easy to access and convenient digital channels. Currently, about 50% of our customers use our self-serve MyMaxis and Hotlink RED App, which reflects the demand for convenient digital services.

In tandem with this, we have enhanced these apps by introducing new features and capabilities such as the Fibre self-diagnostic tool. This tool allows our customers to receive trouble shooting guides and diagnostic support, thus offering them convenience at their fingertips.

We also rolled out our new visual Interactive Voice Response (IVR), which features a visual menu instead of a voice IVR. The IVR will be offered across all our digital channels so that our customers can access it anywhere, anytime, thus providing them a seamless omnichannel experience.

On top of this, we piloted the Maxis WhatsApp customer engagement channel, where customers can choose to communicate with our customer care consultants using the cross-platform messaging app. Our future plans are centred on evolving this service into a more advanced form of automated customer service, by integrating it with the chatbot.

We are particularly proud of our new Maxis Concept Store as it elevates our customer service experience. We launched two stores in 2019. In May 2019, we opened one store at The Gardens Mid Valley and in November 2019 at Sunway Pyramid. Our new concept stores are the first-of-its-kind in Malaysia. Representing a quantum leap in our convergence journey, the store offers state-of-the-art digital experiences that allow our customers to experience a fully immersive journey. Please refer to our side bar for a deeper understanding of how our new Concept Store elevates customer experiences.

At the same time, we recognise that not everyone can access our Maxis Concept Store nor do they want to interact in a purely digital way. Thus, we have also focused on upgrading our vast network of bricks-and-mortar touch points totalling 370 stores nationwide. Our self-service kiosks at these stores provide greater convenience for customers to perform basic transactions. We will continue to expand and digitalise our customer touch-points to expand and enhance our customers' access to our services.

Maxis' First-of-its-kind Concept Store

Our new Concept Store embodies our vision of becoming Malaysia's Leading Converged Solutions Company, in line with our MAX Plan strategy of expanding and enhancing customer touchpoints.

It is no longer merely a place for customer transactions, but has transformed into a venue to engage in meaningful customer conversations, where we help them explore further possibilities through our technology and digital offerings. Here are six different ways we are doing this at our Concept Store:

- **Maxis Interactive Retail Assistant (M.I.R.A.) –** a first-of-its-kind web app that gives customers a peek into Maxis promos, customised offers and more. All customers need to do is scan a QR code on a digital screen to set off their journey.
- **Discovery app for all demo devices –** Another first in Malaysia, this app allows customers to compare devices, pricing, plans and accessories through voice-activated giant screens for a fully immersive experience.
- **Fully immersive digital screens –** The first retail store in the world with a combined giant LED screen and 11 units of 98" screens all in one setting. One of the features includes voice-recognition screens, which allows Maxis personnel to share comparisons of different devices available in the store.
- **Retail analytics –** A tool that enables Maxis to better understand customers for more personalised engagement, including customer demographics and sentiment, customers' time in-store, customer journey and zonal engagement.
- **Radio-frequency identification (RFID) –** Through this technology, wireless security enables customers to truly feel free by self-browsing accessories of their choice, without having to worry about them being locked down by cables.
- **Mobile Point-of-Sale (MPOS) and wireless biometrics –** This technology enables Maxis personnel to serve customers anywhere in the store.

Driving A Customer First Culture

We have embedded a "Customer First" culture in our ways of working, placing emphasis on all our frontliners to put our customers at the heart of everything they do. We empower our customers and guide them to navigate the world of technology, and work with them to find solutions that best suit their needs. At Maxis, we are invigorated by the exciting possibilities technology offers our customers, and are firmly committed to continuously delivering on our promise to offer them an unmatched personalised experience throughout their journey with us.

Business Review

Our Network and Systems

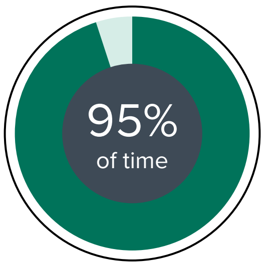
A

2019 has been a transformative year for Maxis, from being just a telecommunications operator to become a fully converged solutions company that provides a suite of high-quality digital services encompassing voice, video, and data delivered to businesses, in a reliable and secure manner. In order to sustain our high standards of delivery, it is crucial for us to maintain our data network leadership through continuous upgrades and digitalisation. We have reengineered our advanced network to deliver the most innovative and reliable products and services in our quest to offer the best converged experience to our customers. In line with our capital expenditure growth strategy, about RM200 million was spent to enhance our Home Fibre and Enterprise solutions portfolio.

Sustaining Our Mobile Network Leadership

Underpinning our excellent performance are the stringent targets we have set for ourselves. We delivered consistent HD video streaming more than 95% of the time. The surge in video traffic over past years has seen a higher demand for high resolution video streaming and greater expectations from our customers, which includes minimal loading time and buffering. To address this, we have optimised our network for the best video experience as acknowledged by several independent companies' benchmark. Our targets have kept us strictly on course to maintain our 4G leadership in the market in terms of quality and speed.

HD Video Streaming



We delivered consistent HD video streaming more than 95% of the time. Our targets have kept us strictly on course to maintain our 4G leadership in the market in terms of quality and speed.

Maxis' network superiority has been acknowledged by multiple independent and external moderators as well as the regulator Malaysian Communications and Multimedia Commission (MCMC). This was further strengthened with MCMC's nationwide industry performance test, where Maxis was acknowledged as the top mobile service provider in the country.

Over the past few years, our network traffic has grown exponentially. In 2019, more than 90% of data traffic on our 4G LTE Network as well as the average usage per subscriber per month increased to 15GB per subscriber compared to 10.9GB per subscriber in 2018.

Despite the surge in data traffic, customers' expectations were not compromised. Our customers were able to experience uninterrupted and high-speed Internet through our proactive intervention. These included efforts to upgrade our network's capacity before congestion occurred, and the intelligent frequency spectrum allocation and planning undertaken by our competent technical staff. We have also optimised our peering and caching, allowing for faster content transactions resulting in a better customer experience.

Complementing these is our ongoing cooperation with MCMC to secure additional frequency spectrum, which will help us enhance our network and ease the cost of building new capacity sites. We have also taken steps to ensure that we future proof our network by upgrading our core network elements in anticipation of 5G, which is expected to arrive in 2020.

Focusing on Enterprise Growth

Enterprises have always been a key focus for Maxis, and in 2019 we honed in on providing businesses with solutions that would answer their specific needs. Small and Medium-sized Enterprises (SME) in Malaysia face particular challenges in leveraging on technological advancements to drive the growth of their business. In particular, they struggle to keep up with the rapid pace of the evolution of technology.

Maxis is addressing this need by putting in place platforms to help businesses succeed. In 2019, we introduced several products and platforms such as Software-defined Wide Area Network (SD-WAN), Voice Connect and Narrow Band Internet-of-Things (NB-IoT). As a result of our diverse spectrum of Enterprise-driven solutions, we have become a more attractive proposition for SMEs. Moving forward, we will be rolling out more products and solutions that are in the pipeline, as we ready ourselves to scale up on our Managed Enterprise solutions in 2020.

Besides frontline Enterprise service solutions, we have also upgraded our backend and core network to support the next generation Internet Protocol (IP) network. To date, about two-thirds of our network are on this new platform enabling us to support high backend traffic capacity whilst reducing downtime. As around-the-clock business requires a highly reliable network, we continue to build redundant fibre networks close to our customers which improves network uptime to the expected level. Our network is also backed up by high speed 4G network in case of fibre failure.

Our service management Net Promoter Score (NPS), rated by Enterprise Businesses, increased to

+60

in 2019 from +47 in 2018.

We have also added various service capabilities to support our Enterprise customers. These include a full suite of managed services for our products and services, helpdesk, monitoring and surveillance for technical support.

To date, more than 90 customers and about 1,200 services are being managed by us. As a result of our sustained focus, our service management Net Promoter Score (NPS), rated by Enterprise Businesses, increased to +60 in 2019 from +47 in 2018.

Heralding the New 5G Era

In 2019, China, South Korea, the United States and the United Kingdom rolled out their next generation 5G. Malaysia does not intend to be left behind in the 5G race, and trial runs were conducted during the year in line with this.

In March 2019, Maxis was the first converged solutions company in Malaysia to conduct a live outdoor 5G trial in Malaysia. A month later, MCMC initiated a national 5G showcase in Putrajaya, and Maxis participated in this event to demonstrate multiple use cases of 5G capabilities. These included the use of holograms, control of robotic arms and high definition 8K television. We also demonstrated the ability to transmit about 6Gbps at this showcase. This was followed by various state level showcase events in Kuching and Langkawi, where Maxis illustrated other use cases for 5G, including using 360 degree drones and IoT sensors for various industries such as agriculture and urban safety.

In October 2019 Maxis entered into an agreement with Huawei Technologies (M) Sdn. Bhd. for the provisioning of a 5G network. This marks our commitment and readiness to be at the forefront of 5G rollout in Malaysia as soon as the necessary frequency spectra become available.

We have undertaken a number of preparatory steps for the impending arrival of 5G. We are rolling out our next generation IP network which is capable of supporting high transmission capacity. As well as that, we are expanding our fibre footprint nationwide. We are also working with chipset vendors on 5G device requirements to ensure that our network can support new devices that will be introduced into the market when 5G arrives.

Enabling Innovations in Automation, Artificial Intelligence and Machine Learning

As the fifth-generation of mobile Internet connectivity, 5G promises much faster data download and upload speeds, wider coverage and more stable connections. 5G is expected to deliver 10x higher speeds, 10x lower response times (latency), and 10x more connected devices compared with what 4G technology is able to provide today. It has great potential and can support many new services such as virtual reality, remote surgery and autonomous driving, to name a few. Most of all, businesses will benefit greatly when Maxis makes this service a reality soon.

With the advent of 5G, businesses will be in a prime position to embrace new technologies such as automation, artificial intelligence (AI) and machine learning as the new normal. Considering that Maxis began our own journey exploring these technologies two years ago, we have various insights which we can share with our Enterprise customers.

We have embarked on a progressive initiative to digitalise our network, operations, processes and procedures in line with our aim to become a fully digitalised converged solutions company. This is enabling us to leverage on efficiencies gained, to provide our customers with technologies that they can benefit from as well.

In improving our AI and 5G ready network, we are continuously adopting and developing in-house AI and Robotic Automation initiatives where we have significantly ramped up the development of use cases internally and with our global technology partners who are leaders in these domains. Among the technologies these initiatives are incorporating are robotic process automation (RPA), digital and automation tools, AI, machine learning, and business intelligence analytics. The benefits we expect from these initiatives will allow us to improve our customer experience, save costs, increase our operational efficiency, leverage actionable intelligence from the data we have, and improve the quality of service to our customers.

In undertaking these initiatives internally at Maxis, we are also developing our people's capabilities by equipping them with digital skills and encouraging them to embrace agile ways of working. Through hands-on experience and exposure, we will be able to develop subject matter experts in their respective fields to champion our future initiatives beyond 2020.

Our People

Our People, Our Purpose

At Maxis, we deeply believe that the key element to our success has always been our people. Embedded within our shared vision is the aspiration to remain positive, passionate and collaborative in our effort to deliver not only the best network performance but also the best customer experience at every touch point.

The culture and approach to realising our vision is called "The MaxisWay." In 2019, we embarked on a journey to refresh our company's culture and values, in line with our vision of becoming a RM10 billion company and leading the way as Malaysia's Converged Solutions Company.

The leap we are taking to become Malaysia's Leading Converged Solutions Company is a significant shift. For us to affect this change successfully, we must first speak the right language as culture lives in our conversations. In 2019, we have started to change the way we converse with each other within the company by embedding the language of commitment, performance and possibilities which will embody our refreshed culture, i.e. MaxisWay 2.0. There are three core values that we will be focusing on in this cultural journey. They are: "Customer First," "What's Possible" and "I am Maxis."

We have trained ambassadors who will play an integral part to roll out MaxisWay 2.0 in 2020 and to ensure that every employee understands and embodies these core values.

Developing Organisational Culture and Capabilities for Strong Customer Focused Execution and Innovation

In 2019, we continued to focus on developing our employees by making sure they stay ahead with the latest knowledge on digital technologies and solutions through our MAX Talk Series, which focused on tech-centric topics as well as other programmes. We conducted technology centric talks delivered by internal Subject Matter Experts to Maxis employees on topics including Robotic Process Automation (RPA), Build-A-Bot Workshop, Augmented Reality (AR) and Virtual Reality (VR), Kick starting Your Data Literacy Journey and also Containerisation 101. We have also promoted digital ways of working and ignited conversations through talks on the Future of Work Economy and Digital Workdesk Transformation. Furthermore, as part of our initiative to increase Artificial Intelligence (AI) and Machine Learning (ML) capability in the company, we introduced Python and SQL learning journeys.

We continue to equip our teams to deliver Unmatched Personalised Experience by rolling out various programmes aimed at imbuing a customer-first mindset. Employees were trained with a new way of experiential selling through Excite, Play, Inspire, Capture (EPIC) approach. For continuity, we also have employees who are trained as EPIC Customer Experience Coaches. In 2019, we also designed and rolled out an in-house training, Maxis Customer First training to train leaders to effectively communicate the importance of Unmatched Personalised Experience and coached their people through change towards delivering Unmatched Personalised Experience. We have also partnered with Vodafone to conduct a 7-month long programme to up skill Account Managers through Vodafone Sales Transformation training. To ensure more effective business partnerships with Cisco, AWS, Microsoft and other technology partners, we conducted certification programmes to enhance credibility of our employees. Our Enterprise Business clients have also been invited to experience Co-creation workshops with our employees which helps to further understand our clients' needs.

At Maxis, we encourage collaboration and the best way we do this is by building internal expertise. We have developed Maxis managers through our Coach-the-coach workshop. As a technology company we want to ensure we constantly develop and improve our products and services by having employees trained to facilitate Design Thinking workshops, and in-house co-creation sessions.

Other than classroom training and sharing sessions, learning is accessible to our employees anytime, anywhere. With LinkedIn Learning we have created personalised learning experiences and customised learning content for every Maxis learner on any device they choose. In addition to having the convenience of learning anytime, Maxis employees also have to option of learning through video, micro-learning, bite-size digital learning, books and many more.

Total Training Hours	2017	2018	2019
Online	7,069	7,694	8,995
Classroom	55,683	52,882	59,086
Total	62,752	60,576	68,081

Total Learners (Unique)	2017	2018	2019
Online	2,233	3,665	5,181
Classroom	1,987	1,826	1,962

As a Converged Solutions company, we are keen to provide meaningful opportunities for young talents to experience work at Maxis. In this respect, we have increased the number of young talents hired, through internships and graduate programmes.

To sustain engagement and effective growth among fresh graduates, our graduate programme is now more targeted. We launched two new graduate programmes – the Sales Area Manager Graduate Programme and the Technology Graduate Programme. These programmes run for a year, and young talents will be rotated within the division to provide exposure and experience. They will also be given projects to work on within teams, which will also contribute in the improvement of our business processes.

We have participated in a number of University and career fairs such as United Kingdom and Eire Council (UKEC), Monash and Taylor's University. We have also developed partnerships with local Universities such as our partnership with Asia Pacific University (APU) as part of our collaboration to support the industrial and academic development of young talents in Malaysia in technological and digital capabilities. We will also leverage on existing partnerships with technology companies to attract more young talents into Maxis.

In 2019, Maxis embraced a new style of recruitment and for the first time ever organised an in-house Career Fair, which was held in July. We sought to think out of the box to create a form of interaction that enables prospective employees to visit our specially curated showcases of innovative and digital solutions developed in-house and offered to customers. Visitors to our Career Fair were treated to a number of sharing sessions to get a sense of Maxis' ambitions for the next five years. This also enabled potential candidates to meet our recruitment team and hiring managers. The idea behind this is to match the ambitions of the candidates and discover if there is a fit between Maxis and potential hires. The Career Fair which was fun, interactive and engaging, attracted the young graduates as they enjoyed the participative approach of the fair.

We continue to retain and engage our young talents by organising young talent engagement sessions, where these talents are able to network with others from various divisions within Maxis and learn from one another.

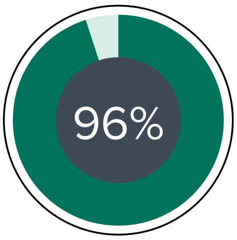
Retaining the Best Talent in Their Fields

In 2019 our employees continue to grow in their jobs through job rotations and promotions. We recognise our employees' capabilities and strive to further develop them to their maximum potential by challenging their status quo and providing continuous development.

To recognise & acknowledge the efforts of employees contributing to Maxis success, we refreshed our performance bonus structure plan to include more compelling & structured performance measures. This Performance Bonus plan provides exciting opportunities for everyone as it provides clear measures and distinguishes individual performance. Additionally, it also demonstrates how much an employee's efforts can contribute to the overall success in driving Maxis' success.

Every year, we continue to roll out our "Voice of Maxis" survey where we measure engagement levels and find out ways to improve how we do things.

Voice of Maxis

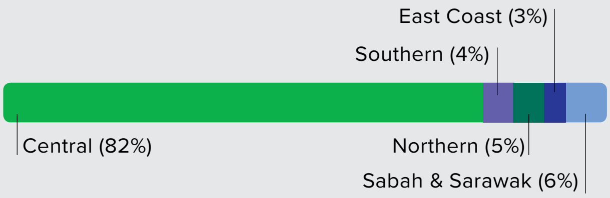


In 2019, our survey showed that 96% of employees who responded indicated that they are proud to work for Maxis.

In 2019, our survey showed that 96% of employees who responded indicated that they are proud to work for Maxis. This has resulted in a high engagement score of 88% (+1% from 2018). Meanwhile 95% of employees understand and embrace Maxis' culture and values and 86% of respondents felt confident in Maxis' senior leadership team.

By Gender

By Location



	2017	2018	2019
Number of employees	3102	3211	3,559
Employee engagement	88%	87%	88%
Women in Senior Leadership Team (SLT)	32%	31%	28%
Women in Maxis Management Team (MMT)	0%	0%	29%

Creating an inclusive and transparent organisation

We are committed to being diverse and inclusive in everything we do, and this begins at the top where we have introduced two new, strong women leaders in the Maxis Management Team: Natalia Navin, Chief Human Resource Officer (CHRO) and Mariam Bevi Batcha, Chief Corporate Affairs Officer (CCAO).

Internally, our employees created the "Woman at Maxis" community. It aims to equip women at Maxis and equip Maxis for women through numerous talks by internal and external speakers with topics ranging from women's agenda to managing finances.

Other than performance, ethical conduct is just as important, and we have developed interactive in-house online Code of Business Practice (CoBP) assessment module.

The situation-based assessment is aimed at increasing awareness and ensuring that employees are equipped to manage situations relating to ethical issues. 100% of employees have completed the training. This will be carried out on an annual basis.

Health, Safety & Environment

Health, Safety & Environment (HSE)

As a leading technology-driven company with a large field force working with many different partners, Maxis is committed to implementing the best health, safety and environment (HSE) practices within the company. We are committed to help protect people and the environment and towards this end, we have a comprehensive HSE Policy and CoBP for employees as well as partners and contractors.

We have also implemented and strictly adhered to a robust Occupational Safety and Health Management System (OSHMS). In Feb 2019, we have also successfully completed the 1st surveillance audit on our OSHMS using Occupational Health and Safety Assessment Series (OHSAS) 18001 as well as the Malaysian Standard on Occupational Health and Safety Management Systems (MS 1722) certifications for our Menara Maxis corporate office. Complementing this, we have implemented various company-wide measures and initiatives to cultivate an HSE-first culture and to continuously improve our HSE platform. These efforts focus on the most significant risks in the field and engineering/operational roles.

We are sensitive to the needs of our people, none more so than to our large field force and that is why we have equipped our employees with 4-wheel Drive Defensive Driving training (DDT), which improves our drivers' ability to drive defensively and avoid accidents where possible. On top of that, we have trained designated staff at our main locations in occupational first aid skills such as cardiopulmonary resuscitation (CPR) and the use of the automated external defibrillator (AED). Additionally, designated employees at our premises have also been provided with basic first aid response knowledge in order to manage emergencies until professional medical assistance arrives. For those working on towers and rooftops, we have provided Working-At-Height (WAH) training, which covers safe work techniques using the safe climbing and work techniques practices. Apart from the general on-boarding HSE induction, we have also introduced a new specialised HSE induction program for all field/engineering work related matters.

In today's world, we realise we cannot do it alone and our HSE policy also covers working closely with our partners and contractors. Our initiatives in this area include work-safe training programmes, system and documentation audits of contractors, and half-yearly communication sessions with our main contractors' safety and health officers.

HSE Training

(DDT, WAH & CPR to Maxis Employees)

14 sessions

172 attendees

Workforce Participation (WSC)/Awareness Programme

(general and specialised induction during Culture Day, Safety and Security Day, planned & ad-hoc briefing for partners or vendors)

77 sessions

1,637 attendees

HSE Inspections/Investigations

285 inspections

18 investigations

Partners HSE System Audit

5 audits

HSE Performance

We take monitoring and work practice/condition compliance seriously and in 2019, the major non-compliance rate has improved basing on HSE inspections conducted.

Fatality - Vehicle Related Accidents
We deeply regret to report the loss of life of two Maxis contractors in a road accident this year while travelling between work sites. Authority investigations & the official findings are still in progress while internal investigations indicate that the accident was not due to our contractor's negligence.

All accidents are formally discussed at the most senior management level for relevant and effective action plans. In our continuous pursuit to ensure the safety of our drivers and fleet, we continue to enhance our digitalised fleet vehicle tracking and safety system, called mDrive, with the following:

- Monitoring vehicle real-time geo location, utilisation and auto reporting for speed violation (SV), hard-acceleration (HA), hard-braking (HB), distance travel & fuel consumption monitoring;
- Lifeline S.O.S - Panic trigger to be sent back to a centralised monitoring centre at the Security Operating Centre (SOC) and Network Fleet in emergency situations;
- Tagging journeys made, such as planned and unplanned events;
- Idling alert for eliminating safety risk while vehicle is stationary;
- Flip and roll over detection and alert triggers; and
- Dashcam (front & rear).

Employees - Lost-Time Injury (LTI)*
Office/Site - There were four office/site accidents resulting in an LTIFR of 0.56.

- One employee sustained a back injury due to a fall at a site cabin door;
- One employee sustained a leg injury due to a slip in the office;
- One employee sustained a knee injury while manually handling items in the office store; and
- One employee diagnosed with Carpal Tunnel Syndrome.

Vehicle/road related - There were two road accidents involving Maxis' 4WD company vehicles resulting in an LTIFR of 0.28.

- One employee sustained chest discomfort when his vehicle skidded while travelling for site work; and
- One employee sustained a shoulder injury while another employee was given a day off to rest when their vehicle was struck in the front by another vehicle. Our vehicle and employees were travelling for site work.

Contractor - Lost-Time Injury
Office/Site

- One contractor sustained a back injury due to a fall from ladder while performing work at site; and
- One contractor sustained a leg injury while performing unloading at work site due to being hit by a vehicle (parked at slope) which slid.

* *Lost-Time Injury (LTI) is the term used when a Maxis employee is injured while conducting a work-related task and is unable to perform his or her regular duties for a period of time after the incident).*

Lost-Time Injury Frequency Rate (LTIFR) is the number of lost time injuries occurred while conducting work-related task for Maxis, per 1 million hours worked.

Maxis always consider any accident and LTI seriously. We will continue to educate and strive to enhance employees' and partners' skills, improve awareness in safe work practices.

Our Community

As a digital enabler, we reach out to help communities leverage the power of technology and the Internet to bring a positive, long-lasting impact to their lives. In doing this, we focus on three pillars: Education & Community Empowerment, Festive Charity and Humanitarian Relief.

Enabling Greater Access to Digital Learning

Maxis eKelas is our flagship community programme which champions digital learning for students in rural areas, with the aim to improve their academic performance. It is an after-school initiative for students from Primary 6 to Form 5, bringing learning enrichment in a fun and vibrant way and providing access to quality education content in line with the Malaysian School Syllabus.

Focusing on Science, Mathematics and English, Maxis eKelas is conducted through live tutorials by experienced teachers based in Kuala Lumpur via video conferencing, and a repository of quality education content on the eKelas portal for self-paced studies. To motivate and keep students engaged, the programme employs an activity-based learning approach with projects, competitions and rewards as part of its core curriculum.

Now in its fourth year, eKelas is being delivered at 72 Pusat Internet (Internet Centres) under Maxis' care across 10 states, with more than 13,000 students connecting with us through the programme.

In 2019, we achieved a milestone when eKelas was recognised by the Ministry of Education (MOE) as an initiative under MOE's Highly Immersive Programme (HIP). This means that eligible students can collect co-curricular marks through their participation in eKelas. Our partnership with MOE is particularly significant as we are able to now expand eKelas beyond the Pusat Internet. As part of the pilot programme "eKelas @ School", we directly engaged with schools to deliver eKelas English drama and essay writing competitions. A total of 20 schools around the country were selected to be part of this programme.

Number of students impacted by eKelas

1k	6.4k	13k
2017	2018	2019

Improving Students' English Language Levels through Drama and Essay Writing Competitions

As part of the MOE's HIP initiative, eKelas conducts national-level English drama and essay writing competitions. In 2019, more than 400 students participated in the drama competition, a 100% increase from 2018. Guided by MOE's rubric for speaking tests, the judging criteria included creativity of play, coordination and performance, as well as speech and language. As part of the competition, students recorded their performance on mobile phones and submitted their videos to the eKelas portal.

Meanwhile, the eKelas essay writing competition saw the participation of approximately 1,800 students, who were supported by lesson modules available on the eKelas portal which covered the essentials of essay-writing such as sentence structure, format and vocabulary.

Helping Students Fulfil Their Educational Potential

In August 2019, eKelas held its first ever exam clinic to help students prepare for the critical exams, UPSR, PT3 and SPM, with the support from experienced teachers. As part of eKelas' "Hebat Dalam Exam" (Great in Examinations) campaign, the clinics offered free online revision materials for the three examinations.

Some 250 SPM students from Sekolah Menengah Kebangsaan Suai and Sekolah Menengah Kebangsaan Taman Tunku in Sarawak participated in the clinics. During these sessions, students were given tips on how to write various formats of English essays and taught techniques on how to quickly solve mathematical problems, all presented in a manner which would be easy for them to remember and apply during their examinations.

Building Quality Education Content through Co-Creation

In 2019, Maxis collaborated with Universiti Kebangsaan Malaysia (UKM) to co-create digital learning video content for Science, Mathematics and English, aligned with the Malaysian School Syllabus. Our aim was to combine our industry knowledge with UKM's academic expertise to create relevant and high quality educational content that would benefit students.

Teaming up with UKM's Faculty of Education, we conducted four content co-creation workshops in 2019 and produced 40 learning videos for the eKelas portal. Through these efforts, experts in various fields were able to share their wealth of knowledge via videos, offering students impactful learning experiences which students can access at their own time and pace.

Rewarding Most Improved Students

In 2017, Maxis introduced the Anugerah Gemilang (Brilliance Awards), a student grant award scheme aimed at motivating eKelas students to achieve their academic goals and to unlock their full potential. To qualify for the award, students must achieve a minimum of one grade improvement in at least two or all three subjects taught in eKelas. The Award comes in the form of cash allowance which is deposited into the students' National Education Savings Scheme, as well as school starter packs. In 2019, 25 eKelas students received the Anugerah Gemilang for their academic achievements.

Measurements	Improvement in subjects taught in eKelas	Student participation in English drama competition
Indicators	Number of Anugerah Gemilang student grant award recipients	Number of video submissions for English drama competition
2017	11 award winners – three improved in all three subjects and eight improved in two subjects	50
2018	24 award winners – three improved in all three subjects and 21 improved in two subjects	54
2019	**76 award winners – 36 improved in all three subjects and 40 improved in two subjects**	**125**

Motivating Students through Engagement Sessions

In 2018, we introduced our #MaxisMotivates sessions, where our employees share their life and work experiences with students in an effort to expose them to real life examples of values such as resilience and teamwork. #MaxisMotivates is based on the "Learning by doing" education concept, a hands-on educational approach that encourages students to interact with their environment in order to adapt and learn.

In 2019, we completed eight #MaxisMotivates sessions which reached out to approximately 400 students at various Pusat Internet. During these sessions, we also conducted digital literacy and online safety workshops in partnership with Google, complementing MCMC's well established "Klik Dengan Bijak" (Click Wisely) initiative that advocates positive and responsible Internet use.

"My friends and I like to perform and it's definitely easier to learn when you're having fun. We read the script together, and understand it so that we can speak correctly. We also use the right tones and expressions. Even if we're shy, it's more fun to be involved in a group project and do things together."

- John Mackwin's face lights up when he talks about his experience in putting up a performance for the eKelas English drama competition. John is a Form Two student from Kampung Taee, Serian in the outskirts of Kuching, Sarawak, who participates in the eKelas initiative.

Digitally Upskilling Micro-Entrepreneurs to Help Them Grow Their Business

Our community initiatives also include programmes that empower local entrepreneurs from cottage industries with digital skills to enable them to expand their business through our Inspiring Entrepreneurs programme. These comprise digital training workshops on social media, content creation, photography and basic accounting effectively. In 2019, we delivered this programme to local communities residing in Kampung Chengal, Kelantan, and Projek Perumahan Rakyat (PPR) Intan Baiduri, Selangor, during the Hari Raya and Deepavali festivals respectively.

Engaging with Communities in Need During Festive Seasons

We also engaged with the community during the Chinese New Year (CNY) and Christmas festive seasons. During CNY celebrations, we brought cheer to the residents of Pusat Penjagaan Warga Usia Emas Tong Sim, and Pusat Jagaan Parameswary Old Folks Home and Mother Care, both located in Seremban, Negeri Sembilan. Working with local businesses within the community, we helped clean up the homes and replaced old doors, glass window panels, dining tables and chairs, as well as spruced them up with CNY decoration.

For our Christmas outreach initiative, residents of Bukit Harapan in Menggatal, Sabah, a shelter home for orphans, differently-abled individuals and victims of domestic abuse, got a much deserved refurbishment to their amenities. Maxis employees also contributed gifts to the residents.

Supporting Humanitarian and Disaster Relief Efforts

Humanitarian relief in the aftermath of natural disasters is a big part of our community outreach efforts. During these events, stable network connectivity is even more crucial for the community as they seek to contact friends and family members as well as the relevant authorities for help. Maxis continues to work extensively to prepare for severe weather seasons to keep our customers connected.

For preparedness in 2019, we activated our disaster relief team to monitor the flood season between October to December. Our priorities included assisting emergency services organisations with their connectivity requirements, restoring services to our customers as well as assisting in clean-up efforts in these areas. Where necessary, we provide temporary mobile base stations to boost coverage for emergency services and relief centres. As part of our post-flood initiative, we help our dealers restore their businesses and affected communities rebuild their lives and prepare for the future. There was no major flood recorded in 2019.

Empowering Our People to Play Their Part

We believe that empowering our employees to get involved in community outreach activities and events is rewarding, not just for us as an organisation but for the individuals who are involved. To provide our employees with a platform for them to do their bit for society, we have in place a robust employee volunteerism programme, called M Squad. All our community initiatives continue to be supported by M Squad, who have shown dedication and commitment to both our corporate goals as well as social contributions.

Apart from involvement in all community outreach initiatives, they also get to contribute in areas they are passionate about. In 2019, we organised a Maxis Charity Jogathon to raise funds and awareness for the National Cancer Society of Malaysia (NCSM) in conjunction with World Health Day. In doing our part in the fight against cancer, our employees successfully raised over RM15,000 which the company matched to bring total funds raised to RM30,000.

During the year, M Squad logged in 2,185 hours, which reflects our continuous high level of employee volunteerism. The total number of hours for the year translate into a value of close to RM100,000 based on our Volunteering Value calculation formula as follows:

Total value of volunteer hours is calculated as follows:
***Volunteering Value** = Average Hourly Rate x Total Maxis Volunteering Hours*

Year	2017	2018	2019
Yearly volunteer hours	2,435	2,962	**2,185**
Cumulative volunteer hours	2,435	5,397	**7,582**

For 2020, we are looking at several key initiatives that will provide many opportunities for our employees to volunteer, including exam clinics, holiday camp and drama and writing workshops organised for eKelas students. Apart from what we do for our flagship eKelas programme, we also play an active role in bringing cheer to communities in need during festive seasons, where our employees take great pride in participating in these initiatives as volunteers.

Our Environment

We are continuously looking into how we can mitigate our impact on the environment. Key priorities are improving our energy efficiency and reducing greenhouse gas (GHG) emissions across our network. Beyond this, we are also addressing the need to efficiently utilise resources in terms of effective office and mobile e-waste management.

Energy Use and Efficiency

With continuously drive energy efficiency across our Network Services and Data Center by adopting innovative latest technology and energy efficient equipment. This was preliminary carried out at our Technical Operations Centers (TOC) and Base Stations (BTS).

Key initiatives at TOC include:

- Optimisation of the Cooling System through design customisations such as introducing cool and hot isles to maximise the cooling efficiency in the Switch Rooms and Data Centers at our TOCs nationwide
- Using the existing high precision air conditioning system as standby units and introducing row-cooling systems to reduce the ambient temperature of our computer rooms with more energy-efficient models
- Installing Low Voltage Energy Optimise Systems (EOS) to modernise the power system and leverage on new technology, as well as to minimise harmonic and energy losses

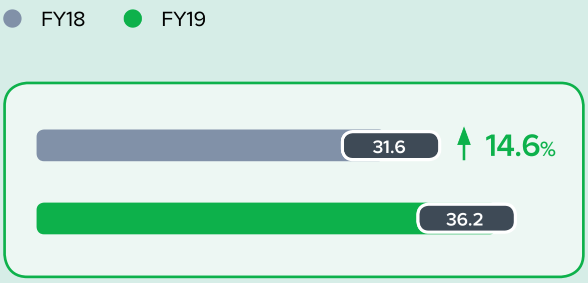
Key initiatives at BTS include:

- Enhance cooling System at BTS site using DC/Inverter Aircond
- Convert comfort air-conditioners to free cooling unit (FCU) technology.
- Deploying hybrid solutions which utilise a combination of diesel generators and batteries that reduce diesel usage
- Reducing Carrier Power for RAN share sites
- Swapping existing Remote Radio Unit (RRU) single band to Wide Band
- Shutting down one 3G carrier

In 2019, the average energy consumption per base station increased by 14.6 %, compared to 9.1% in 2018. This increase was mainly due to more population base stations site built and network capacity upgrades for core and transmission networks. However, the increment is relatively low compared to high traffic growth in network.

On positive note, key initiatives at both TOC and BTS had contributed total amount savings of RM1.5m.

Average Energy Consumption per BTS (MWh/BTS)



Note: *Combined figures for direct and indirect energy usage.*

Managing Our GHG Emissions

Our largest source of emission is electricity consumption. This accounts for 95% of our total GHG emissions with our network sites being the largest consumers of electricity. In 2019, our total emissions increased by 23.7% mainly due to Network Capacity Upgrades such as mobile, enterprise services and home traffic.

Total Emissions (CO_2 Tonnes)		
Scope 1 - Direct emissions e.g. from fuel and gas usage	**2018**	**2019**
Network & Technology	5,469	**9,097**
Scope 2 - Indirect emissions e.g. from electricity consumption	**2018**	**2019**
Network & Technology	192,593	**236,670**
Building Electricity Consumption	2,294	**2,171**
Subtotal	194,887	**238,841**
Total Emissions (CO_2 tonnes)	200,356	**247,938**

Building Energy Consumption

Whilst decreasing equipment energy consumption directly reduces our impact on the environment, a more subtle but significant contribution comes from our employees. With this in mind, we undertook two specific efforts to further reduce our impact on the environment: The first was the consolidation of workspace by 15% via the relocation of employees from Plaza Sentral to Menara Maxis; while the second was to educate employees of the need to optimise lighting and after-office hour usage of air conditioning at Menara Maxis. These efforts have resulted in a reduction of 9% in power consumption in 2019 compared to the year before.

Green Up at Maxis

We are now in our fourth year of partnership with the NGO, Pertubuhan Kebajikan Masyarakat Melalui Kitar Semula (CRC), in a bid to recycle our office waste. Funds collected from our recycling efforts are donated to charity. Through this effort, we registered an almost 20% reduction in total waste collected in 2019 compared to the year before.

Office Recycling (kg)

Paper Usage at Maxis

Our transition towards an agile and digital work environment has seen continuous improvement in paper usage. In 2019, we further reduced our paper usage by 4%.

Year	2018	2019
Total (reams)	6,219	**5,996**

Digital Learning

Maxis Flagship Programme eKelas

Sustainability at Maxis

As a leading converged solutions provider in Malaysia, we embrace our stakeholders' increasing demands and requirements on sustainability matters relating to economic, environmental and social considerations.

Our stakeholders place great importance to the way we balance our business priorities with our commitment towards good governance, societal contributions and environmental stewardship. As we progress on our sustainability journey, we remain focused on investing in our six capitals to ensure business continuity and deliver consistent returns to our shareholders while bringing positive changes to the communities we operate in. Aligning our existing sustainability programmes with the United Nations' Sustainable Development Goals (UNSDG) is the obvious next step and a transformational part in the next phase of our sustainability journey.

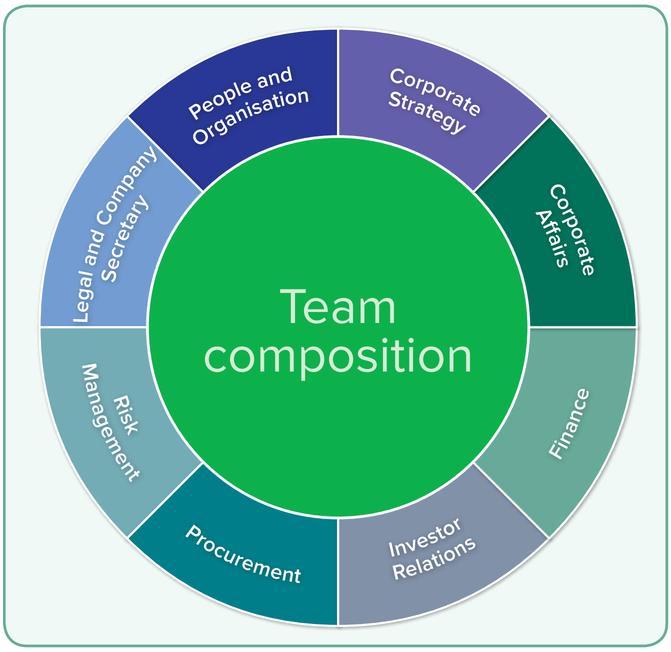
Guidance

This Sustainability Statement provides an overview of our materiality assessment and key concerns raised by our stakeholders through various means of communication. Further information on our economic, environment and social initiatives and outcomes can be found in the various Business Review section of this Integrated Annual Report (IAR). We are guided by Bursa Malaysia's Sustainability Reporting Guide (2nd Edition) and references from GRI standards.

Business Review

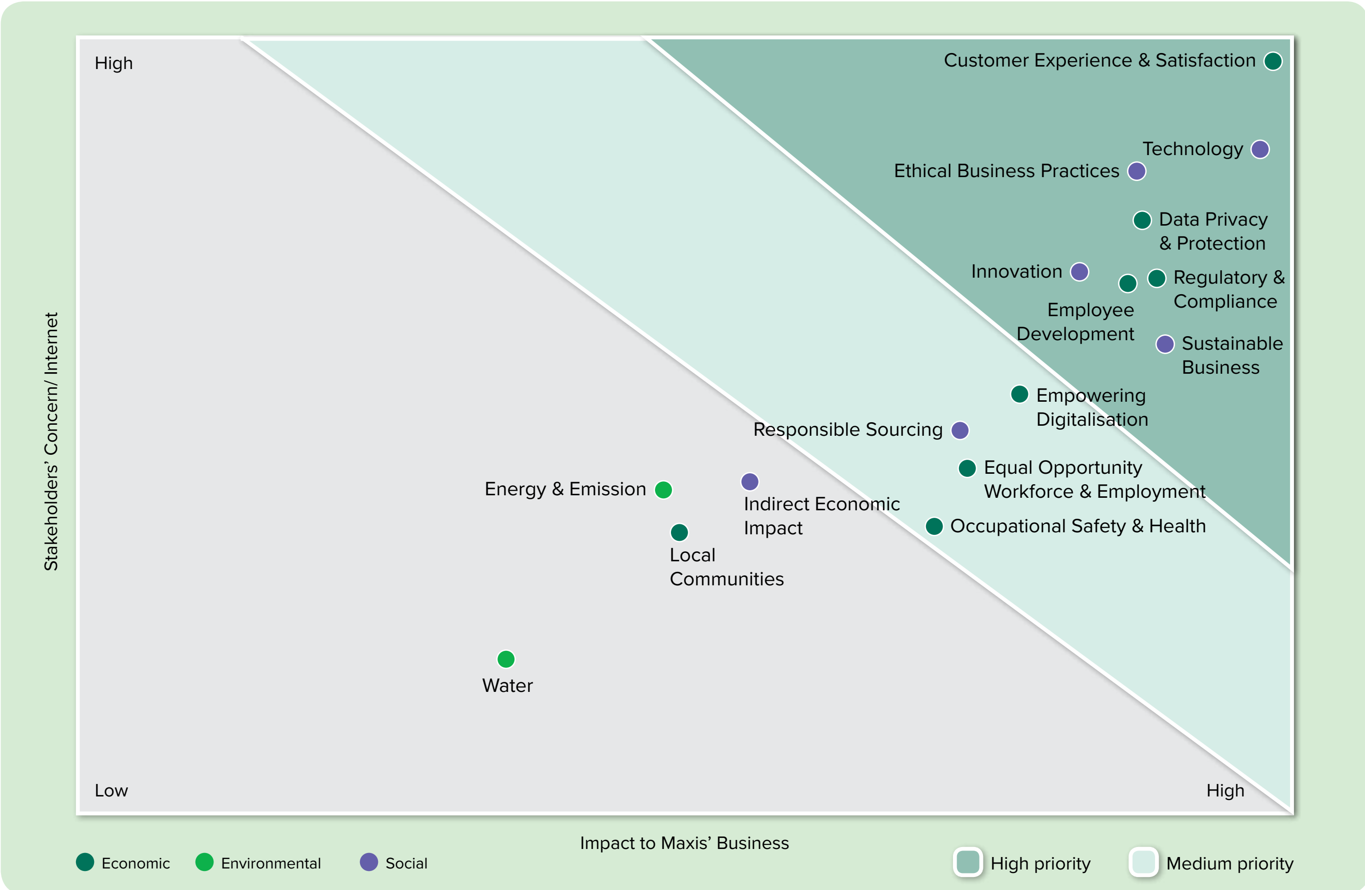
Governance

Our CEO plays a leading role in overseeing the management of sustainability initiatives within the organisation. He reports the progress and key developments to the Board and is supported by appointed management representatives from key divisions in Maxis. This is to ensure material matters are addressed and integrated throughout our business operations.



Sustainability at Maxis

Materiality Matrix



Material Assessment

We assess our material matters as part of continuous efforts to ensure our strategic intent remains relevant to the rapidly changing environment. During the year, a materiality prioritisation assessment was conducted based on the identified matters in 2018 with internal stakeholders. This approach aligns our sustainability matters with the MAX Plan.

Our materiality assessment process is outlined below:

Identification

Our starting point of identification is a review of matters reported in 2018, based on relevance during the year under review. Material matters were identified across the business, considering internal and external sources like our MAX plan, internal policies and procedures, industry and emerging global trends and concerns raised by our key stakeholders.

Prioritisation

Management representatives from key divisions across Maxis contributed insights gained from their engagement with stakeholders and business operations. This assisted in prioritising our material matters based on the dimensions mentioned. The result of the prioritisation assessment is the materiality matrix shown above.

Validation of material matters

The material matters were deliberated and validated by our Management Team and our Board of Directors is cognisant of our material matters. In line with our overall vision of becoming a Leading Converged Solutions Company, six material matters were renamed and redefined to reflect our business operations and stakeholder concerns. Based on the materiality prioritisation assessment, eight material matters were identified as high priority. These high-priority matters form the focus of this report.

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

Integrating Sustainability into Our Business Strategy

We have embedded the four pillars of our Corporate Reporting framework into our business strategy to elevate Maxis as a highly reputable corporate citizen. By doing so, we are able to continue to create value for our stakeholders and the nation
Our four CR pillars are as follows:

- Sustainable Business Practices
- Connecting the Unconnected
- Engaged Employees
- Environmental Consciousness

In 2018, the Board agreed to allocate up to 1% of our profit before tax annually towards CR and sustainability initiatives. Through this pledge, we have been able to expand the reach of our sustainability initiatives, covering activities such as employee engagements, eKelas for Malaysian students, community empowerment programmes, energy efficiency improvement measures and charitable donations.

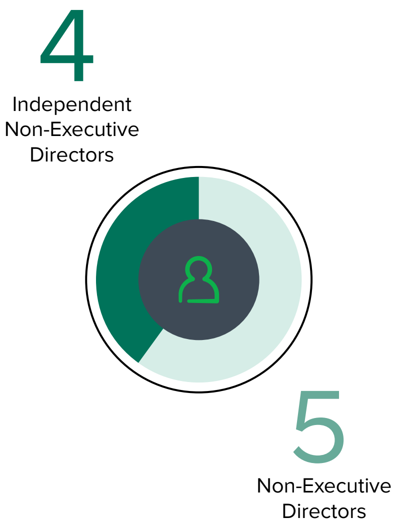
Our stakeholders are important to us and we actively manage a range of key stakeholder relationships, recognising that our success and sustainability depends on their input and involvement. Our key stakeholders include, but are not limited to, customers, employees, shareholders & investors, government & regulators, suppliers & partners and community.

Key Stakeholders	Methods of Engagement	Frequency	Key Concerns and Interests	Our Response
Customers	• Customer service channels, e.g. Maxis call centres, stores, MyMaxis and Hotlink RED apps • Focus groups, roadshows and networking events • Surveys, media and digital marketing • Touchpoint NPS	• Ongoing • Quarterly • As required • Ongoing	• Network quality & coverage • Solutions offerings • Customer experience • Data security & privacy protection • Pricing	• New technologies and partnerships • Enhanced products and services • Joint events for knowledge-sharing • Affordability of products and services/best value • Converged solutions
Employees	• Engagement events • Leadership surveys • Annual Voice of Maxis surveys • Internal communication channels including the intranet Squiggle, and internal social media Yammer	• Monthly • Quarterly • Annually • Ongoing	• Vision and key priorities • Working culture • Training and development • Salaries, benefits and incentives • Performance review • Diversity and inclusion	• Various engagement activities • Volunteer opportunities • Job-specific training
Shareholders & Investors	• Annual Reports • Quarterly financial results announcements • Annual General Meetings • Analysts and investor meetings and road shows • Maxis Investor Relations webpage	• Annually • Quarterly • Annually • As required • Ongoing	• Business performance • Sustainable dividends • Strategy and vision	• Timely updates on business performance • Our MAX Plan - Maxis growth strategy
Government & Regulators	• Regular reports • Formal meetings on progress and agenda • Participation in industry forums, dialogues and events • Participation in events and close engagement with regulators	• Ongoing	• Spectrum & network management • Universal Service Provision (USP) • Strategic industry development • Role in national agenda	• Monitoring compliance through site implementation guidelines • Industry feedback and recommendations • Collaboration in support of national agenda
Suppliers & Partners	• Formal and informal meetings and events • Product sharing sessions and networking • Exchange of products and services	• Biannually • Ongoing • As required	• Onboarding programme • Relationship management • Business collaboration • Business expansion	• Knowledge-sharing on technology • Enhanced solutions for partners • Digitalised procurement platform and workflow
Community	• Flagship community programmes e.g., eKelas, WiFi Komuniti locations • Community initiatives during major festivities	• Ongoing	• Connectivity • Lack of access to the Internet • Digital literacy gap • Humanitarian aid during a disaster	• Community programmes - immediate term and periodic initiatives • Collaborate in MCMC's initiative to provide connectivity to underserved areas

For further details on our sustainability practices, please refer to respective Business Review Sections.

Board At A Glance

Board Composition

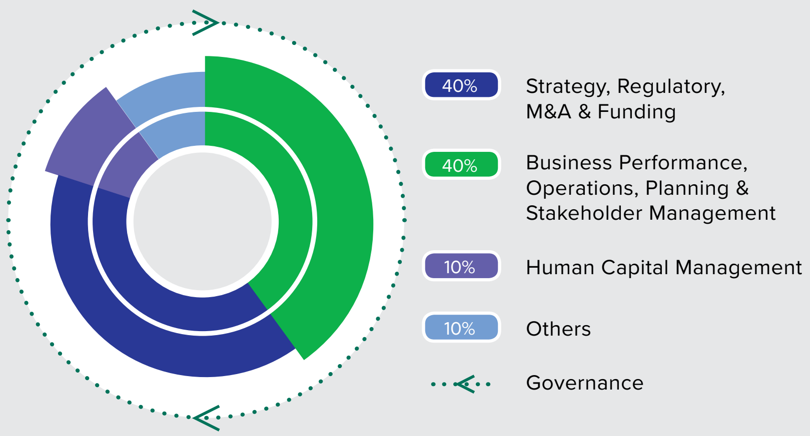


Age Group

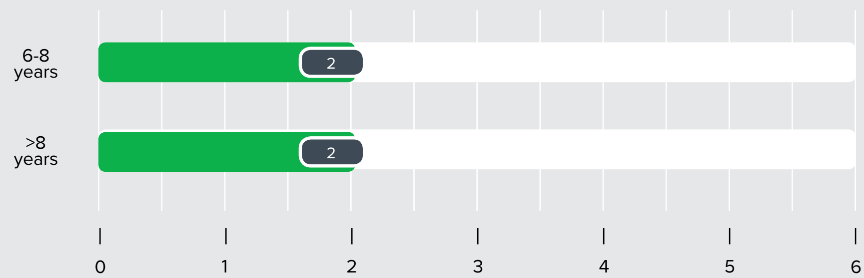
Board and Board Committees' Memberships

	ARC	RC	NC	BIT	GRAC
Raja Tan Sri Dato' Seri Arshad Bin Raja Tun Uda	•	•	• chairman		• chairman
Tan Sri Mokhzani Bin Mahathir	• chairman	•	•		•
Robert Alan Nason	•			• chairman	•
Dato' Hamidah Naziadin	•	• chairman	•		
Alvin Michael Hew Thai Kheam			•	•	
Mohammed Abdullah K. Alharbi	•				
Mazen Ahmed M. Aljubeir		•	•		
Abdulaziz Abdullah M. Alghamdi				•	
Lim Ghee Keong		•		•	•

Board and Board Committees' Topics Discussed at the Meetings



Tenure of Independent Directors



Board At A Glance

Gender Diversity

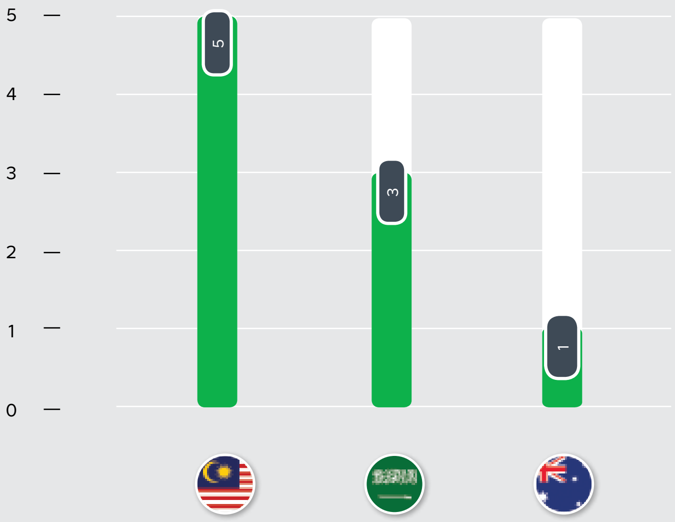
1
Female

8
Male

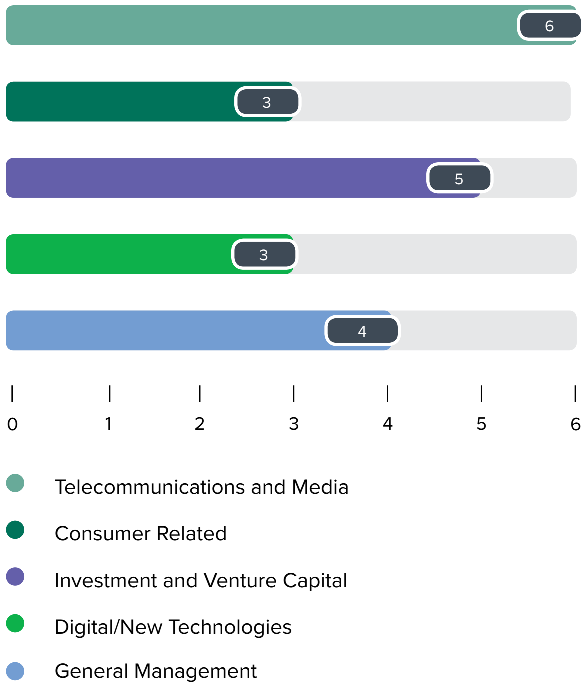
Qualifications

Finance & Accounting	Law	Engineering	Business, Economics and IT
3	1	2	3

Nationality



Skills and Experience



Length of Service (Tenure)

Corporate Governance Overview

The Board sets the tone at the top and devotes considerable effort to institutionalise and enhance Maxis' corporate governance practices. The Board recognises the importance of maintaining a high standard of corporate governance practices within Maxis as it is fundamental to sustain the Group in the long-run through the ever changing regulatory and market environment.

The Board is pleased to provide an overview of the Group's corporate governance practices, which summarises the Group's application of the Principles and Recommendations of the MCCG 2017 during the financial year ended 31 December 2019.

Details of the Group's application and departures, including alternative practices of the Principles and Recommendations of MCCG 2017 are provided in the Corporate Governance Report 2019, which can be found at https://maxis.listedcompany.com/ar2019.html.

Maxis has applied all the Practices contained within the MCCG 2017 except for Practice 4.1 (that the Board comprises majority independent directors), 4.5 (the Board has at least 30% women directors), 7.2 (disclosure of remuneration of senior management in bands of RM50,000) and 12.3 (leveraging technology for remote voting).

Nevertheless, Maxis acknowledges the tenets of good governance and believes that its alternative practices assist in achieving the 12 Intended Outcomes of the MCCG 2017. An overview of the departures are detailed below:

- Practice 4.1 - The Board and NC are searching for independent non-executive candidates that can contribute to Maxis' long-term growth strategy, digitalisation journey and beyond. The Board has in place the ARC, NC and RC, with clear Terms of References to assist the Board in the deliberations and recommendations as a check and balance. These Committees comprise majority Independent Non-Executive Directors and play a significant role in supporting and providing their objective oversight functions to support the Board. Further details on the checks and balance in place are available in pages 86 to 91 of Statement of Risk Management and Internal Control.

- Practice 4.5 - To meet the 30% women director composition target, the NC is carrying out an exercise to expand the pool of potential women candidates for Board candidacy. The NC reviews and recommends the criteria for appointment of Directors based on the skills, composition and requirements of the Maxis operations' and competitiveness, and growth strategy.

- Practice 7.2 - Maxis is of the view that disclosing the remuneration of senior management in bands of RM50,000 will affect the competitiveness of Maxis. Nevertheless, Maxis relies on its robust systems, processes and oversight to ensure remunerations remains competitive and is strongly linked to performance and potential. The Board will re-evaluate this disclosure from time to time.

- Practice 12.3 - Maxis is fully supportive of the technology to facilitate shareholder participation at Annual General Meetings (AGM). Maxis welcomes testing the systems for voting in absentia, and remote participation based on large shareholder base. The implementation would be based on a rigorous process, verification that the system is fit for purpose and meets the applicable laws.

During the financial year ended 31 December 2019, Maxis' Leadership and Governance structure was reviewed and enhanced. Key changes were as below:

- The Government and Regulatory Affairs Committee (GRAC) was formed in February 2019 to provide strategic guidance to Management with respect to government and regulatory matters, having material impact on Maxis business and/or reputation. The Audit Committee was expanded as the Audit and Risk Committee (ARC) to reflect the further responsibility to oversee the design and implementation of the ERM Framework by Management and the Terms of Reference of ARC was revised in April 2019 to reflect the changes.

- In relation to the amendments to the MACC Act, and in particular the new Section 17A that introduces, amongst others, new corporate liability for companies, arising from corrupt acts committed by employees or person associated with the company, a Maxis task force was established to take steps to put in place the Maxis' Anti-Bribery and Corruption (MABC) system. The MABC system is designed to implement adequate procedures, policies and controls for the prevention of corrupt acts and practices. The governance structure i.e the Integrity and Governance Unit was set up along with key polices revisions and enhancement. Maxis will undertake periodic reviews and assessments of bribery and corruption risks and will ensure that the MABC system remains efficient and effective. The Board has approved the MABC system and endorsed the MABC policy statement which sets out Maxis stance against bribery and corruption. The Board have also agreed to delegate the responsibility over MABC to the ARC and changes were made to the ARC's Terms of Reference to reflect such a delegation.

Leadership and Governance Structure

Shareholders

Board

- Audit and Risk Committee
- Remuneration Committee
- Nomination Committee
- Business & IT Transformation Committee
- GRAC Committee

CEO

Management

Note:
The Board has adopted the highest standard of corporate governance by setting the tone at the top. During the financial year, the GRAC was formed and the Audit and Risk Committee expanded its risk management oversight role.

Both this Overview and the Corporate Governance Report 2019 were approved by the Board on 5 March 2020.

A. BOARD LEADERSHIP AND EFFECTIVENESS

The Board is collectively responsible for the direction and oversight of the Group to ensure its sustainability and ability to create long-term value for its shareholders and various stakeholders.

Board Responsibilities

In discharging its duties, the Directors are responsible for the management of the Company, with powers as defined in the Constitution, the Companies Act 2016 and applicable regulations. The Leadership and Governance structure is supported by the Board Charter and Limits of Authority (LOA) Manual, which clearly outlines key matters reserved for the Board and Management. Specific responsibilities of the Board are delegated to the Board Committees, CEO and Management which function with clearly defined Terms of Reference (TOR). For further details, please see the 'Board Committees' section.

The Board Charter entrenches key matters reserved for the Board, inter alia, approval of strategy, plans, budgets, new major ventures, acquisitions and disposals, changes to management and control structure and appointments of Board members, Committee members, Chief Executive Officer (CEO) and Company Secretary. It further sets out the roles and responsibilities of the Board, the Chairman, CEO, Senior Independent Director and Company Secretary. The Board Charter is periodically reviewed to ensure it reflects the direction of the Group.

Directors are aware of their duties, responsibilities and time commitment as members of the Board. To keep apprised of operational, legal, regulatory and industry matters, and, to assist in the discharge of their functions, they regularly attend talks, briefings, workshops and utilise online learning tools and reading materials.

Board Activities

In 2019, the Maxis Board reviewed, deliberated and approved (where specifically required), amongst others, the following:

Board	Key Discussion Topics
Strategy, Regulatory, M&A, Funding	• Long Range Plan and Strategy • Budget and Annual Operating Plan for 2020 • Regulatory Policies • Corporate sustainability • Related party transactions, strategic and emerging issues • Funding requirements
Business Performance, Operations, Planning & Stakeholder Management	• Maxis' detailed business performance and operations • Customer service and consumer insights • Network and Information Technology systems and security • Risk management and internal controls • Key performance indicators • Financial results • Cashflows • Proposed dividends • Investor relations briefings and feedback from investor engagements
Human Capital Management	• Organisational structure • Appointment of key management positions (CEO, CHRO, CCAO and CDTO) • Updates on personnel movements • Employee engagement • Succession planning • Talent and retention planning
Compliance & Others	• Re-election of Directors • Specific corporate and operational matters that required Board's approval • Corporate matters & policies

Roles and Responsibilities of the Chairman and CEO

The roles of the Chairman and CEO are clearly separated, and the Chairman was not previously a CEO of the Company. The Chairman, Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda is responsible for providing significant leadership to the Board by providing oversight so that the Board can carry out its responsibilities effectively while the CEO, Gokhan Ogut is primarily responsible for the management of day-to-day business operations in line with the strategy and key performance indicators set by the Board. The Chairman promotes a boardroom environment that allows constructive challenge to status quo, robust discussions and debates, effective communication and contribution from Directors to facilitate informed decision making at the Board Meetings. Specific duties of the Chairman and the CEO are available in the Board Charter.

Board Committees

The Board has established five Board Committees; the Audit and Risk, Nomination, Remuneration, Business and IT Transformation and the Government and Regulatory Affairs Committees. These Committees play a significant role in reviewing matters within their respective Terms of Reference and supports the Board's discharge of its duties and responsibilities. Each of the Committees have specific Terms of Reference, scope and authority to review matters tabled before the Committee prior to decision-making by the Board as a whole. Membership of these Committees and their TOR are reviewed annually.

The Audit and Risk, Nomination and Remuneration Committees comprise a majority of Independent Directors and are chaired by Independent Directors. The Business and IT Transformation Committee and the Government and Regulatory Affairs Committee comprises a majority Non-Independent Directors. In addition, the Board is supported by ad-hoc operational and governance committees with defined scopes formed from time to time to facilitate the Board in the discharge of their duties.

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

Amongst the matters discussed at Board Committee meetings are summarised as follows:

Board Committee	Key Discussion Topics
Audit and Risk Committee	• Code of Business Practice • Cyber Security • Data Protection • Financial Performance and Statements • Internal and External Audit • Quarterly updates • MACC Act
Remuneration Committee	• Organisation Structure • Incentives • Culture Change • Company performance measures and reward process • Performance and remuneration including annual salary and bonus • Talent acquisition & management • Learning & development
Nomination Committee	• Board composition • Director's independence • Director's re-election and extension • Director's fees and benefits • Board, Committees and Directors assessment • MCCG 2017 and governance matters
Business & IT Transformation Committee	• IT Transformation • Innovation • Maxis' Products and Services (Fibre, Enterprise, Maxis TV etc.) • Structural Options
GRAC Committee	• Government Relations • Regulatory matters

Ethical Business Conduct and Whistle Blowing

The Board promotes good corporate governance culture to ensure that the Group conducts its business with integrity, in an ethical and transparent manner. To this end, the Board has established Maxis' Code of Business Practice (CoBP). The CoBP sets out the conduct expected of all directors, employees and third parties doing business with Maxis or acting on Maxis' behalf. In addition to providing guidance, the CoBP outlines, inter alia, Group's procedures relating to non-discrimination, whistleblowing, Group's assets and properties, confidential information, personal data protection, insider trading, fraud, bribery and anti-corruption. Maxis' directors and employees affirm their commitment to the CoBP on an annual basis.

In light of the requirements stipulated under the Bursa Malaysia's Corporate Governance Guide and the Companies Act 2016, Maxis' Whistleblowing Policy, established by the Board provides a secure reporting avenue via the Ethics Hotline for employees and third parties, who have knowledge or are aware of any improper conduct or unethical behavior including suspected fraud, bribery, corruption and criminal activity.

Dedicated channels for reporting are under the custody of the Internal Assurance Department as described below:
(i) Ethics Hotline @ 03-2330 6678 or 017-200 3922
(ii) Email: ethics@maxis.com.my
(iii) Letters/documents addressed to the Ethics Hotline Office c/o Internal Assurance Division, Level 21, Menara Maxis, Kuala Lumpur City Centre
(iv) Senior Independent Director: mmokhza@maxis.com.my

Any malpractice or misconduct will be raised to Internal Assurance Division through the dedicated channels above. The whistleblower's identity remains anonymous, ensuring protection from reprisal. The Defalcation Committee, consisting of members of Senior Management will deliberate on cases reported and updates the ARC on the status and outcome of the reported cases on a quarterly basis. In the event that Senior Management is the subject reported, the establishment of a Special Defalcation Committee; an ad-hoc Board Committee is triggered to ensure that a fair investigation is conducted. If the claim of malpractice or misconduct is substantiated, appropriate disciplinary action will be taken, including but not limited to termination.

For further details, please refer to the Corporate Governance Report 2019, and the Material Matters section page 30.

Board Composition

The Maxis Board comprises nine Directors, of whom four are Independent Non-Executive Directors; five are Non-Executive Directors. The CEO is not a Director of the Maxis Board. The CEO is a director of the operating subsidiaries of Maxis Berhad. The Chairman is an Independent Non-Executive Director. The Directors present a diverse mix of qualifications covering accounting, finance, engineering, human resources, business, IT and law whilst their collective skills and expertise include general management, international venture capital, technology/digital/media, finance and treasury, marketing, telecommunications, human resources/people and regulatory/local affairs.

The profile of each Director can be found on pages 6 to 10 of this Integrated Annual Report.

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

The presence of Independent Non-Executive Directors on the Board and its Committees is essential, as they provide unbiased and impartial opinions and judgment to Board deliberations. This ensures the interests of not just the Group, but also its various stakeholders are taken into account and well-represented. The independence of the four Independent Non-Executive Directors was assessed by an external consultant, Spencer Stuart and via self-assessment forms, and the outcome was that the Independent Directors are independent in thought and action.

Details of the independence assessment are available on page 79 of the Statement of the Nomination Committee.

As recommended by MCCG 2017 and in accordance with Maxis' Board Policy, the tenure of directorship of not more than nine years was taken into consideration, and the specific tenures of Directors were duly reviewed by the Nomination Committee (NC) and Board. The relevant processes and procedures have been provided in the Board Charter and Terms of Reference of the NC.

Appointments to the Board

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

In making these recommendations, the NC assesses the suitability of candidates, taking into account the Board's required mix of skills, diversity, knowledge, industry exposure, expertise and experience, professionalism, integrity, competencies, time commitment and other relevant qualities of the candidates, before recommending their appointments to the Board for approval. There were no changes to the Board during the year.

Board Diversity Policy

The Board recognises that diversity in its composition is critical in ensuring its effectiveness and good corporate governance. A truly diverse board will include and make use of differences in the skills, experience, background, race, gender and nationality of its members. Underpinning Maxis Board Diversity Policy is Maxis' commitment to ensuring that all directors are appointed on merit, in line with the standards as set out in Para 2.20A of the Main Market Listing Requirements of Bursa Malaysia. The NC and Board regularly reviews its composition to improve its diversity including its gender diversity.

The background of each Director can be found on pages 6 to 10, demonstrating the Board's Diversity Policy as stated above. Maxis' efforts in diversity is available on page 81 of the Statement of the Nomination Committee.

Re-election of Directors and Tenure of Independent Directors

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

1) Dato' Hamidah Naziadin
2) Alvin Michael Hew Thai Kheam
3) Lim Ghee Keong

The Directors were assessed on their character, experience, integrity, competence and time committed to effectively discharge their respective roles.

The Company will be seeking shareholders' approval at the forthcoming Eleventh AGM for the two Directors, Raja Tan Sri Dato' Seri Arshad Bin Raja Tun Uda (RA) and Tan Sri Mokhzani Bin Mahathir (MM) who were appointed as Independent Directors on 16 October 2009 and have exceeded the cumulative tenure of nine years. The shareholders have on 25 April 2019 approved the resolutions for RA and MM to continue to act as Independent Directors from 18 October 2019 to 17 October 2020.

Details of the re-election assessment of the five Directors, including the validation of the Board findings by the independent external consultant, Spencer Stuart are available in the Statement of Nomination Committee.

Meetings and Access to Information

Five Board meetings were held during the financial year. The details of the Directors' attendance at Board meetings are provided as follows.

Directors	Board attendance
Raja Tan Sri Dato' Seri Arshad Raja Tun Uda	5/5
Tan Sri Mokhzani Mahathir	5/5
Dato' Hamidah Naziadin	5/5
Robert Alan Nason	5/5
Lim Ghee Keong	5/5
Alvin Michael Hew Thai Kheam	5/5
Mazen AlJubeir	5/5
Mohamed Alharbi	4/5
Abdulaziz Alghamdi	4/5

Note:
The CEO and Chief Financial & Strategy Officer attended all Board meetings.

Directors were given due notice of proposed meetings, allowing Directors to lock in their timings, and for advance planning. Board meeting materials together with the dates for the submission of Board Agenda were shared and uploaded electronically for Board members. Directors participated in Board and Committee meetings in person or via conference calls. Minutes of the meetings were circulated to all members of the Board. Board members are encouraged to ask clarifications, questions or additional information prior to or during the meetings to facilitate effective decision making. The Chairman schedules regular engagement with Board members at each meeting cycle, and these sessions are useful for feedback and clarifications required.

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

Company Secretary

The Board is supported by the Company Secretary who provides advisory services, particularly on governance best practices and Board processes to facilitate overall compliance with the MMLR, Companies Act 2016 and applicable laws and regulations. The Company Secretary also facilitates the induction of the new Directors and addresses the continuous training needs of Directors identified pursuant to the Board Evaluation and Effectiveness Assessment. The Company Secretary is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators and is a qualified lawyer, with postgraduate qualifications. She has over 26 years of company secretarial and governance experience.

Induction and Succession Planning

A comprehensive on-boarding programme has been established to ease new Directors into their new role and to assist them in understanding of the environment the Group operates in, the Group's business strategy and operations. All new Directors are required to attend the programme as soon as possible, once appointed. There were no induction programmes conducted within the year as there were no appointments to the Board.

Maxis actively monitors and evaluates the tenure of Independent Directors to provide Board members the opportunity to reassess their membership as part of its succession planning. Succession planning will be a priority moving forward to ensure that there will be a steady pool of talent to fill vacancies in Board and Senior Management positions.

Board Evaluation and Effectiveness Assessment

In 2019, an independent external consultant, Spencer Stuart was appointed to conduct the Board Evaluation and Effectiveness Assessment. The Chairman of the NC oversaw the overall evaluation process while the responses were reviewed and analysed by the NC, before the assessment was tabled and communicated to the Board. In addition, the individual Directors also conducted self-assessments, the results of which were also shared with the NC and Board. The Board agreed on action points moving forward which were ongoing development of directors and the fine tuning of the format of the Board meetings on specific agendas reserved for Committees and Board.

Details of the Board evaluation and effectiveness assessment are available in the Statement of Nomination Committee.

Training and Development of Directors

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

Amongst others, training programmes included:

(i) Regular briefings/updates (some by external advisors) on various matters including governance and those relating to the industry. This included a talk by Amdocs on IT Transformation, Huawei on 5G, and a talk by Spencer Stuart on the Board Effectiveness Evaluation.

(ii) During the year, the Board participated in an Enterprise Risk Management workshop conducted by an independent consulting firm on global transformational topics and cyber/data threats that also enhanced the Board's knowledge on risk.

(iii) Members of the ARC received a report and assessment of Maxis' processes and policies in preparation for Section 17A of the MACC Act by Transparency International.

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

Remuneration of Directors and Maxis Management Team

The Board has delegated to the Remuneration Committee the responsibility to oversee and recommend the structure of the remuneration policy and frameworks for the Directors and Maxis Management Team. Maxis' remuneration policy and framework has been developed to attract and retain Directors and senior management of the caliber needed to run the Group successfully and create value for shareholders and various stakeholders.

The remuneration for Executive Directors is structured so as to link rewards to corporate and individual performance. The determination of the remuneration of the Executive Directors will be decided by the Board as a whole. In the case of Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken. Remuneration of our Non-Executive Directors is subject to annual approval by shareholders. Directors' remuneration packages comprise fees, basic salaries and bonuses (for Executive Directors), benefits-in-kind and other benefits. The CEO's Key Performance Indicators are reviewed and tracked by the Remuneration Committee on an annual basis.

During the year, Willis Towers Watson was appointed to evaluate remuneration of Maxis Management Team as follows:

i. The salaries, allowances, incentive (short term bonus and long term incentive), benefits-in-kind;

ii. Report taking into account of the role and responsibility, corporate objectives and strategy, market competitiveness; and

iii. Benchmarks with local and regional companies in comparative environment and market capitalisation.

During the year, Willis Towers Watson was also appointed to undertake an independent benchmark on Directors and Committee members' fees. The assessments and benchmarks were undertaken on the following basis and scope:-

i. The fees and structure of remuneration;
ii. Adjusted fees taking into account the time commitment, accountability and responsibilities of Directors; and
iii. Benchmarks with local and regional companies.

The Company will be requesting shareholders' approval for the payment of Non-Executive Directors' fees and benefits-in-kind for the period commencing from the conclusion of the forthcoming Eleventh AGM up till the conclusion of the next AGM of the Company in 2021 which will be detailed in the Notice of the forthcoming Eleventh AGM that will be sent to shareholders in due course.

The aggregate emoluments received by the Directors of the Company during the financial year ended 31 December 2019 are as stated on the following:

	Received or to be received from the Company		Received or to be received from a subsidiary				
	Fee	Benefits in-Kind	Salaries	Bonus and incentives	Other Short-Term Benefits	Benefits in-Kind	Total Amount
Name of Director	RM	RM	RM	RM	RM	RM	RM
Raja Tan Sri Dato' Seri Arshad Bin Raja Tun Uda	490,020	48,540	-	-	-	-	538,560
Tan Sri Mokhzani Bin Mahathir	390,024	-	-	-	-	-	390,024
Robert Alan Nason [(1)]	213,344	-	Please refer to pages 140 to 141 of the Integrated Annual Report 2019				213,344
Dato' Hamidah Naziadin	340,020	-	-	-	-	-	340,020
Mohammed Abdullah K. Alharbi	270,012	-	-	-	-	-	270,012
Mazen Ahmed M. AlJubeir	290,016	-	-	-	-	-	290,016
Abdulaziz Abdullah M. Alghamdi	270,012	-	-	-	-	-	270,012
Lim Ghee Keong	303,185	-	-	-	-	-	303,185
Alvin Michael Hew Thai Kheam	300,016	-	-	-	-	-	300,016

Notes:
Save as disclosed above, no other remuneration has been paid to the Directors by the Company and/or its subsidiaries.
[(1)] *Redesignated as Non-Executive Director since 1 May 2019.*

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Committee, Risk Management and Internal Control Framework

The Audit and Risk Committee (ARC) is chaired by Tan Sri Mokhzani Bin Mahathir and comprises majority Independent Directors. The Chairman and members of the ARC are financially literate, have extensive business experience, and with each member having skill sets that allows the ARC to effectively discharge its duties and responsibilities in accordance with the Terms of Reference of the ARC. The Chairman Tan Sri Mokhzani Bin Mahathir has more than 30 years of experience and is not the Chairperson of the Board to promote robust and open deliberations by the Board on matters referred by the ARC.
The roles, responsibilities and activities of the ARC in respect of effective audit and risk management are explained in the ARC Report on pages 82 to 85 of the Integrated Annual Report. The terms of office and performance of the ARC are reviewed by the NC annually and the independence of each of its members were reviewed by Spencer Stuart in 2019.

The Group has the following processes in place for effective audit and risk management.

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

The ARC places great emphasis in the evaluation of the suitability, objectivity and independence of the external auditors in providing transparent reports to the shareholders. Accordingly, the ARC is guided by Maxis' External Audit Independence Policy (EAIP) to assess the external auditors' independence. The Committee also reviewed the annual assessment conducted on the effectiveness of the external auditors which covered seven categories, namely the audit firm's calibre, quality process, audit team, scope, communication, governance, independence, and audit fees. As entailed in the Board Charter, the ARC will not appoint a former key audit partner as its member unless a cooling-off period of at least two years has been observed prior to the appointment.

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

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

Detailed reports on the Group's Audit and Risk Management can be found on pages 82 to 85 and 86 to 91 of this Integrated Annual Report. Both reports were approved by the Board on 20 February 2020.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Communication with Stakeholders

The Board recognises the importance of providing effective communication platforms to provide clear, accurate and valuable insights on the Group's performance and position to its various stakeholders. This allows stakeholders to make informed decisions with respect to the business of the Group. The Board recognises that our stakeholders have a legitimate right to know how the Company is doing and endeavours to provide timely and transparent disclosures, releasing all required/material announcements immediately when matters are triggered.

Other than to issue our Integrated Annual Reports and release our financial results, Maxis has been promoting proactive engagement and communication with our shareholders and other stakeholders through media releases, an online Investor Relations section and online Newsroom which can be accessed at www.maxis.com.my. The Annual General Meeting (AGM) and General Meetings are also the primary platforms for direct two-way interaction between the shareholders, Board and Management of the Company.

Please also refer to the Key Stakeholder Engagement section on page 67 of this Integrated Annual Report. Maxis has provided the relevant contact details for queries and/or concerns regarding the Group under the Corporate Information Section.

Our Commitment to Communicating with Our Shareholders including investors and stakeholders

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

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

Maxis has also embarked on a three-year integrated reporting journey to provide more comprehensive and transparent disclosure of our objectives, strategies and performance. This year, Maxis introduced key sections in the Integrated Annual Report to provide our stakeholders with a clear understanding on how Maxis maintains our competitive advantage, including, but not limited to:

- Maxis Strategy
- Risk and Opportunities Mapping of Material Matters
- Enhanced Value Creation Model

Conduct of AGM and General Meetings

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

(i) Shareholders are encouraged to participate in the Question and Answer sessions.
(ii) Written answers will be provided to any significant questions that cannot be readily answered during the AGM.
(iii) Shareholders are welcome to raise queries by contacting Maxis at any time.
(iv) Maxis issues a 28-day notice of our AGM, which exceeds the Companies Act 2016 and MMLR prescribed notice period.
(v) Queries from shareholders pertaining to the Integrated Annual Report may be directed to this email: ir@maxis.com.my.

Sustainability Management

The Board is committed to ensuring that our strategic plans support long-term value creation and incorporates the key principles of EES in underpinning sustainability. In 2019, this was done through a review of Maxis' material matters by key business representation of key divisions in Maxis and was thereafter validated by the CEO and Management team. The material matters are detailed on page 30.

Our sustainability strategy is currently led and driven by the CEO, with progress and key developments escalated to the Board. The CEO, together with the management team meets with key divisions and project teams on a weekly and monthly basis to ensure oversight of execution of strategies, initiatives and achievement of targets.

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

Additionally, we are enhancing our internal processes and policy to consolidate and monitor EES data that is reported within the Company in line with our ambition to get external assurance on non-financial information.

What's Next

The Board is fully committed to comply with regulatory requirements under MCCG 2017, and the applicable rules and regulations.

In support of our transformation, growth and digital ambitions, including accelerating the nation's 5G network to achieve Maxis' long term vision, the Board's processes, proceedings and governance structure are constantly assessed and benchmarked to remain competitive, refreshed and agile with a continued focus on strategy, governance and compliance.

Key focus areas in 2020 include intensifying efforts to enhance the Board's composition dynamics and succession planning of Board members and Management. The Board is also responsible to ensure that Maxis puts in place and implement the MABC system. This will include amongst others, anti-corruption training, integrity pledges and communication of the updated CoBP to Directors, employees and third parties.

Further, to continue fostering positive interaction between the Board and Management at all levels, while supporting a growth and innovative mindset, interactive workshops, training sessions, offsite retreat and retail visit will be conducted encompassing areas such as operations, risk management, cybersecurity and anti-corruption. As an ongoing effort for the next few financial years, the Board will continue to benchmark itself against other comparable international digital and technology companies.

The following items can be downloaded from Maxis' corporate website at https://maxis.listedcompany.com/ar2019.html:

(1) Board Charter
(2) Terms of Reference of the Audit and Risk, Nomination and Remuneration Committees
(3) Code of Business Practice
(4) Anti-Bribery and Corruption Policy Statement
(5) Whistle-blowing Policy
(6) Constitution
(7) Integrated Annual Report 2019
(8) Corporate Governance Report 2019

Statement of the Nomination Committee

The NC comprises majority Independent Directors as follows:
(i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (Chairman)
(ii) Tan Sri Mokhzani bin Mahathir
(iii) Dato' Hamidah Naziadin
(iv) Mazen Ahmed M. AlJubeir
(v) Alvin Michael Hew Thai Kheam

Roles and Activities of the NC in 2019

The NC met four times during the financial year, with full attendance. The following activities or area of focus for the year are as below:

Roles

The NC generally assists the Board with matters relating to:
- Composition and performance of the Board, including Board diversity
- Director independence
- Recruitment, selection and succession planning of the CEO, members of the Board and Board Committees

Key activities

Board Composition

- Review Board and Committees compositions, skills, experience, strength, quality and diversity
- Review the performance of Directors including director standing for re-election in accordance with the requirements of Para 2.20A of the Listing Requirements
- Review terms of office and performance of ARC members in accordance with the requirements of Para 15.20 of the Listing Requirements
- Benchmarking study on Board size

Board Effectiveness Evaluation (BEE)

- Review of the consultants to be appointed to undertake the BEE, and recommendation on the selection
- Oversight of the process of the appointment of the independent consultant, Spencer Stuart who undertook the Board, Board Committees and individual Director's Assessments
- Review of the assessment process for the BEE and the scope of Spencer Stuart and their report

Appointment of CEO

- Reviewed the selection criteria and assessed the suitability and appointment of Gokhan Ogut as the CEO of Maxis

Remuneration

- Review of the Policy on Non-Executive Directors' Remuneration, Expenses and Reimbursement Policy
- Reviewed Directors' Fees for Board and Committees, including ad-hoc Committees in relation to the skill sets and time spent based on the respective Committees TOR

Directors Independence

- Review of the independence and tenure of Independent Directors
- Considered the re-appointments and re-election of Directors
- Review of the extension of the independence of the 2 Directors whose tenures exceeded 9 years

Governance

- Matters arising from the Companies Act 2016 and MCCG 2017, and compliance thereto
- Review of the departures from MCCG 2017 and recommended actions including the review of Independent and Women Directors
- Reviewed Directors' duties, responsibilities, benefits and fees in relation to the respective Board Committee TORs
- Review of the Board Committees' TOR

Board, Board Committees and Individual Director's Effectiveness Evaluation

The NC assesses the effectiveness of the Board, Board Committees and the contribution of each Director on an annual basis to enhance efficiency, identify strengths and potential improvements areas.

Independent Assessment by External Consultant

In 2019, an independent consultant, Spencer Stuart was appointed to carry out the BEE. The evaluation process, methodologies and outcomes were overseen by the NC, and is detailed below:

- Spencer Stuart undertook one to one interviews and questionnaires with each Director and selected management for the exercise to ensure candid and objective evaluations.

The evaluation included, inter alia:
i. Each Director's effectiveness
ii. The Board's and Board Committees' composition and mix of skills
iii. The Board's roles and responsibilities and effectiveness in areas of performance and strategy planning, risk, human capital management, regulatory requirements and Board communication
iv. The independence test for the 4 Independent Directors
v. The Board and Board Committees' roles and scope, frequency and length of meetings
vi. Management's supply of sufficient and timely information to the Board
vii. The Board and Board Committees' overall effectiveness and efficiency in discharging their functions.

- A detailed report was provided by Spencer Stuart for the NC's and Board's consideration.
- Areas for continuous improvements were recommended to the Board.

Self-Assessment by Maxis' Directors

Each Director also undertook a self-assessment of their individual performance and independence during the financial year based on the criteria as prescribed under Para 2.20A of MMLR that include factors such as character, experience, integrity, competence and time committed in order to discharge their respective roles as Directors of Maxis. These criteria are also used prior to the selection and consideration of Directors, the CEO and CFSO.

Assessment Outcome

The BEE report outlined the assessment of the conduct of the Board and Committees, including their procedures and decision-making processes. The strengths, improvement areas, and proposed training areas of the Board, Board Committees and individual Directors were presented for the NC and Board's consideration. Spencer Stuart concluded that the Independent Directors are clearly independent in thought and action. This augmented the self-assessment of the Independent Directors that they are independent of management and free of any business or other relationship that could materially interfere with or could be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

The BEE findings are outlined below:

Key Strengths of the Board
- Chairman is adept at challenging status quo and facilitating robust discussions
- Camaraderie and respect among the Directors
- Strong support by the Company Secretary to the Board

Key priorities in FY2020
- Board size and composition
- Succession planning for Board and Senior Management
- Directors ongoing training and development programmes
- Continuing dynamic relationship between Board and Senior Management
- Alignment between Board and Board Committee agendas

The NC and Board also reviewed the terms of office and performance of the Audit and Risk Committee (ARC) and each of its members in accordance with Para 15.20 of the MMLR. The Board is satisfied that the ARC and its members had carried out their duties in accordance with the ARC's terms of reference. The findings were also independently verified and demonstrated by Spencer Stuart's report.

Assessment of Directors standing for re-election at the forthcoming Eleventh AGM

The NC is responsible for recommending to the Board, Directors who are retiring and are standing for re-election at the Annual General Meeting.

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (RA) and Tan Sri Mokhzani bin Mahathir (MM) were appointed as Independent Directors on 16 October 2009, thus exceeding the tenure of nine years on 17 October 2018. In conforming to the MCCG, if the Board intends to retain an Independent Non-Executive Director beyond nine (9) years, it shall justify and seek annual shareholders' approval.

In accordance with MCCG 2017, the Board through the Nomination Committee (NC) has undertaken relevant assessments and recommended for the two Directors to continue to serve as Independent Non-Executive Directors based on the following justifications:

(a) RA and MM have each fulfilled the criteria under the definition of Independent Director as stated in the MMLR.
(b) RA and MM have demonstrated their independence when providing their contribution as members of the Board in considering Board-related matters and in discharging their responsibilities as Directors. Their independence was also verified by the external consultant, Spencer Stuart as part of the Board Assessment exercise in 2019.
(c) The length that they have remained in office does not interfere with their respective abilities to exercise independent judgment as Independent Directors.
(d) RA and MM, together with the other Independent Directors, each function as a check and balance to the Board and exercise objectivity as Directors.
(e) RA and MM each has vast experience, knowledge and skills in a diverse range of businesses and therefore provides constructive opinion, counsel, oversight and guidance as Directors. Their insights and guidance provide impartiality to matters considered at Board and Committee levels.
(f) Each of RA and MM has devoted sufficient time and attention to his professional obligations to Maxis for informed and balanced decision making.

The NC and the Board are satisfied that each of RA and MM are able to exercise independent judgment and has the ability to act in the best interests of the Company. Each of RA and MM has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director and has contributed in the following roles: RA as Chairman of the Board, NC and GRAC, member of the Remuneration Committee (RC) and the Audit and Risk Committee (ARC) while MM as Chairman of the ARC and a member of the NC, RC and GRAC. MM has also been appointed as the Senior Independent Director of the Board. Maxis shareholders had on 25 April 2019 approved the two Directors to continue to act as Independent Directors until 17 October 2020.

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

(i) Dato' Hamidah Naziadin
(ii) Alvin Michael Hew Thai Kheam
(iii) Lim Ghee Keong

The findings regarding the assessment of the five Directors standing for re-election at the forthcoming Eleventh AGM were further validated independently by Spencer Stuart.

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

Board Diversity Policy

The Board recognises that diversity in its composition is critical in ensuring its effectiveness and good corporate governance. A truly diverse board will include and make use of the variation in the age, skills, experience, background, gender, ethnicity and nationality of its members to ensure effective governance and robust decision making by the Board. The NC and Board regularly reviews the composition of the Board to ensure the proper discharge of its functions and obligations.

Underpinning the Maxis Board Diversity Policy is Maxis' commitment to ensuring that all Directors are appointed on merit, in line with the standards as set out in Para 2.20A of the MMLR. The background of each Director can be found on pages 6 to 10 which demonstrates the Board's Diversity Policy. The Board regularly reviews its composition to improve its diversity including gender diversity.

The search for the additional women and Independent Director candidates are in progress. The review and selections are aligned with Maxis' requirements for skills diversity, and for candidates with the experience and caliber who can contribute to Maxis' growth strategy to be a leading converged player.

The present Board composition is cognisant of the diversity requirements and the measures to meet the 30% women Director targets by 2022. The NC's exercise to expand the pool of potential candidates with profiles of women professionals in the country having the combination of skills, experience and strength in qualities which are relevant to Maxis is underway which includes utilisation of independent sources.

This Statement should be read together with Corporate Governance Overview and Corporate Governance Report 2019.

Audit and Risk Committee Report
As at 31 December 2019

The Board of Maxis is pleased to present the Audit and Risk Committee (ARC) Report for the financial year ended 31 December 2019.

Audit and Risk Committee at a Glance

No. of Members	5, all Non-Executive
No. of Independent Members	Chairman + 2 Others
No. of Meetings	4 in 2019
Attendance Rate	See below

Who We Are

No.	Name	Status	Appointment	Meetings Attended	Full Profile on page
1	Tan Sri Mokhzani bin Mahathir*	NE, IN	Appointed as Chairman on 02/03/2018 (ARC member since 16/10/2009)	4/4	6
2	Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	NE, IN	02/03/2018	4/4	6
3	Dato' Hamidah Naziadin	NE, IN	01/02/2014	4/4	7
4	Robert Alan Nason	NE	01/05/2019	2/2	7
5	Mohammed Abdullah Alharbi	NE	13/10/2015	2/4	8
6	Lim Ghee Keong	NE	Ceased as member on 01/05/2019	2/2	10

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

The ARC's Skills at a Glance

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

Summary of Activities of the Committee

During the financial year, the Committee reviewed and updated its Terms of Reference to be in line with the Statement on Risk Management and Internal Controls. An annual review was also performed to ensure all requirements were complied with. In April 2019, the Committee changed its name to "Audit and Risk Committee", and accordingly, its Terms of Reference was updated to reflect the additional scope of responsibilities for risk management oversight.

A total of four ARC meetings were held in 2019. At these meetings, the Committee focused on Maxis' financial results, announcements to Bursa Malaysia for Q4 2018 and full-year 2018, Q1 2019, Q2 2019 and Q3 2019, the provisions and judgmental accounting items for the respective financial quarters, reports from both the external and internal auditors, regulatory and legal updates, enterprise risk management matters, related party transactions, revenue assurance, business and continuity planning, capital raising, systems and security information and other internal control matters.

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

Risk Management and Internal Control

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

- Through the Internal Assurance's reports on key internal audit findings and the external auditor's reports on work performed presented at the ARC meetings, as well as through discussions with key Senior Management, the Committee evaluated the overall adequacy and effectiveness of the system of internal controls including information technology and network controls; the Group's financial, auditing and accounting organisations and personnel; and the Group's policies and compliance procedures with respect to business practices.

- During its meetings and discussions with key Senior Management, the Committee consistently emphasised the importance of information security and the Group's readiness to prevent and respond to cyber-attacks and online fraud. Cyber security updates were provided to the Committee on a quarterly basis due to the Committee's emphasis on this area and recognition as a material matter to the Group.

- In continuing to promote ethical business practices, the Committee also reviewed the summary of defalcation cases investigated in 2019 and, where relevant, requested Management to carry out the necessary disciplinary actions. These actions reflect the Board's non-tolerance of fraud as well as to further improve the control environment in preventing further recurrences.

Financial Reporting

- In overseeing the Group's financial reporting, the Committee together with appropriate officers of the Group reviewed the quarterly financial results and annual audited financial statements of the Group, including the reports on provisions, significant judgmental accounting matters, impact of new accounting standards and related announcements, before approving the release of the Group's financial results to Bursa Malaysia. The quarterly financial results for Q1, Q2 and Q3 of 2019, which were prepared in compliance with the Malaysian Financial Reporting Standards (MFRS) 134 and Bursa Malaysia Listing Requirements were reviewed at the quarterly Committee meetings. During its first quarterly meeting, the Committee reviewed the draft audited financial statements for the financial year ended 31 December 2018 and the quarterly financial results for Q4, 2018.

- In reviewing the integrity of financial information, the Committee deliberated with Management to ensure that all matters set out in Section 5 of the Audit and Risk Committee Terms of Reference ("Responsibilities" under the heading "Financial Reporting") as well as the following areas, where relevant, had been complied with:

  I. The MMLR;
  II. Provisions of the Companies Act 2016 and other legal and regulatory requirements; and
  III. MFRS issued by the Malaysian Accounting Standards Board.

- On a quarterly basis, Management gave its assurance to the Committee that related party transactions and the mandate for recurrent related party transactions (RRPT) were in compliance with MMLR and the Group's policies and procedures. In addition, Internal Assurance presented the results of its quarterly independent reviews of the RRPT confirming that all RRPTs complied with the said policies and procedures.

Overall Governance, Regulatory and Other Updates

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

Internal Assurance

- The Group's internal audit function carried out its activities based on the risk-based Annual Audit Plan approved by the Committee. Based on the approved Annual Audit Plan for 2019, a total of 54 engagements were conducted as at year-end covering the following key areas:

  i. Accounting & Financial Activities (6%)
  ii. Key Projects Implementation (19%)
  iii. Network and Information Technology (11%)
  iv. Regulatory Compliance (20%)
  v. Sales Operations (13%)
  vi. Contracts Management (7%)
  vii. Investigations (24%)

- At the Committee's quarterly meetings, the internal audit function presented updates of its Annual Audit Plan 2019, including the status of engagements, key audit findings, audit recommendations, results of investigations and the representations made, as well as corrective actions taken by Management to address and resolve issues, ensuring these were adequately addressed on a timely basis.

- During its last quarterly meeting for the year, the Committee reviewed and approved the Annual Audit Plan 2020, which reflects the changing risk landscape of the organisation and industry, as well as the Company's new strategic direction. A total of 38 audits have been planned for 2020 focusing on key strategic areas, finance and business operations, technology as well as advisory services. The Committee also reviewed the scope and coverage of the planned activities and ensured principal risk areas and key processes of the business (identified by the ERM department and the internal audit function) were adequately addressed.

- The Committee also reviewed and endorsed the three-year roadmap (2020-2022) to be adopted by the internal audit function covering changes encompassing the four pillars of structure, people, process and technology. The new strategy emphasises on improving the effectiveness and efficiency of the internal audit function's core processes using latest automation technologies such as data analytics, artificial intelligence and Robotic Process Automation, as well as to better realign itself with the Company's convergence strategy. As part of the initiative, the Committee also endorsed the rebranding of the internal audit function's name from "Internal Audit Division" to "Internal Assurance Division".

- During the same meeting, the internal audit function presented for the Committee's approval the divisional KPIs for 2020 covering four strategic focus areas: Operations, Customers, Innovation and Learning & Development. The KPIs were updated to be in line with the new three-year roadmap with emphasis on measures that drive the continuous assurance capability of the function using automation technologies.

- The Committee also reviewed the adequacy of the Internal Audit Charter and approved the internal audit function's proposal to enhance the charter in line with the IIA Standards and latest updates in the ARC Terms of Reference.

External Audit

- During its first quarterly meeting, the Committee reviewed the external auditor's report for the financial year ended 31 December 2018 and recommended for the Board's approval.

- At the same meeting, the Committee undertook an annual assessment of the suitability and independence of the external auditors and reviewed their compliance with Maxis' External Audit Independence Policy (EAIP) for work carried out in the previous financial year (2018). This was to determine whether the services rendered would impair the external auditors' independence and objectivity.

- The compliance status was presented by Management to the Committee for its deliberation. Internal Assurance also presented its independent review of the external auditors' independence to the Committee, confirming the assessment results by Management. The Committee deliberated on the reports and concluded that the auditors complied with the EAIP.

- The Committee reviewed the audit services and non-audit services provided by the external auditors and their corresponding incurred fees, which included tax related services, regulatory compliance reporting, accounting consultation and agreed-upon procedures. The Committee concluded that the auditors had remained independent during the year.

- At its quarterly meetings, the Committee deliberated on the results and issues arising from the external auditors' review of the quarterly financial results and audit of the year-end financial statements as well as the resolution of issues highlighted in their report to the Committee. The Committee also deliberated on key audit matters highlighted by the auditors, the Internal Control Recommendations (ICRs) raised by them, and monitored their closure status.

- The Committee reviewed the external auditors' 2019 Audit Plan outlining their strategy, approach and proposed fees for the current financial year's statutory audit. The proposed Audit Plan and fees reviewed include non-recurring assurance related work for the financial year. The Committee noted the proposed plan and approved it for the current financial year.

- The Committee reviewed the annual assessment conducted on the effectiveness of the external auditors. The assessment covered seven categories, namely the audit firm's calibre, quality process, audit team, scope, communication, governance, independence, and audit fees.

Long-Term Incentive Plan (LTIP)

- The internal audit on LTIP grants for the financial year was performed in December 2019. In ensuring that the allocation for employees was as per approved criteria, disclosed pursuant to LTIP, the Committee will deliberate the review results presented by Internal Assurance during its first meeting in 2020.

Proceedings of the ARC Meetings

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

The Committee also held a total of 6 separate private sessions with the internal and external auditors without the presence of Management. Both the internal and external auditors have unfettered access to members of the Audit and Risk Committee, including the Chairman, any time during the year.

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

Training

Training attended by the Committee members during the financial year is reported under the Corporate Governance Overview on page 75.

Internal Audit Function

The Group has an in-house independent internal audit function (internally referred to as the Internal Assurance Division) that reports directly to the Committee. Its primary responsibility is to provide independent and objective assessment of the adequacy and effectiveness of the risk management, internal control and governance processes established by Management and/or the Board within the Group.

The Internal Assurance Division comprises of 20 auditors and is headed by Shafik Azlee Mashar, who has extensive experience in managing internal audit functions within telecommunications, FMCG and banking organisations. Shafik holds a Bachelor's degree in Information Systems Engineering from Imperial College of Science Technology & Medicine, London and is a Certified Information Systems Auditor (CISA).

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

The total costs incurred for the internal audit function for the financial year ended 31 December 2019 amounted to RM6.3 million (2018: RM6.1 million).

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

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

Statement on Risk Management and Internal Control

Introduction

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and effectiveness of the system. The Board is pleased to share the main features of the Group's risk management and internal control system in respect of the financial year ended 31 December 2019.

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

Board Responsibility

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

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

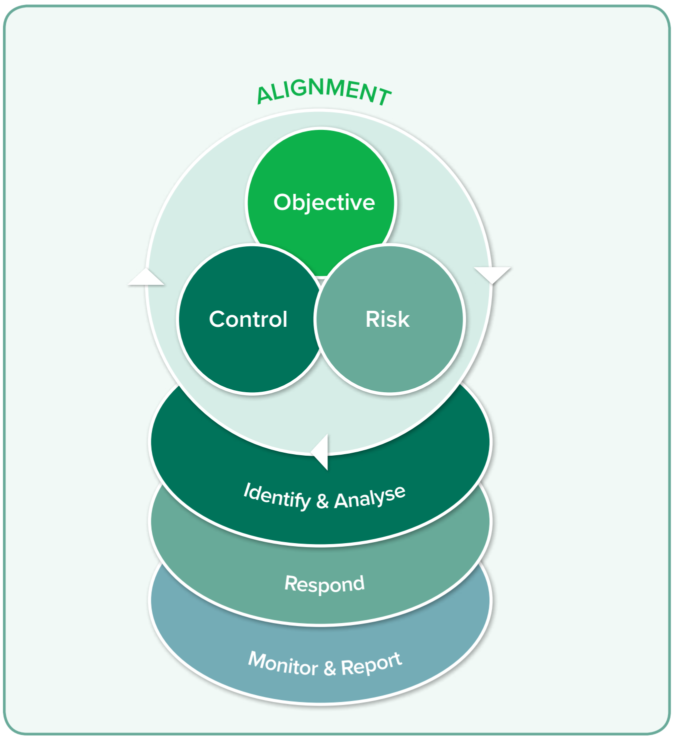
The Management has primary responsibility for identifying, assessing, monitoring and reporting key business risks to the Board in order to safeguard shareholders' investments and the Group's assets. Risk management and internal control systems are designed to identify, assess and manage risks that may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

Risk Management

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

The Maxis ERM framework is broadly based on the ERM framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and ISO 31000. The Maxis ERM framework involves systematically identifying, analysing, measuring, monitoring and reporting on risks that may affect the achievement of its business objectives. In addition, close monitoring and control processes, including the use of appropriate key risk and key performance indicators, are implemented to ensure the risk profiles are managed within policy limits. This framework helps to reduce uncertainties surrounding the Group's internal and external environment, allowing Maxis to maximise opportunities and minimise adverse incidences that may arise. For major risks which the Group is exposed to, refer to Business Model section on pages 36 to 37.

Maxis' Enterprise Risk Management Framework

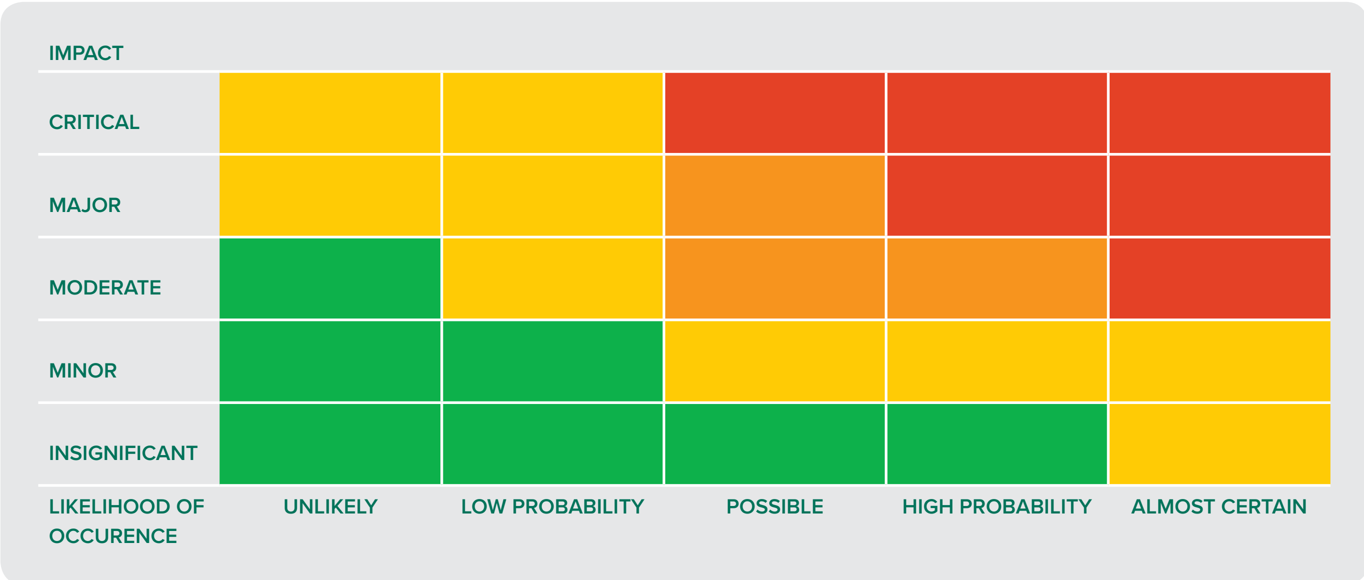


There is an ERM function that administers the ERM Framework implementation to ensure risks that may affect the achievement of Maxis' business objectives are identified, evaluated and managed. A structured process has been established where ERM discussions are held on a regular basis between units within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

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

Risk Rating Scale

High Key Medium Low



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

The ERM team also works closely with the Group's operational managers to continuously strengthen the Group's risk management initiatives to enable effective response to the constantly changing business environment, thus to protect and enhance shareholder value. During the financial year, ERM conducted bribery and corruption risks assessment across the Group in light of the soon-to-be enforced Corporate Liability Provision of Malaysian Anti-Corruption Commission Act 2018.

Control Environment And Structure

The Board and Management have established numerous processes for identifying, evaluating and managing significant risks faced by the Group. These include periodic testing of the effectiveness and efficiency of the internal control procedures and updating the system of internal controls when there are changes to the business environment or regulatory guidelines. These processes have been in place for the financial year ended 31 December 2019 and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the Integrated Annual Report.

Statement on Risk Management and Internal Control

The key elements of the Group's control environment include:

1. **Organisation Structure**

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

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

2. **Audit and Risk Committee**

   In April 2019, the Audit Committee redefined its role in risk management and changed its name to Audit and Risk Committee. The changes add further responsibility to the Audit and Risk Committee to oversee the design and implementation of the ERM Framework by Management, and ensure that it remains relevant and effective.

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

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

   The Audit and Risk Committee continues to meet regularly and has full and unimpeded access to the internal and external auditors and all employees of the Group. The Chairman of the Audit and Risk Committee provides the Board with reports on all meetings held. Further details of the activities undertaken by the Audit and Risk Committee are set out in the Audit and Risk Committee Report on pages 82 to 85.

3. **Internal Assurance**

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

   The internal audit function follows the requirements of the latest International Standards for the Professional Practices of Internal Auditing of the Institute of Internal Auditors Inc. Further details of the function and its activities are set out in the Audit and Risk Committee Report on pages 82 to 85.

4. Code of Business Practice

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

It is also important for Maxis to comply with, uphold and conduct its business in accordance with applicable laws in relation to anti-bribery and corruption. Therefore, Maxis is working on its Anti-Bribery and Corruption Policy to comply with the soon-to-be enforced Corporate Liability Provision of Malaysian Anti-Corruption Commission Act 2018. The policy will adopt a zero-tolerance approach against bribery and corruption and will be applicable to all employees and third parties. It will complement the CoBP in the areas of bribery and corruption activities.

Maxis is committed to respect the privacy and safeguard the confidential data of our customers, as we are governed by the Personal Data Protection Act 2010. We have a responsibility to protect any Maxis property and assets that are under our control. We also emphasise the importance of adhering to our information security related policies that govern the networks, systems and the information it holds as part of the foundations of our business. Protection of these entities and confidential information, whether belonging to Maxis or to others who have entrusted such information to us, is essential to our reputation and our business.

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

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

For more details on the Ethics Hotlines please refer to Corporate Governance Statement on page 73.

5. Revenue Assurance

The Revenue Assurance team is responsible for the monitoring of potential revenue leakage arising from day-to-day operations. This includes performance and examination of regular test calls, reconciliations of chargeable transactions from network and IT systems to the billing systems, and independent rating of key services via automated tools. Processes and controls within the revenue cycle are also reviewed regularly to ensure they function effectively and efficiently. The Revenue Assurance department meets key stakeholders on an ongoing basis to address key revenue assurance issues and drive revenue assurance initiatives across the Group. Key issues and mitigation actions are reported to the Management and the Audit and Risk Committee on a monthly and half-yearly basis respectively.

6. Subscriber Fraud Management

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

Statement on Risk Management and Internal Control

7. **Business Continuity Planning**

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

8. **Regulatory**

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

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

9. **Legal**

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

10. **Company Secretary**

    Please refer to page 74 of the Statement on Corporate Governance in this Integrated Annual Report.

11. **Limits of Authority**

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

12. **Policies and Procedures**

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

13. **Financial and Operational Information**

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

    In addition, a 5-year Long Range Plan (LRP) is prepared and updated on an annual basis to identify financial challenges and opportunities in the near future. The LRP aims to stimulate long-term and strategic thinking among the operating units and thereby devising strategies to deliver long term financial sustainability. The LRP which provides internal consensus on Maxis' long-term financial direction is presented to the Board for approval together with the annual budget.

14. **Systems and Information Security**

    Cybersecurity Management unit (CM), together with its various functions including Security Planning/Projects, Security Operations, Security Forensics, Threat Intelligence and Assurance, is responsible for monitoring and resolving IT security threats to the Group both internally and externally. This includes conducting security awareness, vulnerability assessments and penetration tests, operating and managing a 24x7 Security Operation Centre and performing compliance reviews on the IT systems and networks of Maxis to reduce the impact of service interruption, misuse of systems and data theft due to malicious activities, cyber-attacks, negligence and malware.

Apart from the internal security compliance programmes, CM also maintains and assists in the compliance of relevant regulatory and industry security programmes such as the MS/ISO27001:2013 and the Personal Data Protection Act 2010.

Cybersecurity within Maxis is governed by members of MMT who meet periodically to direct and approve the corporate security policies and standards set by the unit and security projects undertaken by the unit. The effectiveness of the security programme is assessed by external and internal auditors as part of their annual reviews. CM reports quarterly to the Audit and Risk Committee on the Group's security status.

Data privacy and protection has been a key focus for the financial year 2019. Existing policies on data protection were enhanced and a new governance structure was established with formation of a data privacy officer and data protection team reporting directly to members of MMT. These initiatives align Maxis to global and local best practices and demonstrated Maxis' commitment to ensuring privacy of our customer data.

Monitoring and Review

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

1. Management Representations made to the Board by the CEO and Chief Financial & Strategy Officer (CFSO), based on representations made to them by Management on the adequacy and effectiveness of the Group's risk management and internal control system in their respective areas. Any material exceptions identified are highlighted to the Board.

2. The internal audit function, in its quarterly report to the Audit and Risk Committee and members of MMT, continues to highlight significant issues and exceptions identified during the course of compliance reviews of processes and controls.

3. Fraud Working Group (FWG), comprising representatives from business units, Revenue Assurance and SFM, Legal, People and Organisation and Internal Assurance departments. FWG establishes and monitors fraud related policies and regularly reviews and agrees on actions to be taken on identified instances of fraud. During the current financial year, FWG has been tasked to formulate and implement the Maxis' Anti-Bribery and Corruption Policy.

4. The Defalcation Committee meets regularly to deal with matters pertaining to fraud and unethical practices. All issues arising from work carried out by the investigation team within the Internal Assurance department and matters reviewed by FWG are channelled to this committee for deliberation. Based on the findings, the committee decides on appropriate actions to be taken. The committee also reviews and monitors the status of the actions taken on a regular basis.

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

Management has taken the necessary actions to remediate weaknesses identified for the period under review. The Board and Management will continue to monitor the effectiveness and take measures to strengthen the risk management and internal control environment.

Conclusion

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

Review of the Statement by External Auditors

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

Directors' Responsibility Statement

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

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year ended 31 December 2019.

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

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

Incorporated on pages 99 to 199 of this Integrated Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2019.

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 2019.

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 18(a) to the financial statements.

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

FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the financial year	**1,519**	**178**

DIVIDENDS

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

	RM'million
In respect of the financial year ended 31 December 2018:	
Fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 28 March 2019	**391**
In respect of the financial year ended 31 December 2019:	
First interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 27 June 2019	**391**
Second interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 26 September 2019	**391**
Third interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 27 December 2019	**391**
	1,564

Subsequent to the financial year, on 20 February 2020, 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 2019 which will be paid on 16 April 2020. The financial statements for the financial year ended 31 December 2019 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 2020.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

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 7,816,650,600 ordinary shares to 7,820,498,910 ordinary shares by the issuance of:

(a) 33,000 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) 3,815,310 new ordinary shares arising from the vesting of shares under Long Term Incentive Plan ("LTIP").

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

The Company implemented an ESOS on 17 September 2009 for the benefit of eligible employees and eligible directors (executive and non-executive) of the Group. The ESOS was in force for a period of 10 years until it expired on 16 September 2019. No new share option scheme was subsequently introduced.

Details of the ESOS are disclosed in Note 31(a) to the financial statements.

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

	Quantity 'million
Total outstanding as at 1 January 2019	**67**
Total exercised	*
Total forfeited/expired	**(67)**
Total outstanding as at 31 December 2019	-

* Less than 1 million.

(b) LTIP

The Company's LTIP is governed by the By-Laws which were 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 (including executive director) of the Group.

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 under the 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.

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

(b) LTIP (continued)

Details of the LTIP are disclosed in Note 31(b) to the financial statements.

During the financial year, 7,489,800 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 2019 and ending on 31 December 2021, as stipulated by the Remuneration Committee. The vesting date is on 30 June 2022, subject to meeting such performance targets.

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

	Quantity 'million
Total outstanding as at 1 January 2019	**19**
Total granted	**8**
Total vested	**(4)**
Total forfeited/lapsed	**(3)**
Total outstanding as at 31 December 2019	**20**

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[1]	
	Since implementation date	Financial year 31.12.2019	Since implementation date	Financial year 31.12.2019
Key management personnel	**50%**	**50%**	**14%**	**29%**

Note:

[1] The Directors of the Company have not, since the implementation of the ESOS and LTIP, been granted any share options and shares.

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
Lim Ghee Keong
Dato' Hamidah Naziadin
Robert Alan Nason (re-designated from Executive Director to Non-Executive Director on 1 May 2019)
Mohammed Abdullah K. Alharbi
Mazen Ahmed M. AlJubeir
Abdulaziz Abdullah M. Alghamdi

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 is as follows:

Gokhan Ogut (appointed on 1 May 2019)
Norman Wayne Treeby
Su Puay Leng

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.

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' 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 1.1.2019	Acquired	Sold	At 31.12.2019
Direct Interest				
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	750,000	-	-	750,000
Tan Sri Mokhzani bin Mahathir	750,000	-	-	750,000

DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares in the Company			
	At 1.1.2019	Acquired	Sold	At 31.12.2019
Indirect Interest				
Tan Sri Mokhzani bin Mahathir	1,000[1]	-	-	1,000[1]

Note:

[1] 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 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 million for any one claim and in aggregate. During the financial year, the Group and the Company paid an aggregate of RM0.5 million and RM0.1 million 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, BGSM Management Sdn. Bhd. as the penultimate 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.

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 18(a) 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 18(a) to the financial statements.

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 20 February 2020.

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

ROBERT ALAN NASON
DIRECTOR

Kuala Lumpur

Statements of Profit or Loss

For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Revenue	6	9,313	9,192	179	218
Traffic, device, commissions and other direct costs		(3,483)	(3,010)	-	-
Spectrum licence fees		(255)	(244)	-	-
Network costs		(688)	(884)	-	-
Staff and resource costs	7	(651)	(606)	-	-
Operation and maintenance costs		(357)	(470)	-	-
Marketing costs		(173)	(211)	-	-
Impairment of receivables and deposits, net		(120)	(120)	-	-
Government grant and other income		191	226	1	1
Other operating expenses		(77)	(92)	(10)	(10)
Depreciation and amortisation	9	(1,265)	(1,068)	-	-
Finance income	10(a)	70	45	10	7
Finance costs	10(b)	(469)	(389)	-	-
Profit before tax	11	2,036	2,369	180	216
Tax expenses	12	(517)	(589)	(2)	(2)
Profit for the financial year		1,519	1,780	178	214
Attributable to equity holders of the Company		1,519	1,780		
Earnings per share for profit attributable to the equity holders of the Company:					
- basic (sen)	13(a)	19.4	22.8		
- diluted (sen)	13(b)	19.4	22.7		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Profit for the financial year		**1,519**	1,780	**178**	214
Other comprehensive expenses					
Item that will be reclassified subsequently to profit or loss:					
- net change in cash flow hedge	32(c)	**(10)**	(1)	**-**	-
Total comprehensive income for the financial year		**1,509**	1,779	**178**	214
Attributable to equity holders of the Company		**1,509**	1,779		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2019

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	15	**4,922**	5,190	**-**	-
Intangible assets	16	**11,310**	10,926	**-**	-
Right-of-use assets	17	**1,032**	-	**-**	-
Investments in subsidiaries	18	**-**	-	**25,115**	26,734
Financial assets at fair value through other comprehensive income ("FVOCI")	20	**4**	4	**4**	4
Receivables, deposits and prepayments	21	**1,183**	1,018	**-**	-
Derivative financial instruments	22	**-**	1	**-**	-
Deferred tax assets	23	*	*	**-**	-
TOTAL NON-CURRENT ASSETS		**18,451**	17,139	**25,119**	26,738
CURRENT ASSETS					
Inventories	24	**3**	16	**-**	-
Receivables, deposits and prepayments	21	**2,390**	2,056	**5**	5
Amounts due from related parties	26	**10**	30	**-**	-
Loans due from a subsidiary	18	**-**	-	**222**	-
Derivative financial instruments	22	*	-	**-**	-
Tax recoverable		**1**	4	**-**	*
Deposits, cash and bank balances	27	**582**	560	**10**	15
TOTAL CURRENT ASSETS		**2,986**	2,666	**237**	20
TOTAL ASSETS		**21,437**	19,805	**25,356**	26,758

* Less than RM1 million.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 RM'million	Group 2018 RM'million	Company 2019 RM'million	Company 2018 RM'million
LESS: CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**127**	116	**-**	-
Payables and accruals	29	**4,323**	4,020	**1**	1
Amount due to a subsidiary	18	**-**	-	*	*
Amounts due to fellow subsidiaries	25	*	*	**-**	-
Amounts due to related parties	26	**25**	5	**-**	-
Borrowings	30	**1,053**	201	**-**	-
Derivative financial instruments	22	**3**	*	**-**	-
Taxation		**126**	199	**1**	-
TOTAL CURRENT LIABILITIES		**5,657**	4,541	**2**	1
NET CURRENT (LIABILITIES) / ASSETS		**(2,671)**	(1,875)	**235**	19
NON-CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**311**	312	**-**	-
Payables and accruals	29	**278**	168	**-**	-
Borrowings	30	**7,894**	7,439	**-**	-
Derivative financial instruments	22	**6**	-	**-**	-
Deferred tax liabilities	23	**221**	196	**-**	-
TOTAL NON-CURRENT LIABILITIES		**8,710**	8,115	**-**	-
NET ASSETS		**7,070**	7,149	**25,354**	26,757
EQUITY					
Share capital	31	**2,532**	2,509	**2,532**	2,509
Reserves	32	**4,538**	4,640	**22,822**	24,248
TOTAL EQUITY		**7,070**	7,149	**25,354**	26,757

* Less than RM1 million.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019

Group	Note	Number of shares 'million	Share capital RM'million	Merger relief (Note 32(a)) RM'million	Reserve arising from reverse acquisition (Note 32(b)) RM'million	Other reserves (Note 32(c)) RM'million	Retained earnings RM'million	Total equity RM'million
		<---- Attributable to equity holders of the Company						---->
		Issued and fully paid ordinary shares						
At 31 December 2018, as previously reported		7,817	2,509	22,729	(22,729)	119	4,521	7,149
Opening balance adjustments from adoption of MFRS 16	37	-	-	-	-	-	(42)	(42)
Restated at 1 January 2019		7,817	2,509	22,729	(22,729)	119	4,479	7,107
Profit for the financial year		-	-	-	-	-	1,519	1,519
Other comprehensive expense for the financial year		-	-	-	-	(10)	-	(10)
Total comprehensive (expense)/ income for the financial year		-	-	-	-	(10)	1,519	1,509
Dividends provided for or paid	14	-	-	-	-	-	(1,564)	(1,564)
ESOS and LTIP	32(c)	3	23	-	-	(42)	37	18
Total transactions with owners, recognised directly in equity		3	23	-	-	(42)	(1,527)	(1,546)
At 31 December 2019		7,820	2,532	22,729	(22,729)	67	4,471	7,070

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019

		<------ Attributable to equity holders of the Company ------>						
		Issued and fully paid ordinary shares						
Group	Note	Number of shares 'million	Share capital RM'million	Merger relief (Note 32(a)) RM'million	Reserve arising from reverse acquisition (Note 32(b)) RM'million	Other reserves (Note 32(c)) RM'million	Retained earnings RM'million	Total equity RM'million
As at 1 January 2018		7,811	2,469	22,729	(22,729)	151	4,298	6,918
Profit for the financial year		-	-	-	-	-	1,780	1,780
Other comprehensive expense for the financial year		-	-	-	-	(1)	-	(1)
Total comprehensive (expense)/ income for the financial year		-	-	-	-	(1)	1,780	1,779
Dividends provided for or paid	14	-	-	-	-	-	(1,563)	(1,563)
ESOS and LTIP	32(c)	6	40	-	-	(26)	6	20
Incentive arrangement	32(c)	-	-	-	-	(5)	-	(5)
Total transactions with owners, recognised directly in equity		6	40	-	-	(31)	(1,557)	(1,548)
At 31 December 2018		7,817	2,509	22,729	(22,729)	119	4,521	7,149

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the Financial Year Ended 31 December 2019

Company	Note	Issued and fully paid ordinary shares Number of shares 'million	Share capital RM'million	Merger relief (Note 32(a)) RM'million	Other reserves (Note 32(c)) RM'million	Retained earnings RM'million	Total equity RM'million
At 1 January 2019		7,817	2,509	22,729	118	1,401	26,757
Total profit/comprehensive income for the financial year		-	-	-	-	178	178
Dividends provided for or paid	14	-	-	-	-	(1,564)	(1,564)
ESOS and LTIP	32(c)	3	23	-	(42)	2	(17)
Total transactions with owners, recognised directly in equity		3	23	-	(42)	(1,562)	(1,581)
At 31 December 2019		7,820	2,532	22,729	76	17	25,354

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019

Company	Note	Issued and fully paid ordinary shares Number of shares 'million	Share capital RM'million	Merger relief (Note 32(a)) RM'million	Other reserves (Note 32(c)) RM'million	Retained earnings RM'million	Total equity RM'million
At 1 January 2018		7,811	2,469	22,729	149	2,744	28,091
Total profit/comprehensive income for the financial year		-	-	-	-	214	214
Dividends provided for or paid	14	-	-	-	-	(1,563)	(1,563)
ESOS and LTIP	32(c)	6	40	-	(26)	6	20
Incentive arrangement	32(c)	-	-	-	(5)	-	(5)
Total transactions with owners, recognised directly in equity		6	40	-	(31)	(1,557)	(1,548)
At 31 December 2018		7,817	2,509	22,729	118	1,401	26,757

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		1,519	1,780	178	214
Adjustments for:					
Allowance for impairment of receivables and deposits (net)	33(b)	147	143	-	-
Reversal of inventories obsolescence (net)		*	(1)	-	-
Amortisation of:					
- contract cost assets		110	101	-	-
- intangible assets		25	-	-	-
Bad debts recovered		(27)	(23)	-	-
Dividend income	6	-	-	(179)	(218)
Unrealised fair value loss/(gain) on forward foreign exchange contracts		1	(1)	-	-
Finance costs	10	469	389	-	-
Finance income	10	(70)	(45)	(10)	(7)
Depreciation of:					
- property, plant and equipment	15	1,075	1,068	-	-
- right-of-use assets	17	165	-	-	-
Property, plant and equipment:					
- gain on disposal		*	(2)	-	-
- net allowance for impairment	15	1	2	-	-
- write-offs	15	32	19	-	-
(Write-back of)/provision for (net):					
- site rectification and decommissioning works	28	(10)	6	-	-
- staff incentive scheme	28	105	102	-	-
Share-based payments		18	18	-	-
Tax expenses	12	517	589	2	2
Unrealised gains on foreign exchange		(26)	(16)	-	-
		4,051	4,129	(9)	(9)
Payments for:					
- site rectification and decommissioning works	28	(1)	(2)	-	-
- staff incentive scheme	28	(93)	(103)	-	-
Operating cash flows before working capital changes		3,957	4,024	(9)	(9)

* Less than RM1 million.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows
For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Changes in working capital:					
Inventories		13	(10)	-	-
Receivables		(186)	(455)	*	*
Payables		74	623	*	(1)
Balances with:					
- related parties		41	(18)	-	-
- fellow subsidiaries		-	(2)	-	-
- subsidiaries		-	-	23	57
Cash flows from operations		3,899	4,162	14	47
Dividends received		-	-	179	218
Interest received		27	25	8	9
Tax paid		(549)	(856)	(1)	(5)
Tax refund		2	-	-	-
Net cash flows from operating activities		3,379	3,331	200	269
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans granted to a subsidiary		-	-	(934)	-
Loan repayments from a subsidiary		-	-	714	390
Property, plant and equipment and intangible assets:					
- purchase		(1,371)	(1,413)	-	-
- disposal proceeds		1	2	-	-
Dividends received	18(a)	-	-	479	917
Capital repaid by a subsidiary	18(a)	-	-	1,100	-
Purchase of financial assets at FVOCI	20	-	(4)	-	(4)
Placement of deposits with maturity of more than three months		(6)	(1)	-	-
Net cash flows (used in)/from investing activities		(1,376)	(1,416)	1,359	1,303

* Less than RM1 million.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		**200**	-	**-**	-
Proceeds from issuance of shares pursuant to ESOS		*****	1	*****	*
Shares acquired pursuant to incentive arrangement		**-**	(4)	**-**	(3)
Repayments of lease and finance lease liabilities		**(154)**	(6)	**-**	-
Payments of finance costs		**(469)**	(386)	**-**	-
Ordinary share dividends paid	14	**(1,564)**	(1,563)	**(1,564)**	(1,563)
Net cash flows used in financing activities		**(1,987)**	(1,958)	**(1,564)**	(1,566)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**16**	(43)	**(5)**	6
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**536**	579	**15**	9
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	27	**552**	536	**10**	15

* Less than RM1 million.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2019

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding, whilst the principal activities of the Group, comprising the Company and its subsidiaries, are to offer a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions for the Group. Details of the principal activities of the subsidiaries are shown in Note 18(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 5 - 9, 11, 14 - 25, 30 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.

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 for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 119 "Plan Amendment, Curtailment or Settlement"
- Annual Improvements to MFRSs 2015 – 2018 Cycle
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"

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 16 as described in Note 37.

(b) Amendments to published standards and International Financial Reporting Interpretations Committee ("IFRIC") Agenda Decision that are applicable to the Group and the Company but not yet effective

The below amendments to published standards and IFRIC Agenda Decision are effective for the financial year beginning after 1 January 2019:

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- IFRIC Agenda Decision on "Lease Term and Useful Life of Leasehold Improvements"

The Group and the Company are in the process of assessing the impact of these amendments and IFRIC Agenda Decision to the consolidated and separate financial statements of the Group and Company respectively.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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.

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

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

Capital work-in-progress and capital inventories 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.

Accounting policies applied from 1 January 2019

From 1 January 2019, leased assets (including leasehold land) are presented as "right-of-use assets" in a separate line item in the statement of financial position.

Accounting policies applied until 31 December 2018

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(iii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software recognised as assets are amortised using the straight line method over their estimated useful economic lives of 3 – 8 years.

No amortisation is calculated on software development until the software is completed and is ready for its intended use.

(e) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses plus the fair value of share options, share grants and shares acquired, over the Company's equity instruments for employees (including full-time executive directors) of the subsidiaries during the vesting period, deemed as capital contribution. See accounting policy Note 3(t)(iv) on share-based compensation benefits. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial assets

(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial assets (continued)

(iii) Measurement (continued)

Debt instruments (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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement – Impairment (continued)

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

ECL represents 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.

<u>Significant increase in credit risk</u>

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement – Impairment (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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:

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

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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 22. Movements on the hedging reserve in shareholders' equity are shown in Note 32(c). 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Leases

Accounting as lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Accounting as lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- The exercise price of extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The Group presents the lease liabilities within borrowings in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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.

(iv) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment, land and buildings, and network cell sites and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting policies applied until 31 December 2018

(i) Finance lease

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(ii) Operating lease

Leases in which a significant (substantially all) portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Accounting as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from the lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment.

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. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under an operating lease as lease income on a straight-line basis over the lease term.

(iii) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15 “Revenue from Contracts with Customers”.

(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Interest expense, 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowings (continued)

(i) Borrowings in a designated hedging relationship

Borrowings subject to cash flow hedges are recognised initially at fair value based on the applicable interest rate plus any 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.

Interest expense 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.

The estimated amount is determined after taking into consideration the time value of money, risk specific to the provision and the current conditions of the sites. The initial estimated amount is capitalised as part of the cost of property, plant and equipment. Where the provision is discounted, the increase in the provision due to the passage of time is recognised as a finance cost.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The Group 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.

(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, the fair value of the share options and share grants are recognised as an employee benefit expense in the statement of profit or loss over the vesting periods, with a corresponding increase in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(iv) Share-based compensation benefits (continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options at grant date and the number of share options 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 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 was measured using a modified Black Scholes model. Measurement inputs included 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 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

(i) Revenue from contract with customers

<u>Telecommunications revenue</u>

Revenue from prepaid services is recognised when services are rendered. Consideration from the sale of prepaid sim cards and reload vouchers to customers where services have not been rendered at the reporting date is deferred as contract liability until actual usage or when the cards, vouchers or reloaded amounts are expired or forfeited.

Postpaid services are provided in postpaid packages which consist of a series of promised services including voice, data, text, digital and other converged telecommunications 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.

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.

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.

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.

Postpaid packages are either sold separately or bundled together with the sale of a mobile device to a customer. Mobile devices can also be obtained separately from other mobile device retailers and can be used together with the postpaid packages provided by the Group. As postpaid packages and mobile devices are capable of being distinct and separately identifiable, there are two performance obligations within a bundled transaction. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices (“RSSP”) of the postpaid packages and device.

Stand-alone selling price are based on observable sales prices; however, where stand-alone selling prices are not directly observable, estimates will be made maximising the use of observable inputs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(i) Revenue from contract with customers (continued)

Sale of device

Revenue from sale of device is recognised at the point in time when control of the asset is transferred to the customer, usually on delivery and acceptance of the device.

Payment for the transaction price of the mobile device is typically collected at the point the customer signs up for the bundled contract, except for bundled packages that have a payment structure allowing customers to pay for the mobile device over a period of 12 to 24 months. For these arrangements, the Group discounts the transaction price using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

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.

Devices that are transferred as part of a fixed line telecommunications 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 services revenue.

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.

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.

Customer loyalty programme

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.

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.

(ii) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are presented within “Receivables, deposits, and prepayments” of the statement of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(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.

(v) Incremental costs incurred to obtain or fulfil a contract

The Group capitalises sales commissions as costs to obtain a contract, i.e. contract cost assets 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 telecommunications 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.

(w) 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

(y) 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 - telecommunications licenses with allocated spectrum rights

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.

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 compounded revenue and EBITDA (i.e. profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs) annual growth rates in the projection period.

(c) Estimated useful lives and impairment assessment of property, plant and equipment and intangible assets - software

The Group reviews annually the estimated useful lives and assesses for indicators of impairment of property, plant and equipment and software within the intangible assets 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 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 of property, plant and equipment.

(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 28 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 telecommunications services that comprise voice, data and other converged telecommunications services. 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 exercises 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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 an 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.

Determining stand-alone selling price ("SSP")

The Group has assessed that there are two performance obligations for bundled contracts where the Group needs to allocate the transaction price between the postpaid service and mobile device based on their relative SSP.

SSP for postpaid packages and mobile devices are based on observable sales prices; however, where certain SSP are not directly observable, estimates will be made maximising the use of observable inputs.

The estimation of SSP is a significant estimate as it will directly determine the amount of revenue to be recognised up front (sale of device) and amount of revenue to be recognised over time (telecommunication revenue). For example, a lower SSP for mobile device will result in a lower amount of revenue recognised upfront and higher amount of revenue recognised over the contract period.

(f) Income taxes

Significant estimation is involved in determining the Group's provision for income taxes as there are certain transactions and computations for which the final tax determination is uncertain at the reporting date.

Where the final tax outcome of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Lease term of leases - Extension and termination options

In determining the lease term of a lease, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Termination option is included in the lease term if both the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5 SEGMENT REPORTING

Segment reporting is not presented as the Group is primarily engaged in providing converged telecommunications services and solutions in Malaysia, whereby the measurement of profit or loss including EBITDA 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	
	2019 RM'million	**2018 RM'million**
Malaysia	**9,070**	9,009
Other countries[1]	**243**	183
Total revenue	**9,313**	9,192
EBITDA	**3,733**	3,799

Note:

[1] Represents revenue from roaming partners and hubbing revenue.

6 REVENUE

		Group		Company	
	Note	**2019 RM'million**	**2018 RM'million**	**2019 RM'million**	**2018 RM'million**
Revenue comprises the following:					
Revenue from contracts with customers	(a)	**9,313**	9,192	**-**	-
Dividend income from subsidiaries		**-**	-	**179**	218
		9,313	9,192	**179**	218

6 REVENUE (CONTINUED)

(a) Revenue from contracts with customers:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
(i) Disaggregation of revenue from contracts with customers:				
- telecommunications services and solutions				
- postpaid	3,939	4,072	-	-
- prepaid	3,166	3,399	-	-
- others	779	686	-	-
	7,884	8,157		
- sale of devices	1,429	1,035	-	-
	9,313	9,192	-	-
(ii) Timing of revenue recognition:				
- at a point in time	3,380	3,703	-	-
- over time	5,933	5,489	-	-
	9,313	9,192	-	-

(b) 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	
	2019 RM'million	2018 RM'million
Telecommunications services	1,947	1,711

Management expects that approximately all of the transaction price allocated to the unsatisfied performance obligations as at end of the financial year will be recognised as revenue within the next 24 months (2018: 24 months).

7 STAFF AND RESOURCE COSTS

	Group	
	2019 RM'million	2018 RM'million
Wages, salaries and bonuses	**490**	456
Defined contribution plan	**56**	53
Other short-term employee benefits	**87**	78
Other long-term employee benefits	**-**	1
ESOS, LTIP and incentive arrangement	**18**	18
	651	606

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).

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	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Non-Executive Directors				
Fees	**3**	3	**3**	3
Estimated monetary value of benefits-in-kind	*****	*	*****	*
	3	3	**3**	3
Executive Director				
Salaries, other short-term employee benefits and incentive arrangement	**16**	27	**-**	-
Estimated monetary value of benefits-in-kind	*****	*	**-**	-
	16	27	**-**	-
Total Directors' remuneration	**19**	30	**3**	3

8 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

(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	
	2019 RM'million	2018 RM'million
Salaries and other short-term employee benefits	29	25
Defined contribution plan	1	1
Share-based payments	6	7
Estimated monetary value of benefits-in-kind	1	*
	37	33

Total key management personnel remuneration of the Group and of the Company for the financial year is RM56 million (2018: RM63 million) and RM3 million (2018: RM3 million) respectively.

* Less than RM1 million.

9 DEPRECIATION AND AMORTISATION

		Group	
	Note	2019 RM'million	2018 RM'million
Depreciation of:			
- property, plant and equipment	15	1,075	1,068
- right-of-use assets	17	165	-
Amortisation of intangible assets	16	25	-
		1,265	1,068

10 FINANCE INCOME AND COSTS

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
(a) Finance income					
Interest income on:					
- deposits with licensed banks		**27**	25	*	2
- loans due from a subsidiary		**-**	-	**10**	5
- receivables		**43**	20	**-**	-
		70	45	**10**	7
(b) Finance costs					
Accretion of site rectification and decommissioning works costs and changes in costs estimate on provision (net)	28	**13**	7	**-**	-
Interest expense on:					
- borrowings		**357**	361	**-**	-
- deferred payment creditors		**32**	21	**-**	-
- lease liabilities	17	**67**	-	**-**	-
- finance lease liabilities		**-**	*	**-**	-
- others		*	*	**-**	-
Net fair value loss on interest rate swap ("IRS"): cash flow hedge, reclassified from equity	32(c)	*	*	**-**	-
		469	389	**-**	-

* Less than RM1 million.

11 PROFIT BEFORE TAX

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

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Allowance for impairment of receivables and deposits (net)	33(b)	**147**	143	-	-
Reversal of inventories obsolescence (net)		*	(1)	-	-
Amortisation of:					
- contract cost assets	21(e)	**110**	101	-	-
- intangible assets	16	**25**	-	-	-
Auditors' remuneration:					
- fees for statutory audits:					
- auditors of the Group		**1**	1	*	*
- fees for audit related services:					
- auditors of the Group[(1)]		**1**	1	*	*
- others		*	*	-	-
- fees for other services:					
- member firms of PwC Malaysia[(2)]		**6**	1	*	*
Bad debts recovered		**(27)**	(23)	-	-
Commissions and incentives		**360**	326	-	-
Depreciation of:					
- property, plant and equipment	15	**1,075**	1,068	-	-
- right-of-use assets	17	**165**	-	-	-
Device expenses		**1,696**	1,209	-	-
Fair value losses/(gains) on forward foreign exchange contracts					
- unrealised		**1**	(1)	-	-
- realised		**(3)**	1	-	-
Government grant		**(177)**	(211)	-	-
Inter-operator traffic expenses		**620**	737	-	-
Licences and Universal Service Provision ("USP") contributions under the Communications and Multimedia Act, 1998 and subsidiary legislation		**422**	423	-	-

Notes:

(1) 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.

(2) Fees incurred for assisting the Group in connection with tax compliance, due diligence and advisory services paid or payable to member firms of PwC Malaysia.

* Less than RM1 million.

11 PROFIT BEFORE TAX (CONTINUED)

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

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Losses/(gains) on foreign exchange:					
- realised		**25**	27	*****	*
- unrealised		**(26)**	(16)	**-**	-
Management fees charged by a subsidiary		**-**	-	**4**	4
Property, plant and equipment:					
- gain on disposal		*****	(2)	**-**	-
- net allowance for impairment	15	**1**	2	**-**	-
- write-offs	15	**32**	19	**-**	-
(Write-back of)/provision for (net):					
- site rectification and decommissioning works	28	**(10)**	6	**-**	-
- staff incentive scheme (included in staff and resource costs)	28	**105**	102	**-**	-
Rental of:	17				
- equipment		**22**	17	**-**	-
- land and buildings		**17**	51	**-**	-
- network cell sites		**209**	411	**-**	-

* Less than RM1 million.

12 TAX EXPENSES

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Current tax:					
- current year		**491**	782	**2**	2
- (over)/under accruals in prior years		**(14)**	1	*****	*
		477	783	**2**	2
Deferred tax:					
- origination and reversal of temporary differences		**29**	(191)	**-**	-
- recognition and reversal of prior years' temporary differences		**11**	(3)	**-**	-
	23	**40**	(194)	**-**	-
Tax expenses		**517**	589	**2**	2

12 TAX EXPENSES (CONTINUED)

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

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Numerical reconciliation between the Malaysian tax rate and average effective tax rate				
Malaysian tax rate	**24**	24	**24**	24
Tax effects of:				
- expenses not deductible for tax purposes	**1**	1	**1**	1
- reversal of deductible temporary difference previously recognised	**1**	-	**-**	-
- over accruals in prior years	**(1)**	-	**-**	-
- income not subject to tax	**-**	-	**(24)**	(24)
Average effective tax rate	**25**	25	**1**	1

13 EARNINGS PER SHARE

(a) Basic earnings per share

	Group	
	2019	2018
Profit attributable to the equity holders of the Company (RM'million)	**1,519**	1,780
Weighted average number of issued ordinary shares ('million)	**7,819**	7,812
Basic earnings per share (sen)	**19.4**	22.8

13 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share of the Group was 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 had been adjusted to assume full conversion of all dilutive potential ordinary shares, which consists of share options.

Share grants are treated as contingently issuable shares because their issuance is contingent upon satisfying specified vesting conditions comprising, amongst others, performance targets and/or conditions, as disclosed in Note 31(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.

	Group	
	2019	2018
Profit attributable to the equity holders of the Company (RM'million)	1,519	1,780
Weighted average number of issued ordinary shares ('million)	7,819	7,812
Adjustment for share options and LTIP ('million)	3	19
Adjusted weighted average number of ordinary shares for diluted earnings per share ('million)	7,822	7,831
Diluted earnings per share (sen)	19.4	22.7

14 DIVIDENDS

	Group and Company			
	2019		2018	
	Sen	RM'million	Sen	RM'million
Single-tier tax-exempt ordinary dividends				
- In respect of previous financial year				
- fourth interim	5.0	391	5.0	390
- In respective of current financial year				
- first interim	5.0	391	5.0	391
- second interim	5.0	391	5.0	391
- third interim	5.0	391	5.0	391
	20.0	1,564	20.0	1,563

Subsequent to the financial year, on 20 February 2020, 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 2019 which will be paid on 16 April 2020.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Long-term lease-hold land RM'million	Short-term lease-hold land RM'million	Freehold land RM'million	Buildings RM'million	Telecom-munications equipment RM'million	Motor vehicles RM'million	Office furniture, fittings and equipment RM'million	Capital work-in-progress RM'million	Capital inventories RM'million	Total RM'million
2019										
Net book value										
At 1 January as previously reported	3	3	11	56	3,877	10	350	870	10	5,190
Adoption of MFRS16 (Note 37)	(3)	(3)	-	-	-	-	-	-	-	(6)
Restated at 1 January	-	-	11	56	3,877	10	350	870	10	5,184
Additions	-	-	-	-	-	-	39	961	178	1,178
Changes in cost estimates (Note 28)	-	-	-	-	(31)	-	-	-	-	(31)
Depreciation	-	-	-	(1)	(894)	(4)	(176)	-	-	(1,075)
Impairment	-	-	-	-	-	-	-	-	(1)	(1)
Transfers	-	-	-	-	1,069	-	152	(1,122)	(99)	-
Reclassification to intangible assets (Note 16)	-	-	-	-	-	-	-	(301)	-	(301)
Write offs	-	-	-	-	(29)	-	(3)	-	-	(32)
At 31 December	-	-	11	55	3,992	6	362	408	88	4,922
At 31 December 2019										
Cost	-	-	11	75	9,411	20	1,718	408	93	11,736
Accumulated depreciation	-	-	-	(20)	(5,419)	(14)	(1,356)	-	-	(6,809)
Accumulated impairment	-	-	-	-	-	-	-	-	(5)	(5)
Net book value	-	-	11	55	3,992	6	362	408	88	4,922

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Long-term lease-hold land RM'million	Short-term lease-hold land RM'million	Freehold land RM'million	Buildings RM'million	Telecom-munications equipment RM'million	Motor vehicles RM'million	Office furniture, fittings and equipment RM'million	Capital work-in-progress RM'million	Capital inventories RM'million	Total RM'million
2018										
Net book value										
At 1 January	3	3	11	59	3,672	10	346	724	14	4,842
Additions	-	-	-	-	-	4	18	1,225	68	1,315
Changes in cost estimates (Note 28)	-	-	-	-	119	-	3	-	-	122
Depreciation	-	-	-	(3)	(889)	(4)	(172)	-	-	(1,068)
Impairment	-	-	-	-	-	-	-	-	(2)	(2)
Transfers	-	-	-	-	993	-	156	(1,079)	(70)	-
Write offs	-	-	-	-	(18)	-	(1)	-	-	(19)
At 31 December	3	3	11	56	3,877	10	350	870	10	5,190
At 31 December 2018										
Cost	3	4	11	75	9,323	20	1,743	870	15	12,064
Accumulated depreciation	-	(1)	-	(19)	(5,446)	(10)	(1,393)	-	-	(6,869)
Accumulated impairment	-	-	-	-	-	-	-	-	(5)	(5)
Net book value	3	3	11	56	3,877	10	350	870	10	5,190

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, the Group revised the useful lives of certain telecommunications equipment and office equipment ranging from 5 to 10 years (2018: 6 to 10 years), to remaining useful lives ranging from 1 month to 7 years (2018: 1 month to 4 years). The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for the financial year has increased by RM8 million (2018: RM33 million).

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

	Group
	2018 RM'million
Office furniture, fittings and equipment	1

16 INTANGIBLE ASSETS

		Spectrum rights				
Group	Goodwill RM'million	Telecom-munications licences with allocated spectrum RM'million	Other spectrum rights RM'million	Software RM'million	Software development RM'million	Total RM'million
2019						
Net book value						
At 1 January	219	10,707	-	-	-	10,926
Reclassification from property, plant and equipment (Note 15)	-	-	-	-	301	301
Additions	-	-	-	-	108	108
Transfers	-	-	-	315	(315)	-
Amortisation charge	-	-	-	(25)	-	(25)
At 31 December	219	10,707	-	290	94	11,310
At 31 December						
Cost	219	10,707	37	315	94	11,372
Accumulated amortisation	-	-	(37)	(25)	-	(62)
Net book value	219	10,707	-	290	94	11,310

16 INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill RM'million	Spectrum rights: Telecommunications licences with allocated spectrum RM'million	Spectrum rights: Other spectrum rights RM'million	Total RM'million
2018				
Net book value				
At 1 January/31 December	219	10,707	-	10,926
At 31 December				
Cost	219	10,707	37	10,963
Accumulated amortisation	-	-	(37)	(37)
Net book value	219	10,707	-	10,926

The telecommunications licences with allocated spectrum rights of RM10,707 million (2018: RM10,707 million) consist of spectrum bands previously acquired as part of a business combination which includes the frequency band of 900MHz, 1800MHz and 2100MHz. As disclosed in Note 21(d) to the financial statements, these spectrums were reissued to the Group in the form of Spectrum Assignment ("SA") with some upfront price component fees for which the Group has paid in full ("SA fee paid").

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 converged telecommunications services and solutions 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 (2018: five-year) period.

16 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for CGU containing goodwill and telecommunications licences with allocated spectrum rights (continued)

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

(a) compounded revenue and EBITDA annual growth rates of 8% and 4% (2018: 8% and 6%) 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% (2018: 8.1%). In accordance with the requirements of MFRS 136 "Impairment of Assets", this translates into a pre-tax discount rate of 13.5% (2018: 15.7%). The discount rates used reflect specific risks relating to the converged telecommunications services and solutions CGU; and

(c) terminal growth rate of 3.0% (2018: 3.0%) represents the growth rate applied to extrapolate pre-tax cash flow beyond the five (2018: 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 fixed 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 compounded revenue and EBITDA annual growth rates during the forecast period. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% (2018: 10%) in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

17 RIGHT-OF-USE ("ROU") ASSETS

(i) Amounts recognised in the statement of financial position

Group	Note	Land and network infrastructure RM'million	Offices and customer service centers RM'million	Total RM'million
2019				
Adoption of MFRS16	37	872	174	1,046
Additions		137	20	157
Depreciation	9	(136)	(29)	(165)
Remeasurement[1]		(5)	(1)	(6)
At 31 December		868	164	1,032

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under MFRS 117. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. Adjustments recognised on adoption of MFRS 16 on 1 January 2019 are disclosed in Note 37.

Note:

[1] Remeasurement due to revision in lease term and lease payments.

17 RIGHT-OF-USE ("ROU") ASSETS (CONTINUED)

(ii) Amounts recognised in the statement of profit or loss

	Note	Group 2019 RM'million
Interest expense	10	67
Rental expenses relating to short-term leases	11	248
		315

(iii) Amounts recognised in the statement of cash flows

	Group 2019 RM'million
Payments of finance costs	67
Repayment of lease financing	154
Total cash outflows for leases	221

18 INTERESTS IN SUBSIDIARIES

		Company	
	Note	2019 RM'million	2018 RM'million
Non-current asset:			
- investments in subsidiaries	(a)	25,115	26,734
Current assets:			
- loans due from a subsidiary	(b)	222	-
Current liability:			
- amount due to a subsidiary	(c)	*	*
		25,337	26,734

* Less than RM1 million.

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries

	Company	
	2019 RM'million	**2018 RM'million**
Unquoted shares, at carrying value		
At 1 January	**26,734**	27,689
Less:		
- Recovery of cost of investment through dividend income	**(479)**	(917)
- Capital repayment by a subsidiary	**(1,100)**	-
	25,155	26,772
Fair value of share options and share grants, over the Company's equity instruments for employees of subsidiaries, net of shares issued	**(40)**	(38)
	25,115	26,734

During the current financial year:

(i) dividends totaling to RM479 million (2018: RM917 million) that were received from the Company's wholly owned subsidiaries, i.e. Maxis Mobile Services Sdn Bhd ("MMSSB"), Maxis Mobile Sdn. Bhd. ("MMSB"), Maxis Collections Sdn. Bhd. and Advanced Wireless Technologies Sdn. Bhd. (2018: MMSSB and MMSB), 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 these subsidiaries were sold.

(ii) the Company received RM1,100 million from MMSSB arising from its capital reduction exercise. The capital reduction was made in relation to the abovementioned internal reorganisation.

(iii) 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.

18 INTERESTS 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 2019	Proportion of ownership interests held by the Group 2018
Advanced Wireless Technologies Sdn. Bhd. ("AWTSB") (Company No. 200001014945 (517551-U))	Malaysia	Provider of wireless multimedia related services.	**100%**	100%
Maxis Broadband Sdn. Bhd. ("MBSB") (Company No. 199201002549 (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%
Maxis Collections Sdn. Bhd. (Company No. 199601010926 (383275-M))	Malaysia	Dormant.	**100%**	100%
Maxis International Sdn. Bhd. (Company No. 199201008568 (240071-T))	Malaysia	Provision of telecommunications services.	**100%**	100%
Maxis Mobile Sdn. Bhd. ("MMSB") (Company No. 199101019555 (229892-M))	Malaysia	Operator of mobile telecommunications services for special niche projects such as USP.	**100%**	100%
Maxis Mobile Services Sdn. Bhd. ("MMSSB") (Company No. 198101007199 (73315-V))	Malaysia	Provision of mobile telecommunications services for special niche projects such as USP.	**100%**	100%
Maxis Multimedia Sdn. Bhd. (530188-A)[(1)]	Malaysia	Dormant.	**-**	100%

18 INTERESTS 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	
			2019	2018
Subsidiary of AWTSB				
UMTS (Malaysia) Sdn. Bhd. (Company No. 200001017815 (520422-D))	Malaysia	Dormant.	100%	100%
Subsidiary of MBSB				
Maxis Online Sdn. Bhd (235849-A)(1)	Malaysia	Dormant.	-	100%
Subsidiary of MMSB				
Maxis Mobile (L) Ltd (LL-01709)(2)	Malaysia	Holder of investments.	100%	100%

Notes:

(1) Wound up during the current financial year.

(2) Maxis Mobile (L) Ltd is a company registered under the Labuan Companies Act, 1990, with shares issued in USD.

(b) Loans due from a subsidiary – Interest bearing

At the end of the financial year, the loans due from a subsidiary were unsecured, carried interests between 4.54% to 4.67% per annum and maturity dates range from 24 March 2020 to 9 April 2020.

Management has assessed the loans due from a subsidiary on an individual basis for ECL measurement and the identified impairment loss as at 31 December 2019 was immaterial.

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

The amount due to subsidiary was unsecured and with 30 days' credit period (2018: 30 days).

19 FINANCIAL INSTRUMENTS BY CATEGORY

		Group		Company	
		2019	2018	2019	2018
	Note	RM'million	RM'million	RM'million	RM'million
Financial assets:					
Loans due from a subsidiary	18	-	-	222	-
Receivables and deposits		2,271	1,737	*	*
Amounts due from related parties	26	10	30	-	-
Deposits, cash and bank balances	27	582	560	10	15
Financial assets at amortised costs		2,863	2,327	232	15
Financial assets at FVOCI	20	4	4	4	4
Derivative financial instruments used for hedging	22	*	1	-	-
Financial liabilities:					
Payables and accruals		3,066	2,558	1	1
Amount due to a subsidiary	18	-	-	*	*
Amounts due to fellow subsidiaries	25	*	*	-	-
Amounts due to related parties	26	25	5	-	-
Borrowings	30	8,947	7,640	-	-
Financial liabilities at amortised costs		12,038	10,203	1	1

* Less than RM1 million.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2019	2018	2019	2018
	RM'million	RM'million	RM'million	RM'million
Unquoted shares	4	4	4	4
Less: Accumulated impairment losses	*	*	-	-
	4	4	4	4

* Less than RM1 million.

The Group and the Company have 10% interests 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 (1/24th) interests 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.

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Non-current					
Trade receivables[1]	(a)	288	103	-	-
Finance lease receivables	(b)	15	14	-	-
Contract assets[1]	(c)	44	66	-	-
Prepayments	(d)	724	786	-	-
Contract cost assets, net of amortisation	(e)	118	53	-	-
		1,189	1,022	-	-
Allowance for impairment:	33(b)				
- trade receivables[1]		(6)	(2)	-	-
- finance lease receivables		*	*	-	-
- contract assets[1]		*	(2)	-	-
		(6)	(4)	-	-
		1,183	1,018	-	-
Current					
Trade receivables[1]	(a)	1,345	1,012	-	-
Other receivables		587	587	5	5
Deposits		192	164	*	-
Finance lease receivables[1]	(b)	25	8	-	-
Contract assets	(c)	158	211	-	-
Prepayments	(d)	157	159	-	-
Contract cost assets, net of amortisation	(e)	104	68	-	-
		2,568	2,209	5	5
Allowance for impairment:	33(b)				
- trade receivables[1]		(138)	(106)	-	-
- other receivables		(23)	(32)	-	-
- deposits		(13)	(10)	-	-
- finance lease receivables		(1)	(1)	-	-
- contract assets[1]		(3)	(4)	-	-
		(178)	(153)	-	-
		2,390	2,056	5	5
		3,573	3,074	5	5

* Less than RM1 million.

Note:

[1] Comparatives for non-current and current trade receivables and contract assets have been reclassified by RM103 million and RM202 million respectively to conform with current year's presentation that better reflects the substance of the transactions.

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables

Gross trade receivables include receivables on deferred payment terms amounting to RM800 million (2018: RM305 million), which allow eligible customers to purchase mobile devices with up to 24 monthly instalment payments. Other than that, the Group's credit policy provides trade receivables with credit periods of up to 60 days (2018: up to 60 days).

Trade receivables are secured by customers' deposits and bank guarantees of RM22 million (2018: RM34 million) and RM41 million (2018: RM43 million) respectively.

Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 33(b) to the financial statements.

(b) Finance lease receivables

The following table sets out maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group	
	2019 RM'million	**2018 RM'million**
Less than 1 year	**28**	10
1 to 2 years	**15**	14
Total undiscounted lease payment receivables	**43**	24
Unearned finance income	**(3)**	(2)
	40	22

(c) Contract assets

At 1 January	**277**	239
Transfer to receivables	**(461)**	(502)
Additions due to revenue recognised during the year	**386**	540
Net (decrease)/increase during the year	**(75)**	38
	202	277
Less: Allowance for impairment	**(3)**	(6)
At 31 December	**199**	271

(d) Prepayments

The Group's prepayments include the SA fee paid for 900 MHz, 1800 MHz and 2100 MHz SA which are amortised over their underlying SA periods between 15 to 16 years (2018: 15 to 16 years).

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(e) Contract cost assets

		Group	
	Note	2019 RM'million	2018 RM'million
At 1 January		121	81
Capitalisation		211	141
Amortisation charge	11	(110)	(101)
At 31 December		222	121

22 DERIVATIVE FINANCIAL INSTRUMENTS

		Group	
	Note	2019 RM'million	2018 RM'million
Non-current assets			
Derivative designated in hedging relationship			
IRS:	(a)		
- cash flow hedge on RM denominated borrowings		-	1
Current assets			
Derivative not designated in hedging relationship			
Forward foreign exchange contracts		*	-
Current liabilities			
Derivative designated in hedging relationship			
Forward foreign exchange contracts:	(b)		
- cash flow hedge on USD forecast transactions		(2)	*
Derivative not designated in hedging relationship			
Forward foreign exchange contracts	(b)	(1)	*
		(3)	*
Non-current liabilities			
Derivative designated in hedging relationship			
IRS:	(a)		
- cash flow hedge on RM denominated borrowings		(6)	-
		(9)	1

* Less than RM1 million.

22 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	
	2019	2018
Notional principal (RM'million equivalent)	500	500
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	
	2019	2018
Notional principal (RM'million equivalent)	171	47
Contract value in foreign currency (USD'million)	41	11

The Group pays RM in exchange for receiving USD at predetermined exchange rates that range from RM4.14/USD to RM4.20/USD (2018: RM4.16/USD to RM4.17/USD) on the notional amounts at their respective maturity dates.

23 DEFERRED TAXATION

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

	Group	
	2019 RM'million	2018 RM'million
Deferred tax assets	*	*
Deferred tax liabilities	(221)	(196)
	(221)	(196)

* Less than RM1 million.

23 DEFERRED TAXATION (CONTINUED)

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

Group	Note	Property, plant and equipment RM'million	Intangible assets RM'million	Receivables RM'million	Contract cost assets RM'million	Contract liabilities RM'million	Provisions RM'million	Investment allowance RM'million	Lease liabilities RM'million	Right-of-use asset RM'million	Others RM'million	Total RM'million
2019												
At 1 January, as previously reported		(584)	-	(64)	(29)	94	378	8	-	-	1	(196)
Adoption of MFRS16 (Note 37)		-	-	-	-	-	(2)	-	267	(250)	-	15
Restated at 1 January		(584)	-	(64)	(29)	94	376	8	267	(250)	1	(181)
Credited/ (charged) to statement of profit or loss:												
- relating to origination and reversal of temporary differences	12	75	(24)	13	(24)	(1)	(57)	(5)	(1)	3	(19)	(40)
At 31 December		(509)	(24)	(51)	(53)	93	319	3	266	(247)	(18)	(221)
2018												
At 1 January		(707)	1	(54)	(20)	97	281	17	-	-	(5)	(390)
Credited/ (charged) to statement of profit or loss:												
- relating to origination and reversal of temporary differences	12	123	(1)	(10)	(9)	(3)	97	(9)	-	-	6	194
At 31 December		(584)	-	(64)	(29)	94	378	8	-	-	1	(196)

23 DEFERRED TAXATION (CONTINUED)

	Group	
	2019 RM'million	2018 RM'million
Deferred tax assets (before offsetting):		
- lease liabilities	266	-
- contract liabilities	93	94
- provisions	319	378
- investment allowance	3	8
- others	-	1
	681	481
Offsetting	(681)	(481)
Deferred tax assets (after offsetting)	*	*
Deferred tax liabilities (before offsetting):		
- right-of-use asset	(247)	-
- property, plant and equipment	(509)	(584)
- intangible assets	(24)	-
- receivables	(51)	(64)
- contract cost assets	(53)	(29)
- others	(18)	-
	(902)	(677)
Offsetting	681	481
Deferred tax liabilities (after offsetting)	(221)	(196)

* Less than RM1 million.

24 INVENTORIES

	Group	
	2019 RM'million	2018 RM'million
Telecommunications materials and supplies	2	1
Devices	1	15
	3	16

25 FELLOW SUBSIDIARIES BALANCES

The amounts due to fellow subsidiaries are unsecured, non-interest bearing and with 30 days' credit period (2018: 30 days).

26 RELATED PARTIES BALANCES

	Group	
	2019 RM'million	2018 RM'million
Current asset:		
- amounts due from related parties	10	30
Current liability:		
- amounts due to related parties	(25)	(5)

The amounts due from/(to) related parties are trade in nature, unsecured, interest free and with credit periods of up to 60 days (2018: up to 60 days).

27 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Deposits with licensed banks	445	370	8	10
Cash and bank balances	137	190	2	5
Deposits, cash and bank balances	582	560	10	15
Less: Deposits with maturity more than three months	(30)	(24)	-	-
Cash and cash equivalents	552	536	10	15

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 have an average maturity periods of 33 days (2018: 47 days) and 18 days (2018: 27 days) respectively as at the financial year end. They are held in short-term money market and fixed deposits. Bank balances are deposits held at call with banks.

27 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

Reconciliation of liabilities arising from financing activities:

Group	2018 RM'million	Adoption of MFRS 16 RM'million	Cash flows[1] RM'million	Non-cash changes: Interest expense RM'million	Non-cash changes: Fair value changes RM'million	Non-cash changes: Additions RM'million	Non-cash changes: Remeasurement RM'million	2019 RM'million
Borrowings	7,639	-	(157)	357	-	-	-	7,839
Lease liabilities	1	1,110	(221)	67	-	157	(6)	1,108
Derivative financial assets held to hedge borrowings	(1)	-	-	-	7	-	-	6
	7,639	1,110	(378)	424	7	157	(6)	8,953

Group	2017 RM'million	Adoption of MFRS 16 RM'million	Cash flows[1] RM'million	Non-cash changes: Interest expense RM'million	Non-cash changes: Fair value changes RM'million	Non-cash changes: Additions RM'million	Non-cash changes: Remeasurement RM'million	2018 RM'million
Borrowings	7,639	-	(361)	361	-	-	-	7,639
Lease liabilities	6	-	(5)	*	-	-	-	1
Derivative financial assets held to hedge borrowings	(2)	-	-	-	1	-	-	(1)
	7,643	-	(366)	361	1	-	-	7,639

Notes:

[1] Excluding interest paid on payables under deferred payment schemes.

* Less than RM1 million.

28 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Note	Site rectification and decommissioning works RM'million	Staff incentive scheme RM'million	Total RM'million
2019				
At 1 January		**322**	**106**	**428**
Capitalised		**27**	**-**	**27**
Changes in cost estimates:				
- included in finance costs	10(b)	**(8)**	**-**	**(8)**
- included in property, plant and equipment	15	**(31)**	**-**	**(31)**
(Credited)/charged to statement of profit or loss:				
- included in profit before tax(net)	11	**(10)**	**105**	**95**
- included in finance costs	10(b)	**21**	**-**	**21**
Paid		**(1)**	**(93)**	**(94)**
At 31 December		**320**	**118**	**438**
Represented by:				
Non-current liabilities		**306**	**5**	**311**
Current liabilities		**14**	**113**	**127**
		320	**118**	**438**
2018				
At 1 January		175	107	282
Capitalised		14	-	14
Changes in cost estimates:				
- included in finance costs	10(b)	(6)	-	(6)
- included in property, plant and equipment	15	122	-	122
Charged to statement of profit or loss:				
- included in profit before tax (net)	11	6	102	108
- included in finance costs	10(b)	13	-	13
Paid		(2)	(103)	(105)
At 31 December		322	106	428
Represented by:				
Non-current liabilities		307	5	312
Current liabilities		15	101	116
		322	106	428

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

28 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Site decommissioning works

As at 31 December 2019, a non-current provision of RM306 million (2018: RM307 million) has been recognised for dismantling, removal and site restoration costs. The provision is estimated using the assumption that decommissioning will only take place only upon the expiry of the lease terms (inclusive of secondary terms) of 15 to 30 years (2018: 15 to 30 years).

29 PAYABLES AND ACCRUALS

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Non-current					
Trade payables		277	154	-	-
Other accruals		1	14	-	-
		278	168	-	-
Current					
Trade payables and accruals		2,537	2,183	-	-
Other payables and accruals		784	925	1	1
Deposits and advanced payments from customers		165	164	-	-
Contract liabilities	(a)	376	384	-	-
Government grant		461	364	-	-
		4,323	4,020	1	1
		4,601	4,188	1	1

(a) Contract liabilities

	Group	
	2019 RM'million	2018 RM'million
At 1 January	384	404
Revenue recognised that was included in the contract liability balance at 1 January	(384)	(403)
Increases due to cash received, excluding amounts recognised as revenue during the year	376	383
At 31 December	376	384

29 PAYABLES AND ACCRUALS (CONTINUED)

Current trade and other payables of the Group and of the Company carry credit periods of up to 180 days and 90 days respectively (2018: 90 days). The Group's current and non-current trade payables include payables under deferred payment schemes and carry interest rates ranging from 4.09% to 4.57% (2018: 4.23% to 5.09%) per annum as at the reporting date. Details of the payables under deferred payment schemes are as follows:

Group			
Balance outstanding			
2019 RM'million	2018 RM'million	Currency denomination	Repayment terms
56	169	USD	Repayable on a half-yearly basis in 11 equal instalments commencing from 36 months from the contract start dates.
765	273	RM	Repayable on a quarterly basis in 8 equal instalments from the contract start dates.

As disclosed in Note 22 to the financial statements, certain USD denominated payables amounting to USD27 million (2018: USD6 million) are hedged against exchange rate fluctuations using forward foreign exchange contracts for which no hedge accounting is applied.

As at 31 December 2018, the Group's other accruals include lease equalisation for office buildings of RM13 million with remaining lease period of 9 years 5 months.

30 BORROWINGS

		Group	
	Note	2019 RM'million	2018 RM'million
Non-current			
Secured			
Lease liabilities		**960**	-
Unsecured			
Term loan	(a)	**1,000**	1,000
Islamic Medium Term Notes	(b)	**3,639**	4,144
Commodity Murabahah Term Financing	(c)	**2,295**	2,295
		7,894	7,439
Current			
Secured			
Lease liabilities		**148**	-
Finance lease liabilities	(d)	**-**	1
Unsecured			
Islamic Medium Term loans	(b)	**504**	-
Revolving credit	(e)	**401**	200
		1,053	201
		8,947	7,640

(a) Term loan – RM1.0 billion term loan

This term loan carries a term of up to seven years and is repayable in one lump sum on its maturity date, 27 December 2022.

As disclosed in Note 22 to the financial statements, the Group has entered into IRS to partially hedge the interest of this term loan against the Kuala Lumpur Interbank Offered Rate.

(b) 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 RM10.00 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 2019, four (2018: four) series of the Sukuk Murabahah had been issued for a total nominal value of RM4.09 billion (2018: RM4.09 billion) with a tenure of four to nine years. All series of the Sukuk Murabahah are redeemable on their respective maturity dates. The profits are payable semi-annually.

30 BORROWINGS (CONTINUED)

(c) Commodity Murabahah Term Financing ("CMTF")

The Group has a CMTF facility up to RM2.3 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.

(d) Finance lease liabilities

In the previous financial year, the Group leased certain assets under finance lease with terms of 3 to 5 years. The leases had remaining terms of less than 1 year which the Group had options to extend for another 1 to 5 years subject to renewal conditions imposed by the lessor for certain leased assets. The weighted average effective interest rate of the Group's lease liabilities was 5.1% per annum. These leases were effectively secured as the rights to the leased assets revert to the lessor in the event of defaults.

Finance lease liabilities which represent outstanding obligations payable in respect of assets acquired under lease commitment were analysed as follows:

	Group
	2018 RM'million
Not later than one year	1
Less: Future finance charges	*
Present value - current finance lease liabilities	1

* Less than RM1 million.

(e) Revolving credit

The Group has a revolving credit facility up to RM500 million and had drawn down RM400 million (2018: RM200 million) of the facility. The outstanding amounts carry a tenure of 10 months to one year and are repayable in one lump sum on 31 October 2020.

All borrowings are denominated in Ringgit Malaysia which is the functional currency of the Group.

30 BORROWINGS (CONTINUED)

Contractual terms of borrowings

Group	Contractual interest rate/ profit margin at reporting date (per annum)	Total carrying amount RM'million	Maturity profile < 1 year RM'million	1-2 years RM'million	2-5 years RM'million	> 5 years RM'million
At 31 December 2019						
Secured						
Lease liabilities	5.20%	1,108	148	138	359	463
Unsecured						
Revolving credit	0.50% + COF[(1)]	401	401	-	-	-
Term loan	0.75% + COF[(1)]	1,000	-	-	1,000	-
Islamic Medium Term Notes	4.70% - 5.40%	4,143	504	-	2,798	841
CMTF	0.70% + COF[(1)]	2,295	-	-	2,295	-
		8,947	1,053	138	6,452	1,304
At 31 December 2018						
Secured						
Finance lease liabilities	5.10%	1	1	-	-	-
Unsecured						
Revolving credit	0.50% + COF[(1)]	200	200	-	-	-
Term loan	0.75% + COF[(1)]	1,000	-	-	1,000	-
Islamic Medium Term Notes	4.70% - 5.40%	4,144	-	504	2,799	841
CMTF	0.70% + COF[(1)]	2,295	-	-	-	2,295
		7,640	201	504	3,799	3,136

Note:

(1) COF denotes Cost of Funds.

31 SHARE CAPITAL

(a) ESOS

The ESOS was implemented on 17 September 2009 and was in force for a period of 10 years until 16 September 2019. All outstanding share options lapsed and were forfeited on the same date.

The ESOS was for the benefit of eligible employees and eligible directors (executive and non-executive) of the Group. The ESOS was 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 administered the ESOS.

The salient features of the ESOS were 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/LTIP 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 had 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 had 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.

31 SHARE CAPITAL (CONTINUED)

(a) ESOS (continued)

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

			Number of options over ordinary shares in the Company ('million)				
Grant date	**Expiry date**	**Exercise price RM/ share**	**Outstanding as at 1 January**	**Exercised**	**Forfeited/ expired**	**Outstanding as at 31 December**	**Exercisable as at 31 December**
2019							
1 July 2011	16 September 2019	**5.45**	**3**	*	**(3)**	**-**	**-**
1 July 2012	16 September 2019	**6.41**	**8**	**-**	**(8)**	**-**	**-**
1 July 2013	16 September 2019	**6.78**	**6**	**-**	**(6)**	**-**	**-**
1 August 2015	16 September 2019	**6.53**	**50**	**-**	**(50)**	**-**	**-**
			67	*	**(67)**	**-**	**-**
Weighted average exercise price (RM per share)			**6.49**	**5.45**	**6.49**	-	-
2018							
1 July 2011	16 September 2019	5.45	4	*	(1)	3	3
1 July 2012	16 September 2019	6.41	13	-	(5)	8	8
1 July 2013	16 September 2019	6.78	10	-	(4)	6	6
1 August 2015	16 September 2019	6.53	57	-	(7)	50	50
			84	*	(17)	67	67
Weighted average exercise price (RM per share)			6.49	5.45	6.49	6.49	6.49

* Less than 1 million.

The share options exercised during the financial year had resulted in 33,000 (2018: 53,200) shares being issued and the related weighted average share price at the date of exercise was RM5.58 (2018: RM5.81) per share.

31 SHARE CAPITAL (CONTINUED)

(a) ESOS (continued)

Value of employee services received for issue of share options:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Share-based payment expense	-	1	-	1
Capitalised as investments in subsidiaries for share-based payments allocated to the employee of the subsidiaries	-	-	-	(1)
Total expense recognised as share-based payments	-	1	-	-

(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 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;

31 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 an executive director) must remain in employment with the Group and shall not have given notice of resignation or received a notice of termination of service as at the vesting dates or have left the Group before time of vesting on a “Good Leaver” basis.

- eligible employees of the Group (including an 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, 7,489,800 (2018: 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 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 2019 and ending on 31 December 2021, as stipulated by the Remuneration Committee. The vesting date is on 30 June 2022, subject to meeting such performance targets.

31 SHARE CAPITAL (CONTINUED)

(b) LTIP (continued)

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

		Number of share grants over ordinary shares in the Company ('million)				
Grant date	**Vesting date**	**Outstanding as at 1 January**	**Granted**	**Vested**	**Forfeited/ lapsed**	**Outstanding as at 31 December**
2019						
1 July 2016	30 June 2019	**5**	**-**	**(4)**	**(1)**	**-**
4 December 2017	30 June 2020	**6**	**-**	**-**	**(1)**	**5**
27 December 2018	30 June 2021	**8**	**-**	**-**	**(1)**	**7**
16 December 2019	30 June 2022	**-**	**8**	**-**	**-**	**8**
		19	**8**	**(4)**	**(3)**	**20**
2018						
31 July 2015	30 April 2018	7	-	(6)	(1)	-
1 July 2016	30 June 2019	6	-	-	(1)	5
4 December 2017	30 June 2020	7	-	-	(1)	6
27 December 2018	30 June 2021	-	8	-	*	8
		20	8	(6)	(3)	19

* Less than 1 million.

The weighted average fair value of share grants under the PS Grant based on observable market price was RM5.36 (2018: RM5.40).

Value of employee services received under the LTIP:

	Group		Company	
	2019 RM'million	**2018 RM'million**	**2019 RM'million**	**2018 RM'million**
Share-based payment expense	**18**	19	**18**	19
Capitalised as investments in subsidiaries for share-based payments allocated to the employee of the subsidiaries	**-**	-	**(18)**	(19)
Total expense recognised as share-based payments	**18**	19	**-**	-

31 SHARE CAPITAL (CONTINUED)

(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.

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

Group and Company	2018 'million
At 1 January	2
Acquired	1
Vested	(3)
At 31 December	-

In the previous financial year, the weighted average fair value of shares acquired under the incentive arrangement based on observable market price was RM6.97.

Value of employee services received under the incentive arrangement:

	2018	
	Group RM'million	Company RM'million
Share-based payment income	(1)	(1)
Capitalised as investments in subsidiaries for share-based payments allocated to the employee of the subsidiaries	-	1
Total recognised as share-based payment income	(1)	-

32. RESERVES

(a) Merger relief

The merger relief was created prior to the listing and quotation exercise of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad in 2009 ("Listing") 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.

(b) Reserve arising from reverse acquisition

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

32 RESERVES (CONTINUED)

(c) Other reserves

Group	Note	Share-based payments RM'million	Cash flow hedging RM'million	Total RM'million
2019				
At 1 January		**118**	**1**	**119**
Net change in hedging:				
- fair value losses		**-**	**(10)**	**(10)**
- reclassified to finance costs	**10(b)**	**-**	*	*
ESOS and LTIP:				
- share-based payment expense		**18**	**-**	**18**
- shares issued		**(23)**	**-**	**(23)**
- share options lapsed		**(37)**	**-**	**(37)**
At 31 December		**76**	**(9)**	**67**
2018				
At 1 January		149	2	151
Net change in hedging:				
- fair value losses		-	(1)	(1)
- reclassified to finance costs	10(b)	-	*	*
ESOS and LTIP:				
- share-based payment expense		19	-	19
- shares issued		(39)	-	(39)
- share options lapsed		(6)	-	(6)
Incentive arrangement:				
- share-based payment income		(1)	-	(1)
- shares acquired		(4)	-	(4)
At 31 December		118	1	119

* Less than RM1 million.

32 RESERVES (CONTINUED)

(c) Other reserves (continued)

	Note	Company 2019 RM'million	Company 2018 RM'million
Share-based payments			
At 1 January		118	149
ESOS and LTIP:			
- share-based payment expense		18	19
- shares issued		(23)	(39)
- share options lapsed		(37)	(6)
Incentive arrangement:			
- share-based payment income		-	(1)
- shares acquired		-	(4)
At 31 December		76	118

The share-based payments reserve as at financial year end comprised of:

(a) discount on shares issued to retail investors in relation to the Listing; and

(b) fair value of share options and shares grants less any shares issued under the ESOS and LTIP.

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.

33 FINANCIAL RISK MANAGEMENT

The Group's and the Company's activities expose them to a variety of financial risks, including market risk (interest rate risk and foreign exchange risk), credit risk, liquidity risk and capital risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performances. The Group 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.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(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.

	Currency exposure at 31 December			
	SGD	USD	SDR[1]	Others
Group	**RM'million**	**RM'million**	**RM'million**	**RM'million**
In functional currency Ringgit Malaysia				
2019				
Receivables	**-**	**1**	**59**	**-**
Deposits, cash and bank balances	**-**	**25**	**-**	**-**
Payables	**(1)**	**(155)**	**(45)**	**(6)**
Amounts due to related parties, net	**-**	**(8)**	*****	**-**
Gross exposure	**(1)**	**(137)**	**14**	**(6)**
Forward foreign exchange contracts:				
- payables	**-**	**59**	**-**	**-**
Net exposure	**(1)**	**(78)**	**14**	**(6)**
2018				
Receivables	-	-	34	-
Deposits, cash and bank balances	-	17	-	-
Payables	*	(277)	(56)	(1)
Amounts due to related parties, net	*	(2)	*	-
Gross exposure	*	(262)	(22)	(1)
Forward foreign exchange contracts:				
- payables	-	23	-	-
Net exposure	*	(239)	(22)	(1)

* Less than RM1 million.

Note:

[1] SDR, i.e. Special Drawing Rights represents international accounting settlement rate with international carriers.

33 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[1]	
Group	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
USD/RM				
- strengthened 5% (2018: 5%)	**(4)**	(12)	**5**	1
- weakened 5% (2018: 5%)	**4**	12	**(5)**	(1)

Note:

[1] 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.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of 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'million	Floating interest rate RM'million	Fixed interest rate/profit margin < 1 year RM'million	1-2 years RM'million	2-5 years RM'million	> 5 years RM'million
At 31 December 2019							
Deposits with licensed banks	3.17	445	-	445	-	-	-
Trade payables	4.12	(821)	(56)	(488)	(277)	-	-
Lease liabilities	5.20	(1,108)	-	(148)	(138)	(359)	(463)
Revolving credit	4.00	(401)	(401)	-	-	-	-
Term loan	4.26	(1,000)	(1,000)	-	-	-	-
Islamic Medium Term Notes	5.03	(4,143)	-	(504)	-	(2,798)	(841)
CMTF	4.17	(2,295)	(2,295)	-	-	-	-
Gross exposure		(9,323)	(3,752)				
IRS:							
- term loan	4.69		500	-	-	(500)	-
Net exposure			(3,252)				

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of 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'million	Floating interest rate RM'million	Fixed interest rate/profit margin			
				< 1 year RM'million	1-2 years RM'million	2-5 years RM'million	> 5 years RM'million
At 31 December 2018							
Deposits with licensed banks	3.79	370	-	370	-	-	-
Trade payables	4.23	(442)	(169)	(175)	(98)	-	-
Finance lease liabilities	5.10	(1)	-	(1)	-	-	-
Revolving credit	4.40	(200)	(200)	-	-	-	-
Term loan	4.55	(1,000)	(1,000)	-	-	-	-
Islamic Medium Term Notes	5.03	(4,144)	-	-	(504)	(2,799)	(841)
CMTF	4.43	(2,295)	(2,295)	-	-	-	-
Gross exposure		(7,712)	(3,664)				
IRS:							
- term loan	4.70		500	-	-	(500)	-
Net exposure			(3,164)				

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of 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/ profit margin at reporting date (per annum) %	Total carrying amount RM'million	Fixed interest rate < 1 year RM'million
At 31 December 2019			
Deposits with licensed banks	**3.20**	**8**	**8**
At 31 December 2018			
Deposits with licensed banks	3.90	10	10

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:

Group	Impact on profit before tax for the financial year 2019 RM'million	2018 RM'million	Impact on equity[1] 2019 RM'million	2018 RM'million
RM				
- increased by 0.5% (2018: 0.5%)	**(16)**	(15)	**5**	7
- decreased by 0.5% (2018: 0.5%)	**16**	15	**(5)**	(7)
USD				
- increased by 0.5% (2018: 0.5%)	*	(1)	*	-
- decreased by 0.5% (2018: 0.5%)	*	1	*	-

* Less than RM1 million.

Note:

[1] Represents cash flow hedging reserve

The impact on profit before tax for the financial year is 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.

33 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 a simplified approach in calculating ECLs. 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.

33 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)

On that basis, the loss allowance was determined as follows for trade receivables, finance lease receivables and contract assets:

Group	Current RM'million	1 to 30 days past due RM'million	31 to 60 days past due RM'million	61 to 90 days past due RM'million	91 to 120 days past due RM'million	> 120 days past due RM'million	Total RM'million
31 December 2019							
Expected loss rate[1]	1.3%-8.5%	2.9%-13.5%	7.1%-54.1%	16.0%-73.7%	33.3%-86.3%	44.1%-100%	
Gross carrying amount:							
- Trade receivables	1,418	89	31	17	12	66	1,633
- Finance lease receivables	40	-	-	-	-	-	40
- Contract assets	202	-	-	-	-	-	202
	1,660	89	31	17	12	66	1,875
Loss allowance:							
- Trade receivables	(38)	(13)	(9)	(11)	(8)	(65)	(144)
- Finance lease receivables	(1)	-	-	-	-	-	(1)
- Contract assets	(3)	-	-	-	-	-	(3)
	(42)	(13)	(9)	(11)	(8)	(65)	(148)

Note:

[1] The expected loss rate comprises of customers with different risk profiles and excludes individual specific loss rate.

33 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)

Group	Current RM'million	1 to 30 days past due RM'million	31 to 60 days past due RM'million	61 to 90 days past due RM'million	91 to 120 days past due RM'million	> 120 days past due RM'million	Total RM'million
31 December 2018							
Expected loss rate[1]	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	906	106	26	17	12	48	1,115
- Finance lease receivables	22	-	-	-	-	-	22
- Contract assets	277	-	-	-	-	-	277
	1,205	106	26	17	12	48	1,414
Loss allowance:							
- Trade receivables	(25)	(12)	(8)	(11)	(7)	(45)	(108)
- Finance lease receivables	(1)	-	-	-	-	-	(1)
- Contract assets	(6)	-	-	-	-	-	(6)
	(32)	(12)	(8)	(11)	(7)	(45)	(115)

Note:

[1] The expected loss rate comprises of customers with different risk profiles and excludes individual specific loss rate.

33 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:

		Trade receivables		Finance lease receivables		Contract assets		Total	
Group	**Note**	**2019 RM' million**	**2018 RM' million**	**2019 RM' million**	**2018 RM' million**	**2019 RM' million**	**2018 RM' million**	**2019 RM' million**	**2018 RM' million**
1 January		**108**	104	**1**	-	**6**	-	**115**	104
Charged to statement of profit or loss	11	**154**	134	*****	1	*****	10	**154**	145
Reversed from statement of profit or loss	11	**(10)**	(20)	*****	-	**(3)**	(4)	**(13)**	(24)
Amount written off		**(108)**	(110)	**-**	-	**-**	-	**(108)**	(110)
31 December		**144**	108	**1**	1	**3**	6	**148**	115

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, 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.

33 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:

		Group	
	Note	2019 RM'million	2018 RM'million
1 January		**42**	20
Charged to statement of profit or loss	11	**31**	24
Reversed from statement of profit or loss	11	**(25)**	(2)
Amount written off		**(12)**	*
31 December		**36**	42

* Less than RM1 million.

(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 2019, the Group has unissued Sukuk of RM5.91 billion under the Unrated Sukuk Murabahah Programme, as disclosed in Note 30(b) 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.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Group	Total[1] RM'million	< 1 year RM'million	1-2 years RM'million	2-5 years RM'million	>5 years RM'million
At 31 December 2019					
Payables and accruals[1]	**3,109**	**2,812**	**297**	**-**	**-**
Amounts due to related parties	**25**	**25**	**-**	**-**	**-**
Amounts due to fellow subsidiaries	*****	*****	**-**	**-**	**-**
Lease liabilities	**1,439**	**205**	**187**	**469**	**578**
Borrowings[2]	**8,950**	**1,258**	**321**	**6,509**	**862**
Net settled derivative financial instruments (IRS contract)	**8**	**4**	**2**	**2**	**-**
	13,531	**4,304**	**807**	**6,980**	**1,440**
At 31 December 2018					
Payables and accruals[1]	2,578	2,416	162	-	-
Amounts due to related parties	5	5	-	-	-
Amounts due to fellow subsidiaries	*	*	-	-	-
Finance lease liabilities	1	1	-	-	-
Borrowings[2]	9,131	561	853	4,487	3,230
Net settled derivative financial instruments (IRS contract)	1	1	*	*	-
	11,716	2,984	1,015	4,487	3,230

* Less than RM1 million.

Notes:

(1) Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

(2) 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.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Company	Total RM'million	< 1 year RM'million
At 31 December 2019		
Payables and accruals	**1**	**1**
Amount due to a subsidiary	*	*
	1	**1**
At 31 December 2018		
Payables and accruals	1	1
Amount due to a subsidiary	*	*
	1	1

* Less than RM1 million

(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 2019.

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 payables under deferred payment schemes as disclosed in Note 29 to the financial statements) less deposits, cash and bank balances. Total equity is calculated as 'equity' as shown in the statements of financial position. The gearing ratios at 31 December 2019 and 2018 were as follows:

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management (continued)

	Note	Group 2019 RM'million	Group 2018 RM'million
Total interest bearing financial liabilities		**8,953**	7,639
Less: Deposits, cash and bank balances	27	**(582)**	(560)
Net debt		**8,371**	7,079
Total equity		**7,070**	7,149
Gearing ratio		**1.2**	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).

(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:

Group		2019 Carrying amount RM'million	2019 Fair value RM'million	2018 Carrying amount RM'million	2018 Fair value RM'million
Financial liability:					
Borrowings					
- Islamic Medium Term Notes	30	**4,143**	**4,199**	4,144	4,197

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.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation (continued)

(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:

		Group	
	Note	2019 RM'million	2018 RM'million
Derivative financial instruments:			
- assets	22	*	1
- liabilities	22	(9)	*
		(9)	1

* Less than RM1 million.

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.

(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:

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Financial assets at FVOCI	20	4	4	4	4

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.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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'million	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'million	Net amounts of financial assets presented in the statement of financial position RM'million	Related amounts not off-set in the statement of financial position: Financial instruments RM'million	Related amounts not off-set in the statement of financial position: Cash collateral received RM'million	Net amount RM'million
At 31 December 2019						
Receivables and deposits	**571**	**(39)**	**532**	**-**	**(22)**	**510**
Amounts due from related parties	**11**	**(4)**	**7**	**-**	**-**	**7**
	582	**(43)**	**539**	**-**	**(22)**	**517**
At 31 December 2018						
Receivables and deposits	569	(19)	550	-	(34)	516
Amounts due from related parties	26	(2)	24	-	-	24
	595	(21)	574	-	(34)	540

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(ii) Financial liabilities

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

Group	Gross amounts of recognised financial liabilities RM'million	Gross amounts of recognised financial assets set-off in the statement of financial position RM'million	Net amounts of financial liabilities presented in the statement of financial position RM'million	Related amounts not off-set in the statement of financial position: Financial instruments RM'million	Related amounts not off-set in the statement of financial position: Cash collateral received RM'million	Net amount RM'million
At 31 December 2019						
Payables and accruals	**240**	**(39)**	**201**	**(22)**	**-**	**179**
Amounts due to related parties	**25**	**(4)**	**21**	**-**	**-**	**21**
	265	**(43)**	**222**	**(22)**	**-**	**200**
At 31 December 2018						
Payables and accruals	226	(19)	207	(34)	-	173
Amounts due to related parties	6	(2)	4	-	-	4
	232	(21)	211	(34)	-	177

34 CAPITAL COMMITMENTS

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

	Group 2019 RM'million	Group 2018 RM'million
Property, plant and equipment	323	225

35 OPERATING LEASE COMMITMENTS

In the previous financial year, the Group leased certain network infrastructure, offices and customer service centres under operating leases. The leases ran for a period of 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'million
Not later than one year	491
Later than one year but not later than five years	778
Later than five years	293
	1,562

Included in the future minimum lease payments as at 31 December 2018 were lease commitments for network infrastructure which are based on the number of co-sharing parties for each individual site as at the reporting date.

36 RELATED PARTIES

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

	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
Group	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Sales of goods and services:								
- MEASAT Broadcast Network Systems Sdn. Bhd.[1] (telephony and broadband services)	**52**	87	**6**	21	**-**	-	**6**	21
- MEASAT Global Berhad Group[2] (revenue share for the leasing of satellite bandwidth)	**-**	2	**-**	1	**-**	-	**-**	1
- Maxis Communications Berhad[3] (management fee)	**2**	2	**-**	2	**-**	-	**-**	2
Purchases of goods and services from:								
- Tanjong City Centre Property Management Sdn. Bhd.[4] (rental, signage, parking and utility charges)	**35**	31	**-**	-	**(171)**	(184)	**(171)**	(184)

Notes to the Financial Statements

36 RELATED PARTIES (CONTINUED)

	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
Group	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Purchases of goods and services from: (continued)								
- Saudi Telecom Company ("STC")[5] (roaming and international calls)	-	1	-	1	-	-	-	1
- MEASAT Global Berhad Group[2] (transponder and teleport lease rental)	**50**	58	**(7)**	(3)	**(26)**	(71)	**(33)**	(74)
- UTSB Management Sdn. Bhd.[4] (corporate management services)	**29**	28	**(7)**	-	**(79)**	(21)	**(86)**	(21)
- SRG Asia Pacific Sdn. Bhd.[6] (call handling and telemarketing services)	**19**	14	**(6)**	(2)	**-**	-	**(6)**	(2)
- MBNS Multimedia Technologies Sdn. Bhd. ("MMTSB") and/or its related corporations[1] (goods and services)	**3**	-	**-**	-	**-**	(3)	**-**	(3)

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.

(1) Subsidiary of a company which is an associate of UTSB
(2) Subsidiary of a company in which TAK has a 100% direct equity interest
(3) Subsidiary of BGSM
(4) Subsidiary of UTSB
(5) A major shareholder of BGSM, as described above
(6) Subsidiary of a company whereby a person connected to TAK has a deemed equity interest

36 RELATED PARTIES (CONTINUED)

	Company	
	2019 RM'million	2018 RM'million
Management fees charged by a subsidiary	**4**	4
Payment on behalf of operating expenses for subsidiaries	*	*

* Less than RM1 million.

37 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16

During the financial year, the Group changed its accounting policies on leases upon adoption of MFRS 16 for the first time with the date of initial application ("DIA") of 1 January 2019. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the DIA.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the DIA. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

<u>The Group as a lessee</u>

(a) Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of-use ("ROU") assets for property leases were measured on a retrospective basis as if the new requirements have always been applied. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

37 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 (CONTINUED)

(b) Leases classified as finance leases under MFRS 117

For leases previously classified as finance leases and presented as a part of 'property, plant and equipment', the Group recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset and the lease liability at the DIA.

(c) Adjustments as at 1 January 2019

As at 1 January 2019, the change in accounting policies has affected the following items:

	31.12.2018 As previously reported	Effects of MFRS 16	1.1.2019 Restated
	RM'million	RM'million	RM'million
Net assets			
Property, plant and equipment	5,190	(6)	**5,184**
ROU assets	-	1,046	**1,046**
Deferred tax liabilities	(196)	15	**(181)**
Borrowings	(7,640)	(1,110)	**(8,750)**
Payables and accruals	(4,188)	13	**(4,175)**
		(42)	
Equity			
Retained earnings	4,521	(42)	**4,479**
		(42)	

37 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 (CONTINUED)

(d) Reconciliation of operating lease commitment as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019

	RM'million
Operating lease commitments disclosed as at 31 December 2018	1,562
Add: extension options reasonably to be exercised	549
Add: finance lease payments recognised as at 31 December 2018	1
Less: contracts reassessed as service agreements	(470)
Less: short-term leases recognised on straight-line basis as expense	(206)
	1,436
Discounted using the lessee's incremental borrowing rates at the DIA ranging from 4.85% to 5.75%	(326)
Lease liabilities recognised as at 1 January 2019	1,110
Represented by:	
Non-current lease liabilities	980
Current lease liabilities	130
	1,110

38 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.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 February 2020.

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 99 to 199 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 2019 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 20 February 2020.

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 99 to 199 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 20 February 2020, before me.

COMMISSIONER FOR OATH

Independent Auditors' Report

to the Members of Maxis Berhad (Incorporated In Malaysia)
(Registration No. 200901024473 (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 2019, and of their financial performance and their cash flows for the financial 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 2019 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 99 to 199.

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 financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Group

Key audit matters	How our audit addressed the key audit matters
Assessment of useful life and carrying value of intangible assets with indefinite useful life *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.* 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 2019, and the significant assumptions and judgements involved in determining the indefinite useful life of the spectrum rights and impairment assessment. 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. 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.	In respect of the goodwill and spectrum rights, we performed the following audit procedures on the value-in-use ("VIU") calculations which were based on cash flow projections that cover a period of 5 years comprising the approved financial budget for year 2020 and a projection for the next 4 years: • Evaluated the reasonableness of the Director's assessment that the converged telecommunications services and solutions 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; • Discussed with management the key assumptions used in the five-year VIU cash flows which include the compounded revenue and earnings before interest, tax, depreciation and amortisation annual growth rates and performed the following: - Agreed the five-year VIU cash flows to the financial budget approved by the Directors; - Compared historical forecasting for 2019 to actual results; - Assessed the impact of the changes in the key assumptions used for the VIU cash flows from 2018 to 2019; and - Checked the mathematical accuracy of the five-year VIU cash flows. • Agreed the assumption on capital expenditures to the approved financial budget for 2020 and projection for the next 4 years, discussed with management on the capital expenditure require to maintain the network performance and assessed the impact on the VIU cash flows; and • 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. Based on the procedures performed above, we did not find any material exceptions to the Directors' conclusion that the goodwill and spectrum rights are not impaired as at 31 December 2019.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Group (continued)

Key audit matters	How our audit addressed the key audit matters
Assessment of useful life and carrying value of intangible assets with indefinite useful life (continued)	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: • 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. All relevant conditions are existing conditions which the Group does not foresee having difficulties to continue to comply with; • 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; • 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; and • Discussed with management to understand the key assumptions used to estimate the total spectrum renewal costs, future revenue and net cash flows generated by the assets, which we checked as part of our audit procedures on impairment assessment. Based on the procedures performed above, we did not find any material 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.
Revenue recognition from contracts with customers *Refer to Note 3(u) - 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* The Group's revenue of RM9.3 billion during the financial year ended 31 December 2019 comprised primarily telecommunication services and solutions revenue and sale of devices of RM7.9 billion and RM1.4 billion respectively.	We performed the following audit procedures: • Evaluated and tested the IT general controls and key controls on material revenue streams over: - capture and recording of revenue transactions; - authorisation of rate changes and the input of this information to the billing systems; and - accuracy of calculation of amounts billed to customers;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Group (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Revenue recognition from contracts with customers (continued)

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.

In addition, management exercises judgement on the areas below:

• Certain contracts with customers are bundled packages that may include sale of products and telecommunication services and solutions 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

• Determining whether the Group is acting as a principal or an agent in relation to sale of devices.</td><td>• For material revenue streams, we obtained supporting evidence such as customer contracts, invoices and relevant supporting documents to test the occurrence and measurement on a sampling basis;

• Reviewed management's assessment on the identification of separate performance obligations over material customer contracts with bundling arrangements and sighted to the customer contracts on a sampling basis;

• 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 suppliers; and

• Examined material non-standard journal entries and other adjustments posted to revenue accounts.

Based on the procedures performed above, we did not find any material exceptions in the revenue recognised during the financial year.</td></tr>
<tr><td>Recognition of right-of-use assets and leases liabilities in accordance with MFRS 16 "Leases"

Refer to Note 3(l) - Summary of Significant Accounting Policies - Leases, Note 4(g) - Critical accounting estimates and judgements: Extension and termination options, Note 17 - Right-of-use Assets and Note 30 - Borrowings

During the year, the Group applied MFRS 16 "Leases" and recognised right-of-use ("ROU") assets of RM1.0 billion and lease liabilities of RM1.1 billion as at 31 December 2019.

The Group elected the simplified retrospective transition approach where comparative information is not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The adjustments are set out in Note 37 to the financial statements.</td><td>We performed the following audit procedures:

• Assessed the design and implementation of key controls pertaining to the determination of the MFRS 16 transition impact disclosures;

• Reviewed management's analysis in determining whether the contracts meet the definition of leases;

• Evaluated the reasonableness of management's judgement in determining the lease term which includes the exercise of the extension option or not to exercise the termination option;

• Verified the accuracy of the underlying lease data by agreeing to the lease contracts or other supporting information on a sampling basis, and checked the integrity and mechanical accuracy of the MFRS 16 calculations for each lease sampled through recalculation of the expected MFRS 16 adjustment;</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Group (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Recognition of right-of-use assets and leases liabilities in accordance with MFRS 16 “Leases” (continued)

We focused on this area due to the significant amounts of ROU assets and lease liabilities recognised and the judgements involved in determining the lease term, by consider the economic incentive to exercise an extension option or not to exercise a termination option.</td><td>• Assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our valuation specialists;

• Checked the completeness of the lease contracts by testing the reconciliation between lease liabilities to the Group's operating lease commitments in prior years; and

• Assessed whether the disclosures in the financial statements are in accordance with MFRS 16.

Based on the procedures performed above, we did not find any material exceptions in the opening balance adjustments, and the ROU assets and lease liabilities recognised as at 31 December 2019.</td></tr>
<tr><td>Assessment of funding requirements and ability to meet the short term obligations

Refer to Note 33(c) - Financial Risk Management - Liquidity Risk

As at 31 December 2019, the Group had short term payables and accruals of RM4.3 billion and short term borrowings of RM1.1 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 RM2.7 billion at that date.

The Group's ability to obtain funding from existing facilities is disclosed in Note 33(c) to the financial statements.</td><td>We performed the following audit procedures:

• 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;

• Discussed with management on key assumptions used in the cash flow forecasts including cash collection trends, payment profiles and significant transactions that may occur in developing the cash flow forecasts for the Group;

• Checked the borrowing repayment profile of the Group against the loan agreements; and

• Checked the extent of debt that the Group can raise from its existing Unrated Sukuk Murabahah Programme.

Based on the procedures performed above, we did not find any material exceptions to the Directors' assessment that the Group will be able to meet its short term obligations.</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Company

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of cost of investments in subsidiaries *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 18(a) - Investments in subsidiaries* As at 31 December 2019, the carrying value of the cost of investments in subsidiaries is RM25.1 billion. The Group performed an impairment assessment on the cost of investment in a subsidiary during the year as there are indicators of impairment of this subsidiary. The recoverable amount of the subsidiary was determined by the Directors based on the value-in-use method. Based on the Directors' assessment, the recoverable amount of the subsidiary exceed the carrying value of the investment in the subsidiary and therefore no impairment is required. 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.	We performed the following audit procedures on the value-in-use ("VIU") calculations which were based on cash flow projections that cover a period of 5 years comprising the approved financial budget for 2020 and a forecast for the next 4 years: • Agreed the 2020 VIU cash flows to the budget approved by the Directors; • Discussed with management the key assumptions used in the five-year VIU cash flows which include the compounded revenue and earnings before interest, tax, depreciation and amortisation annual annual growth rates and performed the following: - Agreed the five-year VIU cash flows to the financial budget approved by the Directors; - Compared historical forecasting for 2019 to actual results; - Assessed the impact of the changes in the key assumptions used for the VIU cash flows from 2018 to 2019; and - Checked the mathematical accuracy of the five-year VIU cash flows. • Checked that the VIU cash flows used to determine the recoverable amount have been adjusted for financing cash flows forecast of the subsidiary; • Agreed the assumption on capital expenditures to the approved financial budget for 2020 and forecast for the next 4 years and discussed with management on the capital expenditure required to maintain the network performance and assessed the impact on the VIU cash flows; and • 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. Based on the procedures performed above, we did not find any material exception to the Directors' assessment that the cost of investment in a subsidiary is not impaired as at 31 December 2019.

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 2019 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 of the Company's internal control.

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 on 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 financial 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
20 February 2020

Size of Shareholdings

As at 28 February 2020

SHARE CAPITAL

Issued : 7,820,498,910 Ordinary Shares
Voting Right : One vote per Ordinary Share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	678	1.92	6,514	0.00
100 - 1,000	18,824	53.44	17,171,907	0.22
1,001 - 10,000	13,157	37.35	50,831,085	0.65
10,001 - 100,000	1,972	5.60	56,476,069	0.72
100,001 - 391,024,944(*)	590	1.68	1,312,004,235	16.78
391,024,945 and above(**)	3	0.01	6,384,009,100	81.63
Total	**35,224**	**100.00**	**7,820,498,910**	**100.00**

* Less than 5% of issued holdings
** 5% and above of issued holdings

Note:
Information in the above table is based on the Record of Depositors dated 28 February 2020.

Category of Shareholders

As at 28 February 2020

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Individuals	31,743	90.12	112,448,344	1.44
Bank/Finance Institutions	43	0.12	1,012,798,075	12.95
Investment Trusts/Foundations/Charities	3	0.01	130,000	0.00
Other Types of Companies	275	0.78	4,884,895,323	62.46
Government Agencies/Institutions	3	0.01	5,181,200	0.07
Nominees	3,157	8.96	1,805,045,968	23.08
Total	**35,224**	**100.00**	**7,820,498,910**	**100.00**

Note:
Information in the above table is based on the Record of Depositors dated 28 February 2020.

Directors' Interests in Shares

As at 28 February 2020

Based on the Register of Directors' Shareholdings and the Record of Depositors, the interests of the Directors in the shares of the Company (both direct and indirect) as at 28 February 2020 are as follows:

	Number of Ordinary Shares in Maxis ("Maxis Shares")		% of Issued Shares	
Name	**Direct**	**Indirect**	**Direct**	**Indirect**
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	750,000	-	0.01	-
Tan Sri Mokhzani bin Mahathir	750,000	1,000(1)	0.01	#
Robert Alan Nason	-	-	-	-
Dato' Hamidah Naziadin	-	-	-	-
Alvin Michael Hew Thai Kheam	-	-	-	-
Mohammed Abdullah K. Alharbi	-	-	-	-
Mazen Ahmed M. AlJubeir	-	-	-	-
Abdulaziz Abdullah M. Alghamdi	-	-	-	-
Lim Ghee Keong	-	-	-	-

Notes:

\# Negligible

(1) Deemed interest in shares of the Company held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Chief Executive Officer's Interests in Shares

As at 28 February 2020

The interests of the Chief Executive Officer in the shares of the Company (both direct and indirect) as at 28 February 2020 are as follows:

	Number of Ordinary Shares in Maxis ("Maxis Shares")		% of Issued Shares	
Name	**Direct**	**Indirect**	**Direct**	**Indirect**
Gokhan Ogut	-	443,600(1)	-	0.01
	-	1,097,400(2)	-	0.01

Notes:

(1) Deemed interest in the shares of the Company pursuant to an award made to him during his tenure as Chief Operating Officer of Maxis in accordance with the terms and conditions of the By-Laws governing Maxis' Long Term Incentive Plan ("By-Laws"). Subject to the terms and conditions of the By-Laws, he shall be entitled to receive such number of new Maxis shares, upon meeting the vesting conditions imposed under the said award. These Maxis shares shall, subject to the satisfaction of the vesting conditions and the terms and conditions of the By-Laws, vest on 30 June 2021. The vesting conditions comprise, among others, the performance targets for the period commencing 1 January 2018 and ending on 31 December 2020, as stipulated by Maxis' Remuneration Committee.

(2) Deemed interest and these shares are currently held by CIMB Commerce Trustee Berhad or its nominee pursuant to the terms and conditions of a share-based incentive arrangement arising under the employment agreement entered by him, as Chief Executive Officer of Maxis, with Maxis Broadband Sdn Bhd ("Employment Agreement"), a wholly-owned subsidiary of Maxis. Pursuant to the aforesaid arrangement, a cash incentive was used to acquire shares of Maxis from the open market and such shares are currently held by CIMB Commerce Trustee Berhad or its nominee. These Maxis shares shall, subject to the satisfaction of the vesting conditions and the terms and conditions of the Employment Agreement, vest in him on 30 June 2022. The vesting conditions comprise, amongst others, the performance targets for the financial years 2019, 2020 and 2021, as stipulated by Maxis' Remuneration Committee.

30 Largest Shareholders

As at 28 February 2020

No.	Name	No. of Shares Held	%
1	BGSM Equity Holdings Sdn. Bhd.	4,875,000,000	62.34
2	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	879,560,700	11.25
3	Amanahraya Trustees Berhad Amanah Saham Bumiputera	629,448,400	8.05
4	Citigroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (1)	128,503,600	1.64
5	Kumpulan Wang Persaraan (Diperbadankan)	108,362,100	1.39
6	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	60,783,300	0.78
7	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN for State Street Bank & Trust Company (West CLT OD67)	55,821,442	0.71
8	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Vanguard Total International Stock Index Fund	44,626,161	0.57
9	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	41,363,000	0.53
10	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Vanguard Emerging Markets Stock Index Fund	40,676,750	0.52
11	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	33,614,700	0.43
12	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	28,413,400	0.36
13	Citigroup Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	27,452,900	0.35
14	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB for Prulink Equity Fund	26,221,600	0.34
15	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	23,919,375	0.31
16	Amanahraya Trustees Berhad Public Islamic Dividend Fund	23,796,100	0.30
17	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	21,750,000	0.28

30 Largest Shareholders

As at 28 February 2020

No.	Name	No. of Shares Held	%
18	Amanahraya Trustees Berhad Amanah Saham Malaysia	19,989,800	0.26
19	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited for Government of Singapore (C)	18,471,400	0.24
20	Permodalan Nasional Berhad	17,260,500	0.22
21	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV for People’s Bank of China (SICL Asia EM)	15,425,600	0.20
22	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	15,404,900	0.20
23	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	12,733,700	0.16
24	Amanahraya Trustees Berhad Public Islamic Equity Fund	12,643,100	0.16
25	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for MSCI Equity Index Fund B - Malaysia	11,672,700	0.15
26	Citigroup Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	10,742,100	0.14
27	HSBC Nominees (Asing) Sdn. Bhd. J.P. Morgan Securities PLC	9,193,468	0.12
28	HSBC Nominees (Asing) Sdn. Bhd. BNY Mellon for TD Global Low Volatility Fund	8,632,100	0.11
29	Citigroup Nominees (Asing) Sdn. Bhd. Citigroup Global Markets Limited	8,503,530	0.11
30	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Future Fund Board of Guardians	7,891,000	0.10

Note:
Information in the above table is based on the Record of Depositors dated 28 February 2020.

Information on Substantial Shareholders

As at 28 February 2020

The shareholders holding more than 5% interest, direct and indirect, in the ordinary shares in Maxis Berhad ("the Company") ("Shares") based on the Register of Substantial Shareholders of the Company as at 28 February 2020 are as follows:

	Direct		Indirect	
Name of Substantial Shareholder	No. of Shares Held	%	No. of Shares Held	%
BGSM Equity Holdings Sdn Bhd ("BGSM Equity")	4,875,000,000	62.34	–	–
BGSM Management Sdn Bhd ("BGSM Management")[1]	–	–	4,875,000,000	62.34
Binariang GSM Sdn Bhd ("BGSM")[2]	–	–	4,875,000,000	62.34
Usaha Tegas Equity Sdn Bhd ("UTE")[3]	–	–	4,875,000,000	62.34
Usaha Tegas Sdn Bhd ("Usaha Tegas")[4]	–	–	4,875,000,000	62.34
Pacific States Investment Limited ("PSIL")[5]	–	–	4,875,000,000	62.34
Excorp Holdings N.V. ("Excorp")[6]	–	–	4,875,000,000	62.34
PanOcean Management Limited ("PanOcean")[6]	–	–	4,875,000,000	62.34
Ananda Krishnan Tatparanandam ("TAK")[7]	–	–	4,875,000,000	62.34
Harapan Nusantara Sdn Bhd ("Harapan Nusantara")[8]	–	–	4,875,000,000	62.34
Tun Haji Mohammed Hanif bin Omar[9]	–	–	4,875,000,000	62.34
Dato' Haji Badri bin Haji Masri[9]	–	–	4,875,000,000	62.34
Mohamad Shahrin bin Merican[9]	11,000	*	4,875,000,000	62.34
STC Malaysia Holding Ltd ("STCM")[10]	–	–	4,875,000,000	62.34
STC Asia Telecom Holding Ltd ("STCAT")[11]	–	–	4,875,000,000	62.34
Saudi Telecom Company ("Saudi Telecom")[12]	–	–	4,875,000,000	62.34
Public Investment Fund ("PIF")[13]	–	–	4,875,000,000	62.34
AmanahRaya Trustees Berhad ("ARB") - Skim Amanah Saham Bumiputera	629,448,400	8.05	–	–
Employees Provident Fund Board ("EPF")[14]	864,209,653	11.05	15,028,147	0.19

Notes:

* Negligible

(1) BGSM Management's deemed interest in the Shares arises by virtue of BGSM Management holding 100% equity interest in BGSM Equity.

(2) BGSM's deemed interest in the Shares arises by virtue of BGSM holding 100% equity interest in BGSM Management. See Note[1] above for BGSM Management's deemed interest in the Shares.

(3) UTE's deemed interest in the Shares arises through its wholly-owned subsidiaries, namely, Wilayah Resources Sdn. Bhd., Tegas Puri Sdn. Bhd., Besitang Barat Sdn. Bhd. and Besitang Selatan Sdn. Bhd. which hold in aggregate 37% equity interest in BGSM. See Note[2] above for BGSM's deemed interest in the Shares.

(4) Usaha Tegas' deemed interest in the Shares arises by virtue of Usaha Tegas holding 100% equity interest in UTE. See Note[3] above for UTE's deemed interest in the Shares.

(5) PSIL's deemed interest in the Shares arises by virtue of PSIL holding 99.999% equity interest in Usaha Tegas. See Note[4] above for Usaha Tegas' deemed interest in the Shares.

Information on Substantial Shareholders

(6) PanOcean holds 100% equity interest in Excorp which in turn holds 100% equity interest in PSIL. See Note(5) above for PSIL's deemed interest in the Shares. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of TAK and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in such Shares, it does not have any economic or beneficial interest in such Shares, as such interest is held subject to the terms of such discretionary trust.

(7) TAK's deemed interest in the Shares arises by virtue of PanOcean's deemed interest in the Shares. See Note(6) above for PanOcean's deemed interest in the Shares. Although TAK is deemed to have an interest in such Shares, he does not have any economic or beneficial interest in such Shares, as such interest is held subject to the terms of a discretionary trust referred to in Note(6) above.

(8) Harapan Nusantara's deemed interest in the Shares arises through its wholly-owned subsidiaries, namely, Mujur Anggun Sdn. Bhd., Cabaran Mujur Sdn. Bhd., Anak Samudra Sdn. Bhd., Dumai Maju Sdn. Bhd., Nusantara Makmur Sdn. Bhd., Usaha Kenanga Sdn. Bhd. and Tegas Sari Sdn. Bhd. (collectively, "Harapan Nusantara Subsidiaries"), which hold in aggregate 30% equity interest in BGSM. See Note(2) above for BGSM's deemed interest in the Shares. The Harapan Nusantara Subsidiaries hold their deemed interest in such Shares under discretionary trusts for Bumiputera objects. As such, Harapan Nusantara does not have any economic interest in such Shares as such interest is held subject to the terms of such discretionary trusts.

(9) His deemed interest in the Shares arises by virtue of his 25% direct equity interest in Harapan Nusantara. However, he does not have any economic interest in such Shares as such interest is held subject to the terms of the discretionary trusts referred to in Note(8) above.

(10) STCM's deemed interest in the Shares arises by virtue of STCM holding 25% equity interest in BGSM. See Note(2) above for BGSM's deemed interest in the Shares.

(11) STCAT's deemed interest in the Shares arises by virtue of STCAT holding 100% equity interest in STCM. See Note(10) above for STCM's deemed interest in the Shares.

(12) Saudi Telecom's deemed interest in the Shares arises by virtue of Saudi Telecom holding 100% equity interest in STCAT. See Note(11) above for STCAT's deemed interest in the Shares.

(13) PIF's deemed interest in the Shares arises by virtue of PIF holding 70% equity interest in Saudi Telecom. See Note(12) above for Saudi Telecom's deemed interest in the Shares.

(14) EPF is deemed to have an interest in 15,028,147 Shares held through nominees.

List of Properties Held

Item	Postal Address	Approximate Age of the Building	Tenure/ Date of Acquisition	Remaining Lease Period (Expiry of Lease)	Current Use	Land Area (Sq.metre)	Build-up Area (Sq.metre)	Net Book Value as at 31 Dec 2019 (RM'million)
1	Plot 12155 (Lot 13) Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam Selangor	24 years	Freehold 9 May, 1994	-	Telecommunication operations centre and office	11,235	10,061	17
2	Lot 4059, Jalan Riang 20 Taman Gembira Industrial Estate 81100 Johor Bahru	27 years	Freehold 21 July, 1994	-	Telecommunication operations centre and office	2,201	2,531	4
	Lot 4046, Jalan Riang 20 Taman Gembira Industrial Estate 81100 Johor Bahru		Freehold 21 July, 1994		Telecommunication operations centre and office	2,041	1,546	
3	Lot 2537 & 2538, Lorong Jelawat 6, Kawasan Perusahaan Seberang Jaya 13700 Seberang Jaya Pulau Pinang	23 years	Leasehold 5 January, 1995	54 years (18 August 2073)	Telecommunication operations centre and office	3,661	2,259	5
4	PT 31093, Taman Perindustrian Tago Jalan KL – Sg Buluh Mukim Batu, Gombak	22 years	Freehold 2 July, 1996	-	Technical Operations Centre	2,830	3,290	3
5	Lot 943 & 1289 (No. Lot Pemaju – 46) Rawang Integrated Industrial Park Selangor	22 years	Freehold 12 April, 1997	-	Technical Operations Centre	10,611	1,535	3

List of Properties Held

Item	Postal Address	Approximate Age of the Building	Tenure/ Date of Acquisition	Remaining Lease Period (Expiry of Lease)	Current Use	Land Area (Sq.metre)	Build-up Area (Sq.metre)	Net Book Value as at 31 Dec 2019 (RM'million)
6	8101, Taman Desa Jasmin Block 12B, Bandar Baru Nilai Labu Negeri Sembilan	22 years	Freehold 28 December, 1996	-	Technical Operations Centre	2,378	1,736	1
7	Lot 25, Lorong Burung Keleto Inanam Industrial Estate Inanam, 88450 Kota Kinabalu, Sabah	19 years	Leasehold 11 May, 2000	77 years (31 December, 2096)	Telecommunication operations centre and office	16,149	3,372	8
8	Lot 2323, Off Jalan Daya, Pending Industrial Estate Bintawa, 93450 Kuching, Sarawak	19 years	Leasehold 28 September, 2000	23 years (17 February, 2042)	Telecommunication operations centre and office	10,122	3,382	16
9	Lot 11301, Jalan Lebuhraya Kuala Lumpur – Seremban Batu 8, Mukim Petaling, 57000 Kuala Lumpur	20 years	Sub-Lease 9 August 1999	6 years (28 July, 2025)	Telecommunication operations centre and office	11,592	5,634	13
10	No. 26, Jalan Perdagangan 10 Taman Universiti 81300 Skudai Johor	25 years	Freehold 2 March, 1995	-	Base Transceiver Station	2,294	872	1

Additional Disclosures

Transactions Through Media Agencies

Some of the media airtime, publications and programme sponsorship arrangements ("Media Arrangements") of the Maxis Group are concluded on normal commercial terms with independent media-buying agencies whose role is to secure advertising or promotional packages for their clients. These Media Arrangements may involve companies in the Astro Malaysia Holdings Berhad ("AMH") Group which are licensed to operate satellite Direct-to-Home television and FM radio services, and undertake a number of other multimedia services in Malaysia. The transactions between the media-buying agencies and the AMH Group are based on terms consistent with prevailing rates within the media industry.

For the financial year ended 2019 the value of such transactions, which are not related party transactions entered into by the Maxis Group and the AMH Group and excluded from the related party transactions disclosed elsewhere in this Annual Report, amounted to approximately RM22.0 million.

Compliance with the Personal Data Protection Act

The Company recognises the importance of protecting and securing shareholders' and customers' personal data, and has taken steps to be fully compliant with the Personal Data Protection Act 2010 ("PDPA 2010").

Material Contracts

Material contracts of Maxis Berhad ("Company") and its subsidiaries, involving Directors' and Major Shareholders' interests, either still subsisting at the end of financial year 2019 or, if not then subsisting, entered into since the end of financial year 2018.

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
1.	Transponder Lease for Measat-3 supplemented by supplemental letters no. 1 – 14	17 October 2007 Supplemental No. 1: 20 May 2009 Supplemental No. 2: 9 June 2009 Supplemental No. 3: 17 February 2010 Supplemental No. 4: 17 June 2010 Supplemental No. 5: 20 April 2011 Supplemental No. 6: 8 May 2012 Supplemental No. 7: 13 July 2012 Supplemental No. 8: 4 January 2013 Supplemental No. 9: 8 July 2013	Maxis Broadband Sdn. Bhd. ("MBSB") MEASAT Satellite Systems Sdn. Bhd. ("MSS")	Leasing of transponders for Measat-3 by MBSB for use of bandwidth capacity	Rental fee payable by MBSB to MSS	Cash	MBSB is a wholly-owned subsidiary of the Company. Please see Note 1 on page 222

Material Contracts

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
1.	Transponder Lease for Measat-3 supplemented by supplemental letters no. 1 – 14	Supplemental No. 10: 29 October 2013 Supplemental No. 11: 17 March 2014 Supplemental No. 12: 14 October 2014 Supplemental No. 13: 3 November 2015 Supplemental No. 14: 20 December 2019					
2.	Teleport Services Agreement (Lease rentals of Measat earth station facility) Please see Note A on page 222	7 December 2017	MBSB MSS	Lease rentals of MSS teleport and earth station facility by MBSB	Service fee payable by MBSB to MSS	Cash	Please see Note 1 on page 222
3.	Agreement for the Provision of Services for Contact Centre Please see Note B on page 222	13 March 2018 Supplemental Letter No. 1: 1 October 2019	MBSB SRG Asia Pacific Sdn. Bhd. ("SRG")	Procurement of inbound and outbound customer call handling and telemarketing services provided by SRG to MBSB	Service fee payable by MBSB to SRG	Cash	SRG is a person connected to TAK. TAK is a major shareholder of the Company.

Material Contracts

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
4.	Managed Bandwidth Services Agreement	1 July 2011	MBSB MEASAT Broadband (International) Ltd. ("MBIL")	Lease of bandwidth capacity on IPSTAR-1 satellite by MBIL	Rental fee payable by MBSB to MBIL	Cash	Please see Note 1 on page 222
	(a) Letter of Agreement for Additional Managed Bandwidth Services	11 November 2014					
	(b) Letter of Agreement for Additional Managed Bandwidth Services	13 May 2015					
	(c) Letter of Agreement for Additional Managed Bandwidth Services	8 July 2015					
	(d) Letter of Amendment to limit provision of services to bandwidth capacity on Measat-5	5 December 2017					

Material Contracts

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
5.	(a) IPTV Services Agreement (as amended by Termination Letter dated 27 September 2012, terminating the application of IPTV Services Agreement with respect to AD5SB, effective from 25 October 2012)	19 January 2012	MBSB Media Innovations Pty. Ltd. ("Media Innovations") Astro Digital 5 Sdn. Bhd. ("AD5SB")	Provision of IPTV platform and customer premises equipment development services and IPTV related services including operational, consultancy and project (hardware and software) services	Fees payable by MBSB to Media Innovations and AD5SB	Cash	Please see Note 2 on page 222
	(b) Amendment to IPTV Services Agreement	3 April 2013	MBSB Media Innovations	Agreement to amend the scope of services of Media Innovations under the IPTV Services Agreement			
6.	(a) Amended and Restated Fibre Co-Marketing Agreement Please see Note C on page 222	24 January 2020	MBSB MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS")	To exclusively collaborate and co-market unique customer offers combining Astro's content service with Maxis' fibre service	(a) Set Charges payable by MBSB to MBNS for Astro's content service (b) Set Charges payable by MBNS to MBSB for Maxis' fibre service	Cash	Please see Note 2 on page 222

Material Contracts

No	Contract	Date	Parties	General Nature	Consideration passing to or from the Company or any other corporation in the Group	Mode of satisfaction of consideration	Relationship between director or major shareholder and contracting party (if director or major shareholder is not contracting party)
6.	(b) Wireless and ADSL Co-Marketing Agreement	30 April 2013	MBSB MBNS	To exclusively collaborate and co-market unique customer offers combining Astro B.yond, IPTV and Astro On The Go services with Maxis' wireless and Internet and Asymmetric Digital Subscriber Line ("ADSL") services	Charges payable by MBNS to MBSB	Cash	
	(c) Astro B.Yond IPTV Services and Astro OTT Services Dealer Agreement	30 April 2013	MBSB MBNS	Appointment of MBSB as an authorised dealer to sell and promote Astro B.Yond IPTV services and Astro OTT (over the top internet) services	Charges payable by MBNS to MBSB	Cash	

Notes:

A. The Teleport Services Agreement dated 7 December 2017 between MBSB and MSS has superseded the Teleport Services Agreement dated 17 October 2007 and its supplemental letter dated 19 April 2013.

B. The Agreement for the Provision of Services for Contact Centre dated 13 March 2018 and its supplemental letter dated 1 October 2019 between MBSB and SRG have superseded the Services Agreement dated 10 February 2015, together with its Novation Agreement dated 25 March 2016 and the supplemental letters dated 22 September 2016 and 15 December 2016 respectively.

C. The Amended and Restated Fibre Co-Marketing Agreement dated 24 January 2020 between MBSB and MBNS has superseded the Fibre Co-Marketing Agreement dated 30 April 2013 and the Assignment Agreement dated 30 April 2013.

1. MSS and MBIL are the wholly-owned subsidiaries of MEASAT Global Berhad ("MGB"). Ananda Krishnan Tatparanandam ("TAK") who is a Major Shareholder of the Company, is also a major shareholder of MGB. Tun Haji Mohammed Hanif bin Omar ("THO"), who is a major shareholder of the Company, is also a director of MGB and MSS. Mohamad Shahrin bin Merican, who is a Major Shareholder of the Company, is also a Major Shareholder of MGB. Lim Ghee Keong ("LGK"), who is a Director of the Company and MBSB is also a director of MEASAT Global Network Systems Sdn. Bhd., a major shareholder of MGB.

2. AD5SB and MBNS are the wholly-owned subsidiaries of Astro Malaysia Holdings Berhad ("AMH") whilst Media Innovations is wholly-owned by Media Innovations Holdings Pty. Ltd. ("MIHPL"), a 83.84% owned subsidiary of Astro Overseas Limited which in turn is wholly-owned by Astro Holdings Sdn. Bhd. ("AHSB") via Astro All Asia Networks Limited. UTSB, PSIL, Excorp, PanOcean and TAK, who are Major Shareholders of the Company, are also major shareholders of AMH and AHSB. Dato' Badri, who is a Major Shareholder of the Company, is a former director of MBNS and AHSB. LGK, who is a Director of the Company and MBSB, is also a director of AMH and AHSB.

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Glossary

4G LTE: Or Long-Term Evolution; the next generation of mobile communications networks beyond 3G, which will deliver very high bandwidths to mobile devices.

5G: Next-generation of mobile networks beyond LTE mobile networks. According to ITU guidelines, 5G network speeds should have a peak data rate of 20Gb/s for the downlink and 10Gb/s for the uplink. Beyond connecting people, 5G will connect devices.

Apps: Or Applications, which are software programmes that can be downloaded and used on smartphones, tablets and computers. Popular Apps include Facebook, Twitter, Waze, WhatsApp, etc.

ARPU: Average Revenue Per User

BTS: Base Transceiver Station, which provides cellular coverage and capacity.

Bursa Securities: Bursa Malaysia Securities Berhad

Cloud Solutions: Refers to cloud computing services or computing resources that are delivered over the Internet for usage as and when they are needed.

Corporate Governance Report 2018: Detailed application of the Principles and Recommendations of MCCG 2017 during the financial year 2018.

GWh: Or gigawatt hours, a unit to measure energy consumption

ICT: Information and Communications Technology; an umbrella term that includes any communications device or application, encompassing radio, television, cellular phones, computer and network hardware and software, satellite systems as well as various services and applications associated with them, such as video conferencing and distance learning.

IoT: Internet of Things; is the internetworking of physical devices, vehicles, buildings, and other items which are embedded with electronics, software, sensors, actuators and network connectivity that enable these objects to collect and exchange data.

IP: Internet Protocol; a standard that keeps track of network addresses for different nodes, routes outgoing messages, and recognises incoming messages.

IPTV: Internet Protocol television

LTE: Long-Term Evolution

KKMM: Kementerian Komunikasi dan Multimedia Malaysia or Ministry of Communications and Multimedia Malaysia

Maxis or the Company: Maxis Berhad [Registration No. 200901024473 (867573-A)]

Mbps: Megabits per second

MCCG 2017: Malaysian Code on Corporate Governance 2017

MCMC: Malaysian Communications and Multimedia Commission

MHz band: A megahertz band that is a small section of the spectrum of radio communication frequencies. In Malaysia, GSM frequency bands or ranges, are the cellular frequencies designated by the ITU for the operation of GSM mobile phones.

MMLR: Main Market Listing Requirements of Bursa Securities

NB-IoT: NarrowBand - Internet of Things, a technology that is designed to enable connectivity to “things” using mobile networks. It improves the power of consumption of user devices, system capacity and spectrum efficiency, especially in deep coverage.

RAN: Radio Access Network; which comprises the base station technology and air interface of a cellular network.

SD-WAN: Software-Defined networking in a Wide Area Network.

SME: Small and Medium Enterprises

SMS: Short Message Service

Spectrum: Or a spectrum of radio communication frequencies that is sold or licensed to operators of cellular telephone services. For example, Malaysia’s telecommunications industry utilises the spectrum frequencies of 900MHz, 1800MHz, etc. for provision of cellular services.

USP: Universal Service Provision; an initiative to promote the widespread availability and usage of network and/or applications services by encouraging the installation of network facilities and the provision of network and/or applications services in underserved areas.

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