MY MAXIS 4G 100%

maxis

88%
4G LTE

RM8.5B
Total Service Revenue

12M
Followers

Following

Maxis - What's Next

Annual Report 2016

We are Maxis

We enable all our customers to do more in an always connected and ever interactive world. As the leading communications and Internet service provider in Malaysia, we take pride in connecting Malaysians to a constantly expanding universe of digital applications in an 'Always On' world. We are obsessed with continuously innovating and providing an unmatched end-to-end communications experience.

We empower our enterprise customers with New Ways of Working through our mobility solutions and fixed connections, so that businesses are able to take their digital engagement with their customers to a whole new level.

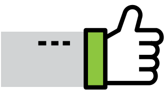
At Maxis, we won't settle for anything other than the best for network performance. And that's why our average is not the average. Our industry-leading 4G LTE network is the widest and fastest in the country. We continue to invest significantly and expand our 4G LTE coverage to ensure that all our customers enjoy a fantastic Internet experience.

Our people are the heroes behind the MaxisWay of life, a high-performing culture driven by passion, positivity and collaboration. Paired with a workplace that is fun and dynamic, our employees are happy and eager to contribute their unique talents – making them the envy of the industry and making Maxis an employer of choice.

Beyond connecting people with our services, we are also passionate about upholding our responsibility to give back to the communities that we operate in. Our Corporate Responsibility is committed to driving sustainable progress with our customers and partners through programmes designed for social, economic and environmental benefit.

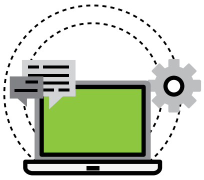
As we continue our journey towards a fully digitalised Maxis, we are well on our way to become the preferred choice for digital experience seekers.

What's Important to Us



Happy Customers

Our top priority is to create as many LIKE moments as possible for our customers. They are at the centre of everything we do. Nothing matters more to us than constantly delivering innovative, worry-free services that ensures our customers enjoy the best 'Always On' experience. Our goals are pure and simple – delighting our customers by embedding unmatched customer experiences in their whole journey with Maxis.



Unmatched Network Experience

Our network is our prized competitive advantage. The real differentiators are network coverage and quality. That is why we continue to invest, expand and modernise our network with particular focus on our widest and fastest 4G LTE network. We want to provide a great mobile Internet experience to our customers. Our ultimate aim is to deliver seamless connectivity on the No. 1 4G LTE network in the country.

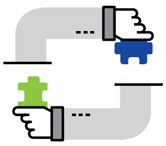
Fuelling Potential

It is a key priority for us to continuously attract, retain and develop the best talent. To develop highly capable and engaged people, we invest and provide them with the right training and skills. We have introduced the MaxisWay, which embodies the values of being positive, passionate and collaborative. It also encourages new ways of working for all of us and promotes an exciting work environment.

Innovative Solutions

The Internet and the digital era have escalated customer expectations to new levels. With digital-savvy Malaysians at the top of our minds, we have responded by partnering with content owners like Spotify and Google, as well as developed differentiated offerings that are convenient, yet also value-for-money.

We know we have to keep pushing the boundaries of our network's capability and innovativeness when it comes to solutions for individual and businesses. We welcome the challenge.

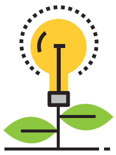


Connecting the Unconnected

We empower communities by giving them access to learning and the world-at-large, via the Internet. As a communications provider, we believe digitalisation and technology can give students in rural communities a better chance of receiving a full education.

With this in mind, we introduced eKelas, an after-school remote learning programme for students in underserved areas. We firmly believe that technology should and can be leveraged to create meaningful impact wherever possible.

We also continue to positively impact those in need through employee volunteerism, especially during festive seasons. We engage our employees to share their time and lend their support towards our community relations activities.



Environmental Consciousness

We're committed to managing our environmental impact. With 95% of our energy consumption coming from our networks, the demand on these resources continues to increase as we expand our network and services. So, it makes sense for us to minimise the carbon footprint of our own operations by using more renewable energy to improve energy efficiency of our network.

The core of our environmental initiatives focuses on three key areas; increasing the energy efficiency of our network facilities and buildings as well as reducing and managing our carbon emissions, managing our waste and promoting green habits among our employees.

Table of Contents

Overview

We Are Maxis
2 What's Important to Us
4 Financial Highlights
5 Group Quarterly Financial Performance
6 Summarised Group Statement of Financial Position
8 Chairman's Statement
11 CEO's Statement
15 Management Discussion and Analysis
20 Investor Relations
22 Corporate Information

Our Business

24 Directors' Profiles
32 Maxis Management Team

Strategic Review

37 Our Customers
39 Our Products
43 Our Network & Systems
45 Our People
48 Sustainability Statement

Corporate Governance

54 Statement on Corporate Governance
68 Audit Committee Report
72 Statement on Risk Management and Internal Control
77 Directors' Responsibility Statement

Financial Statements

78 Directors' Report
85 Statements of Profit or Loss
86 Statements of Comprehensive Income
87 Statements of Financial Position
89 Statements of Changes in Equity
93 Statements of Cash Flows
96 Notes to the Financial Statements
191 Supplementary Information
192 Statement by Directors
192 Statutory Declaration
193 Independent Auditors' Report to the Members of Maxis Berhad

Other Information

202 Size of Shareholdings
202 Distribution Table According to Category of Shareholders
203 Directors' Interest in Shares
204 30 Largest Shareholders
206 Information on Substantial Shareholders
208 List of Properties Held
210 Disclosure of Recurrent Related Party Transactions
213 Additional Disclosures
214 Material Contracts
219 Glossary
221 Notice of Annual General Meeting

Proxy Form

Financial Highlights

	2016	2015[1]	2014[1]	2015-2016 YoY Change
FINANCIAL RESULTS				
Financial Indicators (RM mn)				
Revenue	**8,612**	8,601	8,389	0.1%
Service revenue	**8,455**	8,520	8,209	-0.8%
EBITDA [2]	**4,551**	4,331	4,229	5.1%
Normalised EBITDA [3]	**4,484**	4,425	4,251	1.3%
Profit from operations	**3,152**	2,872	2,816	9.7%
Profit Before Tax ("PBT")	**2,737**	2,460	2,436	11.2%
Profit After Tax ("PAT")	**2,013**	1,747	1,725	15.2%
Normalised PAT [4]	**1,963**	1,960	1,943	0.2%
Profit attributable to equity holders of the Company	**2,013**	1,739	1,718	15.8%
Financial Ratios				
EBITDA margin (%)	**52.8**	50.4	50.4	
Normalised EBITDA margin (%)	**52.1**	51.5	50.7	
PBT margin (%)	**31.8**	28.6	29.0	
PAT margin (%)	**23.4**	20.3	20.6	
Normalised PAT margin (%)	**22.8**	22.8	23.2	
Interest cover ratio	**6.7**	6.1	6.6	
Earnings per share (sen)				
- basic	**26.8**	23.2	22.9	
- fully diluted	**26.8**	23.2	22.9	
Dividends per share (sen) [5]	**20.0**	20.0	40.0	
FINANCIAL POSITIONS				
Financial Indicators (RM mn)				
Equity attributable to equity holders of the Company	**4,721**	4,190	4,716	
Total assets	**19,643**	18,984	18,109	
Total borrowings	**9,253**	9,130	8,798	
Financial Ratios				
Return on invested capital (%)	**18.9**	17.9	16.9	
Return on average equity (%)	**45.2**	39.1	32.1	
Return on average assets (%)	**12.6**	11.8	12.0	
Gearing ratio	**1.82**	1.86	1.53	
Net assets per share attributable to equity holders of the Company (RM)	**0.63**	0.56	0.63	

Notes

[1] The comparative results were restated to provide more comparable information with the current year

[2] Defined as Earnings Before Interest, Taxes, Depreciation and Amortisation

[3] Exclude below items for the respective years:
(a) Year 2016 - RM67 million comprising reversal of contract obligations provision of RM47 million and unrealised foreign exchange gains of RM20 million
(b) Year 2015 - unrealised foreign exchange losses of RM94 million
(c) Year 2014 - RM22 million comprising unrealised foreign exchange losses of RM44 million offset by reversal of contract obligations provision of RM22 million

[4] Exclude below items (after tax effects) for the respective years:
(a) Year 2016 - RM50 million comprising accelerated depreciation of RM37 million offset by reversals of asset impairment and contract obligations provision of RM71 million and unrealised foreign exchange gains of RM16 million
(b) Year 2015 - RM213 million comprising accelerated depreciation of RM143 million and unrealised foreign exchange losses of RM70 million
(c) Year 2014 - RM218 million comprising accelerated depreciation of RM201 million and unrealised foregin exchange losses of RM33 million offset by reversal of contract obligations provision of RM16 million

[5] Dividends per share consist of interim and final dividends declared and proposed in respect of the designated financial years

Group Quarterly Financial Performance

(RM mn)	2016 First Quarter	2016 Second Quarter	2016 Third Quarter	2016 Fourth Quarter	Year 2016
Revenue	**2,140**	**2,102**	**2,156**	**2,214**	**8,612**
Service revenue	**2,122**	**2,055**	**2,113**	**2,165**	**8,455**
EBITDA	**1,213**	**1,050**	**1,130**	**1,158**	**4,551**
Normalised EBITDA	**1,156**	**1,006**	**1,139**	**1,183**	**4,484**
Profit from operations	**840**	**750**	**778**	**784**	**3,152**
PBT	**734**	**648**	**680**	**675**	**2,737**
PAT	**520**	**483**	**505**	**505**	**2,013**
Normalised PAT	**484**	**421**	**514**	**544**	**1,963**
Profit attributable to equity holders of the Company	**518**	**488**	**503**	**504**	**2,013**
Earnings per share - basic (sen)	**6.9**	**6.5**	**6.7**	**6.7**	**26.8**
Dividends per share (sen) [(1)]	**5.0**	**5.0**	**5.0**	**5.0**	**20.0**

(RM mn)	2015 First Quarter	2015 Second Quarter	2015 Third Quarter	2015 Fourth Quarter	Year 2015
Revenue	2,149	2,110	2,166	2,176	8,601
Service revenue [(2)]	2,122	2,089	2,154	2,155	8,520
EBITDA	1,047	1,101	1,021	1,162	4,331
Normalised EBITDA	1,083	1,110	1,111	1,121	4,425
Profit from operations	686	736	676	774	2,872
PBT	590	631	566	673	2,460
PAT	412	443	422	470	1,747
Normalised PAT	482	491	510	477	1,960
Profit attributable to equity holders of the Company	410	441	420	468	1,739
Earnings per share - basic (sen)	5.5	5.9	5.6	6.2	23.2
Dividends per share (sen) [(1)]	5.0	5.0	5.0	5.0	20.0

Notes

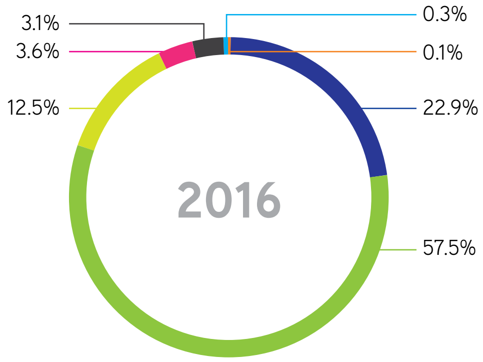
(1) Dividends per share consist of interim and final dividends declared and proposed in respect of the designated financial periods/years

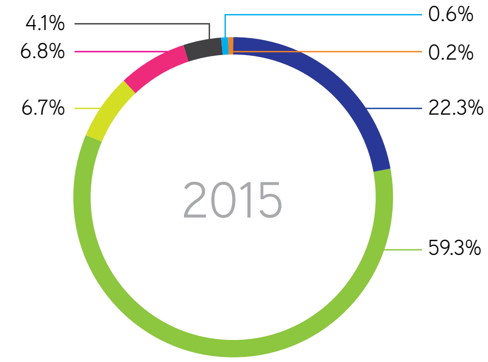
(2) The comparative results were restated to provide more comparable information with the current period/year

Summarised Group Statement of Financial Position

Total Assets

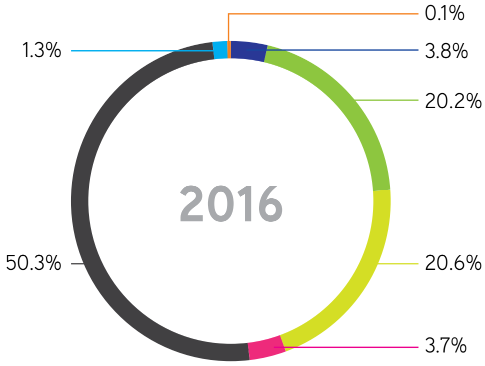
	Property, plant and equipment	Intangible assets	Receivables deposits and prepayments	Deposits, cash and bank balances	Derivative financial assets	Deferred tax assets and tax recoverable	Other assets
2016 (RM mn)	**4,502**	**11,297**	**2,453**	**682**	**614**	**66**	**29**
2015 (RM mn)	4,227	11,267	1,268	1,296	777	111	38

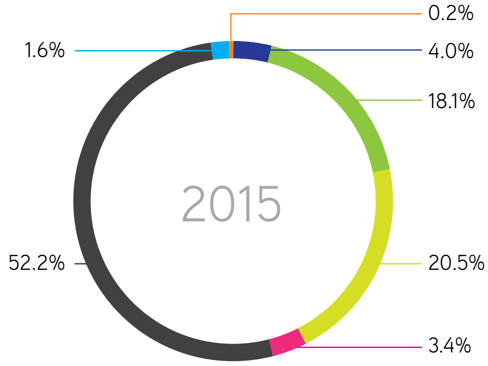


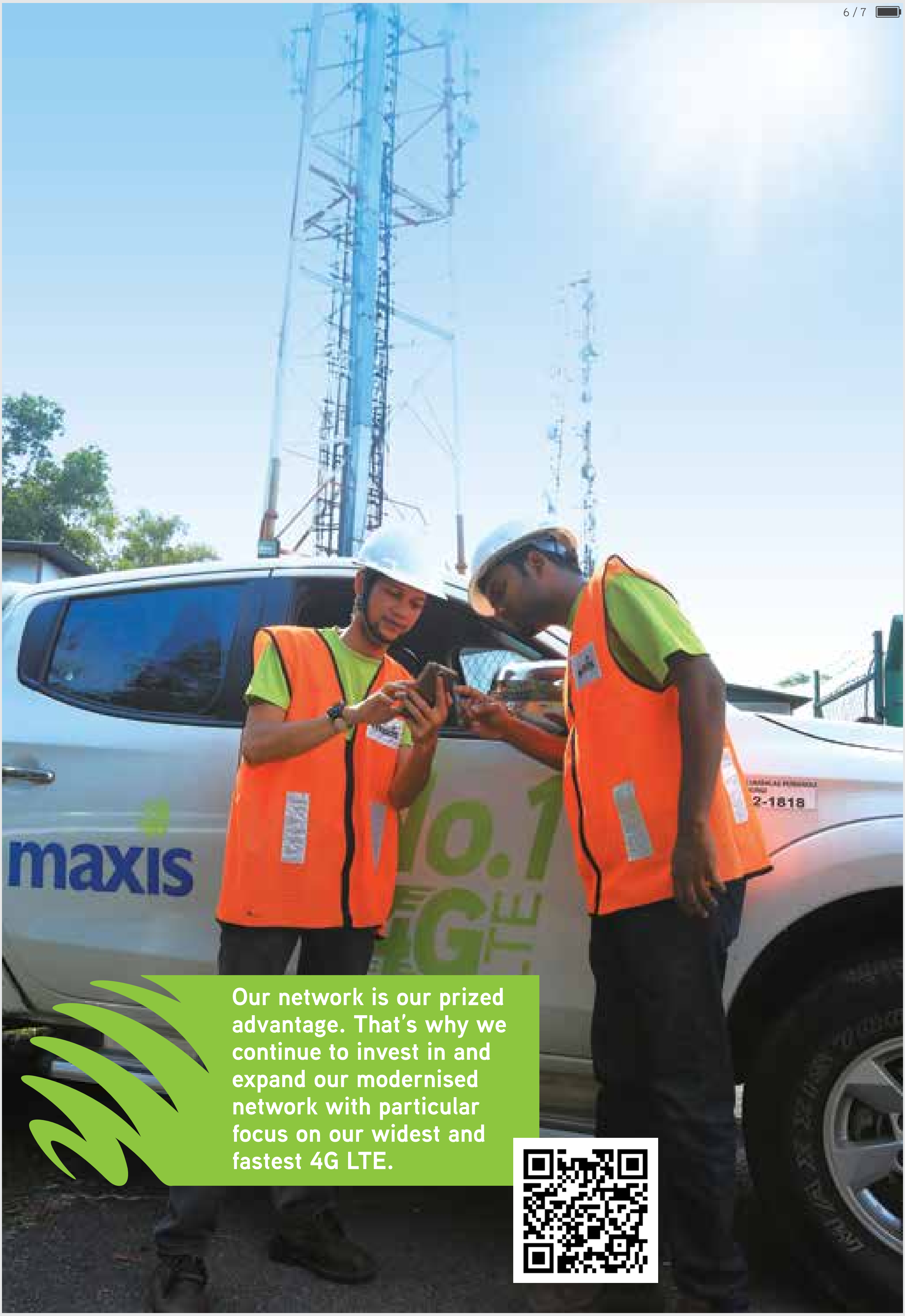


Total Equity and Liabilities

	Share capital	Reserves	Payables and accruals	Taxation and deferred tax liabilities	Borrowings	Provisions for liabilities and charges	Other liabilites and non-controlling interest
2016 (RM mn)	**751**	**3,970**	**4,051**	**732**	**9,864**	**261**	**14**
2015 (RM mn)	751	3,439	3,893	653	9,907	300	41







Our network is our prized advantage. That’s why we continue to invest in and expand our modernised network with particular focus on our widest and fastest 4G LTE.

Chairman's Statement

2016

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
online

2016 was a good year for Maxis. The company saw a surge in data consumption across all customer segments, reflecting an unprecedented growth in the demand for mobile Internet in Malaysia. The good news is that this development works well for Maxis as we continue our transformation journey to be a digital enabler.

SOLID PERFORMANCE IN A CHALLENGING ENVIRONMENT

For our customers to enjoy the best uninterrupted digital experience, we continue to upgrade our industry-leading 4G network. On the solutions front, we introduced new innovative offerings designed to facilitate new ways of working for businesses. During the year under review, there were industry challenges that the Company had to face – an unprecedented price pressure and additional investments arising from the new spectrum regulatory measures. Despite the tough environment, Maxis delivered a solid performance.

Overall the Group's service revenue was successfully maintained at similar levels to 2015, with a strong end-of-the-year – building up momentum as Maxis enters 2017. Our postpaid performance was strong and our prepaid business showed ARPU improvement as a result of good mobile Internet uptake. At the same time, our Integrated Services division also made significant gains in 2016. In line with our ambitions to evolve into a digital company, we have made great strides within the Enterprise business through the introduction of new and innovative offerings. Normalised EBITDA was reported at RM4.5 billion and we achieved an EBITDA margin of 52.1% reflecting our continued focus on cost efficiency. As such, PAT was RM2.0 billion.

We have been rewarding our loyal shareholders with cash dividends. Based on four interim dividends of 5 sen net per share, the Company declared total dividends of RM1.5 billion for the financial year. This pay-out is aligned to our cash generation and dividend policy.

WHAT MATTERS TO US

Data quality is becoming critical for so many Malaysians, and real customer experience matters, which is why we are expanding our 4G coverage, investing significantly in the network. We have invested RM1.2 billion in 2016 and are particularly proud of our industry-leading LTE network which has reached 88% of the population, covering more than 220 cities and towns. We are making good progress towards our ambition to be a fully digitalised Maxis to deliver the best digital experience to our customers.

Following the spectrum reallocation exercise, Maxis needs to optimise a reduced spectrum portfolio. We are pleased with the spectrum certainty gained but we are looking forward to further fair spectrum allocations in other bands to continue serving the Malaysian population with the best Internet experience.

2016

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda

online

Great companies are made up of great people. That's why we at Maxis continually renew our commitment to develop talent and successions. In view of that, we have improved our talent review process to make it more action-oriented. Employees now see a clear link between their performance and their potential for career and capability growth.

On the community front, I am happy to share with you our excitement for eKelas, our flagship Corporate Responsibility programme. Leveraging on technology and the Internet, eKelas is an after-school digital learning initiative that aims to improve the academic performance of students in the rural and urban poor communities in Malaysia. We are proud to be the first company to bring e-learning as a structured, after-school learning programme to Pusat Internet 1Malaysia.

BOARD COMMITMENT

The Board of Directors is fully committed to its duties and responsibilities as fiduciaries of the Company. Each director brings a unique set of skills and experiences to aid the Company in effective decision-making and management. During the year, Fraser Curley resigned and I would like to thank him for his contributions to the Board. I would like to take this opportunity to formally welcome Mazen AlJubeir, Naser AlRashed and Dr. Kaizad Heerjee who were appointed as directors during the year. Collectively, they bring vast experience in strategy, entrepreneurship, management, investment and telecommunications which will contribute to the Board's stewardship.

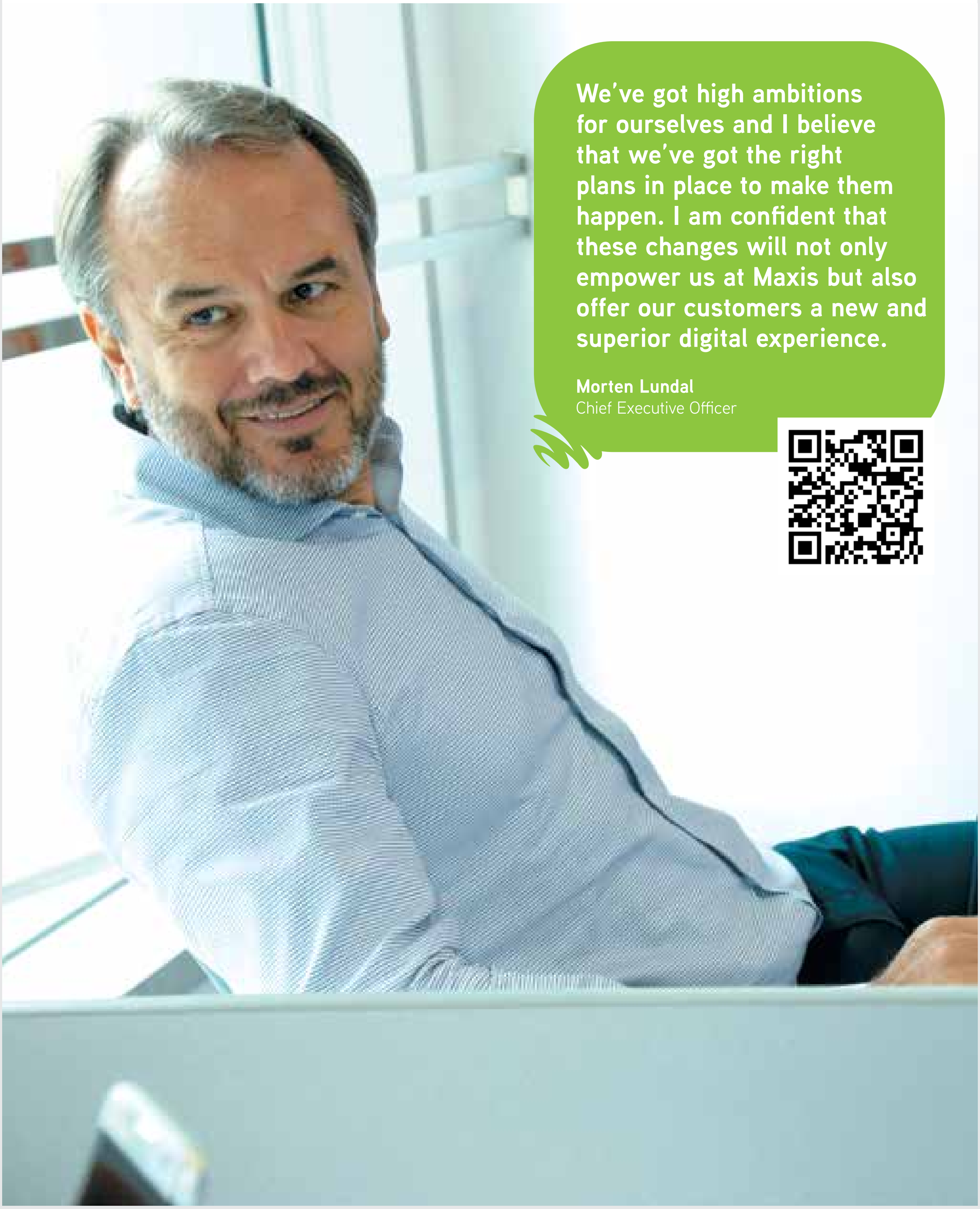
ACKNOWLEDGEMENT

Our achievements this year would not have been possible without the crucial support of key stakeholders. We remain deeply thankful for the confidence shown to us by KKMM and MCMC, our customers, business partners, associates and shareholders.

I would like to thank the Board for the wise counsel and valuable insights. I would also like to express my gratitude to the CEO, Morten Lundal, on his leadership and the Management as well as the staff for their enthusiasm and commitment.

I am excited to see what lies ahead for our future as we continue on our transformation journey. I believe new opportunities will emerge and look forward to working together with the Board and Maxis team towards an equally great year ahead.

CEO's Statement



We've got high ambitions for ourselves and I believe that we've got the right plans in place to make them happen. I am confident that these changes will not only empower us at Maxis but also offer our customers a new and superior digital experience.

Morten Lundal
Chief Executive Officer

MY MAXIS 4G

2016

Morten Lundal
online

We know it so well, but it is worth being 're-amazed' again and again. The (mobile) Internet is having a phenomenal impact on our lives, it really is hard to overplay. Each one of us is now empowered by this huge amount of information at our fingertips. Internet is the greatest leveller there is – all it takes is a phone to be truly informed and engaged.

GOING ALL-OUT DIGITAL

So, it's going to be an ever bigger and more impactful digital world out there as more and more people and businesses take advantage of the exciting and empowering possibilities from new technologies.

But what does this mean for 'telcos' like Maxis? I will highlight three things:

Great connectivity really matters. More and more individuals and particularly businesses are completely relying on a combination of mobile, software and cloud infrastructure. For that reason, high quality connectivity really matters, be it fixed or wireless, in the car, in the office, in that big meeting room, in the basement, in that café you like so much, and so on. It doesn't matter how good the cloud is if you cannot reach it. Connection has to be fast, consistent, secure always, absolutely on always. So connectivity is not a commodity, it is the foundation for the digital world to actually function.

New ways of providing digital solutions are needed. Yes, there is a flurry of applications and technologies out there, but it is not straightforward for ambitious homes and progressive enterprises to choose, implement, maintain, upgrade and troubleshoot these solutions. And many of these technology vendors are niche and silo-focused, making it hard for users to find the 'solution' that they crave. This is where an ambitious 'telco' like Maxis can play a role.

Digital enables new ways of working. The digital universe also offers Maxis itself a chance to work differently. 2016 is our first stepping stone towards real transformation to thrive in a digital world.

This means moving from products to solutions, from access to digital services, from traditional to digital channels, supported by being fully digital operationally. It means that we have to build fantastic digital interfaces between ourselves and our customers, partners and vendors. We are about to make fundamental changes in our operational setup, IT and processes to support all these ambitions. All of these trends are fundamental reasons for the optimism I have for the industry in general and Maxis specifically.

I have written 'telco' in inverted commas here, because although I acknowledge we are set up like a classic telco, we internally think and feel like something else, and we are transforming towards something else, more like a 'Digital Empowerer', but that's a too pretentious word to use so I'd rather use 'telco' for now...

Morten Lundal
online

MAXIS IN 2016: WINNING IN A TURBULENT MARKET

2016 was a year of intense price-focused competition, massive network expansion and seeing our customers truly embrace the Internet.

For Maxis, prices need to be competitive, but that doesn't mean a narrow focus on low sticker prices. We want to be the more attractive overall value proposition for our customers, where price point, functionality, quality and customer experience work together to create a worry-free experience of empowerment for our customers. So our core strategy is simple: to build high-quality data networks, to enable worry-free usage with large data bundles and to provide relevant solutions. In April and November, we launched enhanced MaxisONE plans where we executed massive upgrades of data quota for existing and new customers, which was combined with an attractive sharing proposition for families. Malaysians act when they see a good deal, which is why more than 800,000 MaxisONE customers have been added and now the base has doubled to 1.7 million.

We have also infused new energy into the market with Hotlink FAST that gives customers free data on weekends, for life. We have more than 1.5 million subscribers since its launch in April 2016.

Our Maxis Home Fibre has also done well in 2016. We differentiated our offering with a new Maxpert service, which provides customers with technical help to set up their home Internet the right way, right from the start. This has translated to an increase of 32% in service revenue for this segment and very high customer satisfaction.

Our Enterprise team is also continuously empowering our SME and corporate customers with innovative solutions that much improve their processes for payments and asset tracking. Our aim is to simplify, optimise and grow businesses through new digital ways of working.

However, innovation alone isn't enough and we believe that to provide the best experience, you need the best network. For us, it's not just about giving more data – what's important is that you get high quality data. Maxis invested RM1.2 billion in capital expenditure and we are proud of our industry-leading LTE network which has reached 88% of the population, covering more than 220 cities and towns.

Our customers have responded tremendously to the expansion of our quality network. We've witnessed an absolutely amazing increase in average usage of mobile Internet per customer. From an average of 1.5GB per month last year, our customers are now using 4.0GB per month. These are remarkable statistics for any market globally, proving Malaysians' love for the Internet.

Our flagship internal ambition is to deliver Unmatched Customer Experience. We strongly believe that enabling our customers to interact with us digitally is part of that ambition. Our goal is to be near 100% digitally enabled by 2018, so that our customers can fully engage with us online. Through digitisation, our customers are gaining greater control over their accounts and services, product features and support options, all while saving valuable time. MyMaxis App has shown great traction this year with

MY MAXIS 4G

2016

Morten Lundal

online

over one million downloads and nearly half a million active users while our Hotlink RED App has over 1.5 million active users.

We ended our first transformational journey in 2015 by successfully fixing the fundamentals at Maxis. Coupled with the efforts of our frontliners, the transformation resulted in higher market shares and happier customers in 2016, translating to the highest satisfaction score we have ever received.

In essence, 2016 was about change and performance, and of course the credit goes to our people who have worked hard behind the scenes to deliver our progress. We've come a long way from being a standard telco company to becoming a high-performing, collaborative, digital Maxis and our people are thriving in this new work environment. This year, we achieved the highest ever Employee Engagement score of 85%, which is no mean feat considering just three years ago we were well below 70%.

My appreciations also go to my fellow Board of Directors for providing valuable guidance and support. Also thanks to our customers, business partners and dealers for their support and confidence in us.

While the industry had a challenging year, we experienced good traction for all parameters, achieving both good absolute and relative (market share) results. Here are the key numbers:

- Total service revenue – RM8.5 billion
- EBITDA (normalised) – RM4.5 billion
- EBITDA margin (normalised) – 52.1%
- PAT (normalised) – RM2.0 billion
- Postpaid – 1.7 million MaxisONE plan subscriptions
- Prepaid – The Hotlink FAST launched in Q2 2016 has surpassed 1.5 million customers
- Mobile Internet subscribers – 74.5% of base
- LTE coverage – 88% of population; widest in Malaysia

So, 2016 was a good year for us. As we embark on our ambition to become a truly digital Maxis, there is still lots to be done and equally lots to look forward to.

MOVING TOWARDS 2018: JOURNEY TOWARDS A FULLY-DIGITALISED MAXIS BEGINS

We've got high ambitions for ourselves and I believe that we've got the right plans in place to make them happen. I am confident that these changes will not only empower us at Maxis but also offer our customers a new and superior digital experience. After all, our customers are the main drive and passion for our transformation.

Management Discussion and Analysis

Delivered earnings in line with guidance amid a challenging market environment; the high demand for data and unmatched customer experience continued to drive financial and operational progress.

DELIVERED EARNINGS IN LINE WITH GUIDANCE

- Service Revenue
  RM8.5 billion
- Normalised EBITDA
  RM4.5 billion
- Normalised Profit After Tax
  RM2.0 billion
- Normalised Free Cash Flow
  RM1.6 billion
- Cash Dividends
  RM1.5 billion

HIGH PERFORMING DATA NETWORK

- **88%**
  industry-leading 4G LTE population coverage with consistent 4G download speeds
- **7x LTE**
  traffic growth; consistent great Internet experience
- **95%**
  4G data sessions at 3Mbps or higher; sufficient for seamless HD video streaming

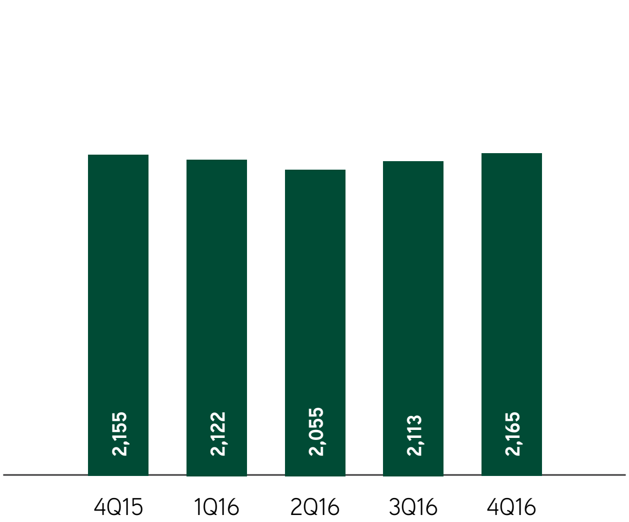
COMMITTED TO DELIVER UNMATCHED CUSTOMER EXPERIENCE

- **90%**
  first contact resolution across all customer service touchpoints
- **60%**
  customer interactions over digital and self-care platforms

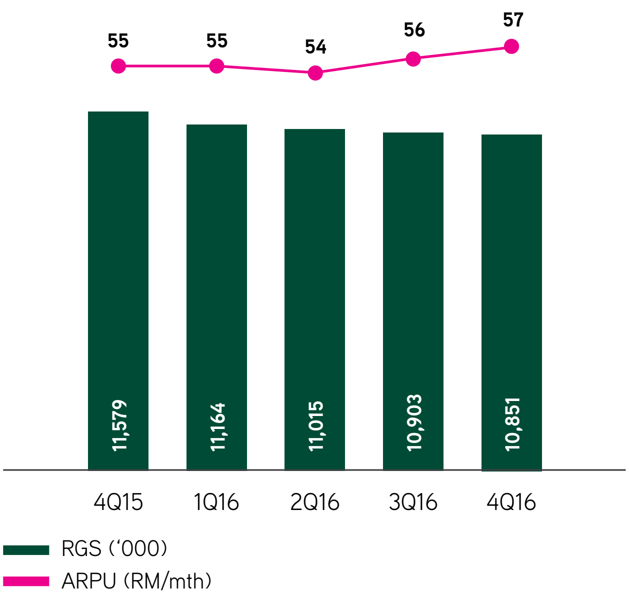
Financial Review
For financial year ended 31 December 2016, despite facing a challenging year, we are pleased to report that we achieved good results and delivered earnings in line with guidance. Service revenue stood at RM8,455 million, relatively stable year-on-year. High demand for data and unmatched customer experience continued to drive positive financial and operational progress.

We saw solid performance in mobile data revenue, up 27% year-on-year. This was driven by continuous strong uptake of mobile Internet. Among our 11 million revenue generating subscriptions ("RGS"), 74% are mobile Internet users and 76% are smartphone users.

SERVICE REVENUE (RM mn)

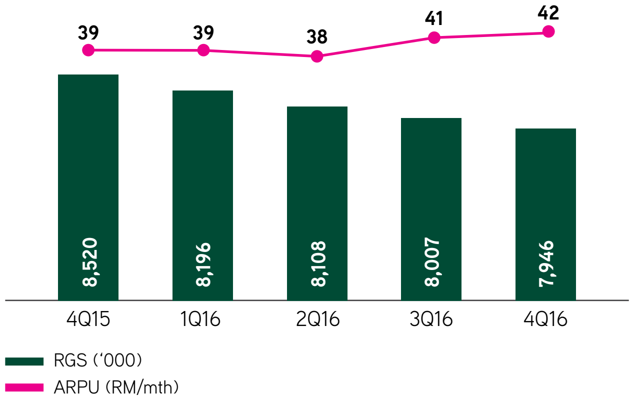


TOTAL RGS AND BLENDED ARPU

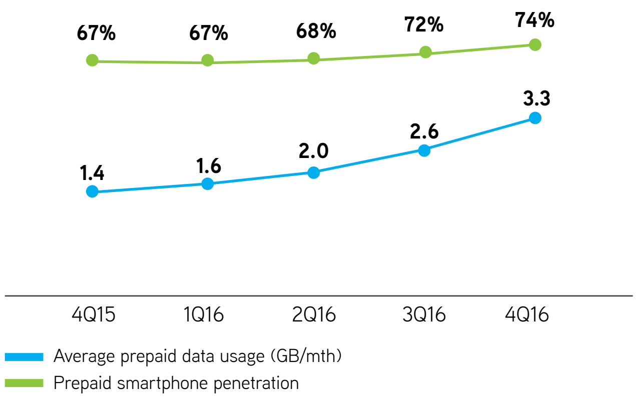


Management Discussion and Analysis

PREPAID RGS AND ARPU



PREPAID DATA USAGE AND SMARTPHONE PENETRATION

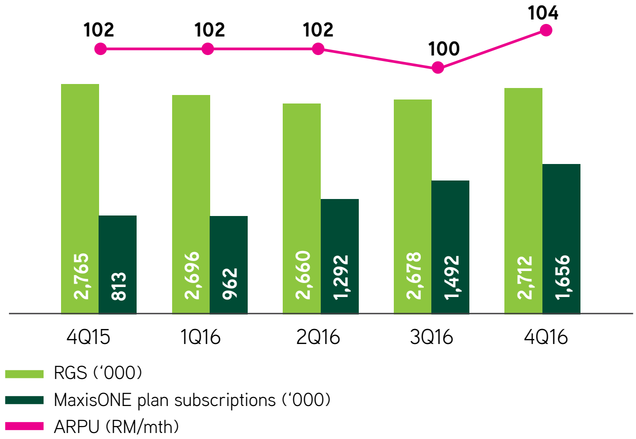


Prepaid revenue registered a 3.7% year-on-year decline to RM4,018 million against RM4,173 million a year ago. This decline was mainly driven by aggressive price competition led by free high-speed Internet and aggressive discounting in the migrant segment. These resulted in high levels of rotational churn which in turn impacted the Group's overall subscription base.

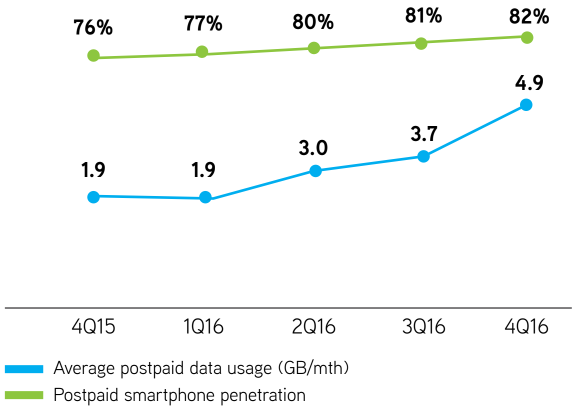
In April, to strengthen our position as the market leader in 4G prepaid, we launched Hotlink FAST that gave customers free data on weekends, for life. Since its launch, Hotlink FAST has surpassed 1.5 million users with high mobile Internet usage. This is reflected in our prepaid ARPU which has improved to RM40 per month (Year 2015: RM38). The increase was driven mainly by continued traction on mobile Internet usage which more than compensated for the decline in voice and SMS usage.

Data usage continued to grow significantly across all segments of our prepaid base. Mobile Internet now accounts for more than 40% of prepaid revenue, up from 33% a year ago. We closed the year with more than 6.6 million mobile Internet users, with average data consumption of 3.3GB per month, up from 1.4GB per month a year ago. Smartphone penetration has reached 74% of our prepaid subscription base.

POSTPAID RGS AND ARPU



POSTPAID DATA USAGE AND SMARTPHONE PENETRATION



Management Discussion and Analysis

Postpaid revenue stood at RM3,931 million, up 0.2% year-on-year supported by the continued traction of our flagship MaxisONE plan.

As our customers continued to use more data on our 4G LTE network, we continued to proactively ensure that our customers have ample data quota for work and play. In April and November this year, we launched enhanced MaxisONE plans where we executed massive upgrades of data quota for existing and new customers, which were combined with an attractive sharing proposition for families. We also added a weekend data allocation as it became more evident that customers are using their smart devices especially for entertainment and video streaming. We believe customers cannot resist a good deal. As a result, more than 800,000 MaxisONE plan customers have been added, and now the base has doubled to 1.7 million, with a monthly ARPU of RM138, which is much higher than the overall blended postpaid ARPU of RM102 per month.

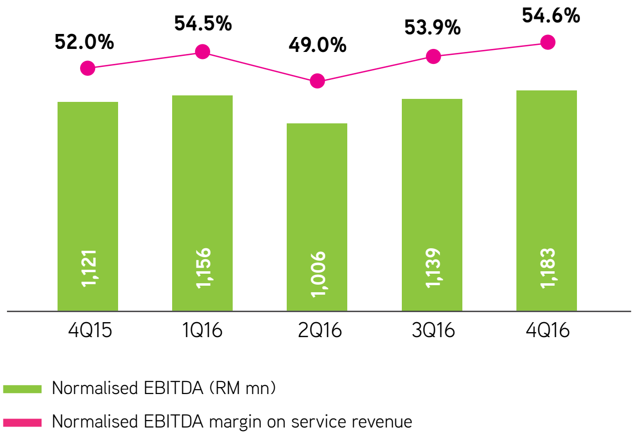
Similarly, we have also enriched our MaxisONE Business and FlexiShare plans with similar upgrades for businesses. Our SME customers also enjoy various solutions such as mPOS, mDrive, managed M2M and Maxis Pay that allows them to simplify, optimise and grow their businesses.

In terms of data consumption, our postpaid customers are consuming an average of 4.9GB per month which is 2.6x higher from a year ago. Customers on LTE devices are consuming even more data, recording an average monthly usage approaching 6.0GB per month. Smartphone penetration of our postpaid base stood at 82%.

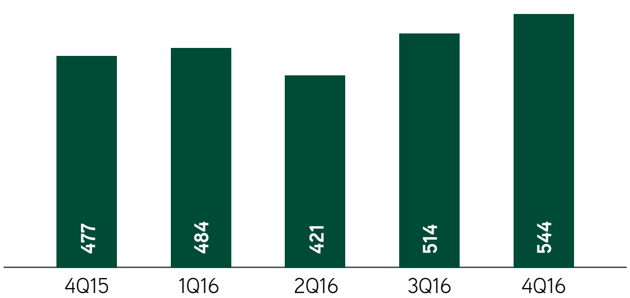
Enterprise Fixed revenue grew 13.0% year-on-year to RM286 million and this was achieved on the back of higher demand for bandwidth capacity, especially for leased lines, dedicated Internet and broadband services.

Integrated Services recorded year-on-year revenue growth of 28.7% to RM220 million. Underpinning our solid performance was continued operational improvement, particularly in the area of customer fulfilment which resulted in the steady growth in Home Connections, rising from 118,000 to 145,900 in the last 12 months. To provide customers with technical help in setting up their home Internet the right way, we launched the Maxpert service. This service has seen very high customer satisfaction levels and will continue to underline our service differentiation.

NORMALISED EBITDA AND MARGIN



NORMALISED PROFIT AFTER TAX (RM mn)

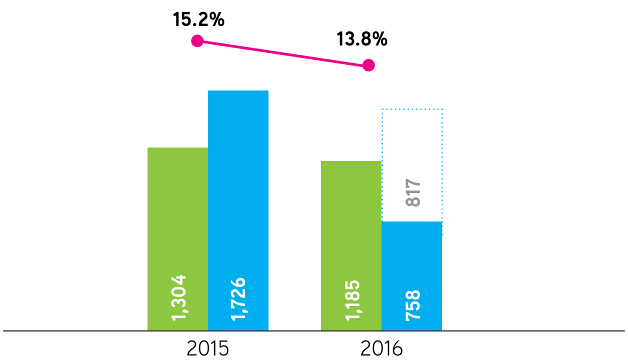


Normalised EBITDA was marginally higher at RM4,484 million year-on-year. This was driven mainly by savings from cost optimisation programmes. Consequently, normalised EBITDA margin stood at 52.1% against 51.5% in the preceding year.

Normalised profit after tax was marginally higher at RM1,963 million compared to RM1,960 million a year ago as higher depreciation and amortisation charges offset the impact of higher EBITDA and lower tax expenses. For financial year 2016, normalised profit after tax excludes net of tax impacts of RM71 million asset impairment and contract obligations provision reversals (Year 2015: Nil), RM16 million unrealised foreign exchange gains (Year 2015: RM70 million unrealised foreign exchange losses) and RM37 million accelerated depreciation (Year 2015: RM143 million). Year-on-year, the lower accelerated depreciation was a result of the near-completion of our network modernisation programme.

Management Discussion and Analysis

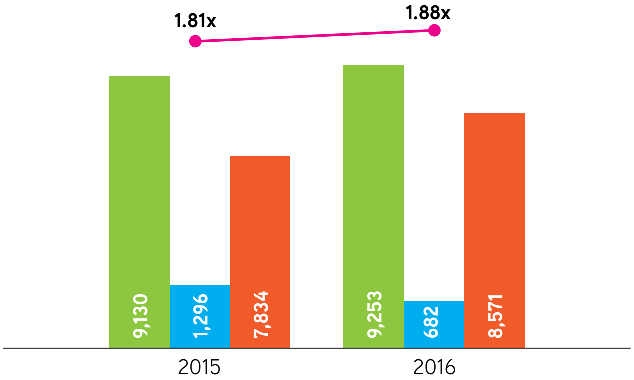
CAPEX AND FREE CASH FLOW



Capex (RM mn)
Free cash flow (RM mn)
Capex/Sales
Spectrum assignment fees (RM mn)

Free cash flow (CF) : CF from operating activities - CF from investing activities - Interest paid - Finance lease repayment

NET DEBT-TO-EBITDA



Debt# (RM mn)
Deposits, cash & bank balances (RM mn)
Net debt (RM mn)
Net debt-to-EBITDA

Includes derivative financial instruments designated for hedging relationship on borrowings; excludes vendor financing

Capital Expenditure (Capex) in 2016 was RM1.2 billion, mainly spent on 4G LTE network to provide customers with the best digital experience. We now have 4.7 million LTE devices, up from 2.8 million a year ago. Average 4G LTE usage has also continued to grow and is approaching 6.0GB per month, significantly higher than the average consumption of 2.5GB per month a year ago. In addition, we are pleased to report that even with seven times 4G LTE traffic growth in the last 12 months, our 4G LTE quality remained stable and superior. We closed the year with an industry-leading 4G LTE network which has reached 88% of the population, covering more than 220 cities and towns.

Free cash flow normalised for spectrum assignment fees was relatively stable year-on-year.

Net debt-to-EBITDA rose to 1.88x from 1.81x in the preceding year. The increase in net debt by RM737 million to RM8,571 million was mainly the result of borrowings to finance the RM817 million spectrum assignment fees for the 900MHz and 1800MHz bands.

Dividend payout for 2016 totalled approximately RM1.5 billion, comprising four interim dividends of RM375.5 million. The payout of 20.0 sen net per share represents a dividend yield of 3.3% based on the closing share price of RM5.98 as at end 2016.

For further details, please refer to the consolidated statements of financial position, consolidated statements of changes in equity and related notes to the consolidated financial statements.

2017 Outlook

For the financial year ending 31 December 2017, we expect service revenue, absolute EBITDA and base capital expenditure at similar levels to financial year 2016. To stay competitive, we will continue to enhance and strengthen our value propositions to customers whilst focusing on providing the best connectivity.

1. The Chairman's and CEO's statements should be read together with the Management Discussion and Analysis
2. The 2015-2016 Sustainability Report is available at http://www.maxis.com.my/en/about-maxis/corporate-responsibility/sustainability-reports.html to provide further details on non-financial indicators
3. 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. 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


18 / 19
Our plans are enhanced with so much data that you can share the best digital experience with family members, across devices.
00:39

Investor Relations

CREATING LONG-TERM SHAREHOLDER VALUE

Since our listing in 2009, Maxis has consistently rewarded its shareholders with cash returns aligned to our dividend policy and a policy of active capital management. For financial year 2016, Maxis rewarded its shareholders with approximately RM1.5 billion cash dividends comprising four interim dividends of RM375.5 million. The dividend payout of 20.0 sen net per share represents a dividend yield of 3.3% based on the closing share price of RM5.98 as at end 2016.

DIVIDEND POLICY

Our full dividend policy, as stated in our IPO prospectus dated 28 October 2009, is reproduced here for reference:

" The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of the Board and any final dividend for the year is subject to shareholders' approval. It is the Company's intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including Maxis' earnings, capital requirements, general financial condition, the Company's distributable reserves and other factors considered relevant by the Board.

Maxis intends to adopt a dividend policy of active capital management. It proposes to pay dividends out of cash generated by its operations after setting aside the 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 the confirmation of the Board and to any applicable law, licence 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 ratio in financial years 2014, 2015 and 2016 were 175%, 86% and 75% respectively.

COMMUNICATING WITH OUR SHAREHOLDERS

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

Maintain open and regular communications with all shareholders

Disseminate financial and strategic updates in a timely and transparent manner

Ensure equal treatment and protection of shareholders' interests

How we communicate with our shareholders
We maintained active dialogues with our shareholders throughout the year, leveraging on a planned investor relations programme which includes non-deal roadshows, analyst sessions and attending investment conferences as well as responding to ad-hoc meeting requests and queries from shareholders as well as the investment community.

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 strategy. 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.

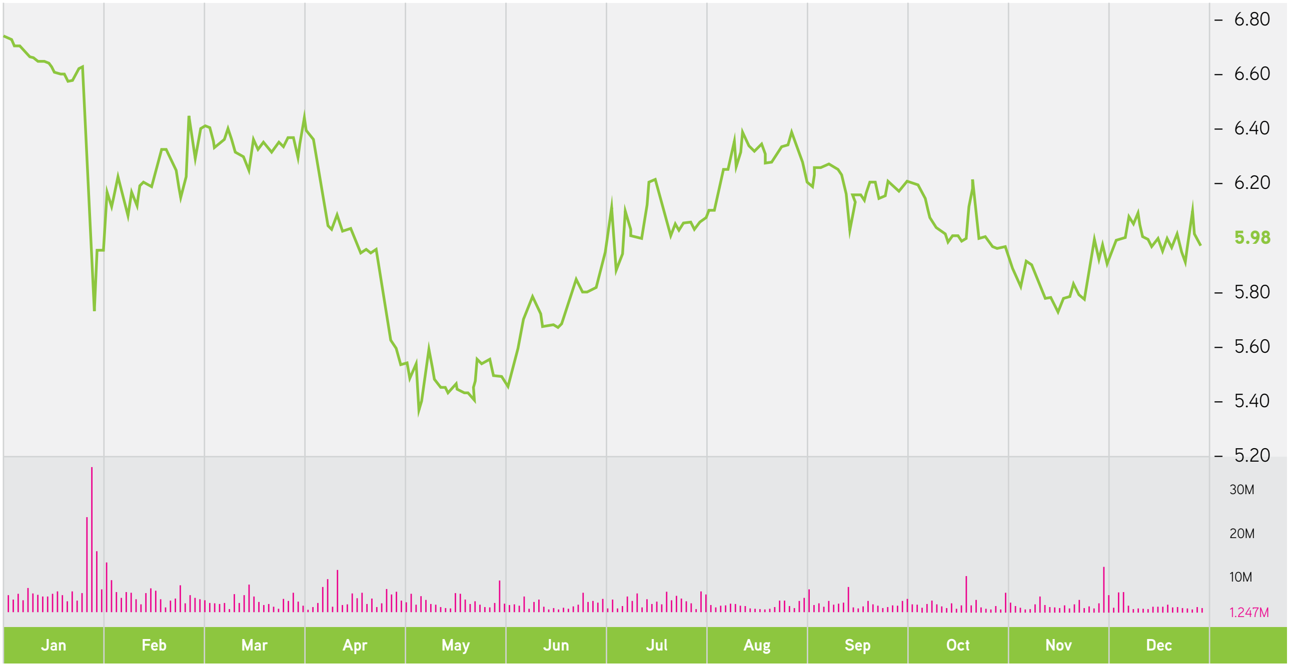
We believe in the constructive use of our Annual General Meetings ("AGM") and other general meetings. These meetings are attended by our Board of Directors and the management team. A comprehensive review of the Company's performance is shared and any shareholder present can query the Board and management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

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.

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.

Investor Relations

MAXIS SHARE PRICE PERFORMANCE – 1 JANUARY TO 31 DECEMBER 2016



		2013	2014	2015	2016
Dividends (RM mn)	Interim	2,400	2,402	1,502	**1,502**
	Final	600	600	–	**–**
	Total	3,000	3,002	1,502	**1,502**
Dividends Per Share (sen)	Interim	32.0	32.0	20.0	**20.0**
	Final	8.0	8.0	–	**–**
	Total	40.0	40.0	20.0	**20.0**
Earning Per Share (sen)		23.5	22.9	23.2	**26.8**
Payout Ratio (%)		170.0	174.7	86.4	**74.6**
Dividend Yield (%)		5.5	5.8	2.9	**3.3**

Corporate Information

BOARD OF DIRECTORS

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
Chairman/
Independent Non-Executive Director

Tan Sri Mokhzani bin Mahathir
Independent Non-Executive Director

Robert Alan Nason
Independent Non-Executive Director

Dato' Hamidah Naziadin
Independent Non-Executive Director

Mohammed Abdullah K. Alharbi
Non-Executive Director

Mazen Ahmed M. AlJubeir
Non-Executive Director

Naser Abdulaziz A. AlRashed
Non-Executive Director

Lim Ghee Keong
Non-Executive Director

Alvin Michael Hew Thai Kheam
Non-Executive Director

Dr. Kaizad B. Heerjee
Non-Executive Director

Morten Lundal
Chief Executive Officer/
Executive Director

SENIOR INDEPENDENT DIRECTOR

Tan Sri Mokhzani bin Mahathir
E: mmokhza@maxis.com.my

AUDITORS

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia
T: + 603 2173 1188

REGISTERED OFFICE

Maxis Berhad
(Company No 867573-A)
Level 21, Menara Maxis
Kuala Lumpur City Centre
Off Jalan Ampang
50088 Kuala Lumpur
Malaysia
T: + 603 2330 7000
F: + 603 2330 0590
E: customercare@maxis.com.my
W: www.maxis.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
T: + 603 7841 8000
F: + 603 7841 8008

STOCK EXHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Listed since 19 November 2009
Stock Code: 6012

COMPANY SECRETARY

Dipak Kaur
LS 5204

HEAD OF INTERNAL AUDIT

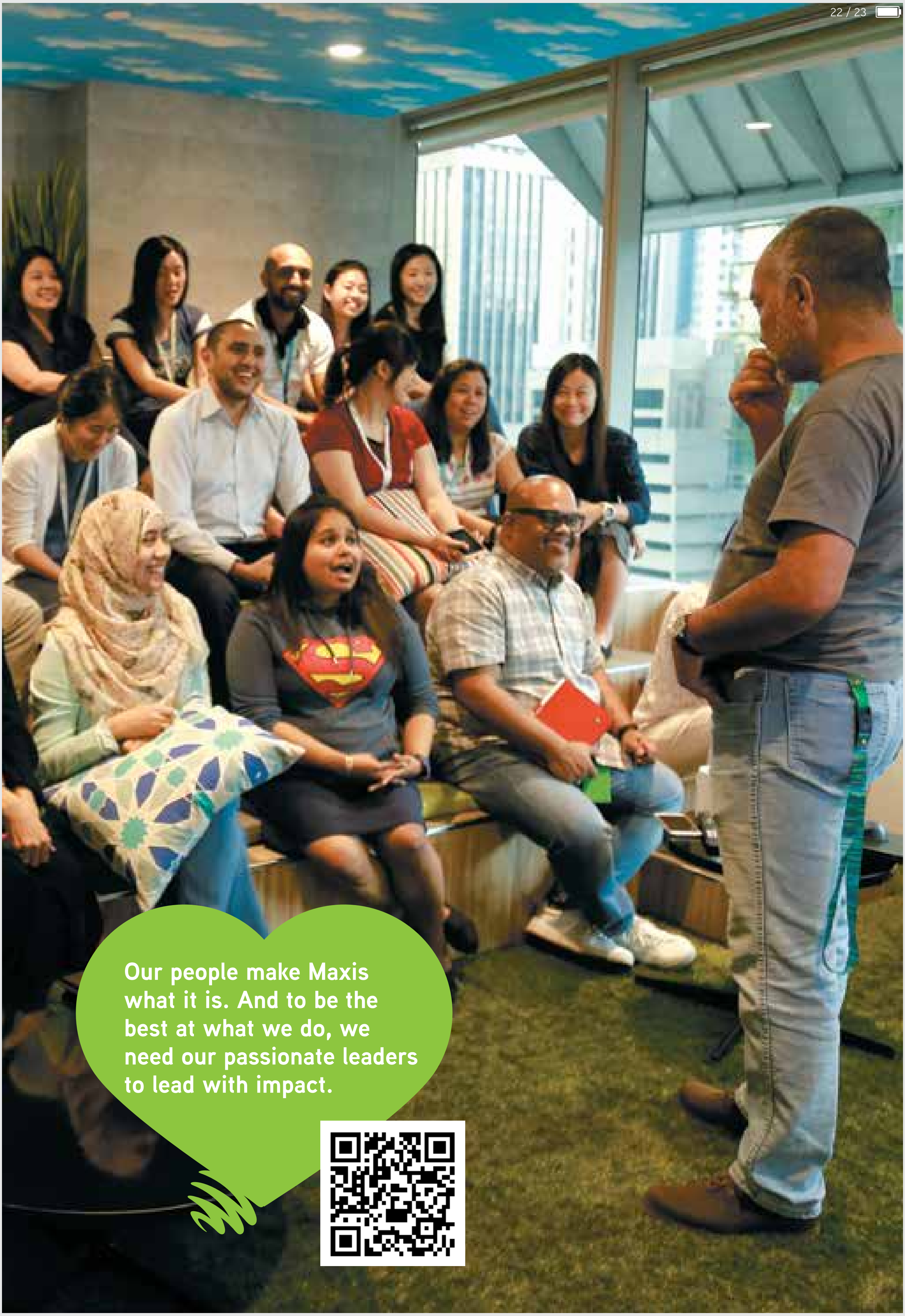
Shafik Azlee Mashar

INVESTOR RELATIONS

Audrey Ho Swee Fong
E: ir@maxis.com.my

ADMINISTRATIVE ENQUIRIES/ ASSISTANCE PERTAINING TO MATTERS RELATING TO THE 2016 ANNUAL REPORT AND EIGHTH ANNUAL GENERAL MEETING

E: agm2017@maxis.com.my
(valid from 27 March 2017 to 26 April 2017)



Our people make Maxis what it is. And to be the best at what we do, we need our passionate leaders to lead with impact.

Directors' Profiles











OVERVIEW OF OUR BOARD

No of Directors: 11

1 – Executive Director
4 – Independent
6 – Non Independent

1 – Female
10 – Male

Ages
Above 60 (2)
Between 51 – 60 (5)
Between 40 – 50 (4)

No	Name	Audit Committee	Nomination Committee	Remuneration Committee	Business & IT Transformation Committee
1	Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (Chairman)	-	Chairman	Member	-
2	Robert Alan Nason	Chairman	-	-	Chairman
3	Tan Sri Mokhzani bin Mahathir	Member	Member	Member	-
4	Dato' Hamidah Naziadin	Member	Member	Chairman	-
5	Mohammed Abdullah K. Alharbi	Member	-	-	-
6	Mazen Ahmed M. AlJubeir	-	Member	Member	-
7	Naser Abdulaziz A. AlRashed	-	-	-	Member
8	Lim Ghee Keong	Member	-	Member	Alternate Member to Dr. Kaizad B. Heerjee
9	Alvin Micheal Hew Thai Kheam	-	Member	-	-
10	Dr. Kaizad B. Heerjee	-	-	-	Member
11	Morten Lundal	-	-	-	-

RAJA TAN SRI DATO' SERI ARSHAD BIN RAJA TUN UDA

Chairman / Independent Non-Executive Director

Malaysian, 70 years old

Nomination Committee (Chairman), Remuneration Committee (Member)

Date of Appointment as Director of Maxis: 16 October 2009

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

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

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

Directorships in other public companies or listed companies
Khazanah Nasional Berhad, Ekuiti Nasional Berhad, Icon Offshore Berhad, Yayasan Raja Muda Selangor, Yayasan Dayadiri, Yayasan Amir, and Yayasan Perpustakaan Raja Tun Uda.

Please also refer to Note 6 on page 30 of this Annual Report.

TAN SRI MOKHZANI BIN MAHATHIR

Independent Non-Executive Director

Malaysian, 56 years old

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

Date of Appointment as Director of Maxis: 16 October 2009

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

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

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

Directorships in other public companies or listed companies
Opcom Holdings Berhad and Royal Automotive Club Of Malaysia.

Please also refer to Note 6 on page 30 of this Annual Report.

ROBERT ALAN NASON

Independent Non-Executive Director

Australian, 62 years old

Audit Committee (Chairman),
Business & IT Transformation Committee (Chairman)

Date of Appointment as Director of Maxis: 7 March 2016

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

Working Experience/Occupation
He retired from Telstra Corporation in September 2015 after five and a half years leading a major transformation of its operations. Telstra is Australia's largest full service telco with a market capitalisation of over $74 billion, provides 16.4 million mobile services, 7.4 million fixed voice services, 3 million retail fixed broadband services and has 3 million PayTV subscribers and international operations in 15 countries, including China, Indonesia and the Philippines.

His role at Telstra involved regular, active participation on the company's Business Unit Performance Review Committee, Strategy Committee, M&A Committee, Capital Investment Management Committee, Growth Committee, Customer Advocacy Committee and Risk Committee.

He was the Chairman and Director of Foxtel Pty. Ltd. from 2012 until February 2017. He was a Director of various companies/ Boards in Australia and elsewhere from 2003 to 2010.

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

Directorships in other public companies or listed companies
Nil

DATO' HAMIDAH NAZIADIN

Independent Non-Executive Director

Malaysian, 53 years old

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

Date of Appointment as Director of Maxis: 1 February 2014

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

Working Experience/Occupation
She joined CIMB Securities, a stockbroking arm of Commerce International Merchant Banker Berhad, in February 1991 to set up its Personnel Unit. In August 2001, Dato' Hamidah was transferred to the parent bank, CIMB, to head and manage the group functions for Human Resource and Administration and had developed those functions from support to strategic ones.

Today, Dato' Hamidah is the Group Chief People Officer of CIMB Group, one of ASEAN's leading universal banking groups and Malaysia's second largest financial services provider. She oversees the human resource function and plays a critical role integrating CIMB's resources due to the various mergers and acquisitions within Malaysia and across ASEAN and APAC regions.

She continues to provide strategic direction and puts in place effective people strategies to drive the human capital agenda across the Group. A firm believer in talent management, she also oversees the Commerce Leadership Institute to ensure that the talent management strategy is focused on creating a high performing workforce.

Previously, Dato' Hamidah was also a Commissioner of CIMB Niaga, Indonesia and a member of CIMB Niaga's Nomination and Remuneration Committee from 2010 to September 2014.

She has 29 years of experience in human resource, of which 24 years is with the CIMB Group. She has led her team to secure many HR-related awards for CIMB. Prior to joining CIMB, she was with Pacific Bank.

Directorships in other public companies or listed companies
Nil

MOHAMMED ABDULLAH K. ALHARBI

Non-Executive Director
Saudi Arabia, 46 years old
Audit Committee (Member)
Date of Appointment as Director of Maxis: 29 May 2015

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

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

Working Experience/Occupation
He is presently the General Manager of Mergers & Acquisitions ("M&A") at Saudi Telecom Company ("STC") and has the responsibility of leading overall M&A activities for STC with a focus on international expansions and strengthening STC's local position in the digital age through in-market consolidations. He has always been involved in STC's key strategic decision-making on M&A opportunities.

He represented STC on the boards of PT Axis Indonesia, Public Telecommunications Company Ltd. (BRAVO), Saudi Arabia and Aircel Limited, India. Currently, he is representing STC as a board member in Cell C and 3C Telecommunication (Pty) Ltd., South Africa.

He has led the process of identifying synergies and developing synergy realisation programmes, implementing greenfield operations and major acquisitions of STC, which include, among others, the acquisition of 25% shares in Binariang GSM Sdn. Bhd., Malaysia, acquisition of 35% stake in Oger Telecom Limited, successful bidding of Kuwait and Bahrain greenfield mobile licenses, increasing of STC stake in VIVA Kuwait, divestment of PT Axis Telekom Indonesia and also the increasing of stake in Intigral, an end-to-end solution provider focused on delivering digital media content services to regional telecommunication operators in the Gulf. He has always been an integral part of STC's investment-related activities. Prior to joining STC in 2003, Mr. Mohammed Abdullah K. Alharbi had worked in senior positions at Al Salam Aircraft Company and Advance Electronics Company.

Directorships in other public companies or listed companies
Maxis Communications Berhad

NASER ABDULAZIZ A. ALRASHED

Non-Executive Director
Saudi Arabia, 42 years old
Business & IT Transformation Committee (Member)
Date of Appointment as Director of Maxis: 8 September 2016

Qualification
He received his Bachelor of Science degree in Computer Science from King Fahd University of Petroleum & Minerals (KFUPM), one of the leading universities in the Kingdom of Saudi Arabia.

Working Experience/Occupation
Naser is an executive in the field of strategy with 18 years of progressive experience in the telecom industry. Throughout his career in Saudi Telecom Company ("STC"), the largest telecom company in the Middle East, Naser has shown consistent success in maximising corporate performance, driving growth, and enhancing value especially in international markets where STC is a significant player.

Naser joined STC in the year 2000 in the technology field and is now General Manager of Investment Performance and Operations. In this capacity, he oversees the complex strategic choices and business plans of 12 STC subsidiaries that are both domestic and international entities. Moreover, he is responsible for the delivery of STC's Investments LRP operational and financial performance forecasts. Prior to this role, Naser was Director of Strategic Planning Review of Local and International Investments where he was required to analyse and overcome complex business challenges and make high-stakes decisions in fast-paced environments.

Previously, Naser was Director of International Operation Performance, where he was required to advise board members on key business initiatives and important changes.

Directorships in other public companies or listed companies
Maxis Communications Berhad

Please also refer to Note 6 on page 30 of this Annual Report.

MAZEN AHMED M. ALJUBEIR

Non-Executive Director

Saudi Arabia, 40 years old

Nomination Committee (Member), Remuneration Committee (Member)

Date of Appointment as Director of Maxis: 8 September 2016

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

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

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

Directorships in other public companies or listed companies
Maxis Communications Berhad

Please also refer to Note 6 on page 30 of this Annual Report.

LIM GHEE KEONG

Non-Executive Director

Malaysian, 49 years old

Audit Committee (Member), Remuneration Committee (Member), Business & IT Transformation Committee (Alternate Member to Dr. Kaizad B. Heerjee)

Date of Appointment as Director of Maxis: 8 May 2014

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

Working Experience/Occupation
He has more than 20 years of experience in treasury and credit management. Prior to joining the Usaha Tegas Sdn. Bhd. ("UTSB") Group in 1995, he was attached to General Electric Capital Corporation in the USA and Ban Hin Lee Bank in Malaysia.

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

Directorships in other public companies or listed companies
Astro Malaysia Holdings Berhad and Yu Cai Foundation

ALVIN MICHEAL HEW THAI KHEAM

Non-Executive Director

Malaysian, 53 years old

Nomination Committee (Member)

Date of Appointment as Director of Maxis: 30 August 2012

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

Working Experience/Occupation
He is the Managing Director of The Abraaj Group – a Dubai-headquartered private equity firm – in charge of Abraaj's Performance Acceleration Group covering Asia Pacific, based in Singapore.

His 29 years of corporate experience covers private equity at The Abraaj Group; financial advisory and private equity at H2O Capital; commercial banking at TD Bank; investment banking at Lancaster Financial; business development and marketing at P&G in Switzerland, Vietnam, Southeast Asia and Australia; and top management and regional board experience at L'Oreal where he was the President of its companies in Malaysia and Taiwan. He served on the boards of the European Chamber of Commerce in Taipei from 2006-2009 and Taipei American School from 2011-2014.

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

Directorships in other public companies or listed companies
Nil

Please also refer to Note 6 on page 30 of this Annual Report.

DR. KAIZAD B. HEERJEE

Non-Executive Director

Singaporean, 53 years old

Business & IT Transformation Committee (Member)

Date of Appointment as Director of Maxis: 15 November 2016

Qualification
Dr. Heerjee has a Doctorate degree in Computer Science from the Dundee Institute of Technology (now Abertay University, UK) and a Master's Degree in Information Technology from the University of Nottingham, UK. He has a Bachelor of Science (Honours) degree in Mathematics from the University Delhi, India. He also has several publications to his name.

Working Experience/Occupation
Dr. Heerjee is the Chief Executive Officer of Aircel, one of India's leading mobile operators. During his four years at Aircel, Dr. Heerjee has led the market share growth and the financial turnaround of the company. Prior to joining Aircel, Dr. Heerjee was the CEO of U Mobile Sdn. Bhd.

Dr. Heerjee has more than 20 years of international senior management and leadership experience in the private and public ICT sectors across Singapore, Hong Kong, Indonesia, Philippines, Europe and Malaysia. He was also the Assistant Chief Executive of the Infocomm Development Authority (IDA) of Singapore and the Chairman of Conexus Mobile Alliance. Dr. Heerjee also spent over 10 years with Compaq Computers and Digital Equipment Corporation in several senior management, sales and marketing, and technical positions worldwide.

Directorships in other public companies or listed companies
Nil

Please also refer to Note 6 on page 30 of this Annual Report.

MORTEN LUNDAL

Chief Executive Officer

Norwegian, 52 years old

Date of Appointment as Director of Maxis: 1 October 2013

Qualification
He holds a Master of Business Administration from IMD Lausanne and a Master of Business and Economics from the Norwegian School of Management, BI.

Working Experience/Occupation
He joined Maxis as Chief Executive Officer on 1 October 2013, bringing with him more than 16 years of experience in the telecommunications industry. Morten is also a Director of Maxis Berhad and its operational subsidiaries.

Prior to joining Maxis, Morten was Group Chief Commercial Officer of Vodafone Group Plc, a member of the Executive Committee responsible for commercial activities at the group level. Prior to assuming that position in 2010, he was regional Chief Executive Officer responsible for eight operating companies in Central Europe and Africa. He joined Vodafone in 2008.

Prior to Vodafone, he was Chief Executive Officer of DiGi.Com Berhad Group. Morten joined Nordic mobile operator Telenor in 1997 and has held several Chief Executive Officer positions including for the Internet Division and Telenor Business Solutions as well as the position of Executive Vice President for Corporate Strategy.

Directorships in other public companies or listed companies
Nil

Notes

1 The total number of Board meetings held during the financial year ended 31 December 2016 was four. The number of Board Meetings attended by the Directors in the financial year is set out on page 54 of this Annual Report.
2 None of the Directors have any family relationships with any directors and/or major shareholders of the Company.
3 None of the Directors have any conflict of interest with the Company.
4 None of the Directors have any convictions for offences within the past five years (other than traffic offences, if any).
5 None of the Directors have any public sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2016.
6 Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda, Tan Sri Mokhzani bin Mahathir, Alvin Michael Hew Thai Kheam, Mr. Mazen Ahmed M. AlJubeir, Mr. Naser Abdulaziz A. AlRashed and Dr. Kaizad B. Heerjee are standing for re-election as Directors of the Company. The Nomination Committee and Board of Directors ("the Board") have considered the assessment of the six Directors and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors, as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

Customer Service remains at the core of our business as we embed an Unmatched Customer Experience mindset into all our key processes.

Maxis Management Team

from left to right

1. Nasution bin Mohamed
2. Tan Lay Han
3. Adzhar bin Ibrahim
4. Dushyan Vaithiyanathan
5. Morten Lundal
6. Loong Tuck Weng
7. Morten Bangsgaard

MORTEN LUNDAL

Chief Executive Officer

Norwegian, 52 years old

Date of Appointment as Chief Executive Officer:
1 October 2013

Morten is a Director of Maxis Berhad. Refer to Directors' Profile on page 30.

ADZHAR BIN IBRAHIM

Head of People and Organisation

Malaysian, 59 years old

Date of Appointment as Head of People and Organisation:
1 July 2014

Adzhar joined Maxis in July 2014. He has 35 years of experience in human resources across various industries and sectors, in both local and multinational corporations ("MNC"). He is responsible for talent acquisition and management, performance and rewards, industrial relations and learning and development. His focus, after putting in place many systems, processes and policies to improve the working environment in Maxis, is to drive a great environment for career growth and personal development that will edge Maxis towards achieving its business ambitions.

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

NASUTION BIN MOHAMED

Chief Financial and Strategy Officer

Malaysian, 44 years old

Date of Appointment as Chief Financial and Strategy Officer:
15 April 2011

DUSHYAN VAITHIYANATHAN

Head of Consumer Business

Malaysian, 45 years old

Date of Appointment as Head of Consumer Business:
10 June 2013

Nasution joined Maxis in January 2011 and was appointed as Chief Financial Officer on 15 April 2011. He was subsequently redesignated as Chief Financial and Strategy Officer in November 2013.

Nasution has over 21 years of wide business experience in Malaysia and overseas. Prior to joining Maxis, Nasution was the Managing Director/CEO of Penerbangan Malaysia Berhad (PMB). Prior to PMB, he was an Executive Director at UDA Holdings Berhad. Nasution started his career with KPMG in Australia and subsequently joined the Corporate Finance Division of Amanah Merchant Bank Berhad. He then moved on to Pengurusan Danaharta Nasional Berhad (Danaharta). Subsequent to Danaharta, Nasution joined KPMG Malaysia where he was Head of an audit department.

Nasution holds a Bachelor of Commerce degree from University of New South Wales, Australia and is a Fellow of the Institute of Chartered Accountants in Australia (ICAA).

Dushyan is responsible for the end-to-end management of all mobile and fixed business for the consumer segment.

He joined Maxis in January 2013, and was appointed as Head of Consumer Business on 10 June 2013. He brings with him over 20 years of regional experience in consumer marketing, business strategy and corporate finance, of which approximately 13 years were spent in the telecommunications industry.

Prior to joining Maxis, he was the Vice President for Business Development at Telenor ASA, Bangkok, responsible for developing regional operating models, planning and managing cross-border commercial initiatives and driving commercial business case developments in the region. Some of his senior assignments prior to Telenor include advisor to the Managing Director and Executive Vice President of Unitech Wireless, Tamil Nadu, as well as Head of Consumer Marketing and Head of Voice Products and Services for Digi Telecommunications Sdn. Bhd.

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

LOONG TUCK WENG

Head of Enterprise

Malaysian, 51 years old

Date of Appointment as Head of Enterprise:
1 August 2016

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

He joined Maxis in August 2016 and brings with him over 20 years of experience in marketing and segments and product management, as well as additional expertise in managing marketing and products for the mass markets within the financial industry.

Prior to joining Maxis, he was the Chief Marketing Officer for Indosat, an affiliate of Ooredoo Group of Qatar and was with the group itself based in Qatar since 2008. In his earlier career life, Loong worked with a number of large international electronics companies managing products and marketing. Some of his senior assignments prior to Indosat include Director of Customer Management in Qtel International (Ooredoo Group), CMO in Digi Telecommunications Sdn. Bhd. and Head of Consumer Banking in United Overseas Bank Malaysia.

Loong holds a Bachelor of Business Administration in Marketing and Master of Arts in Education Media from the University of Mississippi in the United States.

TAN LAY HAN

Head of Sales and Service

Malaysian, 55 years old

Date of Appointment as Head of Sales and Service:
10 June 2013

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

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

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

Lay Han holds a Bachelor of Engineering from RMIT (Royal Melbourne Institute of Technology) and Masters in Business Administration from Cranfield School of Management.

MORTEN BANGSGAARD

Chief Technology Officer

Danish, 47 years old

Date of Appointment as Chief Technology Officer:
3 February 2014

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

He joined Maxis in February 2014 and brings over 20 years of experience in the telecommunications industry with 15 years in various network roles and four and a half years as Chief Information Officer.

Prior to joining Maxis, Morten was Senior Vice President for Network Planning and Build with TDC, Denmark, responsible for planning, designing and building mobile, fixed and coax networks. Prior to that, he held various roles in TDC, including as its Chief Information Officer, Head of Network Development and Strategy as well as Head of Market Support. Before joining TDC, Morten held several roles at Ericsson Denmark, Sweden and UK.

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

Notes

1. None of the Management except Morten Lundal has any directorship with any public or listed companies.
2. None of the Management has any family relationships with any directors and/or major shareholders of the Company.
3. None of the Management has any conflict of interest with the Company.
4. None of the Management has any convictions for offences within the past five years (other than traffic offences, if any).
5. None of the Management has any public sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2016.

Our Customers

Live | Photo | Check In

Maxis

Putting Customers First

Digital technology and improved connectivity have changed the way we live and communicate. Fantastic customer experiences have taken on a new meaning, and we know our customers expect nothing but the best from us.

That's why customer service remains at the core of our business strategy as we embed an Unmatched Customer Experience mindset into all our key processes.

Our focus on customer-centricity is being further enhanced with our ongoing business and IT transformation efforts throughout the organisation. Improving the customer journey is still our priority, and this is managed through customer experience insights from Voice of Customer (VoC) exercises as well as performance metrics and indicators such as our Net Promoter Score (NPS).

Our new approach to customer service and the process changes implemented towards achieving a simplified customer journey have resulted in a strong service culture within the organisation.

28 15 Comments

Like Comment Share

MY MAXIS 4G

Our Customers

Live | Photo | Check In

Maxis

Delighting the digital experience seekers

Customers today are fast becoming digital experience seekers. As we drive this trend with the best high-speed networks, our channel digitalisation efforts have also ensured that we continue to deliver a higher degree of service convenience for our customers to engage with us.

Today, our modernised and spacious digital lifestyle stores located in key malls and retail stores comprising Maxis Centres and Maxis Exclusive Partners offer more than just standard products and services. We now offer lifestyle solutions including a wide selection of smart devices and accessories and we promote 'easy to own' and 'worry-free' propositions through programmes like Zerolution, Power of ONE, MaxisONE Home along with other bundling and device protection options.

Our lifestyle solution showcases aim to bring to life what is possible with the Internet. So, we provide customers an experiential and engaging environment with thematic lifestyle verticals such as music, videos, fitness, health and games as they seek out the best mobile Internet plans that suit them. They can also learn more about their preferred device through tutorials and live demos. As a result, there are smoother and quicker interactions, relevant recommendations and a highly personalised approach when engaging with customers.

Today, there are a total of 52 modernised Maxis Centres and 208 Maxis Exclusive Partners nationwide, meeting the needs and very high expectations of our digitally savvy customers. With Sabah and Sarawak being key growth markets, Maxis has also been aggressively expanding its retail footprint in key towns of East Malaysia and is now present in all the major malls in that region.

We are also encouraged by the success of our self-serve and online options. By empowering our customers to interact with us digitally, we are giving them the control and flexibility to manage their transactions anytime and anywhere at their convenience. The MyMaxis and Hotlink RED apps, which now have over two million active users, are increasingly becoming our customers' preferred way of interacting with us.

We want to deliver the best worry-free experiences to our customers and continue to explore technologies and processes to ensure a high first-contact resolution rate. As at 2016, Maxis touchpoints have achieved even greater results in managing immediate resolutions, achieving a high 90% first contact resolution and an all-time high customer satisfaction.

The momentum gained in complaint management since 2014 is continued with a further 33% reduction in our complaints trend during the 2015/16 period, as we improved and made customer accessibility seamless via our multiple touchpoints which include social media channels.

We will continue to enrich our customers' experience by making meaningful connections with our customers online, over the phone and in-store.

28 | 15 Comments

Like | Comment | Share

Our Products

UNMATCHED DIGITAL EXPERIENCES

POSTPAID

The Internet has completely transformed the way people live their lives. People are consuming more and more digital content via mobile than ever before. With a wide range of devices and unique value propositions, we have built a brand that is truly unmatched.

Winning digital experience seekers

Building upon the **MaxisONE plan** that went beyond traditional limits and providing worry-free mobile Internet experiences, we launched four big propositions in 2016:

- **Enhanced MaxisONE plan** – Earlier this year, we announced the biggest data upgrade ever in the history of Maxis. Over a million Maxis customers had their data quota automatically and permanently upgraded at no extra charge, and this included MaxisONE Business customers.

This enhanced MaxisONE plan gives customers more data and more ways to use it.

As our customers' appetite for data continues to grow, we gave another data upgrade for all MaxisONE plan customers in November. We added a weekend data allocation as we found more customers are using their phones on weekends, especially for entertainment and video viewing.

- **Video Streaming** – Our customers now enjoy 5GB worth of video streaming every month. With content ranging from the latest TV series to exciting educational programmes, there's definitely something for all our customers.

- **Data Pool** – We continue to innovate with our products by introducing a new feature – Data Pool. With an enhanced plan that offers so much data, our customers now have the option to share it with their family members, across devices and also for overseas use.

- **MaxisONE World** – For the first time ever, MaxisONE plan customers can take their data with them overseas and use it just as they do at home. Even better, customers can also enjoy unlimited talk and text and all the data that comes with their MaxisONE plan while abroad.

- Maxis also teamed up with renowned travel company, Expedia, to offer postpaid customers a free 1-day roaming pass when they make a travel booking on Expedia's site. This offering is the first of its kind in Malaysia.

Our Products

Smartphone ownership made easy
Zerolution gives our customers the convenience of owning a smartphone with zero upfront cost. Its popularity led us to introduce the Zerolution Upgrade Programme in 2016 which entitles customers to smartphone upgrades. Under this programme, we continue to offer the latest devices at the best value with MaxisONE plan.

Customers today have many choices when it comes to devices. New devices are launched almost every month and customers who change their phones frequently usually have old devices lying around. To make it easier for them to own a new phone, we launched the 'Trade In, Trade Up' programme to allow customers to trade in their old devices for a new one. Customers only need to bring their old phones, without boxes or accessories, to any of the 268 Maxis stores nationwide to change it for a new phone from MaxisONE plan's latest range of devices.

We also made owning a device even more affordable this year with the introduction of the Power of ONE sale. Our MaxisONE plan customers get to choose from a wide range of devices, from best-selling 4G smartphones to WiFi and home solutions, all for just RM1 each.

When it comes to introducing new devices, iPhone launches have been our annual signature event for the past three years. This year, Maxis launched the biggest 24-hour iPhone delivery to customers, with the guarantee that they will receive their iPhone 7 on the day of launch. We also expanded self-collection locations to over 100 nationwide, covering every major town in every state, making it easier for customers to collect their iPhone 7.

Simple self-serve access
Our **MyMaxis App** has enabled ease of access to our services. With over one million downloads, our customers can quickly and conveniently download and pay their bills, check data usage and buy data passes. The app also offers a whole suite of Maxis deals from in-dining, travel, entertainment to health and beauty and shopping.

We are continuously enhancing the app's features to offer users better experiences and functionalities.

Special rewards
In 2016, we refreshed the **MaxisONE Club ("MOC")** with additional benefits. As more and more consumers shop online monthly, we added more e-commerce rewards as part of our MOC offerings. The three new exciting benefits we added this year are:

- MOC Cashback – Our customers can now enjoy extra cashback with the top six online commerce sites on Shopback.
- Maxis Payday Special – Additional discounts on over 100,000 goodies and RM1 Flash Deals for MOC customers.
- MaxisONE Club Exclusive Deals – MOC Exclusive Deals on premium brands when using MyMaxis App.

Family-focused solutions
Maxis has made it easier for parents to stay connected with their children with MaxisONE Kid, a specially designed postpaid plan that comes with a kid-friendly smartwatch. Using the MaxisONE Kid watch, parents can keep tabs on their child's location and easily communicate with them even if their child does not own a smartphone.

One feature of the MaxisONE Kid watch that parents will appreciate is the built-in GPS, which helps track the child's real-time location and movement to an app on the parents' smartphones. The app also enables parents to manage their child's contact list, configure alerts to be sent when the child enters safe or dangerous zones, send text messages, make calls and receive pictures taken from the child's smartwatch. This is a truly worry-free family proposition.

PREPAID

Since the launch of Hotlink FAST in 2015, we now have surpassed 1.5 million users on this plan. This prepaid proposition, which is designed for 4G users, offers high-speed Internet with Fast Internet Passes.

To cater to our increasingly Internet-hungry prepaid users, we launched a best value service proposition – free 2GB worth of 4G Internet, each weekend, for life. This means customers will enjoy 8GB a month of non-stop weekend streaming, surfing and sharing on Malaysia's No. 1 4G network. Later in the year, we even upgraded our Mobile Internet passes with up to 17GB

Our Products

data, together with 100 minutes free calls to any network.

To meet the demand for ever-increasing video usage, this year we began offering our prepaid customers free YouTube viewing on-the-go when they purchase any of our Internet passes.

Our Hotlink RED App was also enriched to offer differentiated propositions that engage our prepaid customers. One of these is Hotlink Credit, a credit card replacement which allows you to make purchases for all your favourite in-app items with an additional 10% discount. Our customers can also enjoy the best Google Play offers with this convenient and secure payment method.

We also launched our gamified usage-based rewards programme via the app. Our prepaid customers can now collect RedPoints when they purchase Internet passes, and upon collecting enough points they win a spin at the virtual wheel to unlock rewards such as data passes and vouchers from leading online retailers like Lazada, Zalora and Tesco.

When Pokémon GO took the country by storm, Hotlink partnered with ride-sharing service provider, Grab, to offer 'PokeMobile' cars – the latest, safest and fastest way to hunt Pokémons. PokeMobile riders who were also Hotlink customers got an extra advantage in the form of free USD100 worth of PokeCoins via Hotlink Cash Online.

INTEGRATED SERVICES

We continue to invest in our new modernised network and fibre infrastructure, in our efforts to address the needs of our multi-access users and smart life early adopters.

We now have the most extensive fibre connections to our sites, delivering highly reliable mobile broadband connectivity. Our integrated services proposition provides a seamless Internet experience that easily transitions for home and on-the-go.

In 2016, we launched MaxisONE Home, which offers high-speed Internet connectivity for our home fibre service as well as our fixed wireless broadband service with additional discounts for our postpaid base. Our customers can also enjoy over-the-top (OTT) content by subscribing to video streaming capability.

High-speed home broadband is meant to make our customers' lives better. Customers should never have to worry about it because it should be everywhere in the home, and it should always work. MaxisONE Home is the first home broadband service that comes with a team of Internet experts called Maxperts that are 'on time, every time' when a customer makes an appointment with them and who deliver a 30-day satisfaction guarantee.

On top of this, towards the end of the year we refreshed our MaxisONE Home broadband proposition, offering customers faster speeds at more affordable prices.

In addition to home broadband, we also have something for those who want Internet on-the-go. We introduced 4G Pocket WiFi for subscribers to enjoy fibre-like speed Internet anytime, anywhere on multiple devices connected simultaneously.

Customers also enjoy up to 15GB YouTube and video streaming quota and can use their data when they travel overseas.

ENTERPRISE

Business solutions to support New Ways of Working

New ways of working are necessary for the survival of businesses today. As the Internet starts to affect more and more aspects of customers' lives, businesses are bound to be impacted as well. In response to the changing landscape, businesses need to shift their overall mindset when it comes to operating and running their business. They also need to evolve and respond faster to address increasing customer demands and requests.

As a digital enabler, we want to encourage Malaysian businesses to reimagine the way they work – to re-define everything from where they work, how they manage business operations, to the way they interact with customers. We want to be their preferred partner in making this change happen. Our ambition is to offer a diverse range of powerful solutions and deliver Maxis' reliable and fast connectivity to businesses, wherever they may be.

Our Products

To realise this ambition, we introduced several new solutions in 2016:

- **FlexiShare**, the first of its kind in the Malaysian telecommunications industry, empowers companies to buy data in bulk to share among employees. Data can be allocated, monitored and managed using the **ONE Business Hub**, a self-serve portal dedicated to serving the needs of Enterprise customers. Apart from encouraging the optimisation of data usage, the plan also comes with unlimited calls and text – creating a complete and worry-free mobile experience. Later in the year, Maxis upgraded FlexiShare customers with more data, giving companies additional data to be shared amongst their employees.

- **mDrive** allows small businesses to increase efficiency and optimise costs via real-time monitoring of their vehicles. This includes location tracking, monitoring driver behaviour and diagnosing engine issues. The mDrive solution is accessible via a simple-to-use, self-service portal on mobile and web, enabling businesses to monitor and manage their vehicles anytime, anywhere.

Aside from these new solutions, we also enhanced our existing solutions portfolio in order to provide a better experience to our customers:

- **Business Fibre:** Our Business Fibre proposition was strengthened with the 'Zero Downtime' feature, whereby all our dynamic IP business fibre connections are complemented with a wireless Internet backup. This ensures customers enjoy an Internet experience that is truly 'Always On'.

As we encourage businesses to transform, we are also focused on changing the way we operate. We have incorporated new processes into the way that we work internally to serve customers better.

Two things Maxis has done differently in 2016 are related to building new customer touchpoints and establishing strategic partnerships:

- We established a **Business Solutions Hub** within the Maxis KLCC retail centre to give our customers hands-on experience on how business tools can enhance the way they work. We have expanded the Enterprise solutions presence in the retail stores in order to better serve our SME customers.

- We also embarked on a partnership with Vodafone, which enables us to offer Vodafone's world-leading **Internet of Things ("IoT")** services to businesses. By pairing our local market knowledge and leading high-speed data network with Vodafone's expertise and market leading platform, Maxis can now offer enterprises best-in-class IoT solutions to optimise costs, improve operational efficiency, create more value and deliver a better customer experience.

Our Network & Systems

These days, work and lifestyle without Internet connectivity is unheard of. Superior Internet experience has become more important than ever. Consumers and businesses alike want faster speeds and more data. Driven by this demand, we continue to invest significantly in upgrading our network and IT infrastructure. In 2016, we spent RM1.2 billion to strengthen our infrastructure so that our customers can enjoy a differentiated 4G experience on their mobile phones.

SUPERIOR NETWORK EXPERIENCE ALIGNED TO RAPID GROWTH

Demand for mobile data continues to grow rapidly with average data usage increasing from 1.5GB per month last year to 4.0GB per month in 2016. We have seen the penetration of 4G-enabled devices increasing to 43% of total subscribers in 2016 from 24% in 2015. Our 4G data traffic grew seven times in 2016, as more customers are using data for good quality video streaming. In view of this rapid growth and demand, we added extra data to our postpaid and prepaid offerings, allowing customers to enjoy more of our 'Always-On' network experience.

In supporting our enhanced postpaid and prepaid offerings, MaxisONE and the new Hotlink FAST, we are working hard to continuously expand our 4G network. 2016 saw us expanding our 4G coverage to more locations across Malaysia. As at end 2016, we continue to maintain our LTE leadership with 88% of population coverage, making it the widest in the country. With these expansions, our customers in more than 220 cities and towns are able to enjoy the best 4G experience with fibre-like speeds on their mobile phones. With download speeds at more than 3Mbps 95% of the time, we are able to provide consistent Internet experience to our customers.

Aside from 4G, we also continue to upgrade our legacy 2G and 3G networks nationwide. These improvements drive a better experience for our customers in our existing network footprint. As at end 2016, over 94% of the population nationwide is covered by our modernised network for enhanced voice and quality data. We target to complete our planned modernisation exercise of our 2G and 3G sites by 2017, so that our customers all over the country can enjoy the best network experience we have to offer to date.

Alongside our mobile solutions, our Fibre to the Home ("FTTH") customer base also continued to grow in 2016 with a 23% increase compared to the previous year. To date, more than 140,000 families and businesses benefit from our FTTH solutions (or MaxisONE Home) which offers up to 100Mbps fibre-fast connectivity to their homes.

Our Network & Systems

Our offerings, not only limited to consumers, also provide various solutions to businesses. During the year, we delivered solutions for Inter-Office Enterprise connectivity to various industries, M2M solutions for vehicle tracking, retail and banking, software solutions for businesses and VSAT solutions for enterprise and SME. We also provide cross-border high speed bandwidth from Thailand to Singapore via our transport network.

ENSURING BEST NETWORK QUALITY

In line with our promise to continuously deliver quality service, we made substantial investments to provide diverse fibre paths to reduce the number of customers impacted by any single point of failure. At the same time, multiple initiatives were implemented to protect against theft and fibre cuts. These efforts have resulted in continuous reduction of complaints over the last two years. In 2016, the number of mobile complaints dropped 31% lower compared to the preceding year.

Apart from finding new ways to enhance efficiency and sustainability, we also want to ensure our customers are connected in the event of a disaster. In anticipation of recurring floods, particularly during the monsoon season, Maxis has put in place several initiatives to address any challenges that may arise. This includes upgrading critical sites with permanent generators, raising platforms at flood prone sites, increasing the number of mobile communication vehicles and being ready to provide alternative communication such as satellite phones.

TOMORROW'S TECHNOLOGY TODAY

We have set in motion a number of initiatives to future-proof our service delivery and quality to our customers. For example, recognising that 75% of data traffic is contributed by indoor usage in Malaysia, Maxis deployed Lampsite technology in KLCC Suria Mall that improves indoor coverage significantly. This technology enhances data capacity to achieve downloads speeds of up to 225Mbps, which in turn translates to a vastly superior 4G mobile Internet experience for our customers.

Maxis is also the first to trial LTE Carrier Aggregation (aggregating of the 40MHz spectrum) with three component carriers (3CC) which allows peak downlink data throughput of 300Mbps. This feature, once deployed on our commercial network, in the future will provide peak speed broadband enabling more customers to enjoy a great 4G experience as they use more data.

Other technologies that we are exploring include virtualisation/cloud as well as 4.5G and 5G. These technologies will enable us to offer even better experiences for customers to enjoy.

Aspiring to provide differentiated network experience to our customers, Maxis is also the first operator in Malaysia to trial LTE 700MHz which will provide wider LTE coverage and better indoor experience.

Our People

mymaxis

SETTING EXPECTATIONS FOR THE LEADERS OF TOMORROW

Our people make Maxis what it is. And to be the best at what we do, we need our passionate leaders to lead with impact. In early 2016, we launched the Maxis Leadership Expectations. These are qualities that we believe a good leader at Maxis must have. We want the Maxis leadership pool of over 400 managers to live up to these expectations and demonstrate the true attributes of a leader.

The Maxis Leadership Expectations are:

- Great Leaders of Great People: Energising, empowering and growing the people they lead
- Living the Maxis Way: Showing a 'one company' attitude, being a role model of our values and becoming Maxis brand champions
- Driving Change: Having restless curiosity, making change happen and possessing passion for excellence

To drive home the importance of these behaviours, we rolled out a customised leadership programme for all our managers. Through a series of blended learning sessions – classroom, online content and workshop – our managers are taught how to fully realise the Leadership Expectations in the workplace and are also given the right tools to succeed as leaders in Maxis.

Our leaders' performance is measured through Quarterly Leadership Surveys as well as the Voice of Maxis annual engagement survey which allow employees to give feedback about their managers. The results are used to find ways to improve our leadership pool in Maxis, as well as other aspects of life at Maxis.

Our People

mymaxis

GROWING OUR TALENT

We brand our broad and comprehensive initiatives to grow and develop people as 'I Grow'. The contents of 'I Grow' are consistently communicated through various channels to ensure all employees understand both what Maxis is doing to help them grow, as well as what is expected of them to grow themselves. We call this the "Maxis Handshake" – Maxis offering tools, systems and encouragement for employees to grow, coupled with employees being pro-active and forward-leaning in wanting to grow and develop themselves.

One of the pillars under 'I Grow' is called 'Learn Anytime, Anywhere'. This is making use of technology together with building a desire for employees to learn anytime and anywhere, and not just learning through the traditional channels. We are seeing a marked increase in usage of our online learning tools such as Lynda.com, Harvard Manage Mentor and SmartUp. For content that requires face-to-face interaction, we have our newly renovated Maxis Academy. Training and development of employees is managed through our brand new cloud-based learning management system ("LMS"), which keeps our efforts and initiatives cohesive and integrated.

We continue to nurture and give opportunities to young talents. This year, we revamped and rebranded our Maxis scholarship programme as Maxis What's Next Scholarship, which now offers postgraduate studies to employees and external candidates. On top of this, we are also now offering interest-free education loans to Maxis employees who are interested in furthering their studies or earning certifications or simply to gain more knowledge.

Our revamped Maxis Management Associate Programme now includes a customised rotation during the candidate's final nine months in the programme. This allows the associate to focus the second half of the programme in the area that he or she will permanently be attached to. This means by the time they "graduate" to the designated function, they are almost "up to speed" with what would be expected of them in that particular role or area. We also organise Young Talent Engagement Sessions with universities, youth organisations and various technopreneur communities. We use these sessions to introduce Maxis as the exciting, forward-leaning digital organisation that we are.

Job rotation is becoming one of the key tools with which our people develop themselves. Earlier this year, we challenged our people with the idea of taking up another responsibility after a few years of being in the same role. The aim was to stretch their capabilities and invigorate their working journey within Maxis. We drive job rotation by encouraging employees to go for opportunities. We also drive it from the top by pushing managers to regularly rotate their employees into new roles.

REWARDING OUR PEOPLE

In 2016, we introduced the MaxisONE Employee Plan to all employees. This is a more streamlined phone and data plan which is aligned to what we offer our customers. Apart from simplifying our processes and policies, this also allows our employees to have the same experience as our customers. We have also improved our parental leave policy, allowing fathers to take up to seven days of paternity leave and mothers to take additional maternity leave of up to three months on top of the first fully-paid three months.

In line with our 'I Know' philosophy of ensuring our people always have the right information and tools at their fingertips, we launched the individual Total Rewards Statement ("TRS") which lets all employees view their total rewards for the year. The information gathered on total rewards allows us to do in-depth analysis of staff costs and rewards competitiveness.

DRIVING HIGH PERFORMANCE DIGITALLY

We are the first in Malaysia to go with a cloud-base tool to drive digital recruitment interviews. Aside from eliminating the processing time of initial interviews, this tool allows us to find candidates who are aligned with our ambition of going digital. It also improves our processes and recruitment experience and takes us further on our journey of digitalising Maxis' processes.

From the performance management aspect, our monthly Pit Stop dialogues continue to be one of the main communication platforms for managers to discuss performance and development with individual team members. This year marks the first time that we have conducted year-end performance calibration via our cloud-based HR system.

Our People

mymaxis

WHAT'S NEXT?

We are committed to delivering the best employee experience to our people and we do this through constant engagement. We conduct regular surveys and feedback sessions to gauge employee satisfaction and develop action plans based on them. Our recent survey saw an all-time high Employee Engagement index. We are now clearly one of the few global high-performing companies in terms of employee engagement amongst the vast worldwide samples of over 4,000 companies in the survey. We are well above the benchmarks for Malaysian companies as well as all global telcos. Every single part of the company has improved compared to last year, and the key areas we worked on, such as employee career development and managerial effectiveness, showed tremendous improvement.

Over the past year, we have continued to build and acquire new capabilities, created a new employment and engagement structure and taken on a more digital mindset. We are in a good position to forge ahead and achieve Maxis' ambition of becoming a true digital enabler.

Sustainability Statement

STRATEGY AND APPROACH

We look at sustainability as "What's Next" for us in everything we do. In the next two years, we have a goal to transform ourselves further to thrive in a digital world. This means moving from products to solutions, from access to digital services, from traditional to digital channels, supported by being fully digitalised ourselves. We completed the first phase of our transformation journey to fix the fundamentals and revitalise the Company in 2015. Now we have moved into the second phase of our transformation, to become a digital enabler for people, homes and businesses.

As spelt out by the CEO in his statement in this report, 2016 was a year of good financial and operational progress. The CEO leads and drives our transformation agenda, with a focus on growth and sustainability of the business well into the future. He reports on progress and key developments to the Board. To ensure direct oversight on key strategic areas, the CEO meets with key divisions and project teams on a weekly and monthly basis. The management team is also present in these meetings to ensure that the teams execute initiatives well and that targets are met. The Company announces its financial and operational performance results to the public on a quarterly basis.

UNDERSTANDING WHAT MATTERS TO US

We identify what's important to us as part of our annual operating planning. Sources used for this process include our business strategy, insights gained from market research and industry benchmarking, reviews of key concerns across our customers, regulators and employees, as well as the key trends likely to affect our business. These are what is important to us in the marketplace, workplace, community and the environment:

Digitalisation of our business: The core of our second phase of transformation is about embracing all things digital. One of the key goals is to enhance customers' digital experience as they engage with us – having greater control of their accounts and being better informed of product features and support options. Initiatives implemented in 2016 include:

Supporting self-serve for our customers:

- Improving customers' access to their accounts with MyMaxis and Hotlink RED apps, enabling self-serve for payment or reloads, rewards and gaming.
- Enhancing digitised payment with simplified connectivity for all payment options, from credit card to bank integration with Maxis Pay and operator billing digital payment features.
- Extending digital tools such as Maxis Centre iPad sales and servicing tool at retail stores across all Maxis executive dealers and centres.
- Establishing a Business Solutions Hub within the Maxis KLCC retail centre to give our customers hands-on experience on how business tools can enhance the way they work.

Sustainability Statement

Enabling new ways of working for our employees:

- HR cloud-based application and system 'Workday' enables seamless ways of working for HR operations from expense, leave management and approvals to performance management functions.
- Another HR cloud-based solution 'HireVue' enables digital video interviewing that shortens the interview process by over 50% and allows hiring managers and candidates to interact with each other anytime, anywhere. It saves time and money for both parties.
- 'Yammer', a cloud-based file sharing, collaboration and communication tool, enables new ways of collaborating and working for employees.
- Mobile device management and secured solutions provide new ways of secured access to company-wide private data.
- Intranet 'Squiggle' with branded interactive employee engagement content and communications.
- Modernised tools and solutions that enable approval for purchase orders and invoicing for sourcing and finance functions.
- Mobile Dealer App and Enterprise mobile sales tools to support our channel partners.

Responsible network deployment: All our base station sites are designed and built in compliance with local planning regulations and international safety guidelines. Our site implementation guidelines, along with our standards on Radio Frequency (RF) and health and safety, set consistent standards in five key areas: legal compliance, environmental impact, RF emissions, site planning and selection, and health and safety. The standards and guidelines also apply to our contractors and their sub-contractors, from the planning and acquisition of sites to the construction and maintenance of base stations.

Integrity in our supply chain: In 2016, our emphasis was on performing regular audits, steering continuous improvements in our procurement processes and policies to maintain high ethical business standards in our Supply Chain Management process. Furthermore, we reiterated requirements for all our registered vendors to periodically acknowledge their adherence to the Maxis Code of Business Practice to assure compliancy and commitment to conduct business with Maxis in the most transparent way.

Engagement: We continued to engage our employees on our strategy, people agenda, products and services and changes happening in the Company in various ways, including roadshows, quarterly divisional townhalls, collaboration in our internal social media, events as well as through individual team leaders. We are also into the second year of implementing #FitterFasterStronger, an all-year holistic well-being programme which includes activities to promote physical, personal, social, financial, community and career well-being. Every year, all our employees are invited to participate in Voice of Maxis, an annual survey to measure engagement levels and identify ways to improve how we do things. In 2016, we showed great improvement in all areas with an Employee Engagement Index of 85%, an improvement four years in a row and the highest ever score for Maxis.

Capabilities: We empower our people to grow in Maxis by tailoring their training and development to build on their individual capabilities and ambition. Employees have access to online learning platforms like 'Harvard Manage Mentor' from Harvard Business School, LinkedIn's 'Lynda' and 'SmartUp' so that they can take on bite-size digital and video learning and easily fit training into their work schedules. Our employees also have the opportunity to move around the company on a permanent or project basis to get more exposure and experience in other areas of the business, and to expand their career. As we move towards becoming a digital Maxis, our people agenda focuses on upskilling and evolving our capabilities towards thriving in a digital age.

Health and safety: As part of our #FitterFasterStronger programme, we have a host of activities to promote healthy lifestyle including yoga, piloxing, zumba as well as health talks and screening. Our key intervention programmes address the health concerns of our people. Overall, we continue to evolve our Safety Management System with the latest updates in the legislation and provide training for all our people and contractors. As a new initiative, we installed 15 new automated external defibrillator (AED) units at our premises this year. AED is a portable device used to treat sudden cardiac arrests. We have conducted five sessions of first aid, cardiopulmonary resuscitation (CPR) and AED Workshops to ensure our employees are trained to provide basic emergency rescue services. We also demonstrate our commitment to maintaining optimum health and safety standards by embedding OHSAS 18001 and MS 1722 into our daily practice. These initiatives highlight our commitment to mitigate occupational health and safety risks and allow us to be admired for having the best practices in the workplace.

Sustainability Statement

EMPOWERING COMMUNITIES

Bringing digital learning to rural and urban poor communities
We took a significant step in mainstreaming digital education for Malaysians with the launch of Maxis eKelas, our brand new Corporate Responsibility programme in November 2016. Leveraging on technology and the Internet, eKelas is a structured after-school e-learning initiative that aims to improve the academic performance of students in rural and urban poor communities in Malaysia. We are the first company to bring digital education to Pusat Internet 1Malaysia (PI1M). Designed to remove distance as a barrier for education, eKelas offers technology-enabled teaching and learning in a fun, vibrant and engaging way using highly interactive digital content, in line with the Malaysian School Syllabus. Students have immediate access to experienced teachers via live video tutorials and have the opportunity to participate in group activities such as holiday camps and competitions.

Last year alone, during the pilot stage, we reached 1,200 students in terms of class population and delivered a total of 450 hours of live tutorials at 10 PI1Ms under Maxis' care. Our ambition for 2017 is to roll out live tutorials in more PI1Ms and develop an eKelas portal to enable self-paced studies for the benefit of more students.

Providing connectivity to underserved communities
We continued to provide connectivity to the underserved communities through 118 PI1Ms under Maxis' care nationwide. These community broadband centres serve as a digital hub for the community to access the Internet and use IT facilities.

We have installed and deployed 1,460 WiFi access points nationwide for provision of wireless broadband access for WiFi Komuniti, Kampung Tanpa Wayar and WiFi 1Malaysia. We also provide 2G and 3G services at 1,551 underserved locations nationwide through TIME 3 – mobile tower and base station infrastructure initiative. Under this project, Maxis' mobile services are made available to surrounding communities from our own sites and through Domestic Roaming and Radio Access Network (RAN) sharing with other service providers.

Volunteering and giving
Besides helping the communities we serve, we believe volunteerism develops character and empathy among our own people. This year, close to 2,300 of our employees contributed a total of 12,700 hours in volunteering for activities within our business as well as giving back to the community. Our giving-back initiatives includes celebrating festive seasons with communities through various activities.

- **Chinese New Year (CNY):** We joined hands with local NGOs to deliver food boxes to urban poor families in Klang Valley, Penang and Johor. In conjunction with the CNY festivity, we also teamed up with Malaysia's top online shopping destinations and EPIC Homes, a social enterprise, to crowdsource funds to build homes for two Orang Asli families.

- **Hari Raya:** We helped to improve the living conditions at Pusat Jagaan Al-Fikrah, a welfare home for the elderly located in Kajang.

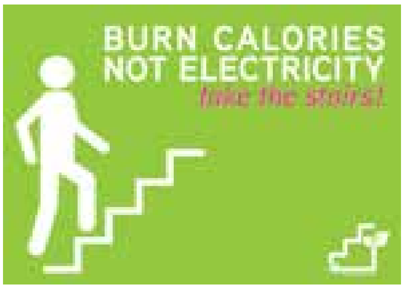
- **Deepavali:** We supported MySkills Foundation, an NGO that provides training and transformation programme for at-risk youths through its Light a Life campaign. Maxis participated in their campaign and launched a special microsite to encourage donation and volunteerism from the public. Our employees also conducted team building activities for the youths.

- **Christmas:** We brought festive cheer to the children of The Salvation Army, Kuching Children's Home in Sarawak and refurbished the playground area.

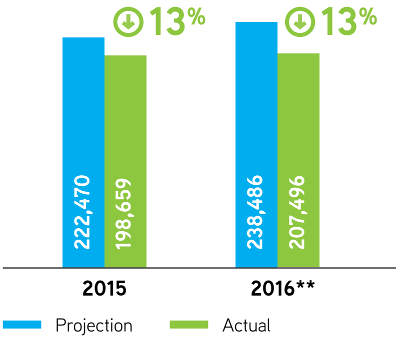
ADVOCATING ENVIRONMENTALLY-FRIENDLY PRACTICES

Energy Use and Efficiency

95% of our energy consumption is associated with our network. As our network and services expand, the demand on these resources continues to increase. Our initiatives therefore focus on improving energy efficiency as this is the most effective way to reduce our carbon emissions and energy costs. We have improved our energy usage over the years by adopting various energy efficiency solutions at our base stations and Technical Operations Centres ("TOC"). These include changing our 2G radio to compact 2G and 3G radio, converting our base station cabins to outdoor cabinets, installing free cooling systems, energy-efficient air conditioners and LED lighting. We also installed high-capacity solar panels and chargers to harvest more energy for equipment and batteries at some of our remote base stations.



Projected Vs Actual Emissions* (CO_2 tonnes)



* Total figures for direct and indirect CO_2 emissions

Waste management

We want Maxis to be a showcase of a modern digital age company. Our redesigned office follows an open space concept and we have gone paperless for maximum efficiency. This year, we also look at how we can manage our office waste better by partnering with Pertubuhan Kebajikan Masyarakat Melalui Kitar Semula, an NGO focusing on recycling for the community and charity. We now have recycling bins placed on each floor to separate waste materials, which is then collected and measured monthly. The funds collected through Maxis' recyclables are donated to charitable organisations.

Green awareness

We want our employees to embrace green habits. In 2016, we kicked off 'Green up', a key campaign to promote green habits among employees. The initiatives include quarterly awareness campaigns for waste and energy, workshops and health talks as well as group chats to encourage a green mindset and behaviour, e-waste recycling programme and carpooling with Grab Hitch.

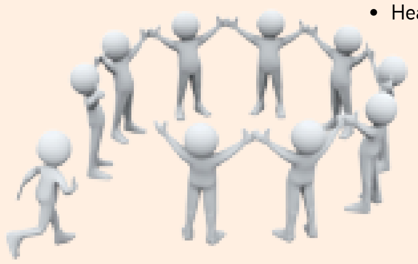
COMMITMENT TO OPERATE RESPONSIBLY AND ETHICALLY

Maxis Way sets out the way we work, always living the values of being positive, passionate and collaborative. Our Maxis Way values, together with our Code of Business Practice, define the mindset and behaviour that we expect from our employees. We have also extended the Code of Business Practice to our vendors across our extensive supply chain. Apart from looking at improving processes and cost efficiency, we have included environmental performance in supplier selection during the Request for Information (RFI) process as well.

Sustainability Statement

ENGAGING OUR STAKEHOLDERS

Regular engagements with our stakeholders help us identify key issues, risks and opportunities which are important to them and critical to our long-term sustainability.

	Key Engagement Areas	Methods of Engagement
CUSTOMERS 	• Network quality and coverage • Innovative offerings • Security protection • Education and awareness	• Maxis Centres and Exclusive Partner Outlets • Customer satisfaction surveys • Focus group discussions • Customer service channels (Maxis Forum, customer helpline, social media) • Maxis website • Mass media
EMPLOYEES 	• Training and development • Diversity and inclusion • Health and safety	• Annual employee engagement survey • CEO and Maxis Management Team ("MMT") chats • CEO messages to employees • Squiggle (intranet) and Yammer (internal social media) • Regular employee townhalls and briefings • Team building • Engagement activities • Employee volunteerism • Maxis news on our website
SHAREHOLDERS, INVESTORS AND ANALYSTS 	• Profits and dividends • Responsible business • Corporate Governance	• Annual report and quarterly financial announcements • Annual General Meeting/ Extraordinary General Meeting • Dedicated Investor Relations page on our corporate website, www.maxis.com.my • Dedicated Investor Relations email address • Analyst and investor briefings • Maxis news on our website
GOVERNMENT AND REGULATORS 	• Connectivity and access to technology in underserved areas • Development of the telco industry and market • Spectrum management • Access issues and policies • Quality of service and consumer issues • Collaborative programmes related to the national agenda	• Regular reports and progress updates • Formal and informal meetings • Participation in government programmes and initiatives • Maxis news on our website

The Board is pleased to present the above statement which was approved on 7 March 2017.

The scope of this Sustainability Statement covers our operations in Malaysia for the 12 months ended 31 December 2016. Our 2015-2016 Sustainability Report is available at http://www.maxis.com.my/en/about-maxis/corporate-responsibility/sustainability-reports.html.

We've become a high-performing, collaborative, digital company. Our people are thriving in this new work environment.
#FitterFasterStronger

MY MAXIS 4G

Statement on Corporate Governance

To: Shareholders

The Board is pleased to confirm compliance with the Principles of Malaysian Code of Corporate Governance 2012 ("the Code") during the financial year ended 31 December 2016. This Statement was approved by the Board on 7 March 2017.

The Code sets a strong foundation for Directors, Boards and Committees to carry out their roles effectively, promote timely and balanced disclosure, safeguard the integrity of financial reporting, emphasise the importance of risk management and internal controls and encourage shareholders' participation in general meetings.

Who We are

As at the date of the statement, there are Eleven (11) Directors, comprising Ten (10) Non-Executive Directors, out of which Four (4) are Independent Non-Executive Directors and 1 Executive Director. The Chairman is an Independent Non-Executive Director. There were four(4) Board Meetings held during the financial year ended 31 Dec 2016.

	Director	Designation	Number of meetings attended during the year	Percentage (%)
1	Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda ("RA")	Chairman/Independent Non-Executive Director	4/4	100
2	Robert Alan Nason ("RN") [(1)]	Independent Non-Executive Director	3/3	100
3	Robert William Boyle ("RB") [(2)]	Independent Non-Executive Director	2/2	100
4	Tan Sri Mokhzani bin Mahathir ("MM")	Independent Non-Executive Director	4/4	100
5	Dato' Hamidah Naziadin ("HN")	Independent Non-Executive Director	4/4	100
6	Mohammed Abdullah K. Alharbi ("MAH")	Non-Executive Director	4/4	100
7	Fraser Mark Curley ("FMC") [(3)]	Non-Executive Director	3/3	100
8	Mazen Ahmed M. AlJubeir ("MA") [(4)]	Non-Executive Director	1/1	100
9	Naser Abdulaziz A. AlRashed ("NA") [(4)]	Non-Executive Director	1/1	100
10	Lim Ghee Keong ("LGK")	Non-Executive Director	4/4	100
11	Alvin Michael Hew Thai Kheam ("AH")	Non-Executive Director	4/4	100
12	Dr. Kaizad B. Heerjee ("DKH") [(5)]	Non-Executive Director	NA	NA
13	Morten Lundal ("ML")	Chief Executive Officer/Executive Director	4/4	100

1 RN was appointed as Director of the Company effective 7 March 2016 and there were three Board Meetings held during the period from the date of his appointment to 31 December 2016

2 RB has retired as Director of the Company effective 20 April 2016 and there were two Board Meetings held during the period from 1 January 2016 to the date of his resignation

3 FMC has resigned as Director of the Company effective 1 August 2016 and there were three Board Meetings held during the period from 1 January 2016 to the date of his resignation

4 MA and NA were appointed as Directors of the Company effective 8 September 2016 and there was one Board Meeting held during the period from the date of their appointment to 31 December 2016

5 DKH was appointed on 15 November 2016 and no Board Meeting was held during the period from the date of his appointment to 31 December 2016

A brief description of the background of each Director is contained in the "Board of Directors' Profiles" section as set out on pages 24 to 30 of this Annual Report.

Statement on Corporate Governance

To: Shareholders

Our mix of qualifications are diverse, covering accounting, finance, engineering, HR and law, and our skills/expertise are as follows:

Skills/Expertise	RA	MM	HN	RN	LGK	MAH	MA	NA	DKH	AH	ML
General Management	/	/	/	/	/	/	/	/	/	/	/
International Expertise	/	/	/	/	/	/	/	/	/	/	/
Technology/Digital/Media				/				/			/
Finance and Treasury	/			/	/						
Marketing										/	/
Telco Industry				/		/		/	/		/
Human Resources/People			/								
Regulatory/Local Affairs	/	/	/		/				/		/

Further to the Board's yearly appraisal and self-assessment, the Board is of the view that its size is adequate for the effective discharge of its functions and responsibilities. With its diversity of skills, the Board has been able to provide clear and effective collective leadership to the Group and has delivered informed and independent judgment to the Group's strategy and performance to ensure that 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 the Independent Non-Executive Directors is essential in providing unbiased and impartial opinion, advice and judgment to Board deliberations to ensure that the interests, not only of the Group, but also of its shareholders, employees, customers, suppliers and other communities with which the Group conducts its business are well-represented and taken into account.

The assessment of the independence of each of the Independent Non-Executive Directors was undertaken twice during 2016 according to set criteria as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). As recommended by the Code, the tenure of directorship should form also part of the assessment criteria for independence of a Director. The specific tenures of not more than nine years were duly reviewed and confirmed for suitability by the Nomination Committee ("NC") and Board. The relevant process and procedures for the assessment of directors and independent directors have been provided for in the Board Charter and Terms of Reference of the NC.

Statement on Corporate Governance

To: Shareholders

I. ROLES AND RESPONSIBILITIES OF THE BOARD

Roles and Responsibilities

- The Directors are responsible for the management of the Company and their powers are defined under the Constitution, Companies Act 2016 and corresponding regulations.
- Directors are aware of their duties and responsibilities and time commitment as a Director.
- The Board Charter sets out the Roles and Responsibilities. It serves as a point of reference and assessment of Directors' performance, and also as primary induction literature for prospective Board members. The Board Charter is reviewed and updated periodically to ensure that any updates on relevant laws and regulations are duly incorporated.
- Limits of Authority with clear delegation of authority to Chief Executive Officer ("CEO") and Management as specified in Maxis' Manual of Limits of Authority ("LOA"). Business affairs of the Group are governed by the LOA. Any non-compliance is brought to the attention of Management, Audit Committee and/or the Board for effective supervisory decision making and proper governance.

The Board assumes the following duties and responsibilities:

- Reviewing, adopting and monitoring the implementation of a strategic business plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed. This includes ensuring that there are measures in place against which Management's performance can be assessed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage and mitigate these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing key Management;
- Developing and implementing an investor relations programme or a shareholder communications policy for the Group and encouraging the use of information technology for effective dissemination of information;
- Reviewing the adequacy and integrity of the Group's systems of internal control and of management information, including ensuring that a sound risk management framework, reporting framework and systems for compliance with applicable laws, regulations, rules, directives and guidelines are in place; and
- Reviewing, adopting and implementing appropriate corporate disclosure policies and procedures.

In 2016, the Maxis Board reviewed, deliberated and approved (where specifically required) the following:

- Maxis' detailed business, operational and financial performance which include the Group's core business, strategic and structural options and plans.
- Customer service and consumer insights, which include a site visit to the call centres and operations.
- Financial results, including accounting related matters, cashflow, funding requirements, proposed dividends and investor relations briefings.
- Network and Information Technology systems programme and updates.
- Regulatory and legal updates and industry trends.
- People and Organisation which include updates on movement of personnel, key performance indicators, employee engagement, remuneration policies, succession, talent and retention planning.
- Risk management and internal controls, as detailed on page 72 to 76 of the Annual Report.
- The annual operating plan and budget for 2017 which include the Group's plans towards its journey in becoming a fully digitalised Maxis.
- Reports from each of the Audit, Nomination, Remuneration and Business and IT Transformation Committees.
- Matters relating to the Annual General Meeting including the assessment of Directors standing for re-election and re-appointment reappointment of external auditors, PricewaterhouseCoopers and recurrent related party transactions.
- Specific corporate and operational matters for the Board's approval.
- Reports on dealings by Directors and principal officers, and Directors' disclosures pursuant to Sections 131 and 135 of the Companies Act 1965.

Each of the items presented to the Board for review, consideration and/ or approval were deliberated upon and discussed extensively, and where required, deliberation of the specific Committee's recommendations, prior to the Board's decision. Management were invited to join Board meetings to provide explanation or engage in dialogue with Board members. In line with a culture that encourages open discussions, Directors raise queries, seek clarification, additional information, as and when needed, in advance or at the meetings. The Chairman allows sufficient time at the end of each agenda item for questions prior to the formal decision. All deliberations, discussions and decisions of the Board meetings are minuted and recorded accordingly.

Code of Business Practice

The Group's Code of Business Practice ("Maxis Code of Business Practice") which is periodically reviewed by the Board applies to all Directors and employees of the Group who are required to affirm their commitment to observing its prescriptions. It serves as documentation of the Directors' and

Statement on Corporate Governance

To: Shareholders

employees' commitment to do business in a manner that is efficient, ethical, effective and fair, and is meant to be a reference point for all Directors and all levels of employees as well as for all parties that engage in business dealings with the Group.

Maxis Code of Business Practice is a guide to assist the Group's Directors and all levels of employees in living up to the Group's high ethical business standards, and provides guidance on conduct when dealing with other parties doing business with the Group. This code also sets out and identifies the appropriate communication and feedback channels which facilitate whistle-blowing. Please refer to the section on whistle-blowing on page 64. Maxis Code of Business Practice is available on www.maxis.com.my/corp.

Promoting Sustainability

The Board has taken steps to ensure that the Group's strategies continue to promote sustainability, with a focus on environmental, social and governance ("ESG") aspects of the Group's business. The Board has approved Maxis' Corporate Responsibility ("CR") framework in 2011 which clearly outlines Maxis' CR mission, strategic pillars, philosophies and governance structure. The CR framework is being realigned to reflect current business goals. We look at sustainability as 'What's Next' for us, our ability to transform ourselves as markets and industry change. In the next two years, we have a goal to transform ourselves further to thrive in a digital world. We have a set of well-defined corporate governance process to track our performance and accountability. We are guided by our Maxis Way values of being positive, passionate and collaborative, and Maxis Code of Business Practice in dealing our with customers, suppliers, competitors and the community. Maxis' 2015-2016 Sustainability Report is available for download at www.maxis.com.my/sr.

Board Meetings, and Access to Information and Advice

Directors were given notices of the annual meeting calendar in advance of the new year. These allowed Directors to plan ahead to maximise their participation during Board, Committee and general meetings. All agenda for Board and Committee meetings were set in consultation with the respective Chairman and the CEO. Directors were provided with advance copies of the agendas to allow feedback. The formal detailed Notice and Agenda were sent to Directors fourteen (14) days before the meetings.

Meeting materials were shared and uploaded electronically for Board members seven (7) days before the meetings. There were Directors who participated in the Board or Committee meetings via conference call. That provided flexibility for the Directors to access information anytime and anywhere and allowed members to participate in the meetings from anywhere convenient to them, and to have the records of materials easily accessible.

The Management provided all Directors' requests for information on the affairs of the Group, including but not limited to business and operations of the Group and governance matters within the stipulated time. Detailed Board papers were furnished to the Board members in advance of each Board or Committee meeting or Directors' Circular Resolution for consideration, guidance and where required, for decision-making.

Additionally, the Board was furnished with regular reports/updates to ensure that Directors were appraised of key business, financial, operational, corporate, legal, regulatory, statutory and industry matters.

Head of Legal, Head of Internal Audit and Company Secretary in addition to other members of Management are fully accessible to the Board for any queries, clarification or information that the Board may require. During the year, external and independent professional advisors/consultants were hired and consulted where necessary, to advise and assist the Board in furtherance of their duties. These appointments were duly approved by the Chairman of the respective Committees and Board at the Group's expense.

Board Protocol and Time Commitment

The Board has in place the following protocols:

1. Informing the Chairman before accepting new directorships and providing assurance to the Chairman that the Director concerned would be able to fulfil time commitments to Maxis.
2. Ensuring time commitment from Directors for meetings, circular resolutions, decisions and updates/briefings.
3. Board and Committee meetings and general meetings for each calendar year are scheduled before the end of the preceding financial year and dates are locked into the diaries of the Directors.
4. The Chairman spends one-on-one time with each Director on a regular basis and is easily accessible to all Directors and the Secretary.
5. The Senior Independent Director is easily accessible to Directors.
6. Use of technology to facilitate delivery of information and materials to the Board and for ease of the Board's response e.g. via software/apps for the Board to download e-Board papers and e-Questionnaires for the Board, Individual and Board Committee assessments and decisions/responses where required.
7. None of the Directors have more than five directorships in public listed companies in accordance with the MMLR.

Statement on Corporate Governance

To: Shareholders

Company Secretary
The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR and Companies Act, 2016 and other relevant laws and regulations. In performing this duty, the Company Secretary carries out, among others, the following tasks:
- Statutory duties as specified under the Companies Act 2016 and MMLR;
- Facilitating and attending Board and Board Committee meetings and ensuring that the Board meetings are properly convened and proceedings are properly recorded;
- Ensuring timely communication of Board-level decisions to Management;
- Ensuring that all appointments to the Board and Committees are properly made;
- Maintaining records for the purposes of meeting statutory obligations;
- Facilitating the provision of information as may be requested by the Directors from time to time and ensuring adherence to Board policies and procedures; and
- Supporting the Board and Management

The Company Secretary, who has 23 years company secretarial experience, is a qualified lawyer, with postgraduate qualifications. The Secretary is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators and is licensed by the Registrar of Companies to act as a Company Secretary. She also holds a Certified Diploma in Accounting & Finance from the Association of Chartered Certified Accountants.

II. BOARD STRENGTH AND EFFECTIVENESS

Appointments to the Board
The Nomination Committee ("NC") makes independent recommendations for appointments to the Board, based on criteria which they develop, maintain and review. 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, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval. The Board makes clear at the outset its expectations of its new Directors in terms of their time commitment as recommended by the Code, and their appointments to other directorships are notified to the Chairman.

Re-election of Directors at the Eighth AGM

Retiring pursuant to Article 121 of the Company's Constitution and eligible for re-election and	(i) Mazen Ahmed M. AlJubeir (appointed on 8 September 2016); (ii) Naser Abdulaziz A. AlRashed (appointed on 8 September 2016); (iii) Dr. Kaizad B. Heerjee (appointed on 15 November 2016)
Retiring pursuant to Article 114 of the Company's Constitution and eligible for re-election	(i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (ii) Tan Sri Mokhzani bin Mahathir; and (iii) Alvin Michael Hew Thai Kheam

In 2016, the Nomination Committee and the Board had carried out an assessment of all Independent Directors including the independence of Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir pursuant to criteria as prescribed by the MMLR and Code and are satisfied that they meet the criteria for independence. Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir were appointed as Directors on 16 October 2009 and both do not exceed the tenure of nine years.

The profiles of the Directors who are due for re-election are set out on pages 24 to 30 of this Annual Report. The NC and the Board have considered the assessment of the six (6) Directors standing for re-election and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the MMLR. The retiring directors had abstained from deliberations and decisions on their own eligiblity to stand for re-election at the respective NC and Board Meetings.

Statement on Corporate Governance

To: Shareholders

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 Nomination Committee 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 24 to 30 which demonstrates the Board's diversity policy.

Board Evaluation and Effectiveness Assessment
Overseen by the NC
How – E-format questionnaire covering the areas of Board dynamics, responsibilities, competence and capability, independence, integrity including an extensive comments section for Directors to provide feedback and suggestions.

Objective – to review, assess, evaluate and gather feedback on the Board of Directors, Board Committees and individual Directors

Process in 2016 – The Chairman of the NC oversaw the overall evaluation process and responses were reviewed and analysed by the NC, before being constructively tabled and communicated to the Board. In addition, the individual Directors also conducted self-assessments, the results of which were also shared with the Board. The Board agreed on the action points moving forward including any specific training needs.

The outcome and feedback was used to identify gaps, maximise strengths and address weaknesses.

Role of the NC
The criteria on which assessment of the Board's effectiveness were carried out was developed, maintained and reviewed by the NC. They included, inter alia, each Director's effectiveness, the Board's and Board Committees' composition, Board's roles and responsibilities, performance which comprises strategy planning and performance, risk and human capital management, regulatory requirements, Board communications, proposed identification of training areas and conduct of the Board and Board Committees.

Board Committees were, inter alia, assessed based on their roles and scope, frequency and length of meetings, supply of sufficient and timely information to the Board and also their overall effectiveness and efficiency in discharging their functions. During the year, the NC and Board in accordance with Para 15.20 of the MMLR also reviewed the terms of office and performance of the Audit Committee ("AC") and each of the members and was satisfied that the Audit Committee and members have carried out their duties in accordance with their terms of reference.

The individual Directors each undertook self-assessment of their individual performance during the financial year ended 31 December 2016 based on the criteria as prescribed under Para 2.22A of MMLR of character, experience, integrity, competence and time in order to discharge their respective roles as Directors of Maxis Berhad.

Board Committees
The Audit, Nomination and Remuneration Committees consist of majority Independent Non-Executive Directors. (The terms of reference of these Committees can be viewed on the Company's website.) The composition of the Audit, Nomination, Remuneration and Business and IT Transformation Committees can be found on page 24 to 30 under Directors' profile.

These Committees met as and when necessary, discussed and recommended to the Board matters assigned to the Committees.

During Board meetings, the Chairmen of the various Committees provided summary reports of the decisions and recommendations made at respective committee meetings, and highlighted to the Board any further deliberation that were required by the Board. These Committee reports and deliberations were incorporated into the minutes of the Board meetings, and specific action areas were tracked accordingly.

Activities of the AC
Please refer to the AC Report on pages 68 to 71 of the Annual Report.

Activities of the NC
The Nomination Committee ("NC") met seven (7) times during the financial year.

Among the matters considered by the NC during the year were the appointments of Robert Alan Nason, Mazen Ahmed M. AlJubeir and Naser Abdulaziz A. AlRashed and Dr. Kaizad Heerjee as Directors, Board and Committee compositions, Board Diversity Policy, the process, methodology and outcome for Annual Board, Board Committee and individual Director assessments, the assessments of the Directors standing for re-election, independence of the Directors, compliance with the Code and training requirements of the Board.

Statement on Corporate Governance

To: Shareholders

III. REPORT FROM THE REMUNERATION COMMITTEE

Meetings:
Met five (5) times and all members attended the meetings

What we discussed:
The Meetings discussed amongst other things, the grant of LTIP and ESOS, CEO's remuneration, and CEO's recommendations for the Maxis Management Team's remuneration and key performances, and talent and succession planning

Remuneration of Directors and Maxis Management Team
The objectives of the Group's policy on Directors' remuneration are to ensure that formal and transparent remuneration policies and procedures have been put in place to attract and retain Directors of the calibre needed to run the Group successfully. In Maxis, the component parts of remuneration for the Executive Directors are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Director concerned.

Remuneration Procedures

- The Remuneration Committee ("RC") recommends to the Board, the policy and framework of the Directors' remuneration and the remuneration package for the Executive Director (who is also the CEO).
- In recommending the Group's remuneration policy, the RC may receive advice from external consultants. It is nevertheless the ultimate responsibility of the Board to approve the remuneration of the Directors and the CEO.
- The RC also reviews the overall performance of the Company and the specific KPIs of the CEO.
- In determining the bonus, the RC reviews their performance based on the overall performance of the Company, and specific KPIs.
- Payment of Directors' fees and benefits (include compensation for loss of office) to Non-Executive Directors and any payment for increase in fees from the previous financial year are subject to shareholders' approval.
- The determination of the remuneration packages of Non-Executive Directors (whether in addition to or in lieu of their fees as Directors), is a matter for the Board as a whole. Individual Directors do not participate in decisions regarding their own remuneration packages.

Directors' Remuneration Packages

1. Basic salary
The basic salary of the Executive Director is fixed for the duration of his contract. Any revision to the basic salary will be reviewed and recommended by the RC.

2. Bonus scheme
The Group operates a bonus scheme for all employees including the Executive Director. Specific KPIs on financial performance and operational performance were set to assess the performance of the Executive Director. Bonuses payable to the Executive Director are reviewed by the Remuneration Committee and approved by the Board.

3. Benefits-in-kind and others
Other customary benefits (such as private medical coverage, car, etc.) and other benefits are made available to the Executive Director as appropriate.

4. Fees
In accordance with the provision of Section 230 of the Companies Act 2016, payment of Directors' fees, benefits (include payment for compensation of loss of office) is subject to Shareholders' approval. Additionally, as required by Bursa Malaysia Securities Berhad, any payment for increase in Directors' fees from the previous financial year is also subject to Shareholders' approval.

Benefits-in-Kind (such as car, etc.) are also made available to Non-executive Directors as appropriate. The Board and members of the Board Committees were paid fees respectively and no meeting allowances were provided to all Directors other than reimbursements.

The aggregate emoluments received by the Directors of the Company during the financial year ended 31 December 2016 and the total Directors' remuneration analysed in the band of RM50,000 are disclosed in the financial statements, as set out on page 119 to 120 of this Annual Report.

Statement on Corporate Governance

To: Shareholders

Details of the remuneration for each of the Non-Executive Directors of the Company, including Directors who resigned during the year, categorised into appropriate components for the financial year ended 31 December 2016, are as follows:

	Name of Directors	Fee (RM)	Benefit-in-Kind (RM)	Total Amount (RM)
1.	Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	463,944	45,388	509,332
2.	Tan Sri Mokhzani bin Mahathir	319,167	–	319,167
3.	Dato' Hamidah Naziadin	324,778	–	324,778
4.	Robert Alan Nason Note 2	311,201	–	311,201
5.	Mohammed Abdullah K. Alharbi	284,160	–	284,160
6.	Mazen Ahmed M. AlJubeir Note 2	86,537	–	86,537
7.	Naser Abdulaziz A. AlRashed Note 2	82,504	–	82,504
8.	Dr. Kaizad B. Heerjee Note 2	31,944	–	31,944
9.	Lim Ghee Keong	303,945	–	303,945
10.	Alvin Michael Hew Thai Kheam	263,944	–	263,944
11.	Robert William Boyle Note 1	134,444	–	134,444
12.	Fraser Mark Curley Note 1	169,946	–	169,946
13.	Morten Lundal (Executive Director) Note 3			

Notes

1 Retired/resigned during the year 2016
2 Appointed during the year 2016
3 The Executive Director's remuneration can be found on page 119 to 120 of this Annual Report.

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

Division of Roles and Responsibilities between the Chairman and the CEO

The roles of the Chairman and CEO are clearly separated and the Chairman was not previously a CEO of the Company. The Chairman's main responsibility is to ensure effective conduct of the Board and that all Directors, both Executive and Non-Executive, have unrestricted and timely access to all relevant information necessary for informed decision-making. The Chairman encourages active participation and deliberation by all Board members to enable the wisdom of all the Board members to be tapped and to promote consensus-building as much as possible.

The CEO has overall responsibilities over the Group's operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. In addition, the CEO also functions as the intermediary between the Board and Management.

IV. COMMITMENT OF THE BOARD

Training and Development of Directors

The NC and the Board assess the training needs of each of its Directors on an ongoing basis, by determining areas that would best strengthen their contributions to the Board. Orientation and familiarisation programmes that included visits to the Group's business operations, briefing materials and meetings with key management were organised for newly-appointed Directors.

Throughout the financial year under review, regular briefings/updates (some by external advisors) on various subjects such as cyber security, industry trends, operations, legal, regulatory, technology, finance technology and organisation, the Companies Bill and talent were held at the Board meetings. All Directors attended these briefings.

These sessions were held together with Management in order to encourage open discussion and comments.

Statement on Corporate Governance

To: Shareholders

Other sessions have been part of the Maxis Board agenda and these will continue into 2017 and beyond with greater intensity. Directors have also participated in various external training programmes which they have collectively or individually considered as useful for them to discharge their responsibilities.

The Board has taken steps to ensure that its members have ongoing access to appropriate continuing education programmes in order to effectively discharge their functions as Directors. The Company Secretary organises and facilitates internal training/briefings programmes and keeps Directors informed of relevant external training programmes. All of the Directors have undergone training during the financial year. The records of internal and external training programmes attended by Directors are maintained by the Company Secretary.

All Directors have attended and completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia. Robert Alan Nason who was appointed a Director on 7 March 2016, Naser Abdulaziz A. AlRashed who was appointed on 8 September 2016 and Dr. Kaizad B. Heerjee who was appointed on 15 November 2016 have completed their MAP within the prescribed period of four months from the date of their appointments. Mazen Ahmed M. AlJubeir who was appointed on 8 September 2016 has attended and completed the MAP in February 2017 which was within the timeframe of the extension of time from Bursa Malaysia to complete the MAP.

V. BOARD INTEGRITY IN FINANCIAL REPORTING, RISK RECOGNITION AND MANAGEMENT

Accountability and Audit

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors will 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 assessment is provided in this Annual Report through the Directors' Responsibility Statement as set out in page 77 of the Annual Report.

Related Party Transaction ("RPT")

The Group has put in place review and approval processes and procedures for RPT to ensure that the transaction prices, terms and conditions of the agreement and the quality of the products/services are comparable with those prevailing in the market. The quality of the products/services must meet industry standards. The transaction should be entered into on normal commercial terms, and on terms that are consistent with the Group's usual business practices and policies. This will ultimately ensure that the terms of the transactions are not favourable to the related party and are not detrimental to the minority shareholders of the Group.

The RPT review and approval processes and procedures focus on four areas:

(i) Create RPT Awareness

All Heads of business units, Finance, Legal, Company Secretary and Internal Audit departments are made aware of all related parties to enable the Group to capture information on RPTs at source. The LOA specifies processes for RPT.

(ii) RPT Approval Process

All RPT (irrespective of their values) must be tabled to the AC for review and to the Board for approval. Any new RPT proposed for the AC's recommendation and the Board's approval will be reviewed by various internal parties including the Company Secretary, Finance and Internal Audit departments, all of which are tasked with monitoring and reviewing transactions before the Board paper is submitted to the AC and the Board.

Where transactions are on single-source quotation and where benchmarking is not possible, justification by business units must be provided to ensure that the transactions are at arm's length basis, not favourable to the related party and not detrimental to the minority shareholders. Interests of Directors and conflict of interests are disclosed to the AC and the Board and the interested Directors will abstain from deliberating and voting on the RPT.

The non-interested Directors of the Board will consider the transaction as proposed in the Board paper and if deemed appropriate, approve the RPT upon recommendation by the AC. In respect of the recurrent related party transactions ("RRPTs") which are within the shareholders' mandate ("Mandate") obtained at the Company's Extraordinary General Meeting, additional review and approval procedures are adopted.

Statement on Corporate Governance

To: Shareholders

Any individual RRPTs exceeding RM60 million each in value will be reviewed and considered by the AC prior to recommendation to the Board for approval, before the transaction can be entered into. Any variations to the terms and conditions of the individual RRPTs will be reviewed and approved in accordance with the Company's LOA.

(iii) Monitoring Compliance and Reporting

The Group has a process for monthly reporting on the status of mandated RRPTs whereby the mandated RRPTs amount will be tracked on a monthly basis to ensure that the actual value of the mandated RRPTs entered into with parties within the same related party group does not exceed the aggregated estimated value of such mandated RRPTs. Where the value of transaction(s) exceeds the aggregated estimated value by 10% or more, a disclosure will be made to Bursa Malaysia.

Disclosure on the RRPTs for which the Mandate has been obtained together with the breakdown of the aggregate value of the RRPTs which has been conducted during the financial year ended 31 December 2016 is provided on pages 210 to 212 of this Annual Report.

(iv) Disclosures in Securities and Interests

In addition, all disclosures on trading in shares and securities of the Company by Directors and principal officers are tabled at Board Meetings.

Risk Management and Internal control

The Group's Statement on Risk Management and Internal Control is set out on pages 72 to 76 of this Annual Report.

Relationship with Auditors

The statement on roles, duties and responsibilities of the AC in relation to both the internal and external auditors is described in the Audit Committee Report as set out on pages 68 to 71 of this Annual Report.

VI. TIMELY AND HIGH QUALITY DISCLOSURE

The Board endeavours to provide timely disclosure to shareholders and all required announcements will be released immediately when matters are triggered. The Company has in place a Corporate Disclosure Policy that provides the guidance and reference for compliance with the continuous disclosure obligations on disclosure of material information in accordance with the MMLR.

VII. RELATIONSHIP WITH SHAREHOLDERS

Shareholders and Investor Relations

The Board believes that the Group should at all times be transparent and accountable to its shareholders and investors and the Board is proactive in evaluating the effectiveness of information dissemination to Maxis' shareholders and the wider investing community.

Other than through the issuance of its Annual Reports, Maxis has been actively promoting proactive engagements and communications with its shareholders and stakeholders through the following channels:

- Release of financial results on a quarterly basis;
- Press releases;
- Announcements to Bursa Malaysia; and
- An online Investor Relations section and online News Room which can be accessed by shareholders and the general public via the Company's website at www.maxis.com.my. Please also refer to the Investor Relations section on pages 20 to 21 of this Annual Report.

The Group's website is updated regularly to provide current and comprehensive information about the Group.

The Board has identified Tan Sri Mokhzani bin Mahathir as the Senior Independent Director to whom queries or concerns regarding the Group may be conveyed. Contact details for queries and/or concerns regarding the Group are:

(i) Tan Sri Mokhzani bin Mahathir
E: mmokhza@maxis.com.my

(ii) Nasution bin Mohamed
Chief Financial and Strategy Officer, for financial related matters
E: nasution@maxis.com.my

(iii) Audrey Ho Swee Fong
Head of Investor Relations, for investor relations matters
E: ir@maxis.com.my

(iv) Shafik Azlee Mashar
Head of Internal Audit
E: mshafik@maxis.com.my

(v) Dipak Kaur
Company Secretary, for shareholders' enquiries
E: sdipak@maxis.com.my

Statement on Corporate Governance

To: Shareholders

AGM
The Board has taken reasonable steps to encourage shareholder participation at general meetings. Shareholders are encouraged to participate in the Question and Answer session on the resolutions being proposed or on the Group's operations in general. The Chairman and Board members who were in attendance have provided clarification on shareholders' queries during the AGM.

Where appropriate, the Chairman of the Board endeavours to provide the shareholders with written answers to any significant questions that cannot be readily answered during the AGM. Shareholders are welcome to raise queries by contacting Maxis at any time throughout the year and not only at the AGM.

The Company has gone beyond the prescribed requirement and issued notices of AGM and/or EGM with 28 days' notice period. Notices were advertised in a nationally circulated daily newspaper. The notice of the general meeting, which included items of special business, will be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. Separate resolutions are proposed for substantially separate issues at the AGM.

As provided by MMLR, poll voting will be implemented at the forthcoming AGM. The Company will opt for electronic poll voting to facilitate voting by the shareholders.

Whistle-Blowing
In light of the requirements stipulated under the Capital Markets and Services Act 2007, the Bursa Malaysia' Corporate Governance Guide and the Companies Act, 2016, the Board recognises the importance of whistle-blowing and is committed to maintaining the highest standards of ethical conduct within the Group.

A secure reporting mechanism for employees and third parties called the 'Ethics Hotline' has been established to report any alleged unethical behaviour, actual or suspected fraud within the Group. Dedicated channels for reporting have been set up.

These channels, under the custody of the Internal Audit Department, are:
(i) Call or SMS to Ethics Hotline number (03-2330 6678 or 017-200 3922);
(ii) Email to ethics@maxis.com.my;
(iii) Letters/documents to the Ethics Hotline Office c/o Internal Audit Department (Level 21, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia).

The Board and the Management give their assurance that employees' and third parties' identities are kept confidential and that whistle-blowers will not be at risk of any form of victimisation or retaliation from their superiors or any member of the Management provided that they act in good faith in their reporting. All concerns raised will be investigated by a team comprising Internal Audit, People & Organisation personnel and/or line management. All fraud and cases of unethical conduct will be deliberated at the Defalcation Committee (an internal committee comprising Maxis Management Team as members) which meets regularly on matters pertaining to fraud and unethical practices. A report is provided to the Audit Committee on a quarterly basis.

List of Corporate Governance Documents Available on Maxis' Website:
http://www.maxis.com.my/corp
1. Board Charter
2. Term of Reference of the Audit Committee
3. Terms of Reference of the Nomination Committee
4. Terms of Reference of the Remuneration Committee
5. Code of Business Practice
6. The Constitution

Statement on Corporate Governance

To: Shareholders

Compliance Checklist for Code

	Summary of Principle / Recommendation	Status of Compliance (Yes / No)	Pages of Annual Report
1	**Establish Clear Roles and Responsibilities**		
1.1	Establish clear functions reserved for the Board and those delegated to management	Yes	56
1.2	Establish clear roles and responsibilities in discharging its fiduciary and leadership functions.	Yes	56
	Responsibilities		
	• Reviewing and adopting a strategic plan for the Company		
	• Overseeing the conduct of the Company's business		
	• Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures	Yes	
	• Succession planning		
	• Overseeing the development and implementation of a shareholder communications policy for the Company	Yes	
	• Reviewing the adequacy and the integrity of the management information and internal controls system of the Company	Yes	
1.3	Formalise ethical standards through a code of conduct and ensure its compliance and availability on corporate website	Yes	56 and 57
1.4	Ensure that the Company's strategies promote sustainability and disclose in the annual report and corporate website	Yes	57
1.5	Procedures to allow Board members to access to information and advice	Yes	57
1.6	Supported by a suitably qualified and competent company secretary	Yes	58
1.7	Formalise, periodically review and make public its Board Charter	Yes	56
2	**Strengthen Composition**		
2.1	Establish a Nominating Committee comprising exclusively of Non-Executive Directors, a majority of whom must be independent • The chair of the Nominating Committee should be the Senior Independent Director identified by the Board.	Yes	24

Statement on Corporate Governance

To: Shareholders

Summary of Principle / Recommendation	Status of Compliance (Yes / No)	Pages of Annual Report
2.2 Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors	Yes	58
2.3 Establish formal and transparent remuneration policies and procedures to attract and retain directors	Yes	60
3 Reinforce Independence		
3.1 Undertake an assessment of its independent directors annually	Yes	55
3.2 Tenure of an independent director not exceeding a cumulative of nine years. Upon completion of nine years, the independent director may continue to serve on the board subject to the director's re-designation as a non-independent director	Not applicable	
3.3 Justify and seek shareholders' approval in the event it retains an independent director who has served for more than nine years.	Not applicable	
3.4 Positions of Chairman and CEO should be held by different individuals, and the chairman must be a non-executive member of the board	Yes	61
• The division should be clearly defined in the Board Charter	Yes	
3.5 The Board must comprise a majority of independent directors where the chairman of the board is not an independent director	Not applicable	
4 Foster Commitment		
4.1 The Board should set out expectations on time commitment for Board members and protocols for accepting new directorships	Yes	57
4.2 Ensure Board members have access to appropriate continuing education programmes	Yes	61 to 62
5 Uphold Integrity in Financial Reporting		
5.1 Audit Committee ("AC") should ensure financial statements comply with applicable financial reporting standards	Yes	69
5.2 Audit Committee should have policies and procedures to assess the suitability and independence of external auditors	Yes	70

Statement on Corporate Governance

To: Shareholders

	Summary of Principle / Recommendation	Status of Compliance (Yes / No)	Pages of Annual Report
6	**Recognise and manage risks**		
6.1	The Board should establish a sound framework to manage risks and disclose in the annual report the main features of the Company's risk management framework and internal control systems.	Yes	63, 72 to 76
6.2	The Board should establish an internal audit function which reports directly to the Audit Committee	Yes	71
7	**Ensure timely and high quality disclosure**		
7.1	The Board should ensure the Company has appropriate corporate disclosure policies and procedures	Yes	63
7.2	The Board should encourage the Company to leverage on information technology for effective dissemination of information	Yes	57
8	**Strengthen Relationship between Company and Shareholders**		
8.1	The Board should take reasonable steps to encourage shareholder participation at general meetings	Yes	64
8.2	The Board should encourage poll voting	Yes	64
8.3	The Board should promote effective communication and proactive engagements with shareholders	Yes	63

Audit Committee Report As at 31 December 2016

The Board of Maxis is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

THE AUDIT COMMITTEE AT A GLANCE

Members	5 Non-Executive Members
Independent Members	Chairman + 2 Members
Meetings	6 meetings in 2016
Attendance Rate	Full attendance by all members

WHO WE ARE

NE – Non-Executive, **IN** – Independent, ***** – Chairman

No	Name	Status	Appointment	Meetings Attended	Full Profile
1	Robert Alan Nason *	NE, IN	20/4/2016	4/4	25
2	Robert William Boyle	NE, IN	Ceased as Chairman on 20/4/2016	2/2	NA
3	Tan Sri Mokhzani bin Mahathir	NE, IN	16/10/2009	6/6	26
4	Dato' Hamidah Naziadin	NE, IN	01/02/2014	6/6	26
5	Lim Ghee Keong	NE	08/05/2014	6/6	28
6	Mohammed Abdullah K. Alharbi	NE	13/10/2015	6/6	27

THE AC'S SKILLS AT A GLANCE

- All members are financially literate
- All members are able to read, analyse, interpret and understand financial statements
- All members have extensive business experience
- Each of the members has skill sets which make the AC effective as a team and give them the ability to effectively discharge their duties and responsibilities as members of the Committee
- Robert Alan Nason is a Fellow of CPA Australia meeting the requirement under the MMLR that an Audit Committee must have at least one member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee's duties and responsibilities are set out in its Terms of Reference which are available on Maxis' website www.maxis.com.my/corp. During the financial year, the Committee reviewed and updated the Terms of Reference to be in line with the Statement on Risk Management and Internal Controls and an annual review was performed to ensure that they have been complied with in full. In the discharge of its duties and responsibilities, the Committee had undertaken the following major activities during the year:

Risk Management and Internal Control

- The Committee reviewed the quarterly status reports on Enterprise Risk Management activities within the Group presented by the management, which includes overall risk profile, changes and updates on the number of key risks, and the corresponding mitigating actions. The Committee also reviewed the risk methodology adopted in ensuring that key and high risks were identified and tracked;

Audit Committee Report As at 31 December 2016

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

- During its meetings and discussions with key senior management, the Committee had consistently emphasised on information security and the Group's readiness to resist cyberattacks and online fraud. In its first quarterly meeting, the Committee deliberated mitigating actions implemented to address IT security gaps identified by the external auditor in the area of system access controls noted during the IT General Control Review conducted in 2015. The Committee also reviewed the Annual Security & Information System (SIS) report from Management, which includes updates on threat landscape and trends, IT security capabilities, IT security roadmap, past two-year security incidents and closure status of IT General Control issues identified by the external auditor;

- The Committee had also reviewed the summary of the defalcation cases investigated in 2015 and where relevant, requested Management to improve on the control environment to prevent further recurrences;

Financial Reporting

- In overseeing the Group's financial reporting, the Committee reviewed with the appropriate officers of the Group, the quarterly financial results and annual audited financial statements of the Group, including related announcements, before recommending their approval and the release of the Group's financial results to Bursa Malaysia, to the Board. The quarterly financial results for Q1, Q2 and Q3 of 2016, which were prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS"), were reviewed at the quarterly Committee meetings. During its first quarterly meeting, the Committee reviewed the draft audited financial statements for the financial year ending 31 December 2015;

- In reviewing the integrity of financial information, the Committee had deliberated with Management to ensure that the matters set out in Section 5 of the Audit Committee Terms of Reference ("Responsibilities" under the heading "Financial Reporting") as well as the following areas, where relevant, had been complied with:
  I. Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR");
  II. Provisions of the Companies Act, 1965 and other legal and regulatory requirements;
  III. Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board;

- The Committee had also reviewed the status of accounting provisions and estimates, changes made to the reserves, change in accounting policies and significant judgmental accounting matters affecting its interim and audited financial statements;

- On quarterly basis, the management had given assurance to the Committee that related party transactions and mandate for recurrent related party transactions ("RRPT") were in compliance with MMLR and the Group's policies and procedures. In addition, the Internal Audit presented its quarterly independent review results on the RRPT confirming that all RRPTs had been conducted in compliance 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;

Internal Audit

- The Internal Audit function carried out its activities based on the risk-based Annual Audit Plan approved by the Committee. At its quarterly meetings, the Head of Internal Audit presented to the Committee for its deliberation, the progress of the Internal Audit Annual Audit Plan 2016, including the status of Internal Audit assignments, key findings from audit reports, audit recommendations by the internal auditors, results of investigations performed by the internal auditors and the representations made, and the corrective actions taken by Management in addressing and resolving issues and ensured that all issues were adequately addressed on a timely basis;

- An annual survey for evaluating the effectiveness of the Internal Audit function was carried out in December 2015 and the results were presented and reviewed by the Committee at its first quarterly meeting. The assessment covered three key categories of effectiveness aspects i.e. Positioning (Mandate & Strategy, Organisation & Structure,

Audit Committee Report As at 31 December 2016

Stakeholders & Funding), People (Leadership, Competencies, Staffing Strategy, Culture and Reward & Appraisal) and Process (Risk Assessment & Planning, Execution and Reporting). During the same meeting, the Committee also reviewed the results of internal compliance assessments on the activities carried out by the Committee and the Internal Audit in 2015 against their respective Terms of Reference;

- During its last quarterly meeting for the year, the Committee reviewed and approved the Internal Audit Annual Audit Plan based on the three-year Internal Audit Roadmap (2015-2017), which reflected the changing risk landscape of the organisation and industry. A total of 40 audits had been planned for 2017 focusing on strategic areas namely business operations, technology and advisory audits. 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 Enterprise Risk Management department and Internal Audit department) were adequately addressed in the plan;

- During the same meeting, Internal Audit presented for the Committee's approval the divisional KPIs for 2017 covering four strategic focuses: Operational, Customer, Innovation and Learning & Development. The KPIs were developed in continuation of the three-year roadmap introduced in 2015 but with more emphasis on improving usage of technology in auditing and strengthening the second line-of-defense functions;

- The Committee also reviewed the adequacy of the charter of the internal audit function and approved Internal Audit's proposals to enhance the charter in line with the International Professional Practices Framework ("IPPF") for Internal Auditing by the Institute of Internal Auditors ("IIA");

External Audit

- The Committee undertook an annual assessment of the suitability and independence of the external auditors and reviewed the level of compliance with the Maxis External Audit Independence policy for the work carried out by the auditors for the 12-month period ended on 31 December 2015. The compliance status was presented by Management to the Committee for its deliberation. The Internal Audit had also presented its independent review of the external auditor's independence status to the Committee confirming the assessment results by Management.

- The Committee reviewed the audit services and non-audit services provided by the external auditors and their corresponding incurred fees, which included tax compliance, regulatory compliance reporting, accounting consultation, and agreed-upon procedures as explained in Note 7 to the financial statements. The Committee had concluded that the auditors remained independent;

- At its quarterly meetings, the Committee deliberated on the results and issues arising from the external auditors' review of the half yearly financial results and audit of the year-end financial statements and the resolution of issues highlighted in their reports to the Committee;

- The Committee reviewed the external auditors' 2016 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 reviewed the annual assessment conducted on the effectiveness of the external auditor and advised the management to work with the auditors in closing some gaps noted during the exercise. The assessment covered seven categories namely calibre of audit firm; quality process; audit team; scope; communications; governance and independence and audit fees.

Employee Share Option Scheme ("ESOS") and 'Long Term' Incentive Plan ("LTIP")

- The Committee reviewed and verified the results of the review performed by the Internal Audit that the ESOS and LTIP grants for the financial year in ensuring that the allocation to employees were as per the criteria approved, disclosed and established pursuant to ESOS and LTIP.

Others

- During the financial year, the Committee reviewed the Group's borrowing and hedging policies and satisfies itself on going concern and risk management implications. The Committee also reviewed the cash flow and forecast for 2017.

PROCEEDINGS OF THE AC MEETINGS

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

The Committee also held one separate private session with internal auditors and external auditors respectively without the presence of the Management. Both the internal and external auditors have unfettered access to members of the Audit Committee including the Chairman anytime during the year.

Audit Committee Report As at 31 December 2016

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

The training attended by the Committee members during the financial year is reported under the Statement on Corporate Governance on page 54 to 67.

INTERNAL AUDIT FUNCTION

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

The internal audit team comprising 19 auditors is headed by Shafik Azlee Mashar, who has extensive experience in managing internal auditing functions within telecommunication, FMCG and banking organisations. The Head of the Internal Audit department 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 self-assessment and independent external assessment, and the results are communicated to the Committee.

The total costs incurred for the internal audit function for the financial year ended 31 December 2016 amounted to RM5.8 million (2015: RM4.0 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 and complies fully with the Institute of Internal Auditors' International Professional Practices Framework.

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

TERMS OF REFERENCE OF THE COMMITTEE

The terms of reference of the Committee can be viewed on the Company's website at www.maxis.com.my/corp

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 2016.

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, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that may affect the 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 level of risk tolerance and in conjunction with Management, to actively identify, assess and monitor key business risks in order to safeguard shareholders' investments and the Group's assets.

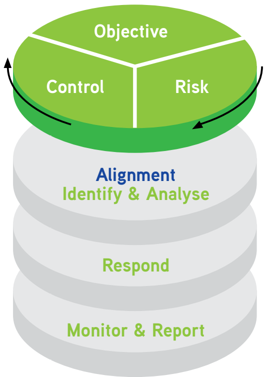
The risk management and internal control systems are designed to identify, assess and manage risks that may impede the achievement of the Group's business objectives and strategies rather than to eliminate these risks. They can only provide reasonable and not absolute assurance against fraud, material misstatement or loss, and this is achieved through a combination of preventive, detective and corrective measures.

RISK MANAGEMENT

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

The Maxis ERM framework is consistent with the ERM framework of the Committee of Sponsoring Organisations ("COSO") and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The major risks which the Group is exposed to are strategic, operational, regulatory, financial, market, technological, products and reputational risks.

Maxis' Enterprise Risk Management Framework



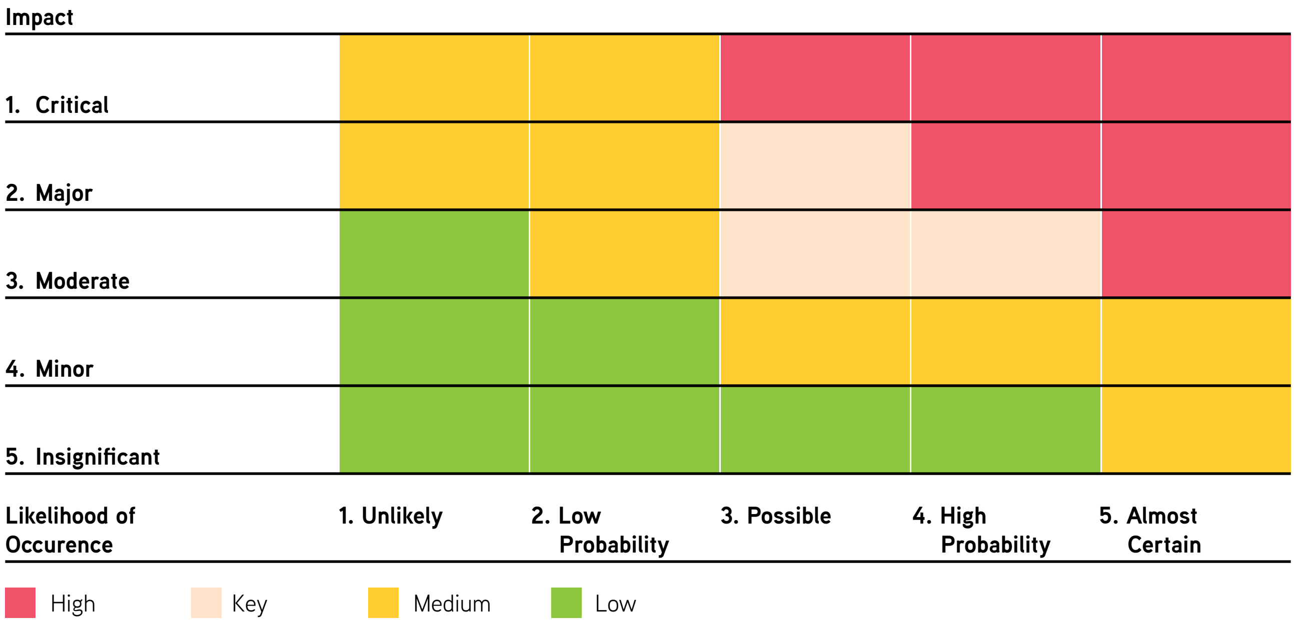
The ERM process is based on the following principles:
- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the ERM framework;
- Tailor responses to business circumstances;
- Regularly assess status of risks and risk responses; and
- Monitor and report compliance with the ERM framework.

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

Statement on Risk Management and Internal Control

All identified risks are displayed on a 5 by 5 risk matrix based on their risk ranking to assist Management in prioritising their efforts and appropriately managing the different classes of risks.

Risk Rating Scale – 5 by 5 Matrix



The Board and Management drive a proactive risk management culture and regular risk awareness and coaching sessions are held to ensure that the Group's employees have a good understanding and application of risk management principles.

The ERM department also works closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and thus is able to protect and enhance shareholder value.

CONTROL ENVIRONMENT AND STRUCTURE

The Board and Management have established numerous processes for identifying, evaluating and managing the 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 2016 and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the Annual Report.

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 Chief Executive Officer (CEO) who is supported by Management. The Board is supported by a number of established Board committees, namely the Audit, Nomination, Remuneration and Employee Share Option Scheme/Long-Term Incentive Plan Committee, 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 activities of each Committee are reported back to the Board for information or decision where relevant (please refer to the Statement of Corporate Governance for further details).

Statement on Risk Management and Internal Control

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

2. **Audit Committee**

The Audit Committee comprises five (5) non-executive members of the Board, the majority of whom are Independent Directors. The Audit Committee comprises members who bring with them a wealth of knowledge, expertise and experience from different industries and backgrounds such as telecommunications and media, finance and treasury, human resources and general management. The Audit Committee reviews the Group's financial reporting process, the system of internal controls and management of enterprise risk, the audit process and the Group's process for monitoring compliance with laws and regulations and its own code of business conduct, as well as such other matters, which may be specifically delegated to the Committee by the Board, from time to time. Throughout the financial year, Audit Committee members are briefed on corporate governance practices, updates to Malaysian Financial Reporting Standards, as well as legal and regulatory requirements and updates in addition to key matters affecting the financial statements of the Group.

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

The Audit Committee continues to meet regularly and has full and unimpeded access to the internal and external auditors and all employees of the Group. The Chairman of the Audit Committee provides the Board with reports on all meetings of the Audit Committee. Further details of the activities undertaken by the Audit Committee are set out in the Audit Committee Report on pages 68 to 71.

3. **Internal Audit**

The Internal Audit department continues to independently, objectively and regularly review key processes, check compliance with policies/procedures, 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 any non-compliance to members of the MMT and Audit Committee on a timely basis. Its work practices are governed by the Internal Audit Charter, which is subject to revision on an annual basis. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually and an update is given to the Audit Committee every quarter. The Audit Committee oversees the Internal Audit department's function, its independence, scope of work and resources. The Internal Audit department also maintains a quality assurance and improvement programme and continuously monitors its overall effectiveness through internal self-assessments.

The Internal Audit function follows the requirements of the latest International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors Inc. Further activities of the Internal Audit function are set out in the Audit Committee Report on pages 68 to 71.

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 Practices ("the Code") stipulates how Directors and employees as well as external parties such as vendors, dealers and business partners should conduct themselves in all business matters. All Directors and employees are required to declare they are in compliance with the Code upon joining the Group. The Directors are required to acknowledge the Code when there are significant changes made to it. Communications are made to all employees on the content of the Code throughout the year to ensure they understand what is expected of them. External parties such as vendors, dealers and business partners who conduct business with the Group are required to sign a declaration that they have read and will adhere to the Code.

To effectively implement the Code, there is an established Office of Business Practice to provide policy guidance and to facilitate compliance. The Office of Business Practice will continuously look at ways to enhance the Group's highest standards of business conduct and ethics, and to benchmark these against best practices. There is also an Ethics Hotline, which serves as a safe and effective channel for employees or parties dealing with us to report any incidence or occurrence which are not in accordance with the Code.

Statement on Risk Management and Internal Control

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

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

7. **Business Continuity Planning**
The Business Continuity Planning ("BCP") team is responsible for identifying activities and operations that are critical to sustain business operations in the event of a disaster. These include facilitating the building of additional redundancies in network infrastructure, establishing alternate sites where key operational activities can be resumed and mitigating the risk of high-impact loss events 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 business of the Group as a whole. During the financial year, selected critical areas as identified by risk priority were tested to assess the effectiveness of the implemented BCP initiatives. These tests were successfully executed and the progress of these initiatives was presented half-yearly to the Audit Committee. Since January 2014, Maxis is also certified under ISO 22301, the international certification standard for Business Continuity Management systems.

8. **Regulatory**
The Regulatory function ensures compliance with the Communications and Multimedia Act 1998 ("CMA"), and its applicable rules and regulations, which governs 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 the regulator, MCMC.

   The Regulatory function also frequently engages the Malaysian Communications and Multimedia Commission 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 are in compliance with all laws. It also plays a key role in advising the Board and Management on legal and strategic matters. The Board is also briefed through reports to the Audit Committee on material litigation and any changes in law that would affect the Group's operations.

10. **Company Secretary**
Please refer to Statement on Corporate Governance on pages 54 to 67 of this Annual Report.

11. **Limits of Authority**
A Limits of Authority ("LOA") manual sets out the authorisation limits for various levels of Maxis' Management and staff and also those 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, sourcing, 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 growing business strategy.

Statement on Risk Management and Internal Control

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 for the quarter and rolling forecast are reviewed by the Board to enable the Directors to evaluate the Group's performance compared to the budget and prior periods.

14. Systems and Information Security
The Systems and Information Security unit has an assurance function and is responsible for continuously monitoring and resolving security threats to the Group both internally and externally. This includes conducting security awareness, vulnerability assessment and penetration test programmes, and compliance audits on the IT systems and networks of Maxis to reduce the impact of service interruption due to malicious activities, cyber-attacks, negligence and malware. The effectiveness of the security programme is validated by auditors and external security consulting companies.

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

The unit is governed by Security Governance team made up of 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. It is also responsible for updating the Audit Committee at least annually on the Group's security status.

MONITORING AND REVIEW

The 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 and 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. **Internal Audit** in their quarterly report to the Audit Committee and members of MMT continues to highlight significant issues and exceptions identified during the course of their review on processes and controls compliance.

3. **The Defalcation Committee** meets and deals regularly on matters pertaining to fraud and unethical practices. All issues arising from work carried out by the investigation team within the Internal Audit department and Management are channelled to this committee for deliberation. Appropriate actions are then taken based on the findings.

4. **Enterprise Risk Management department** reports to the Board on a quarterly basis through the Audit 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 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 Recommended Practice Guide ("RPG") 5 (Revised 2015): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) 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, 1965 ("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 MMLR, 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 2016 and of their financial performance and cash flows for the financial year ended 31 December 2016.

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 85 to 190 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2016.

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 2016.

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 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
- equity holders of the Company	**2,013,161**	**1,830,332**
- non-controlling interest	**(535)**	**–**
Profit for the financial year	**2,012,626**	**1,830,332**

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2015:	
- Fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share on 7,510,147,400 ordinary shares of RM0.10 each, paid on 25 March 2016	**375,507**
In respect of the financial year ended 31 December 2016:	
- First interim single-tier tax-exempt dividend of 5.0 sen per ordinary share on 7,510,262,300 ordinary shares of RM0.10 each, paid on 29 June 2016	**375,513**
- Second single-tier tax-exempt dividend of 5.0 sen per ordinary share on 7,510,279,900 ordinary shares of RM0.10 each, paid on 29 September 2016	**375,514**
- Third single-tier tax-exempt dividend of 5.0 sen per ordinary share on 7,510,291,000 ordinary shares of RM0.10 each, paid on 29 December 2016	**375,515**
	1,126,542

Directors' Report

DIVIDENDS (CONTINUED)

Subsequent to the financial year, on 8 February 2017, the Directors declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2016 which will be paid on 28 March 2017. The financial statements for the financial year ended 31 December 2016 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 2017.

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

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 7,509,975,800 ordinary shares of RM0.10 each to 7,510,313,500 ordinary shares of RM0.10 each by the issuance of 337,700 new ordinary shares for cash pursuant to the exercise of share options under the Employee Share Option Scheme. The details of the new ordinary shares issued during the financial year are as follows:

Exercise price per share	Number of issued and paid-up ordinary shares of RM0.10 each '000
RM5.45	**260**
RM6.41	**78**
	338

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

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

(a) ESOS

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

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

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

Directors' Report

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

(a) ESOS (continued)

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

	Quantity '000
Total outstanding as at 1 January 2016	**96,797**
Total exercised	**(338)**
Total forfeited/lapsed	**(6,903)**
Total outstanding as at 31 December 2016	**89,556**

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

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

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

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

During the financial year, 6,075,200 PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary share of RM0.10 each in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon vesting of the new shares after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP. The vesting conditions comprise, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2016 and ending on 31 December 2018, as stipulated by the ESOS/LTIP Committee. The vesting date is on 30 June 2019, subject to meeting such performance targets.

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

	Quantity '000
Total outstanding as at 1 January 2016	**8,285**
Total granted	**6,075**
Total forfeited	**(1,081)**
Total outstanding as at 31 December 2016	**13,279**

Directors' Report

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

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 31.12.2016	Since implementation date	Financial year 31.12.2016
Key management personnel	**50%**	**50%**	**11%**	**34%**

Note:

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

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Non-Executive Directors

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
Tan Sri Mokhzani bin Mahathir
Alvin Michael Hew Thai Kheam
Dato' Hamidah Naziadin
Lim Ghee Keong
Mohammed Abdullah K. Alharbi
Robert Alan Nason (appointed on 7 March 2016)
Robert William Boyle (retired on 20 April 2016)
Fraser Mark Curley (resigned on 1 August 2016)
Mazen Ahmed M. AlJubeir (appointed on 8 September 2016)
Naser Abdulaziz A. AlRashed (appointed on 8 September 2016)
Dr. Kaizad B. Heerjee (appointed on 15 November 2016)

Executive Director

Morten Lundal

Directors' Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from an incentive arrangement, the details of which are disclosed in Note 2 and 4 on Directors' Interests below.

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, 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 of RM0.10 each in the Company			
	At 1.1.2016	**Vested/ Acquired**	**Sold**	**At 31.12.2016**
Direct Interest				
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	**750,000** (1)	–	–	**750,000** (1)
Tan Sri Mokhzani bin Mahathir	**750,000**	–	–	**750,000**
Morten Lundal	–	**361,155** (2)	–	**361,155**
Indirect Interest				
Tan Sri Mokhzani bin Mahathir	**1,000** (3)	–	–	**1,000** (3)
Morten Lundal	**1,002,390** (4)	**591,788** (4)	–	**1,594,178** (4)

Notes:

(1) Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn. Bhd.

(2) Shares vested under an incentive arrangement which forms part of the employment contract which the Director has entered into with the Company.

(3) Deemed interest in 1,000 shares in the Company held by spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

(4) These shares are currently held by CIMB Commerce Trustee Berhad or its nominee pursuant to the terms and conditions of the incentive arrangement which forms part of the employment contract which the Director has entered into with the Company, the cash incentives payable to the Director were used to acquire shares of the Company from the open market. Subject to fulfilment of the vesting conditions and the terms of the incentive arrangement, these shares will vest on the Director on a deferred basis. In addition to his interest in these shares, the Director is also deemed interested in such additional number of shares in the Company which shall only be determinable in the future, to be acquired using future cash incentives payable to the Director, pursuant to the terms and conditions of such incentive arrangement.

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

IMMEDIATE HOLDING, INTERMEDIATE HOLDING, PENULTIMATE HOLDING AND ULTIMATE HOLDING COMPANIES

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

Directors' Report

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.

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 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 15, 18, 28, 38 and 39 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.

Directors' Report

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 February 2017.

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

MORTEN LUNDAL
DIRECTOR

Kuala Lumpur

Statements of Profit or Loss For the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	6	**8,611,796**	8,600,573	**8,858,400**	2,037,000
Interconnect expenses, Universal Service Provision contributions and other direct cost of sales		**(2,721,704)**	(2,727,746)	**–**	–
Gross profit		**5,890,092**	5,872,827	**8,858,400**	2,037,000
Other income		**202,379**	73,931	**472**	109
Administrative expenses		**(1,876,490)**	(1,767,311)	**(7,293)**	(13,832)
Network operation costs		**(1,014,868)**	(1,239,262)	**–**	–
Other expenses		**(49,110)**	(67,864)	**(6,729,642)**	(4,326)
Profit from operations	7	**3,152,003**	2,872,321	**2,121,937**	2,018,951
Finance income	11(a)	**54,778**	56,673	**8,628**	61,293
Finance costs	11(b)	**(469,943)**	(468,404)	**(299,629)**	(462,488)
Profit before tax		**2,736,838**	2,460,590	**1,830,936**	1,617,756
Tax expenses	12	**(724,212)**	(713,499)	**(604)**	(8)
Profit for the financial year		**2,012,626**	1,747,091	**1,830,332**	1,617,748
Attributable to:					
- equity holders of the Company		**2,013,161**	1,738,952		
- non-controlling interest		**(535)**	8,139		
		2,012,626	1,747,091		
Earnings per share for profit attributable to the equity holders of the Company:					
- basic (sen)	13(a)	**26.81**	23.16		
- diluted (sen)	13(b)	**26.81**	23.15		

The notes on pages 96 to 190 form part of these financial statements.

Statements of Comprehensive Income For the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the financial year		**2,012,626**	1,747,091	**1,830,332**	1,617,748
Other comprehensive (expense)/income:					
Item that will be reclassified subsequently to profit or loss:					
- net change in cash flow hedge	32(c)	**(28,819)**	20,684	**(36,165)**	20,618
Total comprehensive income for the financial year		**1,983,807**	1,767,775	**1,794,167**	1,638,366
Attributable to:					
- equity holders of the Company		**1,984,342**	1,759,636		
- non-controlling interest		**(535)**	8,139		
		1,983,807	1,767,775		

The notes on pages 96 to 190 form part of these financial statements.

Statements of Financial Position As at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	15	**4,502,020**	4,227,252	**–**	–
Intangible assets	16	**11,296,627**	11,267,127	**–**	–
Investments in subsidiaries	17	**–**	–	**28,372,380**	35,045,523
Available-for-sale investment	20	**–**	50	**–**	–
Receivables, deposits and prepayments	21	**871,280**	49,506	**–**	–
Derivative financial instruments	22	**470,045**	567,227	**463,444**	567,227
Deferred tax assets	23	**45,229**	55,386	**–**	–
TOTAL NON-CURRENT ASSETS		**17,185,201**	16,166,548	**28,835,824**	35,612,750
CURRENT ASSETS					
Inventories	24	**5,942**	13,247	**–**	–
Receivables, deposits and prepayments	21	**1,582,431**	1,217,895	**35**	527
Amount due from penultimate holding company	25	**765**	207	**–**	–
Amounts due from fellow subsidiaries	25	**29**	–	**–**	–
Amounts due from related parties	26	**21,922**	24,401	**–**	–
Amounts due from subsidiaries	17	**–**	–	**4**	74
Loans to subsidiaries	17	**–**	–	**–**	636,795
Derivative financial instruments	22	**143,585**	210,097	**141,329**	209,874
Tax recoverable		**20,858**	56,102	**974**	964
Deposits, cash and bank balances	27	**682,346**	1,296,448	**12,300**	21,153
TOTAL CURRENT ASSETS		**2,457,878**	2,818,397	**154,642**	869,387
TOTAL ASSETS		**19,643,079**	18,984,945	**28,990,466**	36,482,137

The notes on pages 96 to 190 form part of these financial statements.

Statements of Financial Position As at 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
LESS: CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**96,708**	149,323	**–**	–
Payables and accruals	29	**3,633,201**	3,466,573	**611**	482
Amount due to a subsidiary	17	**–**	–	**177**	823
Amounts due to fellow subsidiaries	25	**–**	2,212	**–**	–
Amounts due to related parties	26	**14,229**	9,283	**–**	–
Loan from a related party	26	**–**	29,012	**–**	–
Borrowings	30	**1,101,294**	1,076,948	**590,035**	1,064,080
Taxation		**151,174**	160,184	**–**	–
TOTAL CURRENT LIABILITIES		**4,996,606**	4,893,535	**590,823**	1,065,385
NET CURRENT LIABILITIES		**(2,538,728)**	(2,075,138)	**(436,181)**	(195,998)
NON-CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**164,353**	151,038	**–**	–
Payables and accruals	29	**418,105**	425,620	**–**	–
Borrowings	30	**8,762,728**	8,800,704	**1,449,039**	8,792,724
Deferred tax liabilities	23	**580,388**	493,532	**–**	–
TOTAL NON-CURRENT LIABILITIES		**9,925,574**	9,870,894	**1,449,039**	8,792,724
NET ASSETS		**4,720,899**	4,220,516	**26,950,604**	26,624,028
EQUITY					
Share capital	31	**751,031**	750,998	**751,031**	750,998
Reserves	32	**3,969,868**	3,439,017	**26,199,573**	25,873,030
Equity attributable to equity holders of the Company		**4,720,899**	4,190,015	**26,950,604**	26,624,028
Non-controlling interest		**–**	30,501	**–**	–
TOTAL EQUITY		**4,720,899**	4,220,516	**26,950,604**	26,624,028

The notes on pages 96 to 190 form part of these financial statements.

Statements of Changes in Equity For the financial year ended 31 December 2016

Group	Note	Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Merger relief (Note 32(a)) RM'000	Reserve arising from reverse acquisition (Note 32(b)) RM'000	Other reserves (Note 32(c)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2016		7,509,976	750,998	60,027	23,003,864	(22,728,901)	141,890	2,962,137	4,190,015	30,501	4,220,516
Profit for the financial year		–	–	–	–	–	–	2,013,161	2,013,161	(535)	2,012,626
Other comprehensive expense for the financial year		–	–	–	–	–	(28,819)	–	(28,819)	–	(28,819)
Total comprehensive (expense)/ income for the financial year		–	–	–	–	–	(28,819)	2,013,161	1,984,342	(535)	1,983,807
Dividends for the financial year ended 2015	14	–	–	–	(274,963)	–	–	(100,544)	(375,507)	–	(375,507)
Dividends for the financial year ended 2016	14	–	–	–	–	–	–	(1,126,542)	(1,126,542)	–	(1,126,542)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):											
- share-based payment expense		–	–	–	–	–	30,727	–	30,727	–	30,727
- shares issued		338	33	1,947	–	–	(66)	–	1,914	–	1,914
- share options lapsed		–	–	–	–	–	(170)	170	–	–	–
Incentive arrangement:											
- share-based payment expense	31(d)	–	–	–	–	–	7,648	–	7,648	–	7,648
- shares acquired		–	–	–	–	–	(5,831)	–	(5,831)	–	(5,831)
Changes in equity interest in a subsidiary		–	–	–	–	–	–	14,133	14,133	(29,966)	(15,833)
Total transactions with owners, recognised directly in equity		338	33	1,947	(274,963)	–	32,308	(1,212,783)	(1,453,458)	(29,966)	(1,483,424)
At 31 December 2016		7,510,314	751,031	61,974	22,728,901	(22,728,901)	145,379	3,762,515	4,720,899	–	4,720,899

The notes on pages 96 to 190 form part of these financial statements.

Statements of Changes in Equity For the financial year ended 31 December 2016

Group	Note	Attributable to equity holders of the Company: Issued and fully paid ordinary shares of RM0.10 each: Number of shares '000	Nominal value RM'000	Share premium RM'000	Merger relief (Note 32(a)) RM'000	Reserve arising from reverse acquisition (Note 32(b)) RM'000	Other reserves (Note 32(c)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2015		7,506,581	750,658	39,012	25,331,550	(22,728,901)	100,161	1,222,925	4,715,405	22,362	4,737,767
Profit for the financial year		–	–	–	–	–	–	1,738,952	1,738,952	8,139	1,747,091
Other comprehensive income for the financial year		–	–	–	–	–	20,684	–	20,684	–	20,684
Total comprehensive income for the financial year		–	–	–	–	–	20,684	1,738,952	1,759,636	8,139	1,767,775
Dividends for the financial year ended 2014	14	–	–	–	(1,201,284)	–	–	–	(1,201,284)	–	(1,201,284)
Dividends for the financial year ended 2015	14	–	–	–	(1,126,402)	–	–	–	(1,126,402)	–	(1,126,402)
ESOS and LTIP:											
- share-based payment expense		–	–	–	–	–	16,163	–	16,163	–	16,163
- shares issued		3,395	340	21,015	–	–	(904)	–	20,451	–	20,451
- share options lapsed		–	–	–	–	–	(260)	260	–	–	–
Incentive arrangement:											
- share-based payment expense	31(d)	–	–	–	–	–	8,122	–	8,122	–	8,122
- shares acquired		–	–	–	–	–	(2,076)	–	(2,076)	–	(2,076)
Total transactions with owners, recognised directly in equity		3,395	340	21,015	(2,327,686)	–	21,045	260	(2,285,026)	–	(2,285,026)
At 31 December 2015		7,509,976	750,998	60,027	23,003,864	(22,728,901)	141,890	2,962,137	4,190,015	30,501	4,220,516

The notes on pages 96 to 190 form part of these financial statements.

Statements of Changes in Equity For the financial year ended 31 December 2016

Company	Note	Issued and fully paid ordinary shares of RM0.10 each: Number of shares '000	Issued and fully paid ordinary shares of RM0.10 each: Nominal value RM'000	Share premium RM'000	Other reserves (Note 32(c)) RM'000	Merger relief (Note 32(a)) RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016		**7,509,976**	**750,998**	**60,027**	**141,824**	**23,003,864**	**2,667,315**	**26,624,028**
Profit for the financial year		–	–	–	–	–	1,830,332	1,830,332
Other comprehensive expense for the financial year		–	–	–	(36,165)	–	–	(36,165)
Total comprehensive (expense)/ income for the financial year		–	–	–	(36,165)	–	1,830,332	1,794,167
Dividends for the financial year ended 2015	14	–	–	–	–	(274,963)	(100,544)	(375,507)
Dividends for the financial year ended 2016	14	–	–	–	–	–	(1,126,542)	(1,126,542)
ESOS and LTIP:								
- share-based payment expense		–	–	–	30,727	–	–	30,727
- shares issued		338	33	1,947	(66)	–	–	1,914
- share options lapsed		–	–	–	(170)	–	170	–
Incentive arrangement:								
- share-based payment expense	31(d)	–	–	–	7,648	–	–	7,648
- shares acquired		–	–	–	(5,831)	–	–	(5,831)
Total transactions with owners, recognised directly in equity		338	33	1,947	32,308	(274,963)	(1,226,916)	(1,467,591)
At 31 December 2016		**7,510,314**	**751,031**	**61,974**	**137,967**	**22,728,901**	**3,270,731**	**26,950,604**

The notes on pages 96 to 190 form part of these financial statements.

Statements of Changes In Equity For the financial year ended 31 December 2016

Company	Note	Issued and fully paid ordinary shares of RM0.10 each						
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Other reserves (Note 32(c)) RM'000	Merger relief (Note 32(a)) RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2015		7,506,581	750,658	39,012	100,161	25,331,550	1,049,307	27,270,688
Profit for the financial year		–	–	–	–	–	1,617,748	1,617,748
Other comprehensive income for the financial year		–	–	–	20,618	–	–	20,618
Total comprehensive income for the financial year		–	–	–	20,618	–	1,617,748	1,638,366
Dividends for the financial year ended 2014	14	–	–	–	–	(1,201,284)	–	(1,201,284)
Dividends for the financial year ended 2015	14	–	–	–	–	(1,126,402)	–	(1,126,402)
ESOS and LTIP:								
- share-based payment expense		–	–	–	16,163	–	–	16,163
- shares issued		3,395	340	21,015	(904)	–	–	20,451
- share options lapsed		–	–	–	(260)	–	260	–
Incentive arrangement:								
- share-based payment expense	31(d)	–	–	–	8,122	–	–	8,122
- shares acquired		–	–	–	(2,076)	–	–	(2,076)
Total transactions with owners, recognised directly in equity		3,395	340	21,015	21,045	(2,327,686)	260	(2,285,026)
At 31 December 2015		7,509,976	750,998	60,027	141,824	23,003,864	2,667,315	26,624,028

The notes on pages 96 to 190 form part of these financial statements.

Statements of Cash Flows For the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year	**2,012,626**	1,747,091	**1,830,332**	1,617,748
Adjustments for:				
Allowance for/(reversal of) (net) impairment of:				
- available-for-sale investment	**50**	–	**–**	–
- investment in a subsidiary	**–**	–	**6,725,000**	–
- receivables, deposits and prepayments	**104,615**	47,364	**–**	–
Allowance for/(reversal of) (net) inventories obsolescence	**910**	(356)	**–**	–
Bad debts recovered	**(22,223)**	(19,003)	**–**	–
Dividend income	**–**	–	**(8,858,400)**	(2,037,000)
Fair value gains on open forward foreign exchange contracts	**(1,313)**	(1,950)	**–**	–
Finance costs	**469,943**	468,404	**299,629**	462,488
Finance income	**(54,778)**	(56,673)	**(8,628)**	(61,293)
Intangible assets:				
- amortisation	**340,987**	277,720	**–**	–
- impairment	**296**	–	**–**	–
Property, plant and equipment:				
- depreciation	**1,089,754**	1,153,751	**–**	–
- gain on disposal	**(19,438)**	(1,586)	**–**	–
- net reversal of impairment	**(46,612)**	(532)	**–**	–
- write offs	**33,729**	29,755	**–**	–
Provision/(write-back) of provision (net) for:				
- contract obligations and legal claims	**(47,979)**	7,897	**–**	–
- site rectification and decommissioning works	**41**	(2,640)	**–**	–
- staff incentive scheme	**85,213**	98,333	**–**	–
Share-based payments	**38,375**	24,285	**–**	–
Tax expenses	**724,212**	713,499	**604**	8
Unrealised (gain)/loss on foreign exchange	**(18,623)**	94,349	**–**	–
	4,689,785	4,579,708	**(11,463)**	(18,049)

The notes on pages 96 to 190 form part of these financial statements.

Statements of Cash Flows For the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Payments for:					
- contract obligations and legal claims	28	**–**	(6,125)	**–**	–
- site rectification and decommissioning works	28	**(6,340)**	(5,066)	**–**	–
- staff incentive scheme	28	**(85,282)**	(8,730)	**–**	–
Operating cash flows before working capital changes		**4,598,163**	4,559,787	**(11,463)**	(18,049)
Changes in working capital:					
Inventories		**6,395**	(451)	**–**	–
Receivables		**(865,259)**	(326,124)	**45**	220
Payables		**(86,540)**	476,578	**166**	(416)
Balances with:					
- related parties		**7,425**	(12,965)	**–**	–
- fellow subsidiaries		**(2,241)**	1,725	**–**	–
- penultimate holding company		**(558)**	52	**–**	–
- subsidiaries		**–**	–	**1,526**	1,142
Cash flows from/(used in) operations		**3,657,385**	4,698,602	**(9,726)**	(17,103)
Dividends received		**–**	–	**8,858,400**	2,037,000
Interest received		**36,392**	55,764	**10,698**	65,063
Tax paid		**(593,684)**	(680,979)	**(614)**	(418)
Net cash flows from operating activities		**3,100,093**	4,073,387	**8,858,758**	2,084,542
CASH FLOWS FROM INVESTING ACTIVITIES					
Loan to a subsidiary		**–**	–	**–**	(690,000)
Loan repayments from subsidiaries		**–**	–	**635,000**	650,000
Purchase of intangible assets		**(370,783)**	(368,726)	**–**	–
Property, plant and equipment:					
- purchase		**(1,487,250)**	(1,511,820)	**–**	–
- disposal proceeds		**28,046**	1,586	**–**	–
Placement of deposits with maturity of more than three months		**(20,501)**	–	**–**	–
Net cash flows (used in)/from investing activities		**(1,850,488)**	(1,878,960)	**635,000**	(40,000)

The notes on pages 96 to 190 form part of these financial statements.

Statements of Cash Flows For the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Acquisition of additional interest in a subsidiary	38	**(15,833)**	–	**(15,833)**	–
Proceeds from issuance of shares pursuant to ESOS		**1,914**	20,451	**1,914**	20,451
Shares acquired pursuant to incentive arrangement		**(5,831)**	(2,076)	**(5,831)**	(2,076)
Drawdown of borrowings		**7,790,000**	1,190,000	**–**	1,190,000
Loans from a subsidiary		**–**	–	**–**	610,000
Repayments of:					
- borrowings		**(7,631,500)**	(841,500)	**(7,631,500)**	(841,500)
- lease financing		**(6,836)**	(7,568)	**–**	–
- loan from a related party		**(28,875)**	–	**–**	–
- loans from a subsidiary		**–**	–	**–**	(405,000)
Payments of finance costs		**(485,371)**	(460,602)	**(349,312)**	(453,538)
Ordinary share dividends paid		**(1,502,049)**	(2,327,686)	**(1,502,049)**	(2,327,686)
Net cash flows used in financing activities		**(1,884,381)**	(2,428,981)	**(9,502,611)**	(2,209,349)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(634,776)**	(234,554)	**(8,853)**	(164,807)
EFFECTS OF EXCHANGE RATE CHANGES		**173**	483	**–**	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**1,296,448**	1,530,519	**21,153**	185,960
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	27	**661,845**	1,296,448	**12,300**	21,153

The notes on pages 96 to 190 form part of these financial statements.

Notes to the Financial Statements - 31 December 2016

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding, whilst the principal activities of the Group, comprising the Company and its subsidiaries, are to offer a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions for the Group. Details of the principal activities of the subsidiaries are shown in Note 18 to the financial statements.

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

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

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

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

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

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

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 3 to the financial statements.

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

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

Notes to the Financial Statements - 31 December 2016

2 BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

Notes to the Financial Statements - 31 December 2016

2 BASIS OF PREPARATION (CONTINUED)

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

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Closing rates

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

Foreign currencies	2016 RM	2015 RM
1 Singapore Dollar ("SGD")	**3.10**	3.04
1 Special Drawing Rights ("SDR")[1]	**6.04**	5.98
1 United States Dollar ("USD")	**4.49**	4.30

Note:

[1] Represents the closing international accounting settlement rate with international carriers.

(c) Property, plant and equipment

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

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

(d) Intangible assets

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

(i) Spectrum rights

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

Spectrum rights with fixed term are considered to have indefinite useful lives if they can be renewed indefinitely without significant costs in comparison to the expected future economic benefits. Spectrum rights that are considered to have an indefinite economic useful life are not amortised but tested for impairment on an annual basis, and where an indication of impairment exists. Costs to renew such spectrum rights upon the expiry of their licence periods are charged to the statement of profit or loss during the licence periods.

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(i) Spectrum rights (continued)

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

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

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

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

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

(ii) Goodwill

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

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

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

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

(iii) Customer acquisition costs

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

(e) Investments in subsidiaries

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

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

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

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

(i) Classification and measurement

Financial assets

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

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

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

<u>Loans and receivables</u>

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

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

<u>Available-for-sale</u>

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

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Classification and measurement (continued)

Financial liabilities

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

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

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

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

(ii) Recognition of financial assets and financial liabilities

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

(iii) Derecognition of financial assets and financial liabilities

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

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

(iv) Offsetting of financial assets and financial liabilities

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of assets

(i) Non-financial assets

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

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

(ii) Financial assets

Financial assets carried at amortised cost

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

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

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

Financial assets classified as available-for-sale

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments and hedging activities

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

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

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

The Group and the Company designate and document at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and the Company assess both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, and apply hedge accounting only where effectiveness tests are met on both a prospective and retrospective basis. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or current liability.

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

Cash flow hedge

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

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

(i) Fair value estimates

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Fair value estimates (continued)

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

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

(j) Inventories

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

(k) Receivables

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

(l) Cash and cash equivalents

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

(m) Share capital

(i) Classification

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

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Payables

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

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

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

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

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

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

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

(i) Borrowings in a designated hedging relationship

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

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

(ii) Borrowings not in a designated hedging relationship

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provisions for liabilities and charges

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

(i) Site rectification and decommissioning works

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

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

(ii) Contract obligations and legal claims

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

(iii) Staff incentive scheme

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

(q) Income taxes

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

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income taxes (continued)

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

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

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

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

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

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

(r) Finance leases and hire purchase agreements

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

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

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

(s) Operating leases

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits

Defined contribution plans

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

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

(iii) Other long-term employee benefits

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

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

(iv) Share-based compensation benefits

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(iv) Share-based compensation benefits (continued)

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

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

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

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

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

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

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

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

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

(i) Telecommunications revenue

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

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

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

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

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

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

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

Notes to the Financial Statements - 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(ii) Dividend income

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

(iii) Interest income

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

(v) Government grants

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

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the financial period necessary to match them with the costs they are intended to compensate.

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

(w) Contingent liabilities

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

(x) Segment reporting

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

Notes to the Financial Statements - 31 December 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

(a) Intangible assets

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

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

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

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

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

(c) Provisions for liabilities and charges

The Group recognises provisions for liabilities and charges when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provision requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Group's current best estimate. See Note 28 to the financial statements for the impact on changes in estimates.

Notes to the Financial Statements - 31 December 2016

5 SEGMENT REPORTING

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

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

	Group	
	2016 RM'000	**2015 RM'000**
Malaysia	**8,447,915**	8,417,789
Other countries[(2)]	**163,881**	182,784
Total revenue	**8,611,796**	8,600,573
EBITDA	**4,550,719**	4,331,429

Notes:

(1) Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.

(2) Represents revenue from roaming partners and hubbing revenue.

6 REVENUE

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

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

Notes to the Financial Statements - 31 December 2016

7 PROFIT FROM OPERATIONS

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

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

Notes:

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

[2] Fees incurred for assisting the Group in connection with tax compliance and advisory services paid or payable to member firms of PwC Malaysia, auditors of the Group and of the Company.

Notes to the Financial Statements - 31 December 2016

7 PROFIT FROM OPERATIONS (CONTINUED)

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

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

Notes to the Financial Statements - 31 December 2016

8 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
Tan Sri Mokhzani bin Mahathir
Alvin Michael Hew Thai Kheam
Dato' Hamidah Naziadin
Lim Ghee Keong
Mohammed Abdullah K. Alharbi
Robert Alan Nason (appointed on 7 March 2016)
Robert William Boyle (retired on 20 April 2016)
Fraser Mark Curley (resigned on 1 August 2016)
Mazen Ahmed M. AlJubeir (appointed on 8 September 2016)
Naser Abdulaziz A. AlRashed (appointed on 8 September 2016)
Dr. Kaizad B. Heerjee (appointed on 15 November 2016)

Executive Director

Morten Lundal

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

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

Notes to the Financial Statements - 31 December 2016

8 DIRECTORS' REMUNERATION (CONTINUED)

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

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

Range of remuneration[1]	Executive	Non-Executive
RM1 – RM50,000	–	**1**
RM50,001 – RM100,000	–	**2**
RM100,001 – RM150,000	–	**1**
RM150,001 – RM200,000	–	**1**
RM250,001 – RM300,000	–	**2**
RM300,001 – RM350,000	–	**4**
RM450,001 – RM500,000	–	**1**
RM31,900,001 – RM31,950,000	**1**	–

Note:

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

9 KEY MANAGEMENT PERSONNEL REMUNERATION

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

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

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

9 KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

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

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

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

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

Notes to the Financial Statements - 31 December 2016

11 FINANCE INCOME AND COSTS

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

Notes to the Financial Statements - 31 December 2016

12 TAX EXPENSES

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

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

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

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

Notes to the Financial Statements - 31 December 2016

13 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

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

Share grants are treated as contingently issuable shares because their issuance is contingent upon satisfying specified vesting conditions comprising, amongst others, performance targets and/or conditions, as disclosed in Note 31(c) to the financial statements, in addition to the passage of time. They are excluded from the computation of diluted earnings per share where the vesting conditions would not have been satisfied as at the end of the financial year.

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

Notes to the Financial Statements - 31 December 2016

14 DIVIDENDS

	Group and Company			
	2016		2015	
	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000
Dividends paid in respect of the financial year ended 31 December 2014:				
- fourth interim ordinary	–	–	8.0	600,571
- final ordinary	–	–	8.0	600,713
	–	–	16.0	1,201,284
Dividends paid in respect of the financial year ended 31 December 2015:				
- first interim ordinary	–	–	5.0	375,445
- second interim ordinary	–	–	5.0	375,462
- third interim ordinary	–	–	5.0	375,495
- fourth interim ordinary	**5.0**	**375,507**	–	–
	5.0	**375,507**	15.0	1,126,402
Dividends paid in respect of the financial year ended 31 December 2016:				
- first interim ordinary	**5.0**	**375,513**	–	–
- second interim ordinary	**5.0**	**375,514**	–	–
- third interim ordinary	**5.0**	**375,515**	–	–
	15.0	**1,126,542**	–	–
Dividend per share recognised as distribution to ordinary equity holders of the Company	**20.0**	**1,502,049**	31.0	2,327,686

Subsequent to the financial year, on 8 February 2017, the Directors declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2016 which will be paid on 28 March 2017.

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

Notes to the Financial Statements - 31 December 2016

15 PROPERTY, PLANT AND EQUIPMENT

Group	At 1.1.2016 RM'000	Additions RM'000	Changes in cost estimates (Note 28) RM'000	Reclassi-fications RM'000	Disposals RM'000	Assets written off RM'000	At 31.12.2016 RM'000
2016							
At cost							
Long-term leasehold land	3,111	–	–	–	–	–	3,111
Short-term leasehold land	3,490	–	–	–	–	–	3,490
Freehold land	18,260	–	–	–	(7,119)	–	11,141
Buildings	76,756	–	–	–	(1,327)	–	75,429
Telecommunications equipment	7,484,986	40,785	47	1,008,082	–	(877,341)	7,656,559
Motor vehicles	17,200	9,846	–	–	(10,523)	–	16,523
Office furniture, fittings and equipment	1,175,917	17,356	–	282,188	(31)	(21,921)	1,453,509
	8,779,720	67,987	47	1,290,270	(19,000)	(899,262)	9,219,762
Capital work-in-progress	507,886	1,225,975	–	(1,228,972)	–	(178)	504,711
Capital inventories	11,978	66,238	–	(61,298)	(509)	–	16,409
	9,299,584	1,360,200	47	–	(19,509)	(899,440)	9,740,882

	At 1.1.2016 RM'000	Charge/ (reversal) for the financial year RM'000	Changes in cost estimates (Note 28) RM'000	Reclassi-fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2016 RM'000
Accumulated depreciation							
Long-term leasehold land	231	35	–	–	–	–	266
Short-term leasehold land	507	81	–	–	–	–	588
Buildings	12,963	1,988	–	–	(146)	–	14,805
Telecommunications equipment	4,217,576	893,028	–	(112,841)	–	(845,444)	4,152,319
Motor vehicles	10,003	3,555	–	–	(10,219)	–	3,339
Office furniture, fittings and equipment	759,755	191,067	–	130,972	(27)	(15,488)	1,066,279
	5,001,035	1,089,754	–	18,131	(10,392)	(860,932)	5,237,596
Accumulated impairment loss							
Telecommunications equipment	70,131	(47,221)	–	(18,131)	–	(4,779)	–
Capital inventories	1,166	609	–	–	(509)	–	1,266
	71,297	(46,612)	–	(18,131)	(509)	(4,779)	1,266
Accumulated depreciation and impairment loss	5,072,332	1,043,142	–	–	(10,901)	(865,711)	5,238,862

Notes to the Financial Statements - 31 December 2016

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 1.1.2015 RM'000	Additions RM'000	Changes in cost estimates (Note 28) RM'000	Reclassi-fications RM'000	Disposals RM'000	Assets written off RM'000	At 31.12.2015 RM'000
2015							
At cost							
Long-term leasehold land	3,111	–	–	–	–	–	3,111
Short-term leasehold land	3,490	–	–	–	–	–	3,490
Freehold land	18,260	–	–	–	–	–	18,260
Buildings	76,756	–	–	–	–	–	76,756
Telecommunications equipment	6,874,312	37,491	4,758	1,110,914	–	(542,489)	7,484,986
Motor vehicles	11,912	5,529	–	–	–	(241)	17,200
Office furniture, fittings and equipment	1,103,749	17,685	–	156,391	–	(101,908)	1,175,917
	8,091,590	60,705	4,758	1,267,305	–	(644,638)	8,779,720
Capital work-in-progress	433,804	1,273,403	–	(1,196,020)	–	(3,301)	507,886
Capital inventories	23,564	62,549	–	(71,285)	(2,850)	–	11,978
	8,548,958	1,396,657	4,758	–	(2,850)	(647,939)	9,299,584

	At 1.1.2015 RM'000	Charge/ (reversal) for the financial year RM'000	Changes in cost estimates (Note 28) RM'000	Reclassi-fications RM'000	Released on disposals RM'000	Assets written off RM'000	At 31.12.2015 RM'000
Accumulated depreciation							
Long-term leasehold land	195	36	–	–	–	–	231
Short-term leasehold land	425	82	–	–	–	–	507
Buildings	10,965	1,998	–	–	–	–	12,963
Telecommunications equipment	3,769,411	980,270	–	(262)	–	(531,843)	4,217,576
Motor vehicles	7,261	2,956	–	–	–	(214)	10,003
Office furniture, fittings and equipment	677,211	168,409	–	262	–	(86,127)	759,755
	4,465,468	1,153,751	–	–	–	(618,184)	5,001,035
Accumulated impairment loss							
Telecommunications equipment	70,131	–	–	–	–	–	70,131
Capital inventories	4,548	(532)	–	–	(2,850)	–	1,166
	74,679	(532)	–	–	(2,850)	–	71,297
Accumulated depreciation and impairment loss	4,540,147	1,153,219	–	–	(2,850)	(618,184)	5,072,332

Notes to the Financial Statements - 31 December 2016

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

For the current financial year, the Group revised the useful lives of certain telecommunications equipment and office equipment ranging from 1 to 10 years (2015: 2 to 10 years), to remaining useful lives ranging from 1 month to 2 years (2015: 1 month to 5 years) as part of the network and information technology modernisation programmes to support the business. The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for the current financial year has increased by RM8,288,000 (2015: RM81,333,000).

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

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

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

Notes to the Financial Statements - 31 December 2016

16 INTANGIBLE ASSETS

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

Note:

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

Notes to the Financial Statements - 31 December 2016

16 INTANGIBLE ASSETS (CONTINUED)

The telecommunications licences with allocated spectrum rights of RM10,707,381,000 consist of spectrum bands previously acquired as part of a business combination which includes the frequency band of 900MHz and 1800MHz ("allocated bands"). Following the announcement by the Malaysian Communications and Multimedia Commission ("MCMC") during the financial year on spectrum reallocation and the conversion plan from Apparatus Assignment to Spectrum Assignment ("SA") and lower block size of the allocated bands, the Group has assessed the impact of the regulatory changes to the useful lives of these spectrum rights.

The Group accepted the offer from MCMC on the spectrum reallocation for the allocated bands on 31 October 2016. Consequently, an upfront SA fee of RM816,750,000 was paid by the Group for the use of the allocated bands as disclosed in Note 21(b) to the financial statements. The Directors have assessed the terms and conditions of the SA and are of the view that most of the conditions are existing conditions which the Group does not foresee having difficulties to continue to comply with.

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

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

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

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

	Group	
	2016 **RM'000**	**2015** **RM'000**
Customer acquisition costs	**1 to 23 months**	1 to 23 months
Other spectrum rights	**12 months**	24 months

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

Notes to the Financial Statements - 31 December 2016

16 INTANGIBLE ASSETS (CONTINUED)

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

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

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial budgets covering a five-year (2015: five-year) period.

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

(a) compounded revenue and EBITDA annual growth rates of 0.4% (2015: 2.0%) and 0.4% (2015: 1.8%) respectively for five years (2015: five years) financial budget period which reflect management's expectations based on past experience and future expectations of business performance;

(b) post-tax discount rate of 7.3% (2015: 7.3%). In accordance with the requirements of MFRS 136 "Impairment of Assets", this translates into pre-tax discount rate of 13.9% (2015: 13.3%). The discount rates used reflect specific risks relating to the integrated telecommunication services CGU; and

(c) terminal growth rate of 1.25% (2015: 2.0%) represents the growth rate applied to extrapolate pre-tax cash flow beyond the five (2015: five) year financial budget period. This growth rate is based on management's assessment of future trends in the mobile telecommunications industry using both external and internal sources.

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

17 INTEREST IN SUBSIDIARIES

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

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

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

Notes to the Financial Statements - 31 December 2016

17 INTEREST IN SUBSIDIARIES (CONTINUED)

(b) Loans to subsidiaries - Interest bearing

The terms of the loans were as follows:

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

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

18 INVESTMENTS IN SUBSIDIARIES

	Note	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost		**35,028,593**	35,012,760
Less: Accumulated impairment losses	7	**(6,725,000)**	–
		28,303,593	35,012,760
Fair value of share options and share grants, and shares acquired, over the Company's equity instruments for employees of subsidiaries, net of shares issued		**68,787**	32,763
	17	**28,372,380**	35,045,523

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

Notes to the Financial Statements - 31 December 2016

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information on the subsidiaries is as follows:

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group		Proportion of ownership interests held by non-controlling interests		Paid-up capital	
			2016	2015	2016	2015	2016	2015
Advanced Wireless Technologies Sdn. Bhd ("AWTSB") (517551-U)[1]	Malaysia	Provider of wireless multimedia related services.	**100%**	75%	**–**	25%	**RM3,333,336**	RM3,333,336
Maxis Broadband Sdn. Bhd. ("MBSB") (234053-D)[2]	Malaysia	Provider of a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions to its holding companies and fellow subsidiaries (2015: Operator of a national public switched network and provider of Internet and Internet application services and includes owning, maintaining, building and operating radio facilities and associated switches).	**100%**	100%	**–**	–	**RM1,000,002**	RM1,000,002
Maxis Collections Sdn. Bhd. (383275-M)[2]	Malaysia	Collector of telecommunications revenue for fellow subsidiaries and ceased its operations during the current financial year.	**100%**	100%	**–**	–	**RM2**	RM2

Notes to the Financial Statements - 31 December 2016

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information on the subsidiaries is as follows: (continued)

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

Notes to the Financial Statements - 31 December 2016

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information on the subsidiaries is as follows: (continued)

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

Notes to the Financial Statements - 31 December 2016

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information on the subsidiaries is as follows: (continued)

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group		Proportion of ownership interests held by non-controlling interests		Paid-up capital	
			2016	**2015**	**2016**	**2015**	**2016**	**2015**
Subsidiary of AWTSB								
UMTS (Malaysia) Sdn. Bhd. (520422-D)[1]	Malaysia	2100MHz spectrum assignment holder.	**100%**	75%	**–**	25%	**RM2,500,002**	RM2,500,002
Subsidiary of MBSB								
Maxis Online Sdn. Bhd. (235849-A) - under member's voluntary winding up	Malaysia	Dormant.	**100%**	100%	**–**	–	**RM2**	RM2
Subsidiary of Maxis Mobile Sdn. Bhd.								
Maxis Mobile (L) Ltd (LL-01709)[3]	Malaysia	Holder of investments.	**100%**	100%	**–**	–	**USD10,000**	USD10,000

Notes:

[1] During the financial year, the Company acquired its remaining 25% equity interest in AWTSB and it became a wholly-owned subsidiary of the Company as disclosed in Note 38 to the financial statements.

[2] The principal activities have been updated to reflect the completion of an internal reorganisation on 1 April 2016 as disclosed in Note 39(a) to the financial statements.

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

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

Notes to the Financial Statements - 31 December 2016

19 FINANCIAL INSTRUMENTS BY CATEGORY

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

20 AVAILABLE-FOR-SALE INVESTMENT

	Note	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares, at cost		**50**	50
Less: Accumulated impairment losses	7	**(50)**	–
		–	50

Notes to the Financial Statements - 31 December 2016

20 AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

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

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

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables

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

Other than the above, the Group's credit policy provides trade receivables with credit periods of up to 60 days (2015: up to 60 days). The Group has no significant exposure to any individual customer, geographical location or industry category. Significant credit and recovery risks associated with receivables have been provided for in the financial statements.

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

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

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

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

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

Notes:

[1] Represents gross trade receivables which have been either partially or fully impaired.

[2] Individually impaired due to default in payment terms.

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

Trade receivables that are neither past due nor impaired

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

Trade receivables that are past due but not impaired

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

(b) Prepayments

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

(c) Allowance for impairment

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

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

Notes to the Financial Statements - 31 December 2016

22 DERIVATIVE FINANCIAL INSTRUMENTS

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

Notes to the Financial Statements - 31 December 2016

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) CCIRS

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

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

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

(b) IRS

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Notional principal (RM'000 equivalent)	**700,000**	700,000	**–**	700,000
Fixed interest rate	**4.76% - 4.87%**	4.48% - 4.55%	**–**	4.48% - 4.55%

(c) Forward foreign exchange contracts

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

	Group	
	2016	**2015**
Notional principal (RM'000 equivalent)	**79,055**	99,244
Contract value in foreign currency (USD'000)	**18,100**	23,000

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

Notes to the Financial Statements - 31 December 2016

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

(a) Derivative designated in hedging relationship

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

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

(i) the foreign exchange gains of RM177,953,000 which realised upon CCIRS settlement and unrealised foreign exchange losses of RM38,458,000 from the weakening RM against USD and SGD; and

(ii) the interest expense of the Group and the Company amounting to RM3,307,000 and RM3,332,000 respectively as the underlying interest rates were higher than the hedged interest rates on the borrowings.

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

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

(i) the foreign exchange gains of RM124,864,000 which realised upon CCIRS settlement and unrealised foreign exchange losses of RM648,581,000 which arose from the weakening RM against USD and SGD; and

(ii) the interest expense of the Group and the Company amounting to RM4,162,000 as the underlying interest rates were higher than the hedged interest rates on the borrowings.

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

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

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

Notes to the Financial Statements - 31 December 2016

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Derivative not designated in hedging relationship

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

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

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

23 DEFERRED TAXATION

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

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

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

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

23 DEFERRED TAXATION (CONTINUED)

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

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

Notes to the Financial Statements - 31 December 2016

23 DEFERRED TAXATION (CONTINUED)

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

24 INVENTORIES

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

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

Notes to the Financial Statements - 31 December 2016

25 FELLOW SUBSIDIARIES AND PENULTIMATE HOLDING COMPANY BALANCES

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

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

26 RELATED PARTIES BALANCES

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

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

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

Notes to the Financial Statements - 31 December 2016

27 DEPOSITS, CASH AND BANK BALANCES

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

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

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

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

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

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

Note:
Source: Bloomberg with ratings provided by:
(1) RAM Ratings Services Berhad
(2) Moody's

Notes to the Financial Statements - 31 December 2016

28 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Note	Site rectification and decommi-ssioning works RM'000	Contract obligations and legal claims RM'000	Staff incentive scheme RM'000	Total RM'000
2016					
At 1 January		**150,656**	**52,337**	**97,368**	**300,361**
Capitalised		**6,251**	**–**	**–**	**6,251**
Changes in cost estimates:					
- included in finance costs	11(b)	**(7,898)**	**–**	**–**	**(7,898)**
- included in property, plant and equipment	15	**47**	**–**	**–**	**47**
Charged to statement of profit or loss:					
- included in profit from operations	7	**522**	**30**	**94,425**	**94,977**
- included in finance costs	11(b)	**16,647**	**–**	**–**	**16,647**
Paid		**(6,340)**	**–**	**(85,282)**	**(91,622)**
Reversed from statement of profit or loss	7	**(481)**	**(48,009)**	**(9,212)**	**(57,702)**
At 31 December		**159,404**	**4,358**	**97,299**	**261,061**
2015					
At 1 January		140,812	50,565	7,765	199,142
Capitalised		4,657	–	–	4,657
Changes in cost estimates:					
- included in finance costs	11(b)	(7,423)	–	–	(7,423)
- included in property, plant and equipment	15	4,758	–	–	4,758
Charged to statement of profit or loss:					
- included in profit from operations	7	1,961	7,897	98,333	108,191
- included in finance costs	11(b)	15,558	–	–	15,558
Paid		(5,066)	(6,125)	(8,730)	(19,921)
Reversed from statement of profit or loss	7	(4,601)	–	–	(4,601)
At 31 December		150,656	52,337	97,368	300,361

Notes to the Financial Statements - 31 December 2016

28 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

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

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

Site decommissioning works

As at 31 December 2016, a non-current provision of RM156,221,000 (2015: RM147,362,000) has been recognised for dismantling, removal and site restoration costs. The provision is estimated using the assumption that decommissioning will only take place upon the expiry of the lease terms (inclusive of secondary terms) of 15 to 30 years (2015: 15 to 30 years). The provision has been estimated based on the current conditions of the sites, at the estimated costs to be incurred upon the expiry of lease terms and discounted at the discount rates as disclosed in Note 16 to the financial statements.

Contract obligations and legal claims

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

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

29 PAYABLES AND ACCRUALS

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

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

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

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

Notes to the Financial Statements - 31 December 2016

29 PAYABLES AND ACCRUALS (CONTINUED)

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

30 BORROWINGS

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

(a) Finance lease liabilities

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

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

30 BORROWINGS (CONTINUED)

(a) Finance lease liabilities (continued)

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

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

(b) Syndicated term loans

(i) USD750,000,000 syndicated term loan

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

(ii) USD100,000,000 syndicated term loan

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

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

(c) Term loans

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

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

Notes to the Financial Statements - 31 December 2016

30 BORROWINGS (CONTINUED)

(c) Term loans (continued)

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

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

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

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

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

(d) Islamic Medium Term Notes

(i) Sukuk Musharakah

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

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

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

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

(ii) MB - Sukuk Murabahah

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

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

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

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

Notes to the Financial Statements - 31 December 2016

30 BORROWINGS (CONTINUED)

(d) Islamic Medium Term Notes (continued)

(iii) Sukuk Murabahah

On 29 June 2016, MBSB established an Unrated Islamic Medium Term Notes ("Sukuk Murabahah") Programme with an aggregate nominal value of up to RM10.0 billion, based on the Islamic principle of Murabahah (via a Tawarruq arrangement) ("Unrated Sukuk Murabahah Programme"). The Unrated Sukuk Murabahah Programme has a tenure of 30 years from its first issuance and the Sukuk Murabahah to be issued shall have a tenure of more than 1 year and up to 30 years.

As at 31 December 2016, MBSB had issued in total three series of the Sukuk Murabahah for a total nominal value of RM3,790,000,000 with a tenure of four to nine years, which were utilised to finance the settlement of the remaining purchase consideration in relation to the internal reorganisation as disclosed in Note 39(a) to the financial statements and its capital expenditure and working capital requirements. The series of Sukuk Murabahah are redeemable on their respective maturity dates. The profits are payable semi-annually.

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

(i) MB - CMTF

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

(ii) CMTF

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

(f) Revolving credit

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

Notes to the Financial Statements - 31 December 2016

30 BORROWINGS (CONTINUED)

Contractual terms of borrowings

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

Notes:

[1] COF denotes Cost of Funds.

[2] LIBOR denotes London Interbank Offered Rate.

[3] SOR denotes Singapore Swap Offer Rate.

30 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

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

Notes:

[1] LIBOR denotes London Interbank Offered Rate.

[2] COF denotes Cost of Funds.

[3] SOR denotes Singapore Swap Offer Rate.

Notes to the Financial Statements - 31 December 2016

30 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

Company	Contractual interest rate at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	Maturity profile < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2016							
Unsecured							
Syndicated term loans	1.35% - 1.60% + LIBOR[1]	RM/USD	**1,038,168**	**590,035**	**–**	**448,133**	**–**
Term loans	1.50% - 1.60% + LIBOR[1]	RM/USD	**784,191**	**–**	**–**	**784,191**	**–**
	1.25% + SOR[2]	RM/SGD	**216,715**	**–**	**–**	**216,715**	**–**
			2,039,074	**590,035**	**–**	**1,449,039**	**–**
At 31 December 2015							
Unsecured							
Syndicated term loans	1.35% - 1.60% + LIBOR[1]	RM/USD	2,055,764	1,064,080	563,561	428,123	–
Term loans	0.75% + COF[3]	RM/RM	997,142	–	–	–	997,142
	1.50% - 1.60% + LIBOR[1]	RM/USD	749,801	–	–	–	749,801
	1.25% + SOR[2]	RM/SGD	212,384	–	–	–	212,384
Islamic Medium Term Notes	5.00% - 5.40%	RM/RM	3,325,483	–	–	–	3,325,483
Commodity Murabahah Term Financing	0.70% + COF[3]	RM/RM	2,516,230	–	–	–	2,516,230
			9,856,804	1,064,080	563,561	428,123	7,801,040

Notes:

(1) LIBOR denotes London Interbank Offered Rate.
(2) SOR denotes Singapore Swap Offer Rate.
(3) COF denotes Cost of Funds.

Notes to the Financial Statements - 31 December 2016

31 SHARE CAPITAL

(a) Share capital

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

(b) ESOS

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

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

The salient features of the ESOS are as follows:

(i) The total number of shares which may be issued under the ESOS shall not exceed in aggregate 250,000,000 shares during the existence of the ESOS save and except for any circumstances which may be specified in the Bye-Laws;

(ii) Subject to the discretion of the Directors, any employee of the Company and its subsidiaries who has a written employment contract and any director (executive or non-executive) of the Company, shall be eligible to participate in the ESOS;

(iii) The number of new shares that may be offered under the ESOS shall be at the discretion of the Directors after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group;

(iv) In the event of a change in the capital structure of the Company except under certain circumstances, the Directors may make or provide for adjustments to be made in the share options price and/or in the number of shares covered by outstanding share options as the Directors at their discretion, may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of the optionee or provide for adjustments in the number of shares to give the optionee the same proportion of the issued ordinary share capital of the Company to which the optionee was previously entitled;

31 SHARE CAPITAL (CONTINUED)

(b) ESOS (continued)

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

(v) The subscription price upon the exercise of the share options under the ESOS shall be the weighted average market price quoted for the five market days immediately preceding the date on which the share options are granted;

(vi) The ESOS has a contractual term of 10 years. All share options shall become exercisable to the extent of one-third of the share options granted on each of the first three anniversaries from the date the share options were granted provided the optionee has been in continuous service with the Group throughout the period;

(vii) Subject to paragraph (vi) above, an optionee may exercise share options in whole or part in multiples of 100 shares only at such time in accordance with any guidelines as may be prescribed by the Directors from time to time; and

(viii) The optionees have no right to participate by virtue of the share options in any share issue of any other company. However, shares issued upon the exercise of the share options shall rank pari passu in all respects with the then existing issued shares save that they will not entitle the holders thereof to receive any rights or bonus issues or dividends or distributions, the entitlement date of which precedes the date of issue of the shares.

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

			Number of options over ordinary shares of RM0.10 each in the Company					
Grant date	Expiry date	Exercise price RM/share	Outstanding as at 1.1.2016 '000	Granted '000	Exercised '000	Forfeited/ Lapsed '000	Outstanding as at 31.12.2016 '000	Exercisable as at 31.12.2016 '000
2016								
1 July 2011	17 September 2019	5.45	**4,400**	–	**(260)**	**(2)**	**4,138**	**4,138**
1 July 2012	17 September 2019	6.41	**13,446**	–	**(78)**	**(16)**	**13,352**	**13,352**
1 July 2013	17 September 2019	6.78	**10,773**	–	–	**(499)**	**10,274**	**10,274**
1 August 2015	17 September 2019	6.53	**68,178**	–	–	**(6,386)**	**61,792**	**20,686**
			96,797	–	**(338)**	**(6,903)**	**89,556**	**48,450**
Weighted average exercise price (RM per share)			**6.49**	–	**5.67**	**6.55**	**6.49**	**6.46**

Notes to the Financial Statements - 31 December 2016

31 SHARE CAPITAL (CONTINUED)

(b) ESOS (continued)

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

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

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

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

31 SHARE CAPITAL (CONTINUED)

(b) ESOS (continued)

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

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

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

Value of employee services received for issue of share options:

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

(c) LTIP

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

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

31 SHARE CAPITAL (CONTINUED)

(c) LTIP (continued)

The salient features of the LTIP are as follows:

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

(ii) The ESOS/LTIP Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as eligibility criteria and allocation for each grant (i.e. the entitlement to receive new shares under the LTIP), the timing and frequency of the award of the grant, the performance target and/or performance conditions to be met prior to offer and vesting of the grant and the vesting period;

(iii) The total number of new shares that may be offered under the LTIP shall be at the discretion of the ESOS/LTIP Committee;

(iv) In the event of any alteration in the capital structure of the Company except under certain circumstances, the ESOS/LTIP Committee may make or provide for alterations or adjustments to be made in the number of unvested new shares and/or the method and/or manner in the vesting of the new shares comprised in a grant;

(v) The LTIP shall take effect on the effective date of the implementation of the LTIP and shall be in force for a period of 10 years, expiring on 31 July 2025;

(vi) The new shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares and the grant holders shall not be entitled to any dividends, rights, allotments, entitlements and/or any other distributions, for which the entitlement date is prior to the date of issue of the shares; and

(vii) The share grants will only be vested to the eligible employees of the Group (including an executive director) who have duly accepted the offer of grants under the LTIP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:

- eligible employees of the Group (including an executive director) must remain in employment with the Group and shall not have given notice of resignation or received a notice of termination of service as at the vesting dates.

- eligible employees of the Group (including an executive director) having achieved his/her performance target and/or performance condition as stipulated by the ESOS/LTIP Committee and as set out in their offer of grants.

Notes to the Financial Statements - 31 December 2016

31 SHARE CAPITAL (CONTINUED)

(c) LTIP (continued)

During the financial year, 6,075,200 PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary share of RM0.10 each in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon vesting of the new shares after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP. The vesting conditions comprising, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2016 and ending on 31 December 2018, as stipulated by the ESOS/LTIP Committee. The vesting date is on 30 June 2019, subject to meeting such performance targets.

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

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

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

Value of employee services received under the LTIP:

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

Notes to the Financial Statements - 31 December 2016

31 SHARE CAPITAL (CONTINUED)

(d) Incentive arrangement

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

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

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

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

Value of employee services received under the incentive arrangement:

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

Notes to the Financial Statements - 31 December 2016

32 RESERVES

(a) Merger relief

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

(b) Reserve arising from reverse acquisition

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

(c) Other reserves

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

Notes to the Financial Statements - 31 December 2016

32 RESERVES (CONTINUED)

(c) Other reserves (continued)

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

The share-based payments reserve comprises of:

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

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

(c) fair value of shares less any shares acquired under the incentive arrangement.

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

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

The currency exposure of financial assets and financial liabilities of the Group and of the Company that are not denominated in the functional currency of the respective companies are set out below. Currency risks in respect of intragroup receivables and payables have been included in the Group's currency exposure table as this exposure is not eliminated at the Group level.

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	Currency exposure at 31 December			
Group	**SGD RM'000**	**USD RM'000**	**SDR RM'000**	**Others RM'000**
Functional currency Ringgit Malaysia				
2016				
Receivables	**–**	**12,377**	**33,300**	**–**
Deposits, bank and cash balances	**–**	**20,672**	**–**	**38**
Payables	**(2,562)**	**(581,612)**	**(55,925)**	**(114)**
Amounts due from/(to) fellow subsidiaries	**–**	**197**	**(166)**	**–**
Amounts due to related parties, net	**–**	**(1,343)**	**(34)**	**–**
Syndicated term loans	**–**	**(1,038,168)**	**–**	**–**
Term loans	**(216,715)**	**(784,191)**	**–**	**–**
Gross exposure	**(219,277)**	**(2,372,068)**	**(22,825)**	**(76)**
CCIRS:				
- syndicated term loans	**–**	**1,038,168**	**–**	**–**
- term loans	**216,715**	**784,191**	**–**	**–**
Forward foreign exchange contracts:				
- payables	**–**	**39,481**	**–**	**–**
Net exposure	**(2,562)**	**(510,228)**	**(22,825)**	**(76)**
2015				
Receivables	12	1,794	17,081	–
Deposits, bank and cash balances	–	7,093	–	51
Payables	(1,822)	(701,821)	(62,599)	(1,335)
Amounts due to fellow subsidiaries	–	(2,180)	(32)	–
Amounts due (to)/from related parties, net	–	(322)	276	–
Syndicated term loans	–	(2,055,764)	–	–
Term loans	(212,384)	(749,801)	–	–
Gross exposure	(214,194)	(3,501,001)	(45,274)	(1,284)
CCIRS:				
- syndicated term loans	–	2,055,764	–	–
- term loans	212,384	749,801	–	–
Forward foreign exchange contract:				
- payables	–	98,785	–	–
Net exposure	(1,810)	(596,651)	(45,274)	(1,284)

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Foreign exchange risk (continued)*

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

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

	Impact on profit before tax for the financial year		Impact on equity[1]			
	Group		Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
USD/RM						
- strengthened 5% (2015: 5%)	**(25,509)**	(34,769)	**6,208**	8,437	**4,128**	5,655
- weakened 5% (2015: 5%)	**25,509**	34,769	**(6,208)**	(8,437)	**(4,128)**	(5,655)

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 borrowings and payables in a designated hedging relationship, as these are effectively hedged, the foreign currency movements will not have any impact on the statement of profit or loss.

(ii) Interest rate risk

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

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

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2016							
Deposits with licensed banks	3.78	**485,242**	–	**485,242**	–	–	–
Trade payables	3.77	**(668,258)**	**(436,630)**	**(129,127)**	**(102,501)**	–	–
Finance lease liabilities	10.58	**(13,103)**	–	**(11,259)**	**(1,084)**	**(760)**	–
Revolving credit	4.20	**(500,000)**	**(500,000)**	–	–	–	–
Syndicated term loans	2.58	**(1,038,168)**	**(1,038,168)**	–	–	–	–
Term loans	3.50	**(2,001,516)**	**(2,001,516)**	–	–	–	–
Islamic Medium Term Notes	5.05	**(3,806,108)**	–	–	–	**(504,250)**	**(3,301,858)**
Commodity Murabahah Term Financing	4.17	**(2,505,127)**	**(2,505,127)**	–	–	–	–
Gross exposure		**(10,047,038)**	**(6,481,441)**				
CCIRS and IRS:							
- syndicated term loans	4.97		**1,038,168**	**(590,035)**	–	**(448,133)**	–
- term loans	4.50		**1,037,109**	–	–	**(336,682)**	**(700,427)**
Net exposure			**(4,406,164)**				

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

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015							
Deposits with licensed banks	4.13	1,123,583	–	1,123,583	–	–	–
Trade payables	3.00	(551,101)	(551,101)	–	–	–	–
Finance lease liabilities	10.00	(20,848)	–	(12,868)	(6,134)	(1,846)	–
Syndicated term loans	2.00	(2,055,764)	(2,055,764)	–	–	–	–
Term loans	3.62	(1,959,327)	(1,959,327)	–	–	–	–
Islamic Medium Term Notes	5.10	(3,325,483)	–	–	–	–	(3,325,483)
Commodity Murabahah Term Financing	4.87	(2,516,230)	(2,516,230)	–	–	–	–
Loan from a related party	7.85	(29,012)	(29,012)	–	–	–	–
Gross exposure		(9,334,182)	(7,111,434)				
CCIRS and IRS:							
- syndicated term loans	4.85		2,055,764	(1,064,080)	(563,561)	(428,123)	–
- term loans	4.52		1,020,188	–	–	–	(1,020,188)
Net exposure			(4,035,482)				

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

Company	Weighted average effective interest rate at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2016							
Deposits with licensed banks	3.95	**10,000**	–	**10,000**	–	–	–
Syndicated term loans	2.58	**(1,038,168)**	**(1,038,168)**	–	–	–	–
Term loans	2.54	**(1,000,906)**	**(1,000,906)**	–	–	–	–
Gross exposure		**(2,029,074)**	**(2,039,074)**				
CCIRS:							
- syndicated term loans	4.97		**1,038,168**	**(590,035)**	–	**(448,133)**	–
- term loans	4.99		**336,682**	–	–	**(336,682)**	–
Net exposure			**(664,224)**				

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

Company	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015							
Loans to subsidiaries	5.27	636,795	270,000	366,795	–	–	–
Deposits with licensed banks	3.70	5,668	–	5,668	–	–	–
Syndicated term loans	2.00	(2,055,764)	(2,055,764)	–	–	–	–
Term loans	3.62	(1,959,327)	(1,959,327)	–	–	–	–
Islamic Medium Term Notes	5.10	(3,325,483)	–	–	–	–	(3,325,483)
Commodity Murabahah Term Financing	4.87	(2,516,230)	(2,516,230)	–	–	–	–
Gross exposure		(9,214,341)	(6,261,321)				
CCIRS and IRS:							
- syndicated term loans	4.85		2,055,764	(1,064,080)	(563,561)	(428,123)	–
- term loans	4.52		1,020,188	–	–	–	(1,020,188)
Net exposure			(3,185,369)				

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Impact on profit before tax for the financial year			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
RM				
- increased by 0.5% (2015: 0.5%)	**(16,527)**	(14,077)	**–**	(12,727)
- decreased by 0.5% (2015: 0.5%)	**16,527**	14,077	**–**	12,727
USD				
- increased by 0.5% (2015: 0.5%)	**(2,183)**	(2,756)	**–**	–
- decreased by 0.5% (2015: 0.5%)	**2,183**	2,756	**–**	–

	Impact on equity[1]			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
RM				
- increased by 0.5% (2015: 0.5%)	**15,225**	17,787	**–**	17,787
- decreased by 0.5% (2015: 0.5%)	**(15,525)**	(17,787)	**–**	(17,787)
USD				
- increased by 0.5% (2015: 0.5%)	**16,633**	21,877	**16,633**	21,877
- decreased by 0.5% (2015: 0.5%)	**(16,633)**	(21,877)	**(16,633)**	(21,877)

Note:

(1) Represents cash flow hedging reserve

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

(b) Credit risk

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

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The Group has no significant concentration of credit risk as the Group's policy limits the concentration of financial exposure to any single counterparty. Credit risk of trade receivables is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's dealings with creditworthy business partners and customers. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

For deposits, cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions. As for derivative financial instruments, the Group and the Company enter into the contracts with various reputable counterparties to minimise the credit risks. The Group and the Company consider the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's and the Company's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

(c) Liquidity risk

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

As at 31 December 2016, the Group has unissued Sukuk of RM6.21 billion under the Unrated Sukuk Murabahah Programme, as disclosed in Note 30(d)(iii) to the financial statements. The Group is able to issue new Sukuk to finance its capital expenditure, working capital and/or other funding requirements. There is no restriction under the terms of the Unrated Sukuk Murabahah Programme for such intended purposes.

The Company is able to obtain dividends from its subsidiaries which have the ability to declare dividends to the Company as and when required to meet the Company's short-term obligations.

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Group	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2016					
Payables and accruals[2]					
- principal	**2,837,389**	**2,428,953**	**224,848**	**183,588**	**–**
- interest[3]	**40,672**	**21,958**	**12,165**	**6,549**	**–**
Amounts due to related parties	**14,229**	**14,229**	**–**	**–**	**–**
Finance lease liabilities	**13,507**	**11,588**	**1,141**	**778**	**–**
Bank borrowings[2]					
- principal	**3,539,732**	**1,088,853**	**–**	**1,450,879**	**1,000,000**
- interest[3]	**437,286**	**101,215**	**80,591**	**211,491**	**43,989**
Islamic Medium Term Notes					
- nominal value	**3,790,000**	**–**	**–**	**500,000**	**3,290,000**
- profit[3]	**1,105,553**	**191,360**	**191,360**	**546,919**	**175,914**
Commodity Murabahah Term Financing					
- nominal value	**2,500,000**	**–**	**–**	**–**	**2,500,000**
- profit[3]	**758,026**	**104,250**	**104,250**	**313,036**	**236,490**
Net settled derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts)[2][3]	**(519,174)**	**(127,934)**	**13,427**	**(406,945)**	**2,278**
	14,517,220	**3,834,472**	**627,782**	**2,806,295**	**7,248,671**

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

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

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

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Group	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015					
Payables and accruals[2]					
- principal	2,653,377	2,227,757	125,215	292,876	7,529
- interest[3]	41,081	15,816	11,781	13,484	–
Amounts due to fellow subsidiaries	2,212	2,212	–	–	–
Amounts due to related parties	9,283	9,283	–	–	–
Loan from a related party					
- principal	28,875	28,875	–	–	–
- interest[3]	137	137	–	–	–
Finance lease liabilities	22,259	13,875	6,463	1,921	–
Bank borrowings[2]					
- principal	4,020,727	1,063,013	563,719	429,500	1,964,495
- interest[3]	517,231	97,805	81,010	233,609	104,807
Islamic Medium Term Notes					
- nominal value	3,290,000	–	–	–	3,290,000
- profit[3]	1,228,407	168,320	167,860	504,040	388,187
Commodity Murabahah Term Financing					
- nominal value	2,500,000	–	–	–	2,500,000
- profit[3]	1,030,833	121,997	121,510	364,863	422,463
Net settled derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts)[2][3]	(614,221)	(181,975)	(98,068)	(67,588)	(266,590)
	14,730,201	3,567,115	979,490	1,772,705	8,410,891

Notes:

[1] As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

[2] Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

[3] Based on contractual interest rates/profit margin as at the reporting date.

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Company	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2016					
Payables and accruals	**611**	**611**	**–**	**–**	**–**
Amount due to a subsidiary	**177**	**177**	**–**	**–**	**–**
Bank borrowings[2]					
- principal	**2,039,732**	**588,853**	**–**	**1,450,879**	**–**
- interest[3]	**152,914**	**39,354**	**35,992**	**77,568**	**–**
Net settled derivative financial instruments (CCIRS)[2][3]	**(532,301)**	**(129,537)**	**11,117**	**(413,881)**	**–**
	1,661,133	**499,458**	**47,109**	**1,114,566**	**–**

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

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

(3) Based on contractual interest rates as at the reporting date.

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Company	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015					
Payables and accruals	480	480	–	–	–
Amount due to a subsidiary	823	823	–	–	–
Bank borrowings[2]					
- principal	4,020,727	1,063,013	563,719	429,500	1,964,495
- interest[3]	517,231	97,805	81,010	233,609	104,807
Islamic Medium Term Notes					
- nominal value	3,290,000	–	–	–	3,290,000
- profit[3]	1,228,407	168,320	167,860	504,040	388,187
Commodity Murabahah Term Financing					
- nominal value	2,500,000	–	–	–	2,500,000
- profit[3]	1,030,833	121,997	121,510	364,863	422,463
Net settled derivative financial instruments (CCIRS and IRS)[2][3]	(614,680)	(182,434)	(98,068)	(67,588)	(266,590)
	11,973,821	1,270,004	836,031	1,464,424	8,403,362

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

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

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

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management

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

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

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

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

The Group also monitors capital which comprise of borrowings and equity on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest bearing financial liabilities (include loan from a related party, current and non-current borrowings and derivative financial instruments designated in hedging relationship on borrowings on a net basis as shown in the statements of financial position but exclude deferred payment scheme as disclosed in Note 29 to the financial statements) less deposits, cash and bank balances. Total equity is calculated as 'equity' as shown in the statements of financial position. The gearing ratios at 31 December 2016 and 2015 were as follows:

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

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation

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

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

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

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

(i) Financial instruments carried at amortised cost

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

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

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

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation (continued)

(ii) Financial instruments carried at fair value

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

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

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

(f) Offsetting financial assets and financial liabilities

(i) Financial assets

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

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

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(i) Financial assets (continued)

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

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

Notes to the Financial Statements - 31 December 2016

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(ii) Financial liabilities

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

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

Notes to the Financial Statements - 31 December 2016

34 CAPITAL COMMITMENTS

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

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

35 OPERATING LEASE COMMITMENTS

Generally, the Group leases certain network infrastructure, content rights, offices and customer service centres under operating leases. The leases run for a period of 2 to 15 years (2015: 3 to 15 years). Certain operating leases contain renewal options with market review clauses. The Group does not have the option to purchase the leased assets at the expiry of the lease period.

	Group	
	2016 **RM'000**	**2015** **RM'000**
Not later than one year	**234,339**	222,903
Later than one year but not later than five years	**661,196**	660,351
Later than five years	**159,804**	185,538
	1,055,339	1,068,792

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

Notes to the Financial Statements - 31 December 2016

36 RELATED PARTIES

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

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

Notes to the Financial Statements - 31 December 2016

36 RELATED PARTIES (CONTINUED)

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

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

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

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

(1) Subsidiary of a company which is an associate of UTSB
(2) A major shareholder of BGSM, as described above
(3) Subsidiary of a company in which TAK has a 99.999% direct equity interest
(4) Subsidiary of BGSM
(5) Subsidiary of UTSB
(6) Subsidiary of a company whereby a person connected to TAK has a deemed equity interest

Notes to the Financial Statements - 31 December 2016

36 RELATED PARTIES (CONTINUED)

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

37 CONTINGENT LIABILITIES

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

38 ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

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

39 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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

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

40 APPROVAL OF FINANCIAL STATEMENTS

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

Supplementary Information Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained earnings is prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Malaysia Securities Berhad.

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Realised	**6,341,242**	3,670,851	**3,270,731**	2,667,315
Unrealised	**(580,081)**	(650,180)	**–**	–
Total retained earnings	**5,761,161**	3,020,671	**3,270,731**	2,667,315
Less: Consolidation adjustments	**(1,998,646)**	(58,534)	**–**	–
Retained earnings as at 31 December	**3,762,515**	2,962,137	**3,270,731**	2,667,315

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Statement by Directors Pursuant to Section 169(15) of The Companies Act, 1965

We, Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Morten Lundal, 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 85 to 190 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out on page 191 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 February 2017.

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

MORTEN LUNDAL
DIRECTOR

Kuala Lumpur

Statutory Declaration Pursuant to Section 169(16) of The Companies Act, 1965

I, Nasution bin Mohamed, the officer primarily responsible for the financial management of Maxis Berhad, do solemnly and sincerely declare that the financial statements set out on pages 85 to 190 and supplementary information set out on page 191 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.

NASUTION BIN MOHAMED

Subscribed and solemnly declared by the abovenamed Nasution bin Mohamed at Kuala Lumpur in Malaysia on 8 February 2017, before me.

PESURUHJAYA SUMPAH
MALAYSIA

COMMISSIONER FOR OATHS

Lot 5.30, Tingkat 5
Wisma Central
Jalan Ampang
50450 Kuala Lumpur

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Maxis Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 85 to 190.

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 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.

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Assessment of carrying value and useful life 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.* As at 31 December 2016, the carrying amount of the Group's telecommunications licences with allocated spectrum rights ("spectrum rights") amounted to RM10.7 billion. 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 and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.	
We focused on this area due to the size of the carrying amount of the spectrum rights, which represented 55% of total assets as at 31 December 2016, and the significant assumptions and judgments involved in determining the indefinite useful life of the spectrum rights and impairment assessment. In addition, there were significant regulatory developments in this area during the current financial year. a) As disclosed in Note 16 to the financial statements, the Directors have assessed that the upfront Spectrum Assignment ("SA") fees paid of RM816.75 million during the financial year are in substance a renewal cost to the Group for the continuing use of the allocated frequency bands of 900MHz and 1800MHz ("allocated bands"). Based on the Directors' assessment, there is evidence to support the view that the Group can renew the spectrum rights allocated bands indefinitely without significant costs when compared with the expected future economic benefits expected to flow to the Group from the renewal. Therefore the spectrum rights have been assessed to have an indefinite useful life.	We performed the following audit procedures: We checked the Group's assessment in accordance with MFRS 138 - Intangible Assets that the existing spectrum rights can be renewed without significant cost as follows: i) Read the letters of offer from the Malaysian Communications and Multimedia Commission ("MCMC") for the 900 MHz and 1800 MHz SA to understand the terms and conditions of the SA 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; ii) Obtained evidence that based on past experience, the Group was able to renew the spectrum rights under the previous Apparatus Assignment regime without any material or significant disruptions to business operations; and iii) Checked management's assessment of the significance of the cost of renewal by performing the following: • compared the estimated total renewal costs for all spectrums 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 derive the total spectrum renewal cost, total estimated future revenue and net cash flows used, which we checked as part of our audit procedures on impairment assessment.

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	Based on the procedures performed above, we did not find any exceptions in the Group's assessment that the existing spectrum rights can be renewed without significant cost when compared with the expected future economic benefits expected to flow to the Group from the renewal, and continue to have an indefinite useful life.
b) For purposes of the annual impairment assessment of goodwill and intangible assets with indefinite useful life, the Directors' assessment of the 'value-in-use' ("VIU") of the Group's Cash Generating Unit ("CGU"), being the integrated telecommunications services CGU, involves significant judgements about the future cash flows of the CGU and the discount rate applied to future cash flow forecasts. 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.	Based on the VIU calculations which cover a period of 5 years comprising the approved financial budget for 2017 and a forecast for the next 4 years, we performed the following: i) Evaluated the Directors' assessment that the integrated telecommunications services is the CGU which represents the smallest identifiable group of assets that generate independent cash inflows, by understanding the business model of the Group; ii) Agreed the 2017 VIU cash flows to the budget approved by the Directors; iii) Discussed with management the key assumptions used in the VIU calculations and compared the compounded revenue and earnings before interest, tax, depreciation and amortisation ("EBITDA") annual growth rates used in the 5 year VIU cash flows to the historical performance of the Group; iv) Discussed with management on the additional capital expenditure required to maintain the Group's network performance following the reduction in spectrum allocation and the impact on the VIU cash flows; and v) Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to industry reports.

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	We also checked the sensitivity analysis performed by management on the discount rate. Based on the procedures performed above, we did not find any exceptions to the Directors' conclusion that no impairment is required for goodwill and spectrum rights as at 31 December 2016.
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 2016, the Group and the Company had short term borrowings of RM1.1 billion and RM0.6 billion and payables and accruals of RM3.6 billion and RM0.1 billion respectively. We focused on the Group's and Company's funding and ability to meet their short term obligations due to the significant amount of the short term borrowings and payables and accruals, which resulted in the current liabilities of the Group and the Company exceeding current assets by RM2.5 billion and RM0.4 billion respectively at that date. The Group's ability to obtain funding from existing facilities is disclosed in Note 33 to the financial statements.	We performed the following audit procedures: Group • 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 and the Company against the loan agreements; and • Checked the extent of debt that the Group can raise from its existing Unrated Sukuk Murabahah Programme. Company • Assessed the ability of the wholly-owned subsidiaries of the Company to declare dividends to the Company as and when required to meet its short term obligations, by checking to the subsidiaries cash flow forecasts. Based on the procedures performed above, we did not find any exceptions to the Directors' assessment of the Group's and Company's ability to meet their short term obligations.

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Accuracy of telecommunication services revenue recognition
Refer to Note 3(u) - Summary of Significant Accounting Policies - Revenue recognition and Note 6 - Revenue

Telecommunication services revenue of RM8.5 billion represents a significant component of the Group's revenue for the year ended 31 December 2016. We focused on the accuracy of this area as telecommunication services revenue involves multiple element arrangements, the revenue is processed by billing systems that are complex, it involves large volumes of data with a combination of different products sold and there were price changes during the financial year.</td><td>We performed the following audit procedures:

• Evaluated the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over the:
- 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;

• Evaluated the key terms and conditions of significant new revenue agreements entered into during the financial year to check the accuracy of revenue recognition;

• Checked the accounting treatment for significant new products and promotions launched with multiple element arrangements, and tested that they are appropriately incorporated in the billing system for new products and product changes; 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 accuracy of telecommunication services revenue recognition during the year.</td></tr>
</table>

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation policy and useful lives of property, plant and equipment ("PPE") *Refer to Note 4(b) - Critical accounting estimates and judgements - Estimated useful lives and impairment assessment of property, plant and equipment and Note 15 - Property, plant and equipment* As at 31 December 2016, the Group recorded PPE of RM4.5 billion which comprised mainly telecommunications equipment and office furniture, fittings and equipment. We focused on this area due to the following: a) certain costs capitalised involve estimates and significant judgement in determining whether the capitalisation criteria under MFRS 116 - Property, Plant and Equipment are met; and b) the useful lives assigned to assets are areas of significant judgement by management, and as management regularly reviews the useful lives due to the network and information technology ("IT") modernisation being undertaken by the Group. The network and IT modernisation involves estimating when the assets will be upgraded based on the approved modernisation plans and the useful lives of the network and IT assets are revised accordingly. The estimated useful lives of PPE are reviewed annually by management as disclosed in Note 3(c) and Note 4(b) to the financial statements.	We performed the following audit procedures: • Understood the nature of costs incurred in capital projects by discussing with the network and IT departments and checked whether the expenditure met the capitalisation criteria in accordance with MFRS 116; • Tested the operating effectiveness of the controls over capitalisation of assets, approval of management's assessment of the useful life, asset replacement plans, asset retirement and asset write-off process; • Compared management's estimates of useful lives of the network assets against the expected useful lives in published industry reports; and • Checked the reliability of management's past estimates by comparing the planned modernisation in the accelerated depreciation computation for the previous year against the actual modernisation progress during the year. Based on the procedures performed above, we did not find any material exceptions in the capitalisation policy and management's assessment of useful lives for PPE.

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

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 2016 Annual Report, which are 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, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in page 191 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/18 (J))
Chartered Accountant

Kuala Lumpur
8 February 2017

Size of Shareholdings As at 27 February 2017

SHARE CAPITAL

Issued shares : 7,510,324,700 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	486	1.25	4,648	0.00
100 - 1000	20,552	52.68	19,231,784	0.26
1001 - 10000	15,233	39.05	59,296,808	0.79
10001 - 100000	2,215	5.68	61,325,758	0.82
100001 - 375221679 (*)	524	1.34	1,190,845,043	15.86
375221680 and above (**)	3	1.01	6,179,620,659	82.28
Total	**39,013**	**100.00**	**7,510,324,700**	**100.00**

* Less than 5% of issued holdings
** 5% and above of issued holdings

Note
Information in the above table is based on Record of Depositors dated 28 February 2017.

Distribution Table According to Category of Shareholders As at 28 February 2017

Category Of Shareholders	No. Of Shareholders	% Of Shareholders	No. Of Shares Held	% Of Issued Shares
Individuals	35,317	90.53	123,862,731	1.65
Bank/Finance Companies	52	0.13	1,170,885,633	15.59
Investment Trusts/Foundations/Charities	4	0.01	150,000	0.00
Other Types of Companies	286	0.73	4,887,784,809	65.08
Government Agencies/Institutions	4	0.01	5,637,800	0.08
Nominees	3,350	8.59	1,322,003,727	17.60
Total	**39,013**	**100.00**	**7,510,324,700**	**100.00**

Note
Information in the above table is based on Record of Depositors dated 28 February 2017.

Directors' Interests in Shares As at 28 February 2017

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 2017 are as follows:

Name	Number Of Ordinary Shares In Maxis ("Maxis Shares") Direct	Indirect	% Of Issued Shares Direct	Indirect
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	750,000[(1)]	–	0.01	–
Robert Alan Nason	–	–	–	–
Tan Sri Mokhzani bin Mahathir	750,000	1,000[(2)]	0.01	#
Dato' Hamidah Naziadin	–	–	–	–
Mazen Ahmed M. AlJubeir	–	–	–	–
Mohammed Abdullah K. Alharbi	–	–	–	–
Naser Abdulaziz A. AlRashed				
Lim Ghee Kheong	–	–	–	–
Alvin Michael Hew Thai Kheam	–	–	–	–
Dr. Kaizad B. Heerjee	–	–	–	–
Morten Lundal	–	1,594,178[(3)]	–	0.02

Notes

Negligible

(1) Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn. Bhd.

(2) Deemed interest in shares of the Company held by spouse pursuant to Section 59(11)(c) of the Companies Act, 2016

(3) These shares are currently held by CIMB Commerce Trustee Berhad or its nominee pursuant to the terms and conditions of the incentive arrangement which forms part of the employment contract which the Director has entered into with the Company, where the cash incentives payable to the Director were used to acquire shares of the Company from the open market. Subject to fulfilment of the vesting conditions and the terms of the incentive arrangement, these shares will vest on the Director on a deferred basis. In addition to his interest in these shares, the Director is also deemed interested in such additional number of shares in the Company which shall only be determinable in the future, to be acquired using future cash incentives payable to the Director, pursuant to the terms and conditions of such incentive arrangement

30 Largest Shareholders As at 28 February 2017

No	Name	No of shares held	%
1	BGSM Equity Holdings Sdn. Bhd.	4,875,000,000	64.91
2	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	677,360,259	9.02
3	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	627,260,400	8.35
4	Lembaga Tabung Haji	128,503,600	1.71
5	Kumpulan Wang Persaraan (Diperbadankan)	109,521,100	1.46
6	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	63,339,600	0.84
7	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN For State Street Bank & Trust Company (West CLT OD67)	46,670,800	0.62
8	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	42,641,050	0.57
9	AmanahRaya Trustees Berhad AS 1Malaysia	39,735,000	0.53
10	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN For JPMorgan Chase Bank, National Association (U.S.A.)	34,553,686	0.46
11	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	29,508,000	0.39
12	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Fund	28,417,000	0.38
13	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	28,413,400	0.38
14	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	24,526,100	0.33
15	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN For AIA Bhd.	23,607,400	0.31
16	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	21,750,000	0.29
17	AmanahRaya Trustees Berhad Amanah Saham Didik	21,324,700	0.28

Note
Information in the above table is based on Record of Depositors dated 28 February 2017.

30 Largest Shareholders As at 28 February 2017

No	Name	No of shares held	%
18	AmanahRaya Trustees Berhad Amanah Saham Malaysia	20,349,500	0.27
19	Permodalan Nasional Berhad	19,260,500	0.26
20	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Nomura)	18,940,900	0.25
21	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	18,046,400	0.24
22	AmanahRaya Trustees Berhad Public Islamic Sector Select Fund	15,348,000	0.20
23	AmanahRaya Trustees Berhad Public Islamic Equity Fund	13,193,100	0.18
24	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited For Government Of Singapore (C)	13,076,100	0.17
25	Hsbc Nominees (Asing) Sdn. Bhd. Exempt AN For The Bank Of New York Mellon (Mellon Acct)	12,750,570	0.17
26	AmanahRaya Trustees Berhad Public Islamic Optimal Growth Fund	8,816,100	0.12
27	Hsbc Nominees (Asing) Sdn. Bhd. HSBC BK PLC For Abu Dhabi Investment Authority (Trang)	8,791,100	0.12
28	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	8,293,000	0.11
29	Hsbc Nominees (Asing) Sdn. Bhd. HSBC BK PLC For Abu Dhabi Investment Authority (AGUS)	7,888,337	0.11
30	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV For People's Bank Of China (SICL Asia Em)	7,675,000	0.10

Note
Information in the above table is based on Record of Depositors dated 28 February 2017.

Information on Substantial Shareholders

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 2017 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	64.91	–	–
BGSM Management Sdn. Bhd. ("BGSM Management")(1)	–	–	4,875,000,000	64.91
Maxis Communications Berhad ("MCB")(2)	–	–	4,875,000,000	64.91
Binariang GSM Sdn. Bhd. ("BGSM")(3)	–	–	4,875,000,000	64.91
Usaha Tegas Equity Sdn. Bhd. ("UTE")(4)	–	–	4,875,000,000	64.91
Usaha Tegas Sdn. Bhd. ("Usaha Tegas")(5)	–	–	4,875,000,000	64.91
Pacific States Investment Limited ("PSIL")(6)	–	–	4,875,000,000	64.91
Excorp Holdings N.V. ("Excorp")(7)	–	–	4,875,000,000	64.91
PanOcean Management Limited ("PanOcean")(7)	–	–	4,875,000,000	64.91
Ananda Krishnan Tatparanandam ("TAK")(8)	–	–	4,875,000,000	64.91
Harapan Nusantara Sdn. Bhd. ("Harapan Nusantara")(9)	–	–	4,875,000,000	64.91
Tun Haji Mohammed Hanif bin Omar(10)	–	–	4,875,000,000	64.91
Dato' Haji Badri bin Haji Masri(10)	–	–	4,875,000,000	64.91
Mohamad Shahrin bin Merican(10)	11,000	*	4,875,000,000	64.91
STC Malaysia Holding Ltd. ("STCM")(11)	–	–	4,875,000,000	64.91
STC Asia Telecom Holding Ltd. ("STCAT")(12)	–	–	4,875,000,000	64.91
Saudi Telecom Company ("Saudi Telecom")(13)	–	–	4,875,000,000	64.91
Public Investment Fund ("PIF")(14)	–	–	4,875,000,000	64.91
AmanahRaya Trustees Berhad ("ARB") - Skim Amanah Saham Bumiputera	627,260,400	8.35	–	–
Employees Provident Fund Board ("EPF")	680,011,159	9.05	24,230,300	0.32

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) MCB's deemed interest in the Shares arises by virtue of MCB holding 100% equity interest in BGSM Management.

(3) BGSM's deemed interest in the Shares arises by virtue of BGSM holding 100% equity interest in MCB.

(4) 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 (3) above for BGSM's deemed interest in the Shares.

(5) Usaha Tegas' deemed interest in the Shares arises by virtue of Usaha Tegas holding 100% equity interest in UTE. See Note (4) above for UTE's deemed interest in the Shares.

(6) PSIL's deemed interest in the Shares arises by virtue of PSIL holding 99.999% equity interest in Usaha Tegas. See Note (5) above for Usaha Tegas' deemed interest in the Shares.

(7) PanOcean holds 100% equity interest in Excorp which in turn holds 100% equity interest in PSIL. See Note (6) 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.

(8) TAK's deemed interest in the Shares arises by virtue of PanOcean's deemed interest in the Shares. See Note (7) 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 (7) above.

(9) 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 (3) above for BGSM's deemed interest in the Shares.

Information on Substantial Shareholders

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.

(10) 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 (9) above.

(11) STCM's deemed interest in the Shares arises by virtue of STCM holding 25% equity interest in BGSM. See Note (3) above for BGSM's deemed interest in the Shares.

(12) STCAT's deemed interest in the Shares arises by virtue of STCAT holding 100% equity interest in STCM. See Note (11) above for STCM's deemed interest in the Shares.

(13) Saudi Telecom's deemed interest in the Shares arises by virtue of Saudi Telecom holding 100% equity interest in STCAT. See Note (12) above for STCAT's deemed interest in the Shares.

(14) PIF's deemed interest in the Shares arises by virtue of PIF holding 70% equity interest in Saudi Telecom. See Note (13) above for Saudi Telecom's deemed interest in the Shares.

(15) EPF is deemed to have an interest in 24,230,300 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.m)	Build-up Area (Sq.m)	Net Book Value As At 31 Dec 2016 (RM'000)
1	Plot 12155 (Lot 13) Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam Selangor	21 years	Freehold 9 May, 1994	–	Telecommunication operations centre and office	11,235	10,061	19,201
2	Lot 4059, Jalan Riang 20 Taman Gembira Industrial Estate 81100 Johor Bahru	24 years	Freehold 21 July, 1994	–	Telecommunication operations centre and office	2,201	2,531	4,456
	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	20 years	Leasehold 5 Jan, 1995	57 years (18 Aug 2073)	Telecommunication operations centre and office	3,661	2,259	5,672
4	PT 31093 Taman Perindustrian Tago Jalan KL – Sg Buluh Mukim Batu, Gombak	19 years	Freehold 2 Jul, 1996	–	Centre technical office	2,830	3,290	2,563
5	Lot 943 & 1289 (No. Lot Pemaju – 46) Rawang Integrated Industrial Park Selangor	19 years	Freehold 12 Apr, 1997	–	Centre technical office	10,611	1,535	3,367
6	8101, Taman Desa Jasmin Block 12B, Bandar Baru Nilai Labu Negeri Sembilan	19 years	Freehold 28 Dec, 1996	–	Centre technical office	2,378	1,736	1,343
7	Lot 25, Lorong Burung Keleto Inanam Industrial Estate Inanam, 88450 Kota Kinabalu Sabah	16 years	Leasehold 11 May, 2000	80 years (31 Dec, 2096)	Telecommunication operations centre and office	16,149	3,372	8,561

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.m)	Build-up Area (Sq.m)	Net Book Value As At 31 Dec 2016 (RM'000)
8	Lot 2323, Off Jalan Daya Pending Industrial Estate Bintawa, 93450 Kuching Sarawak	16 years	Leasehold 28 Sep, 2000	26 years (17 Feb, 2042)	Telecommunication operations centre and office	10,122	3,382	17,009
9	Lot 11301, Jalan Lebuhraya Kuala Lumpur – Seremban Batu 8, Mukim Petaling 57000 Kuala Lumpur	17 years	Sub-Lease 9 Aug, 1999	9 years (28 Jul, 2025)	Telecommunication operations centre and office	11,592	5,634	14,414
10	No. 26 Jalan Perdagangan 10 Taman Universiti 81300 Skudai Johor	22 years	Freehold 2 Mar, 1995	–	Base Transceiver Station	2,294	409	926

Disclosure of Recurrent Related Party Transactions

At an Extraordinary General Meeting held on 20 April 2016, the Company obtained a mandate from its shareholders ("Shareholders' Mandate") for recurrent related party transactions ("RRPTs") of a revenue or trading nature.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such Shareholders' Mandate is subject to annual renewal and the disclosure in the Annual Report of RRPTs conducted pursuant to the mandate during the financial year ended 31 December 2016 where the aggregate value of such RRPTs is equal to or more than RM1 million or 1% of the relevant percentage ratio for such transactions, whichever is the higher.

Set out below are the relevant RRPTs for which Shareholders' Mandate had been obtained together with a breakdown of the aggregate value of the RRPTs which had been conducted pursuant to the Shareholders Mandate and had met the prescribed threshold.

	Company in the Maxis Group involved	Transacting Parties	Nature of transaction	Nature of relationship	Value incurred from 1 Jan 2016 to 19 Apr 2016 (RM'000)	Value incurred from 20 Apr 2016 to 31 Dec 2016 (RM'000)	Aggregate value of transactions during the financial year (RM'000)
Transactions with Astro Malaysia Holdings Berhad ("AMH") Group							
1	Maxis Mobile Services Sdn. Bhd. ("MMSSB") and/or its affiliates	MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS")	Provision of services/content to MMSSB and/or its affiliates to provide to Maxis subscribers based on revenue share	Please refer to Note 1	346	529	875
2	Maxis Broadband Sdn. Bhd. ("MBSB")	MBNS	Strategic partnership on co-marketing and sales of Maxis fibre services, wireless services, broadband services and Astro IPTV services and On-The-Go Services	Please refer to Note 1	22,964	54,691	77,655
Aggregate Value of Transactions with AMH Group					**23,310**	**55,220**	**78,530**
Transactions with MEASAT Global Berhad ("MGB") Group							
3	MBSB	MEASAT Satellite Systems Sdn. Bhd. ("MSS")	Transponder lease rentals payable on quarterly basis by MBSB	Please refer to Note 2	5,245	11,321	16,566
4	MBSB	MSS	Rental payable on monthly basis by MBSB for BTS site	Please refer to Note 2	10	22	32
5	MBSB	MSS	Teleport lease rentals payable on quarterly basis by MBSB	Please refer to Note 2	401	962	1,363
6	MBSB	Measat Broadband (International) Ltd. ('MBI"), an affiliate of MEASAT Network Limited	Transponder (IPstar) lease rentals payable on quarterly basis by MBSB	Please refer to Note 2	6,939	20,577	27,516

Disclosure of Recurrent Related Party Transactions

	Company in the Maxis Group involved	Transacting Parties	Nature of transaction	Nature of relationship	Value incurred from 1 Jan 2016 to 19 Apr 2016 (RM'000)	Value incurred from 20 Apr 2016 to 31 Dec 2016 (RM'000)	Aggregate value of transactions during the financial year (RM'000)
7	MBSB	MBI	Revenue share from MBI for the leasing of satellite bandwidth on the Measat-5 satellite to other customers	Please refer to Note 2	1,557	3,726	5,283
Aggregate Value of Transactions with MGB Group					**14,152**	**36,608**	**50,760**

Notes

1. AMH Group

MBNS is a wholly-owned subsidiary of AMH.

Each of Usaha Tegas Sdn. Bhd. ("UTSB"), Pacific States Investment Limited ("PSIL"), Excorp Holdings N.V ("Excorp"), PanOcean Management Limited ("PanOcean") and Ananda Krishnan Tatparanandam ("TAK") is a Major Shareholder with a deemed interest over 4,875,000,000 Shares representing 64.91% equity interest in Maxis ("Shares") by virtue of its deemed interest in Binariang GSM Sdn. Bhd. ("BGSM") which holds 100% equity interest in Maxis Communications Berhad ("MCB") which in turn holds 100% equity interest in BGSM Management Sdn. Bhd. ("BGSM Management"). BGSM Management holds 100% equity interest in BGSM Equity Holdings Sdn. Bhd. ("BGSM Equity") which in turn holds 64.91% equity interest in Maxis. UTSB's deemed interest in such Shares arises through its wholly-owned subsidiaries, namely, Wilayah Resources Sdn. Bhd., Tegas Puri Sdn. Bhd., Besitang Barat Sdn. Bhd. and Besitang Selatan Sdn. Bhd., which hold in aggregate 37% equity interest in BGSM.

Each of UTSB, PSIL, Excorp and PanOcean has a deemed interest over 1,249,075,472 ordinary shares of RM0.10 each ("AMH Shares") representing 23.98% equity interest in AMH through the wholly-owned subsidiaries of UTSB, namely, Usaha Tegas Entertainment Systems Sdn. Bhd. and All Asia Media Equities Limited with each holding 235,778,182 AMH Shares and 1,013,297,290 AMH Shares directly representing 4.53% and 19.45% equity interest in AMH respectively.

PanOcean holds 100% equity interest in Excorp which in turn holds 100% equity interest in PSIL. PSIL holds 99.999% equity interest in UTSB. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of TAK and foundations, including those for charitable purposes.

TAK is also a major shareholder of AMH with a deemed interest over 2,133,139,626 AMH Shares representing 40.95% equity interest in AMH. In addition, TAK is a director of PanOcean, Excorp, PSIL and UTSB. Although TAK and PanOcean are deemed to have an interest in the Shares and AMH Shares as described in the foregoing, they do not have any economic or beneficial interest over such shares as such interest is held subject to the terms of such discretionary trust referred to the above.

Lim Ghee Keong ("LGK") who is a Director, is also a director of AMH. He is also a director of MMSSB, MBSB, PSIL, Excorp, PanOcean and UTSB. LGK has a direct equity interest over 1,000,000 AMH Shares representing 0.02% equity interest in AMH. LGK does not have any equity interest in Maxis, MMSSB, MBSB, or AMH Group.

Each of Tun Haji Mohammed Hanif bin Omar ("THO"), Dato' Haji Badri bin Haji Masri ("Dato' Badri") and Mohamad Shahrin bin Merican ("MSM") is a Major Shareholder with a deemed interest over 4,875,000,000 Shares representing 64.91% equity interest in Maxis in which Harapan Nusantara Sdn. Bhd. ("HNSB") has an interest, by virtue of his 25% direct equity interest in HNSB. HNSB's deemed interest in such Shares arises through its wholly-owned subsidiaries, namely, Mujur Anggun Sdn. Bhd., Cabaran Mujur Sdn. Bhd., Anak Samudra Sdn. Bhd., Dumai Maju Sdn. Bhd., Nusantara Makmur Sdn. Bhd., Usaha Kenanga Sdn. Bhd. and Tegas Sari Sdn. Bhd. (collectively, "HNSB Subsidiaries"), which hold in aggregate 30% equity interest in BGSM. The HNSB Subsidiaries hold their deemed interest in such Shares under discretionary trusts for Bumiputera objects. As such, HNSB, THO, Dato' Badri and MSM do not have any economic interest over such Shares as such interest is held subject to the terms of such discretionary trusts.

Disclosure of Recurrent Related Party Transactions

Each of THO, Dato' Badri and MSM have a deemed interest over 462,124,447 AMH Shares representing 8.87% equity interest in AMH in which Harapan Terus Sdn. Bhd. ("HTSB") has an interest, by virtue of his 25% direct equity interest in HTSB. HTSB's deemed interest in such AMH Shares arises through its wholly-owned subsidiaries, namely, Berkat Nusantara Sdn. Bhd., Nusantara Cempaka Sdn. Bhd., Nusantara Delima Sdn. Bhd., Mujur Nusantara Sdn. Bhd., Gerak Nusantara Sdn. Bhd. and Sanjung Nusantara Sdn. Bhd. (collectively, "HTSB Subsidiaries").The HTSB Subsidiaries hold such AMH Shares under discretionary trusts for Bumiputera objects. As such, HTSB, THO, Dato' Badri and MSM do not have any economic interests over such AMH Shares as such interest is held subject to the terms of such discretionary trusts.

Dato' Badri who is a director of MBNS also has a deemed interest over 500,000 AMH Shares representing 0.01% equity interest in AMH held by Casa Saga Sdn. Bhd. ("CSSB") by virtue of his 99% direct equity interest in CSSB.

MSM has a direct equity interest over 11,000 Shares representing 0.00015% equity interest in Maxis and also has a direct equity interest over 200,000 AMH Shares representing 0.004% equity interest in AMH.

Dato' Mohamed Khadar bin Merican ("DKM") who is a person connected to MSM, also has a direct equity interest over 855,600 AMH Shares representing 0.016% equity interest in AMH.

2. MGB Group

MSS and MBI are wholly-owned subsidiaries of MGB.

TAK is also a major shareholder of MGB with a deemed interest over 272,953,208 ordinary shares of RM0.78 each ("MGB Shares") representing 70% equity interest in MGB held via MEASAT Global Network Systems Sdn. Bhd. ("MGNS"), a wholly-owned subsidiary of MAI Holdings Sdn. Bhd. ("MAIH") in which he has a 99.999% direct equity interest. Hence, TAK also has deemed interest over MSS and MBI. Please refer to Note 1 above for TAK's deemed interest in Maxis.

THO is also a director of MGB and MSS. THO does not have any equity interest in the shares of MGB, MSS or MBI. Please refer to Note 1 above for THO's deemed interest in Maxis.

MSM is also a major shareholder of MGB with a deemed interest over 116,979,947 MGB Shares representing 30% equity interest in MGB in which Harapan Kota Sdn. Bhd. ("HKSB") has an interest, by virtue of his 50% direct equity interest in HKSB. HKSB's deemed interest in such MGB Shares arises through its wholly-owned subsidiary, namely, Tujuan Wira Suria Sdn. Bhd. ("TWSSB"). TWSSB holds such MGB Shares under discretionary trust for Bumiputera objects. As such, MSM does not have any economic interest over such MGB Shares as such interest is held subject to the terms of such discretionary trust. Please refer to Note 1 above for MSM's interests in Maxis.

LGK who is a Director, is also a director of MGNS. LGK does not have any equity interest in the shares of MGB, MSS or MBI. Please refer to Note 1 above for LGK's interest in Maxis.

Ashwin Kumar Das ("AKD") is a director of MCB is also a director of MGB. AKD does not have any equty interest in the Shares of MGB, MSS or MBI.

Additional Disclosures

TRANSACTIONS THROUGH MEDIA AGENCIES

Some of the media airtimes, 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 2016 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 RM21,774,493.

MAXIS' COMPLIANCE WITH THE PERSONAL DATA PROTECTION ACT

The Company recognises the importance of protecting shareholders' and customers' personal data, and has taken steps to be fully compliant with the Personal Data Protection Act 2010 (PDPA 2010). The Company will not disclose such data without their consent unless required or permitted by the PDPA 2010, any applicable laws, regulations or codes.

IMPOSITION OF SANCTIONS/PENALTIES

MCMC issued compounds totalling RM850,000 from March to November 2016 to Maxis Mobile Services Sdn. Bhd., a subsidiary of the Company for non-compliances to the prepaid registration guidelines that were measured for 1 case in 2013 and 16 cases between March 2015 - May 2015.

Save as disclosed above, there are no public sanctions and penalties imposed on the Company or its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year 2016.

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 2016 or, if not then subsisting, entered into since the end of financial year 2015.

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	Licence Agreement	20 Oct 2009	Maxis Berhad Maxis Communications Berhad ("MCB")	Grant by MCB to the Company and its subsidiaries of a perpetual, royalty-free licence to use in Malaysia, trademarks and service marks that are registered in the name of MCB	The consideration of each party for the agreement is the exchange of promises and a cash payment of RM10 payable by the Company	Fulfilment of promises and cash of RM10	Please see Note 1 below for further details of the relationship between the Company and MCB
2	Transponder Lease for Measat-3 supplemented by supplemental letters No. 1 – 13	17 Oct 2007 Supplemental No. 1: 20 May 2009 Supplemental No. 2: 9 Jun 2009 Supplemental No. 3: 17 Feb 2010 Supplemental No. 4: 17 Jun 2010 Supplemental No. 5: 20 Apr 2011 Supplemental No. 6: 8 May 2012 Supplemental No. 7: 13 Jul 2012 Supplemental No. 8: 4 Jan 2013	Maxis Broadband Sdn. Bhd. ("MB") MEASAT Satellite Systems Sdn. Bhd. ("MSS")	Leasing of transponders for Measat-3 by MB for use of bandwidth capacity	Rental fee payable by MB to MSS	Cash	MB is a wholly-owned subsidiary of the Company Please see Note 2 below for further details on the relationship between MB and MSS

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)
		Supplemental No. 9: 8 Jul 2013 Supplemental No. 10: 29 Oct 2013 Supplemental No. 11: 17 Mar 2014 Supplemental No. 12: 14 Oct 2014 Supplemental No. 13: 3 Nov 2015					
3	Teleport Services Agreement (Lease rentals of Measat earth station facility) supplemented by supplemental letter No. 1	17 Oct 2007 Supplemental No. 1: 19 Apr 2013	MB MSS	Lease rentals of MSS teleport and earth station facility by MB	Service fee payable by MB to MSS	Cash	Please see Note 2 below for further details on the relationship between MB and MSS
4	Services Agreement novated and supplemented by a novation agreement and supplemental letters	10 Feb 2015 Novation Agreement: 25 Mar 2016 Supplemental Letter: 22 Sep 2016 Supplemental Letter: 15 Dec 2016	MB SRG Asia Pacific Sdn. Bhd. ("SRG")	Procurement of customer call-handling and telemarketing services by MB from SRG	Consideration passing from MB to SRG is RM41 million	Cash	Please see Note 1 below for further details on the relationship between the Company and TAK SRG is a Person Connected to TAK

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	Managed Bandwidth Services Agreement	1 Jul 2011	MB	Lease of bandwidth capacity on IPSTAR-1 satellite by MBIL	Rental fee payable by MB to MBIL	Cash	Please see Note 2 below for further details on the relationship between MB and MBIL
	(a) Letter of Agreement for Additional Managed Bandwidth Services	11 Nov 2014	MEASAT Broadband (International) Ltd. ("MBIL")				
	(b) Letter of Agreement for Additional Managed Bandwidth Services	13 May 2015					
	(c) Letter of Agreement for Additional Managed Bandwidth Services	8 Jul 2015					
6	(a) IPTV Services Agreement (as amended by Termination Letter dated 27 Sep 2012, terminating the application of IPTV Services Agreement with respect to AD5SB, effective from 25 Oct 2012)	19 Jan 2012	MB 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 MB to Media Innovations and AD5SB	Cash	Please see Note 3 below for further details on the relationship between MB, Media Innovations and AD5SB
	(b) Amendment to IPTV Services Agreement	3 Apr 2013	MB Media Innovations	Agreement to amend the scope of services of Media Innovations under the IPTV Services Agreement			
7	(a) Fibre Co-Marketing Agreement	30 Apr 2013	MB MEASAT Broadband Network Systems Sdn Bhd. ("MBNS")	To exclusively collaborate and co-market unique customer offers combining Astro B.yond, IPTV and Astro On The Go services with Maxis' fibre service	(a) Content sponsorship fee payable by MB to MBNS (b) Charges payable by MBNS to MB	Cash	Please see Note 3 below for further details on the relationship between MB and MBNS

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)
7	(b) Assignment Agreement– Maxis Fibre Packaged Service Debts	30 Apr 2013	MB MBNS	An irrevocable assignment of rights to receive all monies paid by subscribers for the fibre services provided under the Fibre Co-marketing agreement	This is an agreement made pursuant to the Fibre Co-marketing agreement	Cash	Please see Note 3 below for further details on the relationship between MB and MBNS
	(c) Wireless and ADSL Co-marketing Agreement	30 Apr 2013	MB 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 MB	Cash	
	(d) Astro B.Yond IPTV Services and Astro OTT Services Dealer Agreement	30 Apr 2013	MB MBNS	Appointment of MB 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 MB	Cash	
8	Share Purchase Agreement	27 Dec 2016	Maxis Berhad MBNS Multimedia Technologies Sdn Bhd. ("MMT")	For sale and purchase of 833,334 ordinary shares of RM1.00 in Advanced Wireless Technologies Sdn. Bhd.	Consideration for sale shares paid by the Company to MMT; and Charges payable by MB to MMT for purchase of goods and services from MMT and/or its related corporations	Cash	Please see Note 3 below for further details on the relationship between the Company and MMT

Notes

1. Binariang GSM Sdn. Bhd., Usaha Tegas Equity Sdn. Bhd., Usaha Tegas Sdn. Bhd. ("UTSB"), Pacific States Investment Limited ("PSIL"), Excorp Holdings N.V. ("Excorp"), PanOcean Management Limited ("PanOcean"), Ananda Krishnan Tatparanandam ("TAK"), Harapan Nusantara Sdn. Bhd., Tun Haji Mohammed Hanif bin Omar ("THO"), Dato' Haji Badri bin Haji Masri ("Dato' Badri"), Mohamad Shahrin bin Merican ("MSM"), STC Malaysia Holding Ltd., STC Asia Telecom Holding Ltd., Saudi Telecom Company ("STC") and Public Investment Fund, who are Major Shareholders of the Company are also major shareholders of MCB. The Company is a 64.91% indirect subsidiary of MCB.

   Mohammed Abdullah K. Alharbi, Mazen Ahmed M. AlJubeir and Naser Abdulaziz A. AlRashed are Directors of MCB and the Company.

Material Contracts

2. MSS and MBIL are the wholly-owned subsidiaries of MEASAT Global Berhad (“MGB”). TAK who is a Major Shareholder of the Company is also a major shareholder of MGB.

   THO who is a Major Shareholder of the Company is also a director of MGB and MSS.

   MSM 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 MB is also a director of MEASAT Global Network Systems Sdn. Bhd., a major shareholder of MGB.

3. MMT, AD5SB and MBNS are wholly-owned subsidiaries of Astro Malaysia Holdings Berhad (“AMH”) whilst Media Innovations is wholly-owned by Media Innovations Pte. Ltd. (“MIPL”) which in turn is 83.84% held by All Asia Digital Networks Pte. Ltd. (“AADN”). AADN is an indirect wholly-owned subsidiary of Astro Holdings Sdn. Bhd. (“AHSB”).

   UTSB, PSIL, Excorp, PanOcean and TAK, who are Major Shareholders of the Company are also major shareholders of AMH.

   Dato’ Badri who is a Major Shareholder of the Company is also a director of MBNS and AHSB.

   LGK who is a Director of the Company and MB is also a director of AMH and AHSB.

Glossary

2G
Second generation of cellular telecommunications standards.

3G
Third generation of cellular telecommunications standards.

4G LTE
Or Long-Term Evolution; the next generation of mobile communications networks beyond 3G, which will deliver very high bandwidths to the mobile device.

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 Malaysia
Bursa Malaysia Securities Berhad

Cloud Solutions
Refers to also cloud computing services or computing resources that are delivered over the Internet for usage as and when they are needed.

Data Roaming
Refers to use of mobile data service whilst abroad. Devices are connected to the network of the mobile operator abroad so users can enjoy the same services they use back home.

Digitalisation
Refers to the adoption of digital technologies by an organisation to generate new revenue streams and create business opportunities.

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.

KKMM
Kementerian Komunikasi dan Multimedia Malaysia

M2M
Machine-to-machine; technologies that enable wired and wireless devices to exchange information without the assistance of a human.

Maxis or the Company
Maxis Berhad (Company No. 867573-A)

MCMC
Malaysian Communications and Multimedia Commission

Glossary

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.

MI
Mobile Internet

MMLR
Main Market Listing Requirements of Bursa Malaysia Securities Berhad

OTT
Over-the-top; the provision of video, television, audio and other media that are provided over the Internet.

Pay-Per-Use (PPU)
A term to illustrate how data and voice services are charged for. Users will pay for what they use, and charges will not be capped.

RAN
Radio Access Network; which comprises the base station technology and air interface of a cellular network.

SME
Small and Medium Enterprises

SMS
Short Message Service

Spectrum
Or a spectrum of radio communication frequencies, that is sold or licensed to operators of cellular telephone services. For example, Malaysia's telecommunications industry utilises the spectrum frequencies of 800MHz, 1800MHz etc. for provision of cellular services.

USP
Universal Service Provision; an initiative to promote the widespread availability and usage of network and/or applications services by encouraging the installation of network facilities and the provision of network and/or applications services in underserved areas.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of MAXIS BERHAD ("the Company") will be held on Wednesday, 26 April 2017 at 10.00 a.m. at Grand Ballroom, Level 3A, Connexion@Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, for the following purposes:

Agenda

1 To consider the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.
Please refer to Note A.

2 To re-elect the following Directors who retire pursuant to Article 114(1) of the Company's Constitution and, being eligible, have offered themselves for re-election:
a) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda **Resolution 1**
b) Tan Sri Mokhzani bin Mahathir **Resolution 2**
c) Alvin Michael Hew Thai Kheam **Resolution 3**
Please refer to Note B

3 To re-elect the following Directors who retire pursuant to Article 121 of the Company's Constitution and, being eligible, have offered themselves for re-election:
a) Mazen Ahmed M. AlJubeir **Resolution 4**
b) Naser Abdulaziz A. AlRashed **Resolution 5**
c) Dr. Kaizad B. Heerjee **Resolution 6**
Please refer to Note B

4 To approve the payment of Directors' fees and benefits from 31 January 2017 until the next Annual General Meeting of the Company to be held in 2018. **Resolution 7**
Please refer to Note C

5 To re-appoint Messrs PricewaterhouseCoopers ("PwC") as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 8**
Please refer to Note D

<u>As Special Business</u>

To consider and if thought fit, to pass the following Resolutions

6. Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 **Resolution 9**

"THAT, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and that the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of shares in the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof provided that the aggregate number of shares to be issued pursuant to this approval does not exceed ten (10) percent of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of all relevant regulatory bodies being obtained (if required)."
Please refer to Note E

Notice of Annual General Meeting

7. To obtain shareholders' mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with:
   a) Astro Malaysia Holdings Berhad and/or its affiliates; **Resolution 10**
   b) Tanjong Public Limited Company and/or its affiliates; **Resolution 11**
   c) MEASAT Global Berhad and/or its affiliates; **Resolution 12**
   d) Usaha Tegas Sdn. Bhd. and/or its affiliates; **Resolution 13**
   e) Maxis Communications Berhad and/or its affiliates; **Resolution 14**
   f) Saudi Telecom Company and/or its affiliates; **Resolution 15**
   g) SRG Asia Pacific Sdn. Bhd.; and **Resolution 16**
   h) Malaysian Landed Property Sdn. Bhd. **Resolution 17**

   The details of such RRPTs and the full text of Ordinary Resolution 10 to Ordinary Resolution 17 are set out in Appendix I and Appendix VI respectively of the Circular to Shareholders dated 27 March 2017 despatched together with the Company's Annual Report 2016."

By Order of The Board

DIPAK KAUR
LS 5204
Company Secretary
27 March 2017
Kuala Lumpur

EXPLANATORY NOTES

A. This Agenda item is meant for discussion only as under the provisions of Section 340 of the Companies Act 2016 and the Company's Constitution, the audited financial statements do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

B. Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda, Tan Sri Mokhzani bin Mahathir, Alvin Michael Hew Thai Kheam, Mr Mazen Ahmed M. AlJubeir, Mr Naser Abdulaziz A. AlRashed and Dr. Kaizad B. Heerjee are standing for re-election as Directors of the Company. The Nomination Committee and Board of Directors of the Company ("the Board") have considered the assessment of the six Directors and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors, as prescribed by Paragraph 2.20A of the MMLR. The profiles of these Directors are set out on pages 24 to 30 of the Company's Annual Report for the financial year ended 31 December 2016. The Nomination Committee and the Board had carried out an assessment of the independence of Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir pursuant to criteria as prescribed by the MMLR and Malaysian Code of Corporate Governance 2012 and are satisfied that they meet the criteria for independence. Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir were appointed as Directors on 16 October 2009 and both do not exceed the tenure of nine years.

C. Payment of Directors' Remuneration

   Pursuant to Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017, fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is requesting shareholders' approval for the payment of Remuneration to Non-Executive Directors for the period commencing 31 January 2017 up till the next Annual General Meeting of the Company in 2018 in accordance with the remuneration structure set out below. The Remuneration comprises fees and other benefits-in-kind ("BIK") payable to the Chairman and members of the Board, and the Chairmen and members of Board Committees.

Notice of Annual General Meeting

The remuneration structure setting out the fees and BIK payable to each of the Non-Executive Directors for their membership of the Board and Board Committees is as follows:

Remuneration Structure:	Monthly Fees (RM)
Chairman's Fees	33,334
Director's Fees	20,834
Chairman of Audit Committee	8,334
Chairman of Remuneration Committee	4,167
Chairman of Nomination Committee	4,167
Chairman of Business & IT Transformation Committee	4,167
Member of Audit Committee	1,667
Member of Remuneration Committee	1,667
Member of Nomination Committee	1,667
Member of Business & IT Transformation Committee	1,667
Chairman's BIK	4,167

The composition of the Board and Board Committee can be found on pages 24 to 30 of this Annual Report.

The Shareholders' approval is being sought under Resolution 7 for the payment of the Remuneration to Non-Executive Directors from 31 January 2017 up till the next Annual General Meeting of the Company (a period of 15 months) in accordance with the remuneration structure set out above. If passed, it will allow the Company to make payment of the Remuneration to Non-Executive Directors' on a monthly basis up till the next Annual General Meeting of the Company to be held in 2018.

D. The Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company and collectively agree that PwC meets the criteria of the adequacy of experience and resources of the firm and the person assigned to the audit as prescribed by Paragraph 15.21 of MMLR.

E. Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016. The Ordinary Resolution proposed under Resolution 9 of the Agenda is a general mandate for the Directors to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016.

The proposed Resolution 9, if passed, will give authority to the Directors of the Company, from the date of this Annual General Meeting, to issue and allot shares or to make or grant offers, agreements or options in respect of shares to such persons, in their absolute discretion including to make or grant offers, agreements or options which would or might require shares in the Company to be issued after the expiration of the approval, without having to convene a general meeting, provided that the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The general mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to making placement of shares for purposes of funding investment(s), working capital and general corporate purposes as deemed necessary. The general mandate gives authority to the Directors to raise funds in an effective and expeditious manner.

Notes: on Proxy

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote for him/her except in the circumstances set out in notes 2 and 3. A proxy may but need not be a member of the Company.

2. Where a member of the Company is also a substantial shareholder (within the meaning of the Companies Act 2016) per the Record of Depositors, such member shall be entitled to appoint up to (but not more than) five proxies. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. Where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one instrument of proxy and shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.

4. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or under the hand of its duly authorised attorney or officer on behalf of the corporation.

Notice of Annual General Meeting

5. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each Proxy.

6. The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Copies of the duly executed form of proxy which are faxed and/ or e-mailed to us are not acceptable.

7. Pursuant to Paragraph 8.29A(1) of the MMLR, all the resolutions at the Eighth AGM of the Company shall be put to vote by way of poll.

8. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

9. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

Members Entitled to Attend
For purposes of determining the entitlement of a member to attend the Eighth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 81(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 April 2017. Only a Depositor whose name appears on the General Meeting Record of Depositors as at 19 April 2017 shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and/or vote on such Depositor's behalf.

Personal Data Privacy
Please refer to the Company's 'Compliance with the Personal Data Protection Act' statement as found on page 213 of the Annual Report.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:- (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the AGM; (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations, codes and/or guidelines (collectively, the "Purposes"), (ii) undertakes and warrants that he or she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative's(s') personal data for the Purposes, and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's failure to provide accurate and correct information of the personal data or breach of the member's undertaking and/or warranty as set out herein.

NOTE: the term "processing" and "personal data" shall have the meaning as defined in the Personal Data Protection Act 2010

Proxy Form

I/*We .... *NRIC (new and old)/*Passport/*Company No ....
(full name of a member in block letters as per *identity card/*passport/*certificate of incorporation) (compulsory: new and old)

of ....
(address)

telephone No .... being a member of Maxis Berhad ("the Company"), hereby appoint

.... *NRIC/*Passport No ....
(full name of a proxy in block letters as per *identity card/*passport) (compulsory)

of ....
(address)

and/or .... *NRIC/*Passport No ....
(full name of a proxy in block letters as per *identity card/*passport) (compulsory)

of ....
(address)

Only in the case of a member who is a substantial shareholder/exempt authorised nominee

and/or .... *NRIC/*Passport No ....
(full name of a proxy in block letters as per *identity card/*passport) (compulsory)

of ....
(address)

and/or .... *NRIC/*Passport No ....
(full name of a proxy in block letters as per *identity card/*passport) (compulsory)

of ....
(address)

and/or .... *NRIC/*Passport No ....
(full name of a proxy in block letters as per *identity card/*passport) (compulsory)

of ....
(address)

or failing *him/her, THE CHAIRMAN OF THE MEETING as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf at the Eighth Annual General Meeting of the Company to be held on Wednesday, 26 April 2017 at 10.00 a.m. at Grand Ballroom, Level 3A, Connexion@Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia and at any adjournment thereof. *I/We indicate with an "√" or "X" in the spaces below how *I/we wish *my/our vote to be cast:

AGENDA

1 To consider the Audited Financial Statements and the Reports of Directors and Auditors thereon

	ORDINARY RESOLUTIONS		FOR	AGAINST
2	Re-election of the following Directors pursuant to Article 114(1) of the Company's Constitution			
	(a) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	(Resolution 1)		
	(b) Tan Sri Mokhzani bin Mahathir	(Resolution 2)		
	(c) Alvin Michael Hew Thai Kheam	(Resolution 3)		
3	Re-election of the following Directors pursuant to Article 121 of the Company's Constitution			
	(a) Mazen Ahmed M. AlJubeir	(Resolution 4)		
	(b) Naser Abdulaziz A. AlRashed	(Resolution 5)		
	(c) Dr. Kaizad B. Heerjee	(Resolution 6)		
4	Approval for payment of Directors' Remuneration	(Resolution 7)		
5	Re-appointment of Auditors	(Resolution 8)		
6	Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016	(Resolution 9)		
7	To obtain shareholders' mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with:			
	(a) Astro Malaysia Holdings Berhad and/or its affiliates	(Resolution 10)		
	(b) Tanjong Public Limited Company and/or its affiliates	(Resolution 11)		
	(c) MEASAT Global Berhad and/or its affiliates	(Resolution 12)		
	(d) Usaha Tegas Sdn. Bhd. and/or its affiliates	(Resolution 13)		
	(e) Maxis Communications Berhad and/or its affiliates	(Resolution 14)		
	(f) Saudi Telecom Company and/or its affiliates	(Resolution 15)		
	(g) SRG Asia Pacific Sdn. Bhd.	(Resolution 16)		
	(h) Malaysian Landed Property Sdn. Bhd.	(Resolution 17)		

Subject to the above stated voting instructions, *my/*our *proxy/proxies may vote or abstain from voting on any resolution as *he/*she/*they may think fit.

If appointment of proxy is under hand

....
Signed by *individual member/*officer or attorney of member/*authorised nominee of

.... (beneficial owner)

If appointment of proxy is under seal

The Common Seal of ....
was hereto affixed in accordance with its Constitution in the presence of:

....
Director *Director/*Secretary

in its capacity as *member/*attorney of member/ *authorised nominee of

.... (beneficial owner)

Only in the case of a member who is a substantial shareholder/exempt authorised nominee

Third Proxy
No. of Shares: ....

Percentage: .... %

Fourth Proxy
No. of Shares: ....

Percentage: .... %

Fifth Proxy
No. of Shares: ....

Percentage: .... %

No. of shares held: ....

Securities Account No.: ....
(CDS Account No.) (Compulsory)

Date:

Seal

No. of shares held: ....

Securities Account No.: ....
(CDS Account No.) (Compulsory)

Date:

The proportions of *my/*our holding to be represented by *my/*our proxies are:

First Proxy
No. of Shares: ....

Percentage: .... %

Second Proxy
No. of Shares: ....

Percentage: .... %

Notes: on Proxy

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote for him/her except in the circumstances set out in notes 2 and 3. A proxy may but need not be a member of the Company.
2. Where a member of the Company is also a substantial shareholder (within the meaning of the Companies Act 2016) per the Record of Depositors, such member shall be entitled to appoint up to (but not more than) five proxies. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one instrument of proxy and shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
4. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or under the hand of its duly authorised attorney or officer on behalf of the corporation.
5. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each Proxy.
6. The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Copies of the duly executed form of proxy which are faxed and/ or e-mailed to us are not acceptable.
7. Pursuant to Paragraph 8.29A(1) of the MMLR, all the resolutions at the Eighth AGM of the Company shall be put to vote by way of poll.
8. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
9. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

Members Entitled to Attend

For purposes of determining the entitlement of a member to attend the Eighth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 81(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 April 2017. Only a Depositor whose name appears on the General Meeting Record of Depositors as at 19 April 2017 shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and/or vote on such Depositor's behalf.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/ or any adjournment thereof, a member of the Company:- (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the AGM; (b) preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations, codes and/ or guidelines (collectively, the "Purposes"), (ii) undertakes and warrants that he or she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative's(s') personal data for the Purposes, and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's failure to provide accurate and correct information of the personal data or breach of the member's undertaking and/or warranty as set out herein.

Note: the term "processing" and "personal data" shall have the meaning as defined in the Personal Data Protection Act 2010

* delete if inappropriate

Fold Here

Stamp

Maxis Berhad 867573-A

Maxis Berhad
c/o Symphony Share Registrars Sdn. Bhd. 378993-D
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
Malaysia

Fold Here

Maxis Berhad 867573-A
Level 21, Menara Maxis
Kuala Lumpur City Centre
Off Jalan Ampang
50088 Kuala Lumpur

www.maxis.com.my